

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1698-01  
Bill No.: HB 977  
Subject: Public Assistance  
Type: Original  
Date: March 6, 2015

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Bill Summary: This proposal prohibits temporary assistance for need families (TANF) benefit cards from being used at ATMs or to access cash, and limits the items which may be purchased with TANF benefits.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	(\$385,532)	\$0	\$0
<b>Total Estimated Net Effect on General Revenue</b>	<b>(\$385,532)</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
<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 9 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Federal*	\$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 expenditures exceed \$200,000 in FY 2016 and net to \$0.

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</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 2016	FY 2017	FY 2018
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Social Services (DSS), Family Support Division (FSD)** state this proposal prohibits Temporary Assistance for Needy Families (TANF) benefit cards from being used at Automated Teller Machines (ATMs) or to access cash, and limits the items which may be purchased using TANF benefits.

#### Section 208.024.1.

**FSD** states this section adds the word 'pornography' to the list of items recipients of TANF or supplemental nutrition assistance program (SNAP or food stamps) benefits cannot purchase with an electronic benefit transfer (EBT) card. It also states that if a recipient makes a purchase in violation of this section, a claim shall be established to recoup the amount of such purchase. This will happen at the first and second offense. If a third offense occurs, the recipient shall be disqualified for TANF or SNAP for a period of two years.

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. FSD has established blocking of TANF EBT purchases at establishments by Merchant Category Code (MCC). FSD has created a claims process and procedures are in place if eligible TA participants make an EBT purchase in violation of section 208.024. The recipient is currently 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 a period of two years.

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.

FSD provides that the **Office of Administration (OA), Information Technology Services Division (ITSD)** states the Family Assistance Management Information System (FAMIS) will have to implement changes to the Sanction/Disqualification process to implement the requirement where the system needs to reject a participant for 2 years from any TANF/SNAP benefits.

General Revenue (GR) Cost: \$75hrs x 64.8hrs = \$4,860

ASSUMPTION (continued)

Section 208.024.5 – Using EBT Cards at ATM Machines

**FSD** provides that this is a new section that states that no recipient of TANF or SNAP shall use his EBT card at any ATM, to receive cash back on a purchase, or to 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.

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-service (POS) terminal. All other cash transactions would be turned off or denied.

Currently, Missouri follows the QUEST® operating 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 TANF and TANF/SNAP combination EBT cards.

To limit EBT TANF transactions to purchases only, replacement Electronic Benefit Transfer (EBT) cards will have to be issued for every active TANF eligibility unit in the state. In addition, replacement Food Stamp EBT cards will have to be issued for every active TANF/Food Stamp combination case, as Food Stamp benefits are issued on EBT cards in Missouri. These participants will now receive their TANF and Food Stamp benefits on separate EBT cards.

FIS (EBT card distributor) has provided a cost estimate to implement the changes of this legislation. These estimates are based upon the following assumptions:

- Recipient training and notification. The State will provide their 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 QUEST. Issuance of new EBT cards without the QUEST logo will be required.
- Re-contracting will be needed with every EBT-Only merchant, Third Party Processer (TPP) and Network if the State is no-longer 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.

ASSUMPTION (continued)

Start Up Cost:

Development & Implementation	\$ 3,686
Notification to TPPs, Networks & EBT Processors	\$ 2,438

Help Desk Call Support Cost:

Client Help Desk Call Support	\$ 0.75 per minute
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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 call minutes for the preceding three months. The state will be subject to this surcharge from the implementation of this project through final card replacement. The surcharge will be charged only for the call minutes in excess of 110% of the previous three-month average. FSD assumes the calls will not exceed 110% of the average calls received the previous three months.

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 Re-issuance	\$84,578
Write program to generate new cards for existing cardholder	

Card Issuance	\$189,200
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Cost includes: card plastic, embossing/encoding replacement cards, designing new card carriers, batch job handling, card carriers and card envelopes.

Re-contracting services with EBT-only merchants, TPP and Network	\$159,354
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In January 2015, FIS was contracted with 4,820 merchants. Each of these would require re-contracting.

Postage to mail new cards	\$49,070
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Postage for each card mailed is at least \$0.48. New cards that must be 'drop-ship' via Federal Express have a higher cost. FedEx ground rates obtained online estimate each shipment at \$7.99. FSD estimates 5% of these cards require drop shipments via FedEx to the local offices. Combination FS and TA cases would receive two mailings, one for FS EBT and one for TA EBT.

ASSUMPTION (continued)

In January 2015, FIS invoiced Missouri for 26,486 food stamp and TA combination cases, and 4,385 TA cash only cases. Of these, 2,868 will be require drop shipments (26,486 x 2 cards = 52,972 + 4,385 = 57,357 total cards; 5% of 57,357 = 2,868 rounded up).

Cost to mail cards is \$26,155 (57,357 - 2,868 = 54,489 mailed cards x \$0.48 = \$26,154.72 rounded up)

Cost to 'drop ship' cards via Fed Ex is \$22,915 (2,868 x \$7.99 = \$22,915.32 rounded down).

Total cost to mail new cards is \$49,070 (\$26,155 + \$22,915)

Postage to mail re-contracting \$6,748  
 Postage for each re-contract mailed may be as high at \$1.40 per envelope for each contract. FIS estimates 4,820 re-contracts would be mailed.  
 (4,820 x \$1.40 = \$6,748)

Unusable card stock costs \$ 0  
 Destroy unusable card stock at \$1.50 per card. FSD assumes existing card stock could be used for SNAP only EBT cards; therefore, no cost would be incurred for this service.

Postage for One Time Notice \$12,657  
 Because this section is changing how an Electronic Benefit Transfer (EBT) cards can be used, the FSD would need to notify each TA household of this change. Using the amount provided by FIS, 30,871 (26,486 + 4,385) families received TA on an EBT card in January 2015. Each of these households will require prior notification of the change. Mailing costs provided by the Office of Administration puts each notice at \$0.41 cents. Therefore, the FSD estimates the cost to mail this one time notice to be \$12,657 (30,871 notices x \$0.41 = \$12,657.11 rounded down).

Development & Implementation	\$3,686
Notification to TPPs, Networks & EBT Processors	\$2,438
Costs to switch to non-quest state	\$84,578
Card Issuances	\$189,200
Re-contracting	\$159,354
Mailing costs for cards and drop shipments	\$49,070
Mailing costs to re-contract	\$6,748
One time notice	\$12,657
<b>TOTAL:</b>	<b>\$507,731</b>

Therefore, the total estimated contracted costs FSD would incur is \$507,731.

ASSUMPTION (continued)

ITSD will have extensive changes to the to the EBT system to automatically check purchase details looking for banned items. These purchases are then passed to the Claims and Restitution system (CARS) for repayment. EBT will also have to notify FAMIS that a sanction/disqualification from any TANF/SNAP benefits for two years has occurred.

GR Cost: \$75hrs x 1,501.2hrs = \$112,590

Section 208.182 – EBT Pilot Project

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

There is no fiscal impact to FSD or ITSD.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
<b>GENERAL REVENUE FUND</b> (§208.024)			
<u>Costs - DSS-FSD</u>			
Development, implementation, new cards, and postage costs to limit benefit cards from being used to access cash	(\$268,082)	\$0	\$0
<u>Costs - OA-ITSD</u>			
Contract IT costs for FAMIS changes	<u>(\$117,450)</u>	<u>\$0</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND</b>	<b><u>(\$385,532)</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
<b>FEDERAL FUNDS</b> (§208.024)			
<u>Income - DSS-FSD</u>			
Program expenditure reimbursements	\$239,649	\$0	\$0
<u>Costs - DSS-FSD</u>			
Program expenditures	<u>(\$239,649)</u>	<u>\$0</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
	<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

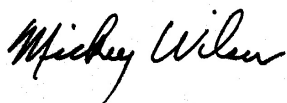
This proposal changes the law regarding the use of TANF and Supplemental Nutrition Assistance Program (SNAP) benefits via electronic benefit transfer (EBT) transaction. The proposal adds pornography to the list of items that are prohibited from being purchased with TANF or SNAP benefits using an EBT card. A recipient must reimburse the Department of Social Services for the purchase if he or she makes a purchase in violation of these provisions and it is the recipient's first or second violation of these provisions. For any third or subsequent violation, the recipient must lose his or her TANF or SNAP benefits for two years.

The proposal prohibits a recipient from using TANF or SNAP benefits loaded on an EBT card at any ATM machine, to receive cash back on a purchase, or to otherwise access the benefits as cash. The proposal defines "tobacco products" as cigarettes, cigarette papers, cigars, smokeless tobacco, smoking tobacco, vapor products, or any other form of tobacco products or products made with tobacco substitute containing nicotine. The proposal repeals the pilot projects providing 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 -  
Family Support Division  
Office of Administration -  
Information Technology Services Division





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