

February 19, 2025

The Honorable Francis Averkamp, Chairperson
House Committee on Welfare Reform
300 SW 10th Avenue, Room 152-S
Topeka, Kansas 66612

Dear Representative Averkamp:

SUBJECT: Fiscal Note for HB 2360 by House Committee on Welfare Reform

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2360 is respectfully submitted to your committee.

HB 2360 would require the Department for Children and Families (DCF) to verify eligibility for the food assistance program. DCF would be required to enter into data-matching agreements with state agencies to compare data related to households enrolled in food assistance, child support services, Medicaid, and other public assistance programs. Among other things, DCF would receive and review information concerning individuals or households enrolled in those programs that indicates a change in circumstances that could affect eligibility for the programs on at least a monthly basis, from the Kansas Lottery and the Kansas Racing and Gaming Commission, to identify households with lottery or gambling winnings of \$3,000 or greater.

DCF indicates that enactment of HB 2360 would increase agency expenditures by \$13.0 million from all funding sources, including \$11.3 million from the State General Fund for FY 2026. Continued expenditures for FY 2027 and in the out-years would be \$12.6 million from all funding sources, including \$10.3 million from the State General Fund.

HB 2360 would require DCF and Kansas Department of Health and Environment (KDHE) to enter into data matching agreements with commercial entities that collect data regarding wages and employment to obtain real time employment and income data. Prior to November 1, 2025, a presentation to the Legislative Coordinating Council would be required to compare data options and make the determination of approval of the data matching agreement.

Currently, DCF and KDHE partner on an agreement with Equifax for data access related to wages and employment. This contract operates from February through January and can be renewed annually. This contract includes a fixed annual rate paid with 12 monthly payments and a monthly accounting fee. The contract includes a ceiling of data matches in the base price. Once

this ceiling is met, all additional matches require payment of an overage fee. Unless the contract is ended prior to a new contract year, the full amount of the contract is due. Currently, this contract is used and paid by KDHE and DCF. However, if either agency was to discontinue using the contract, the remaining agency would be responsible for the full cost until the next contract year.

The Equifax contract costs are increasing by 30.0 percent each year. Projected costs are exceeding budgeted amounts. DCF has begun the process of evaluating other options which may provide similar data at a lower cost. To maintain the Equifax contract, additional funding of \$2.1 million from all funding sources, including \$820,018 from the State General Fund, would be needed for FY 2026. Beginning in FY 2027 and beyond the increase would be \$3.1 million from all funding sources, including \$1.4 million from the State General Fund.

The bill would also direct DCF to enter into agreements with other state and federal agencies to allow for the continuous review, comparison, and verification of data for food assistance eligibility. Data used from other state agencies to review food assistance eligibility would include death records, wage information, residency changes, incarceration status, changes in employment, and lottery winnings. Items to be obtained and verified from federal databases would include income information, death records, incarceration status, earnings and pension information maintained by the US Social Security Administration, and other items. DCF staff currently accesses some of these information sources when determining initial eligibility or during redetermination reviews. HB 2360 would require at least quarterly posting of data related to non-compliance and fraud investigations.

The bill would require DCF to modify existing interfaces and create new ones based on the criteria above. Currently, DCF maintains interfaces with multiple state and federal partners to obtain data to verify initial and continuing eligibility. These interfaces would need to be expanded to meet some of the data matching requirements as they are currently used for non-food assistance programs or do not fully meet the requirements in HB 2360. Additionally, new interfaces would need to be created to obtain and use the federal data.

The list below details the bill's requirements which would be monitored and compared from state sources. Information is also provided regarding their impact on the number of tasks assigned to be completed:

- Data, not limited to death records, from the Office of Vital Statistics is to be gathered and compared monthly. Currently, data is provided and exceptions to what is maintained in the Kansas Eligibility Enforcement System are identified. These differences are assigned as tasks and worked. No significant change in the workload would be expected;
- Data, not limited to changes in employment or wages, from the Kansas Department of Labor (KDOL) quarterly. DCF currently has access to this information and uses it when applications or reviews are completed. No continuous comparison to all recipients is currently done. Ongoing comparisons would be expected to increase the number of tasks needed to be completed;
- Data, not limited to changes in residency as identified in out-of-state purchases, from the Electronic Benefits Transfer system on a monthly basis. This data is currently available

and being reviewed for out of state activity. However, moving out of state is not an activity which must be reported between Interim Reviews. These would now have to be assigned as a task to employees;

- Data, not limited to changes in income, wages or residency as identified by tax records, from the Kansas Department of Revenue (KDOR), quarterly. There are currently no agreements with KDOR. This would require a new agreement be developed. Once an agreement was in place, all changes would have to be assigned as new tasks for employees;
- Data, not limited to incarceration status, from the Kansas Department of Corrections (KDOC) reviewed monthly. DCF currently receives a batch file detailing these changes. This item would have no significant impact on the tasks to be performed;
- Data, not limited to potential changes in employment, income or assets, from KDOL semi-monthly. This would be a new activity. KDOL currently updates quarterly wage information but not semi-monthly. No data is currently provided regarding employment and assets. This information is currently used only at the time of application or review and does not include continuous comparison to all food assistance cases. The number of tasks generated from the updated comparisons would be expected to increase the number of tasks assigned. This item would also require a change in the frequency of reports by Kansas businesses as they currently report quarterly; and
- Monthly data related to gambling winnings from the Kansas Lottery and Racing and Gaming Commission in excess of \$3,000. Information is currently provided related to winnings in excess of \$3,500. The change in reporting limits would not be significant.

HB 2360 would also require information to be obtained from federal sources. This information would then to be reviewed and acted upon to assess continued eligibility. The list below shows the items from federal sources to be compared and their impact on the number of tasks assigned to be completed:

- Data to verify at least monthly from the Social Security Administration:
 - Earned income information;
 - Death records;
 - Incarceration records;
 - Supplemental Security information;
 - Beneficiary records;
 - Earnings information; and
 - Pension information.

These comparisons were stopped because the system couldn't support the security requirements of the IRS for this exchange. Restarting this would require significant system work, fingerprinting, and wrap back for all employees with access to the data. It is anticipated ongoing comparisons with this data, if it can be obtained, would generate significant differences requiring the assignment of numerous tasks.

- Monthly data from the Department of Health and Human Services regarding income and employment information maintained in the national directory of new hires and child

support enforcement data. DCF currently has access to the new hire data which is used when processing applications and interim reviews. Continuous monitoring of the data and comparison with reported information is not completed. Additionally, quarterly wage information is not reviewed. New tasks would be generated with the implementation of this requirement.

- Monthly data from the Department of Housing and Urban Development regarding payment and earnings information. There is currently no agreement with this agency. Once an agreement was established and implemented, changes would generate tasks to be worked.
- Monthly data from the Federal Bureau of Investigation regarding fleeing felons. There is currently no agreement with this agency. Once an agreement was established and implemented, changes would generate tasks to be worked.

It is estimated the development or expansion of these interfaces would result in initial expenditures of \$1.8 million. Ongoing maintenance of these interfaces is estimated at an annual cost of \$360,000 (20.0 percent of the initial development costs).

Additional staffing would be required to manage the interfaces and produce the information needed to verify continuous eligibility. These positions would be located in Economic and Employment Services administration. These duties would require the hiring of two Management Systems Analysts at an annual salary and benefits of \$65,971 for each position. Other expenses would also be incurred by these positions such as communications, travel, fees, etc. at an estimated cost of \$12,767 for the first year. These positions would also be used to post the information related to non-compliance and fraud investigations. The annual estimated costs for these positions including other operating costs are \$162,169 during the FY 2026.

Currently, DCF uses a simplified method for reporting changes to food assistance cases. Under this method, only a few types of changes, such as changes in income or Able-bodied Adults Without Dependents status are reported. Other changes which may increase or decrease benefit amounts are reported and calculated at the Interim Review which occurs every six months.

The Supplemental Nutrition Assistance Program (SNAP) caseload averages over 100,000 adults per month. This population includes families and individuals who may move frequently. Additionally, those who are employed mainly work low-wage jobs with varying hours per week. These individuals may also change employment. This may result in frequent changes being noted to the various items being identified through continuous monitoring. Additionally, as similar information may be looked at from various sources with various time frames, the same changes may be identified more than once.

Based on the data comparisons to be performed, the frequency in which differences and changes are identified and made would increase significantly. These changes, once identified, would have to be reviewed by a caseworker with potential changes to be made to the individual's case. Depending on the type of action being taken, changes could occur in consecutive months for items such as hours worked, or income earned. Each change would require action by the case worker. Per USDA regulations, program staff have ten days to review and initiate changes to the cases.

Due to the increased number of data sources being checked and the continuous nature of the checks, the frequency to update food assistance benefits would be expected to increase. As each change task was assigned, reviewed, and as action was taken, additional positions would be needed. Currently, there are 361.00 regional workers performing SNAP related activities. The changes noted to comply with the continuous eligibility would be expected to increase the amount of work needing to be performed by 50.0 percent, or an additional 182.00 positions. As of January 2025, there was a 12.0 percent vacancy rate for eligibility workers, which equates to 71.00 positions. Allowing for these vacancies, it is estimated 111.00 positions would be needed to manage the increased tasks related to SNAP. These positions would include 1.00 Administrative Assistant position, 14.00 Human Services Assistant positions, 15.00 Human Services Consultant positions, 67.00 Human Services Specialist positions, 11.00 Human Services Supervisors, and 3.00 Program Consultant positions. These positions would be benefits-eligible and additional building space would be needed. An additional \$9.0 million is estimated to fund the increase in staffing related to the continuous monitoring and review of food assistance benefits with increased data comparisons.

The increased number of tasks resulting from continuous monitoring could also impact the Food Stamp Error Rate. These rates are monitored at the federal level and failure to maintain an acceptable rate could result in penalties against the state. All changes impacting benefits must be assigned and processed within ten days. A potential food stamp error occurs if changes are not reported within this time frame.

Prior to switching to the simplified reporting method for food assistance changes now being used, DCF used a reporting method similar to the proposal. In FY 2003, using a change reporting method similar to what would be required under the bill, DCF had an error rate of 10.45 percent. Soon after adopting the simplified reporting, the error rate dropped to 5.11 percent.

The proposed changes are expected to result in an increase in the error rate which could result in possible penalties. During FY 2019, one state, Maine indicated it used a similar reporting method. It's error rate during that period was 19.12 percent and penalties of \$2.7 million were assessed. The total SNAP benefits issued by Maine during that fiscal year totaled \$203.6 million, similar to the \$265.3 million issued by Kansas. Other states such as Iowa and Michigan also received penalties related to their food stamp rates, though the benefits paid were significantly more than those issued in Kansas. Iowa was issued a penalty of \$2.8 million after issuing \$429.1 million in benefits. Michigan issued \$1.7 billion in benefits and was penalized \$10.9 million for its error rate. Any penalties assessed would require additional state funds.

Federal funds to cover expenses related to the administration of the SNAP program during Federal Fiscal Year 2024 totaled \$30.2 million. Kansas spent all but \$639,023 of the federal funds awarded. It is estimated approximately \$500,000 in federal SNAP administrative funds are available to cover the changes proposed by HB 2360. All expenses above this amount would require a State General Fund appropriation. Changes made to the food assistance benefits paid to recipients would have no impact on the state budget. These funds are 100.0 percent federally funded and are passed through to the recipients. These benefits are not reflected in the state budget.

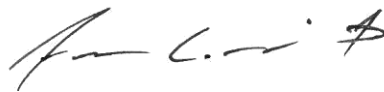
KDHE indicates that enactment of HB 2360 would increase expenditures for the agency by \$2.4 million from all funding sources, including \$935,485 from the State General Fund, for FY 2026. KDHE currently interfaces with the Kansas Department of Corrections, Kansas Public Employees Retirement System, Equifax, KDOL, Social Security Administration (SSA), and federal Department of Human Services, but per the requirements in the bill KDHE would be required to interface with the Internal Revenue Service (IRS). Currently, KDHE does not interface with the IRS as the agency found the information was not useful and out of date (often by more than one year). In addition, the National Directory of New Hires provides wage and unemployment information, which the agency already receives from KDOL and Equifax, so the information is duplicative.

Starting in September 2026, SSA will no longer provide date of death information. The SSA will indicate if an individual has passed away but will not provide the actual date of death. SSA receives most reports of death from vital statistics and KDHE already has an interface with them and receives the same information.

Fleeing felon status is not applicable to medical assistance eligibility so, an interface with the Federal Bureau of Investigations would not be useable. Assistance from Housing and Urban Development is exempt as income in the month received and as a resource in the following months so this information would not be applicable to determining eligibility for Medicaid.

The Kansas Lottery indicates that enactment of HB 2360 would have a negligible fiscal effect on the agency. The Kansas Department of Revenue indicates that enactment of HB 2360 would have no fiscal effect on the agency. The Legislative Coordinating Council indicates that enactment of HB 2360 would have no fiscal effect on the Council. Any fiscal effect associated with HB 2360 is not reflected in *The FY 2026 Governor's Budget Report*.

Sincerely,



Adam C. Proffitt
Director of the Budget

cc: Kim Holter, Department for Children & Families
Keith Kocher, Kansas Lottery
Lynn Robinson, Department of Revenue
Tom Day, Legislative Services
Amy Penrod, Department of Health & Environment