

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0788-03  
Bill No.: HCS for HB 474  
Subject: Public Assistance; Food  
Type: Original  
Date: February 27, 2019

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

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
General Revenue	(\$494,951 to \$523,415)	\$0 to (\$80,800)	\$0 to (\$81,608)
<b>Total Estimated Net Effect on General Revenue</b>	<b>(\$494,951 to \$523,415)</b>	<b>\$0 to (\$80,800)</b>	<b>\$0 to (\$81,608)</b>

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

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 10 pages.

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

\* Income and expenses exceed \$450,000 for FY 2020 and net to \$0.

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
General Revenue	0 to 0.53 FTE	0 to 1	0 to 1
Federal	0 to 0.47	0	0
<b>Total Estimated Net Effect on FTE</b>	<b>0 to 1</b>	<b>0 to 1</b>	<b>0 to 1</b>

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

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

## FISCAL ANALYSIS

### ASSUMPTION

#### §§208.024 - Restricts benefit card use

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.

It also states that for any occurrence under this subsection a recipient will lose their TANF benefits for three months at the first occurrence, six months at the second occurrence, and five years at the third or subsequent occurrence. Individuals may apply and resume participation at the end of the disqualification period.

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.

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 procedure 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. This policy is in place and being practiced.

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.

**DSS** stated 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.

ASSUMPTION (continued)

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 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.

<u>Start Up Cost:</u>	<b><u>\$5,200</u></b>
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 52% GR/48% Federal matching (\$488,082 GR; \$450,537 Federal funds).

**Oversight** notes the GR/Federal fund split percentages changed from the previous version of this proposal (55% GR/45% Federal) to the current 52% GR/48% Federal due to DSS obtaining updated information from their grant reporting.

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).

ASSUMPTION (continued)

**Oversight** notes ITSD assumes that every new IT project/system will be bid out because all their resources are at full capacity. For this proposal, ITSD assumes changes to existing programs within the FAMIS system will have to be made to accommodate tracking of time periods of disqualification for TANF benefits for occurrences of noncompliance. ITSD estimates the project would take 172.8 hours at a contract rate of \$75 per hour for a total cost to the state of \$12,960 in FY 2020 (\$6,869 GR/\$6,091 Federal). Oversight notes that an average salary for a current IT Specialist within ITSD is \$51,618, which totals roughly \$80,000 per year when fringe benefits are added. Assuming all ITSD resources are at full capacity, Oversight assumes ITSD may (instead of contracting out the programming) hire an additional IT Specialist to perform the work required by this proposal. Therefore, Oversight will range the fiscal impact from the cost of contracting out the work (\$12,960 in FY 2020) to hiring 1 additional FTE IT Specialists (at roughly \$80,000 per year) to complete the necessary changes to FAMIS system programs. Oversight assumes the FY 2020 cost of the IT specialist will be split 53% GR/47% Federal funds in the same manner as contracted IT costs are split but assumes costs will be 100% GR for FY 2021 and FY 2022 as there is no guarantee that the work performed by the IT Specialist in subsequent years would qualify for the state/federal split.

<u>FISCAL IMPACT - State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
<b>GENERAL REVENUE FUND</b>			
<u>Costs - DSS (§208.024)</u>			
Replacing Quest ® EBT cards with non-Quest® EBT cards	(\$488,082)	\$0	\$0
<u>Costs - OA-ITSD (§208.024)</u>			
MMIS system changes (ranged from contracting out the programming to hiring additional 1 FTE IT Specialist)	(\$6,869 to \$35,333)	\$0 to (\$80,800)	\$0 to (\$81,608)
<b>ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND</b>	<b><u>(\$494,951 to \$523,415)</u></b>	<b><u>\$0 to (\$80,800)</u></b>	<b><u>\$0 to (\$81,608)</u></b>
Estimated Net FTE Change on the General Revenue Fund	0 to 0.53 FTE	0 to 1 FTE	0 to 1 FTE



<u>FISCAL IMPACT - State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
<b>FEDERAL FUNDS</b>			
<u>Income - DSS (§§208.024)</u>			
Increase in program reimbursements	\$450,537	\$0	\$0
<u>Income - OA, ITSD (§208.024)</u>			
FAMIS update reimbursement	\$6,091 to \$31,333	\$0	\$0
<u>Costs - DSS (§208.024)</u>			
Replacing Quest ® EBT cards with non-Quest® EBT cards	(\$450,537)	\$0	\$0
<u>Costs - OA, ITSD (§208.024)</u>			
MMIS system changes (ranged from contracting out the programming to hiring additional 1 FTE IT Specialist)*	(\$6,091 to \$31,333)	<u>\$0</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Estimated Net FTE Change on Federal Funds	0 to 0.47 FTE	0 FTE	0 FTE
 <u>FISCAL IMPACT - Local Government</u>	 FY 2020 (10 Mo.)	 FY 2021	 FY 2022
	<u><b>\$0</b></u>	<u><b>\$0</b></u>	<u><b>\$0</b></u>
 <u>FISCAL IMPACT - Small Business</u>			

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.

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



Kyle Rieman  
Director  
February 27, 2019

Ross Strobe  
Assistant Director  
February 27, 2019