

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5260-01  
Bill No.: HB 1586  
Subject: Department of Social Services; Public Assistance  
Type: Original  
Date: February 26, 2014

Bill Summary: This proposal requires the Department of Social Services to seek a federal waiver to mandate that electronic benefit cards can be imprinted with a photograph of the recipient.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	(Unknown, greater than \$250,816)	(Unknown, greater than \$50,717)	(Unknown, greater than \$50,717)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(Unknown, greater than \$250,816)</b>	<b>(Unknown, greater than \$50,717)</b>	<b>(Unknown, greater than \$50,717)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
<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 8 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
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 expenses net to \$0.

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

#### §208.182 - Photo ID on EBT Cards

Officials from the **Department of Social Services (DSS) - Family Support Division (FSD)** state section 208.182 1 would require that all Electronic Benefit Transfer (EBT) cards issued to Food Stamp recipients contain a photo of the recipient. Upon approval of the waiver, the FSD would be required to issue a photo identification card to each recipient. The FSD assumes it is the intent of the sponsor of this proposal to have the photo identification placed on the electronic benefits transfer card issued to each Food Stamp household with a recipient or protective payee authorized to use the card. While the photo would provide proof of identification, it does not provide proof of Food Stamp eligibility.

This section also requires retailers to not accept cards if the photo on the card does not match the person presenting the card. Federal regulation found at 7 CFR 278.2(b) states "No retail food store may single out coupon users for special treatment in any way". This rule applies to EBT users as well. Federal regulation found at 7 CFR 278.2(h) states "Where photo ID cards are in use, the person presenting the ID card need not be pictured on the card". Since retail establishments are licensed by the U.S. Department of Agriculture, Food and Nutrition Services, federal rules must be followed. Therefore, retail establishments must accept an EBT card even when the photo on the card does not match the person presenting the card.

In order to comply with the requirement of having a photo of the recipient on the EBT card, the FSD would be required to issue an EBT card with a photo to each household. The FSD estimates the cost to implement the provisions of this section to be greater than \$315,132 for the first year and \$101,434 for the second and third years. Every three years from implementation, the FSD would incur a much higher cost of replacement due to the requirement in this section that all cards expire and be subject to renewal every 3 years. This cost is estimated to be the same as the first year card issuance cost of \$187,207.

#### First year costs:

The implementation of placing a photo on the EBT cards for Food Stamp (FS) recipients will require a change to the current EBT contract and the systems. The FSD estimates the costs for these changes would be as follows:

The FSD estimates a cost of \$0.60 per card to issue an initial EBT card with a photo to all household. The FSD estimates 312,012 Food Stamp (FS) only households would need a new card with a photo. This would result in an initial cost of \$187,207 ( $\$0.60 \text{ per card} \times 312,012 \text{ cards} = \$187,207$ ) to issue EBT cards with photos to all current FS only households.

ASSUMPTION (continued)

The FSD would need to mail at least one notice to each FS only household notifying them to report to an FSD office to have a photograph taken. The first class postage bulk rate increased to \$0.41 as of January 27, 2014. At a cost of \$0.41 per notice, the FSD would incur mailing costs of \$127,925 (312,012 FS-only households x \$0.41 per notice = \$127,925, rounded up) to mail one notice to each household. This cost will increase if multiple notices are needed to ensure each household complies with the photo requirement.

There would be additional costs relating to the EBT contract for storage of the photos and additional household member data. However, the FSD is unable to provide an estimate of these costs at this time. Therefore, the first year costs are estimated to be unknown, but greater than \$315,132 (\$187,207 new cards + \$127,925 postage).

Ongoing Costs:

After the initial card issuance, there would be ongoing yearly costs for card replacement of lost, stolen, or damaged EBT cards. The FSD estimates the cost per photo card is \$0.60. An average of 14,088 EBT cards are replaced each month. Therefore, the FSD estimates yearly costs would be \$101,434 (\$0.60 per card x 14,088 cards replaced per month x 12 months = \$101,434 rounded up).

The federal/GR split is 50/50 for these expenses.

Officials from the **Office of Administration (OA) - Information Technology Services Division (ITSD)/DSS** state:

Passage of HB 1586 would require modifications to the Family Assistance Management Information System (FAMIS) and Electronic Benefit Transfer (EBT) systems.

FAMIS Estimates

FAMIS may also need to craft a process which will indicate to EBT if any participants benefits end.

Assumptions:

- Photo ID on the EBT card is not required for eligibility determination for Food Stamp benefits, per phone conversation with Program and Policy;
- Contract Staff will make the changes;
- Current rate for FAMIS contract staff averages \$90 per hour; and,
- Food Stamps is charged 50% GR and 50% Federal.

ASSUMPTION (continued)

**Estimate:**

300 hours Analysis  
 800 hours Programming  
400 hours Testing  
 1500 hours

**Total Cost:** 1500 hours X \$90/hr) = \$ 135,000

FAMIS would be required to mail a one-time letter to all current Food Stamp recipients with instructions regarding the photo ID EBT card.

One time Letter Cost: The price per foot for simplex print is \$0.03098; therefore, the price for this one-time job will be 481,528 pages X 11 inches divided by 12 = 441,401 feet X \$0.03098 = \$13,675 rounded.

EBT System estimates:

<u>Function</u>	<u>Work Effort (hours)</u>
Analysis/Design	80
Coding	300
Testing	200
Implementation	<u>20</u>
<b>Total:</b>	600 hours

**EBT costs:** State Staff \$63.04/hr X 600 hours = \$ 37,824

**Total Costs:**

FAMIS Coding	\$135,000
FAMIS One-time letter	13,675
EBT Coding	<u>37,824</u>
<b>Total</b>	<b>\$186,499</b>

Food Stamps is 50% GR and 50% Federal split.

Officials from the **Office of 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 Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal

ASSUMPTION (continued)

impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes this is a small amount and does not expect that additional funding would be required to meet these costs. However, it is also recognized 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 within 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.

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.

Officials from the **Department of Mental Health**, the **Department of Health and Senior Services**, and the **Department of Revenue** each assume the proposal would not fiscally impact their respective agencies.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
<b>GENERAL REVENUE FUND</b>			
<u>Costs - DSS-FSD (§208.182)</u>			
Equipment and expense for photo on EBT card	(Unknown, greater than \$157,566)	(Unknown, greater than \$50,717)	(Unknown, greater than \$50,717)
<u>Costs - OA-ITSD/DSS (§208.182)</u>			
System programming costs	<u>(\$93,250)</u>	<u>\$0</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND</b>	<b><u>(Unknown, greater than \$250,816)</u></b>	<b><u>(Unknown greater than \$50,717)</u></b>	<b><u>(Unknown greater than \$50,717)</u></b>

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
<b>FEDERAL FUNDS</b>			
<u>Income - DSS-FSD (§208.182)</u>			
Program reimbursements	Unknown, greater than \$157,566	Unknown, greater than \$50,717	Unknown, greater than \$50,717
<u>Income - OA-ITSD/DSS</u>			
Program reimbursements	\$93,250	\$0	\$0
<u>Costs - DSS-FSD (§208.182)</u>			
Program expenditures	(Unknown, greater than \$157,566)	(Unknown, greater than \$50,717)	(Unknown, greater than \$50,717)
<u>Costs - OA-ITSD/DSS (§208.182)</u>			
System programming costs	<u>(\$93,250)</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 2015 (10 Mo.)	FY 2016	FY 2017
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This proposal requires the Department of Social Services to seek a waiver from the federal government to mandate the use of photo identification for continued eligibility in the food stamp program administered in this state. One year after approval from the federal government, all

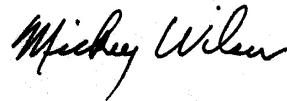
FISCAL DESCRIPTION (continued)

electronic benefit cards distributed to recipients of food stamps must have imprinted on the card a photograph of the recipient or protective payee authorized to use the card. The card expires and is subject to renewal after three years. The card must not be accepted for use by a retail establishment if the photograph of the recipient does not match the person presenting the card.

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 Mental Health  
Department of Health and Senior Services  
Department of Revenue  
Department of Social Services -  
    Family Support Division  
Joint Commission on Administrative Rules  
Office of Administration -  
    Information Technology Services Division/DSS  
Office of Secretary of State



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