

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0788-02
Bill No.: HB 474
Subject: Public Assistance; Food
Type: Original
Date: February 18, 2019

Bill Summary: This proposal modifies provisions for temporary assistance to needy families and supplemental nutrition assistance programs.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
General Revenue	(\$660,293)	(\$149,222)	(\$150,609)
Total Estimated Net Effect on General Revenue	(\$660,293)	(\$149,222)	(\$150,609)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 13 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Federal Funds *	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

* Income and expenses exceed \$140,000 annually and net to \$0.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
General Revenue	2.04	2.04	2.04
Federal	1.96	1.96	1.96
Total Estimated Net Effect on FTE	4	4	4

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

§§208.024 and 208.246 - Restricts benefit card use and SNAP work requirements

Officials from the **Department of Social Services (DSS), Division of Legal Services (DLS)** state this bill changes the law regarding the use of Temporary Assistance for Needy Families (TANF) and Supplemental Nutrition Assistance Program (SNAP) benefits via electronic benefit transfer (EBT) transaction. The bill adds pornography to the list of items that are prohibited from being purchased with TANF or SNAP benefits using an EBT card.

The bill requires that upon any third violation of the prohibition against using TANF or SNAP benefits via an EBT card in a prohibited establishment or to purchase prohibited items, a recipient will lose his or her benefits permanently.

The bill prohibits a recipient of TANF or SNAP from using his or her EBT card at any automated teller machine (ATM) to receive cash back on a purchase or to otherwise access the benefits as cash.

The bill repeals the provisions regarding pilot projects in certain counties to provide EBT cards to public assistance recipients.

§208.024 - Restricts benefit card use

DSS officials state Federal law passed in 2012 (42 U.S.C. 608(a)(12)) requires states to implement policies and practices to prevent Temporary Assistance (TA) benefits from being used in any liquor store, casino, gambling casino, gaming establishment, or adult-oriented entertainment establishment. The **Family Support Division (FSD)** has a claims process and procedures in place if eligible TA participants make an EBT (electronic benefit transfer) purchase in violation of section 208.024, where the recipient is required to reimburse the state at each offense. However, additional systems updates will be needed to disqualify the recipient at the third offense permanently. The FSD feels it can accomplish this with existing resources.

Oversight has no information to the contrary and will assume FSD can change systems to allow permanent disqualification of TANF recipients with existing resources.

ASSUMPTION (continued)

DSS state while current law and procedure is in place for TANF to prohibit transactions in restricted locations, if an establishment is an authorized Food and Nutritional Services (FNS) retailer, a participant can use their food stamps to purchase FNS qualifying items. Food Stamp EBT cards do not allow the purchase of liquor, tobacco, pornography, and/or lottery tickets. However, there is no way to block ineligible TANF purchases of liquor, tobacco, pornography, and/or lottery tickets at non-restricted EBT retailers such as gas stations, grocery or convenience stores.

Section 208.024.5 - Using EBT Cards at ATM Machines

This new section states that subject to federal approval, no recipient of TANF or SNAP benefits shall use an EBT card to obtain cash from any automated teller machine (ATM) or point-of-sale (POS) terminal or otherwise access the benefits as cash.

This section will only impact the TANF population, as food stamps cannot be used at an ATM, to get cash back or to otherwise access the benefit as cash. The U.S. Department of Health and Human Services (DHHS) does not require a waiver to implement restrictions of EBT card usage and allows states to use their own discretion when implementing policies and procedures regarding use of EBT cards. A small portion of TANF participants who receive their benefit via direct deposit into a personal checking or savings account would not be affected.

To implement this legislation, EBT TANF could only be accessed via a cash purchase transaction performed on a POS terminal. All other cash transactions would be turned off or denied.

Currently, Missouri's online EBT systems are interoperable through the QUEST® network, which is sponsored by the Electronic Benefits and Services Council. QUEST® sets the rules for the distribution of government benefits. However, if Missouri limits TANF transactions to purchases only, it will be in violation of QUEST® operating rules. Missouri must remove any QUEST® logos from all Missouri EBT cards.

To limit EBT TANF transactions to purchases only, replacement EBT cards will have to be issued for every active TANF and SNAP eligibility unit in the state.

Fidelity National Information Services (FIS), the Missouri EBT contractor, has provided a cost estimate to implement the changes of this legislation. The estimate increases from prior year fiscal note estimates because FIS did not take into consideration that all EBT cards would have to be destroyed/deactivated and reissued for all programs that utilize the EBT card for benefit distribution. In addition, all EBT programing would need to be altered for all EBT QUEST® states as participants would not be able to use their card in other states.

ASSUMPTION (continued)

These estimates are based upon the following assumptions:

Recipient training and notification.

The State will provide its TA recipients with notice of the change in the way they can access their cash assistance benefits. Notice will be given prior to implementation of the change. The State will provide FIS with a copy of any notice or mailing given to the TA recipients to prepare the Recipient Help Desk [USA800] for any calls that they may receive.

The State will no longer be able to be a part of the QUEST® network. Issuance of new EBT cards without the QUEST® logo will be required.

Re-contracting will be needed with every EBT-Only merchant, Third Party Processor (TPP) and Network if the State no-longer uses QUEST®. All current contracts are QUEST® contracts.

No special reporting needs required by the State.

Assisted and non-assisted testing will not be required between FIS and the State.

Start Up Cost:

Development & Implementation	\$4,968
Notification to TPPs, Networks & EBT Processors	\$ 15.68
Help Desk Call Support Cost:	
Client Help Desk Call Support	\$ 1.10 per minute
OIG Update	\$ 216

The State will be charged a Recipient Help Desk call minute surcharge if the total Missouri monthly call minutes increase by 10% or more over the average monthly minutes of the 3 months prior to implementation. The state will be subject to a surcharge of the per minute rate for each month that the call minutes are over 110% of that baseline for up to 6 months. The surcharge will be charged only for the call minutes in excess of 110% of the average monthly minutes of the 3 months prior to implementation. FSD assumes the calls will not exceed 110% of the average calls received the previous three months.

In addition, if the call volume per month exceeds 110% , FIS cannot guarantee that the call center service levels will be made.

ASSUMPTION (continued)

Costs Associated with Switch to Non-Quest State

Switching from a QUEST State to a non-QUEST state will require the State to reissue all of their EBT cards to remove the QUEST logo from the back of the card. The following quotes are based on the current number of active cards on FIS' ebtEDGE System. These counts are being used for example purposes only. Final pricing will be calculated based on the actual count at the time this project is implemented.

Development/Implementation for Card Reissuance **\$ 84,578**

Write program to generate new cards for existing cardholder

Card Issuance **\$ 759,645**

The state Missouri has 552,000 active cards as of 12/2018. All cards will need to be deactivated and reissued to remove the QUEST logo

Plastic	\$ 72,620
Insert	\$ 28,704
Envelope	\$ 38,088
Printing & Inserting	\$331,200
Mailer	\$ 18,216
Postage	\$270,480
Card Re-design	\$ 337

Reconstructing services with EBT-only merchants, TPP and Network **\$ 64,040**

Re-contracting Services w/ EBT-only, TPP and Networks	\$ 62,580
Postage for mail re-contracting	\$ 1,460

Destruction of Unusable Card Stock & Carriers **\$ 7,503**

Cards: Current inventory is 116,370	\$ 4,073
Carriers: Current inventory is 98,011	\$ 3,430

Modifications to Card Carrier and Printing **\$ 7,060**

Cash Case Notifications of Allowable Transactions **\$ 10,593**

Cash Cases - 21,619

ASSUMPTION (continued)

Development & Implementation for Card Issuance	\$84,578
Card Issuance	\$759,645
Reconstructing services with EBT-only merchants, TPP and Network	\$64,040
Destructions of Unusable Card Stock & Carriers	\$ 7,503
Modifications to Card Carrier and Cash Case Notifications of Allowable Transactions	\$ 7,060
Cash Case Notification of Allowable Transactions	\$10,593
Start-up Costs	\$ 5,200
TOTAL:	\$938,619

Therefore, the total estimated contracted costs FSD would incur as a result of §208.024 is **\$938,619**. The cost is 55% GR/45% Federal matching (\$516,240 GR; \$422,379 Federal funds).

Section 208.182 - EBT Pilot Program

This section removes the language that created a pilot program that allowed EBT cards to get cash at ATM or POS terminals.

§208.246 - SNAP work requirements

DSS officials state in November 2018, 46,913 individuals aged 16-59, who would be subject to the work requirements as provided in this legislation, are employed and meeting the work requirements. However, the individuals' employment does not provide earnings to promote self-sufficiency.

FSD determined that in November 2018:

- There were 45,113 Head of Households (HOH) (age 16-59) receiving Supplemental Nutrition Assistance Program (SNAP) benefits that would not meet an exemption and would be mandated to comply with work requirements.
- There was an additional 4,503 other household members (age 16-59) that would also be mandated to comply with work requirements.
- There was an additional 11,885 household members (age 16-59) that would be mandated to comply with work requirements; however, the head of household would not be mandated to comply with work requirements, due to an exemption or exclusion.

ASSUMPTION (continued)

- The average individual received \$119.59 in SNAP benefits per month.

FSD assumes that 35% of the 61,501 (45,113+4,503+11,885) SNAP recipients will comply with work requirements. FSD made this determination based on the average work participation rate of the mandatory work requirements for Temporary Assistance, which in SFY 18 had an average work participation rate of 25%. The goal is to increase the compliance rate with SNAP participants.

Based on a 35% compliance rate, FSD determined that 39,976 ($61,501 * 65\%$) individuals will be affected if the provisions of this bill are enacted.

- 39,976 individuals ($61,501 * 65\%$) who will be disqualified for noncompliance with the work requirements, which will result in a reduction in SNAP benefits of \$4,780,730 ($39,976 * \119.59) per month which is consistent for any disqualification period as a result of this legislation.
- FSD assumes an increase in:
 - Applications if individuals are disqualified for noncompliance. The individual will be required to reapply once the disqualification has expired.
 - FSD estimates approximately a 5% increase in hearing requests a year, with the implementation of this bill.
- In SFY18 approximately 2,672 SNAP hearings were conducted. FSD assumes that approximately 5% of the Head of Household or individuals (39,976), who are disqualified from SNAP benefits, will request hearings. This will increase hearings by 1,999 ($39,976 * 5\%$) which could increase the total number of SNAP hearings to approximately 4,671 yearly ($2,672 + 1,999$).

FSD and DLS state Hearings Officers can conduct approximately 544 hearings per year. This increase of 1,999 hearings will create a need for four (4) additional hearings officers. The cost for Hearings Officers is split based on the claiming rate for SNAP hearings officers, 51% GR/49% Federal funds.

The FSD assumes Office of Administration (OA), Information Technology Services Division (ITSD) will include the Family Assistance Management Information System (FAMIS) programming costs for the system changes as well as the system generated notice needed to implement provisions of this bill in their response.

ASSUMPTION (continued)

Because SNAP benefits are 100% federally funded, FSD will not experience a fiscal impact due to any reduction in SNAP benefits that may result if this proposal is enacted. Therefore, there is no fiscal impact to the FSD as a result of §208.246.

Oversight notes DSS assumes it will need a total of 4 new FTE Hearings Officers as a result of the provisions of this proposal. Based on discussions with DSS officials, it is assumed the additional FTE can be housed within current DSS locations. However, if multiple proposals pass during the legislative session requiring additional FTE, cumulatively the effect of all proposals passed may result in the DSS needing additional rental space.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect the costs provided by DSS, less rental space costs, for fiscal note purposes.

DSS officials provided the response from the **Office of Administration (OA), Information Technology Services Division (ITSD)/DSS**. OA, ITSD/DSS state changes to the Family Assistance Management Information System (FAMIS) will have to be made to existing programs to accommodate tracking of time periods of disqualification of TANF benefits for first, second and third/subsequent occurrences of noncompliance. In addition, changes will have to be made to existing programs regarding changes to work requirements.

FAMIS currently has no means to track the usage of an EBT card. The state utilizes the service of a vendor for EBT. The vendor would have to notify FAMIS that a disqualification from any TANF benefits had occurred.

ITSD assumes that every new IT project/system will be bid out because all ITSD resources are at full capacity. The current contract rate for IT consultants is \$75 per hour.

It is estimated that IT consultants will require 172.8 hours to make the necessary changes to FAMIS at a cost of \$12,960 (53% GR/47% Federal funds) in FY 2020 (\$6,869 GR/\$6,091 Federal funds).

Oversight notes ITSD assumes that every new IT project/system will be bid out because all their resources are at full capacity. Due to the minimal impact of this proposal, Oversight assumes ITSD would contract out the work to IT consultants and will present the one-time costs of \$12,960 (\$6,869 GR; \$6,091 Federal) as estimated by ITSD.

Officials from the **Joint Committee on Administrative Rules (JCAR)** state the legislation is not anticipated to cause a fiscal impact to JCAR beyond its current appropriation.

Oversight assumes JCAR will be able to administer any rules resulting from this proposal with existing resources.

ASSUMPTION (continued)

Officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$5,000. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could require additional resources.

<u>FISCAL IMPACT - State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
GENERAL REVENUE FUND			
<u>Costs - DSS (§208.024)</u>			
Replacing Quest ® EBT cards with non-Quest® EBT cards	(\$516,241)	\$0	\$0
<u>Costs - DSS (§208.246)</u>			
Personal service	(\$71,580)	(\$86,755)	(\$87,622)
Fringe benefits	(\$43,364)	(\$52,299)	(\$52,563)
Equipment and expense	<u>(\$22,239)</u>	<u>(\$10,168)</u>	<u>(\$10,424)</u>
Total <u>Costs - DSS</u>	<u>(\$137,183)</u>	<u>(\$149,222)</u>	<u>(\$150,609)</u>
FTE Change - DSS	2.04 FTE	2.04 FTE	2.04 FTE
<u>Costs - OA-ITSD (§208.024)</u>			
IT contract costs for FAMIS changes	<u>(\$6,869)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(\$660,293)</u>	<u>(\$149,222)</u>	<u>(\$150,609)</u>
Estimated Net FTE Change on the General Revenue Fund	2.04 FTE	2.04 FTE	2.04 FTE

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2020 (10 Mo.)	FY 2021	FY 2022
FEDERAL FUNDS			
<u>Income</u> - DSS (§§208.024 and 208.246)			
Increase in program reimbursements	\$552,766	\$141,829	\$143,146
<u>Income</u> - OA, ITSD (§208.024)			
FAMIS update reimbursement	\$6,091	\$0	\$0
<u>Costs</u> - DSS (§208.024)			
Replacing Quest ® EBT cards with non-Quest® EBT cards	(\$422,379)	\$0	\$0
<u>Costs</u> - DSS (§208.246)			
Salaries	(\$68,034)	(\$82,457)	(\$83,281)
Fringe benefits	(\$41,216)	(\$49,708)	(\$49,959)
Equipment and expense	(\$21,137)	(\$9,664)	(\$9,906)
Total <u>Costs</u> - DSS	(\$130,387)	(\$141,829)	(\$143,146)
FTE Change - DSS	1.96 FTE	1.96 FTE	1.96 FTE
<u>Costs</u> - OA, ITSD (§208.024)			
IT contract costs for FAMIS changes	(\$6,091)	\$0	\$0
ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Estimated Net FTE Change on Federal Funds	1.96 FTE	1.96 FTE	1.96 FTE
<u>FISCAL IMPACT - Local Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal may impact small business retailers if they do not re-sign with the State and recipients can't use their benefit cards in those establishments.

FISCAL DESCRIPTION

This bill changes the law regarding the use of Temporary Assistance for Needy Families (TANF) and Supplemental Nutrition Assistance Program (SNAP) benefits via electronic benefit transfer (EBT) transaction. The bill adds pornography to the list of items that are prohibited from being purchased with TANF or SNAP benefits using an EBT card.

The bill requires that upon any third violation of the prohibition against using TANF or SNAP benefits via an EBT card in a prohibited establishment or to purchase prohibited items, a recipient will lose his or her benefits permanently.

The bill prohibits a recipient of TANF or SNAP from using his or her EBT card at any automated teller machine (ATM) to receive cash back on a purchase or to otherwise access the benefits as cash.

The bill repeals the provisions regarding pilot projects in certain counties to provide EBT cards to public assistance recipients.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Social Services
Joint Committee on Administrative Rules
Office of Secretary of State



Kyle Rieman
Director
February 18, 2019

Ross Strobe
Assistant Director
February 18, 2019