

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5347-01  
Bill No.: SB 736  
Subject: Social Services Department; Public Assistance  
Type: Original  
Date: March 4, 2014

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Bill Summary: This proposal modifies provisions relating to the Temporary Assistance for Needy Families Program.

**FISCAL SUMMARY**

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	(Unknown, greater than \$662,495)	\$0	\$0
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(Unknown, greater than \$662,495)</b>	<b>\$0</b>	<b>\$0</b>

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
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 13 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
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 \$300,000 for FY15 and net to \$0.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
<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).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
<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)** provide:

Section 208.022 (2): Restricts usage of electronic benefit transfer (EBT) cards to in-state use only, except in certain situations.

This proposed legislation means Missouri Temporary Assistance for Needy Families (TANF) cash assistance recipients can only access their EBT cash assistance benefits via any Point of Service (POS) Terminal (Cash Purchase, Cash Purchase w/ Cash Back, Cash Withdrawal) and any ATM (Cash Withdrawal) located within the State of Missouri.

A small portion of TANF participants who receive their benefit via direct deposit into a personal checking or savings account would not be affected. The FSD has no way of limiting the use of this assistance once it has been placed into an account within a financial institution.

Currently, Missouri follows the QUEST® operating rules for the distribution of government benefits. However if Missouri limits TANF transactions to in-state 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 in-state only, replacement Electronic Benefit Transfer (EBT) cards will have to be issued for every active TANF eligibility unit in the state. In addition, replacement EBT cards will have to be issued for every active Food Stamp eligibility unit, as Food Stamp benefits are issued on EBT cards in Missouri.

Prior to issuing replacement EBT cards, each household will require written notification of this change. In November 2013, there were 33,841 families receiving TANF. The majority of these TANF households also receive Food Stamps on their EBT card. Each of these households will require prior notification of the change. Mailing costs provided by the Office of Administration (OA) assigns a cost of 41 cents for each notice ( $33,841 \times 41 \text{ cents} = \$13,875$  rounded up). In November 2013, there were an additional 312,012 households receiving Food Stamps only. These households will require prior notification of the change. Mailing costs provided by the OA assigns a cost of 41 cents for each notice ( $312,012 \times 41 \text{ cents} = \$127,925$  rounded up).

Mailing costs for initial notification of implementation of this legislation will be \$141,800 ( $\$13,875 + \$127,925$ ).

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ASSUMPTION (continued)

QUEST requires the State to become a non-member if cash assistance benefits cannot be used outside of Missouri. Missouri will be a non-QUEST State and will be required to reissue EBT cards to remove the QUEST logo from all Missouri cards. In 2011, the current contractor for EBT services, Fidelity Information Services (FIS) provided an active card count of approximately 490,000 in the FIS' ebtEDGE System that would need to be replaced. The FSD has requested updated information from FIS, however the fiscal break down FIS provided in 2011 is as follows:

Start Up Cost:

Development & Implementation	\$ 2,835
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Notification to Third Party Processors (TPPs), Networks and EBT Processors	\$ 1,875
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Costs Associated with switch to Non-Quest State:

Development/Implementation for Card Reissue	\$ 65,060
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Includes/Assumptions:

- Write program to generate new cards for existing cardholders.

Card Issuance (490,000) (CardPro)	\$161,901
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Includes:

- Design new Card Carriers
- Batch Job Handling
- Per Card Charge
- Card Carrier
- Card processing (embossing)
- Card Envelopes

EBT-only Merchants, Third Party Processor (TPP) and Network Re-contracting:

Re-contracting Services	\$122,580
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Costs associated with implementation of new cards and reissuance of new cards would be \$354,251 (\$2,835 + \$1,875 + \$65,060 + \$161,901 + \$122,580 = \$354,251).

While the FSD will be responsible for postage costs to issue replacement cards, it is difficult to predict the total cost. Assuming that each card will be affixed to a postcard and accompanied by an additional notice regarding the new card, each envelope should weigh less than one ounce.

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ASSUMPTION (continued)

Mailing costs provided by the OA puts each envelope at 41 cents each. The total approximate cost to mail new EBT cards to each active eligibility unit would be \$200,900 ( $490,000 \times 41 \text{ cents} = \$200,900$ ).

All current merchant contracts are QUEST® contracts. There are approximately 4,000 merchants in Missouri. FIS must re-contract with every EBT-Only merchant, Third Party Processor (TPP) and Network. FSD will also incur these postage costs. The total cost to re-contract with current Missouri merchants would be \$1,640 ( $4,000 \times 0.41 = \$1,640$ ).

Therefore, the approximate total cost to Missouri to implement this legislation would be \$698,591 ( $\$141,800 + \$354,251 + \$200,900 + \$1,640 = \$698,591$ ).

All fiscal breakdowns provided by FIS are at a 50% confidence rate. Thus, the FSD cannot provide an exact dollar figure to implement this change. Therefore, the cost to Missouri is unknown but greater than \$698,591.

Section 208.026 (1): Requires the department to sanction the entire temporary assistance grant if a participant is not meeting work requirements for a minimum of one month. To remove the sanction, the participant must perform thirty consecutive days of work activities. If the sanction isn't cured, the case will close.

45 CFR 261.31 states that a person is meeting the work requirement if they participate in work activities during the month for at least a minimum average of 30 hours per week. Since the federal requirement is based on hours per week, implementation of this legislation may not meet federal hour work participation requirements.

In November 2013, there were 7,294 participants sanctioned for not meeting work requirements. 2,051 of these participants have been sanctioned for three or less months. It is reasonable to assume approximately 684 participants could have their cases closed per month. ( $2,051 / 3 = 683.66$  rounded up)

FAMIS system changes would be needed to sanction the entire grant amount for one month while the participant remains on the caseload in sanction status.

Missouri currently reduces the temporary assistance grant by 25%. This legislation proposes closing the entire case. This would result in a reduction of TANF spending on cash assistance, but not a savings in TANF or the general revenue maintenance of effort (MOE) funding because all TANF/MOE must be spent on one of the four purposes of the TANF program:

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ASSUMPTION (continued)

1. To provide assistance to needy families;
2. To end dependence of needy parents by promoting job preparation, work and marriage;
3. To prevent and reduce out-of-wedlock pregnancies; and
4. To encourage the formation and maintenance of two-parent families.

Therefore, FSD anticipates a shift in spending from cash grants to eligible families to other purposes of the TANF program.

The FSD assumes OA-ITSD will include the FAMIS programming costs for the system changes needed to implement provisions of this bill in their response.

Section 208.026 (2): States a participant who has had the entire temporary assistance grant sanctioned must complete thirty days of work activities in a forty day period following the TANF eligibility interview.

It is unknown how many participants will re-apply for temporary assistance and comply with the work requirement to continue eligibility.

Section 208.026 (3): This section has no fiscal impact to the FSD.

Section 208.026 (4): States the department has authority to promulgate rules of this section.

There is no fiscal impact to this section.

Section 208.040.5 (5): Modifies the eligibility for the temporary assistance to needy families (TANF) program to reduce the lifetime eligibility limit from five years to two years.

As of November 2013, there are 33,841 active TANF cases, of which 24,168 cases are subject to the current five year lifetime eligibility limit. Of those cases, 10,856 have received TANF longer than 24 months and would lose eligibility under this section. This would result in a reduction of TANF spending on cash assistance, but not a savings in TANF or the general revenue maintenance of effort (MOE) funding because all TANF/MOE must be spent on one of the four purposes of the TANF program.

Therefore, FSD anticipates a shift in spending from cash grants to eligible families to other purposes of the TANF program.

ASSUMPTION (continued)

Section 208.040.5 (6): This section eliminates additional TANF cash benefits due to the birth of additional children in the household.

In 2013, an average of 266 cases had newborn children added to the active TANF cases per month, or 3,192 children per year (266 cases x 12 months). The amount of cash awarded for adding an individual to an active case is estimated at \$58 per month or \$696 per year (\$58 x 12 months). If the provisions of this section were implemented, there would be a reduction of TANF spending on cash assistance of approximately \$2,221,632, but not a savings in TANF funding because all TANF funding must be spent on one of the four purposes of the TANF program. (3,192 x \$696 = \$2,221,632).

FSD assumes existing Central Office Program Development Specialists in the Policy Unit will be able to complete necessary policy and/or forms changes.

While the provisions of this proposal would result in a reduction of TANF spending on cash assistance, this funding would have to be re-invested in one of the four purposes of the TANF program.

Section 208.040.5 (7): This section creates a cash diversion program using temporary assistance block grant funding. It is unknown how many families will take advantage of this program.

There will be changes to FAMIS. The cost incurred will be outlined in the OA-ITSD fiscal note.

The FSD assumes a total fiscal impact for this proposal of Unknown, but greater than \$698,591 for FY15 (GR > \$349,295; Federal > \$349,925).

Officials from the **DSS - Division of Legal Services (DLS)** state section 208.026.1 requires a one-month sanction of the entire Temporary Assistance for Needy Families (TANF) benefit granted to the TANF recipient and the recipient's family if the recipient is not cooperating with a TANF work activity requirement. In November 2013, there were 7,294 recipients sanctioned for not meeting work requirements. 2,051 of these recipients have been sanctioned for three or less months. DLS anticipates that additional administrative hearings maybe requested to contest whether recipients have complied with work requirement. Assuming ten (10%) percent of the 2,051 recipients affected by this legislation request a hearing, DLS anticipates that the legislation would result in at least 205 additional hearings. DLS believes that it will take approximately two hours to conduct each hearing required by this proposal. This will include hearing preparation, the actual hearing and the writing and reviewing of the hearing decision. The hearings should not require complex evidence or facts. DLS assumes that hearing officers can hold approximately 900 hearings per year. DLS will be able to handle the increase in hearings with existing staff.

ASSUMPTION (continued)

Officials from the **Office of Administration (OA) - Information Technology Support Division (ITSD)** provide that per current plans, the Family Assistance Management Information System (FAMIS system) is being shut down, and the TANF program is scheduled to be transitioned to the new Missouri Eligibility Determination and Enrollment System (MEDES) system effective January 2015. This is an estimate to make these changes to FAMIS. The cost to make these changes to MEDES is unknown.

§208.022 - Photograph on EBT Cards

1. Photograph on EBT Card for TANF recipients:

The Electronic Benefit Transfer (EBT) group had already estimated a Level of Effort (LOE) for this requirement and they had actually started working on this in early 2013. FAMIS was supposed to make some changes but to the best of ITSD's knowledge, this project never started. Based on meetings held for this last year, FAMIS' tasks were as follows and the LOE to accomplish this was around 500 hours assuming FAMIS would not be making screen changes or creating new screens:

(a) Include some sort of notice being sent out at implementation to Temporary Assistance (TA) recipients, (b) A subroutine for the Data System Transfer (DST) group to check on TA/FS (Food Stamp) status for the 3 year anniversary/renewal process, and (c) A one-time sweep of those who will be "grandfathered" in.

2. Usage of EBT cards for TANF recipients outside the state of MO:

FAMIS does not control the EBT cards or track the account balance. The vendor in Wisconsin (FIS) tracks the usage and they convey to the State about the balance and FAMIS displays this information on the PAYHIST screen. FAMIS has technical determination factors built in to verify out of state participation. This verifies if the participant received any benefits outside the state, but does not cover the usage of the EBT cards outside the state.

§208.026 - Work Activity Cooperation

1. Non cooperation of work activity requirements:

FAMIS has technical eligibility factors in place to verify sanctions and person declarations. Based on the requirements listed under this topic, the ideal scenario to keep the existing functionality isolated from any new development would be to create a new technical eligibility factor. In addition to analysis/design/construction/ testing, this also involves updating/adding new code/rules table values and possibly a new screen for data capture. Effort for this would be around 350 hours.



ASSUMPTION (continued)

2. Return after sanction:

The screen mentioned above under subsection 1 can be reused for this requirement. If that gets too complex, then a new screen will have to be designed for this and new processes should be included in the technical determination – and this should only be for those TANF recipients who got sanctioned off. Effort for this would be around 350 hours.

3. Waiver for other services related to the above sanctions

This should be covered by LOE provided for subsections 1 and 2 above.

4. Promulgating rules regarding requirement of work activity:

This is more of a business task and based on how the business would need it, there might be some IT involvement. (E.g. If this is to be included in any of the existing Notices or if a 'one-time' notice to the participants is involved, etc.)

§208.040.5 - Reduction in Dependence on Welfare

Beginning January 1, 2015,

(5) Change in lifetime limit

Code table change - 80 hours

(6) Change in monthly benefit based on birth

Eligibility changes – 200 hours

(7) Cash diversion program giving lump-sum payments in lieu of monthly payments.

Adds a new lump-sum payment plan instead of monthly payments – 2,000 hours

<b>Section</b>	<b>Hours</b>
208.22	500
208.026.1	350
208.026.2	350
208.040.5.5	80
208.040.5.6	200
208.040.5.7	<u>2,000</u>
	<b>3,480 hours</b>

ASSUMPTION (continued)

Contract staff will be used for this effort. FAMIS contractors are \$90.00/hr  
Contract Staff \$90/hr x 3,480 hours = **\$313,200**  
TANF is 100% General Revenue

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 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 **Office of Administration - Division of Budget and Planning** and **Department of Health and Senior Services** 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 - OA-ITSD</u>			
Computer programming/system changes	(\$313,200)	\$0	\$0
<u>Costs - DSS-FSD</u>			
Equipment and expense (EBT card replacement and mailing)	(Unknown, greater than \$349,295)	\$0	\$0
<b>ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND</b>	<b>(Unknown, greater than \$662,495)</b>	<b>\$0</b>	<b>\$0</b>
<b>FEDERAL FUNDS</b>			
<u>Income - DSS-FSD</u>			
Program reimbursements	Unknown, greater than \$349,295	\$0	\$0
<u>Costs - DSS-FSD</u>			
Increase in program expenditures	(Unknown, greater than \$349,295)	\$0	\$0
<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2015 (10 Mo.)	 FY 2016	 FY 2017
	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

### FISCAL IMPACT - Small Business

This proposal could have an impact both positively and negatively on small businesses. Small business retail grocers may experience an increase if recipients cannot use TANF funds across the state line. However, small businesses may experience a negative impact if recipients lose TANF funds for not complying with the work criteria.

### FISCAL DESCRIPTION

This proposal modifies provisions relating to Temporary Assistance for Needy Families (TANF) benefits.

#### OUT-OF-STATE USE OF EBT CARDS (Section 208.022)

This act prohibits TANF benefits on electronic benefits cards from being used out-of-state, except that TANF recipients who are in the military are allowed to use them out-of-state. Recipients who leave the state in pursuit of employment are also allowed to use them out-of-state. In such instances, the recipient shall notify the Department of Social Services of such absence from the state, temporary address, and intended time of return.

#### FULL FAMILY IMMEDIATE SANCTION (Section 208.026)

This proposal requires the Department of Social Services to immediately apply a total full family unit sanction of TANF benefits if after an investigation the Department determines that a person is not cooperating with a work activity requirement under the TANF program. The sanction shall apply for a minimum of one month. During that month of sanctions, the person shall remain on the caseload in sanction status. To cure a sanction, the person shall perform 30 consecutive days of work activities. If the person does not cure the sanction, the case shall be closed. This proposal allows for the person to reapply for benefits by completing 30 days of work activities within 40 days of the eligibility interview.

#### LIFE-TIME LIMITS, FAMILY CAPS AND CASH DIVERSION (208.040.5)

Beginning January 1, 2015, the following changes shall be made to the TANF program:

(1) The life-time limit for TANF shall be 24 months; (2) The Department of Social Services shall impose a family cap on increasing the monthly benefit based on the birth of an additional child born 10 months after the case for such family unit is opened; (3) The Department shall implement a cash diversion program that grants eligible TANF benefits recipients lump-sum cash

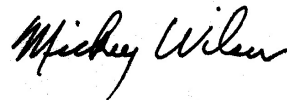
FISCAL DESCRIPTION (continued)

grants for short-term needs in lieu of signing up for the long-term monthly cash assistance program. The lump-sum maximum limit shall be set at three times the family size allowance and for use once in a 12-month period and for only five instances in a lifetime.

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

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



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