

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4561-02  
Bill No.: Perfected HCS for HB 1443  
Subject: Public Assistance  
Type: Original  
Date: March 13, 2018

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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 funds.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue	(\$117,450)	\$0	\$0
<b>Total Estimated Net Effect on General Revenue</b>	<b>(\$117,450)</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
<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>			
<b>FUND AFFECTED</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
Federal*			
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

\* Income and expenses for FY 2019 exceed \$990,000 and net to \$0.

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
<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>			
<b>FUND AFFECTED</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
<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), Family Support Division (FSD)** state there are two amendments to this bill. The first allows the DSS to determine if a waiver is necessary. The second outlines various periods of disqualification from being able to receive Temporary Assistance for Needy Families (TANF) benefits based on the number of times the participant made prohibited purchases.

These amendments do not change the fiscal impact of this proposal from the original version.

Federal law passed in 2012 (42 U.S.C. 608(a)(12)) requires states to implement policies and practices to prevent TA benefits from being used in any liquor store, casino, gambling casino, gaming establishment, or adult-oriented entertainment establishment. FSD has created a claims process, and procedures are in place if eligible TA participants make an EBT (electronic benefit transfer) 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 or more for a period of two years. The FSD feels it can accomplish this with existing resources.

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 the DSS shall apply for a waiver to implement restricting recipients of TANF or SNAP benefits 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.

208.024.5(1): 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 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.

ASSUMPTION (continued)

208.024.5(2): 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 Electronic Benefit Transfer (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 increase from prior fiscal note estimates previously constructed by 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 programming would need to be altered for all EBT QUEST® states as participants would not be able to use their card in other states.

These estimates are based upon the following assumptions:

*Recipient training and notification.*

The State will provide their Temporary Assistance (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 Processor (TPP) and Network if the State is no-longer QUEST®. All current contracts are QUEST® contracts.

No special reporting needs required by the State.

ASSUMPTION (continued)

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

Start Up Cost:

Development & Implementation	\$ 4,784.00
Notification to TPPs, Networks & EBT Processors	\$ 15.68

Help Desk Call Support Cost:

Client Help Desk Call Support	\$ 0.78 per minute
OIG Update	\$ 195.00

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.

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*** **\$ 819,100.80**

The state Missouri has 597,585 active cards as of 12/2017. All cards will need to be deactivated and reissued to remove the QUEST logo

Plastic	\$ 75,705.06
Insert	\$ 31,074.42
Envelope	\$ 41,233.37
Printing & Inserting	\$358,551.00
Mailer	\$ 19,720.31
Postage	\$292,816.65

ASSUMPTION (continued)

<b><i>Reconstructing services with EBT-only merchants, TPP and Network</i></b>	<b>\$73,802.80</b>
<b><i>Re-contracting Services w/ EBT-only, TPP and Networks</i></b>	
Currently 1,172 EBT-only Merchants, 30 TPPs and Networks	\$72,120.00
Postage for mail re-contracting	\$ 1,682.80
<b><i>Destructions of Unusable Card Stock &amp; Carriers</i></b>	<b>\$3,459.80</b>
Cards: Current inventory is 62,912	\$1,572.80
Carriers: Current inventory is 75,480	\$1,887.00
<b><i>Modifications to Card Carrier and Cash Case Notifications of Allowable Transactions</i></b>	<b>\$10,420.70</b>
Cash Only Cases - 1,690, FS & Cash Cases- 10,740	

Development & Implementation and Notification to TPPs, Networks & EBT Processors	\$4,799.68
Development/Implementation for Card Reissuance	\$84,578.00
Card Issuance	\$819,100.80
Reconstructing services with EBT-only merchants, TPP and Network	\$73,802.80
Destructions of Unusable Card Stock & Carriers	\$3,459.80
Modifications to Card Carrier and Cash Case Notifications of Allowable Transactions	\$10,420.70
OIG Update	\$195.00
<b>TOTAL:</b>	<b>\$996,356.78</b>

Therefore, the total estimated contracted costs FSD would incur is **\$996,356.78**, 100% TANF federal funding.

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 point of sale terminals.

ASSUMPTION (continued)

DSS officials provided the response from the **Office of Administration (OA), Information Technology Services Division (ITSD)/DSS**. OA, ITSD/DSS state 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. In addition, ITSD will have to make extensive changes to the EBT system to automatically check purchase details looking for banned items and then passing these purchases 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.

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 1,566 hours to make the necessary changes to FAMIS and EBT systems at a cost of \$117,450 to the General Revenue Fund in FY 2019.

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.

In response to the previous version of this proposal, officials from the **Office of the Secretary of State (SOS)** stated 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 \$2,500. 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 request funding through the appropriation process.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
<b>GENERAL REVENUE</b>			
<u>Costs - OA, ITSD/DSS (§208.024)</u>			
IT consultants/ FAMIS changes	<u>(\$117,450)</u>	<u>\$0</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND</b>	<b><u>(\$117,450)</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
 <b>FEDERAL FUNDS</b>			
<u>Income - DSS (§208.024)</u>			
Reimbursement for TANF card changes	\$996,358	\$0	\$0
<u>Costs - DSS (§208.024)</u>			
Costs to change TANF cards from Quest to non-Quest and reissue	<u>(\$996,358)</u>	<u>\$0</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
 <u>FISCAL IMPACT - Local Government</u>			
	FY 2019 (10 Mo.)	FY 2020	FY 2021
	<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 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 requires that for any offense under this subsection, a TANF recipient shall lose his/her TANF benefits for three months for the first occurrence of noncompliance; for six months for the second occurrence of noncompliance; and disqualification for five years for any third or subsequent occurrence of noncompliance.

The Department of Social Services is required to apply for a waiver to implement restricting recipients of TANF or SNAP benefits 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 determines that such a waiver is necessary.

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  
    Division of Legal Services  
Joint Committee on Administrative Rules  
Office of Administration -  
    Information Technology Services Division/DSS  
Office of Secretary of State

Ross Strope



Acting Director  
March 13, 2018