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United States Government Accountability Office
Washington, DC 20548

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January 4, 2011

The Honorable Max Baucus
Chairman
The Honorable Charles E. Grassley
Ranking Member
Committee on Finance
United States Senate

The Honorable Barney Frank
Chairman
The Honorable Spencer Bachus
Ranking Member
Committee on Financial Services
House of Representatives

Subject: *Department of the Treasury: Management of Federal Agency Disbursements*

Pursuant to section 801(a)(2)(A) of title 5, United States Code, this is our report on a major rule promulgated by the Department of the Treasury, entitled "Management of Federal Agency Disbursements" (RIN: 1510-AB26). We received the rule on December 16, 2010. It was published in the *Federal Register* as a final rule on December 22, 2010. 75 Fed. Reg. 80,315.

The final rule requires recipients of federal nontax payments to receive payments by electronic funds transfer (EFT) effective May 1, 2011. The effective date is delayed until March 1, 2013, for individuals receiving federal payments by check on May 1, 2011; and for individuals who file claims for federal benefits before May 1, 2011, and request check payments when they file. Individuals who do not choose direct deposit of their payment to an account at a financial institution would be enrolled in a prepaid card program established pursuant to terms and conditions approved by Treasury. The final rule waives the EFT requirement for recipients born prior to May 1, 1921, who are receiving payments by paper check on March 1, 2013; for payments not eligible for the prepaid card program; and for recipients whose prepaid card has been suspended or cancelled. The final rule also establishes the criteria under which a recipient may request a waiver if the EFT requirement creates a hardship due to his or her mental impairment or remote geographic location.

Enclosed is our assessment of Treasury's compliance with the procedural steps required by section 801(a)(1)(B)(i) through (iv) of title 5 with respect to the rule. Our review of the procedural steps taken indicates that Treasury complied with the applicable requirements.

If you have any questions about this report or wish to contact GAO officials responsible for the evaluation work relating to the subject matter of the rule, please contact Shirley A. Jones, Assistant General Counsel, at (202) 512-8156.

signed

Robert J. Cramer
Managing Associate General Counsel

Enclosure

cc: Pamela L. Davis
Certifying Officer
Department of the Treasury

REPORT UNDER 5 U.S.C. § 801(a)(2)(A) ON A MAJOR RULE
ISSUED BY THE
DEPARTMENT OF THE TREASURY
ENTITLED
"MANAGEMENT OF FEDERAL AGENCY DISBURSEMENTS"
(RIN: 1510-AB26)

(i) Cost-benefit analysis

Treasury determined the benefits of the final rule to be \$117 million, which is the extra cost Treasury incurred in fiscal year 2010 to mail more than 130 million federal benefit checks to approximately 11 million benefit recipients. This benefit estimate does not include an estimated additional \$156 million each year beginning in 2020 for paper checks if the rule was not implemented. The projected cost savings also do not take into account future increased costs in postage, paper, and salaries; the cost of issuing benefit checks other than Social Security and SSI; or the costs agencies incur in handling inquiries and authorizing replacement checks.

Treasury did not estimate the costs of the final rule. Although Treasury did not make a formal estimate of the costs, the final rule does discuss potential short-term costs associated with the final rule. Among those costs are the intangible emotional costs for individuals who are fearful of or resistant to direct deposit; costs for public education and temporary expansion of telephone and online direct deposit enrollment center, estimated by Treasury to be \$10 million over the next three years; and costs that financial institutions may incur associated with converting their check recipient customers to direct deposit.

(ii) Agency actions relevant to the Regulatory Flexibility Act, 5 U.S.C. §§ 603-605, 607, and 609

Treasury certified that the final rule will not have a significant economic impact on a substantial number of small entities because the rule applies only to individuals who receive federal payments.

(iii) Agency actions relevant to sections 202-205 of the Unfunded Mandates Reform Act of 1995, 2 U.S.C. §§ 1532-1535

Treasury determined that the final rule will not result in expenditures by state, local, and tribal governments, in the aggregate, or by the private sector, of \$100 million or more in any one year.

(iv) Other relevant information or requirements under acts and executive orders

Administrative Procedure Act, 5 U.S.C. §§ 551 et seq.

On June 17, 2010, Treasury published a notice of proposed rulemaking in the *Federal Register*. 75 Fed. Reg. 34,394. Treasury received 33 comment letters and 1,087 comments solicited by and sent to a consumer advocate organization via its website. Treasury responded to the comments in the final rule. 75 Fed. Reg. 80,315.

Paperwork Reduction Act, 44 U.S.C. §§ 3501-3520

The final rule does not address the Paperwork Reduction Act.

Statutory authorization for the rule

The final rule is authorized by 31 U.S.C. § 3332, as amended by subsection 31001(x)(1) of the Debt Collection Improvement Act of 1996 (Pub. L. 104-134).

Executive Order No. 12,866 (Regulatory Planning and Review)

Treasury determined that the final rule was economically significant, and it was reviewed by the Office of Management and Budget.