

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3072H.011
 Bill No.: HB 1560
 Subject: Public Assistance; Department of Health and Senior Services
 Type: Original
 Date: January 2, 2024

Bill Summary: This proposal prohibits Temporary Assistance for Needy Families (TANF) benefit cards from being used at ATMs or to access cash, and limits the items that may be purchased with TANF benefits.

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|--|--------------------|------------------|------------------|
| FUND AFFECTED | FY 2025 | FY 2026 | FY 2027 |
| General Revenue | (\$929,785) | (\$1,860) | (\$1,907) |
| Total Estimated Net Effect on General Revenue | (\$929,785) | (\$1,860) | (\$1,907) |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2025 | FY 2026 | FY 2027 |
| Total Estimated Net Effect on <u>Other State Funds</u> | \$0 | \$0 | \$0 |

Numbers within parentheses: () indicate costs or losses.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2025 | FY 2026 | FY 2027 |
| Federal Funds* | \$0 | \$0 | \$0 |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

* Income and expenses exceed \$900,000 for FY 2025; exceed \$1,000 annually beginning in FY 2026 and net to \$0.

| ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE) | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2025 | FY 2026 | FY 2027 |
| | | | |
| Total Estimated Net Effect on FTE | 0 | 0 | 0 |

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

| ESTIMATED NET EFFECT ON LOCAL FUNDS | | | |
|--|----------------|----------------|----------------|
| FUND AFFECTED | FY 2025 | FY 2026 | FY 2027 |
| Local Government | \$0 | \$0 | \$0 |

FISCAL ANALYSIS

ASSUMPTION

§ 208.024 - SNAP/TANF EBT prohibited transactions; participants may not obtain cash

Officials from the **Department of Social Services (DSS)** state federal law passed in 2012, (42 U.S.C. 608(a)(12)), requires states to implement policies and practices to prevent Temporary Assistance for Needy Families (TANF) 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 TANF participants make an EBT purchase in violation of §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 for five years. FSD feels it can accomplish this with existing resources.

Oversight has no information to the contrary and will assume the Family Support Division can make changes to disqualification periods of TANF recipients with existing resources.

DSS also states 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 Supplemental Nutrition Assistance Program (SNAP) benefits to purchase FNS qualifying items. SNAP 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. Missouri has blocking in place at prohibited establishments.

Section 208.024.5 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.

The provisions of this proposal will only impact the TANF population, as SNAP cannot be used at an ATM, to get cash back or to otherwise access the benefit as cash. The 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 Point of Sale (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. 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 programming would need to be altered for all EBT QUEST® states as participants would not be able to use their card in other states.

Estimates are based upon the following assumptions:

Recipient training and notification:

The State will provide their TANF 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 TANF recipients to prepare the Recipient Help Desk [Crusecom] for any calls they may receive.

The State will no longer be able to be 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 is no-longer uses QUEST®. All current contracts are QUEST® contracts.

No special reporting needs are required by the State.

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

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| Start-up costs (Development, notification, OIG update) (\$12,000 + \$20 + \$500) | \$12,520 |
|---|-----------------|

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|---|----------|
| Development & Implementation | \$12,000 |
| Notification to TPPs, Networks & EBT Processors | \$20 |

| | |
|-------------------------------|-------------------|
| Help Desk Call Support Cost: | |
| Client Help Desk Call Support | \$1.50 per minute |
| OIG Update | \$500 |

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. The Family Support Division 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.

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 **\$48,630**

Write program to generate new cards for existing cardholders

Card Issuance **\$1,589,996**

The state Missouri has 785,889 active cards as of 12/2023; all cards will need to be deactivated and reissued to remove the QUEST logo.

| | |
|----------------------|-----------|
| Plastic | \$157,178 |
| Insert | \$125,742 |
| Envelope | \$31,436 |
| Printing & Inserting | \$267,202 |
| Card Carrier | \$471,533 |
| Postage | \$534,405 |
| Card Re-design | \$2,500 |

Reconstructing services with EBT-only merchants, TPP and Network **\$93,761**

| | |
|---|----------|
| Re-contracting Services w/ EBT-only, TPP and Networks | \$46,332 |
| Postage for mail re-contracting | \$47,429 |

Destruction of Unusable Card Stock & Carriers **\$62,100**

| | |
|-------------------------------------|----------|
| Cards: Current inventory is 302,264 | \$30,200 |
|-------------------------------------|----------|

| | |
|---|------------------------|
| Carriers: Current inventory is 319,173 | \$31,900 |
| <i>Modifications to Card Carrier</i> | <i>\$5,000</i> |
| <i>Printing Card Carrier</i> | <i>\$28,219</i> |
| <i>Cash Case Notifications of Allowable Transactions</i> | <i>\$1,200</i> |
| Cash Cases 1,420 | |

| | |
|---|--------------------|
| Development/Implementation for Card Reissuance | \$30,000 |
| Card Issuance | \$1,589,996 |
| Reconstructing services with EBT-only merchants, TPP and Network | \$93,761 |
| Destruction of Unusable Card Stock & Carriers | \$62,100 |
| | |
| Modifications to Card Carrier and Cash Case Notifications of Allowable Transactions | \$5,000 |
| Printing Card Carrier | \$28,219 |
| Cash Case Notification of Allowable Transactions | \$1,200 |
| Start-up Costs | \$12,520 |
| TOTAL: | \$1,841,426 |

Therefore, the total estimated contracted cost FSD would incur as a result of §208.024 is **\$1,841,426**. The cost is 50% GR, 50% Federal, matching the way EBT is claimed, for a total of \$920,713 GR and \$920,713 Federal funds.

In prior years, the fiscal impact was expected to be funded 100% by TANF federal funds. The on-going TANF grant is currently fully utilized; therefore, this could not be covered with 100% TANF federal funds and the EBT claim of 50% GR and 50% Federal will provide the funding split for the fiscal impact of this legislation.

FSD defers to the Office of Administration (OA), Information Technology Services Division (ITSD)/DSS for system costs to implement the provisions of this legislation.

Oversight does not have information to the contrary and therefore, Oversight will reflect the estimates as provided by DSS, FSD.

Officials from **OA, ITSD/DSS** state changes to the Family Assistance Management Information System (FAMIS) will have to be made to implement this proposal.

FAMIS does not control the usage of the EBT cards or track the account balance. The vendor, FIS Global, tracks the usage. They convey the balance to the State and FAMIS displays this

information on the payment history screen. The interface is between the EBT team and FIS. FAMIS provides the data to the EBT team.

FAMIS will have to do some analysis to implement changes to the Sanction/Disqualification process to implement the requirement where the system needs to reject a participant for any non-compliance.

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 \$105 per hour.

It is estimated that IT consultants will require 172.8 hours to make the necessary changes to FAMIS at a cost of \$18,144 (50% GR; 50% Federal) in FY 2025 (\$9,072 GR; \$9,072 Federal). Ongoing system support is estimated to be \$3,720 (\$1,860 GR; \$1,860 Federal) in FY 2026 and \$3,813 (\$1,907 GR; \$1,907 Federal) in FY 2027.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect the costs provided by OA, ITSD/DSS for fiscal note purposes.

Rule Promulgation

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Office of the Secretary of State (SOS)** note 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 its 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.

| <u>FISCAL IMPACT – State Government</u> | FY 2025 (10 Mo.) | FY 2026 | FY 2027 |
|--|---------------------|------------------|------------------|
| GENERAL REVENUE | | | |
| Costs - DSS (§208.024) Replacing Quest® EBT cards with non-Quest® EBT cards p. 5-6 | (\$920,713) | \$0 | \$0 |
| Costs - OA-ITSD (§208.024) FAMIS system changes p. 7 | (\$9,072) | (\$1,860) | (\$1,907) |
| ESTIMATED NET EFFECT ON GENERAL REVENUE | (\$929,785) | (\$1,860) | (\$1,907) |
| FEDERAL FUNDS | | | |
| Income - DSS (§208.024) Increase in program reimbursements p. 5-6 | \$920,713 | \$0 | \$0 |
| Income - OA, ITSD (§208.024) FAMIS update reimbursement p. 7 | \$9,072 | \$1,860 | \$1,907 |
| Costs - DSS (§208.024) Replacing Quest® EBT cards with non-Quest® EBT cards p. 5-6 | (\$920,713) | \$0 | \$0 |
| Costs - OA, ITSD (§208.024) FAMIS system changes p. 7 | (\$9,072) | (\$1,860) | (\$1,907) |
| ESTIMATED NET EFFECT ON FEDERAL FUNDS | \$0 | \$0 | \$0 |

| <u>FISCAL IMPACT – Local Government</u> | FY 2025 (10 Mo.) | FY 2026 | FY 2027 |
|---|---------------------|------------|------------|
| | | | |
| | \$0 | \$0 | \$0 |

FISCAL IMPACT – Small Business

This proposal may impact small business retailers if they do not re-sign up with the State and recipients cannot use their benefit cards in those establishments (§208.024).

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.

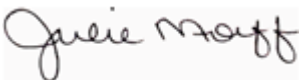
The bill requires that upon a first violation of the prohibition against using TANF benefits via an EBT card in a prohibited establishment or to purchase prohibited items, a TANF recipient will be disqualified from receiving benefits for three months; upon a second violation, the recipient will be disqualified for six months; and upon any third or subsequent violation, the recipient will be disqualified for five years. An individual may resume participation in the program at the end of the disqualification period by applying again.

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. If the Department of Social Services determines that a waiver is necessary for implementation of the prohibition, the Department will apply for a waiver from the Federal Department of Health and Human Services. (§ 208.024).


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



Julie Morff
Director
January 2, 2024



Ross Strobe
Assistant Director
January 2, 2024