

Texas EBT Alternatives Analysis

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Final Report

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The Texas Department of Human Services commissioned this report as a guide. This report does not reflect nor imply which alternative, if any, the Department may select for providing EBT services.

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Acronyms

AAPIRS	Automated Application Processing and Information Retrieval System
ACES	Access Certificates for Electronic Services
ACF	Agency for Children and Families
ACH	Automated Clearing House
ADA	Americans with Disabilities Act
ADP	Automated Data Processing
AG	Adjutant General
APD	Advance Planning Document
ARTS	Accounts Receivable Tracking System
ARU	Automated Response Unit
ASAP	Automated Standard Application for Payments
ATM	Automated Teller Machine
ATP	Authorization To Participate
CAP	Cost Allocation Plan
CASE	Client Assessment, Service planning, and Eligibility
CPA	Comptroller of Public Accounts
DHS	Department of Human Services
EBT	Electronic Benefits Transfer
EFT	Electronic Funds Transfer
EPS	Electronic Payment System
FFY	Federal Fiscal Year
FY	Fiscal Year
FMIS	Financial Management Information System
FNS	Food and Nutrition Service
FRB	Federal Reserve Board
FTE	Full-time Equivalent
FTS	Federal Technology Service
GSA	General Services Administration
GUI	Graphic User Interface
GWS	Generic Worksheet
HHSC	Health and Human Services Commission
ISO	International Standards Organization
IT	Information Technology
LAN	Local Area Network
LSIS	Lone Star Image System

LTC	Long-term Care
MHMR	Mental Health and Mental Retardation
MIS	Management Information System
NACHA	National Automated Clearing House Association
NCS	Northeast Coalition of States
OMB	Office of Management and Budget
PAC	Program Activity Code
PCPM	Per Case Per Month
PIN	Personal Identification Number
POS	Point-of-Sale
PRS	Department of Protective and Regulatory Services
QC	Quality Control
RFO	Request for Offers
RFP	Request for Proposals
SAS	Southern Alliance of States
SAVERR	System for Application, Verification, Eligibility, Referral, and Reporting
SPUR	Supplemental Payment Under Reform
TANF	Temporary Assistance for Needy Families
TDH	Texas Department of Health
TEAA	Texas EBT Alternatives Analysis
TIES	Texas Integrated Enrollment and Services
TWC	Texas Workforce Commission
TxDOT	Texas Department of Transportation
USDA	United States Department of Agriculture
WAN	Wide Area Network
WIC	Special Supplemental Nutrition Program for Women, Infants, and Children
WSEA	Western States EBT Alliance

I. Executive Summary

A. Introduction

The Texas EBT Alternatives Analysis (TEAA) has been prepared with the authorization and support of the Texas Department of Human Services (DHS) to maximize the benefits received from the selection of a new or alternative electronic benefits transfer (EBT) system, at the conclusion of the current contract.

The TEAA is intended to evaluate alternatives and considerations regarding key functions performed under the current full-service EBT contract. It is also intended to analyze the risks and benefits associated with the pursuit of a full-service EBT contract or with breaking the procurement of EBT services into the functional categories of the EBT program. The objective of the TEAA is to identify viable alternatives to the EBT system and to prioritize the alternatives that best fit DHS' programmatic and strategic needs and offer the best interest best value to the State.

The TEAA presents a detailed account of current operating conditions and costs, as well as requirements, risks, benefits and costs of alternative EBT systems. Early stages of this study focused on the identification and collection of base line data. Interviews, meetings and conference calls were used to obtain input from key stakeholders, including State staff, retailers and vendors. Final evaluations were based on this information, as well as a review of legal and regulatory documents and other relevant references.

B. Historical Perspective

In November 1995, DHS completed statewide implementation of its Lone Star EBT system. Lone Star EBT currently delivers Food Stamp benefits and/or Temporary Assistance for Needy Families (TANF) cash assistance to approximately 600,000 households (unduplicated cases), representing 583,000 Food Stamp cases and nearly 143,000 TANF cases.¹ Food Stamp and TANF benefits are delivered via a magnetic stripe card and are accessed by recipients through retailers' commercial and State-supplied point-of-sale (POS) devices.

The Lone Star EBT service provider is Transactive Corporation, a subsidiary of GTECH Corporation. The Transactive EBT contract with DHS became effective in March 1994 and remains in effect through February 2001. The contract with Transactive provides the State the option to extend the current contract for two two-year periods beyond the February 2001 date.

On February 27, 1998, Transactive announced that it had elected to transition out of EBT and that it had entered into an asset purchase agreement with Citicorp Services, Inc. (Citicorp). The U.S. Justice Department filed a legal challenge to the acquisition on July 27, 1998. In January 1999 Citicorp announced it was withdrawing its offer to acquire Transactive's assets.

Largely because of the exit of EBT processors from the market and increasing demands to add programs to the EBT platform, Texas is exploring alternatives to the current EBT system. One

¹ Eighty percent of TANF households also receive Food Stamps.

option under discussion is the assumption of one or more functions of an EBT system under direct state control. This control may entail direct operation, outsourcing, or a combination of options. Ideally, assumption of certain functions could result in greater control, more flexibility in meeting changing demands and lower cost.

However, achievement of these objectives may require significant new management challenges to gain the efficiencies of an EBT platform across multiple programs, while at the same time ensuring a consistent and high level of service to the recipient populations. Current EBT contracts provide some degree of insurance against risk. Even though the State is ultimately responsible for any losses, EBT service agreements stipulate that the EBT processor must remedy losses from system failures. Thus, assumption of some EBT operations may increase the financial risk to the State.

Assumption of EBT operations may follow alternative paths. The State may elect to assume all or part of the operations. The State may procure modules in one procurement or parcel functions out. Or, the State could elect to continue to procure EBT services on a basis similar to the current example. Additionally, the State has identified other alternatives, such as joining the Southern Alliance of States (SAS), a consortium of states created to contract EBT services for volume discounts. At least two other states are currently exploring this option.

C. Alternatives

Upon examination of the current EBT environment and the needs of Texas, both strategic and tactical, eight alternatives were identified for detailed analyses. The alternatives are delineated as follows:

- A. Stand-alone EBT Environment.** A private-sector vendor is selected to provide the full set of EBT services to Texas in an environment dedicated to Texas.
- B. Shared EBT Environment.** A private-sector vendor is selected to provide the full set of EBT services, but shares its EBT infrastructure (hardware, software, networks, etc.) with multiple states' EBT programs.
- C. SAS EBT Solution.** Texas joins the SAS and procures its EBT services under the blanket SAS EBT agreement.
- D. State In-house EBT Solution.** The State develops EBT resources and capabilities and operates these internally in providing EBT services to Texas.
- E. State In-house Acquire Transactive's Assets EBT Solution.** The State acquires certain resources of the current EBT vendor and operates these resources internally in providing EBT services to Texas.
- F. Multiple-service Outsource EBT Solution.** The State contracts with multiple component service vendors to provide the full set of EBT services.

- G. Selective Multiple-service Outsource And In-House EBT Solution.** The State may contract with multiple component service vendors, but retains the ability to provide some of the component services in-house.
- H. Selective Outsource Acquire Assets EBT Solution.** The State may contract with multiple component services and acquire certain assets from the current EBT vendor.

D. Considerations

Alternatives are evaluated on two scales: a quantifiable cost scale and a qualitative set of evaluation criteria. The cost scale provides the State with an estimate of the costs the State will incur for each of the eight alternatives. The qualitative scale measures each alternative consistently against the criteria the State deems important in qualitative merits (and risks) of the alternative.

The cost analysis was performed by conducting a base line analysis of current system costs and by estimating costs of vendor services through functional decomposition. State EBT costs were determined to be \$2.41 per case per month (PCPM) for Food Stamps and \$1.20 PCPM for TANF.² The current vendor pricing of \$2.00 for a Food Stamp case and \$.97 for a TANF case is included in these costs. For purposes of this evaluation, State internal costs (\$.41 for Food Stamps and \$.23 for TANF) are assumed to be unchanged from the current base line. Therefore, estimated cost comparisons of alternatives are based solely upon estimated vendor pricing or (as in the case of alternatives that bring some or all of the EBT functions in-house) on any additional internal costs the State may incur.

In the qualitative evaluation, benefits and opportunities are weighed against risks and constraints. The TEAA contains evaluative criteria (Appendix F) based on discovered constraints, strategic objectives and technical requirements and each alternative was scored based on their ability to meet the criteria. The criteria were broken out into three categories:

1. **Technical Criteria:** These criteria are used to evaluate the ability of the alternative to meet necessary technical, State and Federal requirements associated with operating a central processing system, merchant management, customer service and agency systems interface. They also evaluate the ability of the alternative to meet required security levels, conversion requirements and time lines.
2. **Programmatic Criteria:** These criteria are used to evaluate the alternative's ability to meet programmatic requirements. They address the alternative's ability to meet strategic initiatives, the department's resource availability, the department's needs for contract management, stakeholder satisfaction and other programmatic criteria.

² Baseline analysis is found in Section VII A: Economic Considerations, Current Conditions.

3. **Funds Management Criteria:** These criteria are used to evaluate the alternative’s ability to leverage Federal funding and existing infrastructure, as well as the ability to foster a competitive environment.³

While the ability to meet system (technical) requirements is critical to a fully operational system, programmatic and funds management are considered key elements for qualitative analysis. A number of these issues were identified during the course of the study that directly or indirectly impact the selection and implementation of an alternative EBT system design. Major considerations include original and current EBT DHS service objectives, projects competing for existing (limited) resources, strategic initiatives, technology considerations, cost allocation and time lines.

1. Near-term Objectives and Conditions

Broad objectives, consistent with other DHS initiatives to streamline and integrate services, include:

- Maintain or improve the quality of current EBT services;
- Maximize use of existing resources;
- Provide the best interest, best value for the State;
- Increase program extensibility and functionality;
- Leverage emerging technologies;
- Explore commercial applications;
- Explore interoperability with other states, particularly the four states that border Texas; and
- Enhance program flexibility.

Competing Projects – Resource Demands

Because the demand for computing and networking services is growing throughout DHS, it has placed a strain on the availability of highly trained information technology (IT) professionals, including managers and technicians. Current department initiatives may affect the alternative EBT system – and an alternative EBT system may affect department initiatives – in two ways: First, by impacting the ability of existing staff to perform Management Information System (MIS) tasks; and second, by impacting the interface and processing between department initiatives (systems) and the alternative system.

The technological constraints placed upon DHS at this time include:

- The concurrent design and development of new system interfaces and modifications to the existing client eligibility and certification system overlap the transition to the alternative EBT system. The overlap may result in conflicting needs for agency resources; the situation requires significant agency planning and coordination.

³ The economic (cost) analysis is not included as part of the qualitative evaluation criteria. A separate cost analysis has been prepared and is presented in Sections VII and VIII.

- Texas Integrated Enrollment and Services (TIES) is currently being developed by an interagency team established by Health and Human Services Commission (HHSC) and will, among other things, replace the System for Application, Verification, Eligibility, Referral, and Reporting (SAVERR) as the system for eligibility determination. The implementation of TIES involves interfacing with multiple legacy systems to support their activities. Due to the scope of the project, development and implementation of TIES is expected to last over a number of years, with a Stage 1 pilot scheduled for February through April 2001 and statewide rollout to be completed by March 2004. The development and implementation of TIES may utilize many of DHS' technical resources. In addition, policies, procedures and business and fiscal resources are affected by the project initiative.
- Multiple system interfaces may need to be designed, developed and implemented concurrently. The design and implementation of external interfaces may, depending on timing, occur simultaneously with SAVERR modifications and TIES implementation. Because the same staff and other limited resources may be adversely affected by increased demands for time and attention, development activities require careful interagency planning and coordination.
- Access to needed staff resources is limited due to increased competition in the private market for IT personnel and the inability of DHS to meet private-market rates for IT staff.
- MIS is currently working on making all systems within DHS Y2K compliant and has diverted numerous resources from automation support and system enhancements to meet Y2K systems compliance requirements.

2. Strategic Applications

Texas has fostered a vision of EBT as being a platform for delivery of services for many State programs, both within DHS and other agencies. An Interagency Task Force on Electronic Benefits Transfer has been established to develop guidelines for and promulgate the use of EBT throughout the State. EBT, while currently serving as a client benefit delivery tool, is envisioned to take on a much wider role in providing services within the State. It can be a tool for provider payments, client identification, specific program eligibility verification, tracking service utilization and fraud deterrence.

Table 1 identifies many of the programs that are candidates for EBT.

Table 1: Candidate Programs for EBT

Program	Clients	Benefit/Access Type
Refugee Resettlement	446	Cash
Special Nutrition Programs	200,000	Restricted cash
Transportation	6,739	Restricted cash
SPUR (Supplemental Payment Under Reform)	22,000	Cash
Family Violence	2,500	Identification and eligibility
Medicaid ID Form	1,800,000	Identification and eligibility
Long-term Care Medicaid	66,135	Identification and eligibility

Program	Clients	Benefit/Access Type
Long-term Care Aged and Disabled Community Care	97,815	Identification and eligibility
Lone Star Imaging System (LSIS)/POS Pilot	3,250	Fraud deterrence and detection
In-Home and Family Support Services	2,800	Cash
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	685,000	Restricted food
Petty Cash	4,000	Cash
Unemployment Insurance	150,000	Cash
Federal Direct Payments	180,000	Cash
State Payroll	40,000	Cash
Child Support	200,000	Cash
Child Care	79,043	Identification and eligibility
Foster Care	Unavailable	Identification and eligibility
Firefighters Pension	1,800	Cash

These new programs present policy and technical obstacles that must be resolved or addressed. All program requirements are not met by the current EBT system design. The addition of nonrestricted and restricted cash programs requires some change, but the impact is relatively small. Others, like WIC and LSIS/POS, require significant change, such as the flexibility and support of microprocessor chip card technology, off-line transaction processing and identity verification. The challenge for the TEAA is to draw a balance between the need for change and the safety (risk) and cost-effectiveness of current methods.

3. Technology Considerations

As in the Federal initiatives, discussed in Section IV: "Current Environment," DHS has been in the process of studying the use of advanced card technologies for additional program applications. DHS' conclusions were similar to those of the General Services Administration (GSA), that Food Stamp and cash assistance programs require only the existing level of magnetic stripe card technology. Microprocessor chips bring added value to some second-tier EBT programs. Therefore, DHS has elected to use magnetic stripe cards for Food Stamp and cash benefit delivery and a hybrid card, containing both the magnetic stripe and the microprocessor chip, for those second-tier programs requiring increased functionality. Two current programs, WIC and LSIS/POS, are currently being considered for the hybrid card.

4. Time Lines

The time line to develop and implement an alternative EBT system is controlled by the February 2001 completion of the current EBT contract with Transactive. In addition to this constraint, DHS is concurrently involved in WIC and LSIS/POS planning and implementation, as well as the ongoing work on Y2K compliance and TIES. The EBT implementation time line is a crucial portion of alternative planning. Table 2 delineates time line requirements.

Table 2: Major Milestones and Critical Paths

Date	Major Milestone
March 1, 1999	Finalize system design and procurement decisions
June 1, 1999	Approval of transition plan
July 1, 1999	Begin transition plan implementation
September 1999	Finger imaging at POS begins
January 1, 2000	Begin transition
June 1, 2000	Acceptance testing
July 1, 2000	WIC EBT pilot begins
December 31, 2000	Transition complete
February 2001	Transactive EBT contract ends

E. Summary

Each of the alternatives that were identified within this project represent potential paths for Texas to follow as it nears the end of the Transactive contract. This analysis centers on providing the State with best interest, best value, by striking a balance among three factors:

1. Flexibility to meet existing and emerging strategic service delivery initiatives;
2. Risk – financial and operational; and,
3. Cost.

Table 3 provides summary information concerning the advantages and disadvantages of each alternative.

Table 3: Summary Analysis of Alternatives

Alternative	Advantage	Disadvantage
Stand-alone EBT Environment	Responsive to current Texas needs Flexibility for expansion Single point of contact Consistent with privatization direction	High price Lack of competition Protracted time to implementation Requirement for system conversion
Shared EBT Environment	Experienced service provider Single point of contact Consistent with privatization Reduced time to implementation	Lack of competition Less flexibility for expansion Requirement for system conversion
SAS EBT Solution	Mainstream EBT system Experienced service provider Reduced time to implementation Consistent with privatization	Not a competitive procurement Less flexibility for expansion Requirement for system conversion
State In-house EBT Solution	Responsive to current Texas needs Highly flexible for expansion DHS control and management procedures Low cost	Protracted time to implementation Inexperience Resource availability Upfront State investment Financial risk Requirement for system conversion
State In-house Acquire Transactive's Assets EBT Solution	Flexibility for expansion DHS control and management procedures Reduced time to implementation Low cost	Resource availability Inexperience Upfront State investment Financial risk

Alternative	Advantage	Disadvantage
Multiple-service Outsource EBT Solution	Experienced niche providers Improved competition Consistent with privatization	No single point of contact Less flexibility for change and expansion More complex project management More complex problem determination and resolution Longer time to implementation Requirement for system conversion
Selective Multiple-service Outsource and In-house EBT Solution	Increased flexibility for enhancement Experienced niche providers Flexibility to address Texas strategic plans Improved competition	No single point of contact More complex management More complex problem determination and resolution Longer time to implementation Requirement for system conversion
Selective Outsource Acquire Assets EBT Solution	Lower cost Shorter time to implementation Flexibility to address Texas strategic plans Experienced niche vendors Improved competition	No single point of contact More complex management More complex problem determination and resolution

Each of the eight alternatives has been assigned a cost to Texas based on the methodology found in Section VIII B. Table 4 summarizes the estimated vendor or additional State costs for each alternative, based on the current Texas caseload.

Table 4: Summary Cost Estimation

Alternative	Per Month (000)	84 Months (000)	PCPM
Stand-alone EBT Environment	\$2,109	\$177,156	\$2.91
Shared EBT Environment	\$1,643	\$138,012	\$2.26
SAS EBT Solution	\$1,643	\$138,012	\$2.26
State In-house EBT Solution	\$1,436	\$120,624	\$1.98
State In-house Acquire Transactive's Assets EBT Solution	\$1,317	\$110,628	\$1.82
Multiple-service Outsource EBT Solution	\$1,768	\$148,512	\$2.44
Selective Multiple-service Outsource and In-house EBT Solution	\$1,630	\$136,920	\$2.25
Selective Outsource Acquire Assets EBT Solution	\$1,553	\$130,452	\$2.14

Qualitative scoring criteria, based on technical, programmatic and funds management requirements or objectives are found in Appendix F. Table 5 is a summary of the results of this evaluation.

Table 5: Summary Qualitative Scoring

Alternative	Technical	Program	Funds Management	Total
Stand-alone EBT Environment	98	101	31	230
Shared EBT Environment	120	93	31	244
SAS EBT Solution	120	94	31	245
State In-house EBT Solution	73	91	29	193
State In-house Acquire Transactive's Assets EBT Solution	110	90	27	227
Multiple-service Outsource EBT Solution	96	85	46	227
Selective Multiple-service Outsource And In-House EBT Solution	103	86	46	235
Selective Outsource Acquire Assets EBT Solution	133	92	45	270

Prioritization of the identified alternatives is based on a combination of qualitative and cost criteria that total 100 possible points. Sixty points are awarded for the qualitative evaluation and 40 for cost.⁴ In the following Table 6, the alternatives are listed with their calculated scores and their ordinal rank for the qualitative and cost evaluations.

Table 6: Summary Qualitative and Quantitative Scores and Rank

Alternative	Qualitative Score (Max. 60)	Qualitative Rank	Cost Score (Max. 40)	Cost Rank	Total Points (Max. 100)	Combined Rank
Stand-alone EBT Environment	41.8	5	25.0	8	66.8	8
Shared EBT Environment	44.4	3	32.1	5 (tied)	76.5	4
SAS EBT Solution	44.5	2	32.1	5 (tied)	76.6	3
State In-house EBT Solution	35.1	8	36.7	2	71.8	6
State In-house Acquire Transactive's Assets EBT Solution	41.3	6 (tied)	40.0	1	81.3	2
Multiple-service Outsource EBT Solution	41.3	6 (tied)	29.8	7	71.1	7
Selective Multiple-service Outsource and In-house EBT Solution	42.7	4	32.3	4	75	5
Selective Outsource Acquire Assets EBT Solution	49.1	1	33.9	3	83	1

⁴ Exact formulas for determining scores are as follows. Cost: $(x/y)*40$, where x = the lowest estimated cost and y = the alternative's estimated cost. Therefore, the alternative with the lowest estimated cost will receive the full 40 points. Qualitative scoring: $(x/330)*60$, where x = the alternative's total qualitative score and 330 is the maximum allowable points.

The top four qualitative alternatives, listed in order of combined rank are as follows:

1. Selective Outsource Acquire Assets EBT Solution
2. State In-house Acquire Transactive's Assets EBT Solution
3. SAS EBT Solution
4. Shared EBT Environment

Note that all provide existing systems, significant EBT resources and EBT or EFT experience. This has the effect of reducing the time line for implementation and the risks associated with inexperience, both of which are important to the State's planning. The highest ranked qualitative alternative, the selective outsource with assets acquired from the current vendor, will enhance the competitive nature of the procurement and is expected to provide the State with significant flexibility to implement its strategic initiatives.

The analyses of all aspects of an alternative EBT system have provided the State with a valuable tool to evaluate viable alternatives and to determine which alternatives provide the best interest, best value to Texas. With this report, Texas has illustrated its willingness to explore innovative and new opportunities to improve service delivery and reduce cost. Other states and the Federal government are looking to Texas for leadership as they too explore the "next generation" of EBT.

II. Introduction

The Texas EBT Alternatives Analysis (TEAA) has been prepared with the authorization and support of the Texas Department of Human Services (DHS) to maximize the benefits received from the selection of a new or alternative electronic benefits transfer (EBT) system, once the current EBT contract expires.

The TEAA is intended to evaluate alternatives and considerations regarding key functions performed under the current full-service EBT contract. It is also intended to analyze the risks and benefits associated with the pursuit of a full-service EBT contract or with breaking the procurement of EBT services into the functional categories of the EBT program. The objective of the TEAA is to identify viable alternatives to the EBT system and to prioritize the alternatives that best fit DHS' programmatic and strategic needs and offers the best interest best value to the State.

DHS has formed a working committee representing a cross section of DHS operating entities, including Fiscal, Security, Management Information Systems (MIS) and Texas Integrated Enrollment and Services (TIES). Phoenix Planning & Evaluation, a division of MAXIMUS, was selected to assist in the assessment and analyses of the EBT system and viable alternatives. The methodology used is consistent with the Texas Department of Information Resources' guidelines for outsourcing information technology projects.

III. Methodology

A. Overview

This section provides an overview of the methodologies employed by the Phoenix TEAA team to identify, collect and analyze source and extant data, documents and reference materials. Because this analysis required the participation of a broad range of divisions within DHS, it necessitated a team approach, involving agency and contractor staff at all levels and in all aspects of the study. This approach included the following:

- Gathering information through facilitated work sessions, interviews and review of industry literature;
- Reviewing all relevant laws, regulations and standards;
- Defining the objectives for an alternative EBT system;
- Analyzing current system services and performance;
- Defining alternative system requirements;
- Conducting a qualitative analysis of alternative systems, including the development of a criteria rating system;
- Conducting a quantitative analysis of the projected costs for each alternative system;
- Prioritizing alternatives; and
- Proposing a development and transition schedule.

The result of this approach was to give each EBT alternative the highest level of examination and ensure that any viable alternative would be ranked according to its ability to meet department requirements, support strategic initiatives, comply with State and Federal regulations and represent the best interest best value to the State.

B. Interviews and Meetings

The TEAA project began with a kick-off meeting held with representatives of divisions within DHS that are affected by the implementation of an alternative EBT system. The purpose of the kick-off meeting was to identify EBT system needs, assumptions, requirements and costs, as well as other information needed to analyze any viable alternative to the current EBT program. Subsequent to that initial meeting, the Phoenix TEAA team conducted follow-up interviews and meetings, as needed, to obtain additional program-specific and cost data and to clarify information received for analysis.

At the close of each formal meeting, the Phoenix TEAA team developed an “Action Plan” that identified the source data, person responsible, data media/type, date of availability and restricted access/confidentiality for all items identified by participants to support facts and perceptions discussed during the meetings. Meetings and conference calls with DHS staff included but were not limited to:

Table 7: Meetings and Conference Calls

Meeting/Call Description	Date
Initial meeting with subject-matter experts drawn from various divisions, offices, etc.	October 19, 1998
Meeting with Executive Staff	October 26, 1998
Meeting with MIS	October 27, 1998
Fiscal Work Group Meeting	November 3, 1998
Meeting with MIS	November 4, 1998
Meeting with Executive Staff	November 4, 1998
Meeting with DHS Operations	November 10, 1998
Meeting with Retailers	November 16, 1998
Conference call with Pulse™, the electronic funds transfer regional network	November 19, 1998
Meeting with DHS Security and TIES	November 20, 1998
Meeting with DHS Fiscal	November 30, 1998
Conference call with other State EBT Directors	December 7, 1998

The Phoenix TEAA team held the November 16, 1998, stakeholder meeting with retailers to obtain their opinions of current system operations as well as their concerns with possible consequences should an alternative be selected. Phoenix TEAA team members conducted phone interviews with vendors to obtain information regarding EBT services provided as separate functions. Vendor contacts included but were not limited to:

- EDS: The current TIES vendor
- Arthur Andersen: Technology provision
- Decision 1: Hardware maintenance provision
- West Telecommunications: Call center services provision
- MCI: Telecommunications
- BuyPass Corporation: Point-of-sale (POS) services
- Concord: POS services
- Deluxe Data: EBT and electronic funds transfer (EFT) provision

C. Document and Literature Review

1. General Literature/Document Review

The Phoenix TEAA team conducted a general review of existing benefit delivery systems. This included a review of system documentation and the following general literature:

- Federal evaluation reports on EBT systems operations and costs, stakeholder (client, retailer and financial institution) impacts, security, acceptance testing and other topics.
- Product literature and EFT standards related to POS equipment and debit card functions/processing.
- Assorted articles and publications with references to EBT systems and applications and outsourcing (e.g., EFT/banking industry newsletters, Food Marketing Institute newsletters, "EFT Report," "Journal of Accountancy," etc).

2. Review of Financial Records/ Reports

As part of the staff interview process, copies of financial records and Federal financial reports were obtained for review and analysis. The purpose of the review was to examine current resources and time accounting procedures to determine base line issuance costs for all programs.

3. Review of Management Records/Reports

As part of the staff interview process, the Phoenix TEAA team reviewed reports (i.e., FNS 269) to identify the source(s) of data elements used to complete required Federal reports and to provide needed program management and system information.

4. Federal Act/Regulation/Policy Review

The Phoenix TEAA team conducted an in-depth analysis of existing Federal regulations and policies affecting each benefit program. This is presented in a matrix developed for the Food Stamp and TANF (Temporary Assistance for Needy Families) Programs that identifies the Federal functional requirements for benefit issuance by program.

5. Review of Reference Materials/Documents

In addition to the literature and documents discussed above, reference materials include those specific documents listed below. Other additional resource materials are referenced in the document where required.

- ***Advance Planning Document Handbook 901***, USDA, FCS 1993.
- ***Automated Application Processing and Information Retrieval System (AAPIRS) Guide***, DHHS, ACF.
- ***Benefit Security Operating Rules, Exposure Draft***, Federal EBT Task Force, December 15, 1994.
- ***EBT State and Advanced Workshop Materials***, USDA, FCS, July and November 1992, respectively.
- ***Electronic Fund Transfers***, 12 CFR 205 (Regulation E).
- ***Feasibility, Alternatives, and Cost/Benefit Analysis Guide***, DHHS, ACF, July 1993.
- ***Feasibility Study of a Combined EBT System for the Food Stamp Program and the Special Supplemental Food Program for Women, Infants and Children (WIC)***, Phoenix Planning & Evaluation, Ltd., 1993.
- ***Food Stamp Program: Standards for Approval and Operation and Food Stamp Electronic Benefit Transfer Systems***, 7 CFR § 274.12, USDA, FCS.
- ***From Paper to Electronics: Creating a Benefit Delivery System that Works Better & Costs Less, An Implementation Plan for Nationwide EBT***, Federal EBT Task Force, May 1994.

- ***Guidelines for the Approval and Operation of Electronic Benefit Transfer (EBT) Systems*** (ACF-AT-91-28), DHHS, ACF.
- ***The Impacts of the State-Initiated EBT Demonstrations on the Food Stamp Program***, Abt Associates, June 1993.
- ***Lease vs. Purchase: Guidelines for Lease vs. Purchase of Information Technologies***, Department of Information Resources, State of Texas, May 1998.
- ***Lone Star Electronic Benefit Transfer System: Post Implementation Evaluation Report***, Texas Department of Human Services, April 1996.
- ***Outsourcing Strategies: Guidelines for Evaluating Internal and External Resources for Major Information Technology Projects***, Department of Information Resources, State of Texas, June 1998.
- ***Potential Impacts of Hybrid EBT Systems on the Food Stamp Program: A Special Topics Report on Hybrid Systems***, Phoenix Planning & Evaluation, Ltd., December 1994.
- ***Program Requirements Analysis***, The General Services Administration, March 3, 1998.
- ***Telecommunications Act of 1996, Section 276***.
- ***Texas Department of Health Strategic Plan: Fiscal Years 1999-2003***, Texas Department of Health.
- ***Texas Department of Human Services Strategic Automation Plan***, October 15, 1998.
- ***Texas EBT Strategic Guidelines***, Interagency Task Force on Electronic Benefits Transfer, State of Texas, July 15, 1997.
- ***Texas HB 1863***, 74th Regular Legislative Session, 1995.
- ***Texas HB 2777***, 75th Regular Legislative Session, 1997.
- ***Texas Statutes, Human Resources Code, Title 2, Subtitle C, Chapter 33: Nutritional Assistance Programs***.

D. Program Linkages/Technology Review

1. Review of National/State Technology Initiatives

The Phoenix TEAA team conducted a review comprised of a number of program and informational linkages at both the national and State level. This included a review of State and

coalition contracts and agreements, including the *Invitation for Expressions of Interest to Acquire EBT Services for the Southern Alliance of States* and the *Colorado EBT Service Request for Proposals*.

2. Review of Vendors by EBT Function

The Phoenix TEAA team prepared a review of vendors capable of conducting EBT services by separate EBT functions. In addition, the Phoenix TEAA team conducted a review of these functions and an analysis of the benefits of outsourcing each component.

IV. Current Environment

A. General Information

In November 1995, DHS completed statewide implementation of its Lone Star EBT system. Lone Star EBT delivers Food Stamp benefits and/or TANF cash assistance to approximately 600,000 households, representing 583,000 Food Stamp cases and nearly 143,000 TANF cases. Food Stamp and TANF benefits are delivered via a magnetic stripe card and are accessed by recipients through retailers' commercial and State-supplied POS devices. Transactive Corporation, a subsidiary of GTECH Corporation, is contracted to provide EBT services through February 2001. Lone Star EBT is a stand-alone system, with interoperability established with New Mexico through an interoperability agreement.

In the current operating environment, new clients are issued Lone Star benefit cards, training materials and personal identification numbers (PINs) from local offices or "one stops." Except in emergency situations, replacement cards are issued via mail by the EBT vendor.

Client information is transferred to the Transactive host from the System for Application, Verification, Eligibility, Referral, and Reporting (SAVERR), and a client account consisting of basic demographic and program eligibility data is established in the EBT host. Payment authorization, as well as demographic and eligibility changes and corrections files, are passed to the host system from DHS. Once an account is established and benefits are authorized, the client can access the authorized benefits within 24 hours or less.

A basic EBT transaction is a two-way electronic exchange of messages: a request for a transaction authorization from the originating POS terminal; a response or authorization from the EBT host or the retailer's third-party processor; and a transaction completion message from the originating POS terminal to the EBT host or retailer's third-party processor for settlement. Transactive's host system settles funds each business day, a process involving State and benefit accounts, retailers, financial institutions and the Federal government. Basic EBT transaction sets include:

- Food Stamp Program purchases
- Food Stamp Program refunds
- Cash withdrawals
- Non-Food Stamp Program purchases
- Voids
- Reversals
- Balance inquiries

The Generic Worksheet (GWS) is DHS' client self-support services integrated eligibility application and certification system, and the integrated database, SAVERR, is the department's current client tracking system. SAVERR accepts certification, denial and eligibility information from GWS, including online data entry from certain locations, and provides benefit issuance information to the EBT system. SAVERR provides interface capabilities with the Texas Department of Health (TDH), the Texas Workforce Commission (TWC), the Texas Department of Mental Health and Mental Retardation, Texas Rehabilitation Commission, Social Security

Administration, Federal treasury and National Heritage Insurance Company. It produces management reports for use by State and Federal agencies. Finally, when client benefits change due to changes in Federal or State regulations, it allows mass conversion of client benefit and case data.

As backup, when an expedited case is certified but SAVERR is unavailable, information is sent directly to the EBT host from GWS in order to set up an account with the initial benefit amount. GWS may also send changes to “Responsible Party” information directly to the EBT host. Since converting to EBT, SAVERR has continued to issue approximately 2,500 paper warrants per month.

The EBT system provides the following DHS organizational units with selected Food Stamp and TANF data:

- Office of Program Integrity
- Fiscal
- MIS
- Client Self-support Services Hotline
- Internal Audit
- Data Control
- Lone Star Technology Department Program Operations
- Hearing officers

The State has a requirement of accessing predetermined reports from the EBT host, as well as ad hoc reports when necessary. It is a United States Department of Agriculture, Food and Nutrition Service (FNS) requirement that DHS be able to access data stored within the past three years; six years for audited records.

The alternative EBT system (or the sum of its components) must have all the functionality of the current system and the capability of interfacing with numerous departmental systems. These include but are not limited to SAVERR; Client Assessment, Service planning, and Eligibility (CASE); and the Financial Management Information System (FMIS); and just as the current system does, it must interact with financial institutions, the Federal government and retailer POS terminals. In the future it may be required to interface with other systems, such as TIES and the Lone Star Image System (LSIS).

B. Regulations, Policies and Standards

1. Legal and Regulatory Environment

All alternatives must be considered in light of regulations that govern the EBT system or that may effect the deployment of an alternative EBT system. Some of the State and Federal legislation affecting the State’s current EBT program and the selection of an alternative EBT program include:

Texas HB 2777, 75th Regular Legislative Session, 1997

HB 2777 (TIES) requires the Health and Human Services Commission (HHSC), as the lead agency, and DHS, as a participating agency, to “develop and implement a plan for the integration of services and functions relating to eligibility determination and service delivery by health and

human service agencies, the Texas Workforce Commission and other agencies.”⁵ HB 2777 specifies business process reengineering as a methodology to be used for integrating and streamlining eligibility determination and service-delivery processes.

Texas HB 1863, 74th Regular Legislative Session, 1995

HB 1863 (Welfare Reform) requires the State to establish a task force to “identify benefit programs that merit addition to State’s EBT system” and “in determining which benefit programs can be added to the State’s EBT system, the task force shall consider, at a minimum:

1. The savings to the State;
2. The ease of addition to existing infrastructure; and
3. The number of clients served.”⁶

HB 1863 further requires DHS to develop and implement “an integrated eligibility determination and service delivery system for health and human services at the local and regional levels.”⁷ The purpose of this requirement is to streamline services, simplify processes and achieve savings to the State.

In response to HB 1863, LSIS at eligibility was initiated and is currently being expanded from pilot to statewide operation. LSIS is designed to deter fraud by reducing or eliminating duplicate benefit issuance.

Texas SB 910, 75th Regular Legislative Session, 1997

Portions of SB 910 relate to the use of data matching and the EBT program. It calls for expanding the requirements of the Interagency Task Force on EBT to assist and advise the commission in identifying programs within each Texas agency that make recurring payments to individuals or that transmits data on State clients. These programs should be analyzed for the cost-effectiveness of their inclusion in the EBT program. SB 910 specifically identifies child-support payments, benefits under WIC and unemployment benefits as areas that should be considered for inclusion into EBT. As a result of SB 910, DHS is participating in WIC EBT planning and system design activities and is considering the following programs for their EBT potential:

- Supplemental Payment Under Reform (SPUR)
- Refugee Resettlement
- LSIS EBT POS Pilot
- Long-term Care (LTC) In-Home Family and Support Services
- Transportation
- Medicaid ID Form
- LTC Medicaid
- LTC Aged and Disabled Community Care
- Special Nutrition Programs (Child and Adult Care Food, Summer Food Service, National School Lunch, School Breakfast, Special Milk, Food Distribution and Texas Emergency Food Assistance)

⁵ 75(R) HB 2777, Section 1, Section 9.12, Chapter 655, Acts of the 74th Legislature, 1995. (a)

⁶ 74(R) HB 1863, Article 8, Section 8.13, Sections 10B.g.2 and 10B.h.

⁷ Ibid. Section 8.02.

- Charitable Choice
- Family Violence

Texas HB 1439, 75th Regular Legislative Session, 1997

HB 1439 requires the department to conduct a pilot project that enables clients currently receiving cash benefits through the EBT program to pay nonfood retailers for necessary services and goods with their EBT card. Vendors of necessary services and goods are considered to be utility companies, housing agencies and medical necessities such as medicines, medical supplies and medical equipment not covered by Medicaid. DHS has worked with the vendor and retail communities and client advocate representatives to prepare a draft implementation plan for a non-food retailer EBT pilot.

Texas Statutes, Human Resources Code, Title 2, Subtitle C, Chapter 33: Nutritional Assistance Programs

This chapter delineates some specific requirements concerning the EBT system, including a requirement that the department provide food stamp benefits to clients who meet the Federal criteria for expedited food assistance within one working day. The EBT system operator must be capable of reporting retailer fraud to DHS and to the USDA, and the department must be able to share food stamp transaction and redemption information with other departments in an effort to detect and deter fraud. The confidentiality of this information must be protected and be in compliance with existing State and Federal privacy guidelines.

Texas SB 1752, 75th Regular Legislative Session, 1997

This bill pertains to the purchase of goods and services by the State. It supplements existing regulations regarding these purchases. The law establishes the use of best-value standards as a determination of contract award for the purchase of goods and services and directs each State agency to purchase goods and services that provide the best interest best value for the State. For purchases for which competitive bidding is required, a State agency must attempt to secure at least three competitive bids from vendors.⁸

The determination of best interest best value for the purchase of automated systems should include:

1. “The purchase price;
2. The compatibility to facilitate the exchange of existing data;
3. The capacity for expanding and upgrading to more advanced levels of technology;
4. Quantitative reliability factors;
5. The level of training required to bring persons using the system to a stated level of proficiency;
6. The technical support requirements for the maintenance of data across a network platform and the management of the network’s hardware and software; and

⁸ 75(R) SB 1752, R.S, ch. 1206, section 6, 1997 (to be codified at TEX. GOV’T CODE ANN. CHAPTER 2155 § 2155.074).

7. The compliance with applicable Department of Information Resources statewide standards validated by criteria adopted by the department by rule.”⁹

Escheat Requirements/Unclaimed Property

Escheat, the reversion of property to the State, is a concept that has been adopted by every state in the United States (most states have adopted a version of the Uniform Unclaimed Property Act). Under escheat statutes, property that has been dormant for a statutorily determined period may be claimed as “abandoned property” by the State that has jurisdiction over the property. The Texas Property Code, Chapter 72, Subchapter B, Sec.72.101 specifies a property is presumed abandoned if unclaimed after three years and the existence and location of the owner of the property is unknown by the holder of the property. Should the State decide to hold prefunded EBT card accounts, such as Federal direct benefits, it would have to consider escheat laws and would have to incorporate into the EBT system design a method of tracking unclaimed funds and returning the funds to the State.

7 CFR Ch. II § 274.12

This Federal regulation delineates the rules and procedures for EBT. If the State wishes to deviate from these standards, it may need to request a waiver from FNS. Any development of a new (alternative) EBT system must receive prior written approval from FNS through the Advance Planning Document process, including cost analysis and pilot and implementation planning. Complying with EBT standards encompasses performing EBT functions according to specified guidelines, which have been delineated in the technical requirements contained in this document.

Welfare Reform Act of 1996

Section 825 “Encouragement of Electronic Benefit Transfer Systems” of the Welfare Reform Act of 1996 requires that all State agencies implement an EBT system no later than October 1, 2002. It provides for elements key to the implementation of the EBT system such as:

1. The State may procure and implement an EBT system under the terms, conditions and design that the State agency considers appropriate.
2. EBT should take into account accepted standard operating rules based on commercial EFT, with an allowance for law enforcement monitoring.
3. Allows for maximization of security using the most recent technology including PINs or photographic identification.
4. Allows the State to charge a replacement card fee by reducing the monthly allotment of the household receiving the replacement card.
5. It is the sense of Congress that a State-operated EBT system should operate in a manner that is compatible with EBT systems operated by other States.

Federal Reserve Board Regulation E and Electronic Funds Transfer Act

The Electronic Funds Transfer Act of 1978 and the Federal Reserve Board’s (FRB) Regulation E protect consumers against unauthorized electronic transactions, shifting the risk burden from the consumer to the bank. Regulation E requires financial institutions to inform consumers of their rights by providing the following:

⁹ Government Code, Title 10, Subtitle D, chap. 2157, § 2157.003, (Added by Acts 1995, 74th Leg., ch. 41, Sec. 1, eff. Sept. 1, 1995.)

1. Initial disclosures (which state the consumer's liability for unauthorized transactions).
2. Identification of the type of electronic funds transfer that may be performed with the card.
3. Specification of any limitations on the frequency and/or the dollar amount of customer transfers.
4. Identification of any fees imposed by the issuer.
5. Provision of a summary of the issuer's error-resolution procedures.
6. Provision of consumer receipts and periodic account statements.
7. Provision of annual error-resolution notices.
8. Publication of consumer liability limitations.

Regulation E does not apply to needs-tested benefits, such as TANF. However, Regulation E may apply to prefunded accounts held by the Texas EBT card if the system is expanded to include prefunded accounts such as Federal direct benefits.

Telecommunications Act of 1996, Section 276

This act allows telecommunication companies to surcharge owners of toll-free 1-800 and 1-888 lines \$0.284 per call made from a pay telephone.

2. Standards

In May 1996, the National Automated Clearing House Association (NACHA) established the QUEST™ Operating Rules, a set of operating rules and accompanying technical specifications and bylaws, as a standard for on-line EBT systems for Food Stamps and cash. These rules follow commercial EFT rules with certain necessary exceptions, such as the separate maintenance of Food Stamp and cash funds. The operating rules specify how EBT transactions are to be processed and transmitted, and the formats for message transmissions between authorizers and the switch. The QUEST™ rules address:

Card specifications	Issuer requirements
Acquirer requirements	Merchant requirements
Processor requirements	Benefit authorization
Merchant participation	Adjustment procedures
Settlement procedures	Allocation of liabilities
EBT reports	Security

QUEST™ offers a uniform standard of EBT operations that assists states in establishing EBT interoperability with other states adopting the same operating rules. QUEST™ does not guarantee interstate operability. Unless a state is a member of a pre-established consortium, it must negotiate an interoperability agreement with each state using the QUEST™ Operating Rules.¹⁰ However, because QUEST™ rules address the provision of interoperability, retailer

¹⁰ There have been cases of non-negotiated interstate interoperability occurring through a commercial retailer's third-party processing system. A Colorado EBT card was reported to have been accepted at a commercial retailer's site in Florida. Both states use QUEST™, the retailer had establishments in both states and the retailer used the same third-party processor in both states. However, Florida and Colorado have not negotiated an EBT interstate operability agreement.

participation and management, as well as other functional aspects of EBT, the inclusion of QUEST™ into Texas' EBT requirements may affect EBT Contract Terms and Conditions.

While many states have established EBT systems using QUEST™, including the Southern Alliance of States (SAS), Lone Star EBT does not currently operate under the QUEST™ Operating Rules. The following states and Puerto Rico have established or are planning to establish EBT systems using the QUEST™ Operating Rules:

Alabama	Idaho	New York
Alaska	Kentucky	North Carolina
Arizona	Maine	Puerto Rico
Colorado	Massachusetts	Rhode Island
Connecticut	Michigan	Tennessee
Florida	Minnesota	Vermont
Georgia	Missouri	Virginia
Hawaii	New Hampshire	Washington

C. Waivers

As discussed in the previous section on regulations, states must apply for waivers from FNS if they wish to deviate from 7 CFR Ch. II § 274.12. A list of all current and denied waivers, the specific regulation to which they apply and the states holding these waivers, is presented in Appendix A. The following discussion encompasses waivers that may specifically impact the selection of an alternative EBT system.

- *Catastrophic Disaster*: A waiver submitted by Pennsylvania to allow the cash-out of benefits in the event of a catastrophic disaster was denied. However, FNS did grant waivers to North Dakota and South Dakota, allowing the states to provide Food Stamps via check during a natural disaster or emergency, if the EBT system is disrupted.
- *Cost Neutrality*: FNS denied Texas' petition to waive the requirement for cost neutrality because cost neutrality is required by the Food Stamp Act.
- *In-store Retailer Training*: FNS currently allows Texas to provide retailers the opportunity to waive in-person training after it has been offered to them.
- *EBT Card Replacement*: Eleven states have been granted waivers to provide EBT card replacements within five days rather than the two days required by regulation. The regulation allows for a waiver of up to five days when the state uses a centralized mailing system for card replacement.
- *EBT Card Issuance*: Texas and several other states have received waivers to issue EBT cards by mail when the PIN is mailed separately.

- *Cash-out of Food Stamp Benefits:* FNS granted waivers to at least 20 states, allowing them to cash-out Food Stamp benefits in EBT accounts when the recipient leaves the state. These waivers were granted prior to the August 22, 1996, enactment of Federal Welfare Reform legislation. Subsequent waivers were denied. FNS also denied waivers requiring recipients to use their EBT Food Stamp benefits prior to moving to a non-EBT state.
- *Out-of-state Merchants:* Texas has been granted a waiver for out-of-state merchants to bear the cost of initial and ongoing participation in the state's EBT system. It was approved on the condition that the State agrees to equip those out-of-state border stores deemed necessary for recipient access.
- *POS Terminal Installation:* Several states, including Texas, have been granted waivers to deliver POS terminals via mail with instructions and a toll-free number for assistance. The states are required to provide retailer assistance on-site if it is requested.
- *POS Terminal Provision:* FNS has granted waivers to Texas and numerous other states allowing the provision of POS terminals only to retailers with Food Stamp sales equal to or greater than \$100 per month, as long as alternative means of accessing the system, such as vouchers, are provided.
- *PIN Selection via Automated Response Unit (ARU):* Several states have been granted waivers to provide PIN selection via ARU in the pilot area, but not during conversion. These states are required to submit an evaluation of the results.

D. System Requirements

Any alternative EBT system must meet all policy, technical and functional requirements of an automated benefit delivery system. These requirements include:

- Agency/Program Requirements;
- Program Policy Requirements;
- Technical and Functional Requirements; and
- EBT System/Data Processing Requirements.

1. Agency/Program Requirements

These requirements reflect the needs, opinions and perceptions of agency staff and other system user staff and stakeholders about the current system and their ideas and concerns about an alternative system. Table 8 below presents those agency/program requirements identified for DHS grouped into the following categories:

- Client Service/Benefit Access
- Programmatic/Functional
- Technical

- Fiscal/Budgetary
- Regulatory/Audit

Table 8: Agency and Program Requirements

Agency/Program Requirements
CLIENT SERVICE/BENEFIT ACCESS
Access to benefits is provided at no or limited cost to the recipient (with the possible exception of replacement cards); the system assigns transaction and other fees to the appropriate party(ies), as directed by DHS.
Client access to benefits has a minimum financial impact on retailers' current EBT operating environments.
The system includes security features that prevent loss, theft or similar denied access to benefits.
The system is accessible and provides "ease of use" to all benefit recipients.
The system provides access to benefits seven days a week, 24 hours a day.
The system and system services meet applicable standards of the Americans with Disabilities Act (ADA).
The system provides greater customer access through improved POS terminal maintenance and decreased card failure rates.
The system includes customer services that are easily accessible and offer professional courtesy.
PROGRAMMATIC/FUNCTIONAL
The system performs reconciliation electronically at the transaction level and with a high degree of accuracy.
The system provides expedited card issuance in the instances of hardship or defective cards, within the required one-day time frame.
The system provides electronic access to data, as well as standard and ad hoc electronic reports at the statewide, agency, program and account levels.
The EBT system becomes a single platform for a multiagency initiative for delivery of benefits.
The system enhances multiagency interoperability.
The system allows for expansion of the EBT program into additional functional areas as identified by the State and DHS.
TECHNICAL
The system provides access to "real-time" account status, balance data, transaction data and redemption activity by account.
The system improves data storage and management capabilities.
The system improves file transfer capabilities while minimizing file transfer errors.
FISCAL/BUDGETARY
The system provides for all TANF benefits to be delivered electronically.
The system will provide accountability, including electronic inventory and activity tracking.
The current environment does not allow for the department to write-off bad or unsettled transactions. The system may require this capability.
REGULATORY/AUDIT
The system provides increased audit controls.

2. Program Policy Requirements

At a minimum, the alternative EBT system must meet the functional requirements set forth by the FNS, for the Food Stamp¹¹ and TANF programs. The TANF Program criteria are specified in the *Automated Application Processing and Information Retrieval System (AAPIRS) Guide*, DHHS/ACF (Agency for Children and Families).¹² These requirements have been incorporated into the criteria used in the analysis of alternative EBT systems. They are specified in Table 9: Food Stamp Program Policy Requirements and Table 10: TANF Program Policy Requirements.

¹¹ Food Stamp Program policy regulations, 7 CFR §272.10.

¹² Reference is made to AAPIRS because it is policy and more restrictive than the law, 45 CFR.

Table 9: Food Stamp Program Policy Requirements

Food Stamp Program		
Requirement	Program Specifics	Basis for Requirement
AUTHORIZE BENEFIT ISSUANCE		
Authorize/issue benefits.	Authorization to Participate (ATP), direct mail, or on-line issuance.	7 CFR §272.10(b)(2)(I)
Store/maintain issuance records information.	Issuance record information: name and address of household, household size, period of certification, amount of allotment, case type, name and address of authorized representative and racial/ethnic data.	7 CFR §272.10(b)(2)(I)
Authorize multiple issuances per month.	Redemption of more than one valid authorization document in a given month.	7 CFR §272.10(b)(2) (v)
REPORT/RECONCILE BENEFIT ISSUANCE		
Generate and transmit data.	Federal issuance and reconciliation reporting requirements; provide for eventual capability of directly transmitting data to FNS (FNS-259, FNS-250, FNS-46.	7 CFR §272.10(b)(2) (vi)(A)
	Other reporting requirements and provide for the eventual capability of directly transmitting data to FNS (FNS-101, FNS-209, FNS-388).	7 CFR §272.10(b)(2) (vii)(B)
Sample data selection for review.	Sample data for Quality Control (QC) reviews.	7 CFR §272.10(b)(2) (viii)
Issuance of benefits within prescribed time frames.	Issue expedited benefits within policy timeliness standards.	7 CFR §272.10(b)(2) (x)
Produce/store a participation history for each household receiving benefits.	History to cover three years.	7 CFR §272.10(b)(2) (xi)
AUDIT/REGULATORY COMPLIANCE		
Meet timeliness and data quality requirements.	As established by FNS.	7 CFR §272.10(b)(3)(I)
Coordinate with other appropriate Federal and State programs. [Certification]	[e.g., TANF or Supplemental Security Income (SSI)]	7 CFR §272.10(b)(3) (ii)
Maintain data confidentiality.	Applicant and recipient households information.	7 CFR §272.10(b)(3) (iii)
Maintain security.	Systems security to operate the Food Stamp Program.	7 CFR §272.10(b)(3) (iv)
Generate management data.	State-defined use (e.g., caseload, participation and actions data).	7 CFR §272.10(b)(3) (vi)
Support State agency management of Federal funds and Federal funds reporting.	Food Stamp funds relative to program administration; generate information for Federal reports.	7 CFR §272.10(b)(3) (vii)

Food Stamp Program		
Requirement	Program Specifics	Basis for Requirement
Routine purging of case files/ file maintenance.	Per FNS policy.	7 CFR §272.10(b)(3) (viii)
Data transmission – financial data.	Provide for the eventual direct transmission of data necessary to meet Federal financial reporting requirements.	7 CFR §272.10(b)(3) (ix)

Table 10: TANF Program Policy Requirements

TANF Program		
Requirement	Program Specifics	Basis for requirement
AUTHORIZE BENEFIT ISSUANCE		
Authorize/issue benefits.	Issue warrants.	AAPIRS, 62 (J)
	Immediately record notice of stop payment for lost or stolen warrants.	AAPIRS, 62 (J)
	Issue warrants replacing valid lost or stolen warrants.	AAPIRS, 62 (J)
Store/maintain issuance records information.	Data elements and reports to generally follow AAPIRS guidelines.	AAPIRS, 63
Authorize multiple issuances per month.	The system must be able to control and account for all warrants that have been issued.	AAPIRS, 62 (K)
REPORT/RECONCILE BENEFIT ISSUANCE		
Generate and transmit data.	Data elements and reports to generally follow AAPIRS guidelines.	AAPIRS, 63
Sample data selection for review.	The system must provide for selection, processing and analysis of cases for QC processing.	AAPIRS, 62 (G)
Produce/store a participation history for each household receiving benefits.	Three-year automated history on all cases (longer period required if case is being audited or investigated).	AAPIRS, 62 (I)(3)
AUDIT/REGULATORY COMPLIANCE		
Meet timeliness and data quality requirements.	Control and account for the costs and quality of the delivery of funds and services furnished to applicants and recipients.	AAPIRS, 50 (B)(3)
Coordinate with other appropriate Federal and State programs.	Capability for notifying child support, WIC, Food Stamps and Medicaid programs of changes in TANF eligibility or benefit amount.	AAPIRS, 50 (B)(4)
[Certification]	Capacity for verification of factors with other agencies through identifiable correlation factors such as Social Security number, names, dates of birth and home addresses.	AAPIRS, 50 (B)(2)

TANF Program		
Requirement	Program Specifics	Basis for requirement
Maintain data confidentiality.	Security against unauthorized access to or use of the data in the system. The system must be protected against unauthorized access to computer resources and data in order to reduce erroneous or fraudulent activities.	AAPIRS, 50 (B)(5)
Generate management data.	Financial file must be updated with payments issued for reconciliation, budget and reporting purposes.	AAPIRS, 62 (K)
Routine purging of case files/ file maintenance.	Periodic purging of TANF files and generation of report for local office management.	AAPIRS, 62 (I)
Data transmission – financial data.	Financial file must be updated with payments issued for reconciliation, budget and reporting purposes.	AAPIRS, 62 (K)

3. Technical and Functional Requirements Summary

With the above requirements as a guide, the following table was prepared as a consolidation of the various system requirements necessary to transition to and operate an alternative EBT system. The functional and technical requirements listed in Table 11 support the overall objectives of the department in exploring the feasibility of an alternative to the current EBT operating environment.

Table 11: Technical and Functional Requirements Summary

Technical And Functional Requirements Summary		
Category	Consideration	Requirement
SERVICE AND ACCESS REQUIREMENTS		
Client Service/Benefit Access	Processing	The system must distribute benefits electronically, either the same or the next day.
Client Service/Benefit Access	Lost/stolen benefits	The system must provide benefit security, allowing no unauthorized access.
Client Service/Benefit Access	Limited benefit access (days/hours)	The system must provide access to benefits (e.g., 24 hours x seven days, locations, etc.).
Client Service/Benefit Access	Transportation Costs	The system must not increase the transportation needs (costs) to clients to receive/redeem benefits.
Client Service/Benefit Access	Fees	The system must minimize fees to the client for benefit access.

Technical And Functional Requirements Summary		
Category	Consideration	Requirement
INFORMATION REQUIREMENTS		
Regulatory/ Audit	Federal Certification	The system must be capable of receiving, storing, processing and producing information necessary to produce Federal reports.
Fiscal/ Budgetary	Efficiency/Redundancy	The system must receive and transmit data to multiple agencies' automated systems. The data storage and processing capabilities do not overlap existing systems, except as necessary for minimizing project costs.
Technical	Information Security	The system must be capable of restricting access to confidential data.
SYSTEM NEEDS		
Technical	Systems Acceptance Testing	The system must be tested prior to implementation/transition. Comprehensive testing of all hardware, software and internal and external interfaces is required as part of the overall implementation plan.
Technical	Infrastructure	The system architecture and external environment, including system infrastructure, must be capable of supporting on-line and EFT transmissions prescribed performance requirements.
Technical	Certification	The system must meet all Federal, State and, if applicable, private industry, programmatic (processing) technical, performance and certification standards.
Technical	Change Management	The migration of hardware, software and data files to the chosen alternative must be managed and coordinated for system integrity and efficiencies in resources.
INTERFACE/MATCHING REQUIREMENTS		
Technical	Systems Integration/Interface	The system architecture must be compatible with existing DHS and other agencies' systems; the system must include on-line interfaces with each of the participating client eligibility determination/certification systems, FMIS and LSIS.
PROCESSING AND DATA FLOW NEEDS		
Technical	Transmit/Receiving Data	The system must receive data from and transmit data to various State agencies' automated systems, including data for State and Federal reporting and analysis.
Programmatic/ Functional	Data Processing	The system does not adversely affect the current data processing and reporting of existing systems.
Audit/ Regulatory	System Certification	The system meets or exceeds all applicable programmatic (processing), technical, performance and certification standards.

Technical And Functional Requirements Summary		
Category	Consideration	Requirement
STORAGE AND RETRIEVAL REQUIREMENTS		
Technical	Information Access	The system must allow on-line access to current and historical files.
Technical	Information Storage/ Retrieval	The system must store and allow retrieval of three calendar years of benefits data. For fraud detection purposes, it must allow archival access to six calendar years of benefits data. (There are some restrictions on inquiries concerning expunged or used benefits.)
INPUTS/OUTPUTS		
Technical	Data Format/Media	The system must be capable of receiving input data on-line and overnight batch from multiple sources.
Technical	Data Format/Media	The system must be capable of transmitting output data on-line and overnight batch to multiple destinations and in multiple formats, including automated clearinghouse (ACH).
WORKLOAD EFFICIENCIES		
Programmatic/ Functional	Manual Interagency Interfaces	The system must automate to the greatest extent all procedures, individually and shared, among agencies' personnel related to benefit issuance.
Programmatic/ Functional	Redirection of Staff Time/Resources	The system must provide for the maximum amount of redirected staff time and resources through automation.
VALIDATION AND INTERNAL CONTROLS		
Programmatic/ Functional	Improved Accuracy/ Efficiency	The system must provide for on-line reconciliation and reporting of benefit disbursements by type, program and State fiscal year.
SECURITY/PRIVACY REQUIREMENTS		
Technical	Security/Backup	The system must have internal/external security controls preventing nonauthorized access to files and authorization/issuance data.

Technical And Functional Requirements Summary		
Category	Consideration	Requirement
EMERGENCY RESPONSE, BACKUP AND DISASTER RECOVERY		
Technical	Backup/Recovery	The system must have adequate system backup and disaster recovery procedures to avoid the loss or destruction of data and provide for continuance of services. Backup procedures may include the use of off-line storage to ensure reproduction of historic client and payment data.
ACCESSIBILITY REQUIREMENTS FOR THE DISABLED		
Legal/Regulatory	Special Needs Clients	The system must meet applicable provisions of the ADA.
SPACE AND ENVIRONMENT		
Fiscal/Budgetary	Staff/Staff Resources	Selection of an alternative EBT system must take into account current department initiatives and their impact on staff resources.
Fiscal/Budgetary	Overhead/Capital Expenditures	Selection of an alternative EBT system must consider the 18-month lead time required by GSC for request of additional facilities.
Fiscal/Budgetary	System Design/Development	Selection of an alternative EBT system must consider State and Federal funding sources for system design and development.

4. EBT System/Data Processing Requirements

The Federal EBT Task Force fostered the development of EBT functional requirements for states interested in implementing EBT for public assistance and other government benefit and payment programs. The following are EBT system requirements, regardless of program, benefit type, card or processing technologies. They are presented as eight EBT functional areas:

- Account Setup and Benefit Authorization;
- Card Issuance and Training;
- Recipient Account Maintenance;
- Transaction Processing;
- Customer Service;
- Retailer Participation;
- EBT Settlement; and
- EBT Reporting.

Account Setup and Benefit Authorization

This includes generating an account setup record and a benefit authorization record. These functions are performed by the administering Government agency. The government transmits an account setup record to authorize the EBT contractor/card issuer to establish an EBT cardholder

account. The EBT cardholder account is the record kept by the EBT contractor/card issuer on each benefit type (Food Stamps or TANF) for which the recipient is certified.

Card Issuance and Training

Card issuance and training include issuing an EBT card and PIN and providing recipient training. The EBT card is linked to the cardholder account(s) and provides access to authorized benefits through point-of-sale devices. For account security, access to benefits also includes the use of a recipient-entered PIN at the point of access. Training is provided to ensure that recipients have the information they need to access their benefits.

Client Account Maintenance

The maintenance of the recipient account includes the posting of debits, credits and adjustments to account balances. A historical record, including current balance and a record of account activity, is maintained on-line for a 90-day period, at a minimum, and then is maintained off-line for at least three years.

Transaction Processing

EBT transaction processing occurs in conjunction with the interchange and authorization of recipient and administrative transactions. Cardholder transactions are generated at the point-of-purchase/sale and administrative transactions are performed on administrative terminals. Except in the case of balance or administrative inquiry transactions, a transaction results in a change to the account balance, the account status or the cardholder profile.

Customer Service

Cardholders have toll-free telephone access to account and benefit information via the ARU and customer service representatives. At the point of purchase or cash access, the cardholder may access account balance information either through inquiry-only capability (optional) or via a printed receipt. The EBT contractor/card issuer's customer service unit has responsibility for processing and resolving cardholder inquiries and requests.

Retailer Participation

The EBT contractor/card issuer manages the retail merchant database to ensure that targeted food and cash transactions originate at authorized merchant locations. The EBT contractor/card issuer also provides information on vendor redemptions to the government and originates ACH transactions to settle merchant EBT transactions. In addition, the EBT contractor/card issuer provides telephone authorization service for manual transactions.

EBT Settlement

The EBT contractor/card issuer operates the EBT host on a 24-hour processing cycle. At the end of every processing cycle, the system is balanced and reconciled. The EBT contractor/card issuer must have an originating and receiving relationship with the ACH, either directly or through a depository financial institution, and originate ACH transactions for next banking day settlement of EBT transactions.

EBT Reporting

The EBT contractor/card issuer provides EBT system processing and operating information to support Government agency data requirements. A government agency(ies) receives the daily activity file and other specified data and reports from the EBT contractor/card issuer as batch files.

E. Competitive Landscape

The current Lone Star EBT service provider is Transactive Corporation, a subsidiary of GTECH Corporation. The Transactive EBT contract with DHS became effective in March 1994 and remains in effect through February 2001. The contract with Transactive provides the State the option to extend the current contract for two two-year periods.

On February 27, 1998, Transactive announced that it had elected to transition out of EBT and that it had entered into an asset purchase agreement with Citicorp Services, Inc. (Citicorp). The U.S. Justice Department filed a legal challenge to the acquisition on July 27, 1998. Citicorp rescinded its acquisition offer in January 1999.

The Justice Department complaint stated, “There are presently only four firms in the national market to provide EBT services: Citicorp, Transactive, Deluxe Data Systems, Inc. (“Deluxe”), and Lockheed Martin IMS (“Lockheed”). While there are other firms that can and do provide individual components of EBT services, only these four firms are in the market and bid for EBT services contracts as the prime contractor in multiple states.”¹³

“Actual bid competition generally involves fewer than these four bidders for two principal reasons. First, only three of these firms have EBT processing systems. Lockheed does not have an EBT processing system, and thus has had to submit its prime contractor bids with a processing subcontractor, as was the case in Oklahoma and the District of Columbia where Citicorp is Lockheed’s processing subcontractor. Second, Citicorp, Deluxe, and Lockheed frequently bid jointly with one of the three bidding as the prime contractor and one or both of the others performing as a subcontractor on that bid.”¹⁴

“If the proposed acquisition is allowed to be consummated, Transactive has agreed, pursuant to a non-compete clause, not to compete against Citicorp, with very limited exception, for any new contracts or rebid contracts for at least eight years...The effect of the proposed transaction and Agreement is to remove Transactive as Citicorp’s only substantial competitor in the EBT services market.”¹⁵

In a press release issued July 27, 1998, the Department of Justice stated, “that unless the proposed acquisition is blocked, competition for EBT contracts will be eliminated, resulting in higher prices and lower quality services for state and local agencies and ultimately resulting in lower quality services for those who receive welfare benefits.”

¹³ *United States of America, Plaintiff, v. Citicorp, Inc., Citicorp Services, Inc., GTECH Holdings Corporation, and Transactive Corporation, Defendants*, Civil No. 98-436, Verified Complaint, V (A)(23).

¹⁴ *Ibid.* V(A)(24).

¹⁵ *Ibid.* V(B)(29).

F. Federal Direction

The Federal government has been actively involved in investigating the feasibility of an EBT program that encompasses more than the electronic delivery of Foods Stamps and cash assistance programs. The base EBT programs of Food Stamps and TANF require the least complex payment processing and as such, can be delivered efficiently through the commercial magnetic stripe card infrastructure. In the current commercial environment, there is no business case to change or upgrade the magnetic stripe card technology for Food Stamp and cash programs.

Although the commercial sector has been relatively slow to adopt chip card technology because of the limited business case, the government has been leading the transition to smart cards. While considering second-tier EBT programs, such as WIC, Medicaid/Medicare and Head Start, the General Services Administration (GSA) has been investigating the added value that a microprocessor chip card can bring to each additional program. The Federal government is looking to hybrid technology to provide a migration path from magnetic stripe to multiapplication smart cards that can be used not only for enhanced EBT, but also for government employee cards and eventual card-based electronic delivery of services to the general public. To support this migration to smart cards, the Federal government has provided assistance in the following areas:

- Develop contract vehicles to allow government agencies to easily and efficiently procure cards and card services;
- Develop specifications and guidelines for multiapplication card programs to ensure standardization and interoperability; and
- Support pilot projects to obtain information about the practical implementation issues surrounding a multiapplication smart card platform.

Contracting Support

GSA has put in place a significant contracting vehicle for other Federal agencies to use to procure card services for their government employees. Although the “core” component of the GSA Smart Pay contract is to provide the traditional services of commercial financial institutions to process Travel, Fleet, and Purchase card transactions through the magnetic stripe infrastructure, a key optional component of this contract allows agencies to acquire hybrid chip cards. The Smart Pay vendors, to whom task orders have been issued under this contracting vehicle, offer a range of value-added services, chip-based applications and electronic purchasing capabilities to Federal agencies seeking to upgrade their card capabilities. Several agencies have initiated pilot chip card projects as a result of this card contract.

At the same time, GSA has been exploring the interest of Federal agencies in developing an interoperable employee identification card. The Smart Access Common ID Card program establishes a contract vehicle for use by all federal agencies to acquire a standard, interoperable employee identification card, from one or more vendors, capable of providing both physical and system (network) access to all federal employees. As a result of surveying a range of Federal agencies, a draft Preliminary Requirements Document has been completed. This draft Preliminary Requirements Document will be vetted by government and industry and is the basis of a Request for Proposals (RFP) to be released in the spring of 1999. The Smart Access

Common ID Card initially focuses on providing employee identification and building and network access, but it is expected to evolve to include additional functionality.

In the Federal Public Key Infrastructure arena, GSA is working with other agencies including the Social Security Administration and Internal Revenue Service to develop a contract vehicle for procuring Certificate Authority services. Known as Access Certificates for Electronic Services (ACES), this effort uses smart card-based digital certificates to allow citizens to securely access their government records across the Internet.

Specifications and Guidelines

To ensure interoperability and encourage development of a business case for the commercial sector, the Federal government has taken a lead in developing specifications and guidelines for a multiapplication smart card platform. GSA recently released its *Government Smart Card Technical Interoperability Guidelines*, a document intended to support the initiation of a single standard for smart card usage across the US government to prevent separate and incompatible implementations of smart card technologies. While this document provides technical specifications for cards, card readers and other components of a chip card-based system, another GSA document, *Guidelines for Implementing an Enhanced EBT Multi-Application Smart Card Platform*, provides management guidance for agencies attempting multiapplication smart card implementations. This work addresses technical, organizational/management, legal/regulatory, cost sharing and standards/interoperability issues that may arise in a multiapplication environment. Finally, GSA has collaborated with the National Security Agency in developing *Guidelines for Placing Biometrics in Smartcards*, a document that provides guidance to any Federal agency utilizing smart cards and biometrics for access control and/or user authentication.

GSA is collaborating with state government and commercial entities as well as with other Federal agencies to further the standardization effort for smart cards. Working together, GSA, the State of Texas, the U.S. Department of Agriculture, EBT Processors, the Electronic Funds Transfer Association and numerous other government and industry representatives developed a national guideline for the implementation of an EBT transaction-processing environment for WIC. The resulting document, *EBT Specification Guidelines for WIC*, is a technical specification guideline that provides information regarding the use of the International Standards Organization (ISO) 8583 message standards for both on-line and off-line WIC EBT transaction processing.

Pilot Project Support

Agencies across the Federal government, through pilot projects, are beginning to explore the potential of smart cards to support identification authentication, electronic commerce and improved delivery of benefits to citizens. GSA, in collaboration with the Navy Smart Card Project Office, has opened a Smart Card Center to highlight government pilots, demonstrate available applications and disseminate information about smart card usage throughout the government. Working with Citibank, GSA is sponsoring an employee smart card to be used in the new Federal Technology Service (FTS) facility. This pilot includes physical and logical access applications, fingerprint biometrics, digital signature capability, as well as magnetic stripe Procurement, Travel, and Fleet card applications. GSA is working with CommerceNet, a commercial consortium, to pilot smart cards to exchange digital certificates for authentication in

purchasing over the Internet. In the Access America for Students Project, the Department of Education and GSA are collaboratively sponsoring a pilot. Students will use smart card-based digital certificates to authenticate themselves while exchanging financial aid account information with the Department of Education and participating financial institutions.

While the public sector is aggressively pursuing the migration from magnetic stripe to chip-based technology, the private sector is being more cautious about hybrid technology. At the present time, the lack of a viable business case is clearly inhibiting the growth of smart cards in the commercial world. However, the explosion of electronic purchasing over the Internet may well be just the impetus needed to drive the usage of smart cards in the private sector. As chip-based cards are used to secure these purchase transactions over open networks, it is predicted the business case for smart cards will finally emerge.

G. State Direction

In 1993 Maryland became the first state to implement a statewide EBT program. There are now EBT systems operating in 34 states, with nine states in the implementation process. Some of these states have joined coalitions such as the Western States EBT Alliance (WSEA), SAS and Northeast Coalition of States (NCS) to leverage the cost of service procurement and operations through economies of scale. Most existing contracts are for five- or seven-year terms and have provisions for extensions of one to two years.

Most contracts signed between a state and its processor have different end dates, even when the state is a member of a coalition. This may make it more difficult to form or maintain coalitions for future EBT procurements. On the other hand, coalitions could be formed with contract execution occurring when individual state contracts come up for bid. Some coalitions will continue and where smaller states can join forces with these coalitions they may seek to do so.

Another possibility is the development of coalitions for second-tier programs such as WIC. An example is the current Texas-New Mexico joint procurement of WIC services. The number of states now looking at the delivery of second-tier services using hybrid technology reinforces this possibility.

V. Near-term Objectives and Conditions

The transition to an alternative EBT is an opportunity to address issues identified with the current operating environment and to incorporate required changes, strategic initiatives, growth and enhancements in the alternative's design. Strategic initiatives and time lines are also discussed in this section, as conditions that may affect the alternative selection and implementation.

A. Issues Within the Current Environment

The Phoenix TEAA team has identified EBT system objectives through the interview and document review process. Some of these objectives are broad, based on the premise of the original program requirements and future department initiatives, while others are very specific, aimed at enhancing the current state of operations.

In the original planning stages of the current Lone Star EBT program, DHS identified objectives to be achieved by the new system and through EBT. DHS has met those objectives. At a minimum, EBT system alternatives would be expected to meet or exceed these original EBT objectives:

- Improve client access to services;
- Reduce costs;
- Increase efficiency;
- Reduce fraud, abuse and waste;
- Mainstream the client population; and
- Maximize Federal funding.

Consistent with other DHS initiatives to streamline and integrate services, additional objectives have been identified. These include:

- Maintain or improve the quality of current EBT services;
- Maximize use of existing resources;
- Provide the best interest best value for the State;
- Increase program extensibility and functionality;
- Leverage emerging technologies;
- Explore commercial applications;
- Explore interoperability with other states, particularly the four states that border Texas; and
- Enhance program flexibility.

The following Table 12 identifies specific issues in the current environment that have been translated to objectives for the alternative EBT system selection.

Table 12: Current System Issues/Alternative System Objectives

Current System Issues	Alternative System Objectives
The current contract with Transactive expires February 2001.	Complete transition to the alternative EBT system by February 2001.
DHS may be required to administer additional programs within the EBT system.	Ensure the chosen EBT alternative has maximum extensibility.
The department has begun several strategic initiatives, such as TIES, that streamline services, place program eligibility from multiple agencies on one platform and encourage telephone eligibility certification.	Select an alternative that enhances current strategic initiatives as well as leverage planned initiative technologies and infrastructure.
The current system has a high card-replacement rate accompanied by a replacement time that could be improved.	Improve the timeliness for mail-issuance of EBT cards.
The current system requires a dual oversight of funds settlement and reconciliation.	Establish a single point of oversight authority over funds management, settlement and reconciliation.
The current system does not provide optimum reporting capabilities and responsiveness to reporting requirement changes.	Select an alternative system that provides improved reporting capabilities with greater flexibility for reporting requirement changes.
The current system does not have an optimum active database capacity.	Increase the capacity of the active database as well as increase the department's control over the size of the active database.
The current system does not provide optimum access to archival data.	Ensure the alternative EBT system has specific, clear and simple procedures for access to archival data.
The current system is not optimally responsive to customers who call for assistance. This has resulted in an increase in the department's customer assistance and costs.	Eliminate or reduce the need for dual customer service assistance.
The current EBT vendor has not been certified as Y2K compliant.	Ensure the alternative is Y2K compliant.
The current telecommunications environment allows for surcharging holders of 800-numbers for pay phone access.	Ensure the alternative addresses the issue of costs associated with surcharging holders of 800-numbers for pay phone access.
The department has been restricted in the availability of Information Technology (IT) staff due to additional DHS program requirements and competition from private industry for qualified IT personnel.	Minimize the impact on current IT staff and programs.
The current contract has been amended to provide a more reliable telecommunications link between DHS and Transactive.	Ensure that any new contract provides reliability and cost recovery at the current service level agreements.
Over time, an increasing number of accounts have become inactive, with benefits remaining on the account. The department would like to see improved accountability and security at the administrative level in local offices in order to avoid fraud in the form of access to these benefits.	Increase accountability and security at the administrative level.

The TEAA has presented an opportunity for the department to review decisions made early in the development stages of the Lone Star EBT program, consider their impacts and make changes as necessary to meet current requirements. These are reviewed in the following Table 13.

Table 13: Advantages and Disadvantages of the Current Environment

Current Environment	Advantages and Disadvantages
Lone Star is a stand-alone system that does not operate under the QUEST™ Operating Rules.	<p><i>Advantage:</i> The State of Texas, not a third party, controls transaction processing and message format requirements, roles and responsibilities of parties and other policies.</p> <p><i>Disadvantage:</i> The State of Texas must negotiate separate interoperability agreements, including fees and standards for operations.</p>
New cards as well as expedited replacement cards are currently issued at local offices.	<p><i>Advantage:</i> By issuing cards in the local office, normal 30-day application time frames can be met when a decision has been delayed.</p> <p><i>Disadvantage:</i> The vendor is supplying and supporting approximately 500 administrative terminals in DHS local offices, primarily for the purpose of issuing cards to new recipients.</p>
The contract requires the vendor to pay transaction fees for retailers using third-party processors.	<p><i>Advantage:</i> This has had a positive effect on the level of stakeholder satisfaction.</p> <p><i>Disadvantage:</i> The decision to pay transaction fees has come at an estimated cost of \$61,000 per month.</p>
The program supplies approximately 7,000 separate dedicated telecommunication lines for retailers.	<p><i>Advantage:</i> This has a positive effect on the level of stakeholder satisfaction.</p> <p><i>Disadvantage:</i> The decision to supply dedicated phone lines has come at an estimated cost of \$213,500 per month.</p>
The program provides approximately 13,000 POS terminals to retailers, with a minimal threshold requirement to obtain a terminal.	<p><i>Advantage:</i> This has provided small retail locations with electronic access to the EBT system.</p> <p><i>Disadvantage:</i> Approximately 6,000 of these terminals are doing less than 100 transactions per month. The cost for each terminal is about \$26 per month, excluding phone lines. (The average cost of a phone is \$30 per month.)</p>
EBT services were contracted as a single-vendor procurement.	<p><i>Advantage:</i> There is one point of contact for problem resolution and one source of accountability.</p> <p><i>Disadvantage:</i> The department is subject to the risks inherent in a prime contractor arrangement such as:</p> <ul style="list-style-type: none"> • Delays in implementing changes; • Subcontractor performance and management issues; • Vendor responsiveness to the need for improvements limited by third-party agreements and resources; and • Contract disputes and assignments.

B. Competing Projects – Resource Demands

Because the demand for computing and networking services is growing throughout DHS, it has placed a strain on the availability of highly trained IT professionals, including managers and technicians. Current department initiatives may affect the alternative EBT system – and an alternative EBT system may affect department initiatives – in two ways: First, by impacting the ability of existing staff to perform MIS tasks; and second, by impacting the interface and processing between department initiatives (systems) and the alternative system.

The scope of DHS automation is extremely large and its service capabilities are very complex. DHS automation supports 36 state¹⁶ and Federal programs, 112 separate applications, 20,000 networked users and authorizes \$20 million in benefits and payments on a daily basis. Its database holds information on 6 million Texans. The *TDHS Strategic Automation Plan, Fiscal Year 1998 – Fiscal Year 2007* calls for DHS to replace/enhance program systems and replace administrative systems and technical infrastructure.

The technological constraints placed upon DHS at this time include:

- The concurrent design and development of new system interfaces and modifications to the existing client eligibility and certification system overlap the transition to the alternative EBT system. The overlap may result in conflicting needs for agency resources; the situation requires significant agency planning and coordination.
- Multiple system interfaces may need to be designed, developed and implemented concurrently. The design and implementation of external interfaces may, depending on timing, occur simultaneously with SAVERR modifications and TIES implementation. Because the same staff and other limited resources may be adversely affected by increased demands for time and attention, development activities require careful interagency planning and coordination.
- Access to needed staff resources is limited due to increased competition in the private market for IT personnel and the inability of DHS to meet private-market rates for IT staff.

Two specific initiatives, Y2K compliance and TIES, have the greatest impact on DHS' IT resources during the planning and implementation of an alternative EBT system.

1. Year 2000 Compliance

MIS is currently working on making all systems within DHS Y2K compliant. MIS has diverted numerous resources from automation support and system enhancements to meet Y2K systems compliance requirements. Y2K is considered a critical initiative and the department is dedicating the majority of its staff to Y2K compliance during the completion of the initiative.

¹⁶ DHS currently does work for and with numerous State agencies, including the Department of Protective and Regulatory Services (PRS), TDH, Mental Health and Mental Retardation (MHMR), HHSC, TWC, the Adjutant General (AG), the Texas Department of Transportation (TxDOT) and the Comptroller of Public Accounts (CPA).

2. Texas Integrated Enrollment and Services

The TIES Project is intended to integrate eligibility determination and streamline the enrollment process. TIES will utilize a central database to support multiagency activities, while avoiding the redundant capture of information. It is intended to provide multiple, enhanced benefits and services access choices to the client.

TIES is currently being developed by an interagency team established by HHSC and will, among other things, replace SAVERR as the system for eligibility determination. This means DHS is required to have interface capabilities between the EBT system and the two eligibility systems, SAVERR and eventually TIES. It is expected that the majority of customer interaction will be by telephone. Because of the anticipated client base and program coverage, DHS envisions deploying multiple call centers with support staff and a central mail center for TIES operations.

The implementation of TIES involves interfacing with multiple legacy systems to support their activities. Due to the scope of the project, development and implementation of TIES is expected to last over a number of years, with a Stage 1 pilot scheduled for February through April 2001 and statewide rollout to be completed by March 2004. The development and implementation of TIES utilizes many of DHS' technical resources. In addition, policies, procedures and business and fiscal resources are affected by the project initiative.

C. Competitive Procurement

In order to maximize the State's ability to initiate a competitive procurement of EBT services, the Phoenix TEAA team studied the feasibility, advantages and disadvantages of breaking EBT services into its functional components that could then be placed under separate contracts. This portion of the TEAA presents an annotated list of EBT functions that can be isolated for outsourcing in the current marketplace. Additionally, Table 14 presents a representative (but certainly not complete) list of vendors that can provide the identified functions.¹⁷ Corporate summaries of many of these vendors have been developed in order to further evaluate the competitive market in each functional area and have been placed in Appendix B.

¹⁷ This list of vendors is not intended to represent the full range of vendors offering the described services, nor is it a list of potential vendors, nor is it intended to be a recommendation of vendors for the services they offer.

Table 14: EBT Functions for Possible Outsourcing

Function	Description	Representative Vendors
Central Processing	Provide and operate the central processing systems that house the EBT client and retailer accounts, provide transaction interfaces, approve transactions, maintain current account balances, manage the database and provide financial and management reporting.	Citigroup Deluxe Data Electronic Data Systems Unisys
Settlement and Reconciliation	Calculate amounts due retailers, reconcile payments to sources of funds, manage adjustments, charge-backs, balance client accounts and manage funds movement. These activities are generally done by the processor, but can be stripped out and procured separately.	Mellon Bank BankAmerica Chase
ACH and other Bank Services	Originate ACH transactions to credit retailer accounts. Handle rejected transactions. Possibly provide the settlement clearing account, provide for daylight overdrafts, guarantee the settlement, be the QUEST™ “Issuer.” (A strategy could be to use multiple small local Texas banks instead of one large out-of-state bank for this service.)	Citicorp Mellon Bank BankAmerica
Client Call Center	Provide 7x24 telephone customer service to EBT clients. Respond to balance inquiries, lost/stolen cards, information requests, complaints, etc. Provide management reporting. Requires interface with central system. This service could be divided into three separate contracts. 1-800 telephone service, interactive voice response and inbound live operator.	AT&T MCI Sprint Telecenter West Teleservices Sitel OSC
Retail Call Center	Provide 7x24 telephone customer service to EBT retailers. Provide voice authorizations, settle manual authorizations, respond to requests for equipment repair and provide settlement assistance. Provide management reporting. Requires interface with central system. This service could be divided into three separate contracts. 1-800 telephone service, ARUs and inbound live operator. The contract could also be bundled into POS acquirer services.	AT&T MCI Sprint Telecenter West Teleservices Sitel OSC
Card Production and Distribution	Manufacture EBT cards, print, mail to clients and create and distribute secure PIN mailers. Produce and mail nonurgent replacement cards.	DATAcard Gemplus NEC Cardtech DeLaRue
Hardware Servicing	Provide POS and administrative terminal equipment deployed to support EBT. Provide installation, training, supplies, maintenance and repair of POS and administrative terminal equipment.	Benchmark Technologies ATS Logistics Management

Function	Description	Representative Vendors
POS Acquirer	Provide EBT-only POS terminal software, terminal driving, retailer settlement, transaction switching and possibly retailer help desk.	Concord BuyPass PULSE First Data Deluxe Data Electronic Data Systems NaBanco
Telecommunications	Major telecommunication items are 1-800 call center, POS transactions, leased-line TPP, call center and backup data center interfaces, administrative terminal network and local retailer phone lines. These services may be included as a subset of some of the other functions or may be procured stand-alone.	AT&T MCI GTE TNS Sprint
EFT and Third-party Networks	If automated teller machine (ATM) transactions are to be a part of the program, then links with an EFT network is necessary. It may also be necessary to link with a POS gateway for POS transactions.	PULSE Deluxe
Third-party POS Acquirers	The central processing system has to provide access to the system to support transactions from third-party transaction acquirers who have contracted to provide EBT POS transaction services.	Concord BuyPass HEB ARCO Kroger
Training	Training involves client, retailer and agency training. It involves materials preparation and distribution as well as hands-on training and train-the-trainer activities.	Lockheed Martin Arthur Anderson Deloitte & Touche Unisys IBM
Software	There are multiple layers of software that may be unbundled. 1.) Central system account management, transaction processing and back office. 2.) Call center tracking, reporting, integration and support 3.) POS acquiring and management 4.) POS terminal load images 5.) Transaction switching and routing. 6.) Settlement and reconciliation. There are two processes that must be considered. First, creation of the software and ongoing maintenance and support (7x24 mission critical). Second, it is likely that some of the software is included in other functional areas.	Deluxe Data ACI Oasis Mosaic Arthur Anderson Deloitte & Touche Electronic Data Systems Unisys IBM Lockheed Martin
Systems Integration	Agency systems and infrastructure, EBT central processing, call center, ARUs, TPP, card issuance all have to be integrated into a seamless delivery system.	Unisys Electronic Data Systems Arthur Anderson Deloitte & Touche IBM Lockheed Martin
Agency Systems	Agency legacy systems probably needs modification and support to interface with the EBT environment.	Unisys Arthur Anderson IBM Lockheed Martin

It would be unlikely that DHS would want 17 contracts to support its EBT program. However, the Table 14 illustrates the number of vendors capable of providing selected services needed for EBT. When speculating the outcome of a competitive procurement involving the listed vendors, there are considerations besides cost, such as:

- The reputation of the vendor;
- The longevity of the vendor’s history;
- The experience of the vendor within the specified arena and with the type of agency or organization; and
- The vendor’s experience in new system implementation.

D. Maximize Value to the State

As previously discussed, Texas SB 1752 establishes the use of best-value standards as a determination of award for the purchase of goods and services. In addition to the directives of SB 1752, Texas Department of Information Resources has developed guidelines for investigating outsourcing strategies (evaluating internal and external resources) and lease versus purchase costs and benefits. In Table 15, following, are some of the identified reasons to utilize external or internal resources.

Table 15: External and Internal Resource Use

Reasons To Use External Resources	Reasons To Use Internal Resources
Access to technology, skills and knowledge not available internally.	Retain skilled personnel who are able to respond directly to agency needs.
Improve business processes and enable organizational change.	Obtain needed services at lower overall costs.
Provide short-term services without adding to ongoing operational costs.	Take advantage of employees’ unique insights into project agency goals.
Focus internal IT resources on core strategic plans and projects.	Have ownership and control over resource and personnel assets.

Maximizing the value to the State also means weighing the costs between outsourcing and developing and operating IT projects in-house. The most important of these costs include acquisition, asset management and IT support costs. Table 16 discusses additional (and sometimes intangible) costs of each strategy.

Table 16: Costs of External and Internal Resources

Costs Of Outsourcing	Costs Of Using Internal Resources
Contract management costs to the agency.	Opportunity costs of staff time.
Effectiveness costs from lack of understanding of project objectives.	Ongoing costs for additional full-time equivalent (FTE) employees.
Higher project costs when organizations access higher skill levels than readily available in-house.	Unpredictable costs from overtime or variable month-to-month project participation.
Higher costs from inadequately defined requirements.	Effectiveness costs if in-house resources are not sufficient or skilled enough for the project.

The bottomline of SB 1752 and outsourcing guidelines – providing the State with the best-value in an alternative EBT system – is to find a balance between the values (and risks) of outsourcing projects or bringing them in-house and the costs of each strategy. This balance is determined by weighing each alternative’s ability to meet program requirements and DHS’ strategic objectives with the alternative’s projected cost.

VI. Strategic Objectives and Considerations

A. Strategic Applications

Texas has fostered a vision of EBT as being a platform for the delivery of services for many State programs, both within DHS and other agencies. An Interagency Task Force on Electronic Benefits Transfer has been established to develop guidelines for and promulgate the use of EBT throughout the State. EBT, while currently serving as a client benefit delivery tool, is envisioned to take on a much wider role in providing services within the State. It can be a tool for provider payments, client identification, specific program eligibility verification, tracking service utilization and fraud deterrence.

The following Table 17 identifies many of the candidate programs that are evaluated for EBT.

Table 17: Candidate Programs for EBT

Program	Agency	Clients	Benefit/Access Type
Refugee Resettlement	DHS	446	Cash
Special Nutrition Programs	DHS	200,000	Restricted cash
Transportation	HHSC/TDH/DHS/ TxDOT/TWC	6,739	Restricted cash
SPUR (Supplemental Payment Under Reform)	DHS	22,000	Cash
Family Violence	DHS	2,500	Identification and eligibility
Medicaid ID Form	TDH	1,800,000	Identification and eligibility
Long-term Care Medicaid	DHS	66,135	Identification and eligibility
Long-term Care Aged and Disabled Community Care	DHS	97,815	Identification and eligibility
Lone Star Imaging System (LSIS)/POS Pilot	DHS	3,250	Fraud deterrence and detection
In-Home and Family Support Services	DHS	2,800	Cash
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	TDH	685,000	Restricted food
Petty Cash	TWC	4,000	Cash
Unemployment Insurance	TWC	150,000	Cash
Federal Direct Payments	US Treasury/ CPA/DHS	180,000	Cash
State Payroll	CPA	40,000	Cash
Child Support	AG	200,000	Cash
Child Care	TWC	79,043	Identification and eligibility
Foster Care	PRS	Unavailable	Identification and eligibility
Firefighters Pension	Firefighters Commission	1,800	Cash

These new programs present policy and technical obstacles that must be resolved or addressed. All program requirements are not met by the current EBT system design. The addition of nonrestricted and restricted cash programs requires some change, but the impact is relatively small. Others, like WIC and LSIS/POS, require significant change, such as the flexibility and

support of microprocessor chip card technology, off-line transaction processing and identity verification. The challenge for TEAA is to draw a balance between the need for change and the safety (risk) and cost effectiveness of current methods.

B. Technology Considerations

As in the Federal initiatives, discussed in Section IV: “Current Environment,” DHS has been in the process of studying the use of advanced card technologies for additional program applications. DHS’ conclusions were similar to those of the GSA, that Food Stamp and cash assistance programs required only the existing level of magnetic stripe card technology. Microprocessor chips bring added value to some second-tier EBT programs. Therefore, DHS has elected to use magnetic stripe cards for Food Stamp and cash benefit delivery and a hybrid card, containing both the magnetic stripe and the microprocessor chip, for those second-tier programs requiring increased functionality. Two current programs, WIC and LSIS/POS, are currently being considered for the hybrid card.

1. WIC

The Texas WIC Program is the second largest in the nation, serving more than 700,000 participants each month and paying in excess of \$350 million annually to 2,400 authorized retailers statewide. Texas WIC participants are served at 743 WIC clinics (405 permanent and 338 satellite/mobile sites) across the State.

The Texas Department of Health is issuing an RFP on behalf of the States of Texas and New Mexico for the design, development, implementation and operation of an off-line EBT system for the WIC programs in each state. The joint procurement has several advantages for stakeholders. First, both states benefit from the economies of scale of a joint procurement. Second, retailers in border communities who contract with both states and retailers with stores in both states, benefit from a single software interface and uniform lane equipage. Third, an interoperable system facilitates the clinic transfer process, so participants that move from one state to the other can conveniently change to another clinic. Finally, proven interoperability of an EBT system between Texas and New Mexico may facilitate the expansion of WIC EBT to other interested states.

Following a joint review of the proposals submitted in response to the RFP, the states will select a single EBT Contractor to perform the services of the states’ EBT host processor and financial settlement agent. The states will also designate one or more EBT Service Providers as qualified to perform the services of a Third-Party Acquirer-Processor in a commercial WIC EBT environment. These services include site preparation and installation of EBT/EPS (electronic payment system) hardware, software and supplies, as well as providing equipment maintenance and training.

Texas and New Mexico intend to employ a hybrid card for WIC EBT that combines microprocessor chip (smart) card technology with the States’ respective existing Food Stamp/TANF magnetic stripe cards. This enables WIC participants who also receive Food Stamps and/or TANF benefits to access all of their benefits with one card. Participants who receive only Food Stamps and/or TANF benefits continue to receive just a magnetic stripe card. The microprocessor chips on the hybrid cards have, at minimum, an 8 kilobyte capacity, but the

system design shall provide for an upgrade of the chip in future cards without significant replacement of legacy hardware or software.

Combining Food Stamp and cash programs with WIC onto a single card impacts the current Lone Star EBT system by requiring the following:

- Lone Star administrative terminal functionality in WIC clinics to support over-the-counter card issuance for combined case households;
- Replace lost and stolen WIC cards, with Food Stamp and/or TANF benefits that are accessed through the card's magnetic stripe;
- Lone Star call centers will receive/record lost and stolen card information after (WIC) hours; and
- Transmit lost/stolen card information to WIC.

WIC Specification Guidelines

As part of its WIC EBT effort, in January of 1998 Texas applied for and received a grant from USDA to facilitate technical design workshops with various WIC EBT stakeholders for automating the delivery of the WIC food prescription in the authorized retailer checkout lanes. Five workshops were conducted from March 1998 through June 1998. The stakeholders represented included retailers, EBT and EFT transaction processors, POS and EPS hardware and software vendors, state WIC personnel from several states and representatives from the Federal government. The outcome of this effort was the development of the *EBT Specification Guidelines for WIC* based upon the ISO standard set for ISO 8583. The WIC EBT guidelines identify and establish the data elements required of the retailers' systems, the data elements required to interface with a POS device supporting WIC and the data elements to be exchanged between the retailers' systems and the State's EBT processor for settlement. Under public domain, these WIC EBT guidelines are available to all EPS and electronic cash register manufacturers, software integration firms and others so WIC EBT functionality can be more readily added to or integrated into the retailer's existing systems.

It was during the technical design workshops for the specification guidelines that WIC staff from Texas and New Mexico began discussing the merits of a joint procurement and system design that would demonstrate interoperability between the two states.

2. LSIS

LSIS, authorized as part of Texas Welfare Reform, is being implemented to deter fraudulent access to benefits in the Food Stamp and TANF programs. The pilot program began in October 1996, and on May 1, 1998, the USDA approved expansion of the LSIS to Phase I of statewide operations, which DHS has scheduled to be completed by the end of FY99 (fiscal year 1999). Finger imaging is currently required in the two regions that have deployed LSIS.

A second stage of LSIS, finger imaging at the POS, will also be implemented by DHS. A pilot is scheduled for September 1999, pending receipt of Federal approval. This would entail the presentation of a finger image at a POS terminal for the purposes of identity verification when accessing benefits from the EBT card. LSIS/POS requires the use of a hybrid EBT card in order

to have the capability of the chip to store finger image minutia data. It is possible, depending upon the approach taken for the LSIS/POS deployment, that the imaging system will be interfaced with store POS terminals as identification for accessing benefits from the EBT card.

C. Cost Allocation Considerations

A positive of outsourced EBT services is that cost allocations for vendor services are allocated using a direct-charge method. Texas, like other states, pays its EBT vendor representative per unit cost times the number of units for each program (i.e., Food Stamps and TANF). Agency costs to administer these programs are allocated based on Federal approved cost allocation methodologies that reasonably measure the level of effort (cost) involved in performing EBT, EBT-related and EBT support costs.

The continued outsourcing of Food Stamp and TANF EBT services for existing and future programs may not add to the complexity of DHS’ cost allocation plan. However, the decision to perform some or all EBT tasks in-house creates the need for an expanded and/or modified use of existing cost allocation factor methodologies or the development of new cost allocation methodologies. It is necessary to identify the most cost beneficial cost allocation methodologies among those considered defensible to ensure maximized use of Federal funds. While best interest, best value for the State is the primary strategic issue, cost allocation is a major consideration by Federal funding sources in their review and approval of the EBT alternative selected by DHS.

D. Time Lines

The time line to develop and implement an alternative EBT system is controlled by the February 2001 completion of the current EBT contract with Transactive. In addition to this constraint, DHS is concurrently involved in WIC and LSIS/POS planning and implementation, as well as the ongoing work on Y2K compliance and TIES. The EBT implementation time line is a crucial portion of alternative planning. Milestones and critical path dates, Table 18, include:

Table 18: Major Milestones and Critical Paths

Date	Major Milestone
March 1, 1999	Finalize system design and procurement decisions
June 1, 1999	Approval of transition plan
July 1, 1999	Begin transition plan implementation
September 1999	Finger imaging at POS begins
January 1, 2000	Begin transition
June 1, 2000	Acceptance testing
July 1, 2000	WIC EBT pilot begins
December 31, 2000	Transition complete
February 2001	Transactive EBT contract ends

Tasks associated with EBT transitional planning and their estimated duration include the following Table 19:

Table 19: Transitional Planning

Task	Length Of Time	Period Of Time
Complete EBT Implementation Plan; Develop Request for Offers (RFO).	4 months	December 1998 – March 1999
Obtain Federal and State approvals.	2 months	April 1999 – May 1999
Solicit and evaluate bids for outsourced services; Negotiate purchase of assets with Transactive; Obtain Federal approval; And/or Develop Business Plan for in-house operations Conduct contract negotiation and award contract.	5 months	June 1999 – October 1999
Obtain Federal and other external approvals.	2 months	November 1999 – December 1999
Transition period between DHS and contractor and between present contractor and additional outsourced contractors.	12 months	January 2000 – December 2000
New contracts and operations begin.		January 2001

The following time line, based on time line information provided by DHS, illustrates possible paths for the transition to an alternative EBT program. Depending upon the alternative chosen, one of these paths or a combination of paths may occur.

VII. Economic Considerations

A. Current Costs

The Texas Lone Star EBT system performs benefit issuance and delivery for the Food Stamp Program and for the TANF Program, both administered by DHS. Implemented in 1995, the Texas Lone Star EBT system was the first statewide EBT system to comply with regulations issued by FNS.

As a condition for Federal funding, DHS identified its base line or “status quo” costs for issuing paper Food Stamp coupons and AFDC (Aid to Families with Dependent Children, now TANF) warrants to eligible recipients. In accordance with FNS and ACF guidelines, State expenditures recorded over four consecutive fiscal quarters¹⁸ and recorded within the DHS fiscal and cost accounting systems were used to define base line issuance costs for both programs. As a preliminary step to analyzing EBT system and service alternatives, it is necessary to establish a new base line, one that quantifies the current cost of issuing Food Stamp and TANF benefits using the Texas Lone Star EBT System.

Base line operating costs were developed for both the Food Stamp Program and TANF using the cost-accounting methodologies approved by FNS for use in establishing a Food Stamp coupon issuance cost cap for the State of Texas. The cost analysis in this study does not seek to compare the historical, cumulative cost of implementing an EBT system initially with those of implementing an EBT system of different design today. Instead, the study seeks to identify and compare the projected costs of implementing and operating various EBT system design alternatives with the current cost of operating the EBT system. As such, the base line cost figure used in this study is exclusive of initial EBT system start-up costs (i.e., one-time, nonrecurring costs incurred prior to the current EBT system “go live” date), that for purposes of calculating cost neutrality for the Food Stamp Program are amortized over the EBT system life cycle of seven years.

1. Approach

The selected approach for determining base line EBT issuance costs for both the Food Stamp and TANF programs in Texas is modeled after that endorsed by the FNS for the definition of the State’s Food Stamp Coupon Issuance Cost Cap. First proposed in 1993 and finalized in 1994, the Texas cost cap encompassed the total expenditures, both State and Federal funds, spent by the State of Texas and the FNS in the issuance of paper Food Stamp coupons in Texas.

Expressed in terms of a cost per case per month (PCPM), the cost cap represents the maximum allowable Food Stamp funding available to the State of Texas for EBT startup, implementation and operations per Food Stamp household per month over a seven year EBT system lifetime. The State is required to stay under the cost cap; Congress requires that EBT be cost neutral to the Federal government.

¹⁸ USDA regulations require states to calculate cost cap on quarterly reported expenditures over four consecutive federal fiscal quarters. If a 12 month period is used other than the most recently completed quarters, the state must justify the selection of the alternate period.

The base line cost analysis for the TEAA utilizes the FNS-approved approach for the initial cost cap to identify and quantify current EBT issuance costs incurred by the State. These costs are reported separately as “EBT Costs” in columns 24-26 of the FNS Form 269 for the Food Stamp Program. Unlike FNS, the ACF does not require a separate reporting of TANF EBT issuance costs. (TANF issuance costs are included under agency administrative costs in the quarterly financial reports.)

Within FMIS, EBT issuance costs (as well as other department program costs) are identified by Program Activity Code (PAC). Expenditures within a PAC are allocated to one or more Federal or State funding sources through the use of cost allocation factors in accordance with the agency’s Federally approved Cost Allocation Plan. The PACs used to define EBT issuance costs for the Food Stamp and TANF programs are presented in the figure below.

Table 20: Program Activity Codes

Program Activity Codes	
PAC #	Description
Eligibility Determination Staff	
240	Outstationed Eligibility. Staff assigned to hospitals and other medical facilities to certify potential applicants for TANF, Food Stamps or Medicaid. Includes related overhead expenses.
242	Eligibility Determination. Staff who determine eligibility for assistance and related benefits for TANF, Food Stamp and Medicaid Services, and their supervisors, program directors and clerical support. Includes related overhead expenses. Includes staff who deal with eligibility issues, such as Hot Line staff.
Auditors	
736, 713	Audit Services. Staff who audit contracted agencies of the department and coordinate, review and communicate audit results to the appropriate DHS staff. Includes related overhead expenses.
Statewide Overhead	
280	Training. Staff engaged in the orientation and training of eligibility staff working in Client Self-support Services Program delivery. It includes related program overhead expenses.
281	Program Administrator. Staff providing administrative support and coordination for all Income Assistance programs within Client Self Support. Includes related travel and overhead expenses.
291	TEAA Analysis Planning APD (Advance Planning Document)
711	DHS Administrative Support. State office staff providing executive leadership, central information services, government relations, internal audit, legal, hearings, civil rights, personnel, fiscal and budget management services.
716	[NOTE: Not referenced in 1998 DHS Cost Allocation Plan]
720	Operations Support. Includes management of agency support systems and operations, including forms and handbook management, purchasing, facility management of central sites, records management and storage, and contract administration policy and contract monitoring.
902	Central Fund. Shared Items. State office facility costs, supplies, printed material, postage/delivery services and telephone service for the benefit of DHS staff only.
996	Workmen’s Compensation Claims. Reimbursement of Federal funds to Comptroller for workmen’s compensation claims attributable to DHS employees.
997	Unemployment Benefits. Reimbursement of Federal funds to Texas Workforce Commission for unemployment benefits attributable to DHS employees.

Program Activity Codes	
PAC #	Description
Regional Overhead	
905	Regional Overhead. Generic overhead costs shared among all DHS programs and with other State agencies: rent, utilities, janitorial services, security, postage, local telephone, consumable supplies, building and equipment maintenance and office equipment rental.
908	Regional Overhead. Generic overhead costs shared among all DHS programs and with other State agencies: rent, utilities, janitorial services, security, postage, local telephone, consumable supplies, building and equipment maintenance and office equipment rental.
EBT Contractor and Administration	
293	EBT Contractor Cost – Food Stamps. To cover the costs paid to the EBT contractor to provide benefits using electronic transfer for Food Stamp recipients.
294	EBT Contractor Cost – TANF. To cover the costs paid to the EBT contractor to provide benefits using electronic transfer for TANF recipients.
295	EBT Administration. Staff providing administrative support and contract management for the EBT and benefit delivery system for TANF and Food Stamps. Includes related overhead expenses.

Expenditures identified by DHS for each of these PACs are allocated based on an approved cost allocation factor value. Table 21 describes the rationale allocating costs to one or more programs and funding sources and the basis for determining the issuance share of program-level costs.

Table 21: Cost Allocation Factor Values

Cost Allocation Factor Values		
PAC #	Factor	Description
Eligibility Staff		
240	160	Random moment time study factor on eligibility determination for grant benefit related services.
242		
Auditors		
736, 713	Direct	EBT portion (percent) based on the number of hours attributable to EBT.
Statewide Overhead		
280	162	Random moment time study factor on eligibility determination for administration.
281		
711	034	Statewide agency headcount.
720		
742		
902		
996		
997		
Regional Overhead		
905	054	Regional headcount.
908		
EBT Contractor and Administration		
293	600	EBT portion at 100 percent; Food Stamp at 50 percent.
294	610	EBT portion at 100 percent; TANF at 50 percent.
295	516	EBT administration based on case counts paid quarterly to the EBT vendor.

2. Current EBT Issuance Costs

Prior to evaluating EBT system design and service alternatives, it was necessary to conduct a thorough analysis of base line costs to determine the current EBT issuance costs for both the Food Stamp and TANF programs. Using the FNS-approved Food Stamp Coupon Issuance Cost Cap approach and methodologies described above, the TEAA base line cost analysis examined expenditures reported by the DHS to the FNS and ACF for the Food Stamp and TANF programs respectively during the four consecutive fiscal quarters of Federal Fiscal Year (FFY) 1998. The results of the analysis and the Per Case Per Month (PCPM) base line issuance cost figure for each benefit program are presented below.

Food Stamp Program

Figure 1 in Appendix C identifies the rationale for EBT issuance costs for the Food Stamp Program as captured and reported by quarter within the DHS fiscal and cost-accounting systems for FFY 1998. An explanation of the calculations used to identify each category of costs is included below. [References: “DHS Program Activity Code Definitions, Factors used in Cost Allocation Plan, and DHS Program Activity Codes” and Appendix C. “Food Stamp EBT Detailed Cost Data for FFY 1998.”]

- **Eligibility Staff (PACs 240 and 242).** Multiply the Food Stamp expenditures recorded for PACs 240 and 242 by the EBT percent of time identified in the EBT time study.
- **Auditors (PACs 713 and 736).** Multiply the Food Stamp costs recorded for PAC 713 (costs reported to PAC 736 prior to 1996 are now reported to PAC 713) by the percent of EBT Audit hours attributable to EBT.
- **Statewide Overhead (PACs 280, 281, 711, 720, 739, 742, 902, 996 and 997).**
Step #1: Determine the EBT Headcount. For EBT auditors, multiply the quarterly average headcount for PAC 713 by the percent of audit hours attributable to EBT. For EBT staff, multiply the quarterly average headcount for PACs 240 and 242 by the EBT percent of time identified in the EBT time study and by the Food Stamp percent from Factor 160.

Step #2: Determine the average monthly Food Stamp Program Headcount for the quarter using the monthly headcount figures from Factor 034.

Step #3: Determine the total Food Stamp share for Statewide Overhead Costs for PACs 280, 281, 711, 720, 721, 739, 742, 902, 996 and 997. For PAC 711, take the headcount for staff formerly included in FY 1995 PAC 739 and divide it by the total headcount included in PAC 711; multiply this percentage by the total expenditures reported under PAC 711.

Step #4: Determine the EBT share of Statewide Overhead. Divide the EBT headcount by the Food Stamp program headcount and multiply by the Food Stamp Program share of Statewide Overhead Costs.

- **Regional Overhead (PACs 905 and 908).**

Step #1: Identify the Regional EBT Headcount (step #1 above).

Step #2: Determine the average monthly Regional Food Stamp Program Headcount for the quarter using the monthly Regional Food Stamp Headcount from Factor 054.

Step #3: Determine the Food Stamp share of Regional Overhead Costs for PACs 905 and 908.

Step #4: Determine the EBT Share of Regional Overhead Costs. Divide the EBT Headcount by the Food Stamp Program Headcount and multiply times the Food Stamp Share of Regional Overhead Costs.

- **EBT Contractor and Administration Costs (PACs 293 and 295).** Total the Food Stamp share of costs reported as PAC 293 and PAC 295.
- **PCPM EBT Base Line Issuance Costs.** Total all of the Food Stamp costs attributable to EBT (above) and divide by the annualized average monthly Food Stamp caseload.

For the FFY 1998 base line period, the PCPM issuance cost for Food Stamps is calculated to be \$2.41. The base line cost is shared 50/50 between the State and Federal governments.

TANF Program

Figure 2 in Appendix D identifies the rationale for EBT issuance costs for the TANF program as captured and reported within the DHS fiscal and cost accounting systems for FFY 1998. An explanation of the calculations used to identify each category of costs is included below.

[References: “DHS Program Activity Code Definitions, Factors used in Cost Allocation Plan, and DHS Program Activity Codes” and Appendix D. “TANF EBT Detailed Cost Data for FFY 1998.”]

- **Eligibility Staff (PACs 240 and 242).** Multiply the TANF expenditures recorded for PACs 240 and 242 by the EBT percent of time identified in the EBT time study.
- **Auditors (PACs 713 and 736).** Multiply the TANF costs recorded for PAC 713 (costs reported to PAC 736 prior to 1996 are now reported to PAC 713) by the percent of EBT Audit hours attributable to EBT.
- **Statewide Overhead (PACs 280, 281, 711, 721, 739, 742, 902, 996 and 997).**
Step #1: Determine the EBT Headcount. For EBT auditors, multiply the quarterly average headcount for PAC 713 by the percent of audit hours attributable to EBT. For EBT staff, multiply the quarterly average headcount for PACs 240 and 242 by the EBT percent of time identified in the EBT time study and by the TANF percent from Factor 160.

Step #2: Determine the average monthly TANF Program Headcount for the quarter using the monthly headcount figures from Factor 034.

Step #3: Determine the total TANF share for Statewide Overhead Costs for PACs 280, 281, 711, 720, 739, 742, 902, 996 and 997. For PAC 711, take the headcount for staff formerly included in FY 1995 PAC 739 and divide it by the total headcount included in PAC 711; multiply this percentage by the total expenditures reported under PAC 711.

Step #4: Determine the EBT share of Statewide Overhead. Divide the EBT headcount by the TANF program headcount and multiply by the TANF Program share of Statewide Overhead Costs.

- **Regional Overhead (PACs 905 and 908).**

Step #1: Identify the Regional EBT Headcount (step #1 above).

Step #2: Determine the average monthly Regional TANF Program Headcount for the quarter using the monthly Regional TANF Headcount from Factor 054.

Step #3: Determine the TANF share of Regional Overhead Costs for PACs 905 and 908.

Step #4: Determine the EBT Share of Regional Overhead Costs. Divide the EBT Headcount by the TANF Program Headcount and multiply times the TANF Share of Regional Overhead Costs.

- **EBT Contractor and Administration Costs (PACs 294 and 295).** Total the TANF share of costs reported as PAC 294 and PAC 295.

- **PCPM EBT Base Line Issuance Costs.** Total all of the TANF program costs attributable to EBT (above) and divide by the annualized average monthly TANF caseload.

For the FFY 1998 base line period, the PCPM issuance cost for TANF is calculated to be \$1.20. The base line cost is shared 50/50 between the State and Federal governments.

B. Vendor Cost Analysis

The following section contains a discussion of vendor costs associated with providing EBT services. For definitions of terms used in cost and analyses discussions, refer to Appendix E.

1. Cost Structure

The estimated vendor price for a full-service EBT program, consistent with the current delivery mode and current caseload is \$2.91 PCPM (Appendix H-1) in a stand-alone environment¹⁹ and \$2.26 PCPM (Appendix I.1) in a shared environment.²⁰ There are an estimated staff of 159

¹⁹ An EBT environment that has been built from the ground up solely to meet the needs of the Texas EBT program. All assets and resources are dedicated to Texas EBT delivery.

²⁰ An implementation in which the needs of the Texas EBT program are commingled with the needs of other EBT programs in a single service delivery environment. This may be analogous to Texas participating in a coalition program such as the SAS or awarding a contract to a vendor that has based its proposal on a significant multiprogram EBT market share.

(Appendix H-3) people to provide the services required for Texas EBT in the stand-alone environment.

These are estimated costs. Individual vendor costs, based on their own unique infrastructure, cost allocations and pricing schemes may vary significantly. This is especially true in the shared environment where the allocation of costs between projects becomes a highly subjective exercise. However, the costs and derived prices quoted here should be well founded within plus or minus 15 percent. Texas should expect, in a shared environment, a price in the range of \$1.92 to \$2.60 PCPM from private-sector vendors for EBT services equivalent to what it currently receives.

2. Level of Service and System Requirements

The prices and costs shown in this document are for existing requirements and level of service in force for Texas EBT. As DHS examines its alternatives for EBT in the future, the agency may consider restructuring the services currently being provided. In the following Table 22 are some examples of services and an estimate of the potential savings to Texas in their next iteration of EBT if the State elects to initiate the change. The table reflects a potential savings assuming that a private-sector vendor is providing the service and is charging a markup on the actual cost. This is a price to Texas as opposed to the cost.

Table 22: Level of Service and Potential Savings PCPM

Item	Comments	Potential Savings PCP (includes vendor markup)
Retail Phone Lines	For historical reasons, the Texas program is supplying approximately 7,000 phone lines spread over 10,610 retailers (66 percent) at a cost of about \$30 each. Many other State project vendors have initiated a policy (tacitly accepted by FNS) of a minimum of \$5,000 in Food Stamp sales to warrant a phone line and have seen only 4 to 10 percent of retailers being provided a phone line. This type of program in Texas could reduce phone lines to below 1,061 and reduce the cost approximately \$178,000 per month plus \$35,500 vendor markup. Other programs require the retailer to pay for the line each month and then reimburse the retailer after the fact whereas Texas pays for and manages the lines directly.	\$.29
Purchase Transactions	The Texas program is paying transaction fees to retailers using the services of third-party processors for EBT transactions. Most (not all) other programs have not implemented this type of fee structure. These fees cost approximately \$51,000 per month plus a vendor markup of \$10,000. Retailers have indicated a strong reluctance to give up these fees.	\$.08

Item	Comments	Potential Savings PCP (includes vendor markup)
POS Terminal Deployment	<p>Texas currently has about 13,000 active State-supplied POS devices serving EBT clients. Of these, approximately 6,000 are doing less than 100 transactions per month (3.3 per day). It costs about \$16 per month to deploy and maintain each of these devices (excluding any phone lines or other operational costs). By implementing restrictive policies such as:</p> <ul style="list-style-type: none"> • deposits on devices; • make them Food Stamp-only capable (done in other states); and • seek a waiver on minimum sales to warrant electronic access as opposed to voice authorizations, <p>possibly half of these marginal locations could be eliminated, saving \$48,000 per month plus a vendor markup of \$10,000. Retailers have endorsed the concept of limiting marginal retailers from program participation.</p>	\$.08
Help Desk Calls	<p>Texas is currently reporting more than 2 million client help desk call minutes each month, or 3.27 minutes per client, which costs about \$418,000 per month. Programs such as training, incentives, or disincentives, to achieve a 15 percent reduction, either by fewer calls per client or shorter calls or both could save \$62,700 plus a vendor markup of \$12,540 per month.</p>	\$.10
Administrative Terminals	<p>Transactive is currently supplying and supporting approximately 500 administrative terminals (PCs) in DHS local offices, primarily for the purpose of issuing cards to new recipients. Transactive pays DHS about \$40,000 per month for use of the existing DHS wide area network (WAN) infrastructure to connect these terminals with the EBT central systems. The total cost for this service is about \$100,000 per month. For several reasons, much of this cost could be eliminated from the program: DHS is currently considering integration of EBT administrative functionality with other applications and leveraging existing PCs in the office.</p> <p>Future plans call for reducing the number of offices and consolidating services, that changes the card-issuing strategy.</p> <p>DHS staff believe that cards should not be issued in the office for security and workload reasons which would reduce the need for the equipment.</p> <p>A solution must be developed to deal with the issues of expedited benefits.</p>	\$.12
Hot Remote Backup Processing System	<p>The current processing environment uses a triplex architecture that includes three levels of backup: a primary, a backup and a hot spare. Most EFT vendors rely on two levels. The cost of the Hot Spare backup is approximately \$50,000 plus a vendor markup of \$10,000.</p>	\$.08
PIN Change in Local Office	<p>The current environment provides PIN selection in the local office supported by a dedicated phone line. This costs about \$15,500 plus a vendor markup of \$3,100. This function is used infrequently and could either be eliminated or integrated with the administrative terminal.</p>	\$.03
Pay Phone Support	<p>The cost estimates included here do not include any charges imposed by owners of pay phones for 1-800 calls made from those phones. This is not currently being paid in Texas, but will most likely in the future and amounts to \$.284 for each such call. Assume (estimated) that 5 percent of help desk calls originate from a pay phone.</p>	(\$.04)

Item	Comments	Potential Savings PCP (includes vendor markup)
Total PCPM		\$.74

Reducing the existing level of service is difficult and will have a price. However, if Texas could find a way to implement strategies to alleviate the costs associated with the above policies and procedures and not seriously degrade the program, the savings could be significant.

3. The Most Expensive Cost Elements

The following chart shows the seven most expensive elements of an EBT program, based on a shared environment. (See Appendix I-2 and I-3 for details.) Six of these seven involve the service level changes described above. The following Table 23 is a more detailed discussion of these seven items that together, make up 61 percent of the cost of the program or \$1.13 PCPM. Unlike Table 22, the data in Table 23 represents costs for providing the items and do not reflect a vendor markup. This allows them to be tracked back to a line item in the detail cost models.

Table 23: The Most Expensive Cost Elements

Item	Description	PCPM (does not include a vendor markup)
Call Center Associates	This is driven by the number of clients and the number of times each client calls the help center. The current Texas help desk is reporting 96 percent of all calls are handled by the automated equipment, leaving four percent, or about 80,000 calls per month, requiring associate assistance. Associate calls average about 2.5 minutes. Because these are all in-bound calls, to ensure adequate service, the help desk must staff to meet the peaks, not the averages. In a typical in-bound call center, associate efficiency (percent of time on the phone) runs at less than 50 percent. Additionally, the service is available on a 7x24 basis.	\$.11
Call Center Communications	The bulk of this cost is the in-bound 1-800-client calls, a number that is driven by the number of clients, the calls per client and the duration of calls. Texas is currently experiences more than 2 million call-minutes per month. A call-minute costs about \$.08.	\$.24
Retail POS Communications	The 7,000 phone lines, at \$30 each, make up 80 percent of this cost. The remainder is a communications fee paid to move the POS transaction from the retail store to the EBT central system and back, which is approximately \$.02 per transaction for the 2.7 million transactions initiated on State POS equipment.	\$.37
Central Operations	This bulk of this cost is the operations staff (estimated at 32 FTEs) necessary to support both a primary and backup system on a 7x24 schedule. This is a cost that can be leveraged across multiple programs. Once a site is created and staffed for 7x24 primary and backup operations, the infrastructure, with little addition, can operate a number of programs.	\$.12
POS Initial Deployment	This is the cost of procuring and installing the 13,000 EBT-only POS devices.	\$.11

Item	Description	PCPM (does not include a vendor markup)
POS Maintenance and Service	Requirements for 24-hour repair or replacement make this an expensive service. In addition, because much of the service is hands-on, it requires a large presence in State that cannot be leveraged across multiple projects.	\$.11
Purchase Transactions	A per-transaction fee is paid to retailers to offset the cost of using third parties.	\$.07
Total PCPM		\$1.13

4. Variable Costs

Analysis of the Texas EBT alternatives includes gaining an understanding of the effect on costs that results from an expansion or contraction of the program. This may happen in several ways:

- Through Food Stamp and TANF caseload changes. Food Stamp cases have declined by about 40 percent and TANF cases have declined by about 43 percent since the program began statewide operations.
- Through the addition of Texas benefit programs to the EBT platform. Benefit delivery services all or in part could be provided for many State programs, such as WIC, Medicaid eligibility, unemployment and child support.
- Through providing EBT services to other states. Texas could become a central processor for a coalition of individual State programs.

This analysis is based on the data in Appendix H, the stand-alone environment. The following chart shows estimates for variable and fixed EBT costs, assuming existing Texas levels of service and requirements and categorizes the cost elements into their type of variability. Three categories are used: Case, Infrastructure and Program. The numbers shown here represent estimated costs and do not contain a vendor markup.

- Case costs are those that vary directly with the addition of another EBT case (Food Stamps or TANF) to the program.
- Infrastructure costs are those that, once put in place, can be reused by multiple projects.
- Program costs are those related directly to a specific program, such as Food Stamps or TANF.

Table 24: Variable Costs

Cost Element (Vendor markup not included)	Case	Infrastructure	Program	Total
Initial Card Issuance and Training	\$0 ²¹			
New and Replacement Cards	\$0.07			\$.07

²¹ These start-up costs are shown as \$0 because the cost estimates used are for continuation of the existing EBT program. Adding a new program would probably require costs in this category.

Cost Element (Vendor markup not included)	Case	Infrastructure	Program	Total
Call Center Associates	\$0.12			\$0.12
Call Center Communications	\$0.25			\$0.25
Call Center (Less Associates and Communications)		\$0.22	\$0.04	\$0.26
Central Processing (Less Software)		\$0.50		\$0.50
Central Management and Administration		\$0.05	\$0.02	\$0.07
Central Processing Software		\$0.07	\$0.03	\$0.10
PIN Changes			\$0.02	\$0.02
Agency Systems			\$0.15	\$0.15
POS Deployment and Servicing			\$0.29	\$0.29
POS Transaction Charges	\$0.08			\$0.08
POS Operations (Less Transaction Charges)			\$0.44	\$0.44
Purchase Transactions	\$0.07			\$0.07
Total	\$0.59	\$0.84	\$0.99	\$2.42

Case Costs

The incremental costs directly related to cases are \$.59 PCPM. If the number of cases increases by 100,000 then the cost to the vendor or State increases by \$59,000 per month. Conversely, if the cases decrease by 100,000, costs decrease by \$59,000. This assumes that new cases behave with the same characteristics as an existing EBT case, such as initiating 9.7 monthly POS transactions and calling the call center 3.27 minutes each month.

Support to cases with different profiles involves different direct costs. For example, a Medicaid eligibility case would be significantly less expensive because of the (expected) minimal customer service calls and fewer transactions per month. The incremental cost for such a case would probably be less than \$.20 per month. Adding a new benefit program (e.g., a shared cash program) to an existing case should have a negligible incremental impact in the order of less than \$.05.

Infrastructure Costs

Infrastructure costs are \$.84 PCPM. However, because these costs do not vary directly with each case, it might be more appropriate to view this number as a fixed cost of approximately \$610,000 per month to have the base capabilities for EBT. It is this number that can be leveraged across multiple programs or an increase in cases using the same infrastructure. The difference between the shared and the stand-alone models presented in this document is mostly explained by spreading this cost across more cases.

The infrastructure is not a totally fixed number, but only within certain bounds. If enough new cases are added, an additional processor board, disk storage unit, systems programmer, etc. would have to be incrementally added. A conservative estimate would be that infrastructure costs would increase at a rate of about \$.15 for each additional case. 100,000 new cases would add \$15,000 to the monthly infrastructure costs. If the number of cases participating in the Texas EBT program were to increase by 100,000 from the current level of 725,855, then the

infrastructure cost per case would decrease by about \$.08 per case, to \$.76. If the number of cases were to double, then the infrastructure cost per case would be \$.50.

Infrastructure costs are not particularly sensitive to the profile of the case being added. The cost should remain consistent whether it is a new Food Stamp, Medicaid or child-support case. Consequently, the costs can be spread uniformly across all cases.

Program Costs

Program costs are those costs that do not vary directly with each case but that are specific to program requirements. Examples would be customizations to the base application software, program specific management and the State-supplied POS network. The shared use of deployed resources may offer opportunities for allocating costs based on actual use by benefit program.

Analysis Based on Program and Case Costs

This analysis produces a useful paradigm for evaluation of other candidate programs being considered for use of EBT as a service enabler. Rather than evaluating the program's cost-effectiveness based on PCPM evaluation, shown as \$2.42, it is possible to evaluate the program based on its specific incremental program and case costs. For example, a transportation allowance as an additional cash program requires little new infrastructure and has minimal program costs. However, the client costs, such as help desk calls and transaction fees would be important cost measurement metrics.

VIII. Alternatives Analysis

This portion of the TEAA is divided into two sections. First is a summary of findings contained in the analysis, including a description of all alternatives (both viable alternatives and alternatives considered but rejected) as well as summary findings of the qualitative and quantitative analysis. Second, there is a discussion of the methodology, including a description of qualitative evaluation criteria and the economic (cost) analysis.

A. Summary

Upon examination of the current EBT environment and the needs of Texas, both strategic and tactical, eight alternatives were identified for a detailed analysis. A methodology was applied to the various alternatives to assist in their evaluation and prioritization. The objective of the analysis is to determine the best interest, best value to Texas for an alternative EBT system.

Alternatives are evaluated on two scales: A quantifiable cost scale and a qualitative set of evaluation criteria. The cost scale provides the State with an estimate of the costs the State will incur for each of the eight alternatives. The qualitative scale measures each alternative consistently against the criteria the State deems important in qualitative merits (and risks) of the alternative.

The alternatives are delineated as follows:

- A. Stand-alone EBT Environment.** A private-sector vendor is selected to provide the full set of EBT services to Texas in an environment dedicated to Texas.
- B. Shared EBT Environment.** A private-sector vendor is selected to provide the full set of EBT services, but shares its EBT infrastructure (hardware, software, networks, etc.) with multiple states' EBT programs.
- C. SAS EBT Solution.** Texas joins the SAS and procures its EBT services under the blanket SAS EBT agreement.
- D. State In-house EBT Solution.** The State develops EBT resources and capabilities and operates these internally in providing EBT services to Texas.
- E. State In-house Acquire Transactive's Assets EBT Solution.** The State acquires certain of the resources of the current EBT vendor and operates these resources internally in providing EBT services to Texas.
- F. Multiple-service Outsource EBT Solution.** The State contracts with multiple component service vendors to provide the full set of EBT services.

G. Selective Multiple-service Outsource And In-House EBT Solution. The State may contract with multiple component service vendors, but retains the ability to provide some of the component services in-house.

H. Selective Outsource Acquire Assets EBT Solution. The State may contract with multiple component services and acquire certain assets from the current EBT vendor.

Several alternatives in addition to these eight alternatives were considered and discarded as being nonviable and unsuited for a full-scale full analysis. One of these was a cash-out solution, determined to be not permitted by the FNS. Another was that Texas become the EBT service provider for itself and for other states. This idea appeared to be a method to reduce State EBT costs by leveraging them across the greater number of combined cases. However, the risks associated with this strategy were determined to be high. In the event of a system failure, other states receiving EBT services from Texas would look to the State for the reason why their clients did not receive benefits. Additionally, Texas is not in a position to provide liquidated damages, in the same sense as a private vendor, to guarantee its processing and services. The risks apply even if Texas were to use this strategy and to contract with a third-party EBT service vendor.

Detailed discussion of the qualitative and cost analyses of each alternative is found in Section IX: Detail Analysis. Qualitative scoring criteria are found in Appendix F. Table 25 contains a summary of the results of the qualitative evaluation. The qualitative analysis is based on a total value of 60 points.²²

Table 25: Summary Qualitative Scoring

Alternative	Technical	Program	Funds Management	Total	Points
Stand-alone EBT Environment	98	101	31	230	41.8
Shared EBT Environment	120	93	31	244	44.4
SAS EBT Solution	120	94	31	245	44.5
State In-house EBT Solution	73	91	29	193	35.1
State In-house Acquire Transactive's Assets EBT Solution	110	90	27	227	41.3
Multiple-service Outsource EBT Solution	96	85	46	227	41.3
Selective Multiple-service Outsource And In-House EBT Solution	103	86	46	235	42.7
Selective Outsource Acquire Assets EBT Solution	133	92	45	270	49.1
Maximum	150	125	55	330	60

²² The formula for determining qualitative points is as follows: $(x/330)*60$, where x = the alternative's total qualitative score and 330 is the maximum allowable points.

The qualitative scoring of alternatives reflects many of the issues confronting Texas as it considers its next step. These issues include:

- Time to implementation. Alternatives that offer existing software and resources, and consequently a shorter time to implement, rank higher.
- Reduced risk of implementation. Alternatives that offer EBT or EFT experience, a single point of contact for the State and existing EBT resources rank high. Alternatives with a perceived risk related to lack of experience or shortage of resources rank low.
- Flexibility to add additional programs. Alternatives that provide focus on Texas' needs and strategic initiatives rank high.

Each of the eight alternatives has been assigned a cost to Texas based on the methodology found in Section VIII B, following this summary discussion. Table 26 summarizes the estimated costs for each alternative for the current Texas caseload. The cost points are based on a total point value of 40.²³

Table 26: Summary Cost Estimation and Scoring

Alternative	Per Month (000)	84 Months (000)	PCPM	Points
Stand-alone EBT Environment	\$2,109	\$177,156	\$2.91	25.0
Shared EBT Environment	\$1,643	\$138,012	\$2.26	32.1
SAS EBT Solution	\$1,643	\$138,012	\$2.26	32.1
State In-house EBT Solution	\$1,436	\$120,624	\$1.98	36.7
State In-house Acquire Transactive's Assets EBT Solution	\$1,317	\$110,628	\$1.82	40.0
Multiple-service Outsource EBT Solution	\$1,768	\$148,512	\$2.44	29.8
Selective Multiple-service Outsource and In-house EBT Solution	\$1,630	\$136,920	\$2.25	32.3
Selective Outsource Acquire Assets EBT Solution	\$1,553	\$130,452	\$2.14	33.9
Maximum Possible Points				40

The prioritization of the identified alternatives is based on a combination of qualitative and cost criteria, based on 100 possible points. In the following Table 27, the alternatives are listed with their ordinal rank for the qualitative and cost evaluations.

²³ The formula for determining the cost points is as follows: $(x/y)*40$, where x = the lowest estimated cost and y = the alternative's estimated cost. Therefore, the alternative with the lowest estimated cost will receive the full 40 points.

Table 27: Summary Qualitative and Quantitative Scores and Rank

Alternative	Qualitative Score (Max. 60)	Qualitative Rank	Cost Score (Max. 40)	Cost Rank	Total Points (Max. 100)	Combined Rank
Stand-alone EBT Environment	41.8	5	25.0	8	66.8	8
Shared EBT Environment	44.4	3	32.1	5 (tied)	76.5	4
SAS EBT Solution	44.5	2	32.1	5 (tied)	76.6	3
State In-house EBT Solution	35.1	8	36.7	2	71.8	6
State In-house Acquire Transactive’s Assets EBT Solution	41.3	6 (tied)	40.0	1	81.3	2
Multiple-service Outsource EBT Solution	41.3	6 (tied)	29.8	7	71.1	7
Selective Multiple-service Outsource and In-house EBT Solution	42.7	4	32.3	4	75	5
Selective Outsource Acquire Assets EBT Solution	49.1	1	33.9	3	83	1

The in-house solutions are the least expensive for the State to implement, as expected as a result of vendor markup and taxes. However, the in-house alternatives rank low based on qualitative analysis primarily because of the resource limitations and lack of specific experience.

The top four qualitative alternatives, listed in order of combined rank are as follows:

1. Selective Outsource Acquire Assets EBT Solution
2. State In-house Acquire Transactive’s Assets EBT Solution
3. SAS EBT Solution
4. Shared EBT Environment

Note that all provide existing systems, significant EBT resources and EBT or EFT experience. This has the effect of reducing the time line for implementation and the risks associated with inexperience, both of which are important to the State’s planning. The highest ranked qualitative alternative, selective outsource with assets acquired from the current vendor, will enhance the competitive nature of the procurement and is expected to provide the State with significant flexibility to implement its strategic initiatives. This alternative also ranked as the number three cost alternative. Table 28 presents a summary analysis of each alternative.

Table 28: Summary Analysis of Alternatives

Alternative	Advantage	Disadvantage
Stand-alone EBT Environment	Responsive to current Texas needs Flexibility for expansion Single point of contact Consistent with privatization direction	High price Lack of competition Protracted time to implementation

Alternative	Advantage	Disadvantage
Shared EBT Environment	Experienced service provider Single point of contact Consistent with privatization Reduced time to implementation	Lack of competition Less flexibility for expansion Requirement for system conversion
SAS EBT Solution	Mainstream EBT system Experienced service provider Reduced time to implementation Consistent with privatization	Not a competitive procurement Less flexibility for expansion Requirement for system conversion
State In-house EBT Solution	Responsive to current Texas needs Highly flexible for expansion DHS control and management procedures Low cost	Protracted time to implementation Inexperience Resource availability Upfront State investment Financial risk Requirement for system conversion
State In-house Acquire Transactive's Assets EBT Solution	Flexibility for expansion DHS control and management procedures Reduced time to implementation Low cost	Resource availability Inexperience Upfront State investment Financial risk
Multiple-service Outsource EBT Solution	Experienced niche providers Improved competition Consistent with privatization	No single point of contact Less flexibility for change and expansion More complex project management More complex problem determination and resolution Longer time to implementation Requirement for system conversion
Selective Multiple-service Outsource and In-house EBT Solution	Increased flexibility for enhancement Experienced niche providers Flexibility to address Texas strategic plans Improved competition	No single point of contact More complex management More complex problem determination and resolution Longer time to implementation Requirement for system conversion
Selective Outsource Acquire Assets EBT Solution	Lower cost Shorter time to implementation Flexibility to address Texas strategic plans Experienced niche vendors Improved competition	No single point of contact More complex management More complex problem determination and resolution

B. Methodology

In considering each option, several prominent criteria were considered as part of the evaluation. For example, net cost is important but must be tempered by strategic considerations. Lowest cost must be considered along with best interest, best value to the State. Whereas lowest cost may mean a homogeneous multistate outsourced EBT service (Food Stamp Program and TANF), best interest, best value may be a solution that is heavily based on the State's ability to customize and modify the EBT program to meet the State's future strategic needs. The structure of the TEAA supports assigning a value based on an alternative's ability to support strategic initiatives when considering the future options of the Lone Star EBT program. Among those current issues that must be considered and analyzed are:

1. State initiatives for integrated service delivery (e.g., TIES program).

2. State policies concerning client services in local offices (increase or diminish in-person client contact in local offices).
3. Potential use of the EBT infrastructure to deliver a multitude of State services (e.g., WIC, child support, Medicaid eligibility, worker's compensation, unemployment, etc.).
4. Integration of EBT into mainstream local office automation.
5. Utilization of QUEST™ Operating Rules to facilitate interoperability of the EBT system with other states.
6. Use of the EBT infrastructure for non-state administered services (i.e., Federal direct benefits).
7. EBT as an enabler for State requirements (i.e., finger image at POS).
8. Migration of EBT to advanced card and electronic commerce technologies to enhance its capabilities.
9. Revising cost allocation and costs (liability) of benefit delivery (i.e., retailer participation in program costs).

1. Qualitative Evaluation

Upon identification of the technical and regulatory requirements, as well as assumptions and constraints, the Phoenix TEAA team developed a set of evaluation criteria and scored each of the alternatives. Evaluation questions and discussions, corresponding scoring for each alternative is found in Appendix F. The alternatives were scored within three basic categories:

1. **Technical Criteria:** These criteria evaluate the ability of the alternative to meet necessary technical, State and Federal requirements associated with operating a central processing system, merchant management, customer service and agency systems interface.²⁴ They also evaluate the ability of the alternative to meet required security levels, conversion requirements and time lines.
2. **Programmatic Criteria:** These criteria evaluate the alternative's ability to meet programmatic requirements. They address the alternative's ability to meet strategic initiatives, the department's resource availability, the department's needs for contract management, stakeholder satisfaction and other programmatic criteria.
3. **Funds Management Criteria:** These criteria evaluate the alternative's ability to leverage Federal funding and existing infrastructure, as well as the ability to foster a competitive environment.²⁵

Eight alternatives for EBT service delivery were identified and are discussed within the scope of the TEAA. Within some of the major categories, there are variations presented on how the State may choose to implement a strategy to meet stated needs and objectives.

The discussion and evaluation summary of each alternative is found in Section IX, "Detail Analysis."

²⁴ Specific interface requirements are discussed in Appendix G: EBT System Interfaces.

²⁵ The economic (cost) analysis is not included as part of the qualitative evaluation criteria. A separate cost analysis has been prepared and is presented in Section VI.

2. Economic Evaluation

Introduction

In Section VII, the EBT costs to the State were developed based on the methodologies and processes currently endorsed by FNS and DHS for determination of project costs. In this analysis, PACs 293 and 294 are used to capture contractor costs. These costs represent 83 percent of the total costs for EBT. Under the current program, contracted vendor costs are \$2.00 for a Food Stamp case and \$.97 for a TANF case.

This section provides significant detail related to contractor costs. The alternatives under consideration for the next generation of EBT in Texas deal primarily with replacement of these costs and have little impact on other State costs currently related to EBT. In fact, other events in Texas outside the scope of this analysis have greater impact on these noncontractor costs. This includes the general strategic discussion on how Texas will deliver customer service in the future and the TIES initiative which seeks to replace the SAVERR system with an integrated solution, consolidating much of the local office activity into regional centers and implementing call and mail technology to replace in-person customer service.

Unlike State costs, there is no cost-accounting information available that allows a direct analysis of vendor costs at any level of detail. In fact, there is no existing and uniform cost centers for EBT for which costs should be accumulated. Therefore, this analysis first introduces a functional decomposition of vendor-supplied EBT services. These serve as the cost centers for the accumulation of costs for each component service of an EBT project. It provides a foundation by which unit costs may be estimated or approximated and rolled up to a higher level functional costing.

The first outcome of this analysis, as shown in this section, is a base line understanding of the actual vendor costs of delivering Food Stamp and TANF benefits in Texas using EBT. Future analyses use the elements in this cost model as a base line for evaluation of alternatives. For each appropriate line item, the costs associated with the alternative are entered into the model to yield a total cost for selection of that alternative. This methodology allows for an unbiased and comprehensive comparison of each alternative.

As a starting point for the TEAA analysis, a high-side estimate of the price to Texas for continuing EBT services, is \$2.91 PCPM, assuming:

- Maintaining the existing level of service;
- Maintaining existing contract requirements;
- Contracting to one or more private-sector vendors; and
- An EBT system built specifically and solely to serve the needs of Texas.

The above estimate represents the “worst case” scenario, a high-end cap simply because no costs or infrastructure are assumed to be shared, which is the most expensive of the possible assumptions. This may be an unrealistic alternative, but it provides a cap against which to evaluate all other alternatives.

Additional analyses, using the model built in the first step and making necessary adjustments to reflect revised assumptions have produced the results shown in Table 26. For example, participating in a shared environment could reduce the price to an estimated \$2.26 or less, depending on the amount of sharing. Each assumption is discussed in greater detail in the following subsections. For comparison, the current price being paid for vendor services by Texas PCPM is about \$2.00 Food Stamps and \$.97 for TANF.

2. Cost-analysis Methodologies

In preparing this cost model, four major objectives were identified. These objectives were that the cost model be:

- *Comprehensive*: ensure that all elements of EBT service are included.
- *Detailed*: decompose the service delivery to a sufficient level of detail to support valid cost estimation and verification.
- *Systematic*: organize the project detail to be comparable with commercially available services or well-defined work efforts.
- *Understandable*: define the project tasks and work efforts in quantifiable and well-understood terms.

Data used in the decomposition and cost analysis was assimilated from a range of sources and a variety of approaches including:

1. Interviews with representative stakeholders such as:
 - DHS
 - Retail community
 - Potential vendors
 - Other State EBT program managers
2. Review of existing procurement document and contract requirements.
3. Review of FNS systems requirements.
4. Collectively, 12 years of hands-on operations experience as an EBT vendor.
5. Collectively, more than 20 years of experience assisting States with their EBT initiatives.
6. Validation with commercial service providers.

Supporting documentation of this cost analysis can be found in the appendices. The applicable appendices are as follows:

Table 29: Cost Model Appendices

Exhibit	Description
Appendix H	Cost models for stand-alone environment.
Appendix I	Cost models for shared environment.
Appendix J	Cost models for an in-house solution
Appendix K	Cost models for an in-house acquire Transactive’s assets EBT solution
Appendix L	Cost models for multiple services

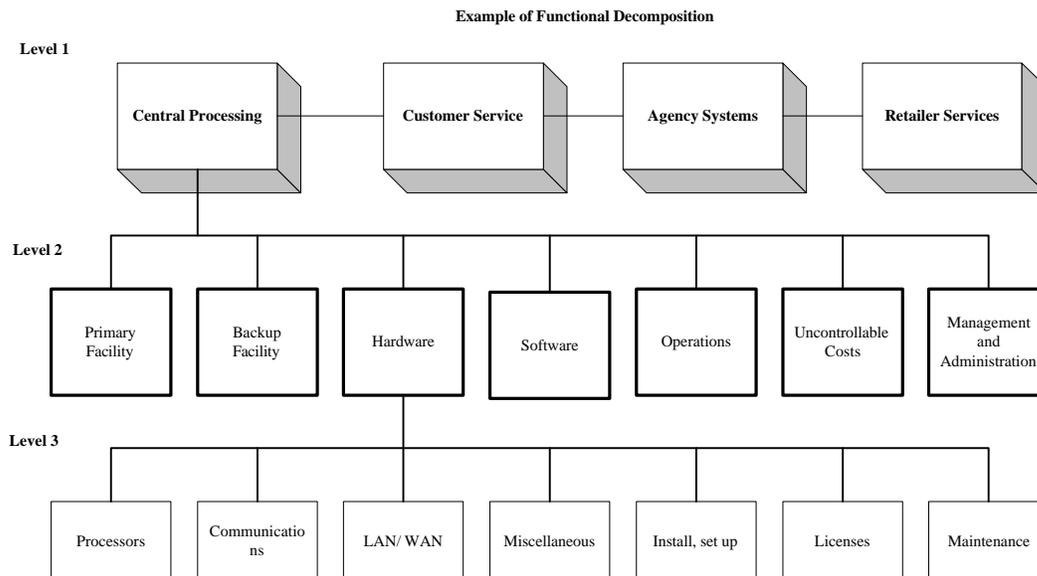
3. Approach

Functional Decomposition

The first step of the cost-model process was to prepare a detailed functional decomposition of an EBT project. At its highest level, EBT has been functionally divided into four basic service components that reflect the major participant activities in the program. These components are:

- *Central Processing*: the technology-centered management of client accounts.
- *Customer Service*: processes with direct client interface and impact on system usability. This is further divided into card issuance and help desk activities.
- *Agency Systems*: services and systems required for agency staff and legacy systems to interface with EBT.
- *Retailer Services*: the POS network that provides clients access to benefits. This has three major subcategories: deployment, operations and fees.

Each of the above components is then further divided into its respective service requirements. Finally, each second-level item is segmented further into a definable and easily documented group of third-level line items whose cost can be estimated and verified. Using this methodology, costs are captured at the lowest level and then rolled up into the higher-level service components. The outcome of the decomposition process is a detailed list of 160 line items that comprise an EBT system. Following is an example of an EBT functional decomposition.



Cost Estimation

The next process was to estimate costs for each of the detail line items. All costs represent costs to the vendor to provide the set of services as currently defined for Texas EBT. Federal recognized and approved units of measure such as caseloads, help desk calls and transaction volumes, which are used to estimate costs, are those that have been supplied by the State as

representing their current environment. Assumptions used in the cost estimation are listed on the detail cost sheets.

[Note: These costs do not reflect the costs of any single vendor and do not reflect any specific solution. They are independent estimates of each line item's cost. Vendors utilize proprietary pricing structures and different technologies and infrastructure that would influence any bid they might ultimately present. Consequently, the numbers contained in this document are estimates that vary from actual depending on a multitude of factors.]

For each detail item, costs are divided between investment and operations. Investments are those upfront, one-time costs that are incurred prior to the project starting and the vendor realizing any revenue. Investment costs are spread over their useful life that should, with in reason, mimic the length of the contract. These costs are then divided by the current caseload to arrive at an estimated cost per case per month for the investment.

Operations costs are monthly recurring costs, such as operations staff, utilities, phone bills, etc. These are estimated on a monthly PCPM basis, which is the total monthly costs divided by the total active cases.

Many of the cost items are related to personnel. These items have been costed by first estimating the number of FTE staff required to perform the function and then applying a salary estimate relevant to the general skill levels of staff needed. This estimate includes not only the base salary, but also an allocation for benefits, thus giving a fully loaded cost for the FTE. The estimated number of staff is shown on all cost sheets. In the stand-alone model, all staff are dedicated to Texas EBT. In the shared model, an allocation of staff is assigned to Texas EBT except in the several cases, such as call center associates or in-state POS service representatives, where personnel costs vary directly with the addition of the program.

Vendor Markup

This report provides an estimate of the cost of component services inherent in EBT delivery. These are costs to a private-sector vendor or the State for that particular service. A private-sector vendor will, when calculating the price to charge for these services, markup the cost by a certain percent to cover sales, general and administrative costs and to allow for some profit to the corporation. A vendor markup of 20 percent has been assumed in all of the cost models. This has been validated by examination of 10Q data filed with the Security and Exchange Commission by several major corporations, including EDS and Computer Science Corporation. EDS reports gross margin (revenues less cost of revenues/revenues) as 18 percent, which means their costs, in the content of this report, are marked up approximately 21 percent. A similar calculation for Computer Science Corporation yields 28 percent.

Caseload Assumptions

Each cost model has been built using three different caseload assumptions. For all but the shared environment, the current caseload, caseload plus 20 percent and caseload minus 20 percent are used. For a shared environment, where the total cases under management by the vendor is examined, an arbitrary one, two and three million cases are assumed. This allows an understanding of costs in the event caseloads increase or decrease.

EBT Pricing Scenarios

Two different approaches have been created related to line-item costing. The first scenario is a stand-alone EBT environment with the service being created “from the ground up” solely to meet the needs of the Texas EBT program. As a result, the full cost of the infrastructure is allocated to the Texas Food Stamp and TANF Programs, resulting in an artificially high estimate. For example, this scenario requires that a stand-alone primary and a backup data center are built and staffed 7x24 solely for EBT. This assumption creates a high-side benchmark cost against which to compare other alternatives.

The second scenario is that EBT services are delivered in a shared environment. Under this assumption a vendor has a significant infrastructure that is only partially allocated to Texas EBT. For this analysis, it is assumed that Texas EBT is sharing resources with five other states’ EBT programs. For example, a slightly larger data center may be needed and perhaps several more operators, but the sum total of all costs are divided by the six projects that are sharing the infrastructure rather than allocating all costs to Texas. This model produces a lower and more realistic picture of the costs of an EBT program.

IX. Detail Analysis

A. Stand-alone EBT Environment

1. Description and Content

This alternative envisions an EBT environment that provides the same services and meets the same requirements as currently provided under the existing Lone Star program, including a single prime vendor contract and a single point of contact for all EBT services. Further, it contemplates that the infrastructure, software, data center, help desk, etc., are created solely to satisfy the needs of Texas EBT. Resources are not shared with other states' EBT programs or with a vendor's other non-EBT businesses. The model, however, allows for EBT program expansion within Texas to provide service delivery for other State programs.

This alternative may be untenable in that it provides the highest cost among all of the alternatives to the State for its EBT services. However, for this analysis, it is useful in establishing a high-side benchmark against which to evaluate other alternatives. This alternative also establishes a benchmark for services to be provided as a result of a total outsourced solution. It allows the State the greatest flexibility to determine the structure and content of its program. For instance, under this alternative the State may require that the processing center, call center and administrative offices be located in Texas, thus bringing jobs to the State as well as the increased control resulting from proximity.

2. Assumptions

The major assumptions in developing and evaluating this alternative are as follows:

- EBT services and requirements continue as they are presently provided;
- A single prime contractor and point of contact for all services;
- No sharing of resources;
- Services are competitively procured based on Texas procurement procedures and Texas defined requirements;
- All component resources (i.e., software, data center, call center, etc.) are created “from the ground up” to meet the needs of Texas;
- Existing Lone Star cards and client processes continue - card reissue and client conversion training is not required;
- Interfaces between SAVERR and the EBT vendor remain unchanged;
- The EBT administrative terminal applications change necessitating agency staff training; and
- Upfront costs are amortized over the project period of 84 months.

3. Cost Analysis

Full details for this model are found in Appendix H.

Development, Implementation and Ongoing Operational and Maintenance Costs

Estimated costs are those costs born by the vendor in providing EBT services based on three different caseload assumptions that represent the current caseload (725,845), caseload plus 20 percent and caseload minus 20 percent. The following Table 30 presents estimated costs for this model. Refer to Appendix H-3 for details.

Table 30: Estimated Development, Implementation and Ongoing Operational and Maintenance Costs for the Stand-alone EBT Environment

Assumed Texas Caseload	Investment Total (000)	Amortization (000)	Ongoing Operations (000)	Vendor Markup (000)	Monthly Total Cost (000)	84 Month Total Cost (000)
580,676	\$21,912	\$261	\$1,419	\$336	\$2,016	\$169,344
725,845	\$21,921	\$261	\$1,497	\$351	\$2,109	\$177,156
871,074	\$21,930	\$261	\$1,574	\$367	\$2,202	\$184,968

Estimated Acquisition and Operating Costs

There are no additional acquisition and operational costs for this alternative other than those described in the preceding paragraph.

Potential Increase/Decrease Compared to Current System

The State is currently paying its EBT vendor \$2.00 PCPM for Food Stamps and \$.97 for TANF. Approximately 20 percent of the caseload is TANF and 80 percent is Food Stamps. The potential increase or decrease under this assumption and alternative is as follows:

Table 31: Potential Cost Increase/Decrease of the Stand-alone EBT Environment Compared to the Current System

Assumed Texas Caseload	Current System		Anticipated System		Increase/(Decrease)	
	Monthly Total Cost (000)	84 Month Total Cost (000)	Monthly Total Cost (000)	84 Month Total Cost (000)	Monthly Total Cost (000)	84 Month Total Cost (000)
580,676	\$1,042	\$87,528	\$2,016	\$169,344	\$974	\$81,816
725,845	\$1,302	\$109,368	\$2,109	\$177,156	\$807	\$67,788
871,074	\$1,563	\$131,292	\$2,202	\$184,968	\$639	\$53,676

Estimated Pricing Per Case Per Month

DHS manages its costs related to EBT on a PCPM basis. For this alternative, the PCPM under the different caseload scenarios for the vendor costs are as follows:

Table 32: Estimated PCPM for the Stand-alone EBT Environment

Caseload	PCPM
580,676	\$3.47
725,845	\$2.91
817,074	\$2.53

One of the issues with EBT pricing has been the use of a fixed PCPM for the life of an EBT contract. When caseloads decline, the vendor is left in a difficult position of not having sufficient revenue to cover the amount of investment required to implement the project. Consequently, in future bids vendors are likely to cover this contingency in their initial pricing. Even though the calculated price, based on current caseload may be \$2.91, the vendor may propose prices in excess of \$3.00 (under this alternative) to provide protection from future caseload declines. For this reason, a strategy of tiered pricing, wherein the PCPM varies with changes in caseloads, has been used in some jurisdictions to provide protection to the vendor (and to the State should caseloads increase) from significant changes in caseload.

Impact on Federal Food Stamp EBT Cost Cap

The State has a Food Stamp EBT cost cap of \$2.47 PCPM in operating costs for FFY 1998.²⁶ With matching funds, the total cap would be \$4.94. The pricing under this alternative represents an increased vendor cost (\$2.91 PCPM for the current caseload) to the State over their existing vendor cost of \$2.00 for Food Stamps. Assuming no significant change in non-vendor EBT costs, e.g., those costs incurred by the State not related to vendor expense, then total cost under this scenario falls within the cost cap.

4. Qualitative Analysis

Ranking and Rationale

Each alternative is ranked according to a set of qualitative criteria. For details, refer to Appendix F. The following Table 33 is the qualitative ranking for the stand-alone alternative.

Table 33: Qualitative Ranking of the Stand-alone EBT Environment

	Technical	Program	Funds Management	Total Points
Stand-alone	98	101	31	230
Possible	150	125	55	330
Rank	6	1	4 (3-way tie)	5

This alternative ranked poorly because of the time lines to implementation and the lack of existing resources.

Major Risks

The major risks associated with this alternative are as follows:

- Extended time lines to create an EBT environment from the ground up may exceed available time. APD approvals, vendor selection, software development cycle, project and process planning, retailer deployment and system conversion are all lengthy processes;

²⁶ Excludes amortized EBT system start-up costs.

- Competitiveness of the procurement process and the ability to attract an experienced vendor. Few vendors have the capabilities and experience to provide the full set of services required for EBT;
- Attracting an inexperienced provider. Under this alternative, it is assumed that a company without specific EBT experience may compete for the opportunity. It may be a superior provider of services but not necessarily an experienced EBT vendor; and
- Outsourcing of the entire set of services to a single vendor limits the State's ability to negotiate changes once the system is operational. Additionally, a limited set of vendors capable and willing to provide the entire set of EBT services further limits the State's leverage.

Major Opportunities

This alternative provides some significant opportunities:

- Because Texas is defining the requirements for the acquisition and the model assumes creation of the service from the ground up, the State is in a position to impose requirements to meet all of its known strategic and tactical requirements for its EBT system;
- This model assumes an environment specifically for Texas that inherently provides greater flexibility for system enhancement and customizations. Resources dedicated to EBT may more easily be used for other State service delivery;
- Change management is more easily implemented;
- The State has a single point for management of its EBT program; and
- The State has the option to require that all services be located within the State of Texas. This brings jobs to Texas (estimated about 159 staff needed).

5. Impact/Effect

Complexity of Interfaces

Descriptions of the required interfaces are found in Appendix G. This topic deals with interface complexities unique to this alternative.

SAVERR / EBT System

The assumptions are that this alternative is built to meet the requirements of the State and that the State requires an interface with SAVERR identical to the existing interface. It is low risk and nonintensive in resources for the State, but places a burden on the vendor to replicate this fairly complex interaction.

Local Agency Office / EBT System

The assumption is that a vendor provides a stand-alone solution as currently exists for the EBT terminal. It is also assumed that this interface is different from the existing interface and requires significant user training. The interface provides many functions and is complex, especially in the accommodation of a wide number of users.

EBT-only POS System / EBT System

This is a vendor-specific implementation and it is presumed that the vendor provides software consistent with the State's requirements and compatible with their central system. However, any

change in in-lane procedures causes significant training issues in the retail community and added retail costs.

Third-party Transaction Acquirers / EBT System

It is assumed that the State requires the use of the accepted standard for this interface and although complex, the interface is widely used and well-understood throughout the industry.

Client / POS Device

It is assumed that the existing EBT cards and card technology continue to be used in the next generation system thus limiting any complexity.

ACH Origination Bank / EBT System

It is assumed that the State requires the use of the accepted standard for this interface or allows a variance agreed to between the vendor and the bank.

FNS Minneapolis Data Center / EBT System

It is assumed that the State requires the use of the accepted standard for this interface.

FNS Retailer Database / EBT System

It is assumed that the State requires the use of the accepted standard for this interface.

Automated Standard Application for Payments (ASAP) System / EBT System

It is assumed this process continues per accepted business practices.

EBT Call Center / EBT Central System

Because this alternative is a single-vendor solution, it is assumed that the vendor determines the standards for its interaction between the call center and the central system, consistent with its core technology. The complexity is minimized or at least transparent to the State.

Client / Call Center

The assumption is that this alternative meets the requirements of the State, including client call center requirements. It is less complex and requires less client training if the client interaction with the ARU is similar to the current environment.

Retailer / Call Center

It is assumed that this alternative meets the requirements of the State, including retailer call center requirements. It is less complex and requires less training if the interaction with the ARU is similar to the current environment and there is no change to the services provided.

Other State Systems / EBT System

This is a single-vendor solution specifically built for Texas. It is assumed that the alternative has greater flexibility to meet expansion requirements, as specified in the procurement specifications or at some later time. Being a non-shared environment should minimize the complexity of these types of interfaces.

Current Texas Contract Terms and Conditions

This alternative allows Texas to keep in force all of the current contract terms and conditions because the procurement process is assumed to be based on responses to requirements and conditions of the State. Certain terms and conditions, especially those related to the pilot and conversion from the paper process, are no longer germane. All contract conditions related to functionality, performance, FNS regulations, process and procedures may be continued under this procedure. There are, however, some conditions, discussed under the levels of service subsection, that the State may wish to reevaluate as being cost prohibitive.

USDA Food Stamp Program Policy, Regulations, Requirements and Waivers

This alternative fully supports all Food Stamp policy, regulations, requirements and waivers.

DHS Policies and Strategic Plans, Including Automation

This alternative is consistent with DHS strategic plans and directions that favor outsourcing and privatization where practical. Additionally, as an outsource solution, it minimizes the drain on DHS technical resources.

Legislative Mandates and Initiatives

Several Texas legislative mandates and initiatives are directed at placing additional services on the EBT platform. To this end, an EBT task force has been established to examine the possible addition of other programs to the EBT environment.

This alternative does not in any way limit the capability of the State to achieve these goals and when compared to some of the other choices, probably places the State in a favorable position. Having a single vendor and a stand-alone platform provides a great deal of flexibility to Texas for these system enhancements.

State- and Federal-related EBT Issues

Expansion Goals and Objectives

This alternative, because of the focus provided to Texas EBT, is rated high on its ability to allow for system expansion and to meet the strategic objectives of Texas.

State Resources

This is a full outsource option equivalent to the services being provided by the current vendor. The model, per Appendix H-3, estimates that 159 FTEs will be required by the chosen EBT vendor to fulfill the requirements of such a contract. The assumption under this alternative is that the State will not require any additional resources beyond what currently exist.

LSIS

This alternative does not reduce the ability to implement finger imaging as a part of the Texas eligibility process. Because it assumes a new EBT administrative terminal application, it provides some potential for integrating these two applications in the local office.

Finger Imaging at Point-of-Sale

A pilot of this project is currently in the planning stages. If this project turns into a statewide implementation, then this alternative has the potential to enhance the implementation by allowing the specific requirements for biometrics at the POS into the EBT statement of work.

Interoperability

This approach, if required by the State, provides support for interoperability. The cost model already assumes fees for transactions originating from third parties that are adequate to cover any fee associated with interoperability.

QUEST™

If the State elects to implement a QUEST™-compliant system, this alternative supports that requirement. It assumes software and processes being built to meet the Texas requirements that at the State's option may include QUEST™. It also assumes redeployment of the POS network, along with the proper signage and software, to be QUEST™-compliant. It does not assume a complete reissue of the card base, but that natural attrition gradually replaces the entire card base over a period of several years.

TIES Planning Concepts and Schedules

This alternative should not impede the TIES project and offers the potential to augment the implementation. Because this alternative is an outsource solution, it limits the competition for valuable resources needed by the TIES project. Additionally, this alternative brings to Texas some dedicated technology, ultimately required by TIES and might create cost savings opportunities by leveraging the requirements of EBT and TIES.

Texas EBT Contract

Expiration

The current EBT contract expires in February 2001. This alternative has some limitations related to implementation time lines that increases the risk relative to other alternatives.

Purchase Options

No purchase option is contemplated under this alternative.

Transition

This alternative contemplates a new EBT solution. A transition plan and conversion period are required to move from the current environment to that envisioned under this alternative, increasing the risk and lengthening the time line relative to other alternatives.

RFO Considerations

A single RFO for the full set of EBT services occurs for this alternative. The basis for that document is the original EBT procurement specifications and contract terms and conditions. These may be modified to contain elements such as interoperability, QUEST™ or biometrics that the State requires for its next-generation EBT system.

EBT Functions

EBT Software

This alternative assumes that new software is created to meet the Texas requirements for EBT. It also assumes the existing interface between SAVERR and the EBT system is incorporated into any new specifications and consequently, little if any change is required in the SAVERR environment.

EBT Hardware

This alternative assumes the vendor provides state-of-the-art hardware and processing solutions dedicated to Texas EBT.

Accounting, Settlement and Reconciliation

No change is anticipated. This continues operating according to current specifications.

Help Desk Call Center

A call center dedicated to Texas that continues operating according to current specifications is anticipated.

Retailer Relations and Contract Management

No change is anticipated unless authorized by the State. This continues operating according to current specifications.

Retailer Equipment, Maintenance and Supplies

No change is anticipated unless authorized by the State. This continues operating according to current specifications.

Card and PIN Issuance and Replacements

No change is anticipated unless authorized by the State. This continues operating according to current specifications.

B. Shared EBT Environment

1. Description and Content

This alternative is for an EBT environment that provides the same services and meets the same requirements as are currently provided under the existing Lone Star program, including a single prime vendor contract and a single point of contact for all EBT services. However, unlike the stand-alone model, it has infrastructure, software, data center, help desk, etc., that are shared with other States' EBT programs. The Texas EBT program coexists in a data center, possibly on a shared mainframe processor, possibly in a shared database environment, and sharing a transaction network with other EBT programs or with a vendor's other non-EBT businesses. In this model, Texas procures the services of an EBT vendor that is already actively participating in the EBT (or EFT) marketplace and providing services to other states. This vendor is able to share their EBT infrastructure costs across a greater number of cases than would the stand-alone vendor.

This alternative is the most likely of the full-service outsource alternatives. Because of the shared infrastructure, it is one of the lower cost alternatives and because it is the model used by the current prominent EBT vendors, it is the most likely to attract a highly experienced EBT vendor.

2. Assumptions

The major assumptions in developing and evaluating this alternative are as follows:

- EBT services and requirements continue as they are presently provided;
- A single prime contractor and point of contact for all services;
- Vendor EBT resources are shared;
- Services are competitively procured based on Texas procurement procedures and Texas-defined requirements;
- The selected vendor brings to the project an existing base set of EBT resources (i.e., software, processing environment, network, procedure manuals, etc.) that only require modification to meet the needs of Texas;
- Existing Lone Star cards and client processes continue - card reissue and client conversion training are not required;
- Interfaces between SAVERR and the EBT vendor may include some modification;
- A system conversion from the existing environment to the new is required;
- The EBT administrative terminal applications change, requiring agency staff training; and
- Upfront costs are amortized over the project period of 84 months.

3. Cost Analysis

Full details for this model are found in Appendix I. The detail cost model for the shared environment differs from the other models in that costs were developed for three assumed total caseloads for the vendor (one, two and three million), rather than just the Texas caseload. This model also makes the assumption that Texas is sharing the environment with programs operating under the same set of requirements as Texas. The result is, that while the total costs are not the

costs to Texas, a PCPM may be calculated that is the PCPM to be expected by Texas for the set of services that Texas currently enjoys.

Development, Implementation and Ongoing Operational and Maintenance Costs

Estimated costs are those costs born by the vendor in providing EBT services based on three different caseload assumptions. The following Table 34, Table 35 and Table 36 present estimated costs to Texas for this model. The cost elements are based on the Texas share of the total cost elements in the cost model (Texas cases / total cases * total cost). Refer to Appendix I-3 for details.

Table 34: Estimated Development, Implementation and Ongoing Operational and Maintenance Costs for the Shared EBT Environment, 1,000,000 Caseload

Assumed Total Vendor Caseload is 1,000,000						
Assumed Texas Caseload	Investment Total (000)	Amortization (000)	Ongoing Operations (000)	Vendor Markup (000)	Monthly Total Cost (000)	84 Month Total Cost (000)
580,676	\$15,893	\$189	\$1,103	\$258	\$1,550	\$130,200
725,845	\$19,866	\$237	\$1,378	\$323	\$1,938	\$162,792
871,074	\$23,840	\$284	\$1,654	\$388	\$2,325	\$195,300

Table 35: Estimated Development, Implementation and Ongoing Operational and Maintenance Costs for the Shared EBT Environment, 2,000,000 Caseload

Assumed Total Vendor Caseload is 2,000,000						
Assumed Texas Caseload	Investment Total (000)	Amortization (000)	Ongoing Operations (000)	Vendor Markup (000)	Monthly Total Cost (000)	84 Month Total Cost (000)
580,676	\$12,507	\$149	\$946	\$219	\$1,314	\$110,376
725,845	\$15,634	\$186	\$1,183	\$274	\$1,643	\$138,012
871,074	\$18,761	\$223	\$1,419	\$328	\$1,971	\$165,564

Table 36: Estimated Development, Implementation and Ongoing Operational and Maintenance Costs for the Shared EBT Environment, 3,000,000 Caseload

Assumed Total Vendor Caseload is 3,000,000						
Assumed Texas Caseload	Investment Total (000)	Amortization (000)	Ongoing Operations (000)	Vendor Markup (000)	Monthly Total Cost (000)	84 Month Total Cost (000)
580,676	\$11,355	\$135	\$884	\$204	\$1,223	\$102,732
725,845	\$14,194	169	\$1,104	\$255	\$1,528	\$128,352
871,074	\$17,032	203	\$1,325	\$306	\$1,843	\$154,812

Estimated Acquisition and Operating Costs

There are no additional acquisition and operational costs for this alternative other than those described in the preceding paragraph.

Potential Increase/Decrease Compared to Current System

The State is currently paying its EBT vendor \$2.00 PCPM for Food Stamp and \$.97 for TANF. Approximately 20 percent of the caseload is TANF and 80 percent is Food Stamp. The potential increase or decrease under this assumption and alternative is as follows, in Table 37, Table 38 and Table 39:

Table 37: Potential Cost Increase/Decrease of the Shared EBT Environment, 1,000,000 Caseload, Compared to the Current System

Assumed Total Vendor Caseload is 1,000,000						
Assumed Texas Caseload	Current System		Anticipated System		Increase/(Decrease)	
	Monthly Total Cost (000)	84 Month Total Cost (000)	Monthly Total Cost (000)	84 Month Total Cost (000)	Monthly Total Cost (000)	84 Month Total Cost (000)
580,676	\$1,041	\$87,528	\$1,550	\$130,200	\$508	\$42,672
725,845	\$1,302	\$109,368	\$1,938	\$162,792	\$636	\$53,424
871,074	\$1,563	\$131,292	\$2,325	\$195,300	\$762	\$64,008

Table 38: Potential Cost Increase/Decrease of the Shared EBT Environment, 2,000,000 Caseload, Compared to the Current System

Assumed Total Vendor Caseload is 2,000,000						
Assumed Texas Caseload	Current System		Anticipated System		Increase/(Decrease)	
	Monthly Total Cost (000)	84 Month Total Cost (000)	Monthly Total Cost (000)	84 Month Total Cost (000)	Monthly Total Cost (000)	84 Month Total Cost (000)
580,676	\$1,041	\$87,528	\$1,314	\$110,376	\$273	\$22,848
725,845	\$1,302	\$109,368	\$1,643	\$138,012	\$341	\$28,644
871,074	\$1,563	\$131,292	\$1,971	\$165,564	\$408	\$34,272

Table 39: Potential Cost Increase/Decrease of the Shared EBT Environment, 3,000,000 Caseload, Compared to the Current System

Assumed Total Vendor Caseload is 3,000,000						
Assumed Texas Caseload	Current System		Anticipated System		Increase/(Decrease)	
	Monthly Total Cost (000)	84 Month Total Cost (000)	Monthly Total Cost (000)	84 Month Total Cost (000)	Monthly Total Cost (000)	84 Month Total Cost (000)
580,676	\$1,041	\$87,528	\$1,223	\$102,732	\$181	\$15,204
725,845	\$1,302	\$109,368	\$1,528	\$128,352	\$226	\$18,984
871,074	\$1,563	\$131,292	\$1,843	\$154,812	\$280	\$23,520

Estimated Pricing Per Case Per Month

DHS manages its costs related to EBT on a PCPM basis. For this alternative, the PCPM under the different caseload scenarios for the vendor costs are as follows:

Table 40: Estimated PCPM for the Shared EBT Environment

Total Vendor Caseload	PCPM
1,000,000	\$2.67
2,000,000	\$2.26
3,000,000	\$2.11

One of the issues with EBT pricing has been the use of a fixed PCPM for the life of an EBT contract. When caseloads decline, the vendor is left in a difficult position of not having sufficient revenue to cover the amount of investment required to implement the project. Consequently, in future bids vendors are likely to cover this contingency in their initial pricing. For this reason, a strategy of tiered pricing wherein the PCPM varies with changes in caseloads has been used in some jurisdictions to provide protection to the vendor (and to the State should caseloads increase) from significant changes in caseload. In EBT coalition pricing, such as in SAS, NCS and WSA, tiered pricing based on the total caseload provided by the coalition to the vendor has been employed.

In understanding the above estimated PCPM at varying caseloads in a shared environment, it might be useful to view these prices in the following context. If Texas were to contract with the major EBT market share vendor, assuming the same level of service currently in force in Texas, it would be reasonable to expect a PCPM in the vicinity of \$2.11. However, if Texas were to form some sort of coalition with one or two other states to solicit EBT proposals and the chosen vendor was not the major market share vendor, then a PCPM closer to \$2.67 would be likely.

Impact on Federal Food Stamp EBT Cost Cap

The State has a Food Stamp EBT cost cap of \$2.47 PCPM in operating costs for FFY 1998. With matching funds, the total cap would be \$4.94. The pricing under this alternative represents an increased vendor cost (\$2.11 to \$2.67 PCPM, depending upon vendor’s caseload) to the State over their existing vendor cost of \$2.00 for Food Stamps. Assuming no significant change in nonvendor EBT costs, e.g., those costs incurred by the State not related to vendor expense, then total cost under this scenario falls within the cost cap.

4. Qualitative Analysis

Ranking and Rationale

Each alternative is ranked according to a set of qualitative criteria. For details, refer to Appendix F. Table 41 is the qualitative ranking for the shared alternative.

Table 41: Qualitative Ranking of the Shared EBT Environment

	Technical	Program	Funds Management	Total Points
Shared	120	93	31	244
Possible	150	125	55	330
Rank	2 (tied)	3	4 (3-way tie)	3

This alternative ranked generally lower because of the assumed inflexibility it provides to the State in achieving its specific EBT objectives and its strategic goals. The biggest negative is the potential lack of competitiveness.

Major Risks

The major risks associated with this alternative are as follows:

- Competitiveness of the procurement process and the ability to attract an experienced vendor. Few vendors have the capabilities and experience to provide the full set of services required for EBT;
- Outsourcing of the entire set of services to a single vendor limits the State's ability to negotiate system changes, once the system is operational. Additionally, a limited set of vendors capable and willing to provide the entire set of EBT services further limits the State's leverage;
- Potential inflexibility in meeting the strategic plans and objectives of Texas;
- Diminished control over the change management process as a result of coordination with multiple projects;
- Impact on one state's system can impact all other states' systems;
- Required coordination of system enhancements with other EBT projects;
- Texas project schedules subject to vendor resource conflicts in supporting multiple projects;
- Service delivery is likely to be located outside of Texas, eliminating any value associated with proximity; and
- Competition for implementation resources with other states.

Major Opportunities

This alternative provides some significant opportunities:

- The model assumes a competitive procurement process that allows Texas to define its requirements and to build these requirements into its statement of work. However, the further these requirements expand on base Food Stamps and TANF EBT requirements, the more likely is an associated increase in cost;
- The model assumes a vendor with substantial EBT credentials that greatly reduces risks associated with lack of experience;
- The model assumes a vendor with existing resources. This reduces risk of implementation and more importantly, allows for a compression of the time line necessary to implement;
- Change management is more easily implemented as compared to a multivendor solution;
- The State has a single point for management of its EBT program; and

- This solution provides a mainstream EBT solution consistent with programs in other States and any national model for EBT.

5. Impact/Effect

Complexity of Interfaces

Descriptions of the required interfaces are found in Appendix G. This topic deals with interface complexities unique to this alternative.

SAVERR / EBT System

It is assumed that this alternative is being built to meet the requirements of the State and that the State will require an interface with SAVERR identical to the existing interface. It is low risk and nonintensive in resources for the State, but places a burden on the vendor to replicate this fairly complex interaction. The added risk in the shared environment is that this interface will be substantially different than that provided by the vendor to other clients.

Local Agency Office / EBT System

The assumption is that a vendor provides a stand-alone solution as currently exists for the EBT terminal. It is also assumed that this interface is different from the existing interface and requires significant user training. The interface provides many functions and is complex, especially in its accommodation of a wide number of users.

EBT-only POS System / EBT System

This is a vendor specific implementation and it is presumed that the vendor provides software consistent with the State's requirements and compatible with their central system. However, any change in in-lane procedures causes significant training issues in the retail community and added retail costs.

Third-party Transaction Acquirers / EBT System

It is assumed that the State requires the use of the accepted standard for this interface, which is widely used and, although complex, well-understood.

Client / POS Device

It is assumed that the existing EBT cards and card technology continue to be used in the next generation system, thus limiting any complexity.

ACH Origination Bank / EBT System

It is assumed that the State requires the use of the accepted standard for this interface or allows a variance agreed to between the vendor and the bank.

FNS Minneapolis Data Center / EBT System

It is assumed that the State requires the use of the accepted standard for this interface.

FNS Retailer Database / EBT System

It is assumed that the State requires the use of the accepted standard for this interface.

ASAP System / EBT System

It is assumed this process continues per accepted business practices.

EBT Call Center / EBT Central System

This alternative is a single-vendor solution and it is assumed that the vendor determines the standards for its interaction between the call center and the central system consistent with its core technology. Complexity is minimized or at least transparent to the State.

Client / Call Center

The assumption is that this alternative is built to meet the requirements of the State that include client call center requirements. It is less complex and requires less client training if the client interaction with the ARU is highly similar to what is currently being experienced. There is a risk that the vendor has existing ARU scripts and a solution that varies from the existing solution. The State must examine the trade-off between using the vendor's existing solution and the possible confusion caused to the client population.

Retailer / Call Center

The assumption is that this alternative is built to meet the requirements of the State, including retailer call center requirements. It is less complex and requires less training if the interaction with the ARU is similar to the current environment and the services provided do not change. However, there is a risk that the vendor has existing ARU scripts and solutions that vary from the existing scripts and operations. The State must examine the trade-off between using the vendor's existing solution and the possible confusion caused to the retail population.

Other State Systems / EBT System

This is a single-vendor solution but shares its environment with other EBT projects. The assumption is that some flexibility is lost because of resource sharing and homogenous service delivery. This may add complexity to the integration with other State systems and databases.

Current Texas Contract Terms and Conditions

This alternative allows Texas to keep in force all of the current contract terms and conditions because the procurement process is assumed to be based on responses to the requirements of the State. Certain terms and conditions, especially those related to the pilot and conversion from the paper process, are no longer germane. All contract conditions related to functionality, performance, FNS regulations, process and procedures may be continued under this alternative. There are, however, some conditions discussed under the levels of service subsection that the State may wish to reevaluate as being cost prohibitive.

Some of the terms and conditions specific to project-related issues imply or assume resources dedicated to Texas. Under this alternative, based on the sharing of resources (and a resulting lower cost to the State), the State may need to reassess the structure for its project management requirements. To gain the full benefits available with a shared environment, including a lower cost and a shorter time line, the State should be flexible in negotiating some of these requirements with the chosen vendor.

Terms and conditions can be evaluated in the area related to retailer and third-party relations. The existing EBT contract is for the EBT vendor to have direct contractual relations with all retailers providing benefits to its clients. This is inconsistent with the commercial world where it is the transaction acquirers who have these contractual relationships rather than the card issuer. It is also inconsistent with the needs for interoperability and QUEST™.

USDA Food Stamp Program Policy, Regulations, Requirements and Waivers

This alternative fully supports all Food Stamp policy, regulations, requirements and waivers.

DHS Policies and Strategic Plans, Including Automation

This alternative is consistent with DHS strategic plans and directions that favor outsourcing and privatization where practical. Additionally, as an outsource solution, it minimizes the drain on DHS technical resources.

Legislative Mandates and Initiatives

Several Texas legislative mandates and initiatives are directed at placing additional services on the EBT platform. To this end an EBT task force has been established to examine the possible addition of other programs to the EBT environment.

This alternative appears to provide less flexibility (although not prohibitive) in adding programs to the Lone Star card. In a shared environment, Texas competes for resources with other projects and may have to “wait in line” to get its work completed. Additionally, system change in a shared environment is more complex than in a stand-alone environment and more subject to error. Changes for one project have the potential to impact service delivery for another.

State- and Federal-related EBT Issues

Expansion Goals and Objectives

This alternative, because of the inherent sharing of resources, is rated lower on its ability to allow for system expansion and to meet the strategic objectives of Texas.

State Resources

This is a full outsource option equivalent to the services being provided by the current vendor with the exception that resources employed are shared across multiple State’s EBT projects. The model, per Appendix I-3, estimates that 322 FTEs are required by the chosen EBT vendor to manage provision of EBT services for 2,000,000 EBT cases. Texas will pay for a portion of this resource pool for the management of its caseload. The assumption under this alternative is that the State will not require additional resources beyond what currently exists.

LSIS

This alternative does not reduce the ability to implement finger imaging as a part of the Texas eligibility process. In fact, because it assumes a new EBT administrative terminal application, it provides some potential for integrating these two applications in the local office.

Finger Imaging at Point-of-Sale

The LSIS/POS pilot is currently in the planning stages. If the LSIS/POS project is implemented statewide, then this alternative has the potential to enhance the implementation by allowing the specific requirements for biometrics at the POS to be incorporated into the EBT statement of work.

Interoperability

This approach provides support for interoperability, if required by the State. The cost model already assumes fees for transactions originating from third parties that are adequate to cover any fee associated with interoperability. A shared environment vendor is positioned to provide interoperability because it is presumably already providing a solution current with the national agenda.

QUEST™

If the State elects to implement a QUEST™-compliant system, this alternative supports that requirement. It assumes a vendor already providing mainstream EBT services that are consistent with the national model for EBT. It also assumes redeployment of the POS network, along with the proper signage and software, to be QUEST™-compliant. It does not assume a complete reissue of the card base, but instead assumes that natural attrition gradually replaces the entire card base over a period of several years.

TIES Planning Concepts and Schedules

This alternative should not impede the TIES project. Because this alternative is an outsource solution, it limits the competition for valuable resources needed by the TIES project. However, this alternative provides less flexibility for integrating EBT with TIES in the future, should this become a requirement.

Texas EBT Contract

Expiration

The current EBT contract expires in February 2001. This alternative, because it assumes existing resources and expertise, has the ability to reduce time lines necessary for implementation and consequently provides lower risk relative to other alternatives.

Purchase Options

No purchase option is contemplated under this alternative.

Transition

This alternative contemplates a new EBT solution. A transition plan and conversion period is required to move from the current environment to this alternative, which increases the risk and lengthens the time line relative to other alternatives.

RFO Considerations

A single RFO for the full set of EBT services occurs for this alternative. The basis for that document is the original EBT procurement specifications and contract terms and conditions. These may be modified to contain elements such as interoperability, QUEST™ or biometrics

that the State requires for its next-generation EBT system. Because an existing and experienced EBT vendor is assumed for this alternative, the State should, in seeking the best interest, best value for Texas, consider building some flexibility into the procurement process so as to fully take advantage of the resources and processes the vendor already has in place.

EBT Functions

EBT Software

This alternative assumes that existing software is modified to meet the Texas requirements for EBT. However, it also assumes that the existing interface between SAVERR and the EBT system is incorporated into any new specifications and consequently, little if any change is required in the SAVERR environment.

EBT Hardware

This alternative assumes the vendor provides state-of-the-art hardware and processing solutions that may potentially be shared across multiple EBT projects.

Accounting, Settlement and Reconciliation

No change is anticipated. This continues operating according to current specifications.

Help Desk Call Center

A call center shared across multiple EBT projects and possibly other applications is anticipated. However, it is assumed that call center service continues to be provided according to current specifications.

Retailer Relations and Contract Management

No change is anticipated unless authorized by the State. This continues operating according to current specifications.

Retailer Equipment, Maintenance and Supplies

No change is anticipated unless authorized by the State. This continues operating according to current specifications.

Card and PIN Issuance and Replacements

No change is anticipated unless authorized by the State. This continues operating according to current specifications.

C. SAS EBT Solution

1. Description and Content

This alternative is for Texas to become a member of a coalition of states that jointly procures EBT services. These coalitions were formed with the intent of achieving a lower case price based on the combined volume and purchasing power of the coalition. There are three coalitions currently in operation, the Southern Alliance of States (SAS), the Northeast Coalition of States (NCS) and the Western States EBT Alliance (WSEA). These coalitions have been constructed based on geographic and political boundaries. SAS is the only coalition that Texas has standing to join, through Texas' relationship with the Southern Governors' Association. However, the EBT vendor for the three coalitions is the same, consequently making the choice somewhat moot.

This alternative provides Texas with a single prime vendor contract and a single point of contact for all EBT services. It is a shared environment alternative and consequently results in sharing EBT infrastructure, software, data center, help desk, etc., with other states' EBT programs. The Texas EBT program will coexist in a data center, possibly on a shared mainframe processor, possibly in a shared database environment and sharing a transaction network with other EBT programs. This model's concept is that Texas will procure the services of an EBT vendor that is already actively participating in the EBT (or EFT) marketplace and providing services to other states.

With this alternative, Texas would join SAS under the existing SAS blanket agreement, but would then negotiate with the SAS vendor for the State's specific EBT requirements. Texas would then enter into a separate contractual agreement with the SAS vendor for its EBT program. The SAS blanket agreement offers EBT as a core set of services and a series of options. The core services include base client account management, card issuance, transaction processing, reconciliation and settlement. The options include items that the State may wish to purchase from the SAS vendor, procure independently or provide themselves. This includes elements such as POS deployment and servicing, administrative terminals, client training, expedited card issuance and other miscellaneous services.

2. Assumptions

The major assumptions in developing and evaluating this alternative are as follows:

- A single prime contractor and point of contact for all services;
- Vendor EBT resources are shared;
- Services are negotiated with the SAS vendor;
- The selected vendor brings to the project an existing base set of EBT resources (i.e., software, processing environment, network, procedure manuals, etc.) that only requires modification to meet the needs of Texas;
- Existing Lone Star cards and client processes continue - card reissue and client conversion training are not required;
- A system conversion from the existing environment to the new is required;
- The EBT administrative terminal applications change requiring agency staff training; and
- Upfront costs are amortized over the project period of 84 months.

3. Cost Analysis

The SAS blanket agreement contains pricing for proposed core and optional services. However, the SAS vendor has no obligation to extend that pricing to any states now joining SAS.

Consequently, as an estimate of the price that Texas may pay as a member of SAS, the details found in the shared environment cost model (Appendix I) are most representative of what the State might expect as a price under SAS participation. This assumes that Texas continues with its full level of services as they currently exist (including the optional elements, such as POS deployment, ATs, client training, etc.) and negotiates those service requirements with the SAS vendor. The price to Texas under this assumption is estimated at a PCPM of \$2.26. Refer to the section describing the shared environment alternative (Appendix I) for details.

Development, Implementation and Ongoing Operational and Maintenance Costs

SAS pricing is provided as a core price and individually selectable option prices. The core price is provided for various tiers reflecting combined caseloads within the coalition. Table 42 shows the price Texas would expect to pay if the vendor were to extend the blanket SAS pricing to Texas. Note, however, the SAS agreement, including the core and options, does not provide services identical to those currently being provided to Texas.

Table 42: SAS Pricing

Core Service	Single Price	SAS Pricing			
		Tiered Pricing Based On Total Cases			
		< 1mm	1 - 2mm	2 - 4mm	4 - 6mm
Food Stamp Only	\$1.152	\$1.302	\$1.051	\$0.973	\$0.893
TANF Only	\$1.512	\$1.619	\$1.449	\$1.392	\$1.338
Combined Food Stamp and TANF	\$2.298	\$2.539	\$2.213	\$2.094	\$1.967
Optional Services Per Case					
In-person Conversion Training	\$0.392	\$0.392	\$0.392	\$0.392	\$0.392
180 Day On-line Transaction History	\$0.020	\$0.020	\$0.020	\$0.020	\$0.020
Administrative Terminal	\$0.025	\$0.025	\$0.025	\$0.025	\$0.025
POS Deployment and Service	\$0.055	\$0.055	\$0.045	\$0.035	\$0.035
Total Options	\$ 0.49	\$ 0.49	\$ 0.48	\$ 0.47	\$ 0.47

Notes:

- Price for TANF only and combined cases includes \$.33 for a cash withdrawal from either an ATM or a POS device for up to two such transactions. These are billed separately. Each state may negotiate the number of state-paid cash transactions. In this example, the state would pay for the first two transactions.
- Any cash withdrawals in excess of two are billed to the client at \$.85.
- Cards and PINs are issued and replaced by mail. There is different pricing for expedited issuance depending on how an individual state requests the service.
- Original SAS contract price for POS deployment and maintenance was \$22.62 per device per month. However, a \$0.055 PCPM price was negotiated; this decreases with an increased caseload.

- The contract contains language limiting phone line deployment to retailers doing more than \$5,000 per month in Food Stamp transactions. The retailer pays for the line and is subsequently reimbursed. (See *Phone Lines*.)
- POS equipment is deployed that supports only Food Stamp transactions.

The SAS agreement provides pricing based on a nonduplicated case count, while Texas pays the provider based on a duplicated case count, i.e., a fixed fee times the total number of cases in each benefit program. To reconcile this difference, the following analysis calculates the total cost per month to Texas for its current caseload using SAS unit prices and the Texas PCPM by dividing this total cost by the total Texas caseload. This results in a weighted average PCPM that is the same for Food Stamps and TANF. In Table 43, the column labeled “Current Texas Price” calculates the weighted average PCPM using the \$2.00 for Food Stamps and the \$.97 for TANF thus providing the basis for comparing current Texas pricing to the SAS pricing.

Table 43: Estimated Comparison of SAS Pricing to Current Texas Pricing

Approximate Texas Caseload	Current Texas Price	Cost Per Month (000s) to Texas SAS Pricing ²⁷					
		Single Price	Tiered Pricing Based on Total Cases				
			<1mm	1-2mm	2-4mm	4-6mm	
Food Stamp Only	475,000	\$950.0	\$594.7	\$666.0	\$542.0	\$500.2	\$462.2
TANF Only	36,000	\$ 34.9	\$ 58.0	\$ 61.9	\$ 55.4	\$ 53.0	\$ 51.0
Combined Food Stamp and TANF	106,000	\$314.8	\$254.2	\$279.7	\$244.1	\$230.4	\$217.0
	Cost Per Month (000)	\$1,300	\$ 907	\$1,008	\$ 841	\$ 784	\$ 730
Total Cases	723,000						
	PCPM	\$ 1.80	\$ 1.25	\$ 1.39	\$ 1.16	\$ 1.08	\$ 1.01

To facilitate a comparison between the SAS pricing, including core and optional services, to the price being paid by Texas for the current level of service, it is necessary to understand the differences in service delivery related to four major variables. These are the cost of retail phone lines for EBT-only retailers, POS deployment and maintenance, fees paid to retailers and administrative terminals. Although it is unlikely that the SAS vendor will extend to Texas these exact pricing fees and fee structures, adding these services will add approximately \$.87 to the PCPM to serve as a comparable figure for Texas. By example, the one to two million tier reflects a SAS price of \$1.16. Factoring in the \$.87 in added services provided in Texas would elevate the price to \$2.03 for Texas.

POS Equipment

Based on the original SAS POS pricing and actual Texas metrics, the POS equipment in the SAS contract is significantly underpriced. In the original SAS agreement, POS deployment and maintenance is priced at \$22.62 per POS device. In subsequent negotiations, the SAS vendor agreed to a price at \$.055 (tier 1) per case month to provide POS deployment and maintenance.

²⁷ In-person training has been eliminated from SAS cost for this comparison.

Texas has about 13,000 POS devices deployed. According to the original SAS pricing, this would have a monthly cost of \$294,060 (13,000 x \$22.62). However, using the negotiated SAS case month price of \$0.055, the cost to the State is \$33,900 per month. The actual cost in Texas to deploy and maintain the POS network has been estimated to be close to the original pricing of \$294,060. Consequently, the POS network is substantially underpriced. By doing the calculations to convert this to a PCPM, the additional cost to Texas for this service above and beyond the SAS price is \$.36. Per the following Table 44 it is realistic to add an additional \$.36 to the SAS price to arrive at a comparable price for Texas.

Table 44: Comparison of Estimated POS Equipment Pricing between the SAS EBT Solution and the Current Texas System

POS Equipment	
Device price per POS per month (SAS contract)	\$22.62
POS units installed in Texas	13,000
Per POS cost times number of devices (000)	\$294.1
Negotiated SAS per case price (\$.055) times number of unduplicated cases (000)	\$ 33.9
Total monthly difference (000)	\$260.1
Texas PCPM difference	\$0.360

Phone Lines

The SAS phone line deployment strategy has significantly reduced the number of phone lines deployed at vendor expense. FNS regulations require no additional cost to an FNS-certified retailer to participate in the EBT program. This has generally been interpreted to mean that the states, through their vendor, must equip retailers with electronic equipment to enable them to accept EBT Food Stamp transactions. A subsequent waiver has allowed the exclusion of retailers doing less than \$100 per month in Food Stamp business.

The argument has been made that low-volume retailers can share an existing phone line without inconvenience, and this will meet the “no additional cost” test. This has never explicitly been accepted by FNS.

However, the SAS contract, which has been approved by FNS, does contain the following language, “Retailers receiving EBT-only POS equipment and redeeming \$5,000.00 or less in monthly Food Stamp benefits will be requested to use an existing phone line...will reimburse the retailer for usage of the base line service...” The SAS vendor has been successful in implementing this policy.

Using the same strategy in Texas may have the results shown in Table 45, which reflects a \$.249 PCPM difference between SAS and Texas.

Table 45: Comparison of Estimated Phone Line Pricing between the SAS EBT Solution and the Current Texas System

Phone Lines		
	SAS	Texas
Approximate Percent of EBT-only retailers receiving phone lines	10%	68%
Approximate number of EBT-only retailers in Texas	10,000	10,000
Phone lines deployed	1,000	6,800
Cost of phone line per month	\$31	\$31
Total cost per month for phones (000)	\$ 31.0	\$210.8
Difference in cost		\$179.8
PCPM (Possible savings to Texas)		\$0.249

Transaction Fees

In the current environment, the Texas EBT vendor is paying transaction fees to third-party transaction acquirers of approximately \$61,000 per month amounting to \$.08 PCPM (See Appendix H-1). There is no equivalent to these fees in the SAS environment.

Transaction fees are paid in Texas as a result of negotiations with the retail community and the need for rapid implementation. There was insufficient time for a prolonged negotiation and many of the legal battles that have plagued other states.

Administrative Terminals

The estimated PCPM for administrative support in Texas is \$.18 (Appendix H-1). These costs are not included in the SAS pricing.

Estimated Acquisition and Operating Costs

There are no additional acquisition and operational costs for this alternative other than those described in the preceding paragraph.

Potential Increase/Decrease Compared to Current System

The State is currently paying its EBT vendor \$2.00 PCPM for Food Stamps and \$.97 for TANF. Approximately 20 percent of the caseload is TANF and 80 percent is Food Stamps. Refer to the shared environment analysis (Table 37, Table 38 and Table 39) for the estimated increase/decrease expected from this alternative.

Estimated Pricing Per Case Per Month

DHS manages its costs related to EBT on a PCPM basis. Refer to the shared environment analysis (Table 40) for the estimated PCPM expected from this alternative.

Impact on Federal Food Stamp EBT Cost Cap

The State has a Food Stamp EBT cost cap of \$2.47 PCPM in operating costs. With matching funds, the total cap would be \$4.94. The pricing under this alternative represents an increased vendor cost (as in the shared environment, \$2.11 to \$2.67 PCPM, depending upon caseload) to the State over their existing vendor cost of \$2.00 for Food Stamps. Assuming no significant change in nonvendor EBT costs, e.g., those costs incurred by the State not related to vendor expense, then total cost under this scenario falls within the cost cap.

4. Qualitative Analysis

Ranking and Rationale

Each alternative is ranked according to a set of qualitative criteria. For details, refer to Appendix F. Table 46 is the qualitative ranking for the SAS alternative.

Table 46: Qualitative Ranking of the SAS EBT Solution

	Technical	Program	Funds Management	Total Points
Shared-SAS	120	94	31	245
Possible	150	125	55	330
Rank	2 (tied)	2	4 (3-way tie)	2

This alternative ranked higher because of the shorter time line to implementation and proven capabilities.

Major Risks

The major risks associated with this alternative are as follows:

- Lack of competitiveness in the procurement process;
- The State is required to negotiate its requirements with a preselected vendor;
- Outsourcing of the entire set of services to a single vendor limits the State’s ability to negotiate system changes once the system is operational. Additionally, a limited set of vendors capable and willing to provide the entire set of EBT services further limits the State’s leverage;
- Potential inflexibility in meeting the strategic plans and objectives of Texas;
- Diminished control over the change management process as a result of coordination with multiple projects;
- Required coordination of system enhancements with other EBT projects;
- Texas project schedules subject to vendor resource conflicts in supporting multiple projects; and
- Service delivery is most likely located outside of Texas, eliminating any value associated with proximity.

Major Opportunities

This alternative provides some significant opportunities:

- The model assumes a vendor with substantial EBT credentials that greatly reduces risks associated with lack of experience;
- The model assumes a vendor with existing resources and a strong EBT program. This reduces the risk of implementation and more importantly, allows for a compression of the time line necessary to implement;
- Change management is more easily implemented than with a multivendor solution;
- The State has a single point for management of its EBT program; and

- This solution provides a mainstream EBT solution consistent with programs in other States and any national model for EBT.

5. Impact/Effect

Complexity of Interfaces

Descriptions of the required interfaces are found in Appendix G. This topic deals with interface complexities unique to this alternative.

SAVERR / EBT System

The assumptions are that this alternative is based on existing EBT technology and that the State negotiates with the SAS vendor for the customizations it requires to the base technology. The follow-on assumption is that the State negotiates an interface with SAVERR identical to the existing interface. It is low risk and nonintensive for State resources, but places a burden on a vendor to replicate this fairly complex interaction. The added risk is that this interface is substantially different than that provided by the vendor to other clients.

Local Agency Office / EBT System

The assumption is that the vendor provides a stand-alone (non-integrated) solution as currently exists for the EBT terminal. It is also assumed that this interface is different from the existing interface and requires significant user training. The interface provides many functions and is complex, especially in its accommodation of a wide number of users.

EBT-only POS System / EBT System

This is a vendor specific implementation and it is presumed that the vendor provides software consistent with the State's requirements and compatible with their central system. However, any change in in-lane procedures cause significant training issues in the retail community and added retail costs.

Third-party Transaction Acquirers / EBT System

It is assumed that the State requires the use of the accepted standard for this interface which is widely used and, although complex, well-understood. The SAS vendor currently endorses this interface.

Client / POS Device

It is assumed that the existing EBT cards and card technology continue to be used in the next generation system, thus limiting any complexity.

ACH Origination Bank / EBT System

It is assumed that the State requires the use of the accepted standard for this interface or allows a variance agreed to between the vendor and the bank.

FNS Minneapolis Data Center / EBT System

It is assumed that the State requires the use of the accepted standard for this interface.

FNS Retailer Database / EBT System

It is assumed that the State requires the use of the accepted standard for this interface.

ASAP System / EBT System

It is assumed that this process continues per accepted business practices.

EBT Call Center / EBT Central System

The SAS vendor is currently providing this interface and it is presumed to continue per its current implementation standards. Complexity is minimized or at least transparent to the State.

Client / Call Center

The assumption is that this alternative is a result of negotiations with the SAS vendor and includes Texas client call center requirements. It is less complex and requires less client training if the interaction with the ARU is similar to the current environment. However, the SAS vendor has ARU scripts and a solution that may vary from the existing solution, but are serving several million EBT clients. The State must examine the trade-off between using the vendor's existing solution, possible confusion to the client population and levels of service.

Retailer / Call Center

The assumption is that this alternative is a result of negotiations with the SAS vendor and includes Texas retailer call center requirements. It is less complex and requires less retailer training if the interaction with the ARU is similar to the current environment. However, the SAS vendor has ARU scripts and a solution that may vary from the existing solution, but are serving thousands of EBT retailers. The State must examine the trade-offs between using the vendor's existing solution, possible confusion to the retail population and levels of service.

Other State Systems / EBT System

This is a single vendor solution but shares its environment with other EBT projects. The assumption is that some flexibility is lost because of the sharing of resources and homogenous service delivery. This adds complexity to integration with other State systems and databases.

Current Texas Contract Terms and Conditions

Under this alternative, Texas initiates an independent contract with the SAS vendor based on the results of negotiations with that vendor. This provides the opportunity to keep in force all of the current contract terms and conditions that Texas deems relevant to this initiative. Certain terms and conditions, especially those related to the pilot and conversion from the paper process, are no longer germane. All contract conditions related to functionality, performance, FNS regulations, process and procedures may be continued under this alternative. There are, however, some conditions discussed under the levels of service subsection that the State may wish to reevaluate as being cost prohibitive.

Some of the terms and conditions specific to project-related issues imply or assume resources dedicated to Texas. Under this alternative, which is based on the sharing of resources (and a resulting lower cost to the State), the State may need to reassess the structure for its project management requirements. In order to gain the full benefits available with a shared coalition

environment, including a lower cost and a shorter time line, the State should be flexible in negotiating some of these requirements with the SAS vendor.

Another area for evaluation of the terms and conditions is related to retailer and third-party relations. The existing EBT contract provides for the EBT vendor to have direct contractual relations with all retailers providing benefits to its clients. This is inconsistent with the commercial world where it is the transaction acquirers who have these contractual relationships rather than the card issuer. It is also inconsistent with the needs for interoperability and QUEST™.

USDA Food Stamp Program Policy, Regulations, Requirements and Waivers

This alternative will fully support all Food Stamp policy, regulations, requirements and waivers.

DHS Policies and Strategic Plans, Including Automation

This alternative is consistent with DHS strategic plans and directions that favors outsourcing and privatization where practical. Additionally, as an outsource solution, it minimizes the drain on DHS technical resources.

Legislative Mandates and Initiatives

Several Texas legislative mandates and initiatives are directed at placing additional services on the EBT platform. To this end an EBT task force has been established to examine the possible addition of other programs to the EBT environment.

This alternative appears to provide less flexibility (although not prohibitive) in adding programs to the Lone Star platform. In a shared environment, Texas will be competing for vendor resources with other projects and may have to “wait in line” to get its work completed. Additionally, system change in a shared environment is more complex than in a stand-alone environment and more subject to error. Changes for one project have the potential to impact service delivery for another.

State- and Federal-related EBT Issues

Expansion Goals and Objectives

This alternative, because of the inherent sharing of resources, is rated lower on its ability to allow for system expansion and to meet the strategic objectives of Texas.

State Resources

This is a full outsource option equivalent to the services being provided by the current vendor with the exception that resources employed are shared across multiple State’s EBT projects. Specific resource estimates have not been developed for this alternative because of its similarity with the shared model described in Appendix I. Resources of the EBT vendor are shared across all State projects being managed by the EBT vendor, including those under the SAS blanket agreement. The assumption is that the State will not require additional resources beyond what currently exist.

LSIS

This alternative does not reduce the ability to implement finger imaging as a part of the Texas eligibility process. Because it assumes a new EBT administrative terminal application, it provides some potential for integrating these two applications in the local office.

Finger Imaging at Point-of-Sale

The LSIS/POS pilot is currently in the planning stages. If the LSIS/POS project is implemented statewide, then this alternative has the potential to enhance the implementation by allowing the specific requirements for biometrics at the POS to be incorporated into the EBT negotiations.

Interoperability

This approach provides support for interoperability if it is required by the State. The cost model assumes fees for transactions originating from third parties that will be adequate to cover any fee associated with interoperability. The SAS vendor is positioned to provide interoperability; they are already providing a solution current with the national agenda.

QUEST™

If the State elects to implement a QUEST™-compliant system, this alternative supports that requirement. It assumes the SAS vendor is providing mainstream EBT services that are consistent with the national model for EBT. It also assumes redeployment of the POS network, along with the proper signage and software, to be QUEST™-compliant. It does not assume a complete reissue of the card base, but instead assumes that natural attrition gradually replaces the entire card base over a period of several years.

TIES Planning Concepts and Schedules

This alternative should not impede the TIES project. Because this alternative is an outsource solution, it limits the competition for valuable resources needed by the TIES project. However, this alternative provides less flexibility for integrating EBT with TIES in the future.

Texas EBT Contract

Expiration

The current EBT contract expires in February 2001. This alternative, because it assumes an active EBT program, existing resources and expertise, has the ability to reduce time lines necessary for implementation and consequently provides a lower risk relative to other alternatives.

Purchase Options

No purchase option is contemplated under this alternative.

Transition

This alternative contemplates a new EBT solution. A transition plan and conversion period are required to move from the current environment to that envisioned under this alternative, which increases the risk and lengthens the time line relative to other alternatives.

RFO Considerations

Contract negotiations with a preselected vendor are anticipated to complete the specification of requirements for Texas. This does not eliminate the need for a requirements document to operate as the foundation for the contract negotiation. The basis for that document is the original EBT procurement specifications and contract terms and conditions. These may be modified to contain elements such as interoperability, QUEST™ or biometrics that the State requires for its next-generation EBT system. Because an existing and experienced EBT vendor is assumed for this alternative, the State should, in seeking the best interest, best value for Texas, consider building some flexibility into the procurement process so as to fully take advantage of the resources and processes the vendor has in place.

EBT Functions

EBT Software

This alternative assumes existing software will be modified to meet Texas EBT requirements. It also assumes that the existing interface between SAVERR and the EBT system is incorporated into any new specifications and consequently, little, if any, change is required in the SAVERR environment.

EBT Hardware

This alternative assumes the vendor provides state-of-the-art hardware and processing solutions that may potentially be shared across multiple EBT projects.

Accounting, Settlement and Reconciliation

No change is anticipated. This continues operating according to current specifications.

Help Desk Call Center

A call center shared across multiple EBT projects and possibly other applications is anticipated. However, it is assumed that call center service will continue to be provided according to current specifications.

Retailer Relations and Contract Management

No change is anticipated unless authorized by the State. This continues operating according to current specifications.

Retailer Equipment, Maintenance and Supplies

No change is anticipated unless authorized by the State. This continues operating according to current specifications.

Card and PIN Issuance and Replacements

No change is anticipated unless authorized by the State. This continues operating according to current specifications.

D. State In-house EBT Solution

1. Description and Content

This alternative is for all EBT services currently being provided by the private-sector vendor to be provided internally by organizations within DHS with the exception of certain purchased commodity products such as telecommunications and ACH services. Similar to the shared environment, it contemplates that existing infrastructure, such as facilities and staff, are allocated to the provision of EBT services thus offering some cost advantages through leveraging of existing resources. The Texas EBT program is expected to coexist in a data center and share the resources of that data center, such as staff, telecommunication networks and facilities with other DHS activities. Further, this alternative anticipates that resources specific to EBT, such as software, processors and procedures, are created from the ground up to specifically address the needs of Texas EBT.

2. Assumptions

The major assumptions in developing and evaluating this alternative are as follows:

- EBT services and requirements continue as they are presently provided;
- New software and servicing environments are created;
- DHS operating units provide EBT services;
- Existing DHS resources are leveraged in providing EBT services. The model assumes:
 - a. Central processing is located in existing DHS data centers;
 - b. New processing hardware and components are dedicated to EBT;
 - c. EBT administrative terminal application is integrated with other agency applications;
 - d. Call center requires new facilities. It is not anticipated to leverage any existing resources; and
 - e. Some existing administrative support, such as human resources, are leveraged.
- Existing Lone Star cards and client processes continue - card reissue and client conversion training are not required;
- Interfaces between SAVERR and the EBT system remain unchanged;
- A system conversion from the existing to the new environment is required;
- The EBT administrative terminal applications change, requiring agency staff training; and
- Upfront costs are amortized over the project period of 84 months for purposes of comparison.²⁸

3. Cost Analysis

Full details for this model are found in Appendix J. Costs for an in-house solution are lower than a privatization solution primarily because the State does not require a markup built into its cost model, does not pay most taxes and does not have a cost of money in the same context as a private business.

²⁸ Under this alternative the State would need to make a cash investment in the next biennium for upfront costs.

Development, Implementation and Ongoing Operational and Maintenance Costs

Estimated costs are those costs currently born by the vendor in providing EBT services that are assumed by the State under this alternative. The following Table 47 presents estimated costs to Texas for this model assuming three different caseloads. Refer to Appendix J-3 for details.

Table 47: Estimated Development, Implementation and Ongoing Operational and Maintenance Costs for the State In-house EBT Solution

Assumed Texas Caseload	Investment Total (000)	Amortization (000)	Ongoing Operations (000)	Vendor Markup	Monthly Total Cost (000)	84 Month Total Cost (000)
580,676	\$19,172	\$228	\$1,130	0	\$1,358	\$114,072
725,845	\$19,181	\$228	\$1,208	0	\$1,436	\$120,624
871,074	\$19,190	\$228	\$1,285	0	\$1,513	\$127,092

Estimated Acquisition and Operating Costs

There are no additional acquisition and operational costs for this alternative other than those described in the preceding paragraph.

Potential Increase/Decrease Compared to Current System

The State is currently paying its EBT vendor \$2.00 PCPM for Food Stamps and \$.97 for TANF. Approximately 20 percent of the caseload is TANF and 80 percent is Food Stamps. The potential increase or decrease under this assumption and alternative is as follows:

Table 48: Potential Cost Increase/Decrease of the State In-house EBT Solution Compared to the Current System

Assumed Texas Caseload	Current System		Anticipated System		Increase / (Decrease)	
	Monthly Total Cost (000)	84 Month Total Cost (000)	Monthly Total Cost (000)	84 Month Total Cost (000)	Monthly Total Cost (000)	84 Month Total Cost (000)
580,676	\$1,042	\$87,528	\$1,358	\$114,072	\$316	\$26,544
725,845	\$1,302	\$109,368	\$1,436	\$120,624	\$134	\$11,256
871,074	\$1,563	\$131,292	\$1,513	\$127,092	(\$50)	(\$4,200)

Estimated Pricing Per Case Per Month

DHS manages its costs related to EBT on a PCPM basis. For this alternative, the PCPM under the different caseload scenarios for the vendor assumed costs are delineated in Table 49.

Table 49: Estimated PCPM for the State In-house EBT Solution

Total Caseload	PCPM
580,676	\$2.34
725,845	\$1.98
871,074	\$1.74

Impact on Federal Food Stamp EBT Cost Cap

The State has a Food Stamp EBT cost cap of \$2.47 PCPM in operating costs for FFY 1998. With matching funds, the total cap would be \$4.94. The pricing under this alternative may represent an increase or decrease in vendor cost depending upon the caseload (a range of \$1.74 to \$2.34 PCPM) to the State over their existing vendor cost of \$2.00 for Food Stamps. Assuming no significant change in non-vendor EBT costs, e.g., those costs incurred by the State not related to vendor expense, then total cost under this scenario falls within the cost cap.

4. Qualitative Analysis

Ranking and Rationale

Each alternative is ranked according to a set of qualitative criteria. For details refer to Appendix F. Table 50 is the qualitative ranking for the State in-house alternative.

Table 50: Qualitative Ranking of the State In-house EBT Solution

	Technical	Program	Funds Management	Total Points
In-house	73	91	29	193
Possible	150	125	55	330
Rank	8	5	7	8

This alternative ranked lower because of the general lack of available staff resources, competing projects and specific technical experience. The biggest positive is the flexibility this alternative provides in extending the uses of the Lone Star card within Texas.

Major Risks

The major risks associated with this alternative are as follows:

- Ability to create an EBT system and operating environment within the available time frames;
- Availability of staff resources to dedicate to the EBT project;
- Lack of substantial EBT and funds processing experience;
- Competition for resources with other State initiatives, such as Y2K and TIES;
- Need to build a business plan to fit funds appropriated upfront;

- Politics of managing internal interdepartmental projects; and
- Continued State funding to support the growth of the program.

Major Opportunities

This alternative provides some significant opportunities:

- The model maximizes the State's control over the direction of its EBT program;
- This model helps assure consistency with the State's EBT requirements;
- The model provides consistency with the State's existing mainstream business practices in areas such as change management, risk management or customer service;
- Flexibility to add to or extend the product is enhanced;
- The State is protected from large swings in costs, especially if caseloads increase;
- This solution likely provides a mainstream EBT solution consistent with the State's EBT requirements;
- This solution avoids the limitations incurred by lack of competition; and
- It is estimated that this solution brings 128 additional jobs to Texas.

5. Impact/Effect

Complexity of Interfaces

Descriptions of the required interfaces are found in Appendix G. This topic deals with interface complexities unique to this alternative.

SAVERR / EBT System

The assumption is that this alternative is built by the State and that the State creates a solution for an interface with SAVERR identical to the existing interface.

Local Agency Office / EBT System

The assumption is that the State provides an integrated office solution, allowing EBT functionality to coexist on a general-purpose terminal and possibly be integrated with other applications. It is also assumed that this interface is different from the existing interface and requires significant user training. The interface provides many functions and is complex, especially in its accommodation of a wide number of users. Integrating with other applications potentially increases the complexity of development but should ultimately reduce and streamline complexity associated with local agency business processes.

EBT-only POS System / EBT System

It is presumed that the State provides software consistent with their requirements and compatible with their central system. However, any change in retail in-lane procedures causes significant training issues in the retail community and added retail costs. This is fairly complex transaction processing software for staff inexperienced with POS transaction processing design. Under this alternative, use of experienced outside development is recommended.

Third-party Transaction Acquirers / EBT System

It is assumed that the State uses the accepted standard for this interface, which is widely used and although complex, well-understood.

Client / POS Device

It is assumed that the existing EBT cards and card technology continues to be used in the next generation system, thus limiting any complexity.

ACH Origination Bank / EBT System

It is assumed that the State uses the accepted standard for this interface or agrees to a variance with their bank.

FNS Minneapolis Data Center / EBT System

It is assumed that the State uses the accepted standard for this interface.

FNS Retailer Database / EBT System

It is assumed that the State uses the accepted standard for this interface.

ASAP System / EBT System

It is assumed that this process continues per accepted business practices.

EBT Call Center / EBT Central System

The assumption is that the State determines standards for its interaction between the call center and the central system, consistent with its core technology and requirements. Complexity is minimized subject to the State being in control of both sides of the interface.

Client / Call Center

The assumption is that this alternative is built to meet the requirements of the State, including client call center requirements. It is less complex and requires less client training if the client interaction with the ARU is similar to the current environment.

Retailer / Call Center

The assumption is that this alternative is built to meet the requirements of the State, including retailer call center requirements. It is less complex and requires less training if the interaction with the ARU is similar to the current environment and the services provided do not change.

Other State Systems / EBT System

The assumption is that a State in-house solution is the most flexible alternative to meet expansion requirements, both currently known and in the future. Having control of all aspects of service delivery should minimize complexity of these types of interfaces.

Current Texas Contract Terms and Conditions

Under this alternative, contract terms and conditions become a moot issue. However, this alternative allows Texas to keep in force, through internal procedures, all of the current contract terms and conditions related to functionality, performance, FNS regulations and policy. The existing terms and conditions related to project management, process and procedures might be reevaluated with the intent of managing an internally-staffed project. The management processes and control procedures are significantly different if EBT services are moved in-house.

USDA Food Stamp Program Policy, Regulations, Requirements and Waivers

This alternative fully supports all Food Stamp policy, regulations, requirements and waivers.

DHS Policies and Strategic Plans, Including Automation

This alternative is inconsistent with DHS strategic plans and directions that favor outsourcing and privatization where practical. However, these plans do allow for in-house solutions when it provides a significant value or advantage to the State. In this case, the cost of services must be evaluated as meeting these criteria.

Legislative Mandates and Initiatives

Several Texas legislative mandates and initiatives are directed at placing additional services on the EBT platform. To this end an EBT task force has been established to examine the possible addition of other programs to the EBT environment.

This alternative provides significant flexibility in adding programs to the Lone Star card. As the State evaluates other programs for inclusion in the Lone Star environment, it has great flexibility in the planning process for full integration with State service delivery. The schedule, capabilities and resources of an outside vendor are eliminated as a planning restraint. Interfaces with other applications within State government and consolidation of services become more tenable.

State and Federal EBT Issues

Expansion Goals and Objectives

This alternative, because of the inherent integration with State delivery capabilities, is rated high on its ability to serve the strategic objectives of Texas.

State Resources

Under this alternative, the State provides sufficient resources for internally providing the full range of EBT services. Appendix J-3 shows an estimate of an additional 128 FTEs required to fulfill this requirement. These resources are less than for the stand-alone alternative because it is anticipated that certain State resource needs, such as computer operations and administrative management personnel, are leveraged using existing staff. The 128 FTEs are for ongoing operations. No specific resources are estimated for initial systems development activities on the assumption that this would be a purchased service.

LSIS

This alternative does not reduce the ability to implement finger imaging as a part of the Texas eligibility process. It assumes integration of the EBT administrative terminal application, which provides potential for these to coexist in the local office.

Finger Imaging at Point-of-Sale

The LSIS/POS pilot is currently in the planning stages. If the LSIS/POS project is implemented statewide, then this alternative has the potential to have the support for the POS project built into the EBT platform.

Interoperability

This approach, if required by the State, provides support for interoperability. The cost model already assumes fees for transactions originating from third parties that is adequate to cover any fee associated with interoperability. The model assumes creating a new EBT environment that may, at the State's choice, incorporate the requirements for interoperability.

QUEST™

If the State elects to implement a QUEST™-compliant system, this alternative supports that requirement. It assumes a new processing system and redeployment of the POS network that along with the proper signage and software must be QUEST™-compliant. It does not assume a complete reissue of the card base, but instead assumes that natural attrition gradually replaces the entire card base over a period of several years.

TIES Planning Concepts and Schedules

This alternative could impede the TIES project. Because this alternative is an in-house solution, it is competing for resources needed by the TIES project. However, by being an in-house solution, it offers significant flexibility for integrating EBT services with TIES in the future, should this become a requirement. The need for significant call center and mail center support by both projects certainly suggests the possibility of sharing resources between the two. However, in the near-term, sharing these resources cannot be assumed.

Texas EBT Contract

Expiration

The current EBT contract expires in February 2001. This alternative, because it assumes new components in an untested environment, has a higher risk of not meeting the necessary time line.

Purchase Options

No purchase option of existing equipment is contemplated under this alternative.

Transition

This alternative contemplates a new EBT solution. A transition plan and conversion period is required to move from the current environment to that envisioned under this alternative, which increases the risk and lengthens the time line relative to other alternatives.

RFO Considerations

If the State elects to pursue this alternative, then strategies to limit the risk and inherent weaknesses of the solution should be employed. The State should consider outsourcing the construction of the central processing, call center and POS software and much of the systems integration effort, such as third-party certifications, POS integration and data base conversions, in order to overcome the lack of experience and resources. This course requires procurement documents describing the requirements for these subcontracts. A business plan must be generated to drive the internal development of the EBT system and environment. The basis for that document should be the original EBT procurement specifications and contract terms and

conditions. These may be modified to contain elements such as interoperability, QUEST™ or biometrics that the State requires for its next generation EBT system.

EBT Functions

EBT Software

This alternative assumes that software is created to meet the Texas requirements for EBT. However, it also assumes that the existing interface between SAVERR and the EBT system is incorporated in any new specifications and consequently little or no change is required in the SAVERR environment.

This alternative also implies that software is created internally by the State. As per the above discussion, it would greatly mitigate the risks of the strategy if this task is outsourced to an organization equipped and experienced in creation of these types of systems.

EBT Hardware

This alternative assumes the State provides state-of-the-art hardware and processing solutions to meet the needs of the EBT project.

Accounting, Settlement and Reconciliation

If DHS were to take over this function, there would be a change from a vendor providing this service to DHS performing it in-house and additional staff, space and equipment would be required. This continues operating according to current specifications. It is assumed that the State contracts with a financial institution for ACH originating services as is presently being done by the current vendor. The liability for system malfunctions becomes a State issue.

Help Desk Call Center

This alternative assumes a call center is created in Texas to meet the needs of Texas EBT. It also assumes that call center service continues to be provided according to current specifications.

Retailer Relations and Contract Management

No change is anticipated unless authorized by the State. This continues operating according to current specifications. The State must contract with retailers.

Retailer Equipment, Maintenance and Supplies

No change is anticipated unless authorized by the State. It is assumed that the State-supplied POS network is redeployed under this alternative but continues operating according to current specifications. POS installation and maintenance is a field alien to the State and unrelated to core services.

Card and PIN Issuance and Replacements

No change is anticipated unless authorized by the State. This continues operating according to current specifications. Card and PIN issuance may revert to local offices. Mailing costs become a State expense. Separation of duties becomes more important.

E. State In-house Acquire Transactive Assets EBT Solution

1. Description and Content

This alternative calls for all EBT services currently being provided by the private-sector vendor to be provided by organizations within DHS with the exception of certain purchased commodity products such as telecommunications and ACH services. Similar to the shared environment, it contemplates that existing infrastructure, such as facilities and staff, is allocated to the provision of EBT services thus offering some cost advantages through leveraging of existing resources. The Texas EBT program is expected to coexist in a data center and share the resources of that data center, such as staff, telecommunication networks and facilities, with other DHS activities. This alternative differs from the in-house solution in that it assumes that the State acquires certain of the current vendor's EBT servicing assets.

2. Assumptions

The major assumptions in developing and evaluating this alternative are as follows:

- EBT services and requirements continue as they are presently provided;
- DHS operating units provide EBT services;
- The following assets are acquired from the current vendor:
 - a. Central processing software and procedures;
 - b. Central processing hardware (primary, backup and hot spare) including peripherals and miscellaneous components
 - c. Communications equipment;
 - d. POS equipment (installed, spare parts and components);
 - e. POS software;
 - f. Call center software and scripts;
 - g. PIN change equipment;
 - h. Training materials; and
 - i. Documentation, policy manuals, contracts, procedure manuals and all other materials necessary to continue Texas EBT services.
- Existing DHS resources are leveraged to provide EBT services. The model assumes:
 - a. Central processing is located in existing DHS data centers;
 - b. EBT administrative terminal application is integrated with other agency applications;
 - c. Call center requires new facilities. It is not anticipated to leverage any existing resources; and
 - d. Some existing administrative support, such as human resources, is leveraged.
- Existing Lone Star cards and client processes continue - card reissue and client conversion training are not required;
- Interfaces between SAVERR and the EBT system remain unchanged;
- A system migration from the existing environment to the new is required, but a data conversion is not needed;

- The EBT administrative terminal applications change, requiring agency staff training; and
- Upfront costs are amortized over the project period of 84 months for purposes of comparison.²⁹

3. Cost Analysis

Full details for this model are found in Appendix K. Costs for an in-house solution are lower than a privatization solution primarily because the State does not require a markup built into its cost model, does not pay most taxes and does not have a cost of money in the same context as a private business. Costs for acquiring Transactive's assets are lower than buying these elements on the open market.

Development, Implementation and Ongoing Operational and Maintenance Costs

Estimated costs are those costs currently born by the vendor in providing EBT services that are assumed by the State under this alternative. The following Table 51 presents estimated costs to Texas for this model assuming three different caseloads. Refer to Appendix K-3 for details.

Table 51: Estimated Development, Implementation and Ongoing Operational and Maintenance Costs for the State In-house Acquire Transactive's Assets EBT Solution

Assumed Texas Caseload	Investment Total (000)	Amortization (000)	Ongoing Operations (000)	Vendor Markup	Monthly Total Cost (000)	84 Month Total Cost (000)
580,676	\$12,758	\$152	\$1,088	0	\$1,240	\$104,160
725,845	\$12,767	\$152	\$1,165	0	\$1,317	\$110,628
871,074	\$12,778	\$152	\$1,243	0	\$1,395	\$117,180

Estimated Acquisition and Operating Costs

Costs in this alternative and represented in the cost analysis charts include an assumed asset acquisition price of \$6,000,000.

Potential Increase/Decrease Compared to Current System

The State is currently paying its EBT vendor \$2.00 PCPM for Food Stamps and \$.97 for TANF. Approximately 20 percent of the caseload is TANF and 80 percent is Food Stamps. Table 52 presents the potential increase or decrease under this assumption and alternative.

²⁹ Under this alternative the State would need to make a cash investment in the next biennium for upfront costs.

Table 52: Potential Cost Increase/Decrease of the State In-house Acquire Transactive’s Assets EBT Solution Compared to the Current System

Assumed Texas Caseload	Current System		Anticipated System		Increase /(Decrease)	
	Monthly Total Cost (000)	84 Month Total Cost (000)	Monthly Total Cost (000)	84 Month Total Cost (000)	Monthly Total Cost (000)	84 Month Total Cost (000)
580,676	\$1,042	\$87,528	\$1,240	\$104,160	\$198	\$16,632
725,845	\$1,302	\$109,368	\$1,317	\$110,628	\$15	\$1,260
871,074	\$1,563	\$131,292	\$1,395	\$117,180	(\$168)	(\$14,112)

Estimated Pricing Per Case Per Month

DHS manages its costs related to EBT on a PCPM basis. For this alternative, the PCPM under the different caseload scenarios for the vendor assumed costs are as follows:

Table 53: Estimated PCPM for the State In-house Acquire Transactive's Assets EBT Solution

Total Caseload	PCPM
580,676	\$2.14
725,845	\$1.82
871,074	\$1.60

Impact on Federal Food Stamp EBT Cost Cap

The State has a Food Stamp EBT cost cap of \$2.47 PCPM in operating costs for FFY 1998. With matching funds, the total cap would be \$4.94. The pricing under this alternative may represent an increase or decrease in vendor cost depending upon the caseload (a range of \$1.60 to \$2.14 PCPM, but at current caseload levels \$1.82 PCPM), over the existing vendor cost of \$2.00 for Food Stamps. Assuming no significant change in nonvendor EBT costs, e.g., those costs incurred by the State not related to vendor expense, then total cost under this scenario falls within the cost cap.

4. Qualitative Analysis

Ranking and Rationale

Each alternative is ranked according to a set of qualitative criteria. For details, refer to Appendix F. The following Table 54 is the qualitative ranking for the State in-house acquire assets alternative.

Table 54: Qualitative Ranking of the State In-house Acquire Transactive's Assets EBT Solution

	Technical	Program	Funds Management	Total Points
In-house, acquire	110	90	27	227
Possible	150	125	55	330
Rank	4	6	8	6 (tied)

This alternative scored technical points because of the reduced risk in use of an existing tried and proven system combined with the shortened time line for implementation. General lack of available staff resources, competing projects and specific technical experience are negatives for this in-house solution. The biggest positive is the potential flexibility this alternative provides in extending the uses of the Lone Star card.

Major Risks

The major risks associated with this alternative are as follows:

- Availability of staff resources to dedicate to the EBT project;
- Lack of substantial EBT and funds processing experience;
- Competition for resources with other State initiatives, such as Y2K and TIES;
- Possible obsolescence of processing components;
- Transactive's Y2K compliance has not been demonstrated;
- Need to build a business plan to fit funds appropriated upfront;
- Politics of managing internal interdepartmental projects; and
- Continued State funding to support the growth of the program.

Major Opportunities

This alternative provides some significant opportunities:

- The model rates high for State control over the direction of its EBT program;
- Avoidance of limitations resulting from lack of competition;
- This model helps assure consistency with the State's EBT requirements;
- The model provides consistency with the State's existing mainstream business practices in areas such as change management, risk management or customer service;
- Flexibility to add to or extend the product is enhanced;
- The State is protected from large swings in costs, especially if caseloads increase; and
- This solution provides an EBT solution consistent with the State's current EBT requirements.

5. Impact/Effect

Complexity of Interfaces

Descriptions of the required interfaces are found in Appendix G. This topic deals with interface complexities unique to this alternative.

SAVERR / EBT System

The assumptions are that the existing interface with SAVERR continues in the future and that the State acquires Transactive's existing Texas software, fully supporting this interface.

Local Agency Office / EBT System

The assumption is that the State does not use Transactive's existing EBT administrative terminal application, but instead creates an integrated office solution that allows EBT functionality to coexist on a general-purpose terminal and possibly be integrated with other applications. It is also assumed that this interface is different from the existing interface and requires significant user training. The interface provides many functions and is complex, especially in its accommodation of a wide number of users. Integrating with other applications potentially increases the complexity of development but ultimately reduces and streamlines complexity associated with office business processes.

EBT-only POS System / EBT System

It is assumed that the State acquires the existing POS software. Complexity is eliminated by use of an in-place product. No change is required in retail lane procedures.

Third-party Transaction Acquirers / EBT System

It is assumed that the State uses the accepted standard for this interface, which is widely used and, although complex, well-understood in the industry. This product is proven technology acquired from Transactive.

Client / POS Device

It is assumed that the existing EBT cards and card technology continue to be used in the next generation system, thus limiting any complexity.

ACH Origination Bank / EBT System

It is assumed that the State uses the accepted standard for this interface, which is supported by the Transactive software.

FNS Minneapolis Data Center / EBT System

It is assumed that the State uses the accepted standard for this interface, which is supported by the Transactive software.

FNS Retailer Database / EBT System

It is assumed that the State uses the accepted standard for this interface, which is supported by the Transactive software.

ASAP System / EBT System

It is assumed this process continues per accepted business practices.

EBT Call Center / EBT Central System

The assumption is that the State acquires existing Transactive software for both sides of this interface and that although the State creates a physical call center, it is able to use the existing

Transactive call center software and scripts. Use of existing software minimizes the complexity associated with this interface.

Client / Call Center

The assumption is that the State acquires existing Transactive call center software and scripts. Use of existing software minimizes the complexity associated with this interface and assures consistency of client interface after the conversion.

Retailer / Call Center

The assumption is that the State acquires existing Transactive call center software and scripts. Use of existing software minimizes the complexity associated with this interface and assures consistency of the retail interface after the conversion.

Other State Systems / EBT System

The assumption is that a State in-house solution is the most flexible alternative in meeting current and future expansion requirements. Having control of all aspects of service delivery minimizes the complexity of these types of interfaces. However, use of Transactive's software limits some of the flexibility that might otherwise be available in a system designed with expansion in mind.

Current Texas Contract Terms and Conditions

Under this alternative, contract terms and conditions become a moot issue. This alternative allows Texas to keep in force, through internal procedures, all of the current contract terms and conditions related to functionality, performance, FNS regulations and policy. The existing terms and conditions related to project management, process and procedures may be reevaluated with the intent of managing an internally staffed project. Clearly, the management processes and control procedures are significantly different if EBT services are moved in-house.

USDA Food Stamp Program Policy, Regulations, Requirements and Waivers

This alternative fully supports all Food Stamp policy, regulations, requirements and waivers.

DHS Policies and Strategic Plans, Including Automation

This alternative is inconsistent with DHS strategic plans and directions that favor outsourcing and privatization where practical. However, strategic plans do allow for in-house solutions when they provide a significant value or advantage to the State. In this case, the cost of services must be evaluated as meeting this criterion.

Legislative Mandates and Initiatives

Several Texas legislative mandates and initiatives have directed placing additional services on the EBT platform. To this end an EBT task force has been established to examine the possible addition of other programs to the EBT environment.

This alternative provides significant flexibility in adding programs to the Lone Star card. As the State evaluates other programs for inclusion in the Lone Star environment, it has great flexibility in the planning process for full integration with State service delivery. The schedule, capabilities

and resources of an outside vendor are eliminated as planning criteria. Interfaces with other applications within State government and consolidation of services become more tenable.

State- and Federal-related EBT Issues

Expansion Goals and Objectives

This alternative, because of the inherent integration with State delivery capabilities, is rated high on its ability to serve the strategic objectives of Texas. However, because the starting point is an existing software platform rather than one newly created, expansion opportunities are subject to the limitations of the platform. The current vendor's architecture makes use of data processing techniques, such as relational database technology and graphical interfaces, that lend themselves to expansion and should ease any migration plans.

State Resources

Under this alternative, the State provides sufficient resources for internally providing the full range of EBT services. Appendix K-3 shows an estimate of an additional 128 FTEs required to fulfill this requirement. This is less than shown for the stand-alone alternative because it is anticipated that certain State resource needs, such as computer operations and administrative management personnel, are leveraged using existing staff. The resource requirements for this alternative are for ongoing operations. No specific resources are estimated for initial systems development activities on the assumption that this would be a purchased service.

LSIS

This alternative does not reduce the ability to implement finger imaging as a part of the Texas eligibility process. It assumes integration of the EBT administrative terminal application that provides potential for these applications to coexist in the local office.

Finger Imaging at Point-of-Sale

The LSIS/POS pilot is currently in the planning stages. If the LSIS/POS project is implemented statewide, then the EBT platform requires modification to support this application.

Interoperability

The current vendor's software, while supporting interoperability for Food Stamp transactions on a limited basis between Texas and New Mexico, does not truly support interoperability according to the national model. Modifications are required to achieve interoperability. However, the cost model for this alternative assumes fees for transactions originating from third parties that are adequate to cover any fee associated with interoperability.

QUEST™

The current vendor's operating procedures are not designed to be QUEST™-compliant. If the State elects to implement a QUEST™-compliant system, then modifications are necessary. Aside from the interoperability issue, most of these issues are not related to software, but instead involve retail management issues. This model assumes leaving the existing EBT POS network in place. To move to QUEST™ requires additional costs to deploy signage, new retailer contracts, possible third-party interface requirements and possibly some additional client training. This does not assume a complete reissue of the card base with the QUEST™ logo, but

instead assumes that natural attrition gradually replaces the entire card base over a period of several years.

TIES Planning Concepts and Schedules

This alternative could impede the TIES project. Because this alternative is an in-house solution, it competes for resources needed by the TIES project. However, by being an in-house solution, it offers significant flexibility for integrating EBT services with TIES in the future, should this become a requirement. The need for significant call center and mail center support by both projects suggests the advantages of sharing resources between the two.

Texas EBT Contract

Expiration

The current EBT contract expires in February 2001. This alternative, because it assumes acquisition and migration of an existing product, may be implemented much more rapidly than an alternative requiring the construction of a product. The risk associated with meeting time line requirements is reduced.

Purchase Options

Under this alternative, it is assumed that certain assets are acquired from the current vendor. The assets assumed under this alternative are listed in the assumptions above. In general, it is anticipated that Texas will acquire Transactive's assets, especially the software, that are currently being used in support of Texas EBT. This is felt to be the lowest risk, shortest time line and lowest cost scenario. It requires porting of the software to DHS, but does not require any data conversion and user interface changes, both of which are higher risk elements.

Transactive, has made improvements to this software that are being employed in Illinois, and a next-generation was designed for their Indiana project (now discontinued) that may offer advantages to Texas. Using this new software would involve a system conversion and migration that adds cost and risk. However, the procurement scenario envisioned involves a negotiation with Transactive related to the assets that Texas wishes to procure. Because Transactive has made clear its intent to exit the EBT business, they should have no vested interest in retaining any of their EBT assets, thus making any of these assets available as terms for negotiation, should Texas wish to explore this option.

An estimated acquisition price of \$6,000,000 for these assets has been assumed. This is based on the reported \$11,000,000 offer that is currently outstanding for these assets relative to both Texas and Transactive's other customer, Illinois. This figure has been discounted based on acquisition of only the Texas portion of the assets and on the elapsed time since the original offer was made, depreciating the value of the assets. A schedule found in Appendix K-3 provides details on the estimated value of these assets relative to their replacement cost if the State or a private-sector vendor were to replicate them.

The timing of an acquisition may be an important factor. It would be possible to time the acquisition to correspond with the expiration of the existing contract, allowing sufficient time for any migration. However, an earlier acquisition and a consequent earlier exit from the EBT market for the current vendor might be attractive enough to provide a lower price to the State. This would position the State to proceed with its strategic plans for EBT at an earlier time. Planning is currently on hold pending the change to the alternative system.

Another consideration is the purchase clause found in the current contract. This gives the State the right to purchase from the EBT vendor in the event of a notice to terminate (with or without cause) “all or a portion of the hardware, software and other equipment or materials directly or indirectly related to the EBT system implemented by the EBT vendor pursuant to this contract...”.

The State has the right under the contract to purchase the assets in the event of a notice to terminate. However, it does not state specifically such a right in the event of the contract expiration. If the State is to pursue this option, a legal review of these conditions is appropriate.

Transition

This alternative contemplates continued use of existing software and processes and assumes that these are migrated to a new environment. A transition plan and conversion period is required to move from the current environment to that envisioned under this alternative. Because this does not involve data conversion and new software, this alternative is less risky and time consuming than others that envision a new processing platform. The current EBT vendor is obligated under the existing contract and according to the prepared transition plan, to assist and support transition to a successor system until such time as the transition is complete.

RFO Considerations

A RFO for EBT services is not envisioned for this alternative. However, planning documents must be generated to drive the migration of the EBT system and environment.

EBT Functions

EBT Software

This alternative assumes that existing software continues to be used. This software is tried and proven, having served Texas for the past five years. However, there are several issues that need to be considered in using this software platform to move forward to the next step:

- The software has not yet been demonstrated to be Y2K compliant;
- The software uses a proprietary transaction management system known as Pro:Sys;
- The software use a proprietary triplex transaction management architecture;
- The software operates on a DEC VMS operating system, which is not an open system standard;
- The database design has limitations regarding its ability to rapidly add new programs;
- The reporting system has proven to be less robust than is desired;
- It operates on an out-of-maintenance version of Sybase; and

- The system does not make use of warehouse technology for the archival and retrieval of client transactions.

EBT Hardware

This alternative assumes the State acquires existing processing hardware from the current vendor. The central processing makes use of DEC Alpha processors and a VMS operating system. This type of equipment is not generally used in DHS processing and presents a learning challenge. Additionally, the equipment has been in use for a period of time and has become outdated. The cost model assumes some costs for upgrading this equipment to current standards. The cost model also allows for porting the equipment from its current locations in Austin and in Rhode Island to DHS processing centers.

Accounting, Settlement and Reconciliation

If DHS were to take over this function, there would be a change from a vendor providing this service to DHS performing it in-house and additional staff, space and equipment would be required. This continues operating according to current specifications. It is assumed that the State contracts with a financial institution for ACH originating services as is presently being done by the current vendor. The liability for system malfunctions becomes a State issue.

Help Desk Call Center

This alternative assumes a call center is created in Texas to meet the needs of Texas EBT and it assumes that the existing ARU scripts and management software are acquired from the current vendor. It also assumes that call center service continues to be provided according to current specifications.

Retailer Relations and Contract Management

No change is anticipated unless authorized by the State. This continues operating according to current specifications.

Retailer Equipment, Maintenance and Supplies

No change is anticipated unless authorized by the State. It is assumed that the State supplied POS network is acquired from the current vendor and continues operating according to current specifications. This POS equipment is now several years old, but should have a useful existence, considering the extensive maintenance program, of many more years.

Card and PIN Issuance and Replacements

No change is anticipated unless authorized by the State. This continues operating according to current specifications.

F. Multiple-service Outsource EBT Solution

1. Description and Content

This alternative is for an EBT environment that provides the same services and meets the same requirements as are currently provided under the existing Lone Star program. However, unlike some of the other outsource alternatives, it contemplates that the set of EBT services is decomposed to component core services and multiple component-service vendors are selected to provide those core services. The combined outsource contracts comprise the full set of EBT services as they currently exist.

The concept of this alternative is that many vendors are qualified and capable of providing a subset of EBT services, but very few are capable of providing the entire service. In fact, most full-service vendors will, in turn, subcontract a portion of those services to specialty vendors. Under this alternative, the State determines what vendors it chooses to provide EBT services and contracts with each vendor directly to provide that service. In concept, each individual service contract should closely approximate a set of commercially available services that already exist. This places the State in the position to select the best interest, best value for each of the component services needed to round out the EBT program.

It is assumed that service vendors bid to provide services that are central to their business, ones in which they have significant experience, and can leverage existing resources. For example, it is anticipated that a call center contract would be awarded to a vendor with major presence in the call center industry and with significant experience in large volume in-bound customer service call center processing. Similarly, it is anticipated that a central processing vendor is selected that has significant experience in managing large technology projects, an extensive background in EBT or EFT transaction processing and servicing and substantial resources that may be leveraged toward the Texas EBT project.

2. Assumptions

The major assumptions in developing and evaluating this alternative are as follows:

- EBT services and requirements continue as they are presently provided;
- Multiple vendors and multiple contracts are required;
- Each vendor leverages existing resources (shared environment) to meet the requirements for Texas EBT;
- Services are competitively procured based on Texas procurement procedures and Texas defined requirements;
- The selected vendors bring to the project an existing base set of EBT resources (i.e., software, processing environment, network, procedure manuals, etc.) that only require modification to meet the needs of Texas;
- Existing Lone Star cards and client processes continue - card reissue and client conversion training are not required;
- Interfaces between SAVERR and the EBT vendor remain unchanged;
- A system conversion from the existing environment to the new is required;
- The EBT administrative terminal applications change, requiring agency staff training;

- The POS network is redeployed; and
- Upfront costs are amortized over the project period of 84 months.

3. Cost Analysis

Full details for this model are found in Appendix L. For certain sets of services, commercially available rates for the service were used in developing the cost model where such rates were available. Otherwise, the standard methodology of building costs up from the base component functionality was employed.

Development, Implementation and Ongoing Operational and Maintenance Costs

Estimated costs are those costs born by the vendor in providing EBT services and are based on three different caseload assumptions. The following table presents estimated costs to Texas for this alternative. Refer to Appendix L-3 for details.

Table 55: Estimated Development, Implementation and Ongoing Operational and Maintenance Costs for the Multiple Service Outsource EBT Solution

Assumed Texas Caseload	Investment Total (000)	Amortization (000)	Ongoing Operations (000)	Vendor Markup (000)	Monthly Total Cost (000)	84 Month Total Cost (000)
580,676	\$14,143	\$168	\$1,279	\$167	\$1,614	\$135,576
725,845	\$14,143	\$168	\$1,428	\$171	\$1,768	\$148,512
871,074	\$14,143	\$168	\$1,576	\$176	\$1,920	\$161,280

Estimated Acquisition and Operating Costs

There are no additional acquisition and operational costs for this alternative other than those described in the preceding paragraph.

Potential Increase/Decrease Compared to Current System

The State is currently paying its EBT vendor \$2.00 PCPM for Food Stamps and \$.97 for TANF. Approximately 20 percent of the caseload is TANF and 80 percent is Food Stamps. The potential increase or decrease under this assumption and alternative is as follows:

Table 56: Potential Cost Increase/Decrease of the Multiple Service Outsource EBT Solution

Assumed Texas Caseload	Current System		Anticipated System		Increase / (Decrease)	
	Monthly Total Cost (000)	84 Month Total Cost (000)	Monthly Total Cost (000)	84 Month Total Cost (000)	Monthly Total Cost (000)	84 Month Total Cost (000)
580,676	\$1,042	\$87,528	\$1,614	\$135,576	\$572	\$48,048
725,845	\$1,302	\$109,368	\$1,768	\$148,512	\$466	\$39,144
871,074	\$1,563	\$131,292	\$1,920	\$161,280	\$357	\$29,988

Estimated Pricing Per Case Per Month

DHS manages its costs related to EBT on a PCPM basis. For this alternative, the PCPM under the different caseload scenarios for the vendor costs are as follows:

Table 57: Estimated PCPM for the Multiple Service Outsource EBT Solution

Total Caseload	PCPM
580,676	\$2.78
725,845	\$2.44
871,074	\$2.21

Impact on Federal Food Stamp EBT Cost Cap

The State has a Food Stamp EBT cost cap of \$2.47 PCPM in operating costs for FFY 1998. With matching funds, the total cap would be \$4.94. The pricing under this alternative represents an increase vendor cost (\$2.44 PCPM for the current caseload) to the State over their existing vendor cost of \$2.00 for Food Stamps. Assuming no significant change in nonvendor EBT costs, e.g., those costs incurred by the State not related to vendor expense, then total cost under this scenario falls within the cost cap.

4. Qualitative Analysis

Ranking and Rationale

Each alternative is ranked according to a set of qualitative criteria. For details, refer to Appendix F. The following Table 58 is the qualitative ranking for the multiple-services alternative.

Table 58: Qualitative Ranking of the Multiple Service Outsource EBT Solution

	Technical	Program	Funds Management	Total Points
Multiple service outsource	96	85	46	227
Possible	150	125	55	330
Rank	7	8	1 (tied)	6 (tied)

This alternative ranked lower because of the assumed inflexibility it provides to the State in achieving its specific EBT objectives and its strategic goals. The biggest negative is the lack of a focused EBT program in Texas. However, it scored well in funds management because of the opportunity for competitive procurement

Major Risks

The major risks associated with this alternative are as follows:

- Complex project management;
- No central point for enhancement and control;
- More complex problem detection and resolution;
- Potential inflexibility in meeting the strategic plans and objectives of Texas;
- Loss of control over the change management process;
- Required coordination of system enhancements between multiple vendors;
- Texas project schedules subject to conflicts in needs of multiple vendors;

- Need to define and manage multiple vendor interfaces. State becomes the system integrator; and
- Service delivery is most likely located outside of Texas, eliminating any value associated with proximity.

Major Opportunities

This alternative provides some significant opportunities:

- The model assumes a competitive procurement process that allows Texas to define its requirements and to build these requirements into its statement of work. However, the further these requirements stray from commercially available products, the more likely is an associated increase in cost;
- Increased competition over a full-service alternative based on the assumption of more vendors able to provide specific and limited components of an EBT project;
- Less dependence on a single EBT vendor. Able to more easily replace vendors not meeting service expectations;
- The model assumes vendors with substantial experience with their specific service areas that reduce risks associated with lack of experience; and
- The model assumes vendors with existing resources. This reduces risk of implementation and more importantly, allows for a compression of the time line necessary to implement.

5. Impact/Effect

Complexity of Interfaces

Descriptions of the required interfaces are found in Appendix G. This topic deals with interface complexities unique to this alternative.

SAVERR / EBT System

The assumptions are that this alternative is built to meet the requirements of the State and that the State requires an interface with SAVERR identical to the existing interface. It is low risk and nonintensive for the State's resources, but places a burden on the vendor to replicate this fairly complex interaction.

Local Agency Office / EBT System

The assumption is that a vendor provides a stand-alone solution as currently exists for EBT terminals. However, it is also assumed that this interface is different from the existing interface and requires significant user training. The interface provides multiple functions and is complex, especially in the accommodation of a wide number of users.

EBT-only POS System / EBT System

This is a vendor-specific implementation and it is presumed that the vendor provides software consistent with the State's requirements and compatible with their central system. A vendor well-experienced with POS transaction processing is assumed. However, any change in in-lane procedures causes significant training issues in the retail community and added retail costs.

Third-party Transaction Acquirers / EBT System

It is assumed that the State requires the use of the accepted standard for this interface, which is widely used and, although complex, well-understood. This alternative assumes a central processing vendor with experience in host-to-host financial transaction processing.

Client / POS Device

It is assumed that the existing EBT cards and card technology continue to be used in the next generation system, thus limiting any complexity.

ACH Origination Bank / EBT System

It is assumed that the State requires the use of the accepted standard for this interface or allows a variance agreed to between the vendor and the bank.

FNS Minneapolis Data Center / EBT System

It is assumed that the State requires the use of the accepted standard for this interface.

FNS Retailer Database / EBT System

It is assumed that the State requires the use of the accepted standard for this interface.

ASAP System / EBT System

It is assumed that this process continues per accepted business practices.

EBT Call Center / EBT Central System

This alternative assumes multiple vendors with the likely outcome that the call center vendor is different than the central processing vendor. Complexity is increased as a result of this multiple vendor solution. Specifications have to be developed that carefully and fully describe the interface and processing requirements of both parties.

Client / Call Center

The assumption is that this alternative is built to meet the requirements of the State that include client call center requirements. It is less complex and requires less client training if the client interaction with the ARU is similar to the current environment.

Retailer / Call Center

The assumption is that this alternative is built to meet the requirements of the State that include retailer call center requirements. It is less complex and requires less training if the interaction with the ARU is similar to the current environment and the services provided do not change.

Other State Systems / EBT System

This is a multiple vendor solution that uses existing commercial practices where possible. It is assumed to be less flexible in meeting expansion requirements that may be specified in the procurement specifications or at some later time. There is no central point of control for system change and expansion. Vendors use resources that are shared with other processing needs.

Current Texas Contract Terms and Conditions

This alternative allows Texas to keep in force all of the current contract terms and conditions related to functionality, FNS regulation, policy and law because the procurement process is assumed to be based on responses to requirements and conditions of the State. However, many of the other existing terms and conditions have to be reevaluated and restructured. Terms and conditions related to the pilot and conversion from the paper processes, are no longer germane. A great many of them were designed specifically for the construct of a single prime contract and point of contact and have to be rethought in terms of multiple vendors. These are the conditions specific to project management, change management, communications and coordination, project organization and staffing. The content of most of these is still valid, but have to be tempered to the scope of work required for each vendor. Further, the terms related to functionality and EBT system processing require restructuring to define the system functional area for which each specific vendor is responsible.

Some of the terms and conditions specific to project-related issues imply or assume resources dedicated to Texas. Under this alternative, based on the sharing of resources (and a resulting lower cost to the State), the State may need to reassess the structure for its project management requirements. To gain the full benefits available from a strategy aimed at use of commercially available components to lower cost and shorten the time line, the State should be flexible in negotiating some of these requirements with the chosen vendors.

Another area for evaluation of the terms and conditions is related to retailer and third-party relations. The existing EBT contract envisions that the EBT vendor has direct contractual relations with all retailers providing benefits to its clients. This is inconsistent with the commercial world where it is the transaction acquirers who have these contractual relationships rather than the card issuer. It is also inconsistent with the needs for interoperability and QUEST™.

USDA Food Stamp Program Policy, Regulations, Requirements and Waivers

This alternative fully supports all Food Stamp policy, regulations, requirements and waivers.

DHS Policies and Strategic Plans, Including Automation

This alternative is consistent with DHS strategic plans and directions that favor outsourcing and privatization where practical. Additionally, as an outsource solution, it minimizes the drain on DHS technical resources.

Legislative Mandates and Initiatives

Several Texas legislative mandates and initiatives are directed at expanding the role of EBT in providing service within Texas. To this end an EBT task force has been established to examine the possible addition of other programs to the EBT environment.

This alternative appears to provide less flexibility (although not prohibitive) in adding programs to the Lone Star card. In a multivendor environment, organizing and implementing enhancements are more difficult. Planning has to consider time lines and resources of the multiple vendors and interfaces between the various vendors' span of control.

State- and Federal-related EBT Issues

Expansion Goals and Objectives

This alternative, because of the multivendor involvement and inherent sharing of resources, is rated lower on its ability to allow for system expansion and to meet the strategic objectives of Texas.

State Resources

This is a full outsource option equivalent to the services being provided by the current vendor with the exception that multiple vendors are contracted to provide services. Consequently, resources employed are shared with other services provided by the respective vendors. Because of the leveraging of resources in potentially unrelated areas, it is not possible to estimate total resource requirements. However, the assumption is that the State will not require additional resources beyond what currently exists.

LSIS

This alternative does not reduce the ability to implement finger imaging as a part of the Texas eligibility process. In fact, because it assumes a new EBT administrative terminal application, it provides some potential for integrating these two applications in the local office.

Finger Imaging at Point-of-Sale

The LSIS/POS pilot is currently in the planning stages. If the LSIS/POS project is implemented statewide, then this alternative has the potential to enhance the implementation by allowing the specific requirements for biometrics at the POS to be incorporated into the EBT statement of work.

Interoperability

This approach provides support for interoperability if required by the State. One of the alternative planning assumptions is to use a commercial transaction acquirer for both the State POS network and all third-party interfaces. This strategy places a commercial transaction switch at the front end of the transaction processing that provides full interoperability for Texas EBT. The cost model already assumes fees for transactions originating from third parties that are adequate to cover any fee associated with interoperability. This alternative, as it is envisioned, is rated the highest for providing interoperability consistent with the national agenda.

QUEST™

If the State elects to implement a QUEST™-compliant system, this alternative supports that requirement. It assumes a transaction-acquiring vendor providing mainstream acquiring and switching services that are consistent with the national model for EBT. It also assumes redeployment of the POS network, along with the proper signage and software, to be QUEST™-compliant. It does not assume a complete reissue of the card base, but instead assumes that natural attrition gradually replaces the entire card base of a period of several years.

TIES Planning Concepts and Schedules

This alternative should not impede the TIES project. Because this alternative is an outsource solution, it limits the competition for valuable resources needed by the TIES project. However,

this alternative provides less flexibility for integrating EBT with TIES in the future, should this become a requirement.

Texas EBT Contract

Expiration

The current EBT contract expires in February 2001. This alternative, because it assumes existing resources and expertise, has the ability to reduce time lines necessary for implementation and consequently provides lower risk relative to other alternatives. However, the need for multiple statements of work, multiple contracts, vendor interfaces and a well-orchestrated multivendor test program has a tendency to lengthen the process.

Purchase Options

No purchase option is contemplated under this alternative.

Transition

This alternative contemplates a new EBT solution. A transition plan and conversion period are required to move from the current environment to that envisioned under this alternative, increasing the risk and lengthening the time line relative to other alternatives.

RFO Considerations

Multiple RFOs are envisioned in support of this alternative. There are a number of services in an EBT environment that may potentially be outsourced. However, for planning purposes, each outsourced component should closely resemble commercially available services. Further, the number of vendors should be held to a manageable few to reduce risks related to communication and interface among multiple vendors. The following set of service contracts is suggested as meeting these requirements.

1. **Central processing contract** to provide and operate the central processing systems and software, provide for system settlement, reconciliation and reporting, provide and issue cards, training, handle the requirements for CCDMI, provide and support the agency administrative terminals and application and provide for overall project management and administration. This is the lead contract for EBT and is the focus of most of the State's interfaces.
2. **Transaction acquiring contract** to drive the State's EBT POS network, acquire all third-party EBT transactions, provide settlement with all retailers, provide for interoperability, provide retailer transaction-related help desk functions and provide all retailer management activities.
3. **POS servicing contract** to provide for installation and ongoing maintenance of the State's EBT POS network including a POS-servicing help desk.
4. **Call center help desk contract** to provide for automated call answering and to provide live operator assistance as needed for EBT client calls. The commercial market sometimes divides this service into its two component parts, automated answering and associate assisted.

The basis for requirements for each contract is the original EBT procurement specifications and contract terms and conditions. These may be modified to contain elements such as interoperability, QUEST™, or biometrics that the State requires for its next generation EBT system.

EBT Functions

EBT Software

This alternative assumes that existing vendor software is modified to meet the Texas requirements for EBT. Specifications for software and interfaces must be created for each of the multiple vendors. However, it also assumes that the existing interface between SAVERR and the EBT system is incorporated in any new specifications and consequently, little, if any, change is required in the SAVERR environment.

EBT Hardware

This alternative assumes that each vendor provides state-of-the-art hardware and processing solutions that may be shared with other projects or processing for the particular vendor.

Accounting, Settlement and Reconciliation

No change is anticipated. This continues operating according to current specifications.

Help Desk Call Center

A commercial call center serving an array of applications is anticipated. However, it is assumed that call center services for EBT continue to be provided according to current specifications.

Retailer Relations and Contract Management

It is assumed under this alternative that retailer relations and management are outsourced to a commercial vendor with extensive experience in POS financial transaction processing. As a result, retailer relations and management move closer to the commercial model for these activities. No change in functional requirements is anticipated unless authorized by the State. This continues operating according to current specifications.

Retailer Equipment, Maintenance and Supplies

It is assumed under this alternative that these services are contracted to a commercial equipment service organization and continue operating according to current specifications.

Card and PIN Issuance and Replacements

No change is anticipated unless authorized by the State. This continues operating according to current specifications.

G. Selective Multiple-service Outsource and In-house EBT Solution

1. Description and Content

This alternative is for an EBT environment that provides the same services and meets the same requirements as are currently provided under the existing Lone Star program. However, unlike some of the other outsource alternatives, it provides for a set of EBT services that are decomposed to component core services and multiple component-service vendors are selected to provide those core services. Further, this model assumes that the State may choose to keep some services in-house.

The concept of this alternative is that many vendors as well as the State are qualified and capable of providing a subset of EBT services, but very few are capable of providing the entire service. By subdividing the components and the contracting opportunities, it is believed that the result is an increase in competition. By optionally bringing some services in-house, the State has the opportunity to select those services for an in-house implementation that provide the best interest, best value based on an assessment of risk, capabilities and cost relative to each service.

Under this alternative, the State determines what services to outsource and contracts with each vendor directly to provide that service. In concept, each individual service contract should approximate a set of commercially available services that already exist. This places the State in the position to select the best level of service for each of the component services needed to round out the EBT program.

It is assumed that service vendors are bidding to provide services that are central to their business, in which they have significant experience and in which they can leverage existing resources. For example, it is anticipated that a call center contract would be awarded to a vendor with a major presence in the call center industry and that has significant experience in large volume in-bound customer service call center processing. Similarly, it is anticipated that a central processing vendor is selected that has significant experience in managing large technology projects, an extensive background in EBT or EFT transaction processing and servicing and substantial resources that may be leveraged toward the Texas EBT project.

In general, the State can provide all of the services needed for EBT at a lower cost than a private-sector vendor primarily because of the vendor markup inherent in a private-sector bid. However, there are severe resource limitations, competing projects, expertise issues and directives related to privatization that must be considered.

There are many possible service functions that can be outsourced. As a part of this analysis, private-sector vendors were approached to gain an expression of interest in providing the service and pricing input they were able to provide. There was significant interest in the following service areas, but any specific pricing information was difficult to achieve without a more precise statement of work and in the interest of maintaining the competitive advantage for the respective vendors.

Card/PIN Issuance and Replacement and Client Training

Responsibilities included with this service are procurement of card stock, distribution to local offices for new issuance, replacement issuance by mail, provision of all training materials and distribution to local offices and provision of PIN change capability in local offices. Currently, all new cards, PINs and training materials are being issued in the local office as a final step to the eligibility process. Replacement cards and PINs are issued through the mail by the EBT vendor. The vendor is responsible for the procurement of the cards and training materials and for distribution to the local office.

This service is itemized as a separate function because the requirements for this service may change, depending on the agency's intent toward customer service and the possibility that the agency may wish to provide this service, or at least a part of it, in-house as an extension of what is already being done. If not, it might be logical to bundle this function with a central processing contract.

Under the TIES initiative, it is anticipated that many of the local offices are consolidated into regional locations and that a majority of client customer service in the future is provided via telephone. This is a shift away from the current in-person, in-your-neighborhood approach to delivery of service. However, offsetting this shift is the Texas requirement for same-day service for expedited benefits and the initiative for finger imaging at the POS, both of which require an in-person card issue scenario. Strategies must be determined for client customer service as a first step for implementation of this function.

Call Center

Requirements for this service include the provision of a toll-free calling network and automated answering equipment capable of managing DHS client calls and responding to those calls that are capable of an automated response. Calls requiring associate assistance are routed to an associate workstation for disposition. This service also requires the provision of facilities and staff to handle customer service calls from Texas EBT clients.

Texas clients make about 1.8 million calls per month and use more than 2,000,000 minutes of access time. The provider of this service should possess significant in-bound customer service experience, preferably in a financial transaction environment. The call center industry is very competitive and dozens of companies would be capable of providing this service. The issue with using a commercial call center is that servicing Texas EBT clients coexists with servicing of many other clients.

DHS is not unfamiliar with in-house call center applications and is already operating these services in San Antonio, handling about 600,000 calls per month from DHS clients. Adding EBT calls to this center might result in a lower rate for all users and might reduce the total number of calls. Additionally, the direction for DHS related to the TIES program is to migrate many of their customer service functions to call center applications. This is still in the planning stages and not set for implementation for several years and therefore does not bear on the short-term EBT decisions. However, in designing this service for EBT, a possible future integration and consequent cost reduction should be examined as a part of the decision making process.

Central Processing

The scope of work for this service includes project management, software, central database, transaction authorizations, maintaining client accounts and account access, reconciliation, settlement, CCDMI and reporting. This work effort requires management of a seven day per week 24-hour per day mission-critical financial transaction processing operation and providing daily system reconciliation and financial settlement.

This type of processing is fairly specialized and requires certain skill sets and experience to operate effectively. However, there are a number of private-sector vendors in the EFT and card issuing industries that are capable of providing this service and have infrastructure in place specific to this service.

This service is the lead application for the EBT program. The central database and transaction processing components are where most of the DHS-specific application functionality exist and where most of the change is required for system enhancement.

It is for these reasons that DHS may wish to view this service as a strategic asset and may want to consider an in-house solution. Bringing this component in-house positions DHS for future system enhancement and integration with other service delivery applications. Currently, DHS is operating its data center on a 7x24 basis and operates some very sophisticated transaction processing systems.

If DHS elects an in-house solution for this component, an opportunity is presented for the additional outsourcing contracts needed to acquire some industry-specific expertise to aid in their implementation. Areas such as software development, systems integration and quality assurance should be considered.

Agency Administrative Systems

Responsibilities include providing and maintaining hardware, communications and an application to support agency administrative access to the EBT system for card issuance, account status, maintenance and query functions.

This is an expensive service for a private vendor to provide relative to an in-house solution because the vendor must replicate many elements that already exist within the agency. Current planning within the agency is looking at the integration of the EBT administrative terminal with other agency applications in the local office, lowering costs and reducing the proliferation of devices. By integrating the EBT administrative terminal, the agency is placed in a better position strategically to add functionality to the device and to position for the one-stop customer service concept now being addressed.

Retail POS Deployment, Maintenance and Training

Responsibilities for this service include provision and installation of POS equipment and phone lines (as necessary) and on going maintenance, servicing and redeployment necessary to enable FNS certified retailers to participate in EBT.

At the start up of the contract, equipment must be installed in all locations (unless the existing vendor's POS network is acquired). Equipment must be repaired or replaced in 24 hours. During the life of the contract, as retailers come and go, this equipment must be reclaimed and reinstalled. However, a waiver in Texas allows for equipment to be replaced by mail if the retailer agrees. Most maintenance is done through the mail, but requirements for a 24-hour turnaround on repairs dictate many on-site replacements. Commercial rates for on-site equipment repair/replace run from \$175 to \$225 per service call. Currently, about 600 repairs/replacements are performed each month. There are a number of equipment maintenance companies that would be able to fulfill the requirements of this service.

There is no strategic advantage for the State to enter this area of business.

Retailer POS Operations

The scope of work is for terminal driving and transaction acquiring relative to the State-supplied POS network, retailer settlement, retailer help desk (related to transactions) and includes ongoing POS operations costs, such as communications and supplies. This alternative assumes that all third-party EBT transactions as well as the State POS are funneled through this acquirer, thus limiting the number of interfaces required by the central processor. This is a gateway solution. The monthly provision of retailer phone lines is discussed separately because of its size and unique nature.

Terminal driving, transaction acquiring, switching and settlement are generic services provided by a number of EFT vendors and network switches for \$.05 to \$.07 per transaction. It is a specialty business that requires specific expertise and, like central processing, it is a 7x24 mission-critical operation. The estimated cost for outsourcing this service is significantly greater than the estimate for an in-house solution. However, outsourcing positions Texas EBT for nationwide interoperability, QUEST™ and an ATM solution. It is a solution compatible with commercial EFT business practices. A presumed added benefit is that outsourcing the State EBT network to a commercial transaction acquirer positions that acquirer to offer the retailers other commercial services and thus possibly reduce the State's expense for POS devices and phone lines.

Retailer Phone Lines

The requirement is to provide phone lines necessary to enable FNS-certified EBT only retailers to participate in the EBT program. This currently costs about \$210,000 per month. By including this service in an outsource contract, the cost is increased by the vendor markup that is estimated to be about \$42,000 per month or \$.06 PCPM for what is essentially a pass-through cost. Having the State pay these costs directly reduces them and allows the State to participate in any potential reduction in the number of phone lines installed.

Transaction Fees

Fees are presently being paid to third-party transaction acquirers for EBT transactions. This amounts to about \$51,000 per month. As above, a markup inherent in an outsource contract is added to this pass-through cost that the State could avoid by paying the fees directly.

2. Assumptions

The major assumptions in developing and evaluating this alternative are as follows:

- EBT services and requirements continue as they are presently provided;
- The State may elect to provide certain services in-house;
- Multiple vendors and multiple contracts are required;
- Each vendor and the State are leveraging existing resources (shared environment) to meet the requirements for Texas EBT;
- Outsourced services are competitively procured based on Texas procurement procedures and Texas defined requirements;
- The selected vendors bring to the project an existing base set of EBT or EFT resources (i.e., software, processing environment, network, procedure manuals, etc.) that only requires modification to meet the needs of Texas;
- Existing Lone Star cards and client processes continue - card reissue and client conversion training are not required;
- Interfaces between SAVERR and the EBT vendor remain unchanged;
- A system conversion from the existing environment to the new is required;
- The EBT administrative terminal applications change, requiring agency staff training;
- The POS network is redeployed; and
- Upfront costs are amortized over the project period of 84 months.

3. Cost Analysis

A full cost analysis for this alternative depends upon what services the State elects to outsource or are targeted for in-house delivery. The provided information allows a comparison between the two alternatives at a detail level.

Development, Implementation and Ongoing Operational and Maintenance Costs

Appendix J provides development, implementation and ongoing operational data for EBT services assuming an in-house solution. Appendix L provides the same information for a multiple component-service outsource solution. Those sections describing these two alternatives may be reviewed to gain an understanding of the options.

Estimated Acquisition and Operating Costs

There are no additional acquisition and operational costs for this alternative other than those described in the preceding paragraph.

Potential Increase/Decrease Compared to Current System

The State is currently paying its EBT vendor \$2.00 PCPM for Food Stamp and \$.97 for TANF. Approximately 20 percent of the caseload is TANF and 80 percent is Food Stamps. The potential increase or decrease depends upon what services are outsourced. In the sections describing the in-house and the multiple component-outsource alternatives, the increase/decrease potential is documented.

Estimated Pricing Per Case Per Month

DHS manages its costs related to EBT on a PCPM basis. The following Table 59 shows the estimated PCPM for the various services (current caseload of 725,845) for both the in-house and

the multiple-service outsource solution. As can be seen, a full multiple-service outsource solution is about 27 percent more expensive than the in-house choice.

Table 59: Estimated PCPM for Separate EBT Services in the Selective Multiple Service Outsource and In-house EBT Solution

	Per Case Per Month			Difference	
	In-house ³⁰	Outsource ³¹	Difference	Total per Month	Total 84 Months
Central processing	\$0.43	\$0.49	\$0.06	\$43,551	\$3,658,284
Cards, PINs, training	\$0.07	\$0.11	\$0.04	\$29,034	\$2,438,856
Call Center	\$0.59	\$0.57	(\$0.02)	(14,516)	(\$121,914)
Agency systems	\$0.05	\$0.18	\$0.13	\$94,360	\$7,926,240
POS deploy and maintain	\$0.26	\$0.33	\$0.07	\$50,809	\$4,267,956
POS and TPP acquiring	\$0.22	\$0.33	\$0.11	\$79,843	\$6,706,812
POS phone lines	\$0.29	\$0.35	\$0.06	\$43,551	\$3,658,284
POS transaction fees	\$0.07	\$0.08	\$0.01	\$7,258	\$609,772
Total	\$1.98	\$2.44	\$0.46	\$333,890	\$28,046,760

Based on the above discussion, it would seem, at a minimum, that the State would consider the agency systems and the POS phone lines for an in-house solution. This has the effect of lowering the PCPM to \$2.25.

Impact on Federal Food Stamp EBT Cost Cap

The State has a Food Stamp EBT cost cap of \$2.47 PCPM in operating costs for FFY 1998. With matching funds, the total cap would be \$4.94. The pricing under this alternative represents an increased vendor cost (\$2.44 to \$2.25 PCPM for the current caseload) to the State over their existing vendor cost of \$2.00 for Food Stamps. Assuming no significant change in non-vendor EBT costs, e.g., those costs incurred by the State not related to vendor expense, then total cost under this scenario falls within the cost cap.

4. Qualitative Analysis

Ranking and Rationale

Each alternative is ranked according to a set of qualitative criteria. For details, refer to Appendix F. The following Table 60 is the qualitative ranking for the Selective Multiple-service Outsource and In-house EBT alternative.

³⁰ See Appendix J-1 for details.

³¹ See Appendix L-1 for details.

Table 60: Qualitative Ranking of the Selective Multiple-service Outsource and In-house EBT Solution

	Technical	Program	Funds Management	Total Points
Selectively outsource	103	86	46	235
Possible	150	125	55	330
Rank	5	7	1 (tied)	4

This alternative has the assumed rigidity of a multiple component-service outsource solution offset by the flexibility it provides the State in managing its solution based on an assessment of risk, capabilities and cost at a component level.

Major Risks

The major risks associated with this alternative are as follows:

- Complex project management;
- No central point for enhancement and control;
- More complex problem detection and resolution;
- Potential inflexibility in meeting the strategic plans and objectives of Texas;
- Loss of control over the change management process;
- Required coordination of system enhancements between multiple vendors and the State;
- Texas project schedules subject to conflicts in needs of multiple vendors; and
- Need to define and manage multiple vendor interfaces. The State becomes the system integrator.

Major Opportunities

This alternative provides some significant opportunities:

- The model assumes a competitive procurement process for the outsourced services that allows Texas to define its requirements and to build these requirements into its statement of work;
- Increased competition over a full-service alternative based on the assumption of more vendors able to provide specific and limited components of an EBT project;
- Less dependence on a single EBT vendor. Able to more readily replace vendors not meeting service expectations;
- This alternative offers potential for cost management by placing the State in competition with the private-sector vendors for each service component;
- The model assumes vendors with substantial experience within their specific service areas, reducing risks associated with the lack of experience; and
- The model assumes vendors with existing resources. This reduces the risk of implementation and more importantly, allows for a compression of the time line necessary to implement.

5. Impact/Effect

Complexity of Interfaces

Descriptions of the required interfaces are found in Appendix G. This topic deals with interface complexities unique to this alternative.

SAVERR / EBT System

The assumptions are that this alternative is built to meet the requirements of the State and that the State requires an interface with SAVERR identical to the existing interface. It is low risk and nonintensive for the State's resources, but places a burden on the vendor to replicate this fairly complex interaction. If central processing is performed in-house, the learning curve risk is reduced.

Local Agency Office / EBT System

The assumption is that the State creates an integrated office solution that allows EBT functionality to co-exist on a general purpose terminal and possibly be integrated with other applications. It is also assumed that this interface is different from the existing interface and requires significant user training. The interface provides many functions and is complex, especially in its accommodation of a wide number of users. Integrating with other applications potentially increases the complexity of development but should ultimately reduce and streamline complexity associated with local agency business processes.

EBT-only POS System / EBT System

It is assumed that this service is best provided by an experienced POS vendor, reducing the complexities of implementation. The solution is a vendor-specific implementation and it is presumed that the vendor provides software consistent with the State's requirements and compatible with their central system. However, any changes in retail in-lane procedures cause significant training issues in the retail community and added retail costs.

Third-party Transaction Acquirers / EBT System

It is assumed that the State requires the use of the accepted standard for this interface, which is widely used and although complex, well-understood. This alternative assumes a central processing vendor with experience in host-to-host financial transaction processing that minimizes interface complexity.

Client / POS Device

It is assumed that the existing EBT cards and card technology continue to be used in the next generation system, thus limiting any complexity.

ACH Origination Bank / EBT System

It is assumed that the State requires the use of the accepted standard for this interface or allows a variance agreed to between the vendor and the bank.

FNS Minneapolis Data Center / EBT System

It is assumed that the State requires the use of the accepted standard for this interface.

FNS Retailer Database / EBT System

It is assumed that the State requires the use of the accepted standard for this interface.

ASAP System / EBT System

It is assumed this process continues per accepted business practices.

EBT Call Center / EBT Central System

This alternative assumes multiple vendors with the likely outcome that the call center vendor is different than the central processing vendor. Complexity is increased as a result of this multiple vendor solution. Specifications are developed that carefully and fully describe the interface and processing requirements of both parties.

Client / Call Center

The assumption is that call center functionality is outsourced but is procured based on State requirements. It is less complex and requires less client training if the client interaction with the ARU is similar to the current environment.

Retailer / Call Center

The assumption is that the retail call center function is privatized but is built to meet requirements of the State that include retailer call center requirements. It is less complex and requires less training if the interaction with the ARU is similar to the current environment and the services provided do not change.

Other State Systems / EBT System

This is a multiple vendor solution that uses existing commercial practices where possible. However, it allows for State in-house processing when it serves the best interest, best value dictate of the State. The assumption is that an in-house alternative is more flexible, while multiple vendor outsourcing is less flexible. The subjective evaluation has made an attempt to weigh this consideration in evaluating all of the alternatives.

Current Texas Contract Terms and Conditions

This alternative allows Texas to keep in force all of the current contract terms and conditions related to functionality, FNS regulation, policy and law because the procurement process is assumed to be based on responses to requirements and conditions of the State. However, many of the other existing terms and conditions have to be reevaluated and restructured. Certain terms and conditions, especially those related to the pilot and conversion from the paper process, are no longer germane. Many of them were designed specifically for the construct of a single prime contract and point of contact and have to be rethought in terms of multiple vendors. These are the conditions specific to project management, change management, communications and coordination, project organization and staffing. The content of most of these is still valid, but have to be tempered to the scope of work required for each vendor. Further, the terms related to functionality and EBT system processing require restructuring to define the system functional area for which each specific vendor is responsible.

Another area for evaluation of the terms and conditions is related to retailer and third-party relations. The existing EBT contract is for the EBT vendor to have direct contractual relations

with all retailers providing benefits to its clients. This is inconsistent with the commercial world where it is the transaction acquirers who have these contractual relationships rather than the card issuer. It is also inconsistent with the needs for interoperability and QUEST™.

USDA Food Stamp Program Policy, Regulations, Requirements and Waivers

This alternative fully supports all Food Stamp policy, regulations, requirements and waivers.

DHS Policies and Strategic Plans, Including Automation

This alternative is consistent with DHS strategic plans and direction that favors outsourcing and privatization where practical. However, by placing the State in a position to compete for the services, it helps assure best interest, best value to the State.

Legislative Mandates and Initiatives

Several Texas legislative mandates and initiatives are directed at expanding the role of EBT in providing service within Texas. To this end an EBT task force has been established to examine the possible addition of other programs to the EBT environment.

This alternative appears to provide less flexibility (although not prohibitive) in adding programs to the Lone Star card. In a multivendor environment, organizing and implementing enhancements is more difficult. Planning has to consider time lines and resources of the multiple vendors and interfaces between the various vendors' spans of control. However, this reduced flexibility might, as discussed above, be lessened based on the strategy for central processing.

State- and Federal-related EBT Issues

Expansion Goals and Objectives

This alternative, because of the multivendor involvement and inherent sharing of resources, is rated lower on its ability to allow for system expansion and to meet the strategic objectives of Texas.

State Resources

Under this alternative, the State chooses which services they wish to retain in-house and which are better outsourced. The model in Appendix K identifies the resources required by the State to internally provide each of the decomposed line items of service functions. From this model, the State may determine the estimated resource requirements for any function that is brought in-house. No specific resources were estimated for initial systems development activities on the assumption that this is a purchased service.

LSIS

This alternative does not reduce the ability to implement finger imaging as a part of the Texas eligibility process. In fact, because it assumes a new EBT administrative terminal application and allows for the integration of the EBT administrative application, it has potential to enhance this initiative.

Finger Imaging at Point-of-Sale

The LSIS/POS pilot is currently in the planning stages. If LSIS/POS is implemented statewide, then this alternative has the potential to enhance the implementation by allowing the specific requirements for biometrics at the POS to be incorporated into the EBT statement of work.

Interoperability

This approach, if required by the State, provides support for interoperability. One of the alternative planning assumptions is to use a commercial transaction acquirer for both the State POS network and all third-party interfaces. This strategy places a commercial transaction switch at the front end of the transaction processing that provides full interoperability for Texas EBT. The cost model already assumes fees for transactions originating from third parties that is adequate to cover any fee associated with interoperability. This alternative, as it is envisioned, is rated the highest for providing interoperability consistent with the national agenda.

QUEST™

If the State elects to implement a QUEST™-compliant system, this alternative supports that requirement. It assumes a transaction-acquiring vendor providing mainstream acquiring and switching services that are consistent with the national model for EBT. It also assumes redeployment of the POS network, along with the proper signage and software, to be QUEST™-compliant. It does not assume a complete reissue of the card base, but instead assumes that natural attrition gradually replaces the entire card base over a period of several years.

TIES Planning Concepts and Schedules

This alternative should not impede the TIES project. Because this alternative is an outsource solution, it limits the competition for valuable resources needed by the TIES project. However, this alternative provides less flexibility for integrating EBT with TIES in the future, should this become a requirement. In making the decision between in-house and outsource, the requirements for TIES must be considered.

Texas EBT Contract

Expiration

The current EBT contract expires in February 2001. This alternative, because it assumes existing resources and expertise, has the ability to reduce time lines necessary for implementation and consequently provides lower risk relative to other alternatives. However, the need for multiple statements of work, multiple contracts, vendor interfaces and a well-orchestrated multivendor test program has a tendency to lengthen the process.

Purchase Options

No purchase option is contemplated under this alternative.

Transition

This alternative contemplates a new EBT solution. A transition plan and conversion period is required to move from the current environment to this alternative that increases the risk and lengthens the time line relative to other alternatives.

RFO Considerations

Multiple RFOs are envisioned in support of this alternative. There are a number of services in an EBT environment that may potentially be outsourced. However, for planning purposes, each outsource component should closely resemble, where possible, commercially available services. Further, vendors should be held to a manageable number to reduce risks related to communication and interface among multiple vendors.

The basis for requirements for each contract is the original EBT procurement specifications and contract terms and conditions. These may be modified to contain elements such as interoperability, QUEST™, or biometrics that the State requires for its next-generation EBT system.

EBT Functions

EBT Software

This alternative assumes that existing vendor software is modified to meet the Texas requirements for EBT. Specifications for software and interfaces must be created for each of the multiple vendors. However, it also assumes that the existing interface between SAVERR and the EBT system is incorporated in any new specifications and consequently, little, if any, change is required in the SAVERR environment.

EBT Hardware

This alternative assumes that each vendor provides state-of-the-art hardware and processing solutions that may potentially be shared with other projects or processing for the particular vendor.

Accounting, Settlement and Reconciliation

Assuming this service is outsourced, no change is anticipated. This continues operating according to current specifications.

Help Desk Call Center

A commercial call center, or a State-provided call center, serving an array of applications is anticipated. However, it is assumed that call center service for EBT continues to be provided according to current specifications.

Retailer Relations and Contract Management

It is assumed under this alternative that retailer relations and management are outsourced to a commercial vendor with extensive experience in POS financial transaction processing. As a result, retailer relations and management move closer to the commercial model for such activities. No change in functional requirements is anticipated unless authorized by the State. This continues operating according to current specifications.

Retailer Equipment, Maintenance and Supplies

It is assumed under this alternative that these services are contracted to a commercial equipment service organization, but continues operation according to current specifications.

Card and PIN Issuance and Replacements

No change is anticipated unless authorized by the State. This continues operating according to current specifications.

H. Selective Outsource Acquire Assets EBT Solution

1. Description and Content

This alternative is for an EBT environment that provides the same services and meets the same requirements that are currently provided under the existing Lone Star program. However, unlike some of the other outsource alternatives, it decomposes the set of EBT services to component core services and multiple component-service vendors are selected to provide those core services. Further, this model assumes that the State may choose to keep some services in-house. The variation of this model from others is the assumption that certain of the current vendor's assets are procured and might possibly be used by an outsource vendor in providing EBT services to the State.

This alternative is a variation of material that has been discussed in previous alternative analyses, particularly the Acquire Assets and the Selective Outsource models. Therefore, only a brief discussion of this alternative follows. It is essentially identical to the Selective Outsource model with the added cost saving associated with the acquisition of certain assets (described in the Acquire Assets model) from the current vendor.

The significant differences of this model over the others are:

- Reduced cost related to acquiring of existing assets;
- Shortened time lines related to use of existing assets, especially software; and
- Reduced risk resulting from the use of proven technology and methods.

By acquiring assets, such as operating software and procedures, this model may impact decisions related to an in-house central processing solution. The large risk associated with time lines, lack of resources and lack of expertise are somewhat lessened.

2. Assumptions

The major assumptions in developing and evaluating this alternative are as follows:

- EBT services and requirements continue as they are presently provided;
- The State may elect to provide certain services in-house;
- Assets are acquired from the current vendor;
- Multiple vendors and multiple contracts are required;
- Each vendor and the State are leveraging existing resources (shared environment) to meet the requirements for Texas EBT;
- Outsourced services are competitively procured based on Texas procurement procedures and Texas-defined requirements;
- The selected vendors bring to the project an existing base set of EBT and EFT resources (i.e., software, processing environment, network, procedure manuals, etc.) that only require modification to meet the needs of Texas;
- Existing Lone Star cards and client processes continue - card reissue and client conversion training are not required;
- Interfaces between SAVERR and the EBT vendor remain unchanged;
- A system conversion from the existing environment to the new is required;

- The EBT administrative terminal applications change necessitating agency staff training;
- Upfront costs are amortized over the project period of 84 months.

3. Cost Analysis

A full cost analysis for this alternative depends upon what services the State elects to outsource and what is targeted for in-house delivery. Information provided allows a comparison between the two options at a detail level.

Development, Implementation and Ongoing Operational and Maintenance Costs

Appendix K provides development, implementation and ongoing operational data for EBT services assuming an in-house acquire-assets solution. Appendix L provides the details related to a multiple outsource solution. The sections of this document describing these two alternatives may be reviewed to gain an understanding of the options.

Estimated Acquisition and Operating Costs

Acquisition of assets from the current vendor are anticipated. See the discussion in the alternative related to acquiring assets.

Potential Increase/Decrease Compared to Current System

The State is currently paying its EBT vendor \$2.00 PCPM for Food Stamps and \$.97 for TANF. Approximately 20 percent of the caseload is TANF and 80 percent is Food Stamps. The potential increase or decrease depends upon which services are outsourced. In the sections describing the in-house acquire-assets and the multiple-service outsource alternatives, the increase/decrease potential is documented.

Estimated Pricing Per Case Per Month

DHS manages its costs related to EBT on a PCPM basis. The following Table 61 shows the estimated PCPM for the various services (current caseload of 725,845) for both the in-house acquire solution and the multiple-service outsource solution assuming the acquisition of certain assets. As can be seen, a full multiple-service outsource solution is about 27 percent more expensive than the in-house choice. The effect of the asset acquisition is to lower costs for both scenarios by about \$.11.

Table 61: Estimated PCPM for Separate EBT Services, Assuming the Acquisition of Certain Assets

	Per Case Per Month			Total	Total
	In-house ³²	Outsource ³³	Difference	Per Month	84 Months
Central processing	\$0.31	\$0.46	\$0.15	\$94,360	\$7,926,227
Cards, PINs, training	\$0.07	\$0.11	\$0.04	\$29,034	\$2,438,839
Call center	\$0.59	\$0.57	(\$0.02)	\$14,517	\$1,219,420
Agency systems	\$0.05	\$0.15	\$0.09	\$65,326	\$5,487,388
POS deploy and maintain	\$0.13	\$0.14	\$0.01	\$7,258	\$609,710
POS and TPP acquiring	\$0.21	\$0.34	\$0.12	\$87,101	\$7,316,518
POS phone lines	\$0.29	\$0.35	\$0.06	\$43,551	\$3,658,259
POS transaction fees	\$0.07	\$0.08	\$0.01	\$7,258	\$609,710
Cost of acquisition	\$0.10	\$0.10	\$0.00	\$0	\$0
Total	\$1.82	\$2.30	\$0.48	\$348,406	\$29,266,070

Based on the above discussion in the selective outsource solution, it appears, at a minimum, that the State consider the agency systems and the POS phone lines for an in-house solution. This has the effect of lowering the PCPM to \$2.14.

Impact on Federal Food Stamp EBT Cost Cap

The State has a Food Stamp EBT cost cap of \$2.47 PCPM in operating costs for FFY 1998. With matching funds, the total cap would be \$4.94. The pricing under this alternative represents an increased vendor cost (\$2.14 to \$2.30 PCPM) to the State over their existing vendor cost of \$2.00 for Food Stamps. Assuming no significant change in non-vendor EBT costs, e.g., those costs incurred by the State not related to vendor expense, then total cost under this scenario falls within the cost cap.

4. Qualitative Analysis

Ranking and Rationale

Each alternative is ranked according to a set of qualitative criteria. For details, refer to Appendix F. Table 62 is the qualitative ranking for the selective outsource acquire assets alternative.

Table 62: Qualitative Ranking of the Selective Outsource Acquire Assets EBT Solution

	Technical	Program	Funds Management	Total Points
Selectively outsource – acquire	133	92	45	270
Possible	150	125	55	330
Rank	1	4	3	1

³² See Appendix K-1 for details.

³³ See Appendix L-1 for details.

This alternative has the assumed rigidity of a multiple-service outsource solution offset by the flexibility it provides the State in managing its solution based on an assessment of risk, capabilities and cost at a component level. However, it is also based on a tried and proven Texas solution and the resulting reduction in risk.

Major Risks

The major risks associated with this alternative are as follows:

- Complex project management;
- Viability to current vendor's software;
- No central point for enhancement and control;
- More complex problem detection and resolution;
- Potential inflexibility in meeting the strategic plans and objectives of Texas;
- Less control over the change management process;
- Required coordination of system enhancements between multiple vendors and the State;
- Texas project schedules subject to conflicts in needs of multiple vendors;
- Transactive's Y2K compliance has not been demonstrated; and
- Need to define and manage multiple vendor interfaces. State becomes the system integrator.

Major Opportunities

This alternative provides some significant opportunities:

- The model assumes a competitive procurement process for the outsourced services that allows Texas to define its requirements and to build these requirements into its statement of work;
- Increased competition over a full-service alternative based on the assumption of more vendors able to provide specific and limited components of an EBT project;
- Less dependence on a single EBT vendor. Able to more easily replace vendors not meeting service expectations;
- The model assumes a solution already proven to meet the needs of Texas;
- This alternative offers potential for cost management by placing the State in competition with private-sector vendors for each service component;
- The model assumes vendors with experience in their specific service areas that substantially reduces risks associated with lack of experience; and
- The model assumes vendors with existing resources. This reduces the risk of implementation and more importantly, allows for a compression of the time line necessary to implement.

5. Impact/Effect

Complexity of Interfaces

Descriptions of the required interfaces are found in Appendix G. This topic deals with interface complexities unique to this alternative.

SAVERR / EBT System

The assumptions are that this alternative will make use of software acquired from Transactive where possible and practical and that the State requires an interface with SAVERR identical to the existing interface. Using Transactive's Texas EBT software minimizes the complexity of this interface.

Local Agency Office / EBT System

The assumption is that the State creates an integrated office solution that allows EBT functionality to coexist on a general purpose terminal and possibly be integrated with other applications. It is also assumed that this interface is different from the existing interface and requires significant user training. The interface provides many functions and is complex, especially in its accommodation of a wide number of users. Integrating with other applications potentially increases the complexity of development but should ultimately reduce and streamline complexity associated with office business processes.

EBT-only POS System / EBT System

The assumption is that Transactive's POS solution continues to be used even though the service may best be provided through an outsource to an experienced POS vendor. In this way, the existing POS solution may be left in-place, thus eliminating change in retail lane procedures.

Third-party Transaction Acquirers / EBT System

It is assumed that the State requires the use of the accepted standard for this interface, which is widely used and although complex, is well understood. Transactive's central processing software provides this support.

Client / POS Device

It is assumed that the existing EBT cards and card technology continue to be used in the next-generation system, thus limiting any complexity. Transactive's central processing software provides this support.

ACH Origination Bank / EBT System

It is assumed that the State requires the use of the accepted standard for this interface or allows a variance agreed to between the vendor and the bank. Transactive's central processing software provides this support.

FNS Minneapolis Data Center / EBT System

It is assumed that the State requires the use of the accepted standard for this interface. Transactive's central processing software provides this support.

FNS Retailer Database / EBT System

It is assumed that the State requires the use of the accepted standard for this interface. Transactive's central processing software provides this support.

ASAP System / EBT System

It is assumed this process continues per accepted business practices.

EBT Call Center / EBT Central System

This alternative assumes multiple vendors with the likely outcome that the call center provider is different than the central processing provider. Complexity is increased as a result of this multiple vendor solution. Specifications are developed that carefully and fully describe the interface and processing requirements of both parties. It is anticipated that Transactive's existing software is available to support this interface and if implemented by the respective outsource vendors (or the State), could greatly reduce any complexity.

Client / Call Center

The assumption is that Transactive's call center scripts and software are acquired and used in providing continued service to the State. This strategy minimizes complexity and provides a client interface identical to the current environment.

Retailer / Call Center

The assumption is that Transactive's call center scripts and software are acquired and used in providing continued service to the State. This strategy minimizes complexity and provides a client interface identical to the current environment.

Other State Systems / EBT System

This is a multivendor solution that uses existing commercial practices where possible. However, it allows for State in-house processing when it serves the best interest, best value dictate of the State. The attractiveness of the in-house element is enhanced as a result of the acquisition of Transactive's software. The assumption is that in-house is more flexible, while multiple vendor outsource is less flexible. The subjective evaluation has made an attempt to weigh this consideration in evaluating all of the alternatives.

Current Texas Contract Terms and Conditions

This alternative allows Texas to keep in force all of the current contract terms and conditions related to functionality, FNS regulation, policy and law because the procurement process is assumed to be based on responses to requirements and conditions of the State. However, many of the other existing terms and conditions have to be reevaluated and restructured. Some of the terms and conditions, especially those related to the pilot and conversion from the paper process, are no longer germane. Many of them were designed specifically for the construct of a single prime contract and point of contact and have to be rethought in terms of multiple vendors. These are the conditions specific to project management, change management, communications and coordination, project organization and staffing. The content of most of these is still valid, but has to be tempered to the scope of work required for each vendor. Further, the terms related to functionality and EBT system processing require restructuring to define the system functional area for which each specific vendor is responsible.

Another area for evaluation of the terms and conditions is related to retailer and third-party relations. The existing EBT contract envisions that the EBT vendor has direct contractual relations with all retailers providing benefits to its clients. This is inconsistent with the commercial world where it is the transaction acquirers who have these contractual relationships rather than the card issuer. It is also inconsistent with the needs for interoperability and QUEST™.

See the section on In-house Acquiring Assets for a discussion of the contract ramifications.

USDA Food Stamp Program Policy, Regulations, Requirements and Waivers

This alternative fully supports all Food Stamp policy, regulations, requirements and waivers.

DHS Policies and Strategic Plans, Including Automation

This alternative is consistent with DHS strategic plans and direction that favor outsourcing and privatization where practical. However, by placing the State in a position to compete for the services, it helps assure best interest, best value to the State.

Legislative Mandates and Initiatives

Several Texas legislative mandates and initiatives are directed at expanding the role of EBT in providing service within Texas. To this end an EBT task force has been established to examine the possible addition of other programs to the EBT environment.

This alternative appears to provide less flexibility (although not prohibitive) in adding programs to the Lone Star card. In a multivendor environment, organizing and implementing enhancements are more difficult. Planning has to consider time lines and resources of the multiple vendors and interfaces between the various vendors' spans of control.

State- and Federal-related EBT Issues

Expansion Goals and Objectives

This alternative, because of the multivendor involvement, inherent sharing of resources and legacy software is rated lower on its ability to allow for system expansion and meet the strategic objectives of Texas.

State Resources

Under this alternative, the State may choose which services they wish to retain in-house and which are better outsourced. The model in Appendix K identifies the resources required by the State to internally provide each of the line item service functions. From this model, the State may determine the estimated resource requirements for any function that is brought in-house. No specific resources were estimated for initial systems development activities on the assumption that this would be a purchased service.

LSIS

This alternative does not reduce the ability to implement finger imaging as a part of the Texas eligibility process. Because it assumes a new EBT administrative terminal application and allows for the integration of the EBT administrative application, it has the potential to enhance this initiative.

Finger Imaging at Point-of-Sale

The LSIS/POS pilot is currently in the planning stages. If LSIS/POS is implemented statewide, then this alternative has the potential to enhance the implementation by allowing the specific requirements for biometrics at the POS to be incorporated into the EBT statement of work.

Interoperability

This approach provides support for interoperability if required by the State. One of the alternative planning assumptions is to use a commercial transaction acquirer for both the State POS network and all third-party interfaces. This strategy places a commercial transaction switch at the front end of the transaction processing that provides full interoperability for Texas EBT. The cost model already assumes fees for transactions originating from third parties that are adequate to cover any fee associated with interoperability. This alternative, as it is envisioned, is rated the highest for providing interoperability consistent with the national agenda.

QUEST™

If the State elects to implement a QUEST™-compliant system, this alternative supports that requirement. It assumes a transaction-acquiring vendor providing mainstream acquiring and switching services that are consistent with the national model for EBT. It also assumes redeployment of the POS network, along with the proper signage and software, to be QUEST™-compliant. It does not assume a complete reissue of the card base, but instead assumes that natural attrition gradually replaces the entire card base over a period of several years.

TIES Planning Concepts and Schedules

This alternative should not impede the TIES project. Because this alternative is an outsource solution, it limits the competition for valuable resources needed by the TIES project. However, this alternative provides less flexibility for integrating EBT with TIES in the future, should this become a requirement. In making the decision between in-house and outsource, the requirements for TIES must be considered.

Texas EBT Contract

Expiration

The current EBT contract expires in February 2001. This alternative, because it assumes existing resources and expertise, has the ability to reduce time lines necessary for implementation and consequently provides lower risk relative to other alternatives. However, the need for multiple statements of work, multiple contracts, vendor interfaces and a well-orchestrated multivendor test program have a tendency to lengthen the process.

Purchase Options

Under this alternative, it is assumed that certain assets are acquired from the current vendor. An estimated acquisition price of \$6,000,000 for these assets has been assumed. This is based on the reported \$11,000,000 offer that is currently outstanding for these assets relative to both Texas and Transactive's other customer, Illinois. This figure has been discounted based on acquisition of only the Texas portion of the assets and on the elapsed time since the original offer was made, depreciating the value of the assets. A schedule found in Appendix K-3 provides details on the estimated value of these assets relative to their replacement cost if the State or a private sector vendor were to replicate them.

The timing of an acquisition may be an important factor. It would be possible to time the acquisition to correspond with the expiration of the existing contract, allowing sufficient time for

any migration. However, an earlier acquisition and a consequent earlier exit from the EBT market for the current vendor might be attractive enough to provide a lower price to the State. This would position the State to proceed with its strategic plans for EBT at an earlier time. Planning is currently on hold pending the change to the alternative system.

Another consideration is the purchase clause found in the current contract. This gives the State the right to purchase from the EBT vendor in the event of a notice to terminate (with or without cause) “all or a portion of the hardware, software and other equipment or materials directly or indirectly related to the EBT system implemented by the EBT vendor pursuant to this contract...” The contract then goes on to set the price of this acquisition at net book value which is defined as cost net of depreciation using straight-line depreciation. It is possible that the majority of the assets in question is significantly depreciated and may result in an acquisition price less than the \$6,000,000 suggested above.

The State has the right under the contract to purchase the assets in the event of a notice to terminate. However, it does not state specifically such a right in the event of the contract expiration. If the State is to pursue this option, a legal review of these conditions is appropriate.

Transition

This alternative contemplates a new EBT solution. A transition plan and conversion period are required to move from the current environment to that envisioned under this alternative, increasing the risk and lengthening the time line relative to other alternatives.

RFO Considerations

Multiple RFOs are envisioned in support of this alternative. There are a number of services in an EBT environment that may be outsourced. However, for planning purposes, each outsourced component should closely resemble commercially available services. Further, the number of vendors should be held to a manageable few to reduce the risks related to communication and interface among multiple vendors.

The basis for requirements for each contract is the original EBT procurement specifications and contract terms and conditions. These may be modified to contain elements such as interoperability, QUEST™ or biometrics that the State requires for its next-generation EBT system.

EBT Functions

EBT Software

This alternative assumes that existing vendor software is modified to meet the Texas requirements for EBT. Specifications for software and interfaces must be created for each of the multiple vendors. It also assumes that the existing interface between SAVERR and the EBT system is incorporated in any new specifications and consequently, little, if any, change is required in the SAVERR environment.

EBT Hardware

This alternative assumes the each vendor provides state-of-the-art hardware and processing solutions that may potentially be shared with other projects or processing for the particular vendor.

Accounting, Settlement and Reconciliation

Assuming this service is outsourced, no change is anticipated. This continues operating according to current specifications.

Help Desk Call Center

A commercial call center, or a State-provided call center, serving an array of applications is anticipated. However, it is assumed that call center services for EBT continue to be provided according to current specifications.

Retailer Relations and Contract Management

It is assumed under this alternative that retailer relations and management are outsourced to a commercial vendor with extensive experience in POS financial transaction processing. As a result, retailer relations and management move closer to the commercial model for such activities. No change in functional requirements is anticipated unless authorized by the State. This continues operating according to current specifications.

Retailer Equipment, Maintenance and Supplies

It is assumed under this alternative that these services are contracted to a commercial equipment service organization, but continue operating according to current specifications.

Card and PIN Issuance and Replacements

No change is anticipated unless authorized by the State. This continues operating according to current specifications.

Appendix A: Waivers

WAIVERS

The following list of current and denied FNS waivers to *Food Stamp Program: Standards for Approval and Operation and Food Stamp Electronic Benefit Transfer Systems*, 7 CFR § 274.12 is presented to give an overview of exceptions allowed to current Federal government standards. The matrix is presented in the same numeral sequence as the Federal Regulations.

Regulation	General Description	Status	State(s)
273.02(i)(03)	The state may not extend the five-day expedited service processing standard for EBT households.	Denied	AL, AR, GA, NC, TN
274.03(a)	The state may not cash-out elderly households; it may not cash-out elderly/disabled, expedited and remotely located households.	Denied	MA, OR
274.07(a)(01)	The state may not cash-out benefits in the event of a catastrophic disaster that makes the EBT system inoperable.	Denied	PA
274.12	A demonstration was approved to allow facilities, such as group homes and alcoholic treatment centers, to deposit benefits directly into financial institutions by providing POS devices to those facilities.	Current	MS
274.12(b)(06)	This allows the state to operate the EBT system without providing nondiscrimination language on the EBT card or sleeve due to the lack of resources.	Current	PA
	The request for a waiver of the requirement that discrimination language be printed on the EBT card or card case was denied.	Denied	IL
274.12(c)(02)	The state is permitted to provide Food Stamp benefits via checks should a natural disaster or other emergency disrupt the EBT system. This applies only in the area of the disaster and only for the duration of the disaster.	Current	ND, SD
274.12(c)(03)	This allows the state to derive the issuance cap by assessing only those coupon costs incurred in issuing coupons in counties implementing EBT. Legitimate state costs may be associated with this effort. The cap is applied only to EBT. The residual coupon issuance costs are not capped or considered.	Current	CA, MI, MN, NJ, SC, WY
	State agencies are responsible for issuance costs for EBT and coupon systems that exceed the coupon issuance cap in any one year. This waiver permits the cap to apply only to the EBT operations area.	Current	ND, SD
	The state agency's request for FNS to redirect federal-only costs to the state to raise its coupon issuance cap was denied because FNS does not have authority under the Food Stamp Act to provide additional non-matching administrative funding.	Denied	TX
	The state agency's proposal for FNS to waive the requirement for cost neutrality was denied because cost neutrality is required by the Food Stamp Act.	Denied	TX
274.12(d)	This allows the state to modify the EBT pilot test and the statewide implementation plan. The plan satisfies statutory requirements for a pilot, but does not impose delays in system expansion.	Current	TX

Regulation	General Description	Status	State(s)
274.12(e)(04)	This waives the requirement that the state provide in-store training for retailers. It allows the state to give retailers the option to waive in-person training after it has been offered to them.	Current	TX
	The state may mail POS devices to retailers with instructions and a toll-free number for assistance. Prior to receiving devices, these locations must be visited by the state agency or the contractor. The state agency or the contractor must provide assistance to retailers upon request.	Current	CA, HI
274.12(f)	This allows the state agency to provide an expired benefits notice during training.	Current	FL
274.12(f)(01)	This is a denial of a waiver requesting a transaction limit of \$5.00 for exception processing. Regulations say no minimums are allowed. This waiver would materially impair the rights of the recipients.	Denied	IL
274.12(f)(02)	The state agency may notify households of the off-line storage of “stale benefits” and reactivation procedures as part of the initial client training or at recertification. The state agency is not required to notify the household just prior to moving benefits off-line.	Current	KY
274.12(f)(05)	This waiver allows three business days to replace the EBT card following notice by the household instead of two days as required by the regulations. (Requests received late in the day and card reconciliation activities may delay card delivery.)	Current	AK, AZ, CO, FL, HI, ID, MN, ND, NH, SC, SD
	The state agency may provide card replacement of client EBT cards within five days rather than the two days required by regulation. The regulation allows for a waiver of up to five days when the state uses a centralized mailing system for card replacement.	Current	AL, GA, IN, KY, MO, MS, NC, TN, WI, WY
	This allows the use of pre-assigned PINs for EBT households. PIN selection will be allowed with a valid reason, and PIN selection should be accessible to all clients in a defined service area.	Current	AK, AL, AR, AZ, CO, CT, FL, GA, HI, IA, ID, KY, MA, MN, NC, NH, NY, OR, RI, TN, TX, WI
	This allows EBT issuance by mail with the PIN mailed separately. On-site issuance must be available for expedited service cases and where mail issuance would exceed the limit for application approval. Mail issuance must not interfere with benefit delivery standards.	Current	AK, CO, HI, ID, TX
	This denied the state agency’s request to allow PIN selection and PIN changes by telephone because of security concerns.	Denied	TX
	This denied a request to debit a household’s Food Stamp account at the recipient’s request to pay for a replacement EBT card.	Denied	MN
	The state proposed to delay card replacement when a client has had multiple requests. The state wanted to be consistent with other programs, such as WIC and TANF, in which experience suggested a delay results in clients locating the card later.	Denied	WY

Regulation	General Description	Status	State(s)
274.12(f)(06)	The state agency may cash-out remaining Food Stamp Program benefits in EBT accounts of recipients leaving the state. (In Oregon, the waiver is applicable to recipients moving to states with EBT systems non-compatible with Oregon's EBT system.) Note: These waivers were granted prior to Welfare Reform legislation, enacted August 22, 1996, which prohibits further cash-out of food stamp benefits beyond the parameters in the legislation. Waivers submitted subsequent to August 22, 1996, were denied.	Current	AK, AL, AR, CO, CT, GA, HI, ID, KY, MA, ME, MI, MN, MO, NC, NH, NY, OR, RI, TN
	The state agency may not require recipients to use their EBT Food Stamp benefits within the EBT service area prior to moving to a non-EBT state.	Denied	MA, ME, NH
	The state agency may expunge EBT benefits up to 30 days after a household's Food Stamp benefits are converted to cash. The regulation requires the state agency to expunge the EBT benefits within seven days.	Current	SC
	The state agency may give recipients relocating to a non-EBT state access to their remaining Food Stamp benefits through out-of-state ATMs or POS terminals. This waiver was approved under Section 17 Demonstration Authority.	Current	PA
	This allows clients to change from EBT to coupons at any time. Any portion of the remaining balance that cannot be converted to coupon book denominations or any change amounts will be left in the EBT account in case the client changes back to EBT issuance.	Current	IA
	This was a proposal to convert EBT benefits to cash rather than coupons statewide. The denial was based on the limit in Welfare Reform legislation on the number of cash-outs permitted.	Denied	FL
	The state may retain remaining EBT benefits of less than \$1.99 for one year after household conversion to stamps. If no further activity is recorded, benefits will be expunged as dormant accounts. (This waiver expires when statewide expansion is completed.)	Current	SC
274.12(f)(07)	This allows the EBT system to operate without capacity to expunge benefits that have not been accessed after one year. The waiver was granted due to lack of resources for software changes to the old system.	Current	PA
	This allows dormant EBT accounts to be moved off-line after a minimum of 90 days of inactivity instead of three months as required by the regulation. (This waiver facilitates programming.)	Current	AK, CO, HI, ID, IL
	This waives the requirement that households be notified before the EBT account is moved off-line after three months of inactivity. Households must be notified at initial training and recertification of the possibility of off-line storage and how to reactivate those accounts.	Current	AK, AL, AR, CO, CT, GA, ID, IN, MA, ME, MO, NC, ND, NH, NY, PA, RI, SD, TN, TX, WY

Regulation	General Description	Status	State(s)
274.12(f)(07)	This waives the requirement to store dormant benefits for nine months to permit the state agency to store benefits for six months after the final three months of inactivity. The state agency will expunge EBT benefits after the six months of dormancy. (Illinois' waiver states 180 days rather than six months.)	Current	CT, HI, IL, MA, ME, NH, NY, RI
	The state agency may expunge stale benefits after nine rather than 12 months. The state agency must provide prior notice to the household before expunging stale benefits.	Current	CO
	The state agency may not purge stale benefits after three months of client inactivity.	Denied	MA
	This waiver allows the state agency to move unaccessed benefits, where the allotment is \$49 or less, off-line when the case is closed.	Current	MS
	This waiver allows the state agency to terminate benefits that have not been accessed for 90 days. Households will be sent a notice on the 60 th day. The notice must advise the household when the certification period ends and that the application must be completed for continued eligibility.	Current	LA
	This denies a proposal to expunge benefits which have not been accessed for 90 days because it does not give households ample opportunity to access benefits to which they are entitled.	Denied	LA
274.12(f)(08)	The state agency may provide replacement EBT cards within five days rather than the two days required by regulation.	Current	AR
274.12(f)(10)	This waives the requirement that EBT recipients be given hands-on training and allows the training packet to be mailed to the recipient. The recipient must be given in-person training if requested or if the recipient is having problems.	Current	AK, AL, AR, AZ, CO, CT, FL, GA, HI, IA, ID, KY, MA, ME, MN, MO, NC, NH, NY, OR, RI, TN, TX, WI
274.12(g)(01)	This denies the state agency's request that retailers who do not have a telephone, but have access to a telephone line, absorb costs to install and maintain telephone service.	Denied	TX
274.12(g)(02)	This allows the state agency to charge for removal of state EBT equipment if the retailer changes to a third-party processor. The retailer cannot be charged after the agreement has expired and prior to renegotiation. Fees must be reasonable and identified in the agreement.	Current	AK, CA, CT, HI, ID, IL, IN, KS, MA, ME, MI, ND, NH, NY, PA, RI, SD, TX
	This allows the state to charge reasonable fees to reinstall EBT POS devices if the retailer breaches the retailer agreement and returns to the system using state supplied terminals, or if the retailer returns after being disqualified or withdrawn involuntarily from the Food Stamp Program.	Current	AK, CA, CO, CT, HI, ID, IL, IN, KS, KY, MA, ME, MI, MO, ND, NH, PA, RI, SD, TX, WY
	This denies the request to charge for deinstallation and/or reinstallation of equipment if caused by breach of contract, disqualification or change to a third party.	Denied	OH

Regulation	General Description	Status	State(s)
274.12(g)(02)	This approves the state's proposal for out-of-state merchants to bear the cost of initial and ongoing participation in the state's EBT system. This waiver was approved on condition that the state agrees to equip those out-of-state border stores deemed necessary for recipient access.	Current	TX
	This denies the request to require retailers to pay for their own EBT supplies (other than POS devices). The state agency may negotiate this with retailers.	Denied	AK, AZ, ID
274.12(g)(04)	This waives the requirement for the state to install POS terminals on condition that terminals be shipped to authorized retailers with installation instructions and that the state or its contractor provide free assistance by telephone or on-site assistance if needed.	Current	AK, AZ, CO, ID, ND, NY, SD, TX
	This allows a state agency to provide POS equipment to retailers with Food Stamp sales equal to or greater than \$100 per month, as long as alternative means of accessing the system, such as vouchers, are provided.	Current	AK, AL, AR, CA, CO, CT, FL, GA, HI, IA, ID, IN, KS, KY, LA, MA, ME, MI, MO, NC, NH, NY, OK, OR, PA, RI, TN, TX, WI
	This denies the request not to equip stores with less than \$100 in Food Stamp redemptions because off-line stores are assured of getting paid (Ohio) and because of a higher level of risk voucher transactions would create in an off-line EBT system (Wyoming).	Denied	OH, WY
274.12(h)	This allows the EBT system to operate with magnetic stripe photo identification cards that are not industry standard, response times that are not within 20 seconds or less and without generating reports documenting response times and problem transactions. (Granted 1/13/95.)	Current	PA
274.12(h)(03)	The state may not suspend retailer EBT participation when fraud is suspected prior to completion of either a federal or state investigation.	Denied	CT, ME, MN, NH, NY, RI
274.12(h)(06)	This permits the state agency to provide the nondiscrimination statement on the card carrier and training materials rather than the EBT card or sleeve.	Current	AL, AR, GA, KY, MO, WI
	The address of the office where the EBT card can be returned must be printed on the card in case the card is lost. This waiver may be approved if the client's address is on the card.	Denied	WI
274.12(h)(07)	The state agency may provide PIN selection via an automated response unit. This can be used on an ongoing basis in the pilot area but not during conversion. The state must conduct an evaluation of the results and feasibility.	Current	AR, FL, GA, MO, TN
274.12(h)(09)	This allows the state to operate an EBT system that does not allow for key entered transactions when the card malfunctions due to a low failure rate and the proprietary nature of the existing software.	Current	IL, PA

Regulation	General Description	Status	State(s)
	The state proposed allowing retailers with older equipment that cannot process refunds to issue \$1.00 coupons or send the clients to the local office for an account correction until the equipment is phased out or the system is mandatory.	Denied	IA
274.12(i)(01)	This denies the request to allow EBT benefits to be represented at the same rate as the recipient error overpayment. This would have eliminated the \$50 recoupment limit in the first month after an overdraft transaction and would reduce benefits beyond the amount in the regulation.	Denied	MN
274.12(i)(03)	A waiver is not required for the sending of one notice to the household for insufficient funds transaction in an EBT system. The state may provide a single representation notice covering several months of allotment reductions resulting from one transaction.	Current	WY
275.12	The state agency may not exclude quality control variances during the pilot and implementation phases of EBT issuance systems.	Denied	AL, AR, FL, GA, NC, TN
278.01(f)	This allows group homes and similar operations to accept Food Stamp benefits by using POS devices and electronically crediting their bank accounts.	Current	ND, SD
278.01(g)(02)	This allows group living arrangements, battered women's shelters and homeless meal providers to deposit Food Stamp benefits directly into financial institutions by using POS equipment in an EBT system.	Current	AK, AL, AR, AZ, CO, GA, HI, ID, IL, KS, KY, MN, MO, OK, OR, PA, UT

Appendix B: Corporate Summaries

CORPORATE SUMMARIES

The following corporate capsules were prepared to give the TDHS an overview of a selection of corporations available to provide services similar to single EBT functions. This list is not intended to represent all vendors offering services, nor is it a list of potential vendors, nor is it intended to be a recommendation of vendors for services they offer. It does not represent an evaluation of each corporation's abilities. Any contract information given is representative only and is not intended to portray all contracts held by these corporations. This section is intended to give base information on these selected firms as a reference for available outsourcing services.

Unless otherwise indicated, data is from the 1997 fiscal year. Not all information is available for all firms. Some firms are headquartered outside the United States, and some are privately held. Corporate summaries have been presented in alphabetical order. Areas that were not readily available have been shaded.

Source information was obtained from the following:

- *Hoover's Company Profile Database – American Public Companies*, Hoovers, Inc., Austin, Texas, 1998.
- *Hoover's Company Capsule Database – American Public Companies*, Hoovers, Inc., Austin, Texas, 1998.
- *Hoover's Company Profile Database – World Companies*, Hoover's Inc., Austin, Texas, 1998.
- *Hoover's Company Capsule Database – World Companies*, Hoover's Inc., Austin, Texas, 1998.
- *Hoover's Company Capsule Database – American Private Companies*, Hoover's Inc., Austin, Texas, 1998.
- *Nelson's Public Company Profiles*, Investext, a division of Thomson Financial Services, Inc., 1998.
- *EDGARPlus(R)*, Disclosure Incorporated, 1998.
- Corporate Web Sites

ANDERSEN WORLDWIDE							
Functions: Software, Systems Integration and Agency Systems Modification							
Founded	Employees	Sales (millions)	Net income (millions)	Products	Sales		Competitors
	123,791	\$13,900 (1998)		Product	\$ million	\$ of total	Ernst & Young KPMG Price Waterhouse Coopers
<p>Selected Services: Business consulting Business reengineering Customer service system design Security trading system design</p>							
<p>Additional Information: Headquartered in Chicago, Illinois. Arthur Andersen has 47,000 employees and revenues of \$4.6 billion as of August 31, 1996.</p> <p>In 1997 Arthur Andersen invested in Pilot Network Services, Inc., a provider of Internet services for electronic commerce, which will result in expanding the Computer Risk Management services for secure network connectivity, enhanced access, technology and secure monitoring.</p> <p>In 1997 Arthur Anderson formed an alliance with Eriso, a provider of client/server managed care systems to provide software implementation, project management and system integration.</p> <p>Arthur Andersen has a contract with GSA to analyze 16 business lines to determine how services can be delivered to client agencies.</p> <p>Arthur Andersen has an office in Dallas/Fort Worth with a client base of 1,600. This office offers services such as:</p> <ul style="list-style-type: none"> • Business Planning • Financial Management • Quality Assurance • Organizational Restructuring • Actual Based Costing • Benchmarking – Best Practices • Customer Satisfaction • Employee Training 							

AT&T CORPORATION							
Functions: Client Call Center, Retail Call Center and Telecommunications							
Founded	Employees	Sales (millions)	Net income (millions)	Products	Sales		Competitors
					\$ million	\$ of total	
1885	128,000	\$51,319	\$4,638	Product			Bell Atlantic
Selected Services: AT&T Solutions, Inc. (network and computer management consulting) Communications and information services including data transmission and domestic and international operator services Integrated services digital network Local services Toll-free services				Consumer long distance	23,962	46%	BellSouth
				Business long distance	22,212	42%	EXCEL Communications
				Wireless	4,337	8%	Frontier
				Local & other	2,226	4%	GTE
				Adjustments	(1,418)		MCI WorldCom
							Sprint
							Telco Communications
							U S WEST
Additional Information: Headquarters in New York, NY. Is the leader in the US long-distance market.							
<p>AT&T currently services over 80 million customers including business and government. In 1996, AT&T handled 68 billion calls and carried more than 230 million voice, data and video calls on an average business day. It completed more than 99.97 percent of US calls on the first attempt</p> <p>Recently awarded contracts include: GEICO, an insurance provider. This 3-½ year, \$150 million contract is for voice and data services, switched and dedicated, inbound and outbound voice services and dedicated digital private lines. AT&T will provide Resource Manager, which routes calls to geographically disperse call centers to automatically balance work loads and Intelligent Call Processing, which collects caller information, 24x7.</p> <p>Wackenhut, security related and outsources support services provider. AT&T was awarded a \$7 million, multi-year contract to provide voice and data services to Wackenhut, including Frame Relay (high-speed digital data service) and Managed Network Service.</p> <p>ADT Security Services, Inc., a security provider with over 2 million customers. This three-year, \$120 million awarded AT&T to be the portfolio manager of complex telecommunication services, Frame Relay, private line and inbound and outbound voice communications.</p> <p>Preferred Hotels & Resorts Worldwide, Inc., a reservation services provider. This three-year, \$2 million contract was for local, long distance, wireless, data and Internet services. AT&T is to provide a dedicated customer service support team for hotels and resorts changing to AT&T lines.</p>							

BANKAMERICA CORPORATION

Functions: Central Processing, Settlement and Reconciliation, and ACH and other Bank Services

Founded	Employees	Assets (millions)	Net income (millions)	Products	Sales		Competitors
					\$ million	\$ of total	
1904	90,500	\$260,159	\$3,210	Product			American Express BANC ONE Bank of New York BankBoston Canadian Imperial Chase Manhattan Citicorp Countrywide Credit First Chicago NBD Golden West Financial KeyCorp NationsBank UnionBanCal Wells Fargo
<p>Additional Information: BankAmerica and NationsBank combined in 1998, with \$570 billion and assets and operations in 22 states. BankAmerica offers services to 30 million households and 2 million businesses. The bank currently handles 22 million credit accounts, 11 million debit accounts and 37 million checks each day. One million of its customers bank online.</p> <p>In the first quarter of 1999 BankAmerica plans to merge with BA Merchant Services, Inc. (BAMS). BAMS is the fifth largest supplier of merchant processing services and merchant credit transactions and one of the largest processors of debit transactions.</p> <p>BAMS and EDS are participating in a joint venture to provide electronic government fee payments on a 24x7 basis. This will allow citizens to pay taxes and government fees by touch-tone telephone.</p> <p>BankAmerica formed the Strategic Technology and Integrated Payment Services group to support its existing card services, cash management, direct banking and transaction services.</p> <p>In 1998 BankAmerica formed a joint venture with Arthur Andersen to provide electronic commerce enabled business solutions to the healthcare industry.</p> <p>In 1997, BankAmerica signed a contract with Texas GSC to provide purchasing card services to 240 state agencies and municipalities.</p>				Loan interest Other interest Fees & commissions Trading Other income	13,872 3,585 3,861 692 1,575	59% 15% 16% 3% 7%	

BENCHMARK ELECTRONICS, INC.							
Functions: Hardware Servicing							
Founded	Employees	Sales (millions)	Net income (millions)	Products	Sales		Competitors
					\$ million	\$ of total	
1979	1,644	\$352.2	\$15.1	Product			ACT Manufacturing
Selected Services				Computer systems		39%	Altron
Component purchase				Telecommunications		21%	Avex Electronics
Design engineering				Medical devices		17%	Circuit Systems
Just-in-time deliveries				Industrial controls		12%	DII
OEM consultation				Tests & instrumentation		11%	Hadco
Postproduction testing							IEC Electronics
Printed circuit board assembly							Jabil
Project coordination							Merix
Additional Information:							Micron Technology
Based in Angleton, Texas.							Plexus
Went public in 1990.							M(tlide) Wave
Acquired electronic contract manufacturer EMD Technologies, Inc. in 1996.							Pycon
Acquired Lockheed Commercial Electronics in 1998.							Quad Systems
Specializes in electronic, mechanical and software engineering and circuit design and development.							Sanminia
Manufactures circuit boards for medical equipment, communications devices, testing instruments and business and industrial computers.							SCI Systems
							SigmaTron
							SMTEK International
							Solectron
							Sypris Solutions

CITIGROUP							
Functions: Central Processing, Settlement and Reconciliation and ACH and other Bank Services							
Founded	Employees	Assets (millions)	Net income (millions)	Products	Sales		Competitors
					\$ million	\$ of total	
1902	93,700	\$310,897	\$3,591	Product			American Express
Selected Services				Interest & fees on loans	18,967	55%	BANK One
Clearing and custody				Other interest	5,516	16%	Bank of New York
Consumer and commercial banking				Fees & commissions	5,817	17%	BankAmerica
Corporate finance				Other	4,397	12%	Chase Manhattan
Credit cards							First Union
Mortgage origination and servicing							SunTrust
Private banking							Washington Mutual
							Wells Fargo
Additional Information:							
Recently merged with Travelers Group.							
World's largest credit card issuer, with 49 million card accounts worldwide. Citigroup provides 24x7 telephone access to its 20 million customers.							
As of March 1998, Citigroup was the prime EBT contractor in 28 states.							

CONCORD EFS, INC.							
Functions: POS Acquirer and Third Party POS Acquirer							
Founded	Employees	Sales (millions)	Net income (millions)	Products	Sales		Competitors
				Product	\$ million	\$ of total	
1970	592	\$240.0	\$42.7				CheckFree Comdata Network ECHO ENVOY Corp. First Data First Tennessee National First Union National City National Data NOVA Corporation National Processing Paymentech PMT Services SPS Transaction Services Total System Services
Subsidiaries: Concord Computing Corp. (check authorization; terminal driving, servicing, and maintenance; cash-dispensing machines; processing services) Concord Equipment Sales, Inc. (buys POS terminal products) Concord Retail Services, Inc. (terminal servicing and maintenance) EFS National Bank (credit, debit, and electronic benefits transfer card authorization, data capture, and settlement services; cash-cad/cash-forwarding services)				Bank Card services	185.9	77%	
				Trucking services	42.1	18%	
				Check Services	6.3	3%	
				EFT & terminal services	5.7	2%	
Additional Information: Based in Memphis, Tennessee. Went public in 1984.							
Acquired Digital Merchant Systems, a marketer of credit card processing services, in 1998. The National Grocers Association and Concord have an agreement to jointly market electronic payment systems to grocery retailers. This program enables retailers to process EBT transactions nationally. There are currently 5,500 participating retailers. Concord utilizes Verifone SoftPay® payment authorization software for EBT, credit and debit. Concord recently signed a five-year contract to provide credit settlement services for Sunoco, Inc. at 3,800 locations.							
Switches EBT transactions for the following states and processors:							
Deluxe Data:	Georgia	Washington, DC	Vermont	Citibank/			Transactive:
Kansas	Minnesota	Arizona	San Bernadino Co., CA	Lockheed:			Texas
Louisiana	Utah	Arkansas	New Hampshire	North Dakota			Illinois
Connecticut	Oregon	Pennsylvania	San Diego Co., CA	South Dakota			Sacramento Co., CA
Colorado	Florida	Rhode Island	North Carolina	South Carolina			
Alabama	Hawaii	Oklahoma	Alaska				FNB Albuquerque:
Massachusetts	New Jersey	Idaho	Missouri				New Mexico

DE LA RUE PLC							
Functions: Card Production and Distribution							
Founded	Employees	Sales (millions)	Net income (millions)	Products	Sales		Competitors
		(1998)	(1998)	Product	\$ million	\$ of total	
1813	10,861	\$1,321.6	\$107.2				Diebold American Banknote Viisage Technology
Selected Services Prints currency, checks, certificates, and bonds Cash handling systems, such as ATMs Identification systems (passports, driver's licenses) Magnetic stripe cards, smart cards, credit cards Stamps Election ballots							
Additional Information: Headquartered in London, UK. One-year net growth: 16.6%.							

DELOITTE TOUCHE TOHMATSU INTERNATIONAL							
Functions: Software and Systems Integration							
Founded	Employees	Sales (millions)	Net income (millions)	Products	Sales		Competitors
					\$ million	\$ of total	
1845	82,000	\$9,000 (1998)		Product			Andersen Worldwide EDS Ernst & Young KPMG PricewaterhouseCoopers
<p>Selected Services: Systems Planning, Review and Design Systems Development and Implementation Quality Assurance Strategic Planning Employee Training Accounting and Auditing Financial Management Information Technology Client/Server Applications Systems Integration Business Process Engineering</p>							
<p>Additional Information: Headquartered in New York, NY. North American 1998 sales were \$4,991 million; employees numbered 28,000.</p>							
<p>Recent contracts include: State of Wisconsin. Overhaul of the welfare system and re-engineered the case management system for caseload management and error reduction. The system serves 750,000 recipients.</p>							
<p>A Mid-Atlantic state. Designed the human resource information system to integrate payroll, employee development and benefits data, general ledger and disbursement systems. The system services 27,000 employees and 100,000 state and non-state retired and terminated employees.</p>							

DELUXE CORPORATION							
Functions: Central Processing, Settlement and Reconciliation, POS Acquirer, EFT and Third-party Networks, Third-party POS Acquirer and Software							
Founded	Employees	Sales (millions)	Net income (millions)	Products	Sales		Competitors
					\$ million	\$ of total	
1915	18,900	\$1,919	\$45	Product			Adobe
Operations				Financial Services	1,543	80%	American Banknote
Deluxe Financial Services				Direct-mail products	232	12%	Corel
Deluxe Direct Response (direct-mail marketing)				Electronic payment systems	144	8%	DST
Deluxe Paper Payment Systems (checks, ATM, credit and debit cards)							EDS
Deluxe Payment Protection Systems							Equifax
Deluxe Direct Current, Inc.							First Data
Deluxe Electronic Payment Systems							Intuit
Deluxe Data systems, Inc. (electronic funds transfer processing and software)							John Harland
							Moore Corporation
							National Processing
							Quebecor
							Standard Register
							Transaction Systems
Additional Information:							
Headquartered in Shoreview, MN. Deluxe processes over 1.7 billion transactions annually and averages 99.97% uptime on a 24x7 basis.							
Recent contracts include:							
Unired, a network of the three largest banks in Puerto Rico contracted Deluxe to provide EFT processing services.							
Silicon Valley Bank of Santa Clara, CA contracted Deluxe to provide ACH outsourcing services.							
Deluxe Corporation has EBT experience in the following states, cities and/or counties:							
Kansas	Massachusetts	Georgia	Hawaii	Washington, DC	San Diego Co., CA		
Louisiana	Idaho	Minnesota	New Jersey	Arizona	North Carolina		
Connecticut	Arkansas	Utah	Rhode Island	Vermont	Alaska		
Colorado	Pennsylvania	Oregon	Oklahoma	San Bernadino Co., CA	Missouri		
Alabama		Florida		New Hampshire			

ELECTRONIC DATA SYSTEMS							
Functions: Central Processing, Settlement and Reconciliation and POS Acquirer							
Founded	Employees	Sales (millions)	Net income (millions)	Products	Sales		Competitors
					\$ million	\$ of total	
1962	110,000	\$15,236	\$731	Product			Andersen Worldwide
Selected Services: Business operations management Management consulting (A.T. Kearney) Systems and technology services Electronic Business Additional Information: Headquartered in Plano, TX. Largest independent computer management and services company in U.S. Develops, assembles, and manages complex computer and telecommunication systems for government and corporate clients. EDS has a \$321 million System and Technology Services division that provides the following services:				Manufacturing Financial services Government Communications Health Travel & transportation Energy Other areas		44% 15% 14% 6% 6% 4% 3% 8%	Arthur D. Little Cap Gemini Compaq Computer Sciences Control Data Deloitte Touche Tohmatsu Ernst & Young IBM MCI Systemhouse McKinsey & Company Perot Systems PricewaterhouseCoopers Unisys Vanstar
System Management Distribution Systems Management Systems Development			Communication Management Information Technology Planning Systems Improvement		Enterprise Applications Process Management Systems Integration		
EDS contracts with a number of government agencies including but not limited to NY Department of Transportation, US Commerce Department, Bureau of Census, US Department of Defense, US Defense Finance and Accounting Service and US Immigration and Naturalization Services							
Recent contracts include: Government of South Australia. EDS was awarded a nine-year contract to manage information technology including desktop and mainframe operations, telecommunications, applications development and systems integration services.							
State of Connecticut, Department of Information Technology. EDS was awarded a seven-year \$1 billion contract to perform services similar to those provided to the Government of South Australia.							

FIRST DATA CORPORATION							
Functions: POS Acquirer and Third-party POS Acquirer							
Founded	Employees	Sales (millions)	Net income (millions)	Products	Sales		Competitors
					\$ million	\$ of total	
1983	36,000	\$4,979	\$357	Product			BA Merchants
Selected Services:				Payment instruments	1,378	26%	BSI Business Services
Domestic Card Issuer Services				Merchant card processing	1,285	25%	Concord EFS
Credit Performance Services				Card issuance	1,172	22%	ECHO
Domestic Merchant Processing Services				Specialty services	34	7%	Litle
First Data merchant Services				Investment processing	274	5%	National Data
International Card Services				International card services	257	5%	NOVA Corporation
Call Interactive (customized 800-telephone interactive voice services)				Other	528	10%	Paymentech
Teleservices (long –distance phone company customer service)							SPS Transaction Services
							Total System Services
Additional Information:				Headquarters in Hackensack, NJ. First Data is the largest in credit transaction processing firm in the US. Its Merchant Services currently processes and settles 5 billion electronic payment transactions annually for about 2 million merchants. It maintains 18 million credit, debit and other accounts for 1,400 card-issuing clients. It processes 48 million EFT transfers and produces and mails 600 million paper statements annually.			
Recent contracts include:				A 1998 contract with People’s Bank to process 2 million credit, debit and commercial accounts.			
				A 1998 contract with GE Capital to provide card processing and other portfolio services.			
				A 1998 contract with First Union Corporation to provide consumer and commercial credit card processing to over 5 million credit card accounts.			

GEMPLUS SCA							
Functions: Card Production and Distribution							
Founded	Employees	Assets (millions)	Net income (millions)	Products	Sales		Competitors
					\$ million	\$ of total	
1988	4,111	\$576.6	\$2.3	Product			Checkpoint Systems Custom Tracks Aladdin Knowledge
<p>Additional Information: Headquarters in Gemenos, France. Gemplus has 42% of the market share in plastic and smart card technology. It has delivered over 20 million multi-application chip cards. It was integral in the implementation of the Florida State University student microprocessor chip card.</p> <p>First Data and Gemplus recently agreed to align their resources to offer personalization solutions for the magnetic stripe card.</p> <p>In 1998 People’s Bank of China licensed Gemplus’ card system software technology and solutions. Gemplus is to provide testing and technical training.</p>							

GTE CORPORATION							
Function: Telecommunications							
Founded	Employees	Sales (millions)	Net income (millions)	Products	Sales		Competitors
					\$ million	\$ of total	
1935	114,000	\$23,260	\$2,794	Product			Ameritech
Selected Services:				Local Services	6,607	29%	AT&T
GTE Government Services				Network access	4,923	21%	BellSouth
Internet access services				Cellular services	2,817	12%	EDS
Local-access telephone services				Tolls	2,429	10%	Frontier Corporation
Long-distance services				Directory services	1,507	7%	Lockheed martin
Network services				Other services	4,977	21%	MCI WorldCom
Additional Information:							Motorola
Headquarters in Stamford, CT.							Nextel
Currently services 21 million local phone customers in 28 states.							Raytheon
Largest service states are California, Florida and Texas.							Siemens
							U S West
<p>Government services include Communications Network Integration, Information Systems and Support and other specialized services.</p> <p>Recent contracts include:</p> <p>Department of State. Telephone equipment contract. Supply digital systems for current telecommunications and platform for video and data services.</p> <p>US Department of Justice. Provide common, integrated set of hardware and software, system installation and support.</p> <p>US Army. A 10-year contract for communications hardware and software for full integration into major command and control systems.</p> <p>US Department of Defense. Provide a defense messaging system, integrating desktop computers to exchange secure electronic messages between 2 million users.</p>							

LOCKHEED MARTIN CORPORATION							
Functions: Training, Software, Systems Integration and Agency Systems							
Founded (Merged)	Employees	Sales (millions)	Net income (millions)	Products	Sales		Competitors
					\$ million	\$ of total	
1995	173,000	\$28,069	\$1,300	Product			Aerospatiale Alcatel Alliant Techsystems AlliedSignal Celsius Cordant Technologies General Dynamics GE Hughes Electronics Logicon Lucas Varity Northrup Grumman Orbital Sciences Raytheon Siemens Textron
Selected Services Information and Services Commercial systems and products Federal technology services State and municipal systems support services Systems integration, control, communications, computer and intelligence systems Global telecommunications Satellite communication systems Land-based communications Additional Information: Based in Bethesda, Maryland. Lockheed Corporation was founded in 1932, Martin Marietta in 1961. These two corporations merged in 1995.				Computer systems Telecommunications Medical devices Industrial controls Tests & instrumentation		39% 21% 17% 12% 11%	
66 percent of Lockheed's sales are government sales. 17 percent are foreign and commercial. Lockheed has supported the prime contractor in the role of POS terminal deployment and client and retailer training in the SAS EBT program, and has provided support for other additional EBT programs in the US. Lockheed is the prime contractor for EBT services in Oklahoma and D.C.							
Recent contracts include: Social Security Administration under Enterprise Technology Services Contract. Valued at \$115 million for the seven-year systems life. Contracted to provide software cycle support, requirements analysis, design, develop, test and implement system.							
US Navy. A seven-year \$281 million contract to provide Commercial Off-the-Shelf based tactical display and computing system, supporting surface, subsurface, land and airborne platforms.							
Environmental Protection Agency, Enterprise Technology Services Division. A five-year \$210 million contract to provide computing and networking facilities services, telecommunication services, PC/LAN support services, security, turnkey project support, administrative services, training and application support services for 7,000 users at 10 sites.							

MCI WORLDCOM, INC.							
Functions: Client Call Center, Retailer Call Center and Telecommunications							
Founded (Merged)	Employees	Sales (millions)	Net income (millions)	Products	Sales		Competitors
					\$ million	\$ of total	
1998	60,409	\$19,653	\$209	Product			Andersen Consulting AT&T Bell Atlantic BellSouth Cable & Wireless Communications EDS GTE IBM Sprint U S WEST
<p>Selected Services: 1-800-COLLECT Cellular Information technology International communications Local access and exchange Long distance Multimedia</p> <p>Selected Subsidiaries: MCI Systemhouse Corp. (Operations, domestic and international network management, telecommunications design and implementation, help desk activities, technical support) MCImetro, Inc. (local-access phone service) MFS Network Technologies</p> <p>Additional Information: Headquartered in Washington, D.C. Has network facilities in Addison, Austin, Dallas, Ft. Worth, Houston, Las Colinas, San Antonio and Waco. MCI has 22 million customers.</p> <p>Recent contracts include: New Jersey TRANSIT. MCI Systemhouse was awarded a \$7.8 million contract to provide materials management system, using bar code technology, including purchasing, accounts payable, and general ledger systems.</p> <p>St. Mary's County, MD. Awarded a \$10.4 million contract to design and deliver emergency telecommunications system, including facilities, radio and telecommunications equipment and project delivery assessment, and to provide transition assistance to County employees.</p> <p>MFS Network Technologies was the prime contractor in the team selected to implement electronic toll collection and related systems for a consortium of agencies led by the New Jersey Toll Authority. This eight-year \$500 million contract required MFS to design and construct a telecommunications network and infrastructure. As part of the MFS team, Chase Manhattan will handle transaction processing. The contract included public/private partnering.</p>							

MELLON BANK CORPORATION							
Functions: Central Processing, Settlement and Reconciliation, ACH and other Bank Services							
Founded	Employees	Sales (millions)	Net income (millions)	Products	Sales		Competitors
1869	27,500	\$5,134	\$771	Product	\$ million	\$ of total	Citigroup BankAmerica
<p>Selected Services: Commercial banking operations Mortgage banking services Trust services Investment advisory services Leasing Credit card services Insurance services International banking</p> <p>Additional Information: Headquartered in Pittsburgh, PA. Multi-bank holding company with subsidiaries performing various services. Full service bank services are located along the eastern seaboard from New Jersey to Florida.</p> <p>Mellon is an ATM processor and provides ATM device support, authorization, gateway switching, card management and debit products.</p> <p>Features include Direct ATM, terminal driving, card authorization, card issuance and management, transaction routing and switching, settlement and reporting, and debit processing. Mellon offers gateway services through 24 networks including Honor, Pulse and Cirrus.</p> <p>In June 97, Mellon Network Services conducted a stored value card pilot at US Army Training, Fort Knox, KY, for US Treasury Security. It provided 11,000 recruits with stored value payment and processing.</p> <p>In Fort Sill, Mellon established a stored value system and supplied each retailer with POS terminals, smart card readers, and biometric finger print stations. Mellon provided testing, training, transaction processing, settlement, accounting, reporting and customer support for 26 merchants and 18,500 recruits.</p>							

SITEL CORPORATION							
Functions: Call Center Client, Call Center Retail							
Founded	Employees	Sales (millions)	Net income (millions)	Products	Sales		Competitors
					\$ million	\$ of total	
1985	18,000	\$491.5	\$2.8	Product			ACI Telecentrics Aegis Communications APAC Teleservices Convergys CIT Group Impact Telemarketing National Techteam Precision Response RMH Teleservices Sykes Enterprises TeleSpectrum TeleTech West Teleservices
Customer Service Activities: Activating product or service upgrades Dispatching service technicians Providing after-hours customer service Providing technical help desk, product, or services support Responding to billing or other account inquiries Responding to electronic mail inquiries Updating customer address, telephone and other data Verifying credit card charges to detect possible fraud				Customer service		58%	
				Sales		40%	
				Other		2%	
Sales Activities: Consumer sales and marketing Credit card activation Lead generation Processing and fulfilling information requests							
Additional Information: Headquarters in Baltimore, MD. Operates telephone-based sales and customer service programs for more than 400 clients, 70 call centers and handles calls in more than 25 languages. Sitel Consumer Credit Services include: Credit card acquisition, account activation, customer service, financial service, balance transfer and merchant acquisition. They utilize technologies such as direct connect to host systems, LAN/WAN integration and computer telephone integration. Recent contracts include: 3COM. Technical support services for 3COM products including PalmPilot™, US Robotics® modems and Bigpicture™ video conferencing equipment. 3COM has one million customers worldwide. Philips Electronics N.V. A five-year contract to provide teleservices and internet response. Sitel expects 13 call centers with 1,100 agents.							

SPRINT CORPORATION							
Founded	Employees	Sales (millions)	Net income (millions)	Products	Sales		Competitors
					\$ million	\$ of total	
1911	51,000	\$14,874	\$953	Product			ALLTEL
<p>Additional Information: Headquarters in Westwood, Kansas. Provides local access telephone services in 19 US states and long-distance service nationwide. In addition to services, distributes telecom equipment, provides security systems and publishes phone directories.</p> <p>Sprint has 6.7 million customer lines in 19 states.</p> <p>Recent contracts include: USGSA FTS2001. Guaranteed \$750 million over eight years for voice and data communications and products.</p> <p>Insurance Holdings of America (IHA). Telecommunications network for IHA's financial and insurance services offered to 33 million SAM's Club members at 440 locations. Includes 1,500 to 3,000 relay connections to two call centers.</p> <p>Music Point. Telecommunications network for 2,240 interactive kiosks in 400 US locations.</p>				Long distance services	8,955	57%	AT&T
				Local services	5,290	34%	Bell Atlantic
				Product distribution & directory publishing	1,454	9%	BellSouth
				Emerging businesses	58		Cable & Wireless
				Adjustments	(883)		Communications
							Frontier Corporation
							GTE
							IBM
							Telco Communications
							Telephone & Data Systems
							U S WEST

UNISYS							
Functions: Central Processing, Settlement and Reconciliation, Software, Systems Integration and Agency Systems							
Founded	Employees	Sales (millions)	Net income (millions)	Products	Sales		Competitors
	32,600	\$6,636	\$199	Product	\$ million	\$ of total	Competition from domestic and foreign companies specializing in: Computer hardware manufacturing Software providers Information services companies
<p>Selected Services: Systems integration Outsourcing Vertical market applications Distributed computing support services Hardware maintenance/software support</p> <p>Selected Products: Servers Network servers Desktop and mobile systems System software and middleware Data and voice communications Information storage</p> <p>Additional Information: Headquartered in Pennsylvania. Provides information services to apply technology for business-critical systems. Federal sales total 12 percent, two-thirds of its sales are for systems integration and support services. 37 major facilities in the US.</p> <p>Recent contracts include: Harlyesville Group Inc., insurance providers. Contracted to provide network design and development, help desk support, remote network management, maintenance service, asset discovery and desktop Y2K remediation.</p> <p>US General Services Administration, Virtual Data Center. Awarded a seven-year \$51.9 million contract to provide data center services to the US Small Business Association. Services include migration, data processing, technical support, Y2K support and help desk support.</p> <p>Star Alliance, comprised of six major airlines. Contracted to provide integrated communications network. As an integrator, providing project management, applications services, product platforms, coordination of the two primary partners for 35 worldwide locations.</p>							

VERIFONE, INC.							
Products: Hardware Servicing, Software							
Founded	Employees	Sales (millions)	Net income (millions)	Products	Sales		Competitors
		(1996)	(1996)		\$ million	\$ of total	
1981	2,800	\$472.5	\$39.3	Product			CheckFree CyberCash Deluxe DigiCash Elcom International Equifax First Data Harbinger Hypercom IBM National Data Paymentech Sterling Commerce Total System Services V-ONE
Additional Information: Based in Santa Clara, California. Went public in 1990. Purchased by Hewlett-Packard in 1997, to increase H-P's competitive edge with IBM. Lockheed Martin recently signed a seven-year contract with Verifone to supply Lockheed with 50,000 EBT terminals. Verifone has deployed 100,000 EBT/POS terminals.				Consumer transaction software Consumer-based internet transaction software Credit and debit software Labor management software Merchant –based Internet transaction software Order and payment capture software PIN pads Point-of-sale software Printers Smart card systems Terminal management software Terminals			

WEST TELESERVICES CORPORATION							
Functions: Call Center Client, Call Center Retail							
Founded	Employees	Sales (millions)	Net income (millions)	Products	Sales		Competitors
1973	11,100	\$398.8	\$37.4	Product	\$ million	\$ of total	ACI Telecentrics APAC Teleservices Convergys Dispatch Printing IntelliSell Interpublic Group Lexi Marketing Services Precision Response RMH Teleservices SITEL TeleSpectrum TeleTech
Selected Services Inbound Customer Service Order Capture Product Support Interactive Automated voice response Automated product information requests Cellular fraud prevention Credit card activation Database management Information and entertainment services Multiple-caller conferencing Polling and surveying Outbound Customer acquisition and retention Product sales				Interactive calls Outbound calls Inbound calls		35% 32% 33%	
Additional Information: Based in Omaha Nebraska. Call centers located in Virginia, Nebraska, Texas, and Alberta. West has 12,000 employees and 7,300 voice response ports. In 1997 West had 935 million minutes of teleservices transactions. In 1994, West processed more than 55 million operator-assisted calls.							

Appendix C: Food Stamp EBT Detailed Cost Data for FFY 1998

FIGURE 1. Food Stamp Program

- EBT Baseline Costs for FFY 1998

Description	Quarter 1	Quarter 2	Quarter 3	Quarter 4
EBT Staff (PAC's 240 & 242)*	\$275,824.68	\$521,931.02	\$832,378.42	\$411,535.39
EBT Auditors*	\$1,227.02	\$2,573.41	\$2,650.22	\$663.10
Statewide Overhead*	\$19,059.82	\$43,439.94	\$71,667.82	\$31,901.98
Regional Overhead*	\$46,168.67	\$82,144.28	\$159,056.12	\$59,591.68
EBT Project Costs				
EBT Contractor FS @ 50%	\$4,077,012.00	\$3,894,902.00	\$3,630,628.00	\$3,524,210.00
EBT Project Team FS @ 50%	\$126,081.56	\$108,853.60	\$99,402.05	\$143,438.96
TOTAL FOOD STAMP EBT COSTS	\$4,545,373.75	\$4,653,844.25	\$4,795,782.63	\$4,171,341.11
FS EBT ISSUANCE COST (CPCM)	\$2.41	\$2.47	\$2.55	\$2.21
Avg FS Cases/Month = 627,858				

*By definition, these are at 50%.

Food Stamp Program

Description	Total	CPCM
EBT Staff (PAC's 240 & 242)*	\$2,041,669.51	\$0.27
EBT Auditors*	\$7,113.75	\$0.00
Statewide Overhead*	\$166,069.56	\$0.02
Regional Overhead*	\$346,960.75	\$0.05
EBT Project Costs		
EBT Contractor FS @ 50%	\$15,126,752.00	\$2.01
EBT Project Team FS @ 50%	\$477,776.17	\$0.06
TOTAL FOOD STAMP EBT COSTS	\$18,166,341.74	\$2.41
FS EBT ISSUANCE COST (CPCM)	\$2.41	
Avg FS Cases/Month = 627,858		

*By definition, these are at 50%.

Appendix D: TANF EBT Detailed Cost Data for FFY 1998

Statewide Overhead				
EBT Headcount				
Auditors	4.4865	2.8019	3.926	0.621
EBT Staff	5.278594533	9.98002688	11.79880782	4.7911168
Total Hdct	9.765094533	12.78192688	15.72480782	5.4121168
Total TANF Program Headcount from Factor 034				
910.75		808.52	841.1266667	698.6
TANF Share of Statewide OH costs				
PAC				
280	\$91,253.87	\$94,003.92	\$77,519.11	\$67,978.43
281	\$162,833.81	\$181,185.31	\$170,989.67	\$146,388.36
711	\$11,706.39	\$12,197.55	\$10,132.44	\$2,922.02
719				
720	\$95,252.02	\$103,664.68	\$73,603.16	\$82,462.09
721				
739				
742				
902	\$52,807.77	\$152,806.02	\$85,062.96	\$116,425.67
996		\$27,403.27	\$60,189.42	\$26,848.84
997		\$1,411.15	\$4,103.45	\$1,156.30
	\$413,853.86	\$572,671.90	\$481,600.21	\$444,181.71
EBT Share of Statewide OH				
EBT Headcount/TANF Headcount*TANF Share of Statewide OH Costs				
	\$4,437.31	\$9,053.39	\$9,003.48	\$3,441.12
REGIONAL OVERHEAD				
EBT Headcount = 9.765		12.7819269	15.7248078	5.4121168
Regional TANF Headcount from Factor 054				

	894.066667		791.9966667		823.6733333		684.84
TANF Share of Regional Overhead Costs							
PAC	905	\$70,502.23	\$136,593.69		\$82,929.27		\$133,476.40
	908	\$986,818.81	\$892,665.06		\$933,693.64		\$714,775.98
	912						
	913						
		\$1,057,321.04	\$1,029,258.75		\$1,016,622.91		\$848,252.38
EBT Share of Regional Overhead							
		\$11,548.06	\$16,611.07		\$19,408.42		\$6,703.52

Appendix E: Definitions

DEFINITIONS

SUBJECT	DEFINITION
Agency Systems	A high-level category of cost accumulation, which includes all costs directly associated with the interfaces between DHS staff and legacy systems and the EBT services environment. Examples are the EBT administrative terminal and DHS staff training.
Allocation	In the shared-environment cost model, those infrastructure costs and staff that are shared between EBT projects are allocated equally to all of the respective projects. For example, the Texas staff shown on the shared model is not a staff entirely dedicated to Texas, but rather reflects an allocation of staff that may be shared between multiple projects.
Case	A case is either a Food Stamp or a TANF case. In August 1998, there were 582,964 active Food Stamp cases and 142,881 active TANF cases in Texas. Caseloads are duplicated case counts in Texas.
Case/Month	The total monthly operating cost plus the determined monthly depreciation of investment divided by the total active cases (725,845 in August).
Central Processing	A high-level category of cost accumulation which includes: all costs associated with maintaining the central client account database; managing linkage between the client account and the EBT card; providing interfaces with transaction acquirers and DHS; processing benefit deposits; approving food and cash transactions; maintaining current account balances and status; reconciling and settling all transactions daily; providing financial and management reports; and managing system security.
Client	A client is also referred to as an unduplicated case, a Food Stamp household or an authorized or emergency payee for cash programs. A client may participate in multiple cases. Approximately 23 percent of the clients in Texas receive both Food Stamp and TANF benefits. Consequently, in August 1998, there were an estimated 611,540 clients in Texas.
Client/Month	The total monthly operating cost plus the determined monthly depreciation of investment divided by the total active clients (611,540 in August). Useful for comparison with other States and for analysis of additional programs.
Communications	A second level of cost accumulation that contains all costs directly associated with telecommunications necessary to support system interfaces.
Connect Time	This is a key metric in determining costs associated with the call center. It is the duration, in minutes, of a client-initiated help desk phone call. It is subdivided into the connect time for calls that are fully serviced by the ARU and those calls that require associate intervention.
Cost	All numbers contained in the cost model, with the exception of the line on Exhibit 1a labeled "Price," represent estimates of cost to the vendor to provide the service or facility represented by that line item. They do not include a markup for profit to the vendor.

SUBJECT	DEFINITION
Cost of Capital	A third-level cost element that represents the average interest the vendor would pay each month on the capital investment required for the respective level 1 element of the project, over the determined depreciation period. An interest rate of 8 percent is used to generate this estimate.
Cost per Client (or Case)	Costs for each line item are estimated on a monthly bases and are divided by the number of active clients (or cases) to arrive at the cost per client (or per case). Costs are calculated for depreciation and operations, and are reported separately and as a total.
PCPM	Per Case Per Month. This pricing represents duplicated counts.
Customer Service	A first-level cost accumulation that includes all costs associated with direct customer service to DHS clients. It includes help desk, training and card issuance.
Depreciation	This is the period over which the initial capital investment is depreciated to allow an assessment of the impact of the investment on the costs of the project per month. The period used is shown on each of the detail cost exhibits. This period is intended to reflect the length of the contract rather than an IRS-determined period, so as to smooth costs over the duration of the project and to reflect a useful life of assets which will roughly be equivalent to the duration of the project.
Facilities	A second-level cost accumulation that contains all costs associated with occupying space necessary for the purpose defined for the respective first-level service. Examples are monthly lease, leasehold improvements, utilities, maintenance, office equipment and furniture and basic building services.
Hardware	A second-level cost accumulation that contains all costs for the technology equipment necessary to perform the respective first-level service. Examples include central computers, disk storage, tape drives, licenses, communications processors, automated response equipment, printers, routers, PCs and monthly maintenance on all equipment.
Infrastructure	A set of assets created to satisfy the requirements of a program imitative, but that are at least in part capable of being shared in meeting the requirements of multiple programs. Examples are a central processing facility or a communications network.
Investment	This column contains an estimate of the initial investment required for each line item. Initial investment is considered a one-time charge which is incurred prior to the start of active transaction processing (and vendor generation of revenue) and which is recovered over the life of the contract.
Management and Administration	A second-level cost accumulation to capture costs of the general management and professional infrastructure necessary to provide the first level service.
Operations	All recurring monthly costs for each detail line item.
PCPM	Per client per month - a unit of cost or price.

SUBJECT	DEFINITION
Program	Processes and facilities designed to satisfy a specific set of requirements, such as Texas Food Stamps, Medicaid and TANF, or Louisiana Food Stamps. Program resources may or may not be capable of being shared with other programs depending on the degree of overlap between the programs (clients, offices, training, etc.). They are, however, much less generally useful than are infrastructure resources.
POS Deployment and Servicing	A high-level cost accumulation for all costs associated with procuring, installing, maintaining and servicing State-supplied EBT only POS equipment.
POS Operations	A high-level cost accumulation for all costs associated with the ongoing operations of the network of State-supplied POS equipment, including elements like POS software, transaction communications fees and contract management.
Price	Price is the estimated vendor price for EBT services to the State of Texas based on the total accumulated costs marked up by a factor to include corporate overhead and profit.
Purchase Transactions	A high-level cost accumulation for all costs associated with payment of transaction and interchange fees to third-party POS retailers in exchange for accepting EBT transactions on existing POS equipment.
Retailer Services	A high-level cost accumulation for all costs associated with providing a POS distribution network where clients may access their Food Stamp and TANF benefits.
SG&A	Sales, general and administrative. This is an allocation charge that most corporations assess against their operating units to cover overhead associated with corporate-level activities.
Shared Environment	An implementation in which the needs of the Texas EBT program are commingled with the needs of other EBT programs in a single service delivery environment. The model used in this document assumes that the cost of elements that may be shared is spread across six projects. This may be analogous to Texas participating in a coalition program such as the SAS or awarding a contract to a vendor that has based its proposal on a significant multiprogram EBT market share. It may also be analogous to sharing an environment designed for delivering multiple technology applications, such as the DHS Information Technology facilities and services with the EBT program.
Software	A second-level cost accumulation for all cost associated with the construction or purchase and ongoing maintenance and support of software necessary for the associated first level service function.
Staff	An estimate of the number of FTE staff necessary to fulfill the ongoing requirements for each detail cost line item. In a stand-alone environment, these are staff dedicated to Texas. In a shared environment, it is an allocation of staff.
Stand-alone Environment	An EBT environment that has been built from the ground up solely to meet the needs of the Texas EBT program. All assets and resources are dedicated to Texas EBT delivery.

SUBJECT	DEFINITION
Start-up Costs	A third-level cost accumulation for costs associated with the start-up process of the replacement EBT program. It is anticipated that many ongoing costs, such as personnel, facilities and depreciation will be incurred for a period prior to a switch over to the new EBT delivery mechanism and prior to a new vendor recognizing revenue from the project. This model uses a two-month period. These costs are being capitalized as one-time costs that are spread over the length of the new contract.
State POS	POS equipment that is deployed by the State of Texas to allow authorized Food Stamp merchants that are not otherwise equipped to participate in the EBT program and provide benefit access to the client population.
Third Parties	Private commercial and proprietary POS transaction acquirers that participate in the Lone Star EBT program.
Uncontrollable Costs	A second-level cost accumulation for costs that are generally incurred by the vendor but are not directly under the control of the vendor. This includes items such as property taxes, the cost of capital and start up costs.
Vendor Costs	Costs incurred by the vendor under the existing EBT service delivery model. Costs incurred by the State are not included.

Appendix F: Evaluation Criteria

QUALITATIVE CRITERIA AND SCORING

This document provides evaluation criteria that are used as the basis for the qualitative analysis of proposed alternative EBT systems. The alternatives scored by these criteria are as follows:

- Stand-alone EBT Environment
- Shared EBT Environment
- SAS EBT Solution
- State In-house EBT Solution
- State In-house Acquire Transactive EBT Solution
- Multiple-service Outsource EBT Solution
- Selective Multiple-service Outsource and In-house EBT Solution
- Selective Outsource Acquire Assets EBT Solution

The criteria are divided into three major sections:

1. **Technical Criteria:** These criteria are used to evaluate the ability of the alternative to meet necessary technical, State and Federal requirements associated with operating a central processing system, merchant management, customer service and agency systems interface. They also evaluate the ability of the alternative to meet required security levels, conversion requirements and time lines.
2. **Programmatic Criteria:** These criteria are used to evaluate the alternative's ability to meet programmatic requirements. It addresses the alternative's ability to meet strategic initiatives, the department's resource availability, the department's needs for contract management, stakeholder satisfaction and other programmatic considerations.
3. **Funds Management Criteria:** These criteria are used to evaluate the alternative's ability to leverage Federal funding and existing infrastructure, as well as the ability to maximize the allocation of funds across State agencies and foster a competitive environment. These criteria do not include economic (cost) analysis. The cost analysis is presented as a separate part of the TEAA.

Criteria are scored on a scale of 1 to 5 according to the ability of the alternative to meet the stated requirement. Some criteria have been given weighted scores to compensate for their comparative importance. With the exception of the criteria with weighted scores, the following scores have been assigned:

- 1 = Not acceptable: the alternative does not have the capability to satisfy the department's needs.
- 2 = Poor: the alternative has little or no direct capability to satisfy the department's needs, but there is some indication of marginal capability.
- 3 = Fair: the alternative has adequate capability to satisfy the department's needs.
- 4 = Good: the alternative has a more than adequate capability to satisfy the department's needs.
- 5 = Excellent: the alternative has a demonstrated excellent capability to satisfy the department's needs.

Weighted criteria have been assigned scores on a scale of 1 to 20 according to the ability of the alternative to meet the stated requirement. Weighted scores have been assigned as follows:

- 1 = Not acceptable: the alternative does not have the capability to satisfy the department's needs.
- 5 = Poor: the alternative has little or no direct capability to satisfy the department's needs, but there is some indication of marginal capability.
- 10 = Fair: the alternative has adequate capability to satisfy the department's needs.
- 15 = Good: the alternative has a more than adequate capability to satisfy the department's needs.
- 20 = Excellent: the alternative has a demonstrated excellent capability to satisfy the department's needs.

TECHNICAL CRITERIA: The following matrix evaluates the alternative’s ability to meet necessary technical criteria for implementing and maintaining the proposed alternate EBT system.

TECHNICAL CRITERIA AND SCORING		NOTES AND COMMENTS												
1.	<p>This item evaluates the relative risk associated with meeting all the technical, State and Federal requirements associated with central processing. Examples of these requirements include but are not limited to:</p> <ul style="list-style-type: none"> • Providing on-line processing operations 99.9 percent of the time, calculated on a monthly basis, regardless of the day of the week. • Operating 24 hours a day, seven days a week, except for scheduled maintenance. • Interfacing with state and federal systems to initiate action to effect a transfer of funds sufficient to reimburse the client draw (from POS terminals) on the day the client accesses benefits. • Providing same-day access to expedited benefits. • For leased line systems, processing 98 percent of EBT transactions within 10 seconds or less, and processing all transactions within 15 seconds. For dial-up systems, processing 95 percent of EBT transactions within 15 seconds or less, and processing all transactions within 20 seconds or less. • Maintaining an accuracy standard of no more than two errors for every 10,000 Food Stamp transactions processed. 	<p>Alternatives that are being provided in response to a specific set of requirements from Texas and that are based on strong EBT processing experience are rated highest. Solutions that are weaker on either of these criteria are rated lower.</p>												
Possible Score:														
	<table style="width: 100%; border: none;"> <tr> <td style="width: 20%;"></td> <td style="width: 20%; text-align: center;">1</td> <td style="width: 20%; text-align: center;">5</td> <td style="width: 20%; text-align: center;">10</td> <td style="width: 20%; text-align: center;">15</td> <td style="width: 20%; text-align: center;">20</td> </tr> <tr> <td></td> <td style="text-align: center;">Unacceptable</td> <td style="text-align: center;">Poor</td> <td style="text-align: center;">Fair</td> <td style="text-align: center;">Good</td> <td style="text-align: center;">Excellent</td> </tr> </table>			1	5	10	15	20		Unacceptable	Poor	Fair	Good	Excellent
	1		5	10	15	20								
	Unacceptable		Poor	Fair	Good	Excellent								
Stand-alone EBT Environment	20													
Shared EBT Environment	15													
SAS EBT Solution	15													
State In-house EBT Solution	5													
State In-house Acquire Transactive EBT Solution	10													
Multiple-service Outsource EBT Solution	15													
Selective Multiple-service Outsource and In-house EBT Solution	15													
Selective Outsource Acquire Assets EBT Solution	15													

TECHNICAL CRITERIA AND SCORING						NOTES AND COMMENTS
2.	This evaluates the alternative system's ability to provide next-day availability of funds to merchants.					Alternatives with demonstrated financial settlement experience and operating settlement procedures are rated higher.
Possible Score:						
	1	2	3	4	5	
	Unacceptable	Poor	Fair	Good	Excellent	
Stand-alone EBT Environment				4		
Shared EBT Environment					5	
SAS EBT Solution					5	
State In-house EBT Solution		2				
State In-house Acquire Transactive EBT Solution			3			
Multiple-service Outsource EBT Solution					5	
Selective Multiple-service Outsource and In-house EBT Solution				4		
Selective Outsource Acquire Assets EBT Solution				4		
3.	This evaluates the alternative system's relative capability to expand to include add-on programs.					This item may be weighted dependent upon the state's desire to place other programs on the EBT platform. A higher rating is awarded to alternatives with key resources dedicated to Texas, that are built with future Texas requirements in mind or that offer a demonstrated expandability.
Possible Score:						
	1	2	3	4	5	
	Unacceptable	Poor	Fair	Good	Excellent	
Stand-alone EBT Environment					5	
Shared EBT Environment		2				
SAS EBT Solution		2				
State In-house EBT Solution					5	
State In-house Acquire Transactive EBT Solution				4		
Multiple-service Outsource EBT Solution			3			
Selective Multiple-service Outsource and In-house EBT Solution				4		
Selective Outsource Acquire Assets EBT Solution				4		

TECHNICAL CRITERIA AND SCORING						NOTES AND COMMENTS
4.	This evaluates the alternative’s ability to provide ACH origination capability and to act as the Originating Deposit Financial Institution, processing client direct deposits and third-party payment information.					Alternatives that have demonstrated ACH origination capabilities or interfaces to those capabilities are rated higher.
Possible Score:						
	1	2	3	4	5	
	Unacceptable	Poor	Fair	Good	Excellent	
Stand-alone EBT Environment					5	
Shared EBT Environment					5	
SAS EBT Solution					5	
State In-house EBT Solution				4		
State In-house Acquire Transactive EBT Solution					5	
Multiple-service Outsource EBT Solution				4		
Selective Multiple-service Outsource and In-house EBT Solution					5	
Selective Outsource Acquire Assets EBT Solution					5	
5.	This evaluates the alternative’s capability to conform to QUEST™ Operating Rules and/or become interoperable with the EBT systems in other states.					This item may be weighted depending upon the State’s desire conform to QUEST™ and/or become interoperable with other states. Alternatives with demonstrated QUEST™ and interoperable capabilities are rated high. Alternatives that allow the requirements to be defined in the RFP as part of a procurement are rated next.
Possible Score:						
	1	2	3	4	5	
	Unacceptable	Poor	Fair	Good	Excellent	
Stand-alone EBT Environment				4		
Shared EBT Environment					5	
SAS EBT Solution					5	
State In-house EBT Solution			3			
State In-house Acquire Transactive EBT Solution			3			
Multiple-service Outsource EBT Solution				4		
Selective Multiple-service Outsource and In-house EBT Solution				4		
Selective Outsource Acquire Assets EBT Solution			3			

TECHNICAL CRITERIA AND SCORING		NOTES AND COMMENTS										
6.	<p>This evaluates the relative risk associated with the alternative's ability to meet the technical, State and Federal requirements concerning merchant management. Examples of requirements for merchant management include but are not limited to:</p> <ul style="list-style-type: none"> Managing retailer agreements, including the development and maintenance of a retailer database that ensures accurate EBT transaction detail data pertaining to each retailer are captured and managing a FNS food retailer database comprised of records of retailers authorized to participate in the Food Stamp Program. Installing EBT-only equipment at retailer sites and providing retailer training. Providing routine maintenance, repair or replacement services on faulty POS terminal equipment within the next business day for all terminals deployed by the alternative service provider. 	<p>Alternatives offering demonstrated experience in retail management and POS deployment are rated high. Alternatives with an assumed high likelihood of providing a vendor with this experience are rated next.</p>										
Possible Score:												
	<table border="0"> <tr> <td style="text-align: center;">1</td> <td style="text-align: center;">5</td> <td style="text-align: center;">10</td> <td style="text-align: center;">15</td> <td style="text-align: center;">20</td> </tr> <tr> <td style="text-align: center;">Unacceptable</td> <td style="text-align: center;">Poor</td> <td style="text-align: center;">Fair</td> <td style="text-align: center;">Good</td> <td style="text-align: center;">Excellent</td> </tr> </table>		1	5	10	15	20	Unacceptable	Poor	Fair	Good	Excellent
1	5		10	15	20							
Unacceptable	Poor		Fair	Good	Excellent							
Stand-alone EBT Environment	10											
Shared EBT Environment	20											
SAS EBT Solution	20											
State In-house EBT Solution	5											
State In-house Acquire Transactive EBT Solution	5											
Multiple-service Outsource EBT Solution	15											
Selective Multiple-service Outsource and In-house EBT Solution	15											
Selective Outsource Acquire Assets EBT Solution	20											

TECHNICAL CRITERIA AND SCORING		NOTES AND COMMENTS												
7.	<p>This item evaluates the relative risk associated with the alternative's ability to meet the technical, state and federal requirements concerning customer service. Examples of requirements include but are not limited to:</p> <ul style="list-style-type: none"> • Maintaining a customer service telephone response center 24 hours a day, seven days a week, with an expected capacity of more than two million incoming calls per month. • Meeting industry performance standards. • Establishing and maintaining a separate retailer customer service response unit 24 hours a day, seven days a week, for questions concerning retailer accounts and POS terminal maintenance. • Establishing and maintaining a retailer call line 24 hours a day, seven days a week, for calls requesting authorization of manual vouchers. 	<p>Alternatives offering demonstrated experience in EBT customer service are rated high. Alternatives with an assumed high likelihood of providing a vendor with this experience are rated next.</p>												
Possible Score:														
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Selective Multiple-service Outsource and In-house EBT Solution	15													
Selective Outsource Acquire Assets EBT Solution	15													

TECHNICAL CRITERIA AND SCORING		NOTES AND COMMENTS
8.	<p>This item evaluates the relative risk associated with the alternative's ability to meet the technical, State and Federal requirements associated with agency systems (interfaces). This includes but is not limited to:</p> <ul style="list-style-type: none"> Minimizing the relative degree of complexity for interfacing between all functional areas within the EBT system. Minimizing the degree of complexity with providing interface capability with state systems such as LSIS, SAVERR and FMIS. 	<p>Alternatives offering experience specific to Texas interface requirements are rated high.</p>
Possible Score:		
	<p style="text-align: center;">1 5 10 15 20</p> <p style="text-align: center;">Unacceptable Poor Fair Good Excellent</p>	
Stand-alone EBT Environment	15	
Shared EBT Environment	10	
SAS EBT Solution	10	
State In-house EBT Solution	20	
State In-house Acquire Transactive EBT Solution	20	
Multiple-service Outsource EBT Solution	10	
Selective Multiple-service Outsource and In-house EBT Solution	10	
Selective Outsource Acquire Assets EBT Solution	20	

TECHNICAL CRITERIA AND SCORING		NOTES AND COMMENTS												
9.	<p>This evaluates the relative risk associated with the alternative's ability to transition from the current processor. At a minimum, conversion will entail:</p> <ul style="list-style-type: none"> • Overall system implementation; • Account conversion (information transfer between the State system, the existing EBT system and the alternate EBT system) as well as testing new account establishment capabilities; • Retailer data conversion; • Alternate and administrative data access; • Training materials and user manuals; • Establishment and testing of card and PIN issuance methodology; • ARU and help desk functionality; • Transaction processing testing and conversion; and • Settlement, reconciliation and reporting capability testing. 	<p>Alternatives that minimize the conversion requirements are rated high. Those that offer experience in EBT conversion process are rated next.</p>												
Possible Score:														
	<table style="width: 100%; border: none;"> <tr> <td style="width: 20%;"></td> <td style="width: 10%; text-align: center;">1</td> <td style="width: 10%; text-align: center;">5</td> <td style="width: 10%; text-align: center;">10</td> <td style="width: 10%; text-align: center;">15</td> <td style="width: 10%; text-align: center;">20</td> </tr> <tr> <td></td> <td style="text-align: center;">Unacceptable</td> <td style="text-align: center;">Poor</td> <td style="text-align: center;">Fair</td> <td style="text-align: center;">Good</td> <td style="text-align: center;">Excellent</td> </tr> </table>			1	5	10	15	20		Unacceptable	Poor	Fair	Good	Excellent
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Selective Multiple-service Outsource and In-house EBT Solution	10													
Selective Outsource Acquire Assets EBT Solution	20													

TECHNICAL CRITERIA AND SCORING						NOTES AND COMMENTS	
10.	This evaluates the relative risk associated with alternative's ability to meet the timelines necessary to complete conversion. That is, the alternative's capability to complete the conversion by February 2001.					Consider GSC's 18-month advance request requirement for facility availability. Alternatives with existing EBT software, processes and resources are rated high. Those with Texas specific capabilities are rated highest.	
Possible Score:		1	5	10	15		20
		Unacceptable	Poor	Fair	Good		Excellent
Stand-alone EBT Environment							5
Shared EBT Environment							15
SAS EBT Solution							15
State In-house EBT Solution							5
State In-house Acquire Transactive EBT Solution							20
Multiple-service Outsource EBT Solution							10
Selective Multiple-service Outsource and In-house EBT Solution							15
Selective Outsource Acquire Assets EBT Solution						20	

TECHNICAL CRITERIA AND SCORING						NOTES AND COMMENTS
11.	<p>This evaluates the relative risk associated with the alternative's ability to provide physical and access security. Physical and access security includes but is not limited to:</p> <ul style="list-style-type: none"> • Providing an appropriate level of security in connection with the EBT services, such as processing information that has been designated sensitive but unclassified. • Accepting responsibility for internal controls that ensure the proper safeguards for the administration of public funds. • Providing security controls as presented in the Operating Rules and according to EFT industry standards. • Establishing physical and access security at the customer service help center according to established standards. • Providing system data security. • Restricting physical access to the EBT host facilities. • Controlling communications access, including the use of user identification and authentication, discretionary access, system access audits and transaction communications. • Increasing the present level of security at local office administrative terminals. 					<p>Part of this requirement is in response to security concerns over the increasing number of abandoned accounts and the danger of undetected employee fraud.</p> <p>Alternatives dedicated to Texas EBT are rated high. Alternatives with the potential to offer significant experience related to EBT security are rated next. Multiple vendor solutions are rated lower.</p>
Possible Score:						
	1	2	3	4	5	
	Unacceptable	Poor	Fair	Good	Excellent	
Stand-alone EBT Environment						5
Shared EBT Environment						4
SAS EBT Solution						4
State In-house EBT Solution						4
State In-house Acquire Transactive EBT Solution						5
Multiple-service Outsource EBT Solution		2				
Selective Multiple-service Outsource and In-house EBT Solution			3			
Selective Outsource Acquire Assets EBT Solution				4		

TECHNICAL CRITERIA AND SCORING						NOTES AND COMMENTS	
12.	This evaluates the relative risk associated with the alternative's capability to provide disaster backup that includes a replication of host functionality and duplicate storage of data records at a separate physical location.					Alternatives offering demonstrated backup and disaster options or those that are being created according to DHS specifications are rated high. Environments dedicated to Texas are rated high.	
Possible Score:		1	2	3	4		5
		Unacceptable	Poor	Fair	Good		Excellent
Stand-alone EBT Environment					5		
Shared EBT Environment					4		
SAS EBT Solution					4		
State In-house EBT Solution					5		
State In-house Acquire Transactive EBT Solution					5		
Multiple-service Outsource EBT Solution					3		
Selective Multiple-service Outsource and In-house EBT Solution					3		
Selective Outsource Acquire Assets EBT Solution					3		

PROGRAMMATIC CRITERIA: The following matrix evaluates the alternative’s ability to meet the programmatic requirements of an alternative system, including state and department objectives, policies and procedures.

PROGRAMMATIC CRITERIA AND SCORING						NOTES AND COMMENTS	
1.	This evaluates the capability of the alternative to maximize the use of existing resources.					This is an objective of the original EBT program. Alternatives offering the ability to leverage a commercial infrastructure or other existing resources in providing EBT are rated higher.	
Possible Score:		1	2	3	4		5
		Unacceptable	Poor	Fair	Good		Excellent
Stand-alone EBT Environment		2					
Shared EBT Environment		5					
SAS EBT Solution		5					
State In-house EBT Solution		5					
State In-house Acquire Transactive EBT Solution		4					
Multiple-service Outsource EBT Solution		4					
Selective Multiple-service Outsource and In-house EBT Solution		4					
Selective Outsource Acquire Assets EBT Solution		4					
2.	This evaluates the alternative’s capability to provide increased reduction in fraud, abuse and waste.						This is an objective of the original EBT program. Alternatives offering focus on Texas EBT and that are created based on current Texas requirements are rated high.
Possible Score:		1	2	3	4		
		Unacceptable	Poor	Fair	Good	Excellent	
Stand-alone EBT Environment		5					
Shared EBT Environment		4					
SAS EBT Solution		4					
State In-house EBT Solution		5					
State In-house Acquire Transactive EBT Solution		4					
Multiple-service Outsource EBT Solution		3					
Selective Multiple-service Outsource and In-house EBT Solution		3					
Selective Outsource Acquire Assets EBT Solution		3					

PROGRAMMATIC CRITERIA AND SCORING						NOTES AND COMMENTS
3.	This evaluates the alternative's ability to give the maximum benefit to the state in its effort to deploy TIES.					Alternatives not creating resource conflicts with the TIES implementation are rated high. Those dedicated to Texas and offering the most flexibility for expansion are rated highest.
Possible Score:						
	1	2	3	4	5	
	Unacceptable	Poor	Fair	Good	Excellent	
Stand-alone EBT Environment					5	
Shared EBT Environment			3			
SAS EBT Solution			3			
State In-house EBT Solution		2				
State In-house Acquire Transactive EBT Solution				4		
Multiple-service Outsource EBT Solution			3			
Selective Multiple-service Outsource and In-house EBT Solution			3			
Selective Outsource Acquire Assets EBT Solution			3			
4.	This evaluates the alternative system's ability to leverage the use of the EBT system by maximizing interagency operability.					Alternatives dedicated to Texas and offering the greatest flexibility for expansion are rated high.
Possible Score:						
	1	2	3	4	5	
	Unacceptable	Poor	Fair	Good	Excellent	
Stand-alone EBT Environment					5	
Shared EBT Environment		2				
SAS EBT Solution		2				
State In-house EBT Solution					5	
State In-house Acquire Transactive EBT Solution				4		
Multiple-service Outsource EBT Solution		2				
Selective Multiple-service Outsource and In-house EBT Solution		2				
Selective Outsource Acquire Assets EBT Solution			3			

PROGRAMMATIC CRITERIA AND SCORING						NOTES AND COMMENTS
5.	This evaluates the ability of the alternative to provide for future commercial applications of the EBT card.					Alternatives offering demonstrated compatibility with commercial payments mechanisms are rated high.
Possible Score:						
	1	2	3	4	5	
	Unacceptable	Poor	Fair	Good	Excellent	
Stand-alone EBT Environment			3			
Shared EBT Environment			3			
SAS EBT Solution				4		
State In-house EBT Solution			3			
State In-house Acquire Transactive EBT Solution and Operate In-house			3			
Multiple-service Outsource EBT Solution				4		
Selective Multiple-service Outsource and In-house EBT Solution				4		
Selective Outsource Acquire Assets EBT Solution					5	
6.	This evaluates the alternative's capability to adapt to a state initiative toward phone-in eligibility and card issuance by mail.					Alternatives offering focus on Texas and flexibility for change are rated high. An alternative created specifically for current Texas requirements is rated high.
Possible Score:						
	1	2	3	4	5	
	Unacceptable	Poor	Fair	Good	Excellent	
Stand-alone EBT Environment				4		
Shared EBT Environment		2				
SAS EBT Solution		2				
State In-house EBT Solution					5	
State In-house Acquire Transactive EBT Solution				4		
Multiple-service Outsource EBT Solution			3			
Selective Multiple-service Outsource and In-house EBT Solution			3			
Selective Outsource Acquire Assets EBT Solution			3			

PROGRAMMATIC CRITERIA AND SCORING						NOTES AND COMMENTS
7.	This evaluates the relative risks associated with the alternative's staff resources to implement and operate the EBT system within the specified time frames.					This takes into account current MIS initiatives within the State, such as Y2K compliance and TIES. Alternatives requiring fewer Texas resources are rated high. Those offering the use of existing software, facilities and resources are rated the next highest.
Possible Score:						
	1	2	3	4	5	
	Unacceptable	Poor	Fair	Good	Excellent	
Stand-alone EBT Environment				4		
Shared EBT Environment					5	
SAS EBT Solution					5	
State In-house EBT Solution		2				
State In-house Acquire Transactive EBT Solution			3			
Multiple-service Outsource EBT Solution					5	
Selective Multiple-service Outsource and In-house EBT Solution				4		
Selective Outsource Acquire Assets EBT Solution				4		
8.	This evaluates the alternative's ability to hire additional staff as needed to design, implement and operate the EBT system.					Alternatives offering an ability to attract resources in the current competitive environment for technical resources or those requiring fewer resources are rated high.
Possible Score:						
	1	2	3	4	5	
	Unacceptable	Poor	Fair	Good	Excellent	
Stand-alone EBT Environment				4		
Shared EBT Environment					5	
SAS EBT Solution					5	
State In-house EBT Solution		2				
State In-house Acquire Transactive EBT Solution			3			
Multiple-service Outsource EBT Solution					5	
Selective Multiple-service Outsource and In-house EBT Solution			3			
Selective Outsource Acquire Assets EBT Solution			3			

PROGRAMMATIC CRITERIA AND SCORING						NOTES AND COMMENTS
9.	This evaluates the alternative's access to the physical facilities necessary to house and secure card stock, replacement equipment (such as card issuance machines and POS terminals) and user manuals and training materials.					Consider GSC's 18-month advance request requirement for facilities. Alternatives offering facilities in Texas are rated high.
Possible Score:						
	1	2	3	4	5	
	Unacceptable	Poor	Fair	Good	Excellent	
Stand-alone EBT Environment				4		
Shared EBT Environment			3			
SAS EBT Solution			3			
State In-house EBT Solution					5	
State In-house Acquire Transactive EBT Solution					5	
Multiple-service Outsource EBT Solution			3			
Selective Multiple-service Outsource and In-house EBT Solution				4		
Selective Outsource Acquire Assets EBT Solution				4		
10.	This evaluates the alternative's telecommunications resources available to support communications between: <ul style="list-style-type: none"> • The host system and retailers; • The host system and required State agency interfaces; • The host system and State, Federal and private financial institutions; • The host system and the customer service centers; and • Customer service centers and clients/retailers. 					Alternatives offering demonstrated telecommunications experience and infrastructure are rated high.
Possible Score:						
	1	2	3	4	5	
	Unacceptable	Poor	Fair	Good	Excellent	
Stand-alone EBT Environment				4		
Shared EBT Environment					5	
SAS EBT Solution					5	
State In-house EBT Solution				4		
State In-house Acquire Transactive EBT Solution				4		
Multiple-service Outsource EBT Solution				4		
Selective Multiple-service Outsource and In-house EBT Solution					5	
Selective Outsource Acquire Assets EBT Solution					5	

PROGRAMMATIC CRITERIA AND SCORING						NOTES AND COMMENTS
11.	This evaluates the relative risk associated with the alternative's ability to provide a single point of contact for problem resolution.					Alternatives offering a single point of contact are rated high.
Possible Score:						
	1	2	3	4	5	
	Unacceptable	Poor	Fair	Good	Excellent	
Stand-alone EBT Environment					5	
Shared EBT Environment				4		
SAS EBT Solution				4		
State In-house EBT Solution			3			
State In-house Acquire Transactive EBT Solution			3			
Multiple-service Outsource EBT Solution		2				
Selective Multiple-service Outsource and In-house EBT Solution		2				
Selective Outsource Acquire Assets EBT Solution		2				
12.	This evaluates the relative risk associated with alternative's ability to accept liability should the system, or part of the system, fail.					Alternatives offering a single prime contractor are rated high.
Possible Score:						
	1	2	3	4	5	
	Unacceptable	Poor	Fair	Good	Excellent	
Stand-alone EBT Environment					5	
Shared EBT Environment					5	
SAS EBT Solution					5	
State In-house EBT Solution		2				
State In-house Acquire Transactive EBT Solution		2				
Multiple-service Outsource EBT Solution			3			
Selective Multiple-service Outsource and In-house EBT Solution			3			
Selective Outsource Acquire Assets EBT Solution			3			

PROGRAMMATIC CRITERIA AND SCORING						NOTES AND COMMENTS	
13.	This evaluates the alternative's capability to adapt easily to changes should objectives, legislation or service definitions change from the point of the original contract.					Consider that by bringing EBT in-house no contract amendments are necessary to implement program changes. Alternatives offering focus on Texas needs and providing greater flexibility for change are rated high.	
Possible Score:		1	2	3	4		5
		Unacceptable	Poor	Fair	Good		Excellent
Stand-alone EBT Environment					4		
Shared EBT Environment					3		
SAS EBT Solution					3		
State In-house EBT Solution					5		
State In-house Acquire Transactive EBT Solution					5		
Multiple-service Outsource EBT Solution					3		
Selective Multiple-service Outsource and In-house EBT Solution					3		
Selective Outsource Acquire Assets EBT Solution					3		
14.	This evaluates the relative risk associated with the alternative's available methodology, as well as interdepartmental cooperation, for problem resolution.					Alternatives offering specific EBT experience and providing existing EBT processes and procedures are rated high.	
Possible Score:		1	2	3	4		5
		Unacceptable	Poor	Fair	Good		Excellent
Stand-alone EBT Environment					3		
Shared EBT Environment					4		
SAS EBT Solution					4		
State In-house EBT Solution					4		
State In-house Acquire Transactive EBT Solution					4		
Multiple-service Outsource EBT Solution					3		
Selective Multiple-service Outsource and In-house EBT Solution					2		
Selective Outsource Acquire Assets EBT Solution					3		

PROGRAMMATIC CRITERIA AND SCORING						NOTES AND COMMENTS
15.	This evaluates the alternative's ability to minimize the risks associated with outsourcing such as: <ul style="list-style-type: none"> • Expectations on service delivery; • Unexpected costs of outsourcing arrangements; • Vendor responsiveness to the need for improvements; • Vendor failure to deliver products on time; and • Impact on staff job-satisfaction, workload and morale. 					Consider that outsourced services may have access to new technologies and skills. Alternatives not requiring outsourcing are rated high. Alternatives requiring a single contract and point of contact are rated next highest.
Possible Score:						
	1	2	3	4	5	
	Unacceptable	Poor	Fair	Good	Excellent	
Stand-alone EBT Environment				4		
Shared EBT Environment				4		
SAS EBT Solution				4		
State In-house EBT Solution					5	
State In-house Acquire Transactive EBT Solution					5	
Multiple-service Outsource EBT Solution			3			
Selective Multiple-service Outsource and In-house EBT Solution			3			
Selective Outsource Acquire Assets EBT Solution			3			
16.	This evaluates the alternative's ability to respond to technology changes or to new technologies.					Alternatives dedicated to Texas are rated high. Alternatives using multiple-service vendors, because of their niche expertise in their market area are rated next highest.
Possible Score:						
	1	2	3	4	5	
	Unacceptable	Poor	Fair	Good	Excellent	
Stand-alone EBT Environment				4		
Shared EBT Environment			3			
SAS EBT Solution			3			
State In-house EBT Solution		2				
State In-house Acquire Transactive EBT Solution		2				
Multiple-service Outsource EBT Solution				4		
Selective Multiple-service Outsource and In-house EBT Solution				4		
Selective Outsource Acquire Assets EBT Solution				4		

PROGRAMMATIC CRITERIA AND SCORING						NOTES AND COMMENTS
17.	This evaluates the relative control of the state over hardware and software used for the system, including the requirement of using off-the-shelf hardware and software to the greatest extent possible.					Alternatives dedicated to Texas are rated high. Those that share hardware and software are rated lower.
Possible Score:						
	1	2	3	4	5	
	Unacceptable	Poor	Fair	Good	Excellent	
Stand-alone EBT Environment				4		
Shared EBT Environment		2				
SAS EBT Solution		2				
State In-house EBT Solution					5	
State In-house Acquire Transactive EBT Solution					5	
Multiple-service Outsource EBT Solution		2				
Selective Multiple-service Outsource and In-house EBT Solution			3			
Selective Outsource Acquire Assets EBT Solution			3			
18.	This evaluates the alternative's ability to make changes in the level of service provided to retailers.					Alternatives offering use of commercial infrastructure for transaction acquiring are rated high with the belief that they are positioned to move EBT retailers to use of commercial electronic payments.
Possible Score:						
	1	2	3	4	5	
	Unacceptable	Poor	Fair	Good	Excellent	
Stand-alone EBT Environment			3			
Shared EBT Environment				4		
SAS EBT Solution				4		
State In-house EBT Solution		2				
State In-house Acquire Transactive EBT Solution		2				
Multiple-service Outsource EBT Solution					5	
Selective Multiple-service Outsource and In-house EBT Solution					5	
Selective Outsource Acquire Assets EBT Solution					5	

PROGRAMMATIC CRITERIA AND SCORING						NOTES AND COMMENTS
19	This evaluates the alternative's ability to make changes in the level of service provided to clients.					Alternatives dedicated and focused on Texas needs are rated higher than those that offer sharing of resources.
Possible Score:						
	1	2	3	4	5	
	Unacceptable	Poor	Fair	Good	Excellent	
Stand-alone EBT Environment				4		
Shared EBT Environment			3			
SAS EBT Solution			3			
State In-house EBT Solution					5	
State In-house Acquire Transactive EBT Solution				4		
Multiple-service Outsource EBT Solution			3			
Selective Multiple-service Outsource and In-house EBT Solution				4		
Selective Outsource Acquire Assets EBT Solution				4		
20.	This evaluates the alternative's ability to provide technology support and to make changes to the level of support as required.					Alternatives offering resources located outside of Texas and the sharing of those resources are rated lower.
Possible Score:						
	1	2	3	4	5	
	Unacceptable	Poor	Fair	Good	Excellent	
Stand-alone EBT Environment				4		
Shared EBT Environment			3			
SAS EBT Solution			3			
State In-house EBT Solution					5	
State In-house Acquire Transactive EBT Solution				4		
Multiple-service Outsource EBT Solution			3			
Selective Multiple-service Outsource and In-house EBT Solution			3			
Selective Outsource Acquire Assets EBT Solution			3			

PROGRAMMATIC CRITERIA AND SCORING						NOTES AND COMMENTS
21.	This evaluates the alternative's ability to provide liability coverage for any funds drawn from an incorrect account or program, or for benefit account overdraws.					<p>This item may be weighted dependent upon the State's willingness to assume liability for funds drawn from an incorrect account or program, or for benefit account overdraws.</p> <p>Alternatives offering a single prime contractor are rated high. Alternatives offering multiple vendors have an assumed higher risk because of spreading control and fault assessment. In-house alternatives are rated low.</p>
Possible Score:						
	1	2	3	4	5	
	Unacceptable	Poor	Fair	Good	Excellent	
Stand-alone EBT Environment					5	
Shared EBT Environment					5	
SAS EBT Solution					5	
State In-house EBT Solution		2				
State In-house Acquire Transactive EBT Solution		2				
Multiple-service Outsource EBT Solution				4		
Selective Multiple-service Outsource and In-house EBT Solution			3			
Selective Outsource Acquire Assets EBT Solution				4		
22.	This evaluates the alternative's ability to hold pre-funded benefits in accounts that may be liable to Regulation E.					<p>This item will be rated dependent upon the State's willingness to hold pre-funded benefits and to provide Regulation E coverage. Alternatives offering a strong banking partner are rated high.</p>
Possible Score:						
	1	2	3	4	5	
	Unacceptable	Poor	Fair	Good	Excellent	
Stand-alone EBT Environment				4		
Shared EBT Environment					5	
SAS EBT Solution					5	
State In-house EBT Solution			3			
State In-house Acquire Transactive EBT Solution			3			
Multiple-service Outsource EBT Solution				4		
Selective Multiple-service Outsource and In-house EBT Solution				4		
Selective Outsource Acquire Assets EBT Solution				4		

PROGRAMMATIC CRITERIA AND SCORING						NOTES AND COMMENTS
23.	This evaluates the alternative's ability to meet or exceed current retailer satisfaction levels.					Alternatives offering use of commercial infrastructure for transaction acquiring are rated high with the belief that they are positioned to move EBT retailers to use commercial electronic payments.
Possible Score:						
	1	2	3	4	5	
	Unacceptable	Poor	Fair	Good	Excellent	
Stand-alone EBT Environment			3			
Shared EBT Environment				4		
SAS EBT Solution				4		
State In-house EBT Solution		2				
State In-house Acquire Transactive EBT Solution		2				
Multiple-service Outsource EBT Solution					5	
Selective Multiple-service Outsource and In-house EBT Solution					5	
Selective Outsource Acquire Assets EBT Solution					5	
24.	This evaluates the alternative's ability to meet or exceed current client satisfaction levels.					Alternatives dedicated and focused on Texas needs are rated higher than those that offer the sharing of resources.
Possible Score:						
	1	2	3	4	5	
	Unacceptable	Poor	Fair	Good	Excellent	
Stand-alone EBT Environment				4		
Shared EBT Environment			3			
SAS EBT Solution			3			
State In-house EBT Solution				4		
State In-house Acquire Transactive EBT Solution				4		
Multiple-service Outsource EBT Solution			3			
Selective Multiple-service Outsource and In-house EBT Solution				4		
Selective Outsource Acquire Assets EBT Solution				4		

PROGRAMMATIC CRITERIA AND SCORING						NOTES AND COMMENTS
25.	This evaluates the alternative's ability to meet Federal standards and guidelines with a minimum of negotiation (e.g., waivers).					Alternatives offering a proven mainstream solution EBT solution or one that is created to meet the specific requirements for EBT are rated high.
Possible Score:						
	1	2	3	4	5	
	Unacceptable	Poor	Fair	Good	Excellent	
Stand-alone EBT Environment					5	
Shared EBT Environment				4		
SAS EBT Solution				4		
State In-house EBT Solution				4		
State In-house Acquire Transactive EBT Solution					5	
Multiple-service Outsource EBT Solution		2				
Selective Multiple-service Outsource and In-house EBT Solution			3			
Selective Outsource Acquire Assets EBT Solution					5	

FUNDS MANAGEMENT CRITERIA: This section evaluates the alternative system on economic criteria that will be considered in addition to a separate cost-benefit analysis.

FUNDS MANAGEMENT CRITERIA AND SCORING						NOTES AND COMMENTS	
1.	This evaluates the alternative's ability to obtain the necessary internal economic support of the department.					Outsource alternatives are rated higher than in-house because of the long-term financial commitment inherent in an outsource contract.	
Possible Score:		1	2	3	4		5
		Unacceptable	Poor	Fair	Good		Excellent
Stand-alone EBT Environment					4		
Shared EBT Environment					4		
SAS EBT Solution					4		
State In-house EBT Solution			2				
State In-house Acquire Transactive EBT Solution			2				
Multiple-service Outsource EBT Solution					4		
Selective Multiple-service Outsource and In-house EBT Solution				3			
Selective Outsource Acquire Assets EBT Solution				3			
2.	This evaluates the alternative's ability to tap Federal funding sources for design and implementation.						Alternatives being built to meet the current requirements for Texas EBT including other program initiatives are rated higher.
Possible Score:		1	2	3	4	5	
		Unacceptable	Poor	Fair	Good	Excellent	
Stand-alone EBT Environment					4		
Shared EBT Environment				3			
SAS EBT Solution				3			
State In-house EBT Solution						5	
State In-house Acquire Transactive EBT Solution				3			
Multiple-service Outsource EBT Solution			2				
Selective Multiple-service Outsource and In-house EBT Solution					4		
Selective Outsource Acquire Assets EBT Solution				3			

FUNDS MANAGEMENT CRITERIA AND SCORING						NOTES AND COMMENTS
3.	This evaluates the alternative's capability to access alternative funding sources (e.g., deposits on retailer equipment).					Alternatives that provide outsource solutions and which are designed to accommodate current operating parameters are rated higher.
Possible Score:						
	1	2	3	4	5	
	Unacceptable	Poor	Fair	Good	Excellent	
Stand-alone EBT Environment				4		
Shared EBT Environment			3			
SAS EBT Solution			3			
State In-house EBT Solution			3			
State In-house Acquire Transactive EBT Solution			3			
Multiple-service Outsource EBT Solution				4		
Selective Multiple-service Outsource and In-house EBT Solution				4		
Selective Outsource Acquire Assets EBT Solution				4		
4.	This evaluates the alternative's ability to maximize the allocation of funds across multiple agencies.					Alternatives that readily accommodate multiple program initiatives and are flexible for enhancement are rated high.
Possible Score:						
	1	2	3	4	5	
	Unacceptable	Poor	Fair	Good	Excellent	
Stand-alone EBT Environment				4		
Shared EBT Environment		2				
SAS EBT Solution		2				
State In-house EBT Solution					5	
State In-house Acquire Transactive EBT Solution				4		
Multiple-service Outsource EBT Solution			3			
Selective Multiple-service Outsource and In-house EBT Solution				4		
Selective Outsource Acquire Assets EBT Solution				4		

FUNDS MANAGEMENT CRITERIA AND SCORING						NOTES AND COMMENTS
5.	This evaluates the alternative's ability to leverage the existing infrastructure.					Alternatives making use of existing processing infrastructure and commercial payments processes are rated high.
Possible Score:	1	2	3	4	5	
	Unacceptable	Poor	Fair	Good	Excellent	
Stand-alone EBT Environment	2					
Shared EBT Environment	5					
SAS EBT Solution	5					
State In-house EBT Solution	4					
State In-house Acquire Transactive EBT Solution	5					
Multiple-service Outsource EBT Solution	4					
Selective Multiple-service Outsource and In-house EBT Solution	3					
Selective Outsource Acquire Assets EBT Solution	4					
6.	This evaluates the alternative's access to technology without capital investment.					Alternatives based on privatization are rated high.
Possible Score:	1	2	3	4	5	
	Unacceptable	Poor	Fair	Good	Excellent	
Stand-alone EBT Environment	5					
Shared EBT Environment	5					
SAS EBT Solution	5					
State In-house EBT Solution	2					
State In-house Acquire Transactive EBT Solution	2					
Multiple-service Outsource EBT Solution	4					
Selective Multiple-service Outsource and In-house EBT Solution	3					
Selective Outsource Acquire Assets EBT Solution	2					

FUNDS MANAGEMENT CRITERIA AND SCORING						NOTES AND COMMENTS	
7.	This evaluates the alternative's ability to negotiate commercial interchange rates in the best interest of the State and its clients.					Alternatives offering use of commercial infrastructure for transaction acquiring are rated high with the belief that they are positioned to leverage existing commercial interchange processes.	
Possible Score:		1	2	3	4		5
		Unacceptable	Poor	Fair	Good		Excellent
Stand-alone EBT Environment		3					
Shared EBT Environment		4					
SAS EBT Solution		4					
State In-house EBT Solution		3					
State In-house Acquire Transactive EBT Solution		3					
Multiple-service Outsource EBT Solution		5					
Selective Multiple-service Outsource and In-house EBT Solution		5					
Selective Outsource Acquire Assets EBT Solution		5					
8.	This evaluates the alternative's ability to foster a competitive environment.					Alternatives offering a wide range of potential vendors are rated high.	
Possible Score:		1	5	10	15		20
		Unacceptable	Poor	Fair	Good		Excellent
Stand-alone EBT Environment		5					
Shared EBT Environment		5					
SAS EBT Solution		5					
State In-house EBT Solution		5					
State In-house Acquire Transactive EBT Solution		5					
Multiple-service Outsource EBT Solution		20					
Selective Multiple-service Outsource and In-house EBT Solution		20					
Selective Outsource Acquire Assets EBT Solution		20					

Appendix G: EBT System Interfaces

EBT SYSTEM INTERFACES

1. SAVERR / EBT System

This interface is used in a batch mode to allow the Texas Department of Human Services (DHS) to notify the electronic benefits transfer (EBT) system of new client accounts and to post benefits to those accounts. It is also used by the EBT vendor to notify DHS of system activity necessary to manage the financial integrity of the system.

As it currently exists, this is a fairly complex interface. It took significant time to develop and one year of operation to refine to the point where it satisfied all of the intricacies of the System for Application, Verification, Eligibility, Referral, and Reporting (SAVERR) account data. Both the EBT vendor and DHS committed resources to implement this interface. One of the biggest issues of this interface was determining when a Food Stamp client and a Temporary Assistance for Needy Families (TANF) client are one and the same and treating them as a single account in the EBT system. Complex account merge and account split processes had to be developed to address this issue. As a result, this interface is fairly specific to Texas and SAVERR.

2. Local Agency Office / EBT System

This concerns the interface of the EBT administrative terminals that are placed in DHS local offices to support account inquiry, card issuance and expedited benefit issuance with the EBT system. For most of the terminal's operation it is directly on-line with the EBT system via the DHS local area network (LAN)/wide area network (WAN) communications infrastructure. During this mode of operation, the interface is fairly specific to the EBT vendor's choice of implementation. The current vendor uses a Windows-based graphical user interface (GUI) application with client-server architecture to communicate directly with the EBT database. Each office uses a single-purpose stand-alone terminal for this application.

Specific DHS requirements related to synchronization of information between the EBT system and SAVERR required adding a fairly complex transaction posting system to this interface whereby a notification of a transaction is posted for update to SAVERR when client data is directly updated to the EBT system. A transaction sweep process is triggered by the Generic Worksheet (GWS) application in the local office to periodically collect these transactions and send them to the SAVERR system. A tracking system between SAVERR and the EBT System is employed to ensure that all client updates directed to the EBT system are also updated to SAVERR.

Because of the sensitive financial information that flows across this interface, a significant security system is in place requiring passwords, levels of security and a security management officer to control system access.

The person-machine interaction constitutes a significant investment in the user training required for implementation. Throughout the agency, there are probably several thousand people that require some level of training in the use of the administrative terminal. Consequently, a change in its implementation should be evaluated in view of the user base and training requirements.

3. EBT-only POS System / EBT System

This is the interface that allows transactions to flow between the State-supplied EBT-only point-of-sale (POS) devices and the EBT central processing system. It supports a full range of EBT financial transactions, such as purchase requests and the associated response that either approves or denies the transaction. In conjunction with financial transactions, it supports complex error recovery flows, known as reversals. This same interface also supports an array of management transactions such as clerk log-on, clerk password management and transaction processing totals designed to allow the store to track EBT activity.

There is no single standard for this interface, even though the basic data elements and formats are well-defined. The interface will vary depending on the type of equipment being used, the communications infrastructure and the level of integration with other applications. The existing vendor uses a proprietary format that they developed for Texas and their other clients. Other EBT vendors, and transaction acquirers in general, have developed their own proprietary interfaces, all of which accomplish the same basic set of functions.

For this particular interface, EBT has imposed some unique requirements above and beyond what most commercial POS devices provide. This includes recognizing and handling a Food Stamp tender type and formatting Food Stamp-specific transactions. It requires providing support for a Food Stamp return transaction and providing a printed receipt containing the remaining balance of cash and Food Stamp accounts.

4. Third-party Transaction Acquirers / EBT System

This is the interface between third-party acquirers of POS transactions and the EBT central processing system. It accomplishes the same set of financial transaction flows as discussed above for the POS system. However, unlike a direct POS system, this is a central processor-to-central processor interface, where the POS devices being serviced by the third-party are concentrated and communicate over a single communication interface between the third-party's central system and the EBT central system.

A very specific and well-documented transaction format and policy based on International Standards Organization (ISO) 8583 financial transaction standard has been adopted to accomplish this interface. The underlying communication protocol for this message flow may be negotiated between the two parties. However, any third-party wishing to participate in EBT should satisfy this interface standard.

5. Client / POS System

This is the interface between the EBT card and the POS terminal. It currently requires the use of an industry-standard magnetic stripe card encoded with the client's primary account number (PAN) and a personal identification number (PIN). The actual process for use of the card may vary depending on a specific retailer's in-lane procedures, but in general requires swiping the card through a card reader and entering a PIN to complete the transaction request.

This is consistent with commercial practices for magnetic stripe cards and is a widely used and well-understood process. However, any change in technology contemplated for the next-

generation EBT, such as a move to a microprocessor chip card could add to the complexity of this interface. Training may be required for cardholders as well as retail store clerks.

6. ACH Origination Bank / EBT System

This is the interface between the EBT settlement system and the bank system providing automated clearinghouse (ACH) origination services necessary for settlement with EBT system participants. The information flow between these two parties may be negotiated as needed. However, well-defined and documented transaction policies and flows are provided by NACHA (National Automated Clearing House Association) to effect this information transfer. The current Texas EBT vendor makes use of this standard to communicate with its bank partner, as do most other electronic fund transfer (EFT) entities that deal with an electronic settlement process.

7. FNS Minneapolis Data Center / EBT System

This interface is used to provide Food and Nutrition Service (FNS) with retailer Food Stamp redemption information. It is a well-defined and documented batch interface that is supported by all EBT vendors.

8. FNS Retailer Database / EBT System

This interface is used to receive and report FNS-certified retailer information relative to those retailers that are authorized to participate in the EBT system. Its primary purpose is to inform the EBT vendor of any retailer that has been disqualified from participation. It also provides the EBT vendor with a current list of authorized retailers and the retailer data necessary for them to conduct the State's EBT business. This is a well-defined batch on-demand interface consistent for all EBT vendors.

9. Automated Standard Application for Payments (ASAP) System / EBT System

This interface is used to draw funds from the State's Food Stamp letter of credit necessary to settle Food Stamp transactions. It is also used to provide FNS with summary benefit usage data necessary to manage the amount contained in the letter of credit. This is a manual process making use of facsimiles.

10. EBT Call Center / EBT Central System

This interface is necessary to support required interaction between the call center and the central EBT database to allow the call center to respond to account inquiries and effect voice authorizations. Two levels of interface are generally required. The first is between the automated response unit (ARU) equipment and the central database, and the second is between the call center associate and the central database. The ARU interface is for a well-defined set of services such as an account balance inquiry and is typically designed as a request-response transaction-level interface much like a POS transaction. The call center associate interface is more open-ended, requiring more information and interaction with the client database. This is designed similar to EBT administrative terminals, as a client-server interface type.

There are no standards for EBT Call Center/EBT Central System interfaces. The current vendor has implemented the above architecture, but other vendors may choose different strategies.

11. Client / Call Center

This is the interface between the EBT client and the EBT call center/help desk. It accepts toll-free calls to request services, such as account balance inquiries, general assistance with system usage and problem reporting. The interface makes use of automated scripts that receive the initial client call, solicit identification information (such as PANs) and automatically respond to basic requests. More complex requests are routed to a call center associate who will interactively respond to the client request.

12. Retailer / Call Center

This is the interface between the EBT retailer and the EBT call center/help desk. It accepts toll-free calls to request services, such as equipment maintenance requests, general help with using the system and reporting problems. The interface makes use of automated scripts that receive the initial retailer call, solicit identification information (such as FNS number or retailer identification) and automatically respond to certain requests, such as orders for supplies. More complex requests are routed to a call center associate who will interactively respond to the retailer request.

13. Other State Systems / EBT System

Texas EBT has been implemented as a stand-alone environment that does not require interaction or integration with other state automated information systems and processes except as discussed above. This strategy has created an isolated environment and a set of requirements conducive to outsourcing to the private sector.

Some of the State's strategic initiatives, such as Texas Integrated Enrollment and Services (TIES), are aimed at a consolidation of information and one-stop access to TIES data. Implementation of these strategies, to the extent that they will include EBT (which is currently undefined), will require some complexity. The EBT system contains a significant subset of client demographics that is duplicative with other state databases. Further, it contains client information related to benefit usage that could be useful in centralizing client management activities. As the next-generation of EBT is evaluated, the extent of integration of EBT data with other State information resources needs to be considered. Further, the extent of integration related to the use of EBT as a platform for delivery of other services is an issue for discussion.

Throughout this document, in the course of evaluating EBT alternatives, the ability of the alternative to support the State's strategic initiatives has been heavily weighted. In the qualitative evaluation, in-house solutions and those solutions where the State is in the position of determining the full set of requirements for the alternative's implementation are scored higher, based on the belief that the State will achieve a greater degree of flexibility in addressing integration and consolidation issues.

Appendix H: TEAA Stand-alone Cost Model

Texas EBT Short Summary

Stand alone EBT Environment

	Three Case Load Scenarios		
	Minus 20%	Current	Plus 20%
Food Stamp Cases	466,371	582,964	699,557
TANF Cases	114,305	142,881	171,457
Total Cases	580,676	725,845	871,014
Approximate Card Holders	489,232	611,540	733,848
Total Monthly Price*	\$2,015,723	\$2,108,963	\$ 2,202,423
PCPM	\$3.47	\$ 2.91	\$ 2.53

Food Stamp Cost Allocation Percent 80.3%
 TANF Cost Allocation Percent 19.7%

* Price includes vendor markup.

Vendor Markup 20%
 Amortization Period 84

	Case 1 - Minus 20%					Case 2 - Current Case Load					Case 3 - Plus 20%				
	Cost of Operation			Vendor Markup	Price PCPM	Cost of Operation			Vendor Markup	Price PCPM	Cost of Operation			Vendor Markup	Price PCPM
	Investment	Operations	Total			Investment	Operations	Total			Investment	Operations	Total		
Central Processing	\$92,140	\$397,154	\$489,294	\$97,859	\$1.011	\$92,141	\$397,154	\$489,295	\$97,859	\$0.809	\$92,141	\$397,154	\$489,295	\$97,859	\$0.674
Customer Service															
Card, PINs, Training	\$2,380	\$56,327	\$58,707	\$11,741	\$0.121	\$2,381	\$64,426	\$66,807	\$13,361	\$0.110	\$2,381	\$72,712	\$75,093	\$15,019	\$0.103
Call Center / Help Desk	\$39,306	\$373,068	\$412,374	\$82,475	\$0.852	\$39,416	\$418,392	\$457,808	\$91,562	\$0.757	\$39,526	\$463,715	\$503,241	\$100,648	\$0.693
Agency Systems	\$28,088	\$79,248	\$107,336	\$21,467	\$0.222	\$28,088	\$79,248	\$107,336	\$21,467	\$0.177	\$28,088	\$79,248	\$107,336	\$21,467	\$0.148
Retailer Services															
POS Deployment & Servicing	\$89,269	\$122,061	\$211,330	\$42,266	\$0.437	\$89,270	\$122,061	\$211,331	\$42,266	\$0.349	\$89,270	\$122,061	\$211,331	\$42,266	\$0.291
POS Operations	\$9,668	\$350,206	\$359,874	\$71,975	\$0.744	\$9,669	\$364,157	\$373,826	\$74,765	\$0.618	\$9,669	\$378,108	\$387,777	\$77,555	\$0.534
Purchase Transactions	\$0	\$40,854	\$40,854	\$8,171	\$0.084	\$0	\$51,068	\$51,068	\$10,214	\$0.084	\$0	\$61,281	\$61,281	\$12,256	\$0.084
Total for Lone Star Program	\$260,851	\$1,418,918	\$1,679,769	\$335,954	\$3.471	\$260,964	\$1,496,505	\$1,757,469	\$351,494	\$2.906	\$261,074	\$1,574,278	\$1,835,352	\$367,070	\$2.529

Texas EBT Summary Cost Model

Stand Alone EBT System

	Three Case Load Scenarios		
	Minus 20%	Current	Plus 20%
Food Stamp Cases	466,371	582,964	699,557
TANF Cases	114,305	142,881	171,457
Total Cases	580,676	725,845	871,014
Approximate Card Holders	489,232	611,540	733,848

Food Stamp Cost Allocation Percent 80.3%
 TANF Cost Allocation Percent 19.7%

Profit markup 20%
 Amortization Period 84

	Case 1 - Minus 20%						Case 2 - Current Case Load						Case 3 - Plus 20%					
	Investment		Monthly Operations	Est. Staff	Total Per Month	PCPM	Investment		Monthly Operations	Est. Staff	Total Per Month	PCPM	Investment		Monthly Operations	Est. Staff	Total Per Month	PCPM
	Total	Monthly					Total	Monthly					Total	Monthly				
Central Processing																		
Facilities - Primary site	\$942,000	\$11,214	\$59,333	4	\$70,548	\$0.121	\$942,000	\$11,214	\$59,333	4	\$70,548	\$0.097	\$942,000	\$11,214	\$59,333	4	\$70,548	\$0.081
Facilities - Back up site	\$190,000	\$2,262	\$16,367	2	\$18,629	\$0.032	\$190,000	\$2,262	\$16,367	2	\$18,629	\$0.026	\$190,000	\$2,262	\$16,367	2	\$18,629	\$0.021
Hardware (primary & backup)	\$1,900,000	\$22,619	\$41,500	-	\$64,119	\$0.110	\$1,900,000	\$22,619	\$41,500	-	\$64,119	\$0.088	\$1,900,000	\$22,619	\$41,500	-	\$64,119	\$0.074
Software	\$3,675,000	\$43,750	\$31,500	4	\$75,250	\$0.130	\$3,675,000	\$43,750	\$31,500	4	\$75,250	\$0.104	\$3,675,000	\$43,750	\$31,500	4	\$75,250	\$0.086
Operations (Primary & Backup)	\$140,000	\$1,667	\$167,205	32	\$168,871	\$0.291	\$140,000	\$1,667	\$167,205	32	\$168,871	\$0.233	\$140,000	\$1,667	\$167,205	32	\$168,871	\$0.194
Management & Admin.	\$0	\$0	\$49,000	9	\$49,000	\$0.084	\$0	\$0	\$49,000	9	\$49,000	\$0.068	\$0	\$0	\$49,000	9	\$49,000	\$0.056
Uncontrollable costs	\$892,833	\$10,629	\$32,249	-	\$42,878	\$0.074	\$892,833	\$10,629	\$32,249	-	\$42,878	\$0.059	\$892,833	\$10,629	\$32,249	-	\$42,878	\$0.049
Cost for Central Processing	\$7,739,833	\$92,141	\$397,154	51	\$489,295	\$0.843	\$7,739,833	\$92,141	\$397,154	51	\$489,295	\$0.674	\$7,739,833	\$92,141	\$397,154	51	\$489,295	\$0.562
Vendor Markup					\$97,859	\$0.169					\$97,859	\$0.135					\$97,859	\$0.112
Price to Texas					\$587,154	\$1.011					\$587,154	\$0.809					\$587,154	\$0.674
Customer Service																		
Card, PINs, Training																		
New cards (in local office)	\$0	\$0	\$24,460	-	\$24,460	\$0.042	\$0	\$0	\$28,700	-	\$28,700	\$0.040	\$0	\$0	\$32,940	-	\$32,940	\$0.038
Replace Cards (by mail)	\$0	\$0	\$14,857	2.3	\$14,857	\$0.026	\$0	\$0	\$18,571	2.9	\$18,571	\$0.026	\$0	\$0	\$22,286	3.4	\$22,286	\$0.026
PIN Replacements (by mail)	\$0	\$0	\$1,510	0.3	\$1,510	\$0.003	\$0	\$0	\$1,655	0.4	\$1,655	\$0.002	\$0	\$0	\$1,986	0.5	\$1,986	\$0.002
PIN Change (local office)	\$200,000	\$2,381	\$15,500	-	\$17,881	\$0.031	\$200,000	\$2,381	\$15,500	-	\$17,881	\$0.025	\$200,000	\$2,381	\$15,500	-	\$17,881	\$0.021
sub total	\$200,000	\$2,381	\$56,327	2.6	\$58,708	\$0.101	\$200,000	\$2,381	\$64,426	3.3	\$66,807	\$0.092	\$200,000	\$2,381	\$72,712	3.9	\$75,093	\$0.086
Call Center / Help Desk																		
Facility	\$580,000	\$6,905	\$41,250	3	\$48,155	\$0.083	\$580,000	\$6,905	\$41,250	3	\$48,155	\$0.066	\$580,000	\$6,905	\$41,250	3	\$48,155	\$0.055
Hardware	\$2,125,000	\$25,298	\$44,750	-	\$70,048	\$0.121	\$2,125,000	\$25,298	\$44,750	-	\$70,048	\$0.097	\$2,125,000	\$25,298	\$44,750	-	\$70,048	\$0.080
Software	\$175,000	\$2,083	\$8,167	1	\$10,250	\$0.018	\$175,000	\$2,083	\$8,167	1	\$10,250	\$0.014	\$175,000	\$2,083	\$8,167	1	\$10,250	\$0.012
Call Center associates	\$36,850	\$439	\$70,400	42	\$70,839	\$0.122	\$46,062	\$548	\$83,603	51	\$84,151	\$0.116	\$55,273	\$658	\$96,806	60	\$97,464	\$0.112
Communications	\$20,000	\$238	\$151,828	2	\$152,066	\$0.262	\$20,000	\$238	\$183,910	2	\$184,148	\$0.254	\$20,000	\$238	\$215,992	2	\$216,230	\$0.248
Management & Administration	\$0	\$0	\$42,250	8	\$42,250	\$0.073	\$0	\$0	\$42,250	8	\$42,250	\$0.058	\$0	\$0	\$42,250	8	\$42,250	\$0.049
Uncontrollable costs	\$364,905	\$4,344	\$14,424	-	\$18,768	\$0.032	\$364,905	\$4,344	\$14,462	-	\$18,806	\$0.026	\$364,905	\$4,344	\$14,501	-	\$18,845	\$0.022
sub total	\$3,301,755	\$39,307	\$373,068	56	\$412,375	\$0.710	\$3,310,967	\$39,416	\$418,392	65	\$457,808	\$0.631	\$3,320,178	\$39,526	\$463,715	74	\$503,241	\$0.578
Cost for Customer Service	\$3,501,755	\$41,688	\$429,396	58	\$471,083	\$0.811	\$3,510,967	\$41,797	\$482,818	68	\$524,615	\$0.723	\$3,520,178	\$41,907	\$536,427	78	\$578,334	\$0.664
Vendor Markup					\$94,217	\$0.162					\$104,923	\$0.145					\$115,667	\$0.133
Price to Texas					\$565,300	\$0.974					\$629,538	\$0.867					\$694,000	\$0.797
Agency Systems																		
Hardware	\$1,750,000	\$20,833	\$14,583	-	\$35,417	\$0.061	\$1,750,000	\$20,833	\$14,583	-	\$35,417	\$0.049	\$1,750,000	\$20,833	\$14,583	-	\$35,417	\$0.041
Software	\$400,000	\$4,762	\$2,500	0.3	\$7,262	\$0.013	\$400,000	\$4,762	\$2,500	0.3	\$7,262	\$0.010	\$400,000	\$4,762	\$2,500	0.3	\$7,262	\$0.008
Operations	\$0	\$0	\$49,833	2.0	\$49,833	\$0.086	\$0	\$0	\$49,833	2.0	\$49,833	\$0.069	\$0	\$0	\$49,833	2.0	\$49,833	\$0.057
Training	\$100,000	\$1,190	\$2,500	0.5	\$3,690	\$0.006	\$100,000	\$1,190	\$2,500	0.5	\$3,690	\$0.005	\$100,000	\$1,190	\$2,500	0.5	\$3,690	\$0.004
Uncontrollable costs	\$109,405	\$1,302	\$9,831	-	\$11,133	\$0.019	\$109,405	\$1,302	\$9,831	-	\$11,133	\$0.015	\$109,405	\$1,302	\$9,831	-	\$11,133	\$0.013
Cost for Agency Systems	\$2,359,405	\$28,088	\$79,248	2.8	\$107,336	\$0.185	\$2,359,405	\$28,088	\$79,248	2.8	\$107,336	\$0.148	\$2,359,405	\$28,088	\$79,248	2.8	\$107,336	\$0.123
Vendor Markup					\$21,467	\$0.037					\$21,467	\$0.030					\$21,467	\$0.025
Price to Texas					\$128,803	\$0.222					\$128,803	\$0.177					\$128,803	\$0.148
Retailer Services																		
POS Deployment & Servicing																		
Initial Deployment	\$6,626,850	\$78,891	\$0	-	\$78,891	\$0.136	\$6,626,850	\$78,891	\$0	-	\$78,891	\$0.109	\$6,626,850	\$78,891	\$0	-	\$78,891	\$0.091
Maintenance & Servicing	\$520,000	\$6,190	\$90,817	23	\$97,007	\$0.167	\$520,000	\$6,190	\$90,817	23	\$97,007	\$0.134	\$520,000	\$6,190	\$90,817	23	\$97,007	\$0.111
Uncontrollable costs	\$351,796	\$4,188	\$31,244	-	\$35,432	\$0.061	\$351,796	\$4,188	\$31,244	-	\$35,432	\$0.049	\$351,796	\$4,188	\$31,244	\$0	\$35,432	\$0.041
sub total	\$7,498,646	\$89,270	\$122,061	23	\$211,331	\$0.364	\$7,498,646	\$89,270	\$122,061	23	\$211,331	\$0.291	\$7,498,646	\$89,270	\$122,061	23	\$211,331	\$0.243

TEAA Stand Alone Cost Model

	Case 1 - Minus 20%						Case 2 - Current Case Load						Case 3 - Plus 20%					
	Investment		Monthly	Est.	Total	PCPM	Investment		Monthly	Est.	Total	PCPM	Investment		Monthly	Est.	Total	PCPM
	Total	Monthly	Operations	Staff	Per Month		Total	Monthly	Operations	Staff	Per Month		Total	Monthly	Operations	Staff	Per Month	
POS Operations																		
Facility	\$0	\$0	\$0	-	\$0	\$ -	\$0	\$0	\$0	-	\$0	\$ -	\$0	\$0	\$0	-	\$0	\$ -
Software	\$520,000	\$6,190	\$8,000	-	\$14,190	\$0.024	\$520,000	\$6,190	\$8,000	-	\$14,190	\$0.020	\$520,000	\$6,190	\$8,000	-	\$14,190	\$0.016
Communications	\$40,000	\$476	\$255,073	-	\$255,549	\$0.440	\$40,000	\$476	\$266,341	-	\$266,817	\$0.368	\$40,000	\$476	\$277,609	-	\$278,085	\$0.319
Operations	\$0	\$0	\$43,887	2	\$43,887	\$0.076	\$0	\$0	\$46,570	2	\$46,570	\$0.064	\$0	\$0	\$49,252	2	\$49,252	\$0.057
Contract Management	\$0	\$0	\$13,667	4	\$13,667	\$0.024	\$0	\$0	\$13,667	4	\$13,667	\$0.019	\$0	\$0	\$13,667	4	\$13,667	\$0.016
Management & Admin.	\$0	\$0	\$8,333	2	\$8,333	\$0.014	\$0	\$0	\$8,333	2	\$8,333	\$0.011	\$0	\$0	\$8,333	2	\$8,333	\$0.010
Call Center / Help desk	\$75,000	\$893	\$17,863	6	\$18,756	\$0.032	\$75,000	\$893	\$17,863	6	\$18,756	\$0.026	\$75,000	\$893	\$17,863	6	\$18,756	\$0.022
Uncontrollable costs	\$177,154	\$2,109	\$3,384	-	\$5,493	\$0.009	\$177,154	\$2,109	\$3,384	-	\$5,493	\$0.008	\$177,154	\$2,109	\$3,384	-	\$5,493	\$0.006
sub total	\$812,154	\$9,669	\$350,206	14	\$359,874	\$0.620	\$812,154	\$9,669	\$364,157	14	\$373,826	\$0.515	\$812,154	\$9,669	\$378,108	14	\$387,777	\$0.445
Purchase Transactions	\$0	\$0	\$40,854	-	\$40,854	\$0.070	\$0	\$0	\$51,068	-	\$51,068	\$0.070	\$0	\$0	\$61,281	-	\$61,281	\$0.070
Cost for Retailer Services	\$8,310,801	\$98,938	\$513,121	37	\$612,059	\$1.054	\$8,310,801	\$98,938	\$537,286	37	\$636,224	\$0.877	\$8,310,801	\$98,938	\$561,450	37	\$660,388	\$0.758
Vendor Markup					\$122,412	\$0.211					\$127,245	\$0.175					\$132,078	\$0.152
Price to Texas					\$734,471	\$1.265					\$763,468	\$1.052					\$792,466	\$0.910
Total for Lone Star Program																		
Cost for Services	\$21,911,794	\$260,855	\$1,418,918	149	\$1,679,773	\$2.893	\$21,921,005	\$260,964	\$1,496,505	159	\$1,757,469	\$2.421	\$21,930,216	\$261,074	\$1,574,278	169	\$1,835,352	\$2.107
Vendor Markup					\$335,955	\$0.579					\$351,494	\$0.484					\$367,070	\$0.421
Price to Texas					\$2,015,728	\$3.471					\$2,108,963	\$2.906					\$2,202,423	\$2.529

Central Processing

Stand Alone EBT System

	Three Case Load Scenarios		
	Minus 20%	Current	Plus 20%
Food Stamp Cases	466,371	582,964	699,557
TANF Cases	114,305	142,881	171,457
Total Cases	580,676	725,845	871,014
Approximate Card Holders	489,232	611,540	733,848

Amortization Period 84

	Case 1 - Minus 20%				Case 2 - Current Case Load				Case 3 - Plus 20%				Comments and Assumptions
	Investment Total	Monthly	Monthly Operations	Est. Staff	Investment Total	Monthly	Monthly Operations	Est. Staff	Investment Total	Monthly	Monthly Operations	Est. Staff	
Facilities - Primary site													A primary site must be established for EBT central processing and administration. For this model, dedicated to Texas EBT.
Monthly lease			\$11,667				\$11,667				\$11,667		Estimate 10,000 s.f. required at \$14 per foot per year. This is the same for all three estimates.
Build out	\$750,000	\$8,929			\$750,000	\$8,929			\$750,000	\$8,929			Estimate to set up building as data center with raised floor, air conditioning and other lease hold improvements.
Phone & utilities			\$16,667				\$16,667				\$16,667		Estimated utilities and administrative phone costs.
Maintenance			\$9,000				\$9,000				\$9,000		Estimated building maintenance cost of \$.90 per s.f. per month
Equip. & furnishing	\$192,000	\$2,286			\$192,000	\$2,286			\$192,000	\$2,286			Estimate need for 24 offices or cubes at \$8,000 each.
Personnel			\$10,000	4			\$10,000	4			\$10,000	4	1 day time maintenance and three security for 24 hour coverage
Supplies & equip.			\$8,500				\$8,500				\$8,500		Estimate for supplies and equipment to operate data center and administrative site.
Miscellaneous			\$3,500				\$3,500				\$3,500		Estimated miscellaneous on-going building operating costs.
Total	\$942,000	\$11,214	\$59,333	4	\$942,000	\$11,214	\$59,333	4	\$942,000	\$11,214	\$59,333	4	
Facilities - Back up site													Assume that a remote processing backup site will be established similar to what is currently provided to support EBT.
Monthly lease			\$3,500				\$3,500				\$3,500		Estimate 3,000 s.f. required at \$14 per s.f. per year.
Build out	\$150,000	\$1,786			\$150,000	\$1,786			\$150,000	\$1,786			Estimated cost to improve site for use as a data center.
Phone & utilities			\$2,917				\$2,917				\$2,917		Estimated utilities and administrative phone
Maintenance			\$2,700				\$2,700				\$2,700		Estimated building maintenance cost of \$.90 per s.f. per month
Equip. & furnishing	\$40,000	\$476			\$40,000	\$476			\$40,000	\$476			Estimate 5 offices at \$8,000 each.
Personnel			\$3,750	2			\$3,750	2			\$3,750	2	1 day time maintenance and 1 day time security.
Supplies & equip.			\$2,500				\$2,500				\$2,500		Estimate for supplies and equipment to operate data center.
Miscellaneous			\$1,000				\$1,000				\$1,000		Estimated miscellaneous on-going building operating costs.
Total	\$190,000	\$2,262	\$16,367	2	\$190,000	\$2,262	\$16,367	2	\$190,000	\$2,262	\$16,367	2	
Hardware (primary & backup)													Hardware and central processing equipment necessary to support Texas EBT. Estimates are based on current Tri Plex transaction processing environment. Many different configurations are possible.
Processors	\$750,000	\$8,929			\$750,000	\$8,929			\$750,000	\$8,929			Central computers, disk storage, peripherals for primary and remote back up processing.
Communications	\$250,000	\$2,976			\$250,000	\$2,976			\$250,000	\$2,976			Communications equipment necessary to acquire EBT transactions, support all interchange partners, interconnect with backup site and with call center.
LAN / WAN	\$200,000	\$2,381			\$200,000	\$2,381			\$200,000	\$2,381			Equipment necessary to redundantly interconnect all processing components.

	Case 1 - Minus 20%				Case 2 - Current Case Load				Case 3 - Plus 20%				Comments and Assumptions
	Investment Total	Monthly	Monthly Operations	Est. Staff	Investment Total	Monthly	Monthly Operations	Est. Staff	Investment Total	Monthly	Monthly Operations	Est. Staff	
Miscellaneous	\$450,000	\$5,357			\$450,000	\$5,357			\$450,000	\$5,357			Miscellaneous equipment needed to build fully functional primary and backup data centers
Install, set up	\$150,000	\$1,786			\$150,000	\$1,786			\$150,000	\$1,786			Estimate of costs to install test and make ready for production.
licenses	\$100,000	\$1,190	\$3,000		\$100,000	\$1,190	\$3,000		\$100,000	\$1,190	\$3,000		Estimate of software licensing fees for purchased products such as an operating system and a data base manager.
Maintenance			\$38,500				\$38,500				\$38,500		Estimated 28% of base equipment cost per year for hardware maintenance and support.
Total	\$1,900,000	\$22,619	\$41,500	0	\$1,900,000	\$22,619	\$41,500	0	\$1,900,000	\$22,619	\$41,500	0	
Software													Assume that software for EBT will either be built or purchased and modified to serve the specific needs of EBT processing.
Initial development													All estimates for initial development are based on specific experience in development of EBT processing systems.
Acct mgmt	\$1,600,000	\$19,048			\$1,600,000	\$19,048			\$1,600,000	\$19,048			
Settlement	\$750,000	\$8,929			\$750,000	\$8,929			\$750,000	\$8,929			
Administrative	\$0	\$0			\$0	\$0			\$0	\$0			
POS acquiring	\$0	\$0			\$0	\$0			\$0	\$0			
Mgmt & report	\$500,000	\$5,952			\$500,000	\$5,952			\$500,000	\$5,952			
Warehouse	\$350,000	\$4,167			\$350,000	\$4,167			\$350,000	\$4,167			
Conversion	\$350,000	\$4,167			\$350,000	\$4,167			\$350,000	\$4,167			
Maint. Prog.			\$15,000	2			\$15,000	2			\$15,000	2	Two maintenance programmers to support the system 7x24. Estimate \$90,000 per year each, including benefits.
DBA / prog.			\$7,500	1			\$7,500	1			\$7,500	1	One Data Base Administrator (DBA) to manage EBT databases. \$90,000 per year including benefits.
Equip. & supplies	\$125,000	\$1,488	\$1,500		\$125,000	\$1,488	\$1,500		\$125,000	\$1,488	\$1,500		Estimate of equipment and supplies to sustain programming staff.
QA / prog.			\$7,500	1			\$7,500	1			\$7,500	1	One quality assurance programmer to validate system integrity, help trouble shoot problems and provide general system support. \$90,000 per year including benefits.
Total	\$3,675,000	\$43,750	\$31,500	4	\$3,675,000	\$43,750	\$31,500	4	\$3,675,000	\$43,750	\$31,500	4	On-going systems operations necessary to support the system 7x24.
Operations (Primary & Backup)													Expenses necessary to support daily computer operations.
Computer Operations													One systems programmer to manage operating system environment. \$90,000 per year including benefits.
Sys. Programmer			\$7,500	1			\$7,500	1			\$7,500	1	
Operators			\$65,625	21			\$65,625	21			\$65,625	21	Twenty one computer operators and shift supervisors. Three shifts per day, 7 days per week at primary and backup site. \$37,500 each, including benefits.
Mgmt			\$7,500	1			\$7,500	1			\$7,500	1	One Operations manager. \$90,000 per year including benefits.
Training	\$100,000	\$1,190	\$3,000		\$100,000	\$1,190	\$3,000		\$100,000	\$1,190	\$3,000		Estimate for operator training prior to start up and on-going process improvement.
supplies & equip			\$6,500				\$6,500				\$6,500		Estimate for on-going supplies and equipment necessary to sustain continuing computer operations.
Communications													On-going expenses for 7x24 support for the telecommunications infrastructure necessary for EBT.
Comm. Techs			\$15,000	3			\$15,000	3			\$15,000	3	Three communication support technicians. \$60,000 each including benefits.
Mgmt			\$6,667	1			\$6,667	1			\$6,667	1	One communications manager. \$80,000 per year including expenses.
Training	\$20,000	\$238	\$1,500		\$20,000	\$238	\$1,500		\$20,000	\$238	\$1,500		Estimate for training prior to start up and on-going process improvement.

	Case 1 - Minus 20%				Case 2 - Current Case Load				Case 3 - Plus 20%				Comments and Assumptions
	Investment		Monthly	Est.	Investment		Monthly	Est.	Investment		Monthly	Est.	
	Total	Monthly	Operations	Staff	Total	Monthly	Operations	Staff	Total	Monthly	Operations	Staff	
Leased lines			\$27,500				\$27,500				\$27,500		Leased lines necessary to interconnect primary data center, backup data center, call center and TDHS. Eleven T1 lines at \$2500 per month.
Third party certifications			\$5,000	1			\$5,000	1			\$5,000	1	One technician to provide support and certification services for third party processors. \$60,000 per year including benefits.
Recon & Settlement													Expenses necessary to support daily settlement, system balancing, adjustment processing, and voucher reconciliation.
Staff			\$16,667	4			\$16,667	4			\$16,667	4	Four technicians at \$50,000 each per year, including benefits.
Bad debt			\$1,000				\$1,000				\$1,000		Estimate for write off of bad transactions. Based on Texas experience.
CCDMI			\$2,746				\$2,746				\$2,746		Coupon Conversion at 4.25 each average of 645 per month.
Training	\$20,000	\$238	\$1,000		\$20,000	\$238	\$1,000		\$20,000	\$238	\$1,000		Estimate for training prior to start up and on-going process improvement.
Total	\$140,000	\$1,667	\$167,205	32	\$140,000	\$1,667	\$167,205	32	\$140,000	\$1,667	\$167,205	32	
Management & Admin.													Management team for EBT program management.
Project Mgmt			\$13,750	2			\$13,750	2			\$13,750	2	EBT manager and assistant manager for Texas EBT. \$100,000 and \$65,000 respectively, including benefits.
Acc't & finance			\$13,750	3			\$13,750	3			\$13,750	3	Accounting manager and two clerks. \$75,000 AND \$45,000.
HR			\$6,250	1			\$6,250	1			\$6,250	1	One human resource person at \$75,000 including benefits.
Admin. support			\$6,250	3			\$6,250	3			\$6,250	3	Three administrative support staff. \$25,000 each.
Miscellaneous			\$5,000				\$5,000				\$5,000		Estimate for miscellaneous office expenses.
Travel			\$4,000				\$4,000				\$4,000		Estimate for necessary travel.
Total			\$49,000	9			\$49,000	9			\$49,000	9	
Uncontrollable costs													Costs incurred prior to start of live operations. Assumes that on-going operations costs above are incurred for two months prior to live operations.
Start up costs	\$892,833	\$10,629			\$892,833	\$10,629			\$892,833	\$10,629			Estimated at 1% per year of total investment amount.
Taxes & insurance			\$6,450				\$6,450				\$6,450		Estimate using straight line depreciation for amortization period. 8% cost of money assumed.
Cost of capital			\$25,799				\$25,799				\$25,799		
Total	\$892,833	\$10,629	\$32,249	0	\$892,833	\$10,629	\$32,249	0	\$892,833	\$10,629	\$32,249	0	
Total Central System	\$7,739,833	\$92,141	\$397,154	51	\$7,739,833	\$92,141	\$397,154	51	\$7,739,833	\$92,141	\$397,154	51	

Customer Service

Stand Alone EBT System

	Three Case Load Scenarios		
	Minus 20%	Current	Plus 20%
Food Stamp Cases	466,371	582,964	699,557
TANF Cases	114,305	142,881	171,457
Total Cases	580,676	725,845	871,014
Approximate Card Holders	489,232	611,540	733,848

Assumptions - Current Case Load

New cards Issued per month	26,500
Cards replaced per month	15,000
PINs replaced per month	2,200
Associate call minutes / mo.	162,120
ARU call minutes per month.	1,843
Percent automated client calls	96%
Call minutes per card holder per mo.	3.27

Amortization Period		84												
		Case 1 - Minus 20%				Case 2 - Current Case Load				Case 3 - Plus 20%				Comments and Assumptions
		Investment		Monthly	Est.	Investment		Monthly	Est.	Investment		Monthly	Est.	
		Total	Monthly	Operations	Staff	Total	Monthly	Operations	Staff	Total	Monthly	Operations	Staff	
Card, PINs, Training														
	New cards (in local office)													Cards for new clients are issued in local office. Training materials are distributed and explains at this time.
	Cards			\$5,300				\$6,625				\$7,950		Cards and associated materials are \$.25 each.
	Training Materials			\$7,420				\$9,275				\$11,130		Client training materials run about \$.35 each.
	PINs			\$4,240				\$5,300				\$6,360		PINs run about \$.20 each.
	Staff (Agency)			\$0				\$0				\$0		Agency Staff costs are captured in the State costs allocation model and are not a part of the vendor costs.
	Distribution costs			\$7,500				\$7,500				\$7,500		Assume a monthly inventory shipment to each office at \$15.
	Sub total			\$24,460	0			\$28,700	0			\$32,940	0	
	Replace Cards (by mail)													
	Cards & materials			\$4,800				\$6,000				\$7,200		Materials including card, mailer, are about \$.40.
	Postage			\$7,200				\$9,000				\$10,800		Postage and associated materials are \$.60
	Staff (vendor)			\$2,857	2.3			\$3,571	2.9			\$4,286	3.4	Estimate mail clerk can handle 250 cards per day. \$15,000 each per year including benefits.
	Sub total			\$14,857	2.3			\$18,571	2.9			\$22,286	3.4	
	PIN Replacements (by mail)													
	PINs & materials			\$528				\$660				\$792		PIN mailers and materials are about \$.30
	Postage			\$563				\$704				\$845		Postage is \$.32
	Staff (vendor)			\$419	0.3			\$291	0.4			\$349	0.5	Estimate mail clerk can handle 250 PINS per day. \$15,000 each per year including benefits.
	Sub total			\$1,510	0.3			\$1,655	0.4			\$1,986	0.5	
	PIN Change (local office)													Current environment has POS device and PIN pad in each office with a supporting phone line.
	Equipment & install	\$200,000	\$2,381			\$200,000	\$2,381			\$200,000	\$2,381			Device and installation about \$400
	Phone line			\$15,500				\$15,500				\$15,500		\$31 per phone line
	Sub total	\$200,000	\$2,381	\$15,500	0	\$200,000	\$2,381	\$15,500	0	\$200,000	\$2,381	\$15,500	0	
	Total for Cards & PINs	\$200,000	\$2,381	\$56,327	2.6	\$200,000	\$2,381	\$64,426	3.3	\$200,000	\$2,381	\$72,712	3.9	
	Call Center / Help Desk													
	Facility													Assume that a facility will be acquired for Texas EBT call center.
	Monthly lease			\$11,667				\$11,667				\$11,667		Estimate 10,000 s.f. at \$14 per s.f.

	Case 1 - Minus 20%				Case 2 - Current Case Load				Case 3 - Plus 20%				Comments and Assumptions
	Investment		Monthly	Est.	Investment		Monthly	Est.	Investment		Monthly	Est.	
	Total	Monthly	Operations	Staff	Total	Monthly	Operations	Staff	Total	Monthly	Operations	Staff	
Build out	\$500,000	\$5,952			\$500,000	\$5,952			\$500,000	\$5,952			Estimate of leasehold improvements to set up building for call center.
Phone & utilities			\$8,333				\$8,333				\$8,333		Estimated utilities and administrative phone
Maintenance			\$9,000				\$9,000				\$9,000		Maintenance estimated at \$.90 per s.f. per mo.
Equip. & furnishing	\$80,000	\$952			\$80,000	\$952			\$80,000	\$952			Estimated 10 offices & cubes at \$8,000 each
Personnel			\$3,750	3			\$3,750	3			\$3,750	3	1 day time maintenance and 2 security
Supplies & equip.			\$5,000				\$5,000				\$5,000		estimate of monthly office and building supplies
Miscellaneous			\$3,500				\$3,500				\$3,500		estimate of miscellaneous building costs
Sub total	\$580,000	\$6,905	\$41,250	3	\$580,000	\$6,905	\$41,250	3	\$580,000	\$6,905	\$41,250	3	
Hardware													
Processors	\$50,000	\$595			\$50,000	\$595			\$50,000	\$595			Server for call center management systems
Communications	\$350,000	\$4,167			\$350,000	\$4,167			\$350,000	\$4,167			Estimate for call switching system with ACD capabilities, communications gear for interchange with data centers, and necessary ports for connectivity with phone company.
ARU	\$900,000	\$10,714			\$900,000	\$10,714			\$900,000	\$10,714			Estimate for automated answering equipment with excess capacity and redundancy.
Operator seats	\$325,000	\$3,869			\$325,000	\$3,869			\$325,000	\$3,869			Estimate for 65 operator seats at \$5,000 per station.
LAN / WAN	\$50,000	\$595			\$50,000	\$595			\$50,000	\$595			LAN environment to interconnect with primary and backup data centers.
Miscellaneous	\$200,000	\$2,381			\$200,000	\$2,381			\$200,000	\$2,381			Estimate for miscellaneous call center equipment.
Install, set up	\$200,000	\$2,381			\$200,000	\$2,381			\$200,000	\$2,381			Estimate to install and test all equipment prior to going live.
Licenses	\$50,000	\$595	\$1,000		\$50,000	\$595	\$1,000		\$50,000	\$595	\$1,000		Estimate for work station and server licenses.
Maintenance			\$43,750				\$43,750				\$43,750		Estimate for maintenance on hardware components. 28% per year of hardware investment.
Sub Total	\$2,125,000	\$25,298	\$44,750	0	\$2,125,000	\$25,298	\$44,750	0	\$2,125,000	\$25,298	\$44,750	0	
Software													
Initial development													Assumes that software is built or purchased and customized to meet needs of EBT.
Scripts	\$50,000	\$595			\$50,000	\$595			\$50,000	\$595			
Managemt	\$100,000	\$1,190			\$100,000	\$1,190			\$100,000	\$1,190			
Maint. Prog. (2 FTEs)			\$6,667	1			\$6,667	1			\$6,667	1	One maintenance programmers to support 7x24 operation. \$80,000 per year including benefits.
Equip. & supplies	\$25,000	\$298	\$1,500		\$25,000	\$298	\$1,500		\$25,000	\$298	\$1,500		Estimate to support software operations.
Sub total	\$175,000	\$2,083	\$8,167	1	\$175,000	\$2,083	\$8,167	1	\$175,000	\$2,083	\$8,167	1	
Call Center associates													
Staff			\$49,127	37			\$61,409	46			\$73,691	55	Estimate based on 40% operator efficiency, 1,760 working hours per year, actual number of call minutes and a cost of \$16,000 per operator including benefits.
Supervisors			\$14,583	5			\$14,583	5			\$14,583	5	Five supervisors (to cover all shifts in 7x24 process) at \$35,000 including benefits.
Training	\$36,850	\$439	\$3,690		\$46,062	\$548	\$4,611		\$55,273	\$658	\$5,532		Estimate for pre start up operator training and on-going process improvement and operator turn over.
supplies & equip			\$3,000				\$3,000				\$3,000		Estimate of on-going supplies and equipment to support continuing operations.
Sub total	\$36,850	\$439	\$70,400	41.8	\$46,062	\$548	\$83,603	51.1	\$55,273	\$658	\$96,806	60.3	
Communications													
Comm. Technicians			\$10,000	2			\$10,000	2			\$10,000	2	Two communications technicians to support 7x24 operation. \$60,000 each.

	Case 1 - Minus 20%				Case 2 - Current Case Load				Case 3 - Plus 20%				Comments and Assumptions
	Investment		Monthly	Est.	Investment		Monthly	Est.	Investment		Monthly	Est.	
	Total	Monthly	Operations	Staff	Total	Monthly	Operations	Staff	Total	Monthly	Operations	Staff	
Training	\$20,000	\$238	\$1,500		\$20,000	\$238	\$1,500		\$20,000	\$238	\$1,500		Estimate for pre start up training and on-going process improvement
supplies & equip			\$2,000				\$2,000				\$2,000		Estimate to support communications.
800 phone service			\$128,328				\$160,410				\$192,492		Actual connect minutes at \$.08 per minute.
line charges			\$10,000				\$10,000				\$10,000		Estimate for incoming T1 voice lines.
Sub total	\$20,000	\$238	\$151,828	2	\$20,000	\$238	\$183,910	2	\$20,000	\$238	\$215,992	2	
Management & Administration													
Management			\$19,167	3			\$19,167	3			\$19,167	3	General manager at \$100,000 and two assistant managers at \$65,000.
Quality Assurance			\$5,000	1			\$5,000	1			\$5,000	1	One at \$80,000 including benefits.
HR professional			\$5,417	1			\$5,417	1			\$5,417	1	One at \$65,000 including benefits.
Admin. support			\$4,167	2			\$4,167	2			\$4,167	2	Two at \$25,000 each including benefits.
Miscellaneous exp.			\$3,500				\$3,500				\$3,500		Estimate for miscellaneous management expenses.
Training professional			\$5,000	1			\$5,000	1			\$5,000	1	One at \$80,000 including benefits.
sub total			\$42,250	8			\$42,250	8			\$42,250	8	
Uncontrollable costs													
Start up costs	\$364,905	\$4,344			\$364,905	\$4,344			\$364,905	\$4,344			Costs incurred prior to start of live operations. Assumes that on-going operations costs above are incurred for two months prior to live operations.
Taxes & insurance			\$2,751				\$2,759				\$2,767		Estimated at 1% per year of total investment amount.
Cost of capital			\$11,673				\$11,703				\$11,734		Estimate using straight line depreciation for amortization period. 8% cost of money assumed.
sub total	\$364,905	\$4,344	\$14,424	0	\$364,905	\$4,344	\$14,462	0	\$364,905	\$4,344	\$14,501	0	
Total for Help Desk	\$3,301,755	\$39,307	\$373,068	56	\$3,310,967	\$39,416	\$418,392	65	\$3,320,178	\$39,526	\$463,715	74	
Total for Customer Service	\$3,501,755	\$41,688	\$429,396	58	\$3,510,967	\$41,797	\$482,818	68	\$3,520,178	\$41,907	\$536,427	78	

Agency Systems

Stand Alone EBT System

	Three Case Load Scenarios		
	Minus 20%	Current	Plus 20%
Food Stamp Cases	466,371	582,964	699,557
TANF Cases	114,305	142,881	171,457
Total Cases	580,676	725,845	871,014
Approximate Card Holders	489,232	611,540	733,848

Assumptions
Agency offices 500

Depreciation Period 84

	Case 1 - Minus 20%				Case 2 - Current Case Load				Case 3 - Plus 20%				Comments and Assumptions
	Investment Total	Monthly	Monthly Operations	Est. Staff	Investment Total	Monthly	Monthly Operations	Est. Staff	Investment Total	Monthly	Monthly Operations	Est. Staff	
Hardware													
PCs	\$1,750,000	\$20,833			\$1,750,000	\$20,833			\$1,750,000	\$20,833			PC with windows in each office for EBT administrative functions. \$3,500 each installed.
Maintenance			\$14,583				\$14,583				\$14,583		Maintenance on PCs estimated at 10% per year of total cost.
Sub Total	\$1,750,000	\$20,833	\$14,583	0	\$1,750,000	\$20,833	\$14,583	0	\$1,750,000	\$20,833	\$14,583	0	
Software													
Initial development													
Admin. Terms	\$400,000	\$4,762			\$400,000	\$4,762			\$400,000	\$4,762			Estimate based on experience to build an administrative terminal application.
SAVERR (Agency)	\$0		\$0		\$0		\$0		\$0		\$0		Costs for modifications to SAVERR are not part of vendor costs and are included in State cost allocation.
Maint. Prog. (1/3 FTE)			\$2,500	0.3			\$2,500	0.3			\$2,500	0.3	An estimate of programmer time to support the administrative terminal application.
Sub Total	\$400,000	\$4,762	\$2,500	0.3	\$400,000	\$4,762	\$2,500	0.3	\$400,000	\$4,762	\$2,500	0.3	
Operations													
Communications													
PC Techs (2 FTE)			\$8,333	2			\$8,333	2			\$8,333	2	Two technicians to handle administrative terminal problems. \$50,000 each including benefits.
LAN / WAN			\$40,000				\$40,000				\$40,000		Estimate of amount currently being paid to Texas for use of DHS LAN / WAN.
Miscellaneous			\$1,500				\$1,500				\$1,500		Estimate of miscellaneous expenses related to administrative network.
Sub Total	\$0	\$0	\$49,833	2	\$0	\$0	\$49,833	2	\$0	\$0	\$49,833	2	
Training													
Agency Staff	\$100,000	\$1,190	\$2,500	0.5	\$100,000	\$1,190	\$2,500	0.5	\$100,000	\$1,190	\$2,500	0.5	Estimate of cost for agency staff training. Initially, provide training to EBT clerks. On on-going basis, provide train the trainer assistance or computer based training. Other training costs are covered in State cost allocation.

TEAA Stand Alone Cost Model

	Case 1 - Minus 20%				Case 2 - Current Case Load				Case 3 - Plus 20%				Comments and Assumptions
	Investment Total	Monthly	Monthly Operations	Est. Staff	Investment Total	Monthly	Monthly Operations	Est. Staff	Investment Total	Monthly	Monthly Operations	Est. Staff	
Sub Total	\$100,000	\$1,190	\$2,500	0.5	\$100,000	\$1,190	\$2,500	0.5	\$100,000	\$1,190	\$2,500	0.5	
Uncontrollable costs													
Start up costs	\$109,405	\$1,302			\$109,405	\$1,302			\$109,405	\$1,302			Costs incurred prior to start of live operations. Assumes that on-gong operations costs above are incurred for two months prior to live operations.
Taxes & insurance			\$1,966				\$1,966				\$1,966		Estimated at 1% per year of total investment amount.
Cost of capital			\$7,865				\$7,865				\$7,865		Estimate using straight line depreciation for amortization period. 8% cost of money assumed.
Sub Total	\$109,405	\$1,302	\$9,831	0	\$109,405	\$1,302	\$9,831	0	\$109,405	\$1,302	\$9,831	0	
Total for Agency Systems	\$2,359,405	\$28,088	\$79,248	2.8	\$2,359,405	\$28,088	\$79,248	2.8	\$2,359,405	\$28,088	\$79,248	2.8	

Retailer Services

Stand Alone EBT System

	Three Case Load Scenarios		
	Minus 20%	Current	Plus 20%
Food Stamp Cases	466,371	582,964	699,557
TANF Cases	114,305	142,881	171,457
Total Cases	580,676	725,845	871,014
Approximate Card Holders	489,232	611,540	733,848

Assumptions - Current Case Load

Total POS Transactions	5,962
Pct. from Private third parties	30%
Pct. from Public third parties	25%
Total food Transactions	5,629
Percent approved	92.6%
Total Cash Transactions	333
Percent approved	84.2%
Average Trans. / card holder	9.75
Retailers equipped by State	10,610
Terminals provided by State	13,000
Phone lines provided by State	7,000
Retailer calls minutes per month	49,917
Retailer operator minutes / mo.	21,770
Terminal repairs / month	600
Pct. Trans from State POS	45%

	Total	Approved
Food transactions per food case	9.66	8.94
Cash Transactions per cash case	2.33	1.96

Amortization Period 84

	Case 1 - Minus 20%				Case 2 - Current Case Load				Case 3 - Plus 20%				Comments and Assumptions
	Investment		Monthly	Est.	Investment		Monthly	Est.	Investment		Monthly	Est.	
	Total	Monthly	Operations	Staff	Total	Monthly	Operations	Staff	Total	Monthly	Operations	Staff	
POS Deployment & Servicing													
Initial Deployment													Assume that under a new procurement, the POS network would have to be redeployed.
Hardware	\$5,200,000	\$61,905			\$5,200,000	\$61,905			\$5,200,000	\$61,905			Actual devices being used in Texas estimated at \$400 including shipping, handling, software load, testing..
Equip. Installation	\$795,750	\$9,473			\$795,750	\$9,473			\$795,750	\$9,473			Estimate about \$75 per site to install equipment.
Phone Installation	\$525,000	\$6,250			\$525,000	\$6,250			\$525,000	\$6,250			Actual phone lines at a cost of \$75 to install.
Retailer Training	\$106,100	\$1,263			\$106,100	\$1,263			\$106,100	\$1,263			Most training is done as part of install. Other costs (materials, contracts, etc.) \$10 per retailer.
Sub total	\$6,626,850	\$78,891		0	\$6,626,850	\$78,891		0	\$6,626,850	\$78,891		0	Requirement is to repair or replace defective device in 24 hours. Waiver allows replace by mail if retailer agrees. (Ship overnight on next business day or sooner.)
Maintenance & Servicing													
Facility lease			\$1,167				\$1,167				\$1,167		1000 s.f. at \$14 per s.f.
Vehicles			\$8,400				\$8,400				\$8,400		Lease 12 vehicles at \$700 per month including fuel and maintenance.
Service Techs			\$35,000	12			\$35,000	12			\$35,000	12	Twelve field service technicians to service defective devices. \$35,000 each including benefits.

TEAA Stand Alone Cost Model

	Case 1 - Minus 20%				Case 2 - Current Case Load				Case 3 - Plus 20%				Comments and Assumptions
	Investment Total	Monthly	Monthly Operations	Est. Staff	Investment Total	Monthly	Monthly Operations	Est. Staff	Investment Total	Monthly	Monthly Operations	Est. Staff	
Dispatchers			\$14,583	5			\$14,583	5			\$14,583	5	Five dispatchers to manage retailer service requests and track service. \$35,000 each including benefits.
Management			\$8,333	2			\$8,333	2			\$8,333	2	
Admin. support			\$2,083	1			\$2,083	1			\$2,083	1	One administrative support at \$25,000 including benefits.
Phone Techs			\$8,750	3			\$8,750	3			\$8,750	3	Three phone technicians to handle phone help requests. \$35,000 each.
Equip. & supplies	\$520,000	\$6,190	\$6,500		\$520,000	\$6,190	\$6,500		\$520,000	\$6,190	\$6,500		Initial spare equipment base of 10% plus an estimated \$.50 in on-gong supplies per terminal.
Shipping & handling			\$ 6,000				\$ 6,000				\$ 6,000		Estimated cost of replacement by mail at \$40 per replacement. 25% of service calls handled through mail.
Sub total	\$520,000	\$6,190	\$90,817	23	\$520,000	\$6,190	\$90,817	23	\$520,000	\$6,190	\$90,817	23	
Uncontrollable costs													
Start up costs	\$351,796	\$4,188			\$351,796	\$4,188			\$351,796	\$4,188			Costs incurred prior to start of live operations. Assumes that on-gong operations costs above are incurred for two months prior to live operations. Exception are charges directly related to POS transactions.
Taxes & insurance			\$6,249				\$6,249				\$6,249		Estimated at 1% per year of total investment amount.
Cost of capital			\$24,995				\$24,995				\$24,995		Estimate using straight line depreciation for amortization period. 8% cost of money assumed.
Sub total	\$351,796	\$4,188	\$31,244	0	\$351,796	\$4,188	\$31,244	0	\$351,796	\$4,188	\$31,244	0	
Total for Deploy & Service	\$7,498,646	\$89,270	\$122,061	23	\$7,498,646	\$89,270	\$122,061	23	\$7,498,646	\$89,270	\$122,061	23	
POS Operations													
Facility			\$0				\$0				\$0		Assume POS operations will co-exist with central processing and consequently will not have a separate facility.
Sub total			\$0	0			\$0	0			\$0	0	
Software													
Development	\$500,000	\$5,952			\$500,000	\$5,952			\$500,000	\$5,952			Estimate based on experience for POS load image and POS terminal driving software.
Maint. Prog.			\$7,500	1			\$7,500	1			\$7,500	1	One maintenance programmer at \$90,000 including benefits.
Equip. & Supplies	\$10,000	\$119	\$500		\$10,000	\$119	\$500		\$10,000	\$119	\$500		Initial development environment plus estimate for on-going supplies.
Licenses	\$10,000	\$119			\$10,000	\$119			\$10,000	\$119			Estimate for license for development tools.
Sub total	\$520,000	\$6,190	\$8,000	0	\$520,000	\$6,190	\$8,000	0	\$520,000	\$6,190	\$8,000	0	
Communications													
Equipment	\$40,000	\$476			\$40,000	\$476			\$40,000	\$476			Estimate for modem bank to handle down load processing.

TEAA Stand Alone Cost Model

	Case 1 - Minus 20%				Case 2 - Current Case Load				Case 3 - Plus 20%				Comments and Assumptions
	Investment Total	Monthly	Monthly Operations	Est. Staff	Investment Total	Monthly	Monthly Operations	Est. Staff	Investment Total	Monthly	Monthly Operations	Est. Staff	
Retailer phone lines			\$210,000				\$210,000				\$210,000		Monthly charge for phone lines placed in retail stores. \$30 each.
Transaction charges			\$45,073				\$56,341				\$67,609		Cost to move transaction from POS device to central processing. Estimated at \$.021 per transaction using actual transaction counts.
Sub Total	\$40,000	\$476	\$255,073	0	\$40,000	\$476	\$266,341	0	\$40,000	\$476	\$277,609	0	
Operations													
ACH fees			\$15,155				\$15,155				\$15,155		Settlement to retailers. \$.05 per transaction to 10,000 retailers seven days per week.
POS Supplies			\$10,732				\$13,415				\$16,097		\$.005 per transaction for POS ribbons and paper. Assume handled as a credit to retailer.
Comm Techs.			\$10,000	2			\$10,000	2			\$10,000	2	Two communications technicians to manage and monitor the POS network, handle problems. \$60,000 each per year including benefits.
TPP Communications			\$6,000				\$6,000				\$6,000		Comm. lines for third parties. Twelve at \$500 each per month.
Equip. & Supplies			\$2,000				\$2,000				\$2,000		Two communications technicians to manage and monitor the POS network, handle problems. \$60,000 each per year including benefits.
Sub total	\$0	\$0	\$43,887	2	\$0	\$0	\$46,570	2	\$0	\$0	\$49,252	2	
Contract Management													
Staff			\$11,667	4			\$11,667	4			\$11,667	4	Four clerks to manage the 12,000 plus retailer contracts. \$35,000 each.
Equip. & Supplies			\$2,000				\$2,000				\$2,000		Estimate for on-going supplies.
Sub total	\$0	\$0	\$13,667	4	\$0	\$0	\$13,667	4	\$0	\$0	\$13,667	4	
Management & Admin.													
Management (1 FTE)			\$6,250	1			\$6,250	1			\$6,250	1	One general manager at \$75,000.
Admin. support (1 FTE)			\$2,083	1			\$2,083	1			\$2,083	1	One administrative support at \$25,000
Sub total	\$0	\$0	\$8,333	2	\$0	\$0	\$8,333	2	\$0	\$0	\$8,333	2	
Call Center / Help desk													
Equipment	\$75,000	\$893	\$1,500		\$75,000	\$893	\$1,500		\$75,000	\$893	\$1,500		Estimate for equipment to handle retailer calls.
1-800 service			\$3,993				\$3,993				\$3,993		Actual call minutes at \$.08 per minute.
Associates			\$12,369	6			\$12,369	6			\$12,369	6	Actual call minutes, 40% operator efficiency, 1760 available hours per year, \$24,000 per person
Sub total	\$75,000	\$893	\$17,863	6	\$75,000	\$893	\$17,863	6	\$75,000	\$893	\$17,863	6	
Uncontrollable costs													
Start up costs	\$177,154	\$2,109			\$177,154	\$2,109			\$177,154	\$2,109			Costs incurred prior to start of live operations. Assumes that on-gong operations costs above are incurred for two months prior to live operations. Exception are charges directly related to POS transactions.
Taxes & insurance			\$677				\$677				\$677		Estimated at 1% per year of total investment amount.

TEAA Stand Alone Cost Model

	Case 1 - Minus 20%				Case 2 - Current Case Load				Case 3 - Plus 20%				Comments and Assumptions
	Investment Total	Monthly	Monthly Operations	Est. Staff	Investment Total	Monthly	Monthly Operations	Est. Staff	Investment Total	Monthly	Monthly Operations	Est. Staff	
Cost of capital			\$2,707				\$2,707				\$2,707		Estimate using straight line depreciation for amortization period. 8% cost of money assumed.
Sub total	\$177,154	\$2,109	\$3,384	0	\$177,154	\$2,109	\$3,384	0	\$177,154	\$2,109	\$3,384	0	
Total for POS Operation	\$812,154	\$9,669	\$350,206	14	\$812,154	\$9,669	\$364,157	14	\$812,154	\$9,669	\$378,108	14	
Purchase Transactions													
Commercial TPP			\$27,604				\$34,505				\$41,406		Actual commercial TPP transactions at \$.025 per transaction.
Proprietary TPP			\$13,250				\$16,562				\$19,875		Actual proprietary TPP transactions at \$.01 per transaction.
Total for purchase	\$0	\$0	\$40,854	0	\$0	\$0	\$51,068	0	\$0	\$0	\$61,281	0	
Total for Retailer Services	\$8,310,801	\$98,938	\$513,121	37	\$8,310,801	\$98,938	\$537,286	37	\$8,310,801	\$98,938	\$561,450	37	

Appendix I: TEAA Shared EBT Cost Model

Texas EBT Short Summary

Shared Processing Environment

	Three Case Load Scenarios		
	Small	Medium	Large
Food Stamp Cases	800,000	1,600,000	2,400,000
TANF Cases	200,000	400,000	600,000
Total Cases	1,000,000	2,000,000	3,000,000
Approximate Card Holders	840,000	1,680,000	2,520,000
Total Texas Cases	725,845	725,845	725,845
Total Monthly Price to Texas*	\$ 1,937,834	\$ 1,642,527	\$ 1,528,080
PCPM	\$2.670	\$2.263	\$2.105

Food Stamp Cost Allocation Percent 80.0%
 TANF Cost Allocation Percent 20.0%

* Note - The price to Texas is the product of the number of Texas cases times the PCPM calculated for the shared environment. Vendor markup is included.

Vendor Markup 20%
 Amortization Period 84

	Case 1 - Small					Case 2 - Medium					Case 3 - Large				
	Cost of Operation			Vendor Markup	Price PCPM	Cost of Operation			Vendor Markup	Price PCPM	Cost of Operation			Vendor Markup	Price PCPM
	Investment	Operations	Total			Investment	Operations	Total			Investment	Operations	Total		
Central Processing	\$108,669	\$473,089	\$581,757	\$116,351	\$ 0.698	\$119,313	\$578,102	\$697,415	\$139,483	\$ 0.418	\$129,429	\$658,159	\$787,588	\$157,518	\$ 0.315
Customer Service															
Card, PINs, Training	\$3,284	\$89,185	\$92,469	\$18,494	\$ 0.111	\$6,568	\$178,370	\$184,938	\$36,988	\$ 0.111	\$9,852	\$267,555	\$277,408	\$55,482	\$ 0.111
Call Center / Help Desk	\$43,708	\$525,030	\$568,739	\$113,748	\$ 0.682	\$58,989	\$917,461	\$976,450	\$195,290	\$ 0.586	\$73,864	\$1,290,249	\$1,364,113	\$272,823	\$ 0.546
Agency Systems	\$37,516	\$108,898	\$146,414	\$29,283	\$ 0.176	\$70,058	\$210,888	\$280,947	\$56,189	\$ 0.169	\$102,600	\$312,879	\$415,479	\$83,096	\$ 0.166
Retailer Services															
POS Deployment & Servicing	\$122,673	\$148,990	\$271,663	\$54,333	\$ 0.326	\$245,191	\$291,426	\$536,617	\$107,323	\$ 0.322	\$367,738	\$435,038	\$802,776	\$160,555	\$ 0.321
POS Operations	\$9,977	\$483,345	\$493,322	\$98,664	\$ 0.592	\$12,713	\$941,572	\$954,285	\$190,857	\$ 0.573	\$14,904	\$1,389,524	\$1,404,429	\$280,886	\$ 0.562
Purchase Transactions	\$0	\$70,438	\$70,438	\$14,088	\$ 0.085	\$0	\$140,876	\$140,876	\$28,175	\$ 0.085	\$0	\$211,314	\$211,314	\$42,263	\$ 0.085
Total for Shared Programs	\$325,828	\$1,898,975	\$2,224,803	\$444,961	\$ 2.670	\$512,833	\$3,258,695	\$3,771,528	\$754,306	\$ 2.263	\$698,387	\$4,564,719	\$5,263,106	\$1,052,621	\$ 2.105

Texas EBT Summary Cost Model

Shared Processing Environment

	Three Case Load Scenarios		
	Small	Medium	Large
Food Stamp Cases	800,000	1,600,000	2,400,000
TANF Cases	200,000	400,000	600,000
Total Cases	1,000,000	2,000,000	3,000,000
Approximate Card Holders	840,000	1,680,000	2,520,000

Food Stamp Cost Allocation Percent 80.0%
 TANF Cost Allocation Percent 20.0%

Profit markup 20%
 Amortization Period 84

	Case 1 - Small						Case 2 - Medium						Case 3 - Large					
	Investment		Monthly Operations	Est. Staff	Total		Investment		Monthly Operations	Est. Staff	Total		Investment		Monthly Operations	Est. Staff	Total	
	Total	Monthly			Per Month	PCPM	Total	Monthly			Per Month	PCPM	Total	Monthly			Per Month	PCPM
Central Processing																		
Facilities - Primary site	\$1,240,000	\$14,762	\$83,500	5	\$98,262	\$ 0.098	\$1,240,000	\$14,762	\$83,500	5	\$98,262	\$0.049	\$1,240,000	\$14,762	\$83,500	5	\$98,262	\$0.033
Facilities - Back up site	\$256,000	\$3,048	\$22,850	2	\$25,898	\$ 0.026	\$256,000	\$3,048	\$22,850	2	\$25,898	\$0.013	\$256,000	\$3,048	\$22,850	2	\$25,898	\$0.009
Hardware (primary & backup)	\$2,350,000	\$27,976	\$50,833	-	\$78,810	\$ 0.079	\$2,725,000	\$32,440	\$58,417	-	\$90,857	\$0.045	\$3,100,000	\$36,905	\$66,000	-	\$102,905	\$0.034
Software	\$4,050,000	\$48,214	\$39,500	5	\$87,714	\$ 0.088	\$4,325,000	\$51,488	\$62,500	8	\$113,988	\$0.057	\$4,600,000	\$54,762	\$78,000	10	\$132,762	\$0.044
Operations (Primary & Backup)	\$170,000	\$2,024	\$188,788	36	\$190,812	\$ 0.191	\$190,000	\$2,262	\$242,284	45	\$244,546	\$0.122	\$215,000	\$2,560	\$278,530	51	\$281,090	\$0.094
Management & Admin.	\$0	\$0	\$49,583	9	\$49,583	\$ 0.050	\$0	\$0	\$69,583	13	\$69,583	\$0.035	\$0	\$0	\$89,583	17	\$89,583	\$0.030
Uncontrollable costs	\$1,062,157	\$12,645	\$38,034	-	\$50,679	\$ 0.051	\$1,286,268	\$15,313	\$38,968	-	\$54,281	\$0.027	\$1,460,999	\$17,393	\$39,696	-	\$57,089	\$0.019
Cost for Central Processing	\$9,128,157	\$108,669	\$473,089	57	\$581,757	\$ 0.582	\$10,022,268	\$119,313	\$578,102	73	\$697,415	\$0.349	\$10,871,999	\$129,429	\$658,159	85	\$787,588	\$0.263
Vendor Markup					\$116,351	\$ 0.116					\$139,483	\$0.070					\$157,518	\$0.053
Price to Texas					\$698,108	\$ 0.698					\$836,897	\$0.418					\$945,106	\$0.315
Customer Service																		
Card, PINs, Training																		
New cards (in local office)	\$0	\$0	\$39,586	-	\$39,586	\$ 0.040	\$0	\$0	\$79,172	-	\$79,172	\$0.040	\$0	\$0	\$118,759	-	\$118,759	\$0.040
Replace Cards (by mail)	\$0	\$0	\$25,616	3.9	\$25,616	\$ 0.026	\$0	\$0	\$51,232	7.9	\$51,232	\$0.026	\$0	\$0	\$76,847	11.8	\$76,847	\$0.026
PIN Replacements (by mail)	\$0	\$0	\$2,604	0.6	\$2,604	\$ 0.003	\$0	\$0	\$5,208	1.2	\$5,208	\$0.003	\$0	\$0	\$7,812	1.7	\$7,812	\$0.003
PIN Change (local office)	\$275,862	\$3,284	\$21,379	-	\$24,663	\$ 0.025	\$551,724	\$6,568	\$42,759	-	\$49,327	\$0.025	\$827,586	\$9,852	\$64,138	-	\$73,990	\$0.025
sub total	\$275,862	\$3,284	\$89,185	4.5	\$92,469	\$ 0.092	\$551,724	\$6,568	\$178,370	9.0	\$184,938	\$0.092	\$827,586	\$9,852	\$267,555	13.6	\$277,408	\$0.092
Call Center / Help Desk																		
Facility	\$720,000	\$8,571	\$57,250	4	\$65,821	\$ 0.066	\$720,000	\$8,571	\$57,250	4	\$65,821	\$0.033	\$720,000	\$8,571	\$57,250	4	\$65,821	\$0.022
Hardware	\$2,270,575	\$27,031	\$48,147	-	\$75,177	\$ 0.075	\$3,321,149	\$39,537	\$71,643	-	\$111,181	\$0.056	\$4,371,724	\$52,044	\$95,140	-	\$147,185	\$0.049
Software	\$185,000	\$2,202	\$8,167	1	\$10,369	\$ 0.010	\$215,000	\$2,560	\$15,333	2	\$17,893	\$0.009	\$240,000	\$2,857	\$15,583	2	\$18,440	\$0.006
Call Center associates	\$63,531	\$756	\$107,411	68	\$108,168	\$ 0.108	\$127,062	\$1,513	\$211,323	136	\$212,836	\$0.106	\$190,593	\$2,269	\$313,234	203	\$315,503	\$0.105
Communications	\$20,000	\$238	\$244,755	2	\$244,993	\$ 0.245	\$20,000	\$238	\$474,259	3	\$474,497	\$0.237	\$20,000	\$238	\$697,764	3	\$698,002	\$0.233
Management & Administrative	\$0	\$0	\$43,083	8	\$43,083	\$ 0.043	\$0	\$0	\$65,167	12	\$65,167	\$0.033	\$0	\$0	\$82,667	16	\$82,667	\$0.028
Uncontrollable costs	\$412,402	\$4,910	\$16,217	-	\$21,127	\$ 0.021	\$551,874	\$6,570	\$22,485	-	\$29,055	\$0.015	\$662,226	\$7,884	\$28,611	-	\$36,495	\$0.012
sub total	\$3,671,508	\$43,708	\$525,030	83	\$568,739	\$ 0.569	\$4,955,085	\$58,989	\$917,461	157	\$976,450	\$0.488	\$6,204,543	\$73,864	\$1,290,249	228	\$1,364,113	\$0.455
Cost for Customer Service	\$3,947,370	\$46,993	\$614,216	87	\$661,208	\$ 0.661	\$5,506,809	\$65,557	\$1,095,831	166	\$1,161,389	\$0.581	\$7,032,129	\$83,716	\$1,557,805	242	\$1,641,521	\$0.547
Vendor Markup					\$132,242	\$ 0.132					\$232,278	\$0.116					\$328,304	\$0.109
Price to Texas					\$793,450	\$ 0.793					\$1,393,666	\$0.697					\$1,969,825	\$0.657
Agency Systems																		
Hardware	\$2,413,793	\$28,736	\$20,115	-	\$48,851	\$ 0.049	\$4,827,586	\$57,471	\$40,230	-	\$97,701	\$0.049	\$7,241,379	\$86,207	\$60,345	-	\$146,552	\$0.049
Software	\$450,000	\$5,357	\$3,750	0.5	\$9,107	\$ 0.009	\$500,000	\$5,952	\$7,500	1.0	\$13,452	\$0.007	\$550,000	\$6,548	\$11,250	1.5	\$17,798	\$0.006
Operations	\$0	\$0	\$65,006	2.0	\$65,006	\$ 0.065	\$0	\$0	\$124,845	3.0	\$124,845	\$0.062	\$0	\$0	\$184,684	4.0	\$184,684	\$0.062
Training	\$137,931	\$1,642	\$6,897	0.5	\$8,539	\$ 0.009	\$275,862	\$3,284	\$13,793	0.5	\$17,077	\$0.009	\$413,793	\$4,926	\$20,690	0.5	\$25,616	\$0.009
Uncontrollable costs	\$149,659	\$1,782	\$13,131	-	\$14,912	\$ 0.015	\$281,461	\$3,351	\$24,520	-	\$27,871	\$0.014	\$413,264	\$4,920	\$35,910	-	\$40,830	\$0.014
Cost for Agency Systems	\$3,151,383	\$37,516	\$108,898	3.0	\$146,414	\$ 0.146	\$5,884,910	\$70,058	\$210,888	4.5	\$280,947	\$0.140	\$8,618,436	\$102,600	\$312,879	6.0	\$415,479	\$0.138
Vendor Markup					\$29,283	\$ 0.029					\$56,189	\$0.028					\$83,096	\$0.028
Price to Texas					\$175,697	\$ 0.176					\$337,136	\$0.169					\$498,575	\$0.166
Retailer Services																		
POS Deployment & Servicing																		
Initial Deployment	\$9,140,483	\$108,815	\$0	-	\$108,815	\$ 0.109	\$18,280,966	\$217,631	\$0	-	\$217,631	\$0.109	\$27,421,448	\$326,446	\$0	-	\$326,446	\$0.109
Maintenance & Servicing	\$717,241	\$8,539	\$106,054	25	\$114,593	\$ 0.115	\$1,434,483	\$17,077	\$205,609	49	\$222,686	\$0.111	\$2,151,724	\$25,616	\$306,330	73	\$331,946	\$0.111
Uncontrollable costs	\$446,817	\$5,319	\$42,936	-	\$48,255	\$ 0.048	\$880,633	\$10,484	\$85,817	-	\$96,301	\$0.048	\$1,316,783	\$15,676	\$128,708	\$0	\$144,384	\$0.048
sub total	\$10,304,541	\$122,673	\$148,990	25	\$271,663	\$ 0.272	\$20,596,082	\$245,191	\$291,426	49	\$536,617	\$0.268	\$30,889,956	\$367,738	\$435,038	73	\$802,776	\$0.268

TEAA Shared Cost Model

	Case 1 - Small						Case 2 - Medium						Case 3 - Large					
	Investment		Monthly Operations	Est. Staff	Total Per Month	PCPM	Investment		Monthly Operations	Est. Staff	Total Per Month	PCPM	Investment		Monthly Operations	Est. Staff	Total Per Month	PCPM
	Total	Monthly					Total	Monthly					Total	Monthly				
POS Operations																		
Facility	\$0	\$0	\$0	-	\$0	\$ -	\$0	\$0	\$0	-	\$0	\$ -	\$0	\$0	\$0	-	\$0	\$ -
Software	\$520,000	\$6,190	\$8,000	-	\$14,190	\$ 0.014	\$520,000	\$6,190	\$16,000	-	\$22,190	\$0.011	\$520,000	\$6,190	\$16,000	-	\$22,190	\$0.007
Communications	\$40,000	\$476	\$367,367	-	\$367,843	\$ 0.368	\$50,000	\$595	\$734,734	-	\$735,329	\$0.368	\$60,000	\$714	\$1,102,100	-	\$1,102,815	\$0.368
Operations	\$0	\$0	\$58,417	2	\$58,417	\$ 0.058	\$0	\$0	\$103,583	3	\$103,583	\$0.052	\$0	\$0	\$148,750	4	\$148,750	\$0.050
Contract Management	\$0	\$0	\$13,667	4	\$13,667	\$ 0.014	\$0	\$0	\$19,500	6	\$19,500	\$0.010	\$0	\$0	\$25,333	8	\$25,333	\$0.008
Management & Admin.	\$0	\$0	\$8,333	2	\$8,333	\$ 0.008	\$0	\$0	\$16,667	4	\$16,667	\$0.008	\$0	\$0	\$22,917	5	\$22,917	\$0.008
Call Center / Help desk	\$75,000	\$893	\$24,069	9	\$24,962	\$ 0.025	\$150,000	\$1,786	\$46,638	17	\$48,424	\$0.024	\$200,000	\$2,381	\$69,208	26	\$71,589	\$0.024
Uncontrollable costs	\$203,085	\$2,418	\$3,492	-	\$5,910	\$ 0.006	\$347,909	\$4,142	\$4,450	-	\$8,591	\$0.004	\$471,970	\$5,619	\$5,217	-	\$10,835	\$0.004
sub total	\$838,085	\$9,977	\$483,345	17	\$493,322	\$ 0.493	\$1,067,909	\$12,713	\$941,572	30	\$954,285	\$0.477	\$1,251,970	\$14,904	\$1,389,524	43	\$1,404,429	\$0.468
Purchase Transactions	\$0	\$0	\$70,438	-	\$70,438	\$ 0.070	\$0	\$0	\$140,876	-	\$140,876	\$0.070	\$0	\$0	\$211,314	-	\$211,314	\$0.070
Cost for Retailer Services	\$11,142,626	\$132,650	\$702,773	41	\$835,423	\$ 0.835	\$21,663,990	\$257,905	\$1,373,873	79	\$1,631,778	\$0.816	\$32,141,926	\$382,642	\$2,035,877	115	\$2,418,519	\$0.806
Vendor Markup					\$167,085	\$ 0.167					\$326,356	\$0.163					\$483,704	\$0.161
Price to Texas					\$1,002,508	\$ 1.003					\$1,958,134	\$0.979					\$2,902,222	\$0.967
Total for Shared Programs																		
Cost for Services	\$27,369,536	\$325,828	\$1,898,975	189	\$2,224,803	\$ 2.225	\$43,077,977	\$512,833	\$3,258,695	322	\$3,771,528	\$1.886	\$58,664,490	\$698,387	\$4,564,719	448	\$5,263,106	\$1.754
Vendor Markup					\$444,961	\$ 0.445					\$754,306	\$0.377					\$1,052,621	\$0.351
Price to Program Participants					\$2,669,763	\$ 2.670					\$4,525,833	\$2.263					\$6,315,727	\$2.105

Central Processing

Shared Processing Environment

	Three Case Load Scenarios		
	Small	Medium	Large
Food Stamp Cases	800,000	1,600,000	2,400,000
TANF Cases	200,000	400,000	600,000
Total Cases	1,000,000	2,000,000	3,000,000
Approximate Card Holders	840,000	1,680,000	2,520,000

Amortization Period 84

	Case 1 - Small				Case 2 - Medium				Case 3 - Large				Comments and Assumptions
	Investment Total	Monthly	Monthly Operations	Est. Staff	Investment Total	Monthly	Monthly Operations	Est. Staff	Investment Total	Monthly	Monthly Operations	Est. Staff	
Facilities - Primary site													A primary site for EBT central processing and administration. For this model, the site will be shared with multiple state EBT projects.
Monthly lease			\$17,500				\$17,500				\$17,500		Estimate 15,000 s.f. required at \$14 per foot per year. This is the same for all three estimates.
Build out	\$1,000,000	\$11,905			\$1,000,000	\$11,905			\$1,000,000	\$11,905			Estimate to set up building as data center with raised floor, air conditioning and other lease hold improvements.
Phone & utilities			\$25,000				\$25,000				\$25,000		Estimated utilities and administrative phone costs.
Maintenance			\$13,500				\$13,500				\$13,500		Estimated building maintenance cost of \$.90 per s.f. per month
Equip. & furnishing	\$240,000	\$2,857			\$240,000	\$2,857			\$240,000	\$2,857			Estimate need for 30 offices or cubes at \$8,000 each.
Personnel			\$12,500	5			\$12,500	5			\$12,500	5	1 day time maintenance and four security for 24 hour coverage
Supplies & equip.			\$10,000				\$10,000				\$10,000		Estimate for supplies and equipment to operate data center and administrative site.
Miscellaneous			\$5,000				\$5,000				\$5,000		Estimated miscellaneous on-going building operating costs.
Total	\$1,240,000	\$14,762	\$83,500	5	\$1,240,000	\$14,762	\$83,500	5	\$1,240,000	\$14,762	\$83,500	5	
Facilities - Back up site													Assume that a remote processing backup site will be established similar to what is currently provided to support EBT.
Monthly lease			\$4,667				\$4,667				\$4,667		Estimate 4,000 s.f. required at \$14 per s.f. per year.
Build out	\$200,000	\$2,381			\$200,000	\$2,381			\$200,000	\$2,381			Estimated cost to improve site for use as a data center.
Phone & utilities			\$6,000				\$6,000				\$6,000		Estimated utilities and administrative phone
Maintenance			\$3,600				\$3,600				\$3,600		Estimated building maintenance cost of \$.90 per s.f. per month
Equip. & furnishing	\$56,000	\$667			\$56,000	\$667			\$56,000	\$667			Estimate 7 offices at \$8,000 each.
Personnel			\$3,750	2			\$3,750	2			\$3,750	2	1 day time maintenance and 1 day time security.
Supplies & equip.			\$3,333				\$3,333				\$3,333		Estimate for supplies and equipment to operate data center.
Miscellaneous			\$1,500				\$1,500				\$1,500		Estimated miscellaneous on-going building operating costs.
Total	\$256,000	\$3,048	\$22,850	2	\$256,000	\$3,048	\$22,850	2	\$256,000	\$3,048	\$22,850	2	
Hardware (primary & backup)													Hardware and central processing equipment necessary to support multiple EBT projects. Based on Tri Plex environment but with multiple projects co-existing on the same hardware. Many different configurations are possible.
Processors	\$1,000,000	\$11,905			\$1,250,000	\$14,881			\$1,500,000	\$17,857			Central computers, disk storage, peripherals for primary and remote back up processing.
Communications	\$300,000	\$3,571			\$325,000	\$3,869			\$350,000	\$4,167			Communications equipment necessary to acquire EBT transactions, support all interchange partners, interconnect with backup site and with call center.
LAN / WAN	\$250,000	\$2,976			\$275,000	\$3,274			\$300,000	\$3,571			Equipment necessary to redundantly interconnect all processing components.

	Case 1 - Small				Case 2 - Medium				Case 3 - Large				Comments and Assumptions
	Investment		Monthly	Est.	Investment		Monthly	Est.	Investment		Monthly	Est.	
	Total	Monthly	Operations	Staff	Total	Monthly	Operations	Staff	Total	Monthly	Operations	Staff	
Miscellaneous	\$500,000	\$5,952			\$525,000	\$6,250			\$550,000	\$6,548			Miscellaneous equipment needed to build fully functional primary and backup data centers
Install, set up	\$150,000	\$1,786			\$150,000	\$1,786			\$150,000	\$1,786			Estimate of costs to install test and make ready for production.
licenses	\$150,000	\$1,786	\$3,000		\$200,000	\$2,381	\$3,000		\$250,000	\$2,976	\$3,000		Estimate of software licensing fees for purchased products such as an operating system and a data base manager.
Maintenance			\$47,833				\$55,417				\$63,000		Estimated 28% of base equipment cost per year for hardware maintenance and support.
Total	\$2,350,000	\$27,976	\$50,833	0	\$2,725,000	\$32,440	\$58,417	0	\$3,100,000	\$36,905	\$66,000	0	
Software													Assume that software for EBT will either be built or purchased and modified to serve the specific needs of EBT processing.
Initial development													All estimates for initial development are based on specific experience in development of EBT processing systems. Assumes that some customization will be needed for each additional project.
Acc't mgmt	\$1,700,000	\$20,238			\$1,800,000	\$21,429			\$1,900,000	\$22,619			
Settlement	\$800,000	\$9,524			\$850,000	\$10,119			\$900,000	\$10,714			
Administrative	\$0	\$0			\$0	\$0			\$0	\$0			
POS acquiring	\$0	\$0			\$0	\$0			\$0	\$0			
Mgmt & report	\$600,000	\$7,143			\$650,000	\$7,738			\$700,000	\$8,333			
Warehouse	\$400,000	\$4,762			\$425,000	\$5,060			\$450,000	\$5,357			
Conversion	\$400,000	\$4,762			\$425,000	\$5,060			\$450,000	\$5,357			Assume that a conversion from existing software to new system will be required.
Maint. Prog.			\$22,500	3			\$30,000	4			\$37,500	5	Maintenance programmers to support the system 7x24. Estimate \$90,000 per year each, including benefits.
DBA / prog.			\$7,500	1			\$15,000	2			\$15,000	2	Data Base Administrator (DBA) to manage EBT databases. \$90,000 per year including benefits.
Equip. & supplies	\$150,000	\$1,786	\$2,000		\$175,000	\$2,083	\$2,500		\$200,000	\$2,381	\$3,000		Estimate of equipment and supplies to sustain programming staff.
QA / prog.			\$7,500	1			\$15,000	2			\$22,500	3	Quality assurance programmer to validate system integrity for multiple systems, help trouble shoot problems and provide general system support. \$90,000 per year including benefits.
Total	\$4,050,000	\$48,214	\$39,500	5	\$4,325,000	\$51,488	\$62,500	8	\$4,600,000	\$54,762	\$78,000	10	
Operations (Primary & Backup)													On-going systems operations necessary to support the system 7x24.
Computer Operations													Expenses necessary to support daily computer operations.
Sys. Programmer			\$7,500	1			\$15,000	2			\$22,500	3	Systems programmer to manage multiple system environments. \$90,000 per year including benefits.
Operators			\$75,000	24			\$84,375	27			\$93,750	30	Computer operators and shift supervisors. Three shifts per day, 7 days per week at primary and backup site. \$37,500 each, including benefits.
Mgmt			\$7,500	1			\$15,000	2			\$15,000	2	Operations management. \$90,000 per year including benefits.
Training	\$125,000	\$1,488	\$3,500		\$140,000	\$1,667	\$3,500		\$160,000	\$1,905	\$3,750		Estimate for operator training prior to start up and on-going process improvement.
supplies & equip			\$7,500				\$8,500				\$9,500		Estimate for on-going supplies and equipment necessary to sustain continuing computer operations.
Communications													On-going expenses for 7x24 support for the telecommunications infrastructure necessary for EBT.
Comm. Techs			\$15,000	3			\$20,000	4			\$20,000	4	Communication support technicians. \$60,000 each including benefits.
Mgmt			\$6,667	1			\$6,667	1			\$6,667	1	Communications management. \$80,000 per year including benefits.

TEAA Shared Cost Model

	Case 1 - Small				Case 2 - Medium				Case 3 - Large				Comments and Assumptions
	Investment		Monthly Operations	Est. Staff	Investment		Monthly Operations	Est. Staff	Investment		Monthly Operations	Est. Staff	
	Total	Monthly				Total			Monthly				Total
Training	\$20,000	\$238	\$1,500		\$20,000	\$238	\$1,500		\$20,000	\$238	\$1,500		Estimate for training prior to start up and on-going process improvement.
Leased lines			\$32,500				\$37,500				\$42,500		Leased lines necessary to interconnect primary data center, backup data center, and call center agency data centers. Multiple T1 lines at \$2500 per month.
Third party certifications			\$5,000	1			\$10,000	2			\$10,000	2	Technician to provide support and certification services for third party processors. \$60,000 per year including benefits.
Recon & Settlement													Expenses necessary to support daily settlement, system balancing, adjustment processing, and voucher reconciliation.
Staff			\$20,833	5			\$29,167	7			\$37,500	9	Settlement technicians at \$50,000 each per year, including benefits.
Bad debt			\$1,000				\$1,500				\$2,000		Estimate for write off of bad transactions. Based on Texas experience.
CCDMI			\$3,788				\$7,576				\$11,364		Coupon Conversion at 4.25 each average of 645 per month.
Training	\$25,000	\$298	\$1,500		\$30,000	\$357	\$2,000		\$35,000	\$417	\$2,500		Estimate for training prior to start up and on-going process improvement.
Total	\$170,000	\$2,024	\$188,788	36	\$190,000	\$2,262	\$242,284	45	\$215,000	\$2,560	\$278,530	51	
Management & Admin.													Management team for EBT program management.
Project Mgmt			\$13,333	2			\$26,667	4			\$40,000	6	EBT project manager and assistant manager shared across multiple EBT projects. \$80,000 average including benefits.
Acc't & finance			\$13,750	3			\$18,333	4			\$22,917	5	Accounting manager and staff. \$55,000 average including benefits.
HR			\$6,250	1			\$6,250	1			\$6,250	1	Human resource person at \$75,000 including benefits.
Admin. support			\$6,250	3			\$8,333	4			\$10,417	5	Administrative support staff. \$25,000 each.
Miscellaneous			\$5,000				\$5,000				\$5,000		Estimate for miscellaneous office expenses.
Travel			\$5,000				\$5,000				\$5,000		Estimate for necessary travel.
Total			\$49,583	9			\$69,583	13			\$89,583	17	
Uncontrollable costs													Costs incurred prior to start of live operations. Assumes that on-going operations costs above are incurred for two months prior to live operations.
Start up costs	\$1,062,157	\$12,645			\$1,286,268	\$15,313			\$1,460,999	\$17,393			Estimated at 1% per year of total investment amount.
Taxes & insurance			\$7,607				\$7,794				\$7,939		Estimate using straight line depreciation for amortization period. 8% cost of money assumed.
Cost of capital			\$30,427				\$31,174				\$31,757		
Total	\$1,062,157	\$12,645	\$38,034	0	\$1,286,268	\$15,313	\$38,968	0	\$1,460,999	\$17,393	\$39,696	0	
Total Central System	\$9,128,157	\$108,669	\$473,089	57	\$9,352,268	\$119,313	\$578,102	73	\$9,526,999	\$129,429	\$658,159	85	

Customer Service

Shared Processing Environment

	Three Case Load Scenarios		
	Small	Medium	Large
Food Stamp Cases	800,000	1,600,000	2,400,000
TANF Cases	200,000	400,000	600,000
Total Cases	1,000,000	2,000,000	3,000,000
Approximate Card Holders	840,000	1,680,000	2,520,000

Current Texas Case Load 725,000

Assumptions - Current Texas Case Load		Per Case	
New cards Issued per month	26,500	0.037	
Cards replaced per month	15,000	0.021	
PINs replaced per month	2,200	0.003	
Associate call minutes / mo.	162,120	0.224	
ARU call minutes per month.	1,843	2.542	
Percent automated client calls	96%		
Call minutes per card holder per mo.	3.27		
Agency Offices	500	0.00069	

Amortization Period 84

	Case 1 - Small				Case 2 - Medium				Case 3 - Large				Comments and Assumptions
	Investment	Monthly	Monthly	Est.	Investment	Monthly	Monthly	Est.	Investment	Monthly	Monthly	Est.	
	Total	Operations	Staff	Staff	Total	Operations	Staff	Staff	Total	Operations	Staff	Staff	
Card, PINs, Training													
New cards (in local office)													Cards for new clients are issued in local office. Training materials are distributed and explains at this time.
Cards			\$9,138				\$18,276				\$27,414		Cards and associated materials are \$.25 each.
Training Materials			\$12,793				\$25,586				\$38,379		Client training materials run about \$.35 each.
PINs			\$7,310				\$14,621				\$21,931		PINs run about \$.20 each.
Staff (Agency)			\$0				\$0				\$0		Agency Staff costs are captured in the State costs allocation model and are not a part of the vendor costs.
Distribution costs			\$10,345				\$20,690				\$31,034		Assume a monthly inventory shipment to each office at \$15.
Sub total			\$39,586	0			\$79,172	0			\$118,759	0	
Replace Cards (by mail)													
Cards & materials			\$8,276				\$16,552				\$24,828		Materials including card, mailer, are about \$.40.
Postage			\$12,414				\$24,828				\$37,241		Postage and associated materials are \$.60
Staff (vendor)			\$4,926	3.9			\$9,852	7.9			\$14,778	11.8	Estimate mail clerk can handle 250 cards per day. \$15,000 each per year including benefits.
Sub total			\$25,616	3.9			\$51,232	7.9			\$76,847	11.8	
PIN Replacements (by mail)													
PINs & materials			\$910				\$1,821				\$2,731		PIN mailers and materials are about \$.30
Postage			\$971				\$1,942				\$2,913		Postage is \$.32
Staff (vendor)			\$722	0.6			\$1,445	1.2			\$2,167	1.7	Estimate mail clerk can handle 250 PINS per day. \$15,000 each per year including benefits.
Sub total			\$2,604	0.6			\$5,208	1.2			\$7,812	1.7	
PIN Change (local office)													Current environment has POS device and PIN pad in each office with a supporting phone line.
Equipment & install	\$275,862	\$3,284			\$551,724	\$6,568			\$827,586	\$9,852			Device and installation about \$400
Phone line			\$21,379				\$42,759				\$64,138		\$31 per phone line
Sub total	\$275,862	\$3,284	\$21,379	0	\$551,724	\$6,568	\$42,759	0	\$827,586	\$9,852	\$64,138	0	
Total for Cards & PINs	\$275,862	\$3,284	\$89,185	4.5	\$551,724	\$6,568	\$178,370	9.0	\$827,586	\$9,852	\$267,555	13.6	
Call Center / Help Desk													
Facility													Assume that a facility will be acquired for Texas EBT call center.
Monthly lease			\$17,500				\$17,500				\$17,500		Estimate 15,000 s.f. at \$14 per s.f.
Build out	\$600,000	\$7,143			\$600,000	\$7,143			\$600,000	\$7,143			Estimate of leasehold improvements to set up building for call center.

	Case 1 - Small				Case 2 - Medium				Case 3 - Large				Comments and Assumptions
	Investment Total	Monthly	Monthly Operations	Est. Staff	Investment Total	Monthly	Monthly Operations	Est. Staff	Investment Total	Monthly	Monthly Operations	Est. Staff	
Phone & utilities			\$10,000				\$10,000				\$10,000		Estimated utilities and administrative phone
Maintenance			\$13,500				\$13,500				\$13,500		Maintenance estimated at \$.90 per s.f. per mo.
Equip. & furnishing	\$120,000	\$1,429			\$120,000	\$1,429			\$120,000	\$1,429			Estimated 15 offices & cubes at \$8,000 each
Personnel			\$5,000	4			\$5,000	4			\$5,000	4	2 maintenance and 2 security
Supplies & equip.			\$6,250				\$6,250				\$6,250		Estimate of monthly office and building supplies
Miscellaneous			\$5,000				\$5,000				\$5,000		Estimate of miscellaneous building costs
Sub total	\$720,000	\$8,571	\$57,250	4	\$720,000	\$8,571	\$57,250	4	\$720,000	\$8,571	\$57,250	4	
Hardware													
Processors	\$60,000	\$714			\$75,000	\$893			\$90,000	\$1,071			Server for call center management systems
Communications	\$400,000	\$4,762			\$500,000	\$5,952			\$600,000	\$7,143			Estimate for call switching system with ACD capabilities, communications gear for interchange with data centers, and necessary ports for connectivity with phone company.
ARU	\$1,000,000	\$11,905			\$1,500,000	\$17,857			\$2,000,000	\$23,810			Estimate for automated answering equipment with excess capacity and redundancy.
Operator seats	\$310,575	\$3,697			\$621,149	\$7,395			\$931,724	\$11,092			Estimate 1% of calls during peak hour and operator efficiency of 60%. Operator seats at \$5,000 per station.
LAN / WAN	\$50,000	\$595			\$60,000	\$714			\$70,000	\$833			LAN environment to interconnect with primary and backup data centers.
Miscellaneous	\$200,000	\$2,381			\$250,000	\$2,976			\$300,000	\$3,571			Estimate for miscellaneous call center equipment.
Install, set up	\$200,000	\$2,381			\$250,000	\$2,976			\$300,000	\$3,571			Estimate to install and test all equipment prior to going live.
Licenses	\$50,000	\$595	\$1,000		\$65,000	\$774	\$1,500		\$80,000	\$952	\$2,000		Estimate for work station and server licenses.
Maintenance			\$47,147				\$70,143				\$93,140		Estimate for maintenance on hardware components. 28% per year of hardware investment.
Sub Total	\$2,270,575	\$27,031	\$48,147	0	\$3,321,149	\$39,537	\$71,643	0	\$4,371,724	\$52,044	\$95,140	0	
Software													
Initial development													Assumes that software is built or purchased and customized to meet needs of EBT.
Scripts	\$60,000	\$714			\$80,000	\$952			\$100,000	\$1,190			Multiple projects with each needing some customization.
Managemt	\$100,000	\$1,190			\$100,000	\$1,190			\$100,000	\$1,190			
Maint. Prog. (2 FTEs)			\$6,667	1			\$13,333	2			\$13,333	2	Maintenance programmers to support 7x24 operation. \$80,000 per year including benefits.
Equip. & supplies	\$25,000	\$298	\$1,500		\$35,000	\$417	\$2,000		\$40,000	\$476	\$2,250		Estimate to support software operations.
Sub total	\$185,000	\$2,202	\$8,167	1	\$215,000	\$2,560	\$15,333	2	\$240,000	\$2,857	\$15,583	2	
Call Center associates													
Staff			\$84,702	64			\$169,404	127			\$254,107	191	Estimate based on 40% operator efficiency, 1,760 working hours per year, actual number of call minutes and a cost of \$16,000 per operator including benefits.
Supervisors			\$12,352	4			\$24,705	8			\$37,057	13	Supervisors (to cover all shifts in 7x24 process) at \$35,000 including benefits. Estimated at 1 supervisor for every 15 associates.
Training	\$63,531	\$756	\$6,357		\$127,062	\$1,513	\$12,714		\$190,593	\$2,269	\$19,071		Estimate for pre start up operator training (\$1,000) and on-going process improvement and operator turn over (\$100 per person).
supplies & equip			\$4,000				\$4,500				\$3,000		Estimate of on-going supplies and equipment to support continuing operations.
Sub total	\$63,531	\$756	\$107,411	67.8	\$127,062	\$1,513	\$211,323	136	\$190,593	\$2,269	\$313,234	203.3	
Communications													
Comm. Technicians			\$10,000	2			\$15,000	3			\$15,000	3	Two communications technicians to support 7x24 operation. \$60,000 each.

	Case 1 - Small				Case 2 - Medium				Case 3 - Large				Comments and Assumptions
	Investment		Monthly Operations	Est. Staff	Investment		Monthly Operations	Est. Staff	Investment		Monthly Operations	Est. Staff	
	Total	Monthly			Total	Monthly			Total	Monthly			Total
Training	\$20,000	\$238	\$1,500		\$20,000	\$238	\$1,500		\$20,000	\$238	\$1,500		Estimate for pre start up training and on-going process improvement
supplies & equip			\$2,000				\$2,250				\$2,500		Estimate to support communications.
800 phone service			\$221,255				\$442,509				\$663,764		Actual connect minutes at \$.08 per minute.
line charges			\$10,000				\$13,000				\$15,000		Estimate for incoming T1 voice lines.
Sub total	\$20,000	\$238	\$244,755	2	\$20,000	\$238	\$474,259	3	\$20,000	\$238	\$697,764	3	
Management & Administration													
Management			\$20,000	3			\$26,667	4			\$26,667	4	Management team at average of \$80,000 including benefits.
Quality Assurance			\$5,000	1			\$10,000	2			\$15,000	3	QA staff at \$60,000 including benefits.
HR professional			\$5,417	1			\$10,833	2			\$16,250	3	HR staff at \$65,000 including benefits.
Admin. support			\$4,167	2			\$4,167	2			\$6,250	3	Administrative at \$25,000 each including benefits.
Miscellaneous exp.			\$3,500				\$3,500				\$3,500		Estimate for miscellaneous management expenses.
Training professional			\$5,000	1			\$10,000	2			\$15,000	3	Staff training at \$60,000 including benefits.
sub total			\$43,083	8			\$65,167	12			\$82,667	16	
Uncontrollable costs													
Start up costs	\$412,402	\$4,910			\$551,874	\$6,570			\$662,226	\$7,884			Costs incurred prior to start of live operations. Assumes that on-gong operations costs above are incurred for two months prior to live operations.
Taxes & insurance			\$3,060				\$4,129				\$5,170		Estimated at 1% per year of total investment amount.
Cost of capital			\$13,158				\$18,356				\$23,440		Estimate using straight line depreciation for amortization period. 8% cost of money assumed.
sub total	\$412,402	\$4,910	\$16,217	0	\$551,874	\$6,570	\$22,485	0	\$662,226	\$7,884	\$28,611	0	
Total for Help Desk	\$3,671,508	\$43,708	\$525,030	83	\$4,955,085	\$58,989	\$917,461	157	\$6,204,543	\$73,864	\$1,290,249	228	
Total for Customer Service	\$3,947,370	\$46,993	\$614,216	87	\$5,506,809	\$65,557	\$1,095,831	166	\$7,032,129	\$83,716	\$1,557,805	242	

Agency Systems

Shared Processing Environment

	Three Case Load Scenarios		
	Small	Medium	Large
Food Stamp Cases	800,000	1,600,000	2,400,000
TANF Cases	200,000	400,000	600,000
Total Cases	1,000,000	2,000,000	3,000,000
Approximate Card Holders	840,000	1,680,000	2,520,000

Assumptions	Per case
Agency offices	500
Current Texas case load	725,000

Depreciation Period 84

	Case 1 - Small				Case 2 - Medium				Case 3 - Large				Comments and Assumptions
	Investment Total	Monthly	Operations	Est. Staff	Investment Total	Monthly	Operations	Est. Staff	Investment Total	Monthly	Operations	Est. Staff	
Hardware													
PCs	\$2,413,793	\$28,736			\$4,827,586	\$57,471			\$7,241,379	\$86,207			PC with windows in each office for EBT administrative functions. \$3,500 each installed.
Maintenance			\$20,115				\$40,230				\$60,345		Maintenance on PCs estimated at 10% per year of total cost.
Sub Total	\$2,413,793	\$28,736	\$20,115	0	\$4,827,586	\$57,471	\$40,230	0	\$7,241,379	\$86,207	\$60,345	0	
Software													
Initial development													
Admin. Terms	\$450,000	\$5,357			\$500,000	\$5,952			\$550,000	\$6,548			Estimate based on experience to build an administrative terminal application.
SAVERR (Agency)	\$0		\$0		\$0		\$0		\$0		\$0		Costs for modifications to SAVERR are not part of vendor costs and are included in State cost allocation.
Maint. Programmer			\$3,750	0.5			\$7,500	1.0			\$11,250	1.5	An estimate of programmer time to support the administrative terminal application. \$80,000 per year including benefits.
Sub Total	\$450,000	\$5,357	\$3,750	0.5	\$500,000	\$5,952	\$7,500	1.0	\$550,000	\$6,548	\$11,250	1.5	
Operations													
Communications													Assume new admin. application will be installed with advent of new vendor.
PC Techs (2 FTE)			\$8,333	2			\$12,500	3			\$16,667	4	Two technicians to handle administrative terminal problems. \$50,000 each including benefits.
LAN / WAN			\$55,172				\$110,345				\$165,517		Estimate of amount currently being paid to Texas for use of DHS LAN / WAN.
Miscellaneous			\$1,500				\$2,000				\$2,500		Estimate of miscellaneous expenses related to administrative network.
Sub Total	\$0	\$0	\$65,006	2	\$0	\$0	\$124,845	3	\$0	\$0	\$184,684	4	
Training													
Agency Staff	\$137,931	\$1,642	\$6,897	0.5	\$275,862	\$3,284	\$13,793	0.5	\$413,793	\$4,926	\$20,690	0.5	Estimate to provide training to EBT clerks at \$200 per office. On on-going basis, provide train the trainer assistance or computer based training (\$10 per office). Other training costs are covered in State cost allocation.
Sub Total	\$137,931	\$1,642	\$6,897	0.5	\$275,862	\$3,284	\$13,793	0.5	\$413,793	\$4,926	\$20,690	0.5	
Uncontrollable costs													

TEAA Shared Cost Model

	Case 1 - Small				Case 2 - Medium				Case 3 - Large				Comments and Assumptions
	Investment Total	Monthly	Monthly Operations	Est. Staff	Investment Total	Monthly	Monthly Operations	Est. Staff	Investment Total	Monthly	Monthly Operations	Est. Staff	
Start up costs	\$149,659	\$1,782			\$281,461	\$3,351			\$413,264	\$4,920			Costs incurred prior to start of live operations. Assumes that on-gong operations costs above are incurred for two months prior to live operations.
Taxes & insurance			\$2,626				\$4,904				\$7,182		Estimated at 1% per year of total investment amount.
Cost of capital			\$10,505				\$19,616				\$28,728		Estimate using straight line depreciation for amortization period. 8% cost of money assumed.
Sub Total	\$149,659	\$1,782	\$13,131	0	\$281,461	\$3,351	\$24,520	0	\$413,264	\$4,920	\$35,910	0	
Total for Agency Systems	\$3,151,383	\$37,516	\$108,898	3.0	\$5,884,910	\$70,058	\$210,888	4.5	\$8,618,436	\$102,600	\$312,879	6.0	

Retailer Services

Shared Processing Environment

	Three Case Load Scenarios		
	Small	Medium	Large
Food Stamp Cases	800,000	1,600,000	2,400,000
TANF Cases	200,000	400,000	600,000
Total Cases	1,000,000	2,000,000	3,000,000
Approximate Card Holders	840,000	1,680,000	2,520,000

Current Texas Case Load 725,000

Assumptions - Current Texas Case Load	Per Case	
Total POS Transactions	5,962	8.22
Pct. from Private third parties	30%	
Pct. from Public third parties	25%	
Total food Transactions	5,629	7.76
Percent approved	92.6%	
Total Cash Transactions	333	0.46
Percent approved	84.2%	
Average Trans. / case	8.22	
Retailers equipped by State	10,610	0.0146
Terminals provided by State	13,000	0.0179
Phone lines provided by State	7,000	0.0097
Retailer calls minutes per month	49,917	0.0689
Retailer operator minutes / mo.	21,770	0.0300
Terminal repairs / month	600	0.0008
Pct. Trans from State POS	45%	

Amortization Period 84

	Case 1 - Small				Case 2 - Medium				Case 3 - Large				Comments and Assumptions
	Investment Total	Monthly	Monthly Operations	Est. Staff	Investment Total	Monthly	Monthly Operations	Est. Staff	Investment Total	Monthly	Monthly Operations	Est. Staff	
POS Deployment & Servicing													
Initial Deployment													Assume that under a new procurement, the POS network would have to be redeployed.
Hardware	\$7,172,414	\$85,386			\$14,344,828	\$170,772			\$21,517,241	\$256,158			Actual devices being used in Texas estimated at \$400 including shipping, handling, software load, testing..
Equip. Installation	\$1,097,586	\$13,067			\$2,195,172	\$26,133			\$3,292,759	\$39,200			Estimate about \$75 per site to install equipment.
Phone Installation	\$724,138	\$8,621			\$1,448,276	\$17,241			\$2,172,414	\$25,862			Actual phone lines at a cost of \$75 to install.
Retailer Training	\$146,345	\$1,742			\$292,690	\$3,484			\$439,034	\$5,227			Most training is done as part of install. Other costs (materials, contracts, etc.) \$10 per retailer.
Sub total	\$9,140,483	\$108,815		0	\$18,280,966	\$217,631		0	\$27,421,448	\$326,446		0	
Maintenance & Servicing													
Facility lease			\$2,333				\$2,333				\$3,500		Requirement is to repair or replace defective device in 24 hours. Waiver allows replace by mail if retailer agrees. (Ship overnight on next business day or sooner.) 1000 s.f. at \$14 per s.f.
Vehicles			\$10,244				\$20,488				\$30,732		Lease 12 vehicles at \$700 per month including fuel and maintenance.
Service Techs			\$42,684	15			\$85,368	29			\$128,052	44	Twelve field service technicians to service defective devices. \$35,000 each including benefits.
Dispatchers			\$10,671	4			\$21,342	7			\$32,013	11	Five dispatchers to manage retailer service requests and track service. \$35,000 each including benefits.
Management			\$8,333	2			\$12,500	3			\$16,667	4	Two service managers. \$50,000 each.

	Case 1 - Small				Case 2 - Medium				Case 3 - Large				Comments and Assumptions
	Investment Total	Monthly	Monthly Operations	Est. Staff	Investment Total	Monthly	Monthly Operations	Est. Staff	Investment Total	Monthly	Monthly Operations	Est. Staff	
Admin. support			\$2,083	1			\$4,167	2			\$6,250	3	Administrative support at \$25,000 including benefits.
Phone Techs			\$10,671	4			\$21,342	7			\$32,013	11	Three phone technicians to handle phone help requests. \$35,000 each.
Equip. & supplies	\$717,241	\$8,539	\$10,759		\$1,434,483	\$17,077	\$21,517		\$2,151,724	\$25,616	\$32,276		Initial spare equipment base of 10% plus an estimated \$.50 in on-going supplies per terminal.
Shipping & handling			\$ 8,276				\$ 16,552				\$ 24,828		Estimated cost of replacement by mail at \$40 per replacement. 25% of service calls handled through mail.
Sub total	\$717,241	\$8,539	\$106,054	25	\$1,434,483	\$17,077	\$205,609	48.9	\$2,151,724	\$25,616	\$306,330	72.9	
Uncontrollable costs													
Start up costs	\$446,817	\$5,319			\$880,633	\$10,484			\$1,316,783	\$15,676			Costs incurred prior to start of live operations. Assumes that on-going operations costs above are incurred for two months prior to live operations. Exception are charges directly related to POS transactions.
Taxes & insurance			\$8,587				\$17,163				\$25,742		Estimated at 1% per year of total investment amount.
Cost of capital			\$34,348				\$68,654				\$102,967		Estimate using straight line depreciation for amortization period. 8% cost of money assumed.
Sub total	\$446,817	\$5,319	\$42,936	0	\$880,633	\$10,484	\$85,817	0	\$1,316,783	\$15,676	\$128,708	0	
Total for Deploy & Service	\$10,304,541	\$122,673	\$148,990	25	\$20,596,082	\$245,191	\$291,426	48.9	\$30,889,956	\$367,738	\$435,038	72.9	
POS Operations													
Facility			\$0				\$0				\$0		Assume POS operations will co-exist with central processing and consequently will not have a separate facility.
Sub total			\$0	0			\$0	0			\$0	0	
Software													
Development	\$500,000	\$5,952			\$500,000	\$5,952			\$500,000	\$5,952			Estimate based on experience for POS load image and POS terminal driving software.
Maint. Prog.			\$7,500	1			\$15,000	2			\$15,000	2	One maintenance programmer at \$90,000 including benefits.
Equip. & Supplies	\$10,000	\$119	\$500		\$10,000	\$119	\$1,000		\$10,000	\$119	\$1,000		Initial development environment plus estimate for on-going supplies.
Licenses	\$10,000	\$119			\$10,000	\$119			\$10,000	\$119			Estimate for license for development tools.
Sub total	\$520,000	\$6,190	\$8,000	0	\$520,000	\$6,190	\$16,000	0	\$520,000	\$6,190	\$16,000	0	
Communications													
Equipment	\$40,000	\$476			\$50,000	\$595			\$60,000	\$714			Estimate for modem bank to handle down load processing.
Retailer phone lines			\$289,655				\$579,310				\$868,966		Monthly charge for phone lines placed in retail stores. \$30 each.
Transaction charges			\$77,712				\$155,423				\$233,135		Cost to move transaction from POS device to central processing. Estimated at \$.021 per transaction using actual transaction counts.
Sub Total	\$40,000	\$476	\$367,367	0	\$50,000	\$595	\$734,734	0	\$60,000	\$714	\$1,102,100	0	
Operations													

	Case 1 - Small				Case 2 - Medium				Case 3 - Large				Comments and Assumptions
	Investment Total	Monthly	Monthly Operations	Est. Staff	Investment Total	Monthly	Monthly Operations	Est. Staff	Investment Total	Monthly	Monthly Operations	Est. Staff	
ACH fees			\$20,914				\$41,828				\$62,742		Settlement to retailers. \$.05 per transaction seven days per week. Assume .0138 retailer per case. (from Texas metrics).
POS Supplies			\$18,503				\$37,006				\$55,508		\$.005 per transaction for POS ribbons and paper. Assume handled as a credit to retailer.
Comm Techs.			\$10,000	2			\$15,000	3			\$20,000	4	Communications technicians to manage and monitor the POS network, handle problems. \$60,000 each per year including benefits.
TPP Communications			\$7,000				\$7,500				\$8,000		Communications links with third party processors.
Equip. & Supplies			\$2,000				\$2,250				\$2,500		Estimate for on-going supplies.
Sub total	\$0	\$0	\$58,417	2	\$0	\$0	\$103,583	3	\$0	\$0	\$148,750	4	
Contract Management													
Staff			\$11,667	4			\$17,500	6			\$23,333	8	Four clerks to manage the 12,000 plus retailer contracts. \$35,000 each.
Equip. & Supplies			\$2,000				\$2,000				\$2,000		Estimate for on-going supplies.
Sub total	\$0	\$0	\$13,667	4	\$0	\$0	\$19,500	6	\$0	\$0	\$25,333	8	
Management & Admin.													
Management			\$6,250	1			\$12,500	2			\$18,750	3	POS operations management at \$75,000.
Admin. support			\$2,083	1			\$4,167	2			\$4,167	2	Administrative support at \$25,000
Sub total	\$0	\$0	\$8,333	2	\$0	\$0	\$16,667	4	\$0	\$0	\$22,917	5	
Call Center / Help desk													
Equipment	\$75,000	\$893	\$1,500		\$150,000	\$1,786	\$1,500		\$200,000	\$2,381	\$1,500		Estimate for equipment to handle retailer calls.
1-800 service			\$5,508				\$11,016				\$16,524		Actual call minutes at \$.08 per minute.
Associates			\$17,061	9			\$34,122	17			\$51,183	26	Actual call minutes, 40% operator efficiency, 1760 available hours per year, \$24,000 per person
Sub total	\$75,000	\$893	\$24,069	9	\$150,000	\$1,786	\$46,638	17	\$200,000	\$2,381	\$69,208	26	
Uncontrollable costs													
Start up costs	\$203,085	\$2,418			\$347,909	\$2,418			\$471,970	\$5,619			Costs incurred prior to start of live operations. Assumes that on-gong operations costs above are incurred for two months prior to live operations. Exception are charges directly related to POS transactions.
Taxes & insurance			\$698				\$890				\$1,043		Estimated at 1% per year of total investment amount.
Cost of capital			\$2,794				\$3,560				\$4,173		Estimate using straight line depreciation for amortization period. 8% cost of money assumed.
Sub total	\$203,085	\$2,418	\$3,492	0	\$347,909	\$2,418	\$4,450	0	\$471,970	\$5,619	\$5,217	0	
Total for POS Operation	\$838,085	\$9,977	\$483,345	17	\$1,067,909	\$10,989	\$941,572	30	\$1,251,970	\$14,904	\$1,389,524	43	
Purchase Transactions													
Commercial TPP			\$47,593				\$95,186				\$142,780		Actual commercial TPP transactions at \$.025 per transaction.
Proprietary TPP			\$22,845				\$45,689				\$68,534		Actual proprietary TPP transactions at \$.01 per transaction.
Total for purchase	\$0	\$0	\$70,438	0	\$0	\$0	\$140,876	0	\$0	\$0	\$211,314	0	

TEAA Shared Cost Model

	Case 1 - Small				Case 2 - Medium				Case 3 - Large				Comments and Assumptions
	Investment Total	Monthly Operations	Est. Staff		Investment Total	Monthly Operations	Est. Staff		Investment Total	Monthly Operations	Est. Staff		
Total for Retailer Services	\$11,142,626	\$132,650	\$702,773	41	\$21,663,990	\$256,181	\$1,373,873	79	\$32,141,926	\$382,642	\$2,035,877	115	

Appendix J: TEAA In-house Cost Model

Texas EBT Short Summary
State In-House Solution

	Three Case Load Scenarios		
	Minus 20%	Current	Plus 20%
Food Stamp Cases	466,371	582,964	699,557
TANF Cases	114,305	142,881	171,457
Total Cases	580,676	725,845	871,014
Approximate Card Holders	489,232	611,540	733,848
Total Monthly Cost*	\$1,358,412	\$1,436,082	\$1,513,938
PCPM	\$2.339	\$ 1.978	\$1.738

Food Stamp Cost Allocation Percent 80.3%
TANF Cost Allocation Percent 19.7%

* includes the cost of money

Vendor Markup 0%
Amortization Period 84

	Case 1 - Minus 20%					Case 2 - Current Case Load					Case 3 - Plus 20%				
	Cost of Operation			Vendor Markup	Price PCPM	Cost of Operation			Vendor Markup	Price PCPM	Cost of Operation			Vendor Markup	Price PCPM
	Investment	Operations	Total			Investment	Operations	Total			Investment	Operations	Total		
Central Processing	\$79,914	\$229,379	\$309,293	\$0	\$ 0.533	\$79,914	\$229,379	\$309,293	\$0	\$ 0.426	\$79,914	\$229,379	\$309,293	\$0	\$ 0.355
Customer Service															
Card, PINs, Training	\$2,381	\$40,827	\$43,208	\$0	\$ 0.074	\$2,381	\$48,926	\$51,307	\$0	\$ 0.071	\$2,381	\$57,212	\$59,593	\$0	\$ 0.068
Call Center / Help Desk	\$35,285	\$347,266	\$382,551	\$0	\$ 0.659	\$35,395	\$392,562	\$427,957	\$0	\$ 0.590	\$35,504	\$437,859	\$473,363	\$0	\$ 0.543
Agency Systems	\$11,734	\$24,661	\$36,396	\$0	\$ 0.063	\$11,734	\$24,661	\$36,396	\$0	\$ 0.050	\$11,734	\$24,661	\$36,396	\$0	\$ 0.042
Retailer Services															
POS Deployment & Servicing	\$89,270	\$100,190	\$189,460	\$0	\$ 0.326	\$89,270	\$100,190	\$189,460	\$0	\$ 0.261	\$89,270	\$100,190	\$189,460	\$0	\$ 0.218
POS Operations	\$9,649	\$347,002	\$356,650	\$0	\$ 0.614	\$9,649	\$360,953	\$370,602	\$0	\$ 0.511	\$9,649	\$374,904	\$384,553	\$0	\$ 0.441
Purchase Transactions	\$0	\$40,854	\$40,854	\$0	\$ 0.070	\$0	\$51,068	\$51,068	\$0	\$ 0.070	\$0	\$61,281	\$61,281	\$0	\$ 0.070
Total for Lone Star Program	\$228,233	\$1,130,179	\$1,358,412	\$0	\$ 2.339	\$228,343	\$1,207,739	\$1,436,082	\$0	\$ 1.978	\$228,452	\$1,285,485	\$1,513,938	\$0	\$ 1.738

Texas EBT Summary Cost Model

In-house EBT Solution

	Three Case Load Scenarios		
	Minus 20%	Current	Plus 20%
Food Stamp Cases	466,371	582,964	699,557
TANF Cases	114,305	142,881	171,457
Total Cases	580,676	725,845	871,014
Approximate Card Holders	489,232	611,540	733,848

Food Stamp Cost Allocation Percent 80.3%
 TANF Cost Allocation Percent 19.7%

Profit markup 0%
 Amortization Period 84

	Case 1 - Minus 20%						Case 2 - Current Case Load						Case 3 - Plus 20%					
	Investment		Monthly Operations	Est. Staff	Total		Investment		Monthly Operations	Est. Staff	Total		Investment		Monthly Operations	Est. Staff	Total	
	Total	Monthly			Per Month	PCPM	Total	Monthly			Per Month	PCPM	Total	Monthly			Per Month	PCPM
Central Processing																		
Facilities - Primary site	\$346,000	\$4,119	\$18,833	-	\$22,952	\$0.040	\$346,000	\$4,119	\$18,833	-	\$22,952	\$0.032	\$346,000	\$4,119	\$18,833	-	\$22,952	\$0.026
Facilities - Back up site	\$124,000	\$1,476	\$9,450	-	\$10,926	\$0.019	\$124,000	\$1,476	\$9,450	-	\$10,926	\$0.015	\$124,000	\$1,476	\$9,450	-	\$10,926	\$0.013
Hardware (primary & backup)	\$1,900,000	\$22,619	\$41,500	-	\$64,119	\$0.110	\$1,900,000	\$22,619	\$41,500	-	\$64,119	\$0.088	\$1,900,000	\$22,619	\$41,500	-	\$64,119	\$0.074
Software	\$3,675,000	\$43,750	\$28,167	4	\$71,917	\$0.124	\$3,675,000	\$43,750	\$28,167	4	\$71,917	\$0.099	\$3,675,000	\$43,750	\$28,167	4	\$71,917	\$0.083
Operations (Primary & Backup)	\$80,000	\$952	\$100,954	15	\$101,907	\$0.175	\$80,000	\$952	\$100,954	15	\$101,907	\$0.140	\$80,000	\$952	\$100,954	15	\$101,907	\$0.117
Management & Admin.	\$0	\$0	\$22,083	4	\$22,083	\$0.038	\$0	\$0	\$22,083	4	\$22,083	\$0.030	\$0	\$0	\$22,083	4	\$22,083	\$0.025
Uncontrollable costs	\$587,809	\$6,998	\$8,391	-	\$15,389	\$0.027	\$587,809	\$6,998	\$8,391	-	\$15,389	\$0.021	\$587,809	\$6,998	\$8,391	-	\$15,389	\$0.018
Cost for Central Processing	\$6,712,809	\$79,914	\$229,379	23	\$309,293	\$0.533	\$6,712,809	\$79,914	\$229,379	23	\$309,293	\$0.426	\$6,712,809	\$79,914	\$229,379	23	\$309,293	\$0.355
Vendor Markup					\$ -	\$ -					\$ -						\$ -	\$ -
Price to Texas					\$309,293	\$0.533					\$309,293	\$0.426					\$309,293	\$0.355
Customer Service																		
Card, PINs, Training																		
New cards (in local office)	\$0	\$0	\$24,460	-	\$24,460	\$0.042	\$0	\$0	\$28,700	-	\$28,700	\$0.040	\$0	\$0	\$32,940	-	\$32,940	\$0.038
Replace Cards (by mail)	\$0	\$0	\$14,857	2.3	\$14,857	\$0.026	\$0	\$0	\$18,571	2.9	\$18,571	\$0.026	\$0	\$0	\$22,286	3.4	\$22,286	\$0.026
PIN Replacements (by mail)	\$0	\$0	\$1,510	0.3	\$1,510	\$0.003	\$0	\$0	\$1,655	0.4	\$1,655	\$0.002	\$0	\$0	\$1,986	0.5	\$1,986	\$0.002
PIN Change (local office)	\$200,000	\$2,381	\$0	-	\$2,381	\$0.004	\$200,000	\$2,381	\$0	-	\$2,381	\$0.003	\$200,000	\$2,381	\$0	-	\$2,381	\$0.003
sub total	\$200,000	\$2,381	\$40,827	2.6	\$43,208	\$0.074	\$200,000	\$2,381	\$48,926	3.3	\$51,307	\$0.071	\$200,000	\$2,381	\$57,212	3.9	\$59,593	\$0.068
Call Center / Help Desk																		
Facility	\$580,000	\$6,905	\$41,250	3	\$48,155	\$0.083	\$580,000	\$6,905	\$41,250	3	\$48,155	\$0.066	\$580,000	\$6,905	\$41,250	3	\$48,155	\$0.055
Hardware	\$1,825,000	\$21,726	\$37,750	-	\$59,476	\$0.102	\$1,825,000	\$21,726	\$37,750	-	\$59,476	\$0.082	\$1,825,000	\$21,726	\$37,750	-	\$59,476	\$0.068
Software	\$175,000	\$2,083	\$8,167	1	\$10,250	\$0.018	\$175,000	\$2,083	\$8,167	1	\$10,250	\$0.014	\$175,000	\$2,083	\$8,167	1	\$10,250	\$0.012
Call Center associates	\$36,850	\$439	\$70,400	42	\$70,839	\$0.122	\$46,062	\$548	\$83,603	51	\$84,151	\$0.116	\$55,273	\$658	\$96,806	60	\$97,464	\$0.112
Communications	\$20,000	\$238	\$151,828	2	\$152,066	\$0.262	\$20,000	\$238	\$183,910	2	\$184,148	\$0.254	\$20,000	\$238	\$215,992	2	\$216,230	\$0.248
Management & Administrative	\$0	\$0	\$33,917	7	\$33,917	\$0.058	\$0	\$0	\$33,917	7	\$33,917	\$0.047	\$0	\$0	\$33,917	7	\$33,917	\$0.039
Uncontrollable costs	\$327,095	\$3,894	\$3,955	-	\$7,849	\$0.014	\$327,095	\$3,894	\$3,966	-	\$7,860	\$0.011	\$327,095	\$3,894	\$3,978	-	\$7,872	\$0.009
sub total	\$2,963,946	\$35,285	\$347,266	55	\$382,551	\$0.659	\$2,973,157	\$35,395	\$392,562	64	\$427,957	\$0.590	\$2,982,368	\$35,504	\$437,859	73	\$473,363	\$0.543
Cost for Customer Service	\$3,163,946	\$37,666	\$388,093	57	\$425,760	\$0.733	\$3,173,157	\$37,776	\$441,489	67	\$479,265	\$0.660	\$3,182,368	\$37,885	\$495,071	77	\$532,956	\$0.612
Vendor Markup					\$ -	\$ -					\$ -						\$ -	\$ -
Price to Texas					\$425,760	\$0.733					\$479,265	\$0.660					\$532,956	\$0.612
Agency Systems																		
Hardware	\$437,500	\$5,208	\$3,646	-	\$8,854	\$0.015	\$437,500	\$5,208	\$3,646	-	\$8,854	\$0.012	\$437,500	\$5,208	\$3,646	-	\$8,854	\$0.010
Software	\$400,000	\$4,762	\$2,200	0.3	\$6,962	\$0.012	\$400,000	\$4,762	\$2,200	0.3	\$6,962	\$0.010	\$400,000	\$4,762	\$2,200	0.3	\$6,962	\$0.008
Operations	\$0	\$0	\$12,583	0.5	\$12,583	\$0.022	\$0	\$0	\$12,583	0.5	\$12,583	\$0.017	\$0	\$0	\$12,583	0.5	\$12,583	\$0.014
Training	\$100,000	\$1,190	\$5,000	-	\$6,190	\$0.011	\$100,000	\$1,190	\$5,000	-	\$6,190	\$0.009	\$100,000	\$1,190	\$5,000	-	\$6,190	\$0.007
Uncontrollable costs	\$48,180	\$574	\$1,232	-	\$1,806	\$0.003	\$48,180	\$574	\$1,232	-	\$1,806	\$0.002	\$48,180	\$574	\$1,232	-	\$1,806	\$0.002
Cost for Agency Systems	\$985,680	\$11,734	\$24,661	0.8	\$36,396	\$0.063	\$985,680	\$11,734	\$24,661	0.8	\$36,396	\$0.050	\$985,680	\$11,734	\$24,661	0.8	\$36,396	\$0.042
Vendor Markup					\$ -	\$ -					\$ -						\$ -	\$ -
Price to Texas					\$36,396	\$0.063					\$36,396	\$0.050					\$36,396	\$0.042
Retailer Services																		
POS Deployment & Servicing																		
Initial Deployment	\$6,626,850	\$78,891	\$0	-	\$78,891	\$0.136	\$6,626,850	\$78,891	\$0	-	\$78,891	\$0.109	\$6,626,850	\$78,891	\$0	-	\$78,891	\$0.091
Maintenance & Servicing	\$520,000	\$6,190	\$90,817	23	\$97,007	\$0.167	\$520,000	\$6,190	\$90,817	23	\$97,007	\$0.134	\$520,000	\$6,190	\$90,817	23	\$97,007	\$0.111
Uncontrollable costs	\$351,796	\$4,188	\$9,373	-	\$13,561	\$0.023	\$351,796	\$4,188	\$9,373	-	\$13,561	\$0.019	\$351,796	\$4,188	\$9,373	\$0	\$13,561	\$0.016
sub total	\$7,498,646	\$89,270	\$100,190	23	\$189,460	\$0.326	\$7,498,646	\$89,270	\$100,190	23	\$189,460	\$0.261	\$7,498,646	\$89,270	\$100,190	23	\$189,460	\$0.218

TEAA In-House Cost Model

	Case 1 - Minus 20%						Case 2 - Current Case Load						Case 3 - Plus 20%					
	Investment		Monthly	Est.	Total	PCPM	Investment		Monthly	Est.	Total	PCPM	Investment		Monthly	Est.	Total	PCPM
	Total	Monthly	Operations	Staff	Per Month		Total	Monthly	Operations	Staff	Per Month		Total	Monthly	Operations	Staff	Per Month	
POS Operations																		
Facility	\$0	\$0	\$0	-	\$0	\$ -	\$0	\$0	\$0	-	\$0	\$ -	\$0	\$0	\$0	-	\$0	\$ -
Software	\$520,000	\$6,190	\$7,167	-	\$13,357	\$0.023	\$520,000	\$6,190	\$7,167	-	\$13,357	\$0.018	\$520,000	\$6,190	\$7,167	-	\$13,357	\$0.015
Communications	\$40,000	\$476	\$255,073	-	\$255,549	\$0.440	\$40,000	\$476	\$266,341	-	\$266,817	\$0.368	\$40,000	\$476	\$277,609	-	\$278,085	\$0.319
Operations	\$0	\$0	\$43,887	2	\$43,887	\$0.076	\$0	\$0	\$46,570	2	\$46,570	\$0.064	\$0	\$0	\$49,252	2	\$49,252	\$0.057
Contract Management	\$0	\$0	\$13,667	4	\$13,667	\$0.024	\$0	\$0	\$13,667	4	\$13,667	\$0.019	\$0	\$0	\$13,667	4	\$13,667	\$0.016
Management & Admin.	\$0	\$0	\$8,333	2	\$8,333	\$0.014	\$0	\$0	\$8,333	2	\$8,333	\$0.011	\$0	\$0	\$8,333	2	\$8,333	\$0.010
Call Center / Help desk	\$75,000	\$893	\$17,863	6	\$18,756	\$0.032	\$75,000	\$893	\$17,863	6	\$18,756	\$0.026	\$75,000	\$893	\$17,863	6	\$18,756	\$0.022
Uncontrollable costs	\$175,488	\$2,089	\$1,013	-	\$3,102	\$0.005	\$175,488	\$2,089	\$1,013	-	\$3,102	\$0.004	\$175,488	\$2,089	\$1,013	-	\$3,102	\$0.004
sub total	\$810,488	\$9,649	\$347,002	14	\$356,650	\$0.614	\$810,488	\$9,649	\$360,953	14	\$370,602	\$0.511	\$810,488	\$9,649	\$374,904	14	\$384,553	\$0.441
Purchase Transactions	\$0	\$0	\$40,854	-	\$40,854	\$0.070	\$0	\$0	\$51,068	-	\$51,068	\$0.070	\$0	\$0	\$61,281	-	\$61,281	\$0.070
Cost for Retailer Services	\$8,309,134	\$98,918	\$488,046	37	\$586,964	\$1.011	\$8,309,134	\$98,918	\$512,210	37	\$611,129	\$0.842	\$8,309,134	\$98,918	\$536,375	37	\$635,293	\$0.729
Vendor Markup					\$0	\$ -					\$0	\$ -					\$0	\$ -
Price to Texas					\$586,964	\$1.011					\$611,129	\$0.842					\$635,293	\$0.729
Total for Lone Star Program																		
Cost for Services	\$19,171,568	\$228,233	\$1,130,179	118	\$1,358,412	\$2.339	\$19,180,780	\$228,343	\$1,207,739	128	\$1,436,082	\$1.978	\$19,189,991	\$228,452	\$1,285,485	138	\$1,513,938	\$1.738
Vendor Markup					\$0	\$ -					\$0	\$ -					\$0	\$ -
Price to Texas					\$1,358,412	\$2.339					\$1,436,082	\$1.978					\$1,513,938	\$1.738

Central Processing

State In-House Solution

	Three Case Load Scenarios		
	Minus 20%	Current	Plus 20%
Food Stamp Cases	466,371	582,964	699,557
TANF Cases	114,305	142,881	171,457
Total Cases	580,676	725,845	871,014
Approximate Card Holders	489,232	611,540	733,848

Amortization Period 84

	Case 1 - Minus 20%				Case 2 - Current Case Load				Case 3 - Plus 20%				Comments and Assumptions
	Investment Total	Monthly	Monthly Operations	Est. Staff	Investment Total	Monthly	Monthly Operations	Est. Staff	Investment Total	Monthly	Monthly Operations	Est. Staff	
Facilities - Primary site													Assume primary site for EBT central processing and administration will leverage existing State facilities. For this model, dedicated to Texas EBT.
Monthly lease			\$5,833				\$5,833				\$5,833		Estimate an allocation of 5,000 s.f. required at \$14 per foot per year. This is the same for all three estimates.
Build out	\$250,000	\$2,976			\$250,000	\$2,976			\$250,000	\$2,976			Estimate assumes existing facility already set up for data center. Needs minimal improvements.
Phone & utilities			\$5,000				\$5,000				\$5,000		Estimated utilities and administrative phone costs.
Maintenance			\$4,500				\$4,500				\$4,500		Estimated building maintenance cost of \$.90 per s.f. per month
Equip. & furnishing	\$96,000	\$1,143			\$96,000	\$1,143			\$96,000	\$1,143			Estimate allocation of 12 offices or cubes at \$8,000 each.
Personnel			\$0	0			\$0	0			\$0	0	No additional staff needed.
Supplies & equip.			\$2,000				\$2,000				\$2,000		Estimate for supplies and equipment to operate data center and administrative site.
Miscellaneous			\$1,500				\$1,500				\$1,500		Estimated miscellaneous on-going building operating costs.
Total	\$346,000	\$4,119	\$18,833	0	\$346,000	\$4,119	\$18,833	0	\$346,000	\$4,119	\$18,833	0	
Facilities - Back up site													Assume that a remote processing backup site will be established similar to what is currently provided to support EBT.
Monthly lease			\$1,167				\$1,167				\$1,167		Estimate allocation of 1,000 s.f. required at \$14 per s.f. per year.
Build out	\$100,000	\$1,190			\$100,000	\$1,190			\$100,000	\$1,190			Estimated for existing site - minimal build out.
Phone & utilities			\$2,917				\$2,917				\$2,917		Estimated utilities and administrative phone
Maintenance			\$2,700				\$2,700				\$2,700		Estimated building maintenance cost of \$.90 per s.f. per month
Equip. & furnishing	\$24,000	\$286			\$24,000	\$286			\$24,000	\$286			Estimate 3 offices at \$8,000 each.
Personnel			\$0	0			\$0	0			\$0	0	no staff required.
Supplies & equip.			\$1,667				\$1,667				\$1,667		Estimate for supplies and equipment to operate data center.
Miscellaneous			\$1,000				\$1,000				\$1,000		Estimated miscellaneous on-going building operating costs.
Total	\$124,000	\$1,476	\$9,450	0	\$124,000	\$1,476	\$9,450	0	\$124,000	\$1,476	\$9,450	0	
Hardware (primary & backup)													Assume State will procure central processing equipment necessary to support Texas EBT. Estimates are based on current Tri Plex transaction processing environment. Many different configurations are possible.
Processors	\$750,000	\$8,929			\$750,000	\$8,929			\$750,000	\$8,929			Central computers, disk storage, peripherals for primary and remote back up processing.
Communications	\$250,000	\$2,976			\$250,000	\$2,976			\$250,000	\$2,976			Communications equipment necessary to acquire EBT transactions, support all interchange partners, interconnect with backup site and with call center.

	Case 1 - Minus 20%				Case 2 - Current Case Load				Case 3 - Plus 20%				Comments and Assumptions
	Investment		Monthly	Est.	Investment		Monthly	Est.	Investment		Monthly	Est.	
	Total	Monthly	Operations	Staff	Total	Monthly	Operations	Staff	Total	Monthly	Operations	Staff	
LAN / WAN	\$200,000	\$2,381			\$200,000	\$2,381			\$200,000	\$2,381			Equipment necessary to redundantly interconnect all processing components.
Miscellaneous	\$450,000	\$5,357			\$450,000	\$5,357			\$450,000	\$5,357			Miscellaneous equipment needed to build fully functional primary and backup data centers
Install, set up	\$150,000	\$1,786			\$150,000	\$1,786			\$150,000	\$1,786			Estimate of costs to install test and make ready for production.
licenses	\$100,000	\$1,190	\$3,000		\$100,000	\$1,190	\$3,000		\$100,000	\$1,190	\$3,000		Estimate of software licensing fees for purchased products such as an operating system and a data base manager.
Maintenance			\$38,500				\$38,500				\$38,500		Estimated 28% of base equipment cost per year for hardware maintenance and support.
Total	\$1,900,000	\$22,619	\$41,500	0	\$1,900,000	\$22,619	\$41,500	0	\$1,900,000	\$22,619	\$41,500	0	
Software													Assume that software for EBT will either be built or purchased and modified to serve the specific needs of Texas EBT.
Initial development													All estimates for initial development are based on specific experience in development of EBT processing systems.
Acc't mgmt	\$1,600,000	\$19,048			\$1,600,000	\$19,048			\$1,600,000	\$19,048			
Settlement	\$750,000	\$8,929			\$750,000	\$8,929			\$750,000	\$8,929			
Administrative	\$0	\$0			\$0	\$0			\$0	\$0			
POS acquiring	\$0	\$0			\$0	\$0			\$0	\$0			
Mgmt & report	\$500,000	\$5,952			\$500,000	\$5,952			\$500,000	\$5,952			
Warehouse	\$350,000	\$4,167			\$350,000	\$4,167			\$350,000	\$4,167			
Conversion	\$350,000	\$4,167			\$350,000	\$4,167			\$350,000	\$4,167			
Maint. Prog.			\$13,333	2			\$13,333	2			\$13,333	2	Maintenance programmers to support the system 7x24. Estimate \$80,000 per year each, including benefits.
DBA / prog.			\$6,667	1			\$6,667	1			\$6,667	1	Data Base Administrator (DBA) to manage EBT databases. \$80,000 per year including benefits.
Equip. & supplies	\$125,000	\$1,488	\$1,500		\$125,000	\$1,488	\$1,500		\$125,000	\$1,488	\$1,500		Estimate of equipment and supplies to sustain software staff.
QA / prog.			\$6,667	1			\$6,667	1			\$6,667	1	Quality assurance programmer to validate system integrity, help trouble shoot problems and provide general system support. \$80,000 per year including benefits.
Total	\$3,675,000	\$43,750	\$28,167	4	\$3,675,000	\$43,750	\$28,167	4	\$3,675,000	\$43,750	\$28,167	4	
Operations (Primary & Backup)													On-going systems operations necessary to support the system 7x24. Assume located in existing data center and will leverage existing staff.
Computer Operations													Expenses necessary to support daily computer operations.
Sys. Programmer			\$6,667	1			\$6,667	1			\$6,667	1	Systems programmer to manage operating system environment. \$80,000 per year including benefits.
Operators			\$21,875	7			\$21,875	7			\$21,875	7	Allocation of computer operators and shift supervisors. Three shifts per day, 7 days per week at primary and backup site. \$37,500 each, including benefits. Leverage existing staff.
Mgmt			\$6,667	1			\$6,667	1			\$6,667	1	Operations manager. \$80,000 per year including benefits.
Training	\$50,000	\$595	\$1,500		\$50,000	\$595	\$1,500		\$50,000	\$595	\$1,500		Estimate for operator training prior to start up and on-going process improvement.
supplies & equip			\$3,500				\$3,500				\$3,500		Estimate for on-going supplies and equipment necessary to sustain continuing computer operations.
Communications													On-going expenses for 7x24 support for the telecommunications infrastructure necessary for EBT.
Comm. Techs			\$10,000	2			\$10,000	2			\$10,000	2	Allocation for communication support technicians. \$60,000 each including benefits. Leverage existing staff.
Mgmt			\$0	0			\$0	0			\$0	0	Communications manager. \$80,000 per year including expenses. Leverage existing management.

	Case 1 - Minus 20%				Case 2 - Current Case Load				Case 3 - Plus 20%				Comments and Assumptions
	Investment		Monthly Operations	Est. Staff	Investment		Monthly Operations	Est. Staff	Investment		Monthly Operations	Est. Staff	
	Total	Monthly				Total			Monthly				Total
Training	\$10,000	\$119	\$1,000		\$10,000	\$119	\$1,000		\$10,000	\$119	\$1,000		Estimate for training prior to start up and on-going process improvement.
Leased lines			\$27,500				\$27,500				\$27,500		Leased lines necessary to interconnect primary data center, backup data center, call center and TDHS. Twelve T1 lines at \$2500 per month.
Third party certifications			\$5,000	1			\$5,000	1			\$5,000	1	Technician to provide support and certification services for third party processors. \$60,000 per year including benefits.
Recon & Settlement													Expenses necessary to support daily settlement, system balancing, adjustment processing, and voucher reconciliation.
Staff			\$12,500	3			\$12,500	3			\$12,500	3	Technicians at \$50,000 each per year, including benefits. Leverage existing fiscal staff.
Bad debt			\$1,000				\$1,000				\$1,000		Estimate for write off of bad transactions. Based on Texas experience.
CCDMI			\$2,746				\$2,746				\$2,746		Coupon Conversion at 4.25 each average of 645 per month.
Training	\$20,000	\$238	\$1,000		\$20,000	\$238	\$1,000		\$20,000	\$238	\$1,000		Estimate for training prior to start up and on-going process improvement.
Total	\$80,000	\$952	\$100,954	15	\$80,000	\$952	\$100,954	15	\$80,000	\$952	\$100,954	15	
Management & Admin.													Management team for EBT program management.
Project Mgmt			\$10,833	2			\$10,833	2			\$10,833	2	EBT manager and assistant manager for Texas EBT at \$65,000 including benefits. Augment existing Lone Star staff
Acc't & finance			\$4,167	1			\$4,167	1			\$4,167	1	Accounting person at \$50,000
HR			\$0	0			\$0	0			\$0	0	None assumed.
Admin. support			\$2,083	1			\$2,083	1			\$2,083	1	Additional administrative support staff. \$25,000 each.
Miscellaneous			\$3,000				\$3,000				\$3,000		Estimate for miscellaneous office expenses.
Travel			\$2,000				\$2,000				\$2,000		Estimate for necessary travel.
Total			\$22,083	4			\$22,083	4			\$22,083	4	
Uncontrollable costs													
Start up costs	\$587,809	\$6,998			\$587,809	\$6,998			\$587,809	\$6,998			Costs incurred prior to start of live operations. Assumes that on-going operations costs above are incurred for two months prior to live operations.
Taxes & insurance			\$0				\$0				\$0		State does not pay taxes and is self insured.
Cost of capital			\$8,391				\$8,391				\$8,391		State generally funds up front and does not incur interest charges. However, there is an opportunity cost for funds. To make this option comparable with others a token interest rate equal to the rise in CPI has been used. (3 percent)
Total	\$587,809	\$6,998	\$8,391	0	\$587,809	\$6,998	\$8,391	0	\$587,809	\$6,998	\$8,391	0	
Total Central System	\$6,712,809	\$79,914	\$229,379	23	\$6,712,809	\$79,914	\$229,379	23	\$6,712,809	\$79,914	\$229,379	23	

Customer Service

State In-House Solution

	Three Case Load Scenarios		
	Minus 20%	Current	Plus 20%
Food Stamp Cases	466,371	582,964	699,557
TANF Cases	114,305	142,881	171,457
Total Cases	580,676	725,845	871,014
Approximate Card Holders	489,232	611,540	733,848

Assumptions - Current Case Load

New cards Issued per month	26,500
Cards replaced per month	15,000
PINs replaced per month	2,200
Associate call minutes / mo.	162,120
ARU call minutes per month.	1,843
Percent automated client calls	96%
Call minutes per card holder per mo.	3.27

Amortization Period	84												Comments and Assumptions
	Case 1 - Minus 20%				Case 2 - Current Case Load				Case 3 - Plus 20%				
	Investment Total	Monthly	Monthly Operations	Est. Staff	Investment Total	Monthly	Monthly Operations	Est. Staff	Investment Total	Monthly	Monthly Operations	Est. Staff	
Card, PINs, Training													
New cards (in local office)													Cards for new clients are issued in local office. Training materials are distributed and explains at this time.
Cards			\$5,300				\$6,625				\$7,950		Cards and associated materials are \$.25 each.
Training Materials			\$7,420				\$9,275				\$11,130		Client training materials run about \$.35 each.
PINs			\$4,240				\$5,300				\$6,360		PINs run about \$.20 each.
Staff (Agency)			\$0				\$0				\$0		Agency Staff costs are captured in the State costs allocation model and are not a part of the vendor costs.
Distribution costs			\$7,500				\$7,500				\$7,500		Assume a monthly inventory shipment to each office at \$15.
Sub total			\$24,460	0			\$28,700	0			\$32,940	0	
Replace Cards (by mail)													
Cards & materials			\$4,800				\$6,000				\$7,200		Materials including card, mailer, are about \$.40.
Postage			\$7,200				\$9,000				\$10,800		Postage and associated materials are \$.60
Staff (vendor)			\$2,857	2.3			\$3,571	2.9			\$4,286	3.4	Estimate mail clerk can handle 250 cards per day. \$15,000 each per year including benefits.
Sub total			\$14,857	2.3			\$18,571	2.9			\$22,286	3.4	
PIN Replacements (by mail)													
PINs & materials			\$528				\$660				\$792		PIN mailers and materials are about \$.30
Postage			\$563				\$704				\$845		Postage is \$.32
Staff (vendor)			\$419	0.3			\$291	0.4			\$349	0.5	Estimate mail clerk can handle 250 PINs per day. \$15,000 each per year including benefits.
Sub total			\$1,510	0.3			\$1,655	0.4			\$1,986	0.5	
PIN Change (local office)													Current environment has POS device and PIN pad in each office with a supporting phone line. This could be eliminated. Used very little.
Equipment & install	\$200,000	\$2,381			\$200,000	\$2,381			\$200,000	\$2,381			Device and installation about \$400
Phone line			\$0				\$0				\$0		Assume leverage existing phone line in office.
Sub total	\$200,000	\$2,381	\$0	0	\$200,000	\$2,381	\$0	0	\$200,000	\$2,381	\$0	0	
Total for Cards & PINs	\$200,000	\$2,381	\$40,827	2.6	\$200,000	\$2,381	\$48,926	3.3	\$200,000	\$2,381	\$57,212	3.9	
Call Center / Help Desk													
Facility													Assume that a new facility will be acquired. Cannot leverage existing. However, down the road, possible to integrate with TIES call centers..

	Case 1 - Minus 20%			Case 2 - Current Case Load			Case 3 - Plus 20%			Comments and Assumptions		
	Investment Total	Monthly Operations	Est. Staff	Investment Total	Monthly Operations	Est. Staff	Investment Total	Monthly Operations	Est. Staff			
Monthly lease										Estimate 10,000 s.f. at \$14 per s.f.		
Build out	\$500,000	\$5,952		\$500,000	\$5,952		\$500,000	\$5,952		Estimate of leasehold improvements to set up building for call center.		
Phone & utilities			\$8,333			\$8,333			\$8,333	Estimated utilities and administrative phone		
Maintenance			\$9,000			\$9,000			\$9,000	Maintenance estimated at \$.90 per s.f. per mo.		
Equip. & furnishing	\$80,000	\$952		\$80,000	\$952		\$80,000	\$952		Estimated 10 offices & cubes at \$8,000 each		
Personnel			\$3,750	3		\$3,750	3		\$3,750	3 1 day time maintenance and 2 security		
Supplies & equip.			\$5,000			\$5,000			\$5,000	estimate of monthly office and building supplies		
Miscellaneous			\$3,500			\$3,500			\$3,500	estimate of miscellaneous building costs		
Sub total	\$580,000	\$6,905	\$41,250	3	\$580,000	\$6,905	\$41,250	3	\$580,000	\$6,905	\$41,250	3
Hardware												
Processors	\$50,000	\$595			\$50,000	\$595			\$50,000	\$595		Server for call center management systems
Communications	\$350,000	\$4,167			\$350,000	\$4,167			\$350,000	\$4,167		Estimate for call switching system with ACD capabilities, communications gear for interchange with data centers, and necessary ports for connectivity with phone company.
ARU	\$600,000	\$7,143			\$600,000	\$7,143			\$600,000	\$7,143		Estimate for automated answering equipment with excess capacity and redundancy. Possible to leverage existing equipment. TDHS already answering 600,000 calls per month.
Operator seats	\$325,000	\$3,869			\$325,000	\$3,869			\$325,000	\$3,869		Estimate for 65 operator seats at \$5,000 per station.
LAN / WAN	\$50,000	\$595			\$50,000	\$595			\$50,000	\$595		LAN environment to interconnect with primary and backup data centers.
Miscellaneous	\$200,000	\$2,381			\$200,000	\$2,381			\$200,000	\$2,381		Estimate for miscellaneous call center equipment.
Install, set up	\$200,000	\$2,381			\$200,000	\$2,381			\$200,000	\$2,381		Estimate to install and test all equipment prior to going live.
Licenses	\$50,000	\$595	\$1,000		\$50,000	\$595	\$1,000		\$50,000	\$595	\$1,000	Estimate for work station and server licenses.
Maintenance			\$36,750			\$36,750				\$36,750		Estimate for maintenance on hardware components.28% per year of hardware investment.
Sub Total	\$1,825,000	\$21,726	\$37,750	0	\$1,825,000	\$21,726	\$37,750	0	\$1,825,000	\$21,726	\$37,750	0
Software												
Initial development												Assumes that software is built or purchased and customized to meet needs of EBT.
Scripts	\$50,000	\$595			\$50,000	\$595			\$50,000	\$595		
Managem	\$100,000	\$1,190			\$100,000	\$1,190			\$100,000	\$1,190		
Maint. Prog.			\$6,667	1		\$6,667	1			\$6,667	1	One maintenance programmers to support 7x24 operation. \$80,000 per year including benefits.
Equip. & supplies	\$25,000	\$298	\$1,500		\$25,000	\$298	\$1,500		\$25,000	\$298	\$1,500	Estimate to support software operations.
Sub total	\$175,000	\$2,083	\$8,167	1	\$175,000	\$2,083	\$8,167	1	\$175,000	\$2,083	\$8,167	1
Call Center associates												
Staff			\$49,127	37		\$61,409	46			\$73,691	55	Estimate based on 40% operator efficiency, 1,760 working hours per year, actual number of call minutes and a cost of \$16,000 per operator including benefits.
Supervisors			\$14,583	5		\$14,583	5			\$14,583	5	Supervisors (to cover all shifts in 7x24 process) at \$35,000 including benefits.
Training	\$36,850	\$439	\$3,690		\$46,062	\$548	\$4,611		\$55,273	\$658	\$5,532	Estimate for pre start up operator training and on-going process improvement and operator turn over.
supplies & equip			\$3,000			\$3,000				\$3,000		Estimate of on-going supplies and equipment to support continuing operations.
Sub total	\$36,850	\$439	\$70,400	41.8	\$46,062	\$548	\$83,603	51.1	\$55,273	\$658	\$96,806	60.3
Communications												

	Case 1 - Minus 20%				Case 2 - Current Case Load				Case 3 - Plus 20%				Comments and Assumptions
	Investment		Monthly	Est.	Investment		Monthly	Est.	Investment		Monthly	Est.	
	Total	Monthly	Operations	Staff	Total	Monthly	Operations	Staff	Total	Monthly	Operations	Staff	
Comm. Technicians			\$10,000	2			\$10,000	2			\$10,000	2	Communications technicians to support 7x24 operation. \$60,000 each.
Training	\$20,000	\$238	\$1,500		\$20,000	\$238	\$1,500		\$20,000	\$238	\$1,500		Estimate for pre start up training and on-going process improvement
supplies & equip			\$2,000				\$2,000				\$2,000		Estimate to support communications.
800 phone service			\$128,328				\$160,410				\$192,492		Actual connect minutes at \$.08 per minute.
line charges			\$10,000				\$10,000				\$10,000		Estimate for incoming T1 voice lines.
Sub total	\$20,000	\$238	\$151,828	2	\$20,000	\$238	\$183,910	2	\$20,000	\$238	\$215,992	2	
Management & Administration													
Management			\$16,250	3			\$16,250	3			\$16,250	3	General manager at \$100,000 and two assistant managers at \$65,000.
Quality Assurance			\$5,000	1			\$5,000	1			\$5,000	1	One at \$60,000 including benefits.
HR professional			\$0	0			\$0	0			\$0	0	None assumed
Admin. support			\$4,167	2			\$4,167	2			\$4,167	2	Two at \$25,000 each including benefits.
Miscellaneous exp.			\$3,500				\$3,500				\$3,500		Estimate for miscellaneous management expenses.
Training professional			\$5,000	1			\$5,000	1			\$5,000	1	One at \$60,000 including benefits.
sub total			\$33,917	7			\$33,917	7			\$33,917	7	
Uncontrollable costs													
Start up costs	\$327,095	\$3,894			\$327,095	\$3,894			\$327,095	\$3,894			Costs incurred prior to start of live operations. Assumes that on-gong operations costs above are incurred for two months prior to live operations.
Taxes & insurance			\$0				\$0				\$0		State does not pay taxes and is self insured.
Cost of capital			\$3,955				\$3,966				\$3,978		State generally funds up front and does not incur interest charges. However, there is an opportunity cost for funds. To make this option comparable with others a token interest rate equal to the rise in CPI has been used. (3 percent)
sub total	\$327,095	\$3,894	\$3,955	0	\$327,095	\$3,894	\$3,966	0	\$327,095	\$3,894	\$3,978	0	
Total for Help Desk	\$2,963,946	\$35,285	\$347,266	55	\$2,973,157	\$35,395	\$392,562	64	\$2,982,368	\$35,504	\$437,859	73	
Total for Customer Service	\$3,163,946	\$37,666	\$388,093	57	\$3,173,157	\$37,776	\$441,489	67	\$3,182,368	\$37,885	\$495,071	77	

Agency Systems

State In-House Systems

	Three Case Load Scenarios		
	Minus 20%	Current	Plus 20%
Food Stamp Cases	466,371	582,964	699,557
TANF Cases	114,305	142,881	171,457
Total Cases	580,676	725,845	871,014
Approximate Card Holders	489,232	611,540	733,848

Assumptions
Agency offices 500

Depreciation Period 84

	Case 1 - Minus 20%				Case 2 - Current Case Load				Case 3 - Plus 20%				Comments and Assumptions
	Investment Total	Monthly	Monthly Operations	Est. Staff	Investment Total	Monthly	Monthly Operations	Est. Staff	Investment Total	Monthly	Monthly Operations	Est. Staff	
Hardware													
PCs	\$437,500	\$5,208			\$437,500	\$5,208			\$437,500	\$5,208			Assume that State will integrate EBT terminal with other office functions rather than continue with stand alone EBT device. There is a current initiative to integrate with other agency functions.
Maintenance			\$3,646				\$3,646				\$3,646		Maintenance on PCs estimated at 10% per year of total cost. 25% allocated to EBT.
Sub Total	\$437,500	\$5,208	\$3,646	0	\$437,500	\$5,208	\$3,646	0	\$437,500	\$5,208	\$3,646	0	
Software													
Initial development													
Admin. Terms	\$400,000	\$4,762			\$400,000	\$4,762			\$400,000	\$4,762			Estimate based on experience to build an administrative terminal application.
SAVERR (Agency)	\$0		\$0		\$0		\$0		\$0		\$0		Costs for modifications to SAVERR are not part of vendor costs and are included in State cost allocation.
Maint. Prog.			\$2,200	0.3			\$2,200	0.3			\$2,200	0.3	An estimate of programmer time to support the administrative terminal application. \$80,000
Sub Total	\$400,000	\$4,762	\$2,200	0.3	\$400,000	\$4,762	\$2,200	0.3	\$400,000	\$4,762	\$2,200	0.3	
Operations													
Communications													
PC Technicians			\$2,083	0.5			\$2,083	0.5			\$2,083	0.5	Allocation of technicians to handle administrative terminal problems. \$50,000 each including benefits.
LAN / WAN			\$10,000				\$10,000				\$10,000		Estimate of allocation for EBT use of DHS LAN / WAN.
Miscellaneous			\$500				\$500				\$500		Estimate of miscellaneous expenses related to administrative network.
Sub Total	\$0	\$0	\$12,583	0.5	\$0	\$0	\$12,583	0.5	\$0	\$0	\$12,583	0.5	
Training													

	Case 1 - Minus 20%				Case 2 - Current Case Load				Case 3 - Plus 20%				Comments and Assumptions
	Investment Total	Monthly	Monthly Operations	Est. Staff	Investment Total	Monthly	Monthly Operations	Est. Staff	Investment Total	Monthly	Monthly Operations	Est. Staff	
Agency Staff	\$100,000	\$1,190	\$5,000		\$100,000	\$1,190	\$5,000		\$100,000	\$1,190	\$5,000		Estimate of cost for agency staff training. Initially training - \$200 per office. On-going training of \$10 per office per month. Other training costs are covered in State cost allocation.
Sub Total	\$100,000	\$1,190	\$5,000	0	\$100,000	\$1,190	\$5,000	0	\$100,000	\$1,190	\$5,000	0	
Uncontrollable costs													
Start up costs	\$48,180	\$574			\$48,180	\$574			\$48,180	\$574			Costs incurred prior to start of live operations. Assumes that on-gong operations costs above are incurred for two months prior to live operations.
Taxes & insurance			\$0				\$0				\$0		State does not pay taxes and is self insured.
Cost of capital			\$1,232				\$1,232				\$1,232		State generally funds up front and does not incur interest charges. However, there is an opportunity cost for funds. To make this option comparable with others a token interest rate equal to the rise in CPI has been used. (3 percent)
Sub Total	\$48,180	\$574	\$1,232	0	\$48,180	\$574	\$1,232	0	\$48,180	\$574	\$1,232	0	
Total for Agency Systems	\$985,680	\$11,734	\$24,661	0.8	\$985,680	\$11,734	\$24,661	0.8	\$985,680	\$11,734	\$24,661	0.8	

Retailer Services

State In-House Solution

	Three Case Load Scenarios		
	Minus 20%	Current	Plus 20%
Food Stamp Cases	466,371	582,964	699,557
TANF Cases	114,305	142,881	171,457
Total Cases	580,676	725,845	871,014
Approximate Card Holders	489,232	611,540	733,848

Assumptions - Current Case Load

Total POS Transactions	5,962
Pct. from Private third parties	30%
Pct. from Public third parties	25%
Total food Transactions	5,629
Percent approved	92.6%
Total Cash Transactions	333
Percent approved	84.2%
Average Trans. / card holder	9.75
Retailers equipped by State	10,610
Terminals provided by State	13,000
Phone lines provided by State	7,000
Retailer calls minutes per month	49,917
Retailer operator minutes / mo.	21,770
Terminal repairs / month	600
Pct. Trans from State POS	45%

	Total	Approved
Food transactions per food case	9.66	8.94
Cash Transactions per cash case	2.33	1.96

Amortization Period 84

	Case 1 - Minus 20%				Case 2 - Current Case Load				Case 3 - Plus 20%				Comments and Assumptions
	Investment		Monthly Operations	Est. Staff	Investment		Monthly Operations	Est. Staff	Investment		Monthly Operations	Est. Staff	
	Total	Monthly			Total	Monthly			Total	Monthly			
POS Deployment & Servicing													
Initial Deployment													Assume that under a new procurement, the POS network would have to be redeployed.
Hardware	\$5,200,000	\$61,905			\$5,200,000	\$61,905			\$5,200,000	\$61,905			Actual devices being used in Texas estimated at \$400 including shipping, handling, software load, testing..
Equip. Installation	\$795,750	\$9,473			\$795,750	\$9,473			\$795,750	\$9,473			Estimate about \$75 per site to install equipment.
Phone Installation	\$525,000	\$6,250			\$525,000	\$6,250			\$525,000	\$6,250			Actual phone lines at a cost of \$75 to install.
Retailer Training	\$106,100	\$1,263			\$106,100	\$1,263			\$106,100	\$1,263			Most training is done as part of install. Other costs (materials, contracts, etc.) \$10 per retailer.
Sub total	\$6,626,850	\$78,891		0	\$6,626,850	\$78,891		0	\$6,626,850	\$78,891		0	Requirement is to repair or replace defective device in 24 hours. Waiver allows replace by mail if retailer agrees. (Ship overnight on next business day or sooner.)
Maintenance & Servicing													
Facility lease			\$1,167				\$1,167				\$1,167		1000 s.f. at \$14 per s.f.
Vehicles			\$8,400				\$8,400				\$8,400		Lease 12 vehicles at \$700 per month including fuel and maintenance.
Service Techs			\$35,000	12			\$35,000	12			\$35,000	12	Twelve field service technicians to service defective devices. \$35,000 each including benefits.

	Case 1 - Minus 20%				Case 2 - Current Case Load				Case 3 - Plus 20%				Comments and Assumptions
	Investment Total	Monthly	Monthly Operations	Est. Staff	Investment Total	Monthly	Monthly Operations	Est. Staff	Investment Total	Monthly	Monthly Operations	Est. Staff	
Dispatchers			\$14,583	5			\$14,583	5			\$14,583	5	Five dispatchers to manage retailer service requests and track service. \$35,000 each including benefits.
Management			\$8,333	2			\$8,333	2			\$8,333	2	
Admin. support			\$2,083	1			\$2,083	1			\$2,083	1	Two service managers. \$50,000 each.
Phone Techs			\$8,750	3			\$8,750	3			\$8,750	3	One administrative support at \$25,000 including benefits.
Equip. & supplies	\$520,000	\$6,190	\$6,500		\$520,000	\$6,190	\$6,500		\$520,000	\$6,190	\$6,500		Three phone technicians to handle phone help requests. \$35,000 each.
Shipping & handling			\$ 6,000				\$ 6,000				\$ 6,000		Initial spare equipment base of 10% plus an estimated \$.50 in on-gong supplies per terminal.
Sub total	\$520,000	\$6,190	\$90,817	23	\$520,000	\$6,190	\$90,817	23	\$520,000	\$6,190	\$90,817	23	Estimated cost of replacement by mail at \$40 per replacement. 25% of service calls handled through mail.
Uncontrollable costs													
Start up costs	\$351,796	\$4,188			\$351,796	\$4,188			\$351,796	\$4,188			Costs incurred prior to start of live operations. Assumes that on-gong operations costs above are incurred for two months prior to live operations. Exception are charges directly related to POS transactions.
Taxes & insurance			\$0				\$0				\$0		State does not pay taxes and is self insured.
Cost of capital			\$9,373				\$9,373				\$9,373		State generally funds up front and does not incur interest charges. However, there is an opportunity cost for funds. To make this option comparable with others a token interest rate equal to the rise in CPI has been used. (3 percent)
Sub total	\$351,796	\$4,188	\$9,373	0	\$351,796	\$4,188	\$9,373	0	\$351,796	\$4,188	\$9,373	0	
Total for Deploy & Service	\$7,498,646	\$89,270	\$100,190	23	\$7,498,646	\$89,270	\$100,190	23	\$7,498,646	\$89,270	\$100,190	23	
POS Operations													
Facility			\$0				\$0				\$0		Assume POS operations will co-exist with central processing and consequently will not have a separate facility.
Sub total			\$0	0			\$0	0			\$0	0	
Software													
Development	\$500,000	\$5,952			\$500,000	\$5,952			\$500,000	\$5,952			Estimate based on experience for POS load image and POS terminal driving software.
Maint. Prog.			\$6,667	1			\$6,667	1			\$6,667	1	Maintenance programmer at \$80,000 including benefits.
Equip. & Supplies	\$10,000	\$119	\$500		\$10,000	\$119	\$500		\$10,000	\$119	\$500		Initial development environment plus estimate for on-going supplies.
Licenses	\$10,000	\$119			\$10,000	\$119			\$10,000	\$119			Estimate for license for development tools.
Sub total	\$520,000	\$6,190	\$7,167	0	\$520,000	\$6,190	\$7,167	0	\$520,000	\$6,190	\$7,167	0	
Communications													

	Case 1 - Minus 20%				Case 2 - Current Case Load				Case 3 - Plus 20%				Comments and Assumptions
	Investment Total	Monthly	Monthly Operations	Est. Staff	Investment Total	Monthly	Monthly Operations	Est. Staff	Investment Total	Monthly	Monthly Operations	Est. Staff	
Equipment	\$40,000	\$476			\$40,000	\$476			\$40,000	\$476			Estimate for modem bank to handle down load processing.
Retailer phone lines			\$210,000				\$210,000				\$210,000		Monthly charge for phone lines placed in retail stores. \$30 each.
Transaction charges			\$45,073				\$56,341				\$67,609		Cost to move transaction from POS device to central processing. Estimated at \$.021 per transaction using actual transaction counts.
Operations Sub Total	\$40,000	\$476	\$255,073	0	\$40,000	\$476	\$266,341	0	\$40,000	\$476	\$277,609	0	
ACH fees			\$15,155				\$15,155				\$15,155		Settlement to retailers. \$.05 per transaction to 10,000 retailers seven days per week.
POS Supplies			\$10,732				\$13,415				\$16,097		\$.005 per transaction for POS ribbons and paper. Assume handled as a credit to retailer.
Comm Techs.			\$10,000	2			\$10,000	2			\$10,000	2	Communications technicians to manage and monitor the POS network, handle problems. \$60,000 each per year including benefits.
TPP Communications			\$6,000				\$6,000				\$6,000		Third party communications links
Equip. & Supplies			\$2,000				\$2,000				\$2,000		Estimate for on-going supplies.
Sub total	\$0	\$0	\$43,887	2	\$0	\$0	\$46,570	2	\$0	\$0	\$49,252	2	
Contract Management													
Staff			\$11,667	4			\$11,667	4			\$11,667	4	Four clerks to manage the 12,000 plus retailer contracts. \$35,000 each.
Equip. & Supplies			\$2,000				\$2,000				\$2,000		Estimate for on-going supplies.
Sub total	\$0	\$0	\$13,667	4	\$0	\$0	\$13,667	4	\$0	\$0	\$13,667	4	
Management & Admin.													
Management			\$6,250	1			\$6,250	1			\$6,250	1	General manager at \$75,000.
Admin. support			\$2,083	1			\$2,083	1			\$2,083	1	Administrative support at \$25,000
Sub total	\$0	\$0	\$8,333	2	\$0	\$0	\$8,333	2	\$0	\$0	\$8,333	2	
Call Center / Help desk													
Equipment	\$75,000	\$893	\$1,500		\$75,000	\$893	\$1,500		\$75,000	\$893	\$1,500		Estimate for equipment to handle retailer calls.
1-800 service			\$3,993				\$3,993				\$3,993		Actual call minutes at \$.08 per minute.
Associates			\$12,369	6			\$12,369	6			\$12,369	6	Actual call minutes, 40% operator efficiency, 1760 available hours per year, \$24,000 per person
Sub total	\$75,000	\$893	\$17,863	6	\$75,000	\$893	\$17,863	6	\$75,000	\$893	\$17,863	6	
Uncontrollable costs													
Start up costs	\$175,488	\$2,089			\$175,488	\$2,089			\$175,488	\$2,089			Costs incurred prior to start of live operations. Assumes that on-gong operations costs above are incurred for two months prior to live operations. Exception are charges directly related to POS transactions.
Taxes & insurance			\$0				\$0				\$0		State does not pay taxes and is self insured.

	Case 1 - Minus 20%				Case 2 - Current Case Load				Case 3 - Plus 20%				Comments and Assumptions
	Investment Total	Monthly	Monthly Operations	Est. Staff	Investment Total	Monthly	Monthly Operations	Est. Staff	Investment Total	Monthly	Monthly Operations	Est. Staff	
Cost of capital			\$1,013				\$1,013				\$1,013		State generally funds up front and does not incur interest charges. However, there is an opportunity cost for funds. To make this option comparable with others a token interest rate equal to the rise in CPI has been used. (3 percent)
Sub total	\$175,488	\$2,089	\$1,013	0	\$175,488	\$2,089	\$1,013	0	\$175,488	\$2,089	\$1,013	0	
Total for POS Operation	\$810,488	\$9,649	\$347,002	14	\$810,488	\$9,649	\$360,953	14	\$810,488	\$9,649	\$374,904	14	Actual commercial TPP transactions at \$.025 per transaction. Actual proprietary TPP transactions at \$.01 per transaction.
Purchase Transactions													
Commercial TPP			\$27,604				\$34,505				\$41,406		
Proprietary TPP			\$13,250				\$16,562				\$19,875		
Total for purchase	\$0	\$0	\$40,854	0	\$0	\$0	\$51,068	0	\$0	\$0	\$61,281	0	
Total for Retailer Services	\$8,309,134	\$98,918	\$488,046	37	\$8,309,134	\$98,918	\$512,210	37	\$8,309,134	\$98,918	\$536,375	37	

Appendix K: TEAA Acquire Assets Cost Model

Texas EBT Short Summary
State In-House Acquire Transactive Assets Solution

	Three Case Load Scenarios		
	Minus 20%	Current	Plus 20%
Food Stamp Cases	466,371	582,964	699,557
TANF Cases	114,305	142,881	171,457
Total Cases	580,676	725,845	871,014
Approximate Card Holders	489,232	611,540	733,848
Total Monthly Cost*	\$ 1,239,713	\$1,317,383	\$1,395,239
PCPM	\$ 2.135	\$ 1.815	\$ 1.602

Food Stamp Cost Allocation Percent 80.3%
TANF Cost Allocation Percent 19.7%

* Includes the cost of money.

Vendor Markup 0%
Amortization Period 84

	Case 1 - Minus 20%					Case 2 - Current Case Load					Case 3 - Plus 20%				
	Cost of Operation			Vendor Markup	Price PCPM	Cost of Operation			Vendor Markup	Price PCPM	Cost of Operation			Vendor Markup	Price PCPM
	Investment	Operations	Total			Investment	Operations	Total			Investment	Operations	Total		
Central Processing	\$29,304	\$197,231	\$226,535	\$0	\$0.390	\$29,304	\$197,231	\$226,535	\$0	\$0.312	\$29,304	\$197,231	\$226,535	\$0	\$0.260
Customer Service															
Card, PINs, Training	\$0	\$40,827	\$40,827	\$0	\$0.070	\$0	\$48,926	\$48,926	\$0	\$0.067	\$0	\$57,212	\$57,212	\$0	\$0.066
Call Center / Help Desk	\$33,701	\$346,850	\$380,550	\$0	\$0.655	\$33,810	\$392,146	\$425,956	\$0	\$0.587	\$33,920	\$437,443	\$471,362	\$0	\$0.541
Agency Systems	\$11,734	\$24,661	\$36,396	\$0	\$0.063	\$11,734	\$24,661	\$36,396	\$0	\$0.050	\$11,734	\$24,661	\$36,396	\$0	\$0.042
Retailer Services															
POS Deployment & Servicing	\$2,162	\$91,044	\$93,206	\$0	\$0.161	\$2,162	\$91,044	\$93,206	\$0	\$0.128	\$2,162	\$91,044	\$93,206	\$0	\$0.107
POS Operations	\$3,555	\$346,362	\$349,916	\$0	\$0.603	\$3,555	\$360,313	\$363,868	\$0	\$0.501	\$3,555	\$374,264	\$377,819	\$0	\$0.434
Purchase Transactions	\$0	\$40,854	\$40,854	\$0	\$0.070	\$0	\$51,068	\$51,068	\$0	\$0.070	\$0	\$61,281	\$61,281	\$0	\$0.070
Acquisition of Transactive Assets ¹	\$71,429		\$71,429		\$0.123	\$71,429		\$71,429		\$0.098	\$71,429		\$71,429		\$0.082
Total for Lone Star Program	\$151,884	\$1,087,829	\$1,239,713	\$0	\$2.135	\$151,994	\$1,165,389	\$1,317,383	\$0	\$1.815	\$152,103	\$1,243,136	\$1,395,239	\$0	\$1.602

¹ Estimated at \$6,000,000 based on reported acquisition price of \$11,000,000 for assets of both Illinois and Texas, factored down by elapsed time (and associated reduction in value) since offer was made.

Texas EBT Summary Cost Model

State In-House Acquire Transactive Assets Solution

	Three Case Load Scenarios		
	Minus 20%	Current	Plus 20%
Food Stamp Cases	466,371	582,964	699,557
TANF Cases	114,305	142,881	171,457
Total Cases	580,676	725,845	871,014
Approximate Card Holders	489,232	611,540	733,848

Food Stamp Cost Allocation Percent 80.3%
 TANF Cost Allocation Percent 19.7%

Profit markup 0%
 Amortization Period 84

	Case 1 - Minus 20%						Case 2 - Current Case Load						Case 3 - Plus 20%					
	Investment Total	Monthly	Monthly Operations	Est. Staff	Total Per Month	PCPM	Investment Total	Monthly	Monthly Operations	Est. Staff	Total Per Month	PCPM	Investment Total	Monthly	Monthly Operations	Est. Staff	Total Per Month	PCPM
Central Processing																		
Facilities - Primary site	\$346,000	\$4,119	\$18,833	-	\$22,952	\$0.040	\$346,000	\$4,119	\$18,833	-	\$22,952	\$0.032	\$346,000	\$4,119	\$18,833	-	\$22,952	\$0.026
Facilities - Back up site	\$124,000	\$1,476	\$9,450	-	\$10,926	\$0.019	\$124,000	\$1,476	\$9,450	-	\$10,926	\$0.015	\$124,000	\$1,476	\$9,450	-	\$10,926	\$0.013
Hardware (primary & backup)	\$750,000	\$8,929	\$14,667	-	\$23,595	\$0.041	\$750,000	\$8,929	\$14,667	-	\$23,595	\$0.033	\$750,000	\$8,929	\$14,667	-	\$23,595	\$0.027
Software	\$725,000	\$8,631	\$28,167	4	\$36,798	\$0.063	\$725,000	\$8,631	\$28,167	4	\$36,798	\$0.051	\$725,000	\$8,631	\$28,167	4	\$36,798	\$0.042
Operations (Primary & Backup)	\$80,000	\$952	\$100,954	15	\$101,907	\$0.175	\$80,000	\$952	\$100,954	15	\$101,907	\$0.140	\$80,000	\$952	\$100,954	15	\$101,907	\$0.117
Management & Admin.	\$0	\$0	\$22,083	4	\$22,083	\$0.038	\$0	\$0	\$22,083	4	\$22,083	\$0.030	\$0	\$0	\$22,083	4	\$22,083	\$0.025
Uncontrollable costs	\$436,523	\$5,197	\$3,077	-	\$8,274	\$0.014	\$436,523	\$5,197	\$3,077	-	\$8,274	\$0.011	\$436,523	\$5,197	\$3,077	-	\$8,274	\$0.009
Cost for Central Processing	\$2,461,523	\$29,304	\$197,231	23	\$226,535	\$0.390	\$2,461,523	\$29,304	\$197,231	23	\$226,535	\$0.312	\$2,461,523	\$29,304	\$197,231	23	\$226,535	\$0.260
Vendor Markup					\$0	\$0.000					\$0	\$0.000					\$0	\$0.000
Price to Texas					\$226,535	\$0.390					\$226,535	\$0.312					\$226,535	\$0.260
Customer Service																		
Card, PINs, Training																		
New cards (in local office)	\$0	\$0	\$24,460	-	\$24,460	\$0.042	\$0	\$0	\$28,700	-	\$28,700	\$0.040	\$0	\$0	\$32,940	-	\$32,940	\$0.038
Replace Cards (by mail)	\$0	\$0	\$14,857	2.3	\$14,857	\$0.026	\$0	\$0	\$18,571	2.9	\$18,571	\$0.026	\$0	\$0	\$22,286	3.4	\$22,286	\$0.026
PIN Replacements (by mail)	\$0	\$0	\$1,510	0.3	\$1,510	\$0.003	\$0	\$0	\$1,655	0.4	\$1,655	\$0.002	\$0	\$0	\$1,986	0.5	\$1,986	\$0.002
PIN Change (local office)	\$0	\$0	\$0	-	\$0	\$0.000	\$0	\$0	\$0	-	\$0	\$0.000	\$0	\$0	\$0	-	\$0	\$0.000
sub total	\$0	\$0	\$40,827	2.6	\$40,827	\$0.070	\$0	\$0	\$48,926	3.3	\$48,926	\$0.067	\$0	\$0	\$57,212	3.9	\$57,212	\$0.066
Call Center / Help Desk																		
Facility	\$580,000	\$6,905	\$41,250	3	\$48,155	\$0.083	\$580,000	\$6,905	\$41,250	3	\$48,155	\$0.066	\$580,000	\$6,905	\$41,250	3	\$48,155	\$0.055
Hardware	\$1,825,000	\$21,726	\$37,750	-	\$59,476	\$0.102	\$1,825,000	\$21,726	\$37,750	-	\$59,476	\$0.082	\$1,825,000	\$21,726	\$37,750	-	\$59,476	\$0.068
Software	\$45,000	\$536	\$8,167	1	\$8,702	\$0.015	\$45,000	\$536	\$8,167	1	\$8,702	\$0.012	\$45,000	\$536	\$8,167	1	\$8,702	\$0.010
Call Center associates	\$36,850	\$439	\$70,400	42	\$70,839	\$0.122	\$46,062	\$548	\$83,603	51	\$84,151	\$0.116	\$55,273	\$658	\$96,806	60	\$97,464	\$0.112
Communications	\$20,000	\$238	\$151,828	2	\$152,066	\$0.262	\$20,000	\$238	\$183,910	2	\$184,148	\$0.254	\$20,000	\$238	\$215,992	2	\$216,230	\$0.248
Management & Administration	\$0	\$0	\$33,917	7	\$33,917	\$0.058	\$0	\$0	\$33,917	7	\$33,917	\$0.047	\$0	\$0	\$33,917	7	\$33,917	\$0.039
Uncontrollable costs	\$324,000	\$3,857	\$3,539	-	\$7,396	\$0.013	\$324,000	\$3,857	\$3,550	-	\$7,407	\$0.010	\$324,000	\$3,857	\$3,562	-	\$7,419	\$0.009
sub total	\$2,830,850	\$33,701	\$346,850	55	\$380,550	\$0.655	\$2,840,062	\$33,810	\$392,146	64	\$425,956	\$0.587	\$2,849,273	\$33,920	\$437,443	73	\$471,362	\$0.541
Cost for Customer Service	\$2,830,850	\$33,701	\$387,677	57	\$421,378	\$0.726	\$2,840,062	\$33,810	\$441,073	67	\$474,883	\$0.654	\$2,849,273	\$33,920	\$494,654	77	\$528,574	\$0.607
Vendor Markup					\$0	\$0.000					\$0	\$0.000					\$0	\$0.000
Price to Texas					\$421,378	\$0.726					\$474,883	\$0.654					\$528,574	\$0.607
Agency Systems																		
Hardware	\$437,500	\$5,208	\$3,646	-	\$8,854	\$0.015	\$437,500	\$5,208	\$3,646	-	\$8,854	\$0.012	\$437,500	\$5,208	\$3,646	-	\$8,854	\$0.010
Software	\$400,000	\$4,762	\$2,200	0.3	\$6,962	\$0.012	\$400,000	\$4,762	\$2,200	0.3	\$6,962	\$0.010	\$400,000	\$4,762	\$2,200	0.3	\$6,962	\$0.008
Operations	\$0	\$0	\$12,583	0.5	\$12,583	\$0.022	\$0	\$0	\$12,583	0.5	\$12,583	\$0.017	\$0	\$0	\$12,583	0.5	\$12,583	\$0.014
Training	\$100,000	\$1,190	\$5,000	-	\$6,190	\$0.011	\$100,000	\$1,190	\$5,000	-	\$6,190	\$0.009	\$100,000	\$1,190	\$5,000	-	\$6,190	\$0.007
Uncontrollable costs	\$48,180	\$574	\$1,232	-	\$1,806	\$0.003	\$48,180	\$574	\$1,232	-	\$1,806	\$0.002	\$48,180	\$574	\$1,232	-	\$1,806	\$0.002
Cost for Agency Systems	\$985,680	\$11,734	\$24,661	0.8	\$36,396	\$0.063	\$985,680	\$11,734	\$24,661	0.8	\$36,396	\$0.050	\$985,680	\$11,734	\$24,661	0.8	\$36,396	\$0.042
Vendor Markup					\$0	\$0.000					\$0	\$0.000					\$0	\$0.000
Price to Texas					\$36,396	\$0.063					\$36,396	\$0.050					\$36,396	\$0.042
Retailer Services																		
POS Deployment & Servicing																		
Initial Deployment	\$0	\$0	\$0	-	\$0	\$0.000	\$0	\$0	\$0	-	\$0	\$0.000	\$0	\$0	\$0	-	\$0	\$0.000
Maintenance & Servicing	\$0	\$0	\$90,817	23	\$90,817	\$0.156	\$0	\$0	\$90,817	23	\$90,817	\$0.125	\$0	\$0	\$90,817	23	\$90,817	\$0.104
Uncontrollable costs	\$181,633	\$2,162	\$227	-	\$2,389	\$0.004	\$181,633	\$2,162	\$227	-	\$2,389	\$0.003	\$181,633	\$2,162	\$227	0	\$2,389	\$0.003
sub total	\$181,633	\$2,162	\$91,044	23	\$93,206	\$0.161	\$181,633	\$2,162	\$91,044	23	\$93,206	\$0.128	\$181,633	\$2,162	\$91,044	23	\$93,206	\$0.107

TEAA Acquire Cost Model

	Case 1 - Minus 20%						Case 2 - Current Case Load						Case 3 - Plus 20%					
	Investment		Monthly	Est.	Total	PCPM	Investment		Monthly	Est.	Total	PCPM	Investment		Monthly	Est.	Total	PCPM
	Total	Monthly	Operations	Staff	Per Month		Total	Monthly	Operations	Staff	Per Month		Total	Monthly	Operations	Staff	Per Month	
POS Operations																		
Facility	\$0	\$0	\$0	-	\$0	\$0.000	\$0	\$0	\$0	-	\$0	\$ -	\$0	\$0	\$0	-	\$0	\$ -
Software	\$20,000	\$238	\$7,167	-	\$7,405	\$0.013	\$20,000	\$238	\$7,167	-	\$7,405	\$0.010	\$20,000	\$238	\$7,167	-	\$7,405	\$0.009
Communications	\$40,000	\$476	\$255,073	-	\$255,549	\$0.440	\$40,000	\$476	\$266,341	-	\$266,817	\$0.368	\$40,000	\$476	\$277,609	-	\$278,085	\$0.319
Operations	\$0	\$0	\$43,887	2	\$43,887	\$0.076	\$0	\$0	\$46,570	2	\$46,570	\$0.064	\$0	\$0	\$49,252	2	\$49,252	\$0.057
Contract Management	\$0	\$0	\$13,667	4	\$13,667	\$0.024	\$0	\$0	\$13,667	4	\$13,667	\$0.019	\$0	\$0	\$13,667	4	\$13,667	\$0.016
Management & Admin.	\$0	\$0	\$8,333	2	\$8,333	\$0.014	\$0	\$0	\$8,333	2	\$8,333	\$0.011	\$0	\$0	\$8,333	2	\$8,333	\$0.010
Call Center / Help desk	\$75,000	\$893	\$17,863	6	\$18,756	\$0.032	\$75,000	\$893	\$17,863	6	\$18,756	\$0.026	\$75,000	\$893	\$17,863	6	\$18,756	\$0.022
Uncontrollable costs	\$163,583	\$1,947	\$373	-	\$2,321	\$0.004	\$163,583	\$1,947	\$373	-	\$2,321	\$0.003	\$163,583	\$1,947	\$373	-	\$2,321	\$0.003
sub total	\$298,583	\$3,555	\$346,362	14	\$349,916	\$0.603	\$298,583	\$3,555	\$360,313	14	\$363,868	\$0.501	\$298,583	\$3,555	\$374,264	14	\$377,819	\$0.434
Purchase Transactions	\$0	\$0	\$40,854	-	\$40,854	\$0.070	\$0	\$0	\$51,068	-	\$51,068	\$0.070	\$0	\$0	\$61,281	-	\$61,281	\$0.070
Cost for Retailer Services	\$480,216	\$5,717	\$478,260	37	\$483,976	\$0.833	\$480,216	\$5,717	\$502,424	37	\$508,141	\$0.700	\$480,216	\$5,717	\$526,589	37	\$532,306	\$0.611
Vendor Markup					\$0	\$0.000					\$0	\$ -					\$0	\$ -
Price to Texas					\$483,976	\$0.833					\$508,141	\$0.700					\$532,306	\$0.611
Total for Lone Star Program																		
Cost for Services	\$6,758,269	\$80,456	\$1,087,829	118	\$1,168,285	\$2.012	\$6,767,481	\$80,565	\$1,165,389	128	\$1,245,954	\$1.717	\$6,776,692	\$80,675	\$1,243,136	138	\$1,323,810	\$1.520
Acquire Transactive Assets	\$6,000,000	\$71,429	\$0		\$71,429	\$0.123	\$6,000,000	\$71,429	\$0		\$71,429	\$0.098	\$6,000,000	\$71,429	\$0		\$71,429	\$0.082
Vendor Markup					\$0	\$0.000					\$0	\$ -					\$0	\$ -
Price to Texas					\$1,239,713	\$2.135					\$1,317,383	\$1.815					\$1,395,239	\$1.602

	Replacement Value	Conversion Cost	Net Savings
Assets Assumed to be Acquired from Transactive			
EBT Central Processing hardware	\$ 1,900,000	\$ 750,000	\$ 1,150,000
EBT Central Processing software	\$ 3,200,000	\$ 350,000	\$ 2,850,000
PIN Select equipment	\$ 200,000	\$ -	\$ 200,000
Call Center software	\$ 150,000	\$ 20,000	\$ 130,000
Installed POS equipment and network	\$ 6,626,850	\$ -	\$ 6,626,850
POS spare equipment	\$ 520,000	\$ -	\$ 520,000
POS software	\$ 500,000	\$ -	\$ 500,000
	\$13,096,850	\$ 1,120,000	\$11,976,850
		Estimated acquisition cost ¹	\$ 6,000,000
			\$ 5,976,850

¹ Estimate based on reported acquisition price of \$11,000,000 for assets for both Illinois and Texas, factored down by elapsed time (and associated reduction in value) since offer was made.

Central Processing

State In-House Acquire Transactive Assets Solution

	Three Case Load Scenarios		
	Minus 20%	Current	Plus 20%
Food Stamp Cases	466,371	582,964	699,557
TANF Cases	114,305	142,881	171,457
Total Cases	580,676	725,845	871,014
Approximate Card Holders	489,232	611,540	733,848

Amortization Period 84

	Case 1 - Minus 20%				Case 2 - Current Case Load				Case 3 - Plus 20%				Comments and Assumptions
	Investment Total	Monthly	Monthly Operations	Est. Staff	Investment Total	Monthly	Monthly Operations	Est. Staff	Investment Total	Monthly	Monthly Operations	Est. Staff	
Facilities - Primary site													Assume Transactive facility is not part of acquisition. Primary site for EBT central processing and administration will leverage existing State facilities.
Monthly lease			\$5,833				\$5,833				\$5,833		Estimate an allocation of 5,000 s.f. required at \$14 per foot per year. This is the same for all three estimates.
Build out	\$250,000	\$2,976			\$250,000	\$2,976			\$250,000	\$2,976			Estimate assumes existing facility already set up for data center. Needs minimal improvements.
Phone & utilities			\$5,000				\$5,000				\$5,000		Estimated utilities and administrative phone costs.
Maintenance			\$4,500				\$4,500				\$4,500		Estimated building maintenance cost of \$.90 per s.f. per month
Equip. & furnishing	\$96,000	\$1,143			\$96,000	\$1,143			\$96,000	\$1,143			Estimate allocation of 12 offices or cubes at \$8,000 each.
Personnel			\$0	0			\$0	0			\$0	0	No additional staff needed.
Supplies & equip.			\$2,000				\$2,000				\$2,000		Estimate for supplies and equipment to operate data center and administrative site.
Miscellaneous			\$1,500				\$1,500				\$1,500		Estimated miscellaneous on-going building operating costs.
Total	\$346,000	\$4,119	\$18,833	0	\$346,000	\$4,119	\$18,833	0	\$346,000	\$4,119	\$18,833	0	
Facilities - Back up site													Assume that a remote processing backup site will be established in an existing State data processing facility.
Monthly lease			\$1,167				\$1,167				\$1,167		Estimate allocation of 1,000 s.f. required at \$14 per s.f. per year.
Build out	\$100,000	\$1,190			\$100,000	\$1,190			\$100,000	\$1,190			Estimated for existing site - minimal build out.
Phone & utilities			\$2,917				\$2,917				\$2,917		Estimated utilities and administrative phone
Maintenance			\$2,700				\$2,700				\$2,700		Estimated building maintenance cost of \$.90 per s.f. per month
Equip. & furnishing	\$24,000	\$286			\$24,000	\$286			\$24,000	\$286			Estimate 3 offices at \$8,000 each.
Personnel			\$0	0			\$0	0			\$0	0	no staff required.
Supplies & equip.			\$1,667				\$1,667				\$1,667		Estimate for supplies and equipment to operate data center.
Miscellaneous			\$1,000				\$1,000				\$1,000		Estimated miscellaneous on-going building operating costs.
Total	\$124,000	\$1,476	\$9,450	0	\$124,000	\$1,476	\$9,450	0	\$124,000	\$1,476	\$9,450	0	
Hardware (primary & backup)													Assume State will acquire Transactive's processing equipment but will upgrade to bring equipment current.
Processors	\$300,000	\$3,571			\$300,000	\$3,571			\$300,000	\$3,571			Central computers, disk storage, peripherals for primary and remote back up processing.
Communications	\$50,000	\$595			\$50,000	\$595			\$50,000	\$595			Communications equipment necessary to acquire EBT transactions, support all interchange partners, interconnect with backup site and with call center.
LAN / WAN	\$50,000	\$595			\$50,000	\$595			\$50,000	\$595			Equipment necessary to redundantly interconnect all processing components.

	Case 1 - Minus 20%				Case 2 - Current Case Load				Case 3 - Plus 20%				Comments and Assumptions
	Investment Total	Monthly	Monthly Operations	Est. Staff	Investment Total	Monthly	Monthly Operations	Est. Staff	Investment Total	Monthly	Monthly Operations	Est. Staff	
Miscellaneous	\$100,000	\$1,190			\$100,000	\$1,190			\$100,000	\$1,190			Miscellaneous equipment needed to build fully functional primary and backup data centers
Install, set up	\$150,000	\$1,786			\$150,000	\$1,786			\$150,000	\$1,786			Estimate of costs to install test and make ready for production. Equipment will have to be ported from Transactive to State and reinstalled.
licenses	\$100,000	\$1,190	\$3,000		\$100,000	\$1,190	\$3,000		\$100,000	\$1,190	\$3,000		Estimate of software licensing fees for purchased products such as an operating system and a data base manager.
Maintenance			\$11,667				\$11,667				\$11,667		Estimated 28% of base equipment cost per year for hardware maintenance and support.
Total	\$750,000	\$8,929	\$14,667	0	\$750,000	\$8,929	\$14,667	0	\$750,000	\$8,929	\$14,667	0	Assume that software for EBT will be ported from Transactive as is.
Software													No initial development required.
Initial development													
Acc't mgmt	\$0	\$0			\$0	\$0			\$0	\$0			
Settlement	\$0	\$0			\$0	\$0			\$0	\$0			
Administrative	\$0	\$0			\$0	\$0			\$0	\$0			
POS acquiring	\$0	\$0			\$0	\$0			\$0	\$0			
Mgmt & report	\$0	\$0			\$0	\$0			\$0	\$0			
Warehouse	\$350,000	\$4,167			\$350,000	\$4,167			\$350,000	\$4,167			Warehouse capability does not currently exist but is a stated need.
Conversion	\$250,000	\$2,976			\$250,000	\$2,976			\$250,000	\$2,976			Costs for installation at DHS and an extensive test cycle.
Training	\$100,000	\$1,190			\$100,000	\$1,190			\$100,000	\$1,190			Training for DHS support staff
Maint. Prog.			\$13,333	2			\$13,333	2			\$13,333	2	Maintenance programmers to support the system 7x24. Estimate \$80,000 per year each, including benefits.
DBA / prog.			\$6,667	1			\$6,667	1			\$6,667	1	Data Base Administrator (DBA) to manage EBT databases. \$80,000 per year including benefits.
Equip. & supplies	\$25,000	\$298	\$1,500		\$25,000	\$298	\$1,500		\$25,000	\$298	\$1,500		Estimate of equipment and supplies to sustain software staff.
QA / prog.			\$6,667	1			\$6,667	1			\$6,667	1	Quality assurance programmer to validate system integrity, help trouble shoot problems and provide general system support. \$80,000 per year including benefits.
Total	\$725,000	\$8,631	\$28,167	4	\$725,000	\$8,631	\$28,167	4	\$725,000	\$8,631	\$28,167	4	On-going systems operations necessary to support the system 7x24. Assume located in existing data center and will leverage existing staff.
Operations (Primary & Backup)													
Computer Operations													Expenses necessary to support daily computer operations.
Sys. Programmer			\$6,667	1			\$6,667	1			\$6,667	1	Systems programmer to manage operating system environment. \$80,000 per year including benefits.
Operators			\$21,875	7			\$21,875	7			\$21,875	7	Allocation of computer operators and shift supervisors. Three shifts per day, 7 days per week at primary and backup site. \$37,500 each, including benefits. Leverage existing staff.
Mgmt			\$6,667	1			\$6,667	1			\$6,667	1	Operations manager. \$80,000 per year including benefits.
Training	\$50,000	\$595	\$1,500		\$50,000	\$595	\$1,500		\$50,000	\$595	\$1,500		Estimate for operator training prior to start up and on-going process improvement.
supplies & equip			\$3,500				\$3,500				\$3,500		Estimate for on-going supplies and equipment necessary to sustain continuing computer operations.
Communications													On-going expenses for 7x24 support for the telecommunications infrastructure necessary for EBT.
Comm. Techs			\$10,000	2			\$10,000	2			\$10,000	2	Allocation for communication support technicians. \$60,000 each including benefits. Leverage existing staff.

	Case 1 - Minus 20%				Case 2 - Current Case Load				Case 3 - Plus 20%				Comments and Assumptions
	Investment Total	Monthly	Monthly Operations	Est. Staff	Investment Total	Monthly	Monthly Operations	Est. Staff	Investment Total	Monthly	Monthly Operations	Est. Staff	
Mgmt			\$0	0			\$0	0			\$0	0	Communications manager. \$80,000 per year including expenses. Leverage existing management.
Training	\$10,000	\$119	\$1,000		\$10,000	\$119	\$1,000		\$10,000	\$119	\$1,000		Estimate for training prior to start up and on-going process improvement.
Leased lines			\$27,500				\$27,500				\$27,500		Leased lines necessary to interconnect primary data center, backup data center, call center and TDHS. Eleven T1 lines at \$2500 per month.
Third party certifications			\$5,000	1			\$5,000	1			\$5,000	1	Technician to provide support and certification services for third party processors. \$60,000 per year including benefits.
Recon & Settlement													Expenses necessary to support daily settlement, system balancing, adjustment processing, and voucher reconciliation.
Staff			\$12,500	3			\$12,500	3			\$12,500	3	Technicians at \$50,000 each per year, including benefits. Leverage existing fiscal staff.
Bad debt			\$1,000				\$1,000				\$1,000		Estimate for write off of bad transactions. Based on Texas experience.
CCDMI			\$2,746				\$2,746				\$2,746		Coupon Conversion at 4.25 each average of 645 per month.
Training	\$20,000	\$238	\$1,000		\$20,000	\$238	\$1,000		\$20,000	\$238	\$1,000		Estimate for training prior to start up and on-going process improvement.
Total	\$80,000	\$952	\$100,954	15	\$80,000	\$952	\$100,954	15	\$80,000	\$952	\$100,954	15	
Management & Admin.													Management team for EBT program management.
Project Mgmt			\$10,833	2			\$10,833	2			\$10,833	2	EBT manager and assistant manager for Texas EBT at \$65,000 including benefits. Augment existing Lone Star staff
Acc't & finance			\$4,167	1			\$4,167	1			\$4,167	1	Accounting person at \$50,000
HR			\$0	0			\$0	0			\$0	0	None assumed.
Admin. support			\$2,083	1			\$2,083	1			\$2,083	1	Additional administrative support staff. \$25,000 each.
Miscellaneous			\$3,000				\$3,000				\$3,000		Estimate for miscellaneous office expenses.
Travel			\$2,000				\$2,000				\$2,000		Estimate for necessary travel.
Total			\$22,083	4			\$22,083	4			\$22,083	4	
Uncontrollable costs													
Start up costs	\$436,523	\$5,197			\$436,523	\$5,197			\$436,523	\$5,197			Costs incurred prior to start of live operations. Assumes that on-going operations costs above are incurred for two months prior to live operations.
Taxes & insurance			\$0				\$0				\$0		State does not pay taxes and is self insured.
Cost of capital			\$3,077				\$3,077				\$3,077		State funds up front funding and does not incur interest charges. However, a token interest rate comparable with the rise in CPI (3%) has been used to reflect the opportunity cost and to make this alternative comparable with others.
Total	\$436,523	\$5,197	\$3,077	0	\$436,523	\$5,197	\$3,077	0	\$436,523	\$5,197	\$3,077	0	
Total Central System	\$2,461,523	\$29,304	\$197,231	23	\$2,461,523	\$29,304	\$197,231	23	\$2,461,523	\$29,304	\$197,231	23	

Customer Service

State In-House Acquire Transactive Assets Solution

	Three Case Load Scenarios		
	Minus 20%	Current	Plus 20%
Food Stamp Cases	466,371	582,964	699,557
TANF Cases	114,305	142,881	171,457
Total Cases	580,676	725,845	871,014
Approximate Card Holders	489,232	611,540	733,848

Assumptions - Current Case Load

New cards Issued per month	26,500
Cards replaced per month	15,000
PINs replaced per month	2,200
Associate call minutes / mo.	162,120
ARU call minutes per month.	1,843
Percent automated client calls	96%
Call minutes per card holder per mo.	3.27

Amortization Period	84												Comments and Assumptions
	Case 1 - Minus 20%				Case 2 - Current Case Load				Case 3 - Plus 20%				
	Investment Total	Monthly	Monthly Operations	Est. Staff	Investment Total	Monthly	Monthly Operations	Est. Staff	Investment Total	Monthly	Monthly Operations	Est. Staff	
Card, PINs, Training													
New cards (in local office)													Cards for new clients are issued in local office. Training materials are distributed and explained at this time.
Cards			\$5,300				\$6,625				\$7,950		Cards and associated materials are \$.25 each.
Training Materials			\$7,420				\$9,275				\$11,130		Client training materials run about \$.35 each.
PINs			\$4,240				\$5,300				\$6,360		PINs run about \$.20 each.
Staff (Agency)			\$0				\$0				\$0		Agency Staff costs are captured in the State costs allocation model and are not a part of the vendor costs.
Distribution costs			\$7,500				\$7,500				\$7,500		Assume a monthly inventory shipment to each office at \$15.
Sub total			\$24,460	0			\$28,700	0			\$32,940	0	
Replace Cards (by mail)													
Cards & materials			\$4,800				\$6,000				\$7,200		Materials including card, mailer, are about \$.40.
Postage			\$7,200				\$9,000				\$10,800		Postage and associated materials are \$.60
Staff (vendor)			\$2,857	2.3			\$3,571	2.9			\$4,286	3.4	Estimate mail clerk can handle 250 cards per day. \$15,000 each per year including benefits.
Sub total			\$14,857	2.3			\$18,571	2.9			\$22,286	3.4	
PIN Replacements (by mail)													
PINs & materials			\$528				\$660				\$792		PIN mailers and materials are about \$.30
Postage			\$563				\$704				\$845		Postage is \$.32
Staff (vendor)			\$419	0.3			\$291	0.4			\$349	0.5	Estimate mail clerk can handle 250 PINS per day. \$15,000 each per year including benefits.
Sub total			\$1,510	0.3			\$1,655	0.4			\$1,986	0.5	
PIN Change (local office)													Current environment has POS device and PIN pad in each office with a supporting phone line. This could be eliminated. Used very little.
Equipment & install	\$0	\$0	\$0		\$0	\$0	\$0		\$0	\$0	\$0		Assume that the PIN select devices are acquired from Transactive.
Phone line			\$0				\$0				\$0		Assume leverage existing phone line in office.
Sub total	\$0	\$0	\$0	0	\$0	\$0	\$0	0	\$0	\$0	\$0	0	
Total for Cards & PINs	\$0	\$0	\$40,827	2.6	\$0	\$0	\$48,926	3.3	\$0	\$0	\$57,212	3.9	
Call Center / Help Desk													

	Case 1 - Minus 20%				Case 2 - Current Case Load				Case 3 - Plus 20%				Comments and Assumptions
	Investment		Monthly	Est.	Investment		Monthly	Est.	Investment		Monthly	Est.	
	Total	Monthly	Operations	Staff	Total	Monthly	Operations	Staff	Total	Monthly	Operations	Staff	
Facility													Assume that a new facility will be acquired. Cannot leverage existing. However, down the road, possible to integrate with TIES call centers..
Monthly lease			\$11,667				\$11,667				\$11,667		Estimate 10,000 s.f. at \$14 per s.f.
Build out	\$500,000	\$5,952			\$500,000	\$5,952			\$500,000	\$5,952			Estimate of leasehold improvements to set up building for call center.
Phone & utilities			\$8,333				\$8,333				\$8,333		Estimated utilities and administrative phone
Maintenance			\$9,000				\$9,000				\$9,000		Maintenance estimated at \$.90 per s.f. per mo.
Equip. & furnishing	\$80,000	\$952			\$80,000	\$952			\$80,000	\$952			Estimated 10 offices & cubes at \$8,000 each
Personnel			\$3,750	3			\$3,750	3			\$3,750	3	1 day time maintenance and 2 security
Supplies & equip.			\$5,000				\$5,000				\$5,000		estimate of monthly office and building supplies
Miscellaneous			\$3,500				\$3,500				\$3,500		estimate of miscellaneous building costs
Sub total	\$580,000	\$6,905	\$41,250	3	\$580,000	\$6,905	\$41,250	3	\$580,000	\$6,905	\$41,250	3	Assume that call center hardware assets will not be included in any acquisition from Transactive.
Hardware													Server for call center management systems
Processors	\$50,000	\$595			\$50,000	\$595			\$50,000	\$595			
Communications	\$350,000	\$4,167			\$350,000	\$4,167			\$350,000	\$4,167			Estimate for call switching system with ACD capabilities, communications gear for interchange with data centers, and necessary ports for connectivity with phone company.
ARU	\$600,000	\$7,143			\$600,000	\$7,143			\$600,000	\$7,143			Estimate for automated answering equipment with excess capacity and redundancy. Possible to leverage existing equipment. TDHS already answering 600,000 calls per month.
Operator seats	\$325,000	\$3,869			\$325,000	\$3,869			\$325,000	\$3,869			Estimate for 65 operator seats at \$5,000 per station.
LAN / WAN	\$50,000	\$595			\$50,000	\$595			\$50,000	\$595			LAN environment to interconnect with primary and backup data centers.
Miscellaneous	\$200,000	\$2,381			\$200,000	\$2,381			\$200,000	\$2,381			Estimate for miscellaneous call center equipment.
Install, set up	\$200,000	\$2,381			\$200,000	\$2,381			\$200,000	\$2,381			Estimate to install and test all equipment prior to going live.
Licenses	\$50,000	\$595	\$1,000		\$50,000	\$595	\$1,000		\$50,000	\$595	\$1,000		Estimate for work station and server licenses.
Maintenance			\$36,750				\$36,750				\$36,750		Estimate for maintenance on hardware components. 28% per year of hardware investment.
Sub Total	\$1,825,000	\$21,726	\$37,750	0	\$1,825,000	\$21,726	\$37,750	0	\$1,825,000	\$21,726	\$37,750	0	
Software													Assumes that call center software and scripts will be included in asset procurement. There will be some cost for porting to DHS facility.
Initial development													
Scripts	\$10,000	\$119			\$10,000	\$119			\$10,000	\$119			
Managerr	\$10,000	\$119			\$10,000	\$119			\$10,000	\$119			
Maint. Prog.			\$6,667	1			\$6,667	1			\$6,667	1	Maintenance programmers to support 7x24 operation. \$80,000 per year including benefits.
Equip. & supplies	\$25,000	\$298	\$1,500		\$25,000	\$298	\$1,500		\$25,000	\$298	\$1,500		Estimate to support software operations.
Sub total	\$45,000	\$536	\$8,167	1	\$45,000	\$536	\$8,167	1	\$45,000	\$536	\$8,167	1	
Call Center associates													Estimate based on 40% operator efficiency, 1,760 working hours per year, actual number of call minutes and a cost of \$16,000 per operator including benefits.
Staff			\$49,127	37			\$61,409	46			\$73,691	55	Supervisors (to cover all shifts in 7x24 process) at \$35,000 including benefits.
Supervisors			\$14,583	5			\$14,583	5			\$14,583	5	

	Case 1 - Minus 20%				Case 2 - Current Case Load				Case 3 - Plus 20%				Comments and Assumptions
	Investment		Monthly	Est.	Investment		Monthly	Est.	Investment		Monthly	Est.	
	Total	Monthly	Operations	Staff	Total	Monthly	Operations	Staff	Total	Monthly	Operations	Staff	
Training	\$36,850	\$439	\$3,690		\$46,062	\$548	\$4,611		\$55,273	\$658	\$5,532		Estimate for pre start up operator training and on-going process improvement and operator turn over.
supplies & equip			\$3,000				\$3,000				\$3,000		Estimate of on-going supplies and equipment to support continuing operations.
Sub total	\$36,850	\$439	\$70,400	41.8	\$46,062	\$548	\$83,603	51.1	\$55,273	\$658	\$96,806	60.3	
Communications													
Comm. Technicians			\$10,000	2			\$10,000	2			\$10,000	2	Communications technicians to support 7x24 operation. \$60,000 each.
Training	\$20,000	\$238	\$1,500		\$20,000	\$238	\$1,500		\$20,000	\$238	\$1,500		Estimate for pre start up training and on-going process improvement
supplies & equip			\$2,000				\$2,000				\$2,000		Estimate to support communications.
800 phone service			\$128,328				\$160,410				\$192,492		Actual connect minutes at \$.08 per minute.
line charges			\$10,000				\$10,000				\$10,000		Estimate for incoming T1 voice lines.
Sub total	\$20,000	\$238	\$151,828	2	\$20,000	\$238	\$183,910	2	\$20,000	\$238	\$215,992	2	
Management & Administration													
Management			\$16,250	3			\$16,250	3			\$16,250	3	General manager and two assistant managers at average \$65,000 per year including benefits.
Quality Assurance			\$5,000	1			\$5,000	1			\$5,000	1	\$60,000 per year including benefits.
HR professional			\$0	0			\$0	0			\$0	0	None assumed
Admin. support			\$4,167	2			\$4,167	2			\$4,167	2	\$25,000 per year each including benefits.
Miscellaneous exp.			\$3,500				\$3,500				\$3,500		Estimate for miscellaneous management expenses.
Training professional			\$5,000	1			\$5,000	1			\$5,000	1	\$60,000 per year including benefits.
sub total			\$33,917	7			\$33,917	7			\$33,917	7	
Uncontrollable costs													
Start up costs	\$324,000	\$3,857			\$324,000	\$3,857			\$324,000	\$3,857			Costs incurred prior to start of live operations. Assumes that on-gong operations costs above are incurred for two months prior to live operations.
Taxes & insurance			\$0				\$0				\$0		State does not pay taxes and is self insured.
													State funds up front funding and does not incur interest charges. However, a token interest rate comparable with the rise in CPI (3%) has been used to reflect the opportunity cost and to make this alternative comparable with others.
Cost of capital			\$3,539				\$3,550				\$3,562		
sub total	\$324,000	\$3,857	\$3,539	0	\$324,000	\$3,857	\$3,550	0	\$324,000	\$3,857	\$3,562	0	
Total for Help Desk	\$2,830,850	\$33,701	\$346,850	55	\$2,840,062	\$33,810	\$392,146	64	\$2,849,273	\$33,920	\$437,443	73	
Total for Customer Service	\$2,830,850	\$33,701	\$387,677	57	\$2,840,062	\$33,810	\$441,073	67	\$2,849,273	\$33,920	\$494,654	77	

Agency Systems

State In-House Acquire Transactive Assets Solution

	Three Case Load Scenarios		
	Minus 20%	Current	Plus 20%
Food Stamp Cases	466,371	582,964	699,557
TANF Cases	114,305	142,881	171,457
Total Cases	580,676	725,845	871,014
Approximate Card Holders	489,232	611,540	733,848

Assumptions
Agency offices 500

Depreciation Period 84

	Case 1 - Minus 20%				Case 2 - Current Case Load				Case 3 - Plus 20%				Comments and Assumptions
	Investment Total	Monthly	Monthly Operations	Est. Staff	Investment Total	Monthly	Monthly Operations	Est. Staff	Investment Total	Monthly	Monthly Operations	Est. Staff	
Hardware													
PCs	\$437,500	\$5,208			\$437,500	\$5,208			\$437,500	\$5,208			Assume that State will integrate EBT terminal with other office functions rather than continue with stand alone EBT device. Assume will not acquire existing Transactives PCs (out dated technology).
Maintenance			\$3,646				\$3,646				\$3,646		Maintenance on PCs estimated at 10% per year of total cost. 25% allocated to EBT.
Sub Total	\$437,500	\$5,208	\$3,646	0	\$437,500	\$5,208	\$3,646	0	\$437,500	\$5,208	\$3,646	0	
Software													
Initial development													
Admin. Terms	\$400,000	\$4,762			\$400,000	\$4,762			\$400,000	\$4,762			If State integrates EBT application, the EBT application will have to be recreated.
SAVERR (Agency)	\$0		\$0		\$0		\$0		\$0		\$0		Estimate based on experience to build an administrative terminal application.
Maint. Prog.			\$2,200	0.3			\$2,200	0.3			\$2,200	0.3	Costs for modifications to SAVERR are not part of vendor costs and are included in State cost allocation.
Sub Total	\$400,000	\$4,762	\$2,200	0.3	\$400,000	\$4,762	\$2,200	0.3	\$400,000	\$4,762	\$2,200	0.3	An estimate of programmer time to support the administrative terminal application. \$80,000
Operations													
Communications													
PC Technicians			\$2,083	0.5			\$2,083	0.5			\$2,083	0.5	Allocation of technicians to handle administrative terminal problems. \$50,000 each including benefits.
LAN / WAN			\$10,000				\$10,000				\$10,000		Estimate of allocation for EBT use of DHS LAN / WAN.
Miscellaneous			\$500				\$500				\$500		Estimate of miscellaneous expenses related to administrative network.
Sub Total	\$0	\$0	\$12,583	0.5	\$0	\$0	\$12,583	0.5	\$0	\$0	\$12,583	0.5	
Training													

TEAA Acquire Cost Model

	Case 1 - Minus 20%				Case 2 - Current Case Load				Case 3 - Plus 20%				Comments and Assumptions
	Investment Total	Monthly	Monthly Operations	Est. Staff	Investment Total	Monthly	Monthly Operations	Est. Staff	Investment Total	Monthly	Monthly Operations	Est. Staff	
Agency Staff	\$100,000	\$1,190	\$5,000		\$100,000	\$1,190	\$5,000		\$100,000	\$1,190	\$5,000		Estimate of cost for agency staff training. Initially training - \$200 per office. On-going training of \$10 per office per month. Other training costs are covered in State cost allocation.
Sub Total	\$100,000	\$1,190	\$5,000	0	\$100,000	\$1,190	\$5,000	0	\$100,000	\$1,190	\$5,000	0	
Uncontrollable costs													
Start up costs	\$48,180	\$574			\$48,180	\$574			\$48,180	\$574			Costs incurred prior to start of live operations. Assumes that on-gong operations costs above are incurred for two months prior to live operations.
Taxes & insurance			\$0				\$0				\$0		State does not pay taxes and is self insured.
Cost of capital			\$1,232				\$1,232				\$1,232		State funds up front funding and does not incur interest charges. However, a token interest rate comparable with the rise in CPI (3%) has been used to reflect the opportunity cost and to make this alternative comparable with others.
Sub Total	\$48,180	\$574	\$1,232	0	\$48,180	\$574	\$1,232	0	\$48,180	\$574	\$1,232	0	
Total for Agency Systems	\$985,680	\$11,734	\$24,661	0.8	\$985,680	\$11,734	\$24,661	0.8	\$985,680	\$11,734	\$24,661	0.8	

Retailer Services

State In-House Acquire Transactive Assets Solution

	Three Case Load Scenarios		
	Minus 20%	Current	Plus 20%
Food Stamp Cases	466,371	582,964	699,557
TANF Cases	114,305	142,881	171,457
Total Cases	580,676	725,845	871,014
Approximate Card Holders	489,232	611,540	733,848

Assumptions - Current Case Load

Total POS Transactions	5,962
Pct. from Private third parties	30%
Pct. from Public third parties	25%
Total food Transactions	5,629
Percent approved	92.6%
Total Cash Transactions	333
Percent approved	84.2%
Average Trans. / card holder	9.75
Retailers equipped by State	10,610
Terminals provided by State	13,000
Phone lines provided by State	7,000
Retailer calls minutes per month	49,917
Retailer operator minutes / mo.	21,770
Terminal repairs / month	600
Percent transactios from State POS	45%

	Total	Approved
Food transactions per food case	9.66	8.94
Cash Transactions per cash case	2.33	1.96

Amortization Period 84

	Case 1 - Minus 20%				Case 2 - Current Case Load				Case 3 - Plus 20%				Comments and Assumptions
	Investment		Monthly Operations	Est. Staff	Investment		Monthly Operations	Est. Staff	Investment		Monthly Operations	Est. Staff	
	Total	Monthly			Total	Monthly			Total	Monthly			
POS Deployment & Servicing													
Initial Deployment													Assume that existing in-place POS network is acquired from Tranactive.
Hardware	\$0	\$0			\$0	\$0			\$0	\$0			Actual devices being used in Texas estimated at \$400 including shipping, handling, software load, testing..
Equip. Installation	\$0	\$0			\$0	\$0			\$0	\$0			Estimate about \$75 per site to install equipment.
Phone Installation	\$0	\$0			\$0	\$0			\$0	\$0			Actual phone lines at a cost of \$75 to install.
Retailer Training	\$0	\$0			\$0	\$0			\$0	\$0			Most training is done as part of install. Other costs (materials, contracts, etc.) \$10 per retailer.
Sub total	\$0	\$0		0	\$0	\$0		0	\$0	\$0		0	
Maintenance & Servicing													Requirement is to repair or replace defective device in 24 hours. Waiver allows replace by mail if retailer agrees. (Ship overnight on next business day or sooner.)
Facility lease			\$1,167				\$1,167				\$1,167		1000 s.f. at \$14 per s.f.
Vehicles			\$8,400				\$8,400				\$8,400		Lease 12 vehicles at \$700 per month including fuel and maintenance.
Service Techs			\$35,000	12			\$35,000	12			\$35,000	12	Field service technicians to service defective devices. \$35,000 each including benefits.

TEAA Acquire Cost Model

	Case 1 - Minus 20%				Case 2 - Current Case Load				Case 3 - Plus 20%				Comments and Assumptions
	Investment Total	Monthly	Monthly Operations	Est. Staff	Investment Total	Monthly	Monthly Operations	Est. Staff	Investment Total	Monthly	Monthly Operations	Est. Staff	
Dispatchers			\$14,583	5			\$14,583	5			\$14,583	5	Dispatchers to manage retailer service requests and track service. \$35,000 each including benefits.
Management			\$8,333	2			\$8,333	2			\$8,333	2	Service managers. \$50,000 each.
Admin. support			\$2,083	1			\$2,083	1			\$2,083	1	Administrative support at \$25,000 including benefits.
Phone Techs			\$8,750	3			\$8,750	3			\$8,750	3	Phone technicians to handle phone help requests. \$35,000 each.
Equip. & supplies	\$0	\$0	\$6,500		\$0	\$0	\$6,500		\$0	\$0	\$6,500		Assume equipment spares and parts are acquired from Transactive.
Shipping & handling			\$ 6,000				\$ 6,000				\$ 6,000		Estimated cost of replacement by mail at \$40 per replacement. 25% of service calls handled through mail.
Sub total	\$0	\$0	\$90,817	23	\$0	\$0	\$90,817	23	\$0	\$0	\$90,817	23	
Uncontrollable costs													
Start up costs	\$181,633	\$2,162			\$181,633	\$2,162			\$181,633	\$2,162			Costs incurred prior to start of live operations. Assumes that on-going operations costs above are incurred for two months prior to live operations. Exception are charges directly related to POS transactions.
Taxes & insurance			\$0				\$0				\$0		State does not pay taxes and is self insured.
Cost of capital			\$227				\$227				\$227		State funds up front funding and does not incur interest charges. However, a token interest rate comparable with the rise in CPI (3%) has been used to reflect the opportunity cost and to make this alternative comparable with others.
Sub total	\$181,633	\$2,162	\$227	0	\$181,633	\$2,162	\$227	0	\$181,633	\$2,162	\$227	0	
Total for Deploy & Service	\$181,633	\$2,162	\$91,044	23	\$181,633	\$2,162	\$91,044	23	\$181,633	\$2,162	\$91,044	23	
POS Operations													
Facility			\$0				\$0				\$0		Assume POS operations will co-exist with central processing and consequently will not have a separate facility.
Sub total			\$0	0			\$0	0			\$0	0	
Software													
Development	\$0	\$0			\$0	\$0			\$0	\$0			Assume that POS software will be acquired from Transactive.
Maint. Prog.			\$6,667	1			\$6,667	1			\$6,667	1	Maintenance programmer at \$80,000 including benefits.
Equip. & Supplies	\$10,000	\$119	\$500		\$10,000	\$119	\$500		\$10,000	\$119	\$500		Initial development environment plus estimate for on-going supplies.
Licenses	\$10,000	\$119			\$10,000	\$119			\$10,000	\$119			Estimate for license for development tools.
Sub total	\$20,000	\$238	\$7,167	0	\$20,000	\$238	\$7,167	0	\$20,000	\$238	\$7,167	0	
Communications													

TEAA Acquire Cost Model

	Case 1 - Minus 20%				Case 2 - Current Case Load				Case 3 - Plus 20%				Comments and Assumptions
	Investment Total	Monthly	Monthly Operations	Est. Staff	Investment Total	Monthly	Monthly Operations	Est. Staff	Investment Total	Monthly	Monthly Operations	Est. Staff	
Equipment	\$40,000	\$476			\$40,000	\$476			\$40,000	\$476			Estimate for modem bank to handle down load processing.
Retailer phone lines			\$210,000				\$210,000				\$210,000		Monthly charge for phone lines placed in retail stores. \$30 each.
Transaction charges			\$45,073				\$56,341				\$67,609		Cost to move transaction from POS device to central processing. Estimated at \$.021 per transaction using actual transaction counts.
Operations Sub Total	\$40,000	\$476	\$255,073	0	\$40,000	\$476	\$266,341	0	\$40,000	\$476	\$277,609	0	
ACH fees			\$15,155				\$15,155				\$15,155		Settlement to retailers. \$.05 per transaction to 10,000 retailers seven days per week.
POS Supplies			\$10,732				\$13,415				\$16,097		\$.005 per transaction for POS ribbons and paper. Assume handled as a credit to retailer.
Comm Techs.			\$10,000	2			\$10,000	2			\$10,000	2	Communications technicians to manage and monitor the POS network, handle problems. \$60,000 each per year including benefits.
TPP communications			\$6,000				\$6,000				\$6,000		Third party communications links
Equip. & Supplies			\$2,000				\$2,000				\$2,000		Estimate for on-going supplies.
Sub total	\$0	\$0	\$43,887	2	\$0	\$0	\$46,570	2	\$0	\$0	\$49,252	2	
Contract Management													
Staff			\$11,667	4			\$11,667	4			\$11,667	4	Clerks to manage the 12,000 plus retailer contracts. \$35,000 each per year including benefits.
Equip. & Supplies			\$2,000				\$2,000				\$2,000		Estimate for on-going supplies.
Sub total	\$0	\$0	\$13,667	4	\$0	\$0	\$13,667	4	\$0	\$0	\$13,667	4	
Management & Admin.													
Management			\$6,250	1			\$6,250	1			\$6,250	1	General manager at \$75,000.
Admin. support			\$2,083	1			\$2,083	1			\$2,083	1	Administrative support at \$25,000
Sub total	\$0	\$0	\$8,333	2	\$0	\$0	\$8,333	2	\$0	\$0	\$8,333	2	
Call Center / Help desk													
Equipment	\$75,000	\$893	\$1,500		\$75,000	\$893	\$1,500		\$75,000	\$893	\$1,500		Estimate for equipment to handle retailer calls.
1-800 service			\$3,993				\$3,993				\$3,993		Actual call minutes at \$.08 per minute.
Associates			\$12,369	6			\$12,369	6			\$12,369	6	Actual call minutes, 40% operator efficiency, 1760 available hours per year, \$24,000 per person
Sub total	\$75,000	\$893	\$17,863	6	\$75,000	\$893	\$17,863	6	\$75,000	\$893	\$17,863	6	
Uncontrollable costs													
Start up costs	\$163,583	\$1,947			\$163,583	\$1,947			\$163,583	\$1,947			Costs incurred prior to start of live operations. Assumes that on-gong operations costs above are incurred for two months prior to live operations. Exception are charges directly related to POS transactions.
Taxes & insurance			\$0				\$0				\$0		State does not pay taxes and is self insured.

	Case 1 - Minus 20%				Case 2 - Current Case Load				Case 3 - Plus 20%				Comments and Assumptions
	Investment Total	Monthly	Monthly Operations	Est. Staff	Investment Total	Monthly	Monthly Operations	Est. Staff	Investment Total	Monthly	Monthly Operations	Est. Staff	
Cost of capital			\$373				\$373				\$373		State funds up front funding and does not incur interest charges. However, a token interest rate comparable with the rise in CPI (3%) has been used to reflect the opportunity cost and to make this alternative comparable with others.
Sub total	\$163,583	\$1,947	\$373	0	\$163,583	\$1,947	\$373	0	\$163,583	\$1,947	\$373	0	
Total for POS Operation	\$298,583	\$3,555	\$346,362	14	\$298,583	\$3,555	\$360,313	14	\$298,583	\$3,555	\$374,264	14	Actual commercial TPP transactions at \$.025 per transaction. Actual proprietary TPP transactions at \$.01 per transaction.
Purchase Transactions													
Commercial TPP			\$27,604				\$34,505				\$41,406		
Proprietary TPP			\$13,250				\$16,562				\$19,875		
Total for purchase	\$0	\$0	\$40,854	0	\$0	\$0	\$51,068	0	\$0	\$0	\$61,281	0	
Total for Retailer Services	\$480,216	\$5,717	\$478,260	37	\$480,216	\$5,717	\$502,424	37	\$480,216	\$5,717	\$526,589	37	

Appendix L: TEAA Multiple-service Outsource Cost Model

Texas EBT Short Summary
 Partial Service Outsource Solution

	Three Case Load Scenarios		
	Minus 20%	Current	Plus 20%
Food Stamp Cases	466,371	582,964	699,557
TANF Cases	114,305	142,881	171,457
Total Cases	580,676	725,845	871,014
Approximate Card Holders	489,232	611,540	733,848
Total Monthly Price*	\$1,614,856	\$1,767,539	\$ 1,920,445
PCPM	\$2.781	\$ 2.435	\$ 2.205

Food Stamp Cost Allocation Percent 80.3%
 TANF Cost Allocation Percent 19.7%

* Price includes vendor markup.

Vendor Markup 20%
 Amortization Period 84

	Case 1 - Minus 20%					Case 2 - Current Case Load					Case 3 - Plus 20%				
	Cost of Operation			Vendor Markup ¹	Price PCPM	Cost of Operation			Vendor Markup ¹	Price PCPM	Cost of Operation			Vendor Markup ¹	Price PCPM
	Investment	Operations	Total			Investment	Operations	Total			Investment	Operations	Total		
Central Processing	\$54,319	\$239,999	\$294,319	\$58,864	\$ 0.608	\$54,319	\$239,999	\$294,319	\$58,864	\$ 0.487	\$54,319	\$239,999	\$294,319	\$58,864	\$ 0.405
Customer Service															
Card, PINs, Training	\$2,381	\$56,327	\$58,708	\$11,742	\$ 0.121	\$2,381	\$64,426	\$66,807	\$13,361	\$ 0.110	\$2,381	\$72,712	\$75,093	\$15,019	\$ 0.103
Call Center / Help Desk	\$357	\$331,093	\$331,450	\$0	\$ 0.571	\$357	\$413,867	\$414,224	\$0	\$ 0.571	\$357	\$496,640	\$496,997	\$0	\$ 0.571
Agency Systems	\$28,141	\$81,466	\$109,606	\$21,921	\$ 0.227	\$28,141	\$81,466	\$109,606	\$21,921	\$ 0.181	\$28,141	\$81,466	\$109,606	\$21,921	\$ 0.151
Retailer Services															
POS Deployment & Servicing	\$83,168	\$129,859	\$213,027	\$22,455	\$ 0.406	\$83,168	\$129,859	\$213,027	\$22,455	\$ 0.324	\$83,168	\$129,859	\$213,027	\$22,455	\$ 0.270
POS Operations	\$0	\$399,592	\$399,592	\$44,146	\$ 0.764	\$0	\$446,990	\$446,990	\$44,683	\$ 0.677	\$0	\$494,387	\$494,387	\$45,219	\$ 0.620
Purchase Transactions	\$0	\$40,854	\$40,854	\$8,171	\$ 0.084	\$0	\$51,068	\$51,068	\$10,214	\$ 0.084	\$0	\$61,281	\$61,281	\$12,256	\$ 0.084
Total for Lone Star Program	\$168,366	\$1,279,190	\$1,447,556	\$167,299	\$ 2.781	\$168,366	\$1,427,674	\$1,596,040	\$171,498	\$ 2.435	\$168,366	\$1,576,344	\$1,744,710	\$175,735	\$ 2.205

¹Vendor markup has been eliminated for those services which were estimated using commercial rates since the rates already include any vendor markup.

Texas EBT Summary Cost Model

Partial Service Outsource Solution

	Three Case Load Scenarios		
	Minus 20%	Current	Plus 20%
Food Stamp Cases	466,371	582,964	699,557
TANF Cases	114,305	142,881	171,457
Total Cases	580,676	725,845	871,014
Approximate Card Holders	489,232	611,540	733,848

Food Stamp Cost Allocation Percent 80.3%
 TANF Cost Allocation Percent 19.7%

Profit markup 20%
 Amortization Period 84

	Case 1 - Minus 20%						Case 2 - Current Case Load						Case 3 - Plus 20%						
	Investment		Monthly Operations	Est. Staff	Total Per Month	PCPM	Investment		Monthly Operations	Est. Staff	Total Per Month	PCPM	Investment		Monthly Operations	Est. Staff	Total Per Month	PCPM	
	Total	Monthly					Total	Monthly					Total	Monthly					
Central Processing																			
Facilities - Primary site	\$346,000	\$4,119	\$18,833	-	\$22,952	\$ 0.040	\$346,000	\$4,119	\$18,833	-	\$22,952	\$ 0.032	\$346,000	\$4,119	\$18,833	-	\$22,952	\$0.026	
Facilities - Back up site	\$124,000	\$1,476	\$9,450	-	\$10,926	\$ 0.019	\$124,000	\$1,476	\$9,450	-	\$10,926	\$ 0.015	\$124,000	\$1,476	\$9,450	-	\$10,926	\$0.013	
Hardware (primary & backup)	\$1,900,000	\$22,619	\$41,500	-	\$64,119	\$ 0.110	\$1,900,000	\$22,619	\$41,500	-	\$64,119	\$ 0.088	\$1,900,000	\$22,619	\$41,500	-	\$64,119	\$0.074	
Software	\$1,575,000	\$18,750	\$28,167	4	\$46,917	\$ 0.081	\$1,575,000	\$18,750	\$28,167	4	\$46,917	\$ 0.065	\$1,575,000	\$18,750	\$28,167	4	\$46,917	\$0.054	
Operations (Primary & Backup)	\$80,000	\$952	\$100,954	15	\$101,907	\$ 0.175	\$80,000	\$952	\$100,954	15	\$101,907	\$ 0.140	\$80,000	\$952	\$100,954	15	\$101,907	\$0.117	
Management & Admin.	\$0	\$0	\$22,083	4	\$22,083	\$ 0.038	\$0	\$0	\$22,083	4	\$22,083	\$ 0.030	\$0	\$0	\$22,083	4	\$22,083	\$0.025	
Uncontrollable costs	\$537,809	\$6,402	\$19,012	-	\$25,414	\$ 0.044	\$537,809	\$6,402	\$19,012	-	\$25,414	\$ 0.035	\$537,809	\$6,402	\$19,012	-	\$25,414	\$0.029	
Cost for Central Processing	\$4,562,809	\$54,319	\$239,999	23	\$294,319	\$ 0.507	\$4,562,809	\$54,319	\$239,999	23	\$294,319	\$ 0.405	\$4,562,809	\$54,319	\$239,999	23	\$294,319	\$0.338	
Vendor Markup					\$58,864	\$ 0.101					\$58,864	\$ 0.081					\$58,864	\$0.068	
Price to Texas					\$353,182	\$ 0.608					\$353,182	\$ 0.487					\$353,182	\$0.405	
Customer Service																			
Card, PINs, Training																			
New cards (in local office)	\$0	\$0	\$24,460	-	\$24,460	\$ 0.042	\$0	\$0	\$28,700	-	\$28,700	\$ 0.040	\$0	\$0	\$32,940	-	\$32,940	\$0.038	
Replace Cards (by mail)	\$0	\$0	\$14,857	2.3	\$14,857	\$ 0.026	\$0	\$0	\$18,571	2.9	\$18,571	\$ 0.026	\$0	\$0	\$22,286	3.4	\$22,286	\$0.026	
PIN Replacements (by mail)	\$0	\$0	\$1,510	0.3	\$1,510	\$ 0.003	\$0	\$0	\$1,655	0.4	\$1,655	\$ 0.002	\$0	\$0	\$1,986	0.5	\$1,986	\$0.002	
PIN Change (local office)	\$200,000	\$2,381	\$15,500	-	\$17,881	\$ 0.031	\$200,000	\$2,381	\$15,500	-	\$17,881	\$ 0.025	\$200,000	\$2,381	\$15,500	-	\$17,881	\$0.021	
sub total	\$200,000	\$2,381	\$56,327	2.6	\$58,708	\$ 0.101	\$200,000	\$2,381	\$64,426	3.3	\$66,807	\$ 0.092	\$200,000	\$2,381	\$72,712	3.9	\$75,093	\$0.086	
Call Center / Help Desk																			
Initial set up	\$30,000	\$357	\$0	-	\$357	\$ 0.001	\$30,000	\$357	\$0	-	\$357	\$ 0.000	\$30,000	\$357	\$0	-	\$357	\$0.000	
Automated calls	\$0	\$0	\$201,760	-	\$201,760	\$ 0.347	\$0	\$0	\$252,200	-	\$252,200	\$ 0.347	\$0	\$0	\$302,640	-	\$302,640	\$0.347	
Associate calls	\$0	\$0	\$129,333	-	\$129,333	\$ 0.223	\$0	\$0	\$161,667	-	\$161,667	\$ 0.223	\$0	\$0	\$194,000	-	\$194,000	\$0.223	
sub total	\$30,000	\$357	\$331,093	-	\$331,450	\$ 0.571	\$30,000	\$357	\$413,867	-	\$414,224	\$ 0.571	\$30,000	\$357	\$496,640	-	\$496,997	\$0.571	
Cost for Customer Service	\$230,000	\$2,738	\$387,421	3	\$390,159	\$ 0.672	\$230,000	\$2,738	\$478,293	3	\$481,031	\$ 0.663	\$230,000	\$2,738	\$569,352	4	\$572,090	\$0.657	
Vendor Markup (only applies to cards, PINs, and training)					\$11,742	\$ 0.020					\$13,361	\$ 0.018					\$15,019	\$0.017	
Price to Texas					\$401,900	\$ 0.692					\$494,393	\$ 0.681					\$587,108	\$0.674	
Agency Systems																			
Hardware	\$1,750,000	\$20,833	\$14,583	-	\$35,417	\$ 0.061	\$1,750,000	\$20,833	\$14,583	-	\$35,417	\$ 0.049	\$1,750,000	\$20,833	\$14,583	-	\$35,417	\$0.041	
Software	\$400,000	\$4,762	\$2,200	0.3	\$6,962	\$ 0.012	\$400,000	\$4,762	\$2,200	0.3	\$6,962	\$ 0.010	\$400,000	\$4,762	\$2,200	0.3	\$6,962	\$0.008	
Operations	\$0	\$0	\$49,833	2.0	\$49,833	\$ 0.086	\$0	\$0	\$49,833	2.0	\$49,833	\$ 0.069	\$0	\$0	\$49,833	2.0	\$49,833	\$0.057	
Training	\$100,000	\$1,190	\$5,000	-	\$6,190	\$ 0.011	\$100,000	\$1,190	\$5,000	-	\$6,190	\$ 0.009	\$100,000	\$1,190	\$5,000	-	\$6,190	\$0.007	
Uncontrollable costs	\$113,805	\$1,355	\$9,849	-	\$11,204	\$ 0.019	\$113,805	\$1,355	\$9,849	-	\$11,204	\$ 0.015	\$113,805	\$1,355	\$9,849	-	\$11,204	\$0.013	
Cost for Agency Systems	\$2,363,805	\$28,141	\$81,466	2.3	\$109,606	\$ 0.189	\$2,363,805	\$28,141	\$81,466	2.3	\$109,606	\$ 0.151	\$2,363,805	\$28,141	\$81,466	2.3	\$109,606	\$0.126	
Vendor Markup					\$21,921	\$ 0.038					\$21,921	\$ 0.030					\$21,921	\$0.025	
Price to Texas					\$131,528	\$ 0.227					\$131,528	\$ 0.181					\$131,528	\$0.151	
Retailer Services																			
POS Deployment & Servicing																			
Initial Deployment	\$6,626,850	\$78,891	\$0	-	\$78,891	\$ 0.136	\$6,626,850	\$78,891	\$0	-	\$78,891	\$ 0.109	\$6,626,850	\$78,891	\$0	-	\$78,891	\$0.091	
Maintenance & Servicing	\$0	\$0	\$100,750	-	\$100,750	\$ 0.174	\$0	\$0	\$100,750	-	\$100,750	\$ 0.139	\$0	\$0	\$100,750	-	\$100,750	\$0.116	
Uncontrollable costs	\$359,282	\$4,277	\$29,109	-	\$33,386	\$ 0.057	\$359,282	\$4,277	\$29,109	-	\$33,386	\$ 0.046	\$359,282	\$4,277	\$29,109	\$0	\$33,386	\$0.038	
sub total	\$6,986,132	\$83,168	\$129,859	-	\$213,027	\$ 0.367	\$6,986,132	\$83,168	\$129,859	-	\$213,027	\$ 0.293	\$6,986,132	\$83,168	\$129,859	-	\$213,027	\$0.245	
POS Operations																			
Switch Fees	\$0	\$0	\$50,081	-	\$50,081	\$ 0.086	\$0	\$0	\$62,601	-	\$62,601	\$ 0.086	\$0	\$0	\$75,121	-	\$75,121	\$0.086	
POS acquiring fees	\$0	\$0	\$128,779	-	\$128,779	\$ 0.222	\$0	\$0	\$160,974	-	\$160,974	\$ 0.222	\$0	\$0	\$193,169	-	\$193,169	\$0.222	
Retailer phone lines	\$0	\$0	\$210,000	-	\$210,000	\$ 0.362	\$0	\$0	\$210,000	-	\$210,000	\$ 0.289	\$0	\$0	\$210,000	-	\$210,000	\$0.241	

TEAA Multiple-service Cost Model

	Case 1 - Minus 20%						Case 2 - Current Case Load						Case 3 - Plus 20%					
	Investment Total	Monthly	Monthly Operations	Est. Staff	Total Per Month	PCPM	Investment Total	Monthly	Monthly Operations	Est. Staff	Total Per Month	PCPM	Investment Total	Monthly	Monthly Operations	Est. Staff	Total Per Month	PCPM
POS Supplies	\$0	\$0	\$10,732	-	\$10,732	\$ 0.018	\$0	\$0	\$13,415	-	\$13,415	\$ 0.018	\$0	\$0	\$16,097	-	\$16,097	\$0.018
Uncontrollable costs	\$0	\$0	\$0	-	\$0	\$ -	\$0	\$0	\$0	-	\$0	\$ -	\$0	\$0	\$0	-	\$0	\$ -
sub total	\$0	\$0	\$399,592	-	\$399,592	\$ 0.688	\$0	\$0	\$446,990	-	\$446,990	\$ 0.616	\$0	\$0	\$494,387	-	\$494,387	\$0.568
Purchase Transactions	\$0	\$0	\$40,854	-	\$40,854	\$ 0.070	\$0	\$0	\$51,068	-	\$51,068	\$ 0.070	\$0	\$0	\$61,281	-	\$61,281	\$0.070
Cost for Retailer Services	\$6,986,132	\$83,168	\$570,304	-	\$653,473	\$ 1.125	\$6,986,132	\$83,168	\$627,916	-	\$711,084	\$ 0.980	\$6,986,132	\$83,168	\$685,527	-	\$768,696	\$0.883
Vendor Markup (excluding POS maintenance, switch, and acquiring fees)					\$74,773	\$ 0.129					\$77,352	\$ 0.107					\$79,931	\$0.092
Price to Texas					\$728,245	\$ 1.254					\$788,436	\$ 1.086					\$848,627	\$0.974
Total for Lone Star Program																		
Cost for Services	\$14,142,746	\$168,366	\$1,279,190	28	\$1,447,556	\$ 2.493	\$14,142,746	\$168,366	\$1,427,674	29	\$1,596,040	\$ 2.199	\$14,142,746	\$168,366	\$1,576,344	29	\$1,744,710	\$2.003
Vendor Markup					\$167,299	\$ 0.288					\$171,498	\$ 0.236					\$175,735	\$0.202
Price to Texas					\$1,614,856	\$ 2.781					\$1,767,539	\$ 2.435					\$1,920,445	\$2.205

Central Processing

Partial Service Outsource Solution

	Three Case Load Scenarios		
	Minus 20%	Current	Plus 20%
Food Stamp Cases	466,371	582,964	699,557
TANF Cases	114,305	142,881	171,457
Total Cases	580,676	725,845	871,014
Approximate Card Holders	489,232	611,540	733,848

Amortization Period 84

	Case 1 - Minus 20%				Case 2 - Current Case Load				Case 3 - Plus 20%				Comments and Assumptions
	Investment Total	Monthly	Monthly Operations	Est. Staff	Investment Total	Monthly	Monthly Operations	Est. Staff	Investment Total	Monthly	Monthly Operations	Est. Staff	
Facilities - Primary site													Assume primary site for EBT central processing and administration will leverage a vendor's existing facilities and will share with other activities in that facility.
Monthly lease			\$5,833				\$5,833				\$5,833		Estimate an allocation of 5,000 s.f. required at \$14 per foot per year. This is the same for all three estimates.
Build out	\$250,000	\$2,976			\$250,000	\$2,976			\$250,000	\$2,976			Estimate assumes existing facility already set up for data center. Needs minimal improvements.
Phone & utilities			\$5,000				\$5,000				\$5,000		Estimated utilities and administrative phone costs.
Maintenance			\$4,500				\$4,500				\$4,500		Estimated building maintenance cost of \$.90 per s.f. per month
Equip. & furnishing	\$96,000	\$1,143			\$96,000	\$1,143			\$96,000	\$1,143			Estimate allocation of 12 offices or cubes at \$8,000 each.
Personnel			\$0	0			\$0	0			\$0	0	No additional staff needed.
Supplies & equip.			\$2,000				\$2,000				\$2,000		Estimate for supplies and equipment to operate data center and administrative site.
Miscellaneous			\$1,500				\$1,500				\$1,500		Estimated miscellaneous on-going building operating costs.
Total	\$346,000	\$4,119	\$18,833	0	\$346,000	\$4,119	\$18,833	0	\$346,000	\$4,119	\$18,833	0	
Facilities - Back up site													Assume that a remote processing backup site will be established similar to what is currently provided to support EBT and will leverage a vendor's existing facility.
Monthly lease			\$1,167				\$1,167				\$1,167		Estimate allocation of 1,000 s.f. required at \$14 per s.f. per year.
Build out	\$100,000	\$1,190			\$100,000	\$1,190			\$100,000	\$1,190			Estimated for existing site - minimal build out.
Phone & utilities			\$2,917				\$2,917				\$2,917		Estimated utilities and administrative phone
Maintenance			\$2,700				\$2,700				\$2,700		Estimated building maintenance cost of \$.90 per s.f. per month
Equip. & furnishing	\$24,000	\$286			\$24,000	\$286			\$24,000	\$286			Estimate 3 offices at \$8,000 each.
Personnel			\$0	0			\$0	0			\$0	0	no staff required.
Supplies & equip.			\$1,667				\$1,667				\$1,667		Estimate for supplies and equipment to operate data center.
Miscellaneous			\$1,000				\$1,000				\$1,000		Estimated miscellaneous on-going building operating costs.
Total	\$124,000	\$1,476	\$9,450	0	\$124,000	\$1,476	\$9,450	0	\$124,000	\$1,476	\$9,450	0	
Hardware (primary & backup)													Assume vendor will procure central processing equipment necessary to support Texas EBT. Estimates are based on current Tri Plex transaction processing environment. Many different configurations are possible.
Processors	\$750,000	\$8,929			\$750,000	\$8,929			\$750,000	\$8,929			Central computers, disk storage, peripherals for primary and remote back up processing.
Communications	\$250,000	\$2,976			\$250,000	\$2,976			\$250,000	\$2,976			Communications equipment necessary to acquire EBT transactions, support all interchange partners, interconnect with backup site and with call center.

	Case 1 - Minus 20%				Case 2 - Current Case Load				Case 3 - Plus 20%				Comments and Assumptions
	Investment		Monthly	Est.	Investment		Monthly	Est.	Investment		Monthly	Est.	
	Total	Monthly	Operations	Staff	Total	Monthly	Operations	Staff	Total	Monthly	Operations	Staff	
LAN / WAN	\$200,000	\$2,381			\$200,000	\$2,381			\$200,000	\$2,381			Equipment necessary to redundantly interconnect all processing components.
Miscellaneous	\$450,000	\$5,357			\$450,000	\$5,357			\$450,000	\$5,357			Miscellaneous equipment needed to build out a fully functional primary and backup data centers
Install, set up	\$150,000	\$1,786			\$150,000	\$1,786			\$150,000	\$1,786			Estimate of costs to install test and make ready for production.
licenses	\$100,000	\$1,190	\$3,000		\$100,000	\$1,190	\$3,000		\$100,000	\$1,190	\$3,000		Estimate of software licensing fees for purchased products such as an operating system and a data base manager.
Maintenance			\$38,500				\$38,500				\$38,500		Estimated 28% of base equipment cost per year for hardware maintenance and support.
Total	\$1,900,000	\$22,619	\$41,500	0	\$1,900,000	\$22,619	\$41,500	0	\$1,900,000	\$22,619	\$41,500	0	
Software													Assume that vendor will have some base software capabilities needed for EBT and will only have to modify to meet requirements of project.
Initial development													All estimates for enhancements to base software.
Acc't mgmt	\$500,000	\$5,952			\$500,000	\$5,952			\$500,000	\$5,952			
Settlement	\$250,000	\$2,976			\$250,000	\$2,976			\$250,000	\$2,976			
Administrative	\$0	\$0			\$0	\$0			\$0	\$0			
POS acquiring	\$0	\$0			\$0	\$0			\$0	\$0			
Mgmt & report	\$250,000	\$2,976			\$250,000	\$2,976			\$250,000	\$2,976			
Warehouse	\$100,000	\$1,190			\$100,000	\$1,190			\$100,000	\$1,190			
Conversion	\$350,000	\$4,167			\$350,000	\$4,167			\$350,000	\$4,167			A conversion will be necessary to migrate from the current system.
Maint. Prog.			\$13,333	2			\$13,333	2			\$13,333	2	Maintenance programmers to support the system 7x24. Estimate \$80,000 per year each, including benefits.
DBA / prog.			\$6,667	1			\$6,667	1			\$6,667	1	Data Base Administrator (DBA) to manage EBT databases. \$80,000 per year including benefits.
Equip. & supplies	\$125,000	\$1,488	\$1,500		\$125,000	\$1,488	\$1,500		\$125,000	\$1,488	\$1,500		Estimate of equipment and supplies to sustain software staff.
QA / prog.			\$6,667	1			\$6,667	1			\$6,667	1	Quality assurance programmer to validate system integrity, help trouble shoot problems and provide general system support. \$80,000 per year including benefits.
Total	\$1,575,000	\$18,750	\$28,167	4	\$1,575,000	\$18,750	\$28,167	4	\$1,575,000	\$18,750	\$28,167	4	
Operations (Primary & Backup)													On-going systems operations necessary to support the system 7x24. Assume located in existing 7x24 data center and will leverage existing staff.
Computer Operations													Expenses necessary to support daily computer operations.
Sys. Programmer			\$6,667	1			\$6,667	1			\$6,667	1	Systems programmer to manage operating system environment. \$80,000 per year including benefits.
Operators			\$21,875	7			\$21,875	7			\$21,875	7	Allocation of computer operators and shift supervisors. Three shifts per day, 7 days per week at primary and backup site. \$37,500 each, including benefits. Leverage existing staff.
Mgmt			\$6,667	1			\$6,667	1			\$6,667	1	Operations manager. \$80,000 per year including benefits.
Training	\$50,000	\$595	\$1,500		\$50,000	\$595	\$1,500		\$50,000	\$595	\$1,500		Estimate for operator training prior to start up and on-going process improvement.
supplies & equip			\$3,500				\$3,500				\$3,500		Estimate for on-going supplies and equipment necessary to sustain continuing computer operations.
Communications													On-going expenses for 7x24 support for the telecommunications infrastructure necessary for EBT.
Comm. Techs			\$10,000	2			\$10,000	2			\$10,000	2	Allocation for communication support technicians. \$60,000 each including benefits. Leverage existing staff.

	Case 1 - Minus 20%				Case 2 - Current Case Load				Case 3 - Plus 20%				Comments and Assumptions
	Investment		Monthly Operations	Est. Staff	Investment		Monthly Operations	Est. Staff	Investment		Monthly Operations	Est. Staff	
	Total	Monthly				Total			Monthly				Total
Mgmt			\$0	0			\$0	0			\$0	0	Communications manager. \$80,000 per year including expenses. Leverage existing management.
Training	\$10,000	\$119	\$1,000		\$10,000	\$119	\$1,000		\$10,000	\$119	\$1,000		Estimate for training prior to start up and on-going process improvement.
Leased lines			\$27,500				\$27,500				\$27,500		Leased lines necessary to interconnect primary data center, backup data center, call center and TDHS. Eleven T1 lines at \$2500 per month.
Third party certifications			\$5,000	1			\$5,000	1			\$5,000	1	Technician to provide support and certification services for third party processors. \$60,000 per year including benefits.
Recon & Settlement													Expenses necessary to support daily settlement, system balancing, adjustment processing, and voucher reconciliation.
Staff			\$12,500	3			\$12,500	3			\$12,500	3	Technicians at \$50,000 each per year, including benefits. Leverage existing fiscal staff.
Bad debt			\$1,000				\$1,000				\$1,000		Estimate for write off of bad transactions. Based on Texas experience.
CCDMI			\$2,746				\$2,746				\$2,746		Coupon Conversion at 4.25 each average of 645 per month.
Training	\$20,000	\$238	\$1,000		\$20,000	\$238	\$1,000		\$20,000	\$238	\$1,000		Estimate for training prior to start up and on-going process improvement.
Total	\$80,000	\$952	\$100,954	15	\$80,000	\$952	\$100,954	15	\$80,000	\$952	\$100,954	15	
Management & Admin.													Management team for EBT program management.
Project Mgmt			\$10,833	2			\$10,833	2			\$10,833	2	EBT manager and assistant manager for Texas EBT at \$65,000 including benefits. Augment existing Lone Star staff
Acc't & finance			\$4,167	1			\$4,167	1			\$4,167	1	Accounting person at \$50,000
HR			\$0	0			\$0	0			\$0	0	None assumed.
Admin. support			\$2,083	1			\$2,083	1			\$2,083	1	Additional administrative support staff. \$25,000 each.
Miscellaneous			\$3,000				\$3,000				\$3,000		Estimate for miscellaneous office expenses.
Travel			\$2,000				\$2,000				\$2,000		Estimate for necessary travel.
Total			\$22,083	4			\$22,083	4			\$22,083	4	
Uncontrollable costs													
Start up costs	\$537,809	\$6,402			\$537,809	\$6,402			\$537,809	\$6,402			Costs incurred prior to start of live operations. Assumes that on-going operations costs above are incurred for two months prior to live operations.
Taxes & insurance			\$3,802				\$3,802				\$3,802		Estimated at 1% of investment per year
Cost of capital			\$15,209				\$15,209				\$15,209		Estimated at 8% per year of average investment for project duration.
Total	\$537,809	\$6,402	\$19,012	0	\$537,809	\$6,402	\$19,012	0	\$537,809	\$6,402	\$19,012	0	
Total Central System	\$4,562,809	\$54,319	\$239,999	23	\$4,562,809	\$54,319	\$239,999	23	\$4,562,809	\$54,319	\$239,999	23	

Customer Service

Partial Service Outsource Solution

	Three Case Load Scenarios		
	Minus 20%	Current	Plus 20%
Food Stamp Cases	466,371	582,964	699,557
TANF Cases	114,305	142,881	171,457
Total Cases	580,676	725,845	871,014
Approximate Card Holders	489,232	611,540	733,848

Assumptions - Current Case Load

New cards Issued per month	26,500
Cards replaced per month	15,000
PINs replaced per month	2,200
Associate call minutes / mo.	162,120
ARU call minutes per month.	1,843
Percent automated client calls	96%
Call minutes per card holder per mo.	3.27

Amortization Period	84	Case 1 - Minus 20%				Case 2 - Current Case Load				Case 3 - Plus 20%				Comments and Assumptions
		Investment		Monthly Operations	Est. Staff	Investment		Monthly Operations	Est. Staff	Investment		Monthly Operations	Est. Staff	
		Total	Monthly			Total	Monthly			Total	Monthly			
Card, PINs, Training														
New cards (in local office)														Assume activities currently provided by vendor will be outsourced. For contract purposes, it might make sense to combine this activity with central processing component.
Cards			\$5,300				\$6,625				\$7,950			Cards and associated materials are \$.25 each.
Training Materials			\$7,420				\$9,275				\$11,130			Client training materials run about \$.35 each.
PINs			\$4,240				\$5,300				\$6,360			PINs run about \$.20 each.
Staff (Agency)			\$0				\$0				\$0			Agency Staff costs are captured in the State costs allocation model and are not a part of the vendor costs.
Distribution costs			\$7,500				\$7,500				\$7,500			Assume a monthly inventory shipment to each office at \$15.
Sub total			\$24,460	0			\$28,700	0			\$32,940	0		
Replace Cards (by mail)														
Cards & materials			\$4,800				\$6,000				\$7,200			Materials including card, mailer, are about \$.40.
Postage			\$7,200				\$9,000				\$10,800			Postage and associated materials are \$.60
Staff (vendor)			\$2,857	2.3			\$3,571	2.9			\$4,286	3.4		Estimate mail clerk can handle 250 cards per day. \$15,000 each per year including benefits.
Sub total			\$14,857	2.3			\$18,571	2.9			\$22,286	3.4		
PIN Replacements (by mail)														
PINs & materials			\$528				\$660				\$792			PIN mailers and materials are about \$.30
Postage			\$563				\$704				\$845			Postage is \$.32
Staff (vendor)			\$419	0.3			\$291	0.4			\$349	0.5		Estimate mail clerk can handle 250 PINS per day. \$15,000 each per year including benefits.
Sub total			\$1,510	0.3			\$1,655	0.4			\$1,986	0.5		
PIN Change (local office)														Current environment has POS device and PIN pad in each office with a supporting phone line. This could be eliminated. Used very little.
Equipment & install		\$200,000	\$2,381			\$200,000	\$2,381			\$200,000	\$2,381			Device and installation about \$400
Phone line			\$15,500				\$15,500				\$15,500			Assume leverage existing phone line in office.
Sub total		\$200,000	\$2,381	\$15,500	0	\$200,000	\$2,381	\$15,500	0	\$200,000	\$2,381	\$15,500	0	
Total for Cards & PINs		\$200,000	\$2,381	\$56,327	2.6	\$200,000	\$2,381	\$64,426	3.3	\$200,000	\$2,381	\$72,712	3.9	

TEAA Multiple-service Cost Model

	Case 1 - Minus 20%				Case 2 - Current Case Load				Case 3 - Plus 20%				Comments and Assumptions
	Investment Total	Investment Monthly	Monthly Operations	Est. Staff	Investment Total	Investment Monthly	Monthly Operations	Est. Staff	Investment Total	Investment Monthly	Monthly Operations	Est. Staff	
Call Center / Help Desk													Assume outsource of all call center activities. Pricing based on commercial rates. Could probably negotiate lower rates based on volume, especially with future plans for TIES.
Initial set up	\$30,000	\$357			\$30,000	\$357			\$30,000	\$357			Equipment set up and script development
Sub total	\$30,000	\$357	\$0	-	\$30,000	\$357	\$0	-	\$30,000	\$357	\$0	-	
Automated calls			\$ 201,760				\$ 252,200				\$ 302,640		Commercial rate for automated call is about \$.13 per call for a 1 minute call.
Sub Total	\$0	\$0	\$201,760	-	\$0	\$0	\$252,200	-	\$0	\$0	\$302,640	-	
Associate calls			\$ 129,333				\$ 161,667				\$ 194,000		Commercial rate for associate assisted call is about \$2.00 per call.
Sub total	\$0	\$0	\$129,333	-	\$0	\$0	\$161,667	-	\$0	\$0	\$194,000	-	
Total for Help Desk	\$30,000	\$357	\$331,093	-	\$30,000	\$357	\$413,867	-	\$30,000	\$357	\$496,640	-	
Total for Customer Service	\$230,000	\$2,738	\$387,421	2.6	\$230,000	\$2,738	\$478,293	3.3	\$230,000	\$2,738	\$569,352	3.9	

Agency Systems

Partial Service Outsource Solution

	Three Case Load Scenarios		
	Minus 20%	Current	Plus 20%
Food Stamp Cases	466,371	582,964	699,557
TANF Cases	114,305	142,881	171,457
Total Cases	580,676	725,845	871,014
Approximate Card Holders	489,232	611,540	733,848

Assumptions
Agency offices 500

Depreciation Period 84

	Case 1 - Minus 20%				Case 2 - Current Case Load				Case 3 - Plus 20%				Comments and Assumptions
	Investment Total	Monthly	Monthly Operations	Est. Staff	Investment Total	Monthly	Monthly Operations	Est. Staff	Investment Total	Monthly	Monthly Operations	Est. Staff	
Hardware													Assume that vendor will provide same services as current vendor.
PCs	\$1,750,000	\$20,833			\$1,750,000	\$20,833			\$1,750,000	\$20,833			PCs for EBT administrative terminal in each office. (\$3,500 per unit installed)
Maintenance			\$14,583				\$14,583				\$14,583		Maintenance on PCs estimated at 10% per year of total cost.
Sub Total	\$1,750,000	\$20,833	\$14,583	0	\$1,750,000	\$20,833	\$14,583	0	\$1,750,000	\$20,833	\$14,583	0	
Software													
Initial development													
Admin. Terms	\$400,000	\$4,762			\$400,000	\$4,762			\$400,000	\$4,762			Estimate based on experience to build an administrative terminal application.
SAVERR (Agency)	\$0		\$0		\$0		\$0		\$0		\$0		Costs for modifications to SAVERR are not part of vendor costs and are included in State cost allocation.
Maint. Prog.			\$2,200	0.3			\$2,200	0.3			\$2,200	0.3	An estimate of programmer time to support the administrative terminal application. \$80,000
Sub Total	\$400,000	\$4,762	\$2,200	0.3	\$400,000	\$4,762	\$2,200	0.3	\$400,000	\$4,762	\$2,200	0.3	
Operations													
Communications													
PC Technicians			\$8,333	2			\$8,333	2			\$8,333	2	Allocation of technicians to handle administrative terminal problems. \$50,000 each including benefits.
LAN / WAN			\$40,000				\$40,000				\$40,000		Estimate of allocation for EBT use of DHS LAN / WAN.
Miscellaneous			\$1,500				\$1,500				\$1,500		Estimate of miscellaneous expenses related to administrative network.
Sub Total	\$0	\$0	\$49,833	2	\$0	\$0	\$49,833	2	\$0	\$0	\$49,833	2	
Training													

TEAA Multiple-service Cost Model

	Case 1 - Minus 20%				Case 2 - Current Case Load				Case 3 - Plus 20%				Comments and Assumptions
	Investment Total	Monthly	Monthly Operations	Est. Staff	Investment Total	Monthly	Monthly Operations	Est. Staff	Investment Total	Monthly	Monthly Operations	Est. Staff	
Agency Staff	\$100,000	\$1,190	\$5,000		\$100,000	\$1,190	\$5,000		\$100,000	\$1,190	\$5,000		Estimate of cost for agency staff training. Initially training - \$200 per office. On-going training of \$10 per office per month. Other training costs are covered in State cost allocation.
Sub Total	\$100,000	\$1,190	\$5,000	0	\$100,000	\$1,190	\$5,000	0	\$100,000	\$1,190	\$5,000	0	
Uncontrollable costs													
Start up costs	\$113,805	\$1,355			\$113,805	\$1,355			\$113,805	\$1,355			Costs incurred prior to start of live operations. Assumes that on-gong operations costs above are incurred for two months prior to live operations.
Taxes & insurance			\$1,970				\$1,970				\$1,970		Estimated at 1% of investment per year
Cost of capital			\$7,879				\$7,879				\$7,879		Estimated at 8% per year of average investment for project duration.
Sub Total	\$113,805	\$1,355	\$9,849	0	\$113,805	\$1,355	\$9,849	0	\$113,805	\$1,355	\$9,849	0	
Total for Agency Systems	\$2,363,805	\$28,141	\$81,466	2.3	\$2,363,805	\$28,141	\$81,466	2.3	\$2,363,805	\$28,141	\$81,466	2.3	

Retailer Services

Partial Service Outsource Solution

	Three Case Load Scenarios		
	Minus 20%	Current	Plus 20%
Food Stamp Cases	466,371	582,964	699,557
TANF Cases	114,305	142,881	171,457
Total Cases	580,676	725,845	871,014
Approximate Card Holders	489,232	611,540	733,848

Assumptions - Current Case Load	
Total POS Transactions	5,962
Pct. from Private third parties	30%
Pct. from Public third parties	25%
Total food Transactions	5,629
Percent approved	92.6%
Total Cash Transactions	333
Percent approved	84.2%
Average Trans. / card holder	9.75
Retailers equipped by State	10,610
Terminals provided by State	13,000
Phone lines provided by State	7,000
Retailer calls minutes per month	49,917
Retailer operator minutes / mo.	21,770
Terminal repairs per month	600
Percent Transactions from State POS	45%

	Total	Approved
Food transactions per food case	9.66	8.94
Cash Transactions per cash case	2.33	1.96

Amortization Period 84

	Case 1 - Minus 20%				Case 2 - Current Case Load				Case 3 - Plus 20%				Comments and Assumptions
	Investment		Monthly Operations	Est. Staff	Investment		Monthly Operations	Est. Staff	Investment		Monthly Operations	Est. Staff	
	Total	Monthly			Total	Monthly			Total	Monthly			
POS Deployment & Servicing													
Initial Deployment													Assume that under a new procurement, the POS network would be redeployed.
Hardware	\$5,200,000	\$61,905			\$5,200,000	\$61,905			\$5,200,000	\$61,905			Actual devices being used in Texas estimated at \$400 including shipping, handling, software load, testing..
Equip. Installation	\$795,750	\$9,473			\$795,750	\$9,473			\$795,750	\$9,473			Estimate about \$75 per site to install equipment.
Phone Installation	\$525,000	\$6,250			\$525,000	\$6,250			\$525,000	\$6,250			Actual phone lines at a cost of \$75 to install.
Retailer Training	\$106,100	\$1,263			\$106,100	\$1,263			\$106,100	\$1,263			Most training is done as part of install. Other costs (materials, contracts, etc.) \$10 per retailer.
Sub total	\$6,626,850	\$78,891		0	\$6,626,850	\$78,891		0	\$6,626,850	\$78,891		0	
Maintenance & Servicing			\$100,750				\$100,750				\$100,750		Commercial rate for this type of service is about \$7.75 per unit per month. Includes help line to report terminal problems.
Sub total	\$0	\$0	\$100,750	-	\$0	\$0	\$100,750	-	\$0	\$0	\$100,750	-	
Uncontrollable costs													
Start up costs	\$359,282	\$4,277			\$359,282	\$4,277			\$359,282	\$4,277			Costs incurred prior to start of live operations. Assumes that on-going operations costs above are incurred for two months prior to live operations. Exception are charges directly related to POS transactions.
Taxes & insurance			\$5,822				\$5,822				\$5,822		Estimated at 1% of investment per year
Cost of capital			\$23,287				\$23,287				\$23,287		Estimated at 8% per year of average investment for project duration.
Sub total	\$359,282	\$4,277	\$29,109	0	\$359,282	\$4,277	\$29,109	0	\$359,282	\$4,277	\$29,109	0	
Total for Deploy & Service	\$6,986,132	\$83,168	\$129,859	0	\$6,986,132	\$83,168	\$129,859	0	\$6,986,132	\$83,168	\$129,859	0	

TEAA Multiple-service Cost Model

	Case 1 - Minus 20%				Case 2 - Current Case Load				Case 3 - Plus 20%				Comments and Assumptions	
	Investment		Monthly	Est.	Investment		Monthly	Est.	Investment		Monthly	Est.		
	Total	Monthly	Operations	Staff	Total	Monthly	Operations	Staff	Total	Monthly	Operations	Staff		
POS Operations														
Switch Fees			\$50,081				\$62,601					\$75,121		Estimate a commercial rate of \$.035 per transaction switch fee for EBT transactions including those from third parties. (a gate way approach)
Sub total			\$50,081	0			\$62,601	0				\$75,121	0	
POS acquiring fees			\$128,779				\$160,974					\$193,169		Estimate a commercial rate of \$.06 per transaction from State POS for terminal driving routing, and retailer settlement services (ACH fees), and retailer help line..
Sub total	\$0	\$0	\$128,779	0	\$0	\$0	\$160,974	0	\$0	\$0	\$0	\$193,169	0	
Retailer phone lines			\$210,000				\$210,000					\$210,000		Monthly charge for phone lines placed in retail stores. \$30 each.
Sub Total	\$0	\$0	\$210,000	0	\$0	\$0	\$210,000	0	\$0	\$0	\$0	\$210,000	0	
POS Supplies			\$10,732				\$13,415					\$16,097		\$.005 per transaction for POS ribbons and paper. Assume handled as a credit to retailer.
Sub total	\$0	\$0	\$10,732	0	\$0	\$0	\$13,415	0	\$0	\$0	\$0	\$16,097	0	
Uncontrollable costs														
Start up costs	\$0	\$0			\$0	\$0			\$0	\$0				Costs incurred prior to start of live operations. Assumes that on-gong operations costs above are incurred for two months prior to live operations. Exception are charges directly related to POS transactions.
Taxes & insurance			\$0				\$0					\$0		State does not pay taxes and is self insured.
Cost of capital			\$0				\$0					\$0		State provides up front funding and consequently does not incur interest charges. However, this could be considered an opportunity cost.
Sub total	\$0	\$0	\$0	0	\$0	\$0	\$0	0	\$0	\$0	\$0	\$0	0	
Total for POS Operation	\$0	\$0	\$399,592	-	\$0	\$0	\$446,990	-	\$0	\$0	\$494,387	-		
Purchase Transactions														
Commercial TPP			\$27,604				\$34,505					\$41,406		Actual commercial TPP transactions at \$.025 per transaction.
Proprietary TPP			\$13,250				\$16,562					\$19,875		Actual proprietary TPP transactions at \$.01 per transaction.
Total for purchase	\$0	\$0	\$40,854	0	\$0	\$0	\$51,068	0	\$0	\$0	\$61,281	0		
Total for Retailer Services	\$6,986,132	\$83,168	\$570,304	-	\$6,986,132	\$83,168	\$627,916	-	\$6,986,132	\$83,168	\$685,527	-		