

Fiscal Note

BILL # HB 2596

TITLE: public assistance; limitations; benefit card

SPONSOR: Olson

STATUS: As Introduced

PREPARED BY: Tom Ritland

Description

The bill requires electronic benefit transfer (EBT) cards issued by the Department of Economic Security (DES) to have a picture and name of the recipient on the card unless the recipient declines to have the photo included, prohibits the use of EBT cards at certain types of establishments and on certain items, and sets new disqualification requirements and limitations for DES regarding the operation of the federal Supplemental Nutrition Assistance Program (SNAP).

Estimated Impact

There are 2 components to the bill's estimated impact: 1) the cost to produce the new EBT cards with pictures and names and 2) the potential savings if the bill provisions reduce the distribution of benefits and program participation.

In terms of the first component, HB 2596 is projected to cost up to \$6.0 million in General Fund monies (\$12.0 million total funds) in the first year and up to \$4.2 million (\$8.4 million total funds) in each year thereafter. This estimate is based upon the average Arizona Department of Transportation (ADOT) cost to produce driver's licenses and the total number of SNAP recipients.

The photo identification, disqualification requirements, and the waiver and categorical eligibility limitations will reduce costs, but those savings cannot be determined in advance. Any savings in SNAP benefits would accrue to the federal government.

DES did not provide a fiscal impact estimate for this bill.

Analysis

The SNAP program, also known as Food Stamps, provides low income household with EBT cards that can be used like an ATM or debit card at grocery stores. SNAP benefits are entirely funded with non-appropriated federal funds. In January 2016 there were 975,052 people who received SNAP benefits in Arizona, with an average allowance of \$120 per person. DES reports that 1.54 million different individuals participate during the course of the year due to program turnover.

EBT Card Photograph

The bill requires DES to put a color photograph and the name of each SNAP recipient on EBT cards unless the recipient declines to have the photograph included. ADOT reports that their Motor Vehicle Division (MVD) spends \$5.47 to make each driver's license. If DES is able to produce SNAP cards with a photo for \$5.47 for 1.54 million recipients, they would spend approximately \$8.4 million on new cards. DES provided estimates for a similar bill in 2015 that included an additional \$3.6 million in the first year to purchase equipment to make photo identifications.

The federal government and the state share in the administrative costs of SNAP with the state typically paying 50% of the costs. If the federal government pays half of the costs, the state would spend \$6.0 million in the first year and \$4.2 million in each following year. The cost would decrease if recipients decline to have their photograph included on the EBT card.

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SNAP Disqualifications

The bill establishes disqualification periods for any instances of noncompliance with SNAP requirements and prohibits the use of EBT cards at certain types of establishments and on certain transactions as specified in the bill. In addition, DES would be required to terminate benefits for a recipient who is delinquent on any child support payments or who does not comply with Child Support Enforcement efforts.

If a recipient requests a replacement EBT card four times within a year, the bill requires DES to setup a face-to-face interview between a fraud investigator and that recipient before issuing a new card. If the recipients does not show up the department would terminate benefits within 10 days.

These provisions (including the EBT card photograph) may reduce fraud and eligibility but the magnitude cannot be determined in advance. SNAP benefits are entirely funded with federal funds so any savings as a result of these provisions would accrue to the federal government.

Waiver Prohibition

The bill would prohibit DES from renewing its existing Able Bodied Adults Without Dependent Children (ABAWD) waiver. Federal law prevents able bodied adults without dependent children from receiving SNAP benefits for more than three months during a 36-month period if they do not participate in a work program. A state agency may request that the federal government waive the work requirement if the area has an unemployment rate over 10% or does not have a sufficient number of jobs to provide employment for the individuals. DES has utilized the ABAWD work waiver since 2009. In January 2016, DES reported that the statewide ABAWD population was 78,100. These individuals would see their SNAP benefits reduced or eliminated after 3 months if the waiver is eliminated. The demand for employment and training services could increase as individuals lose their benefits, but the state is not required to provide these services to the ABAWD population if DES does not use the waiver.

Categorical Eligibility Prohibition

The bill would also prohibit DES from granting categorical eligibility. There are two pathways to gain financial eligibility for SNAP: (1) having income and resources below federal limits; and (2) being categorically or automatically eligible based on receiving benefits from other low-income assistance programs such as Supplemental Security Income (SSI) and Temporary Assistance for Needy Families (TANF). Individuals that are categorically eligible for SNAP bypass the federal income and resource tests and may have incomes higher than the federal SNAP limits. DES estimated in 2015 that prohibiting categorical eligibility would reduce or eliminate benefit payments to approximately 40,000 individuals.

The waiver and categorical eligibility provision could reduce the SNAP program's administrative costs due to fewer people being eligible, but those savings cannot be determined in advance.

Local Government Impact

None

2/17/16