

Department of Legislative Services
Maryland General Assembly
2017 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 1092

(Senator Jennings)

Finance

Public Assistance Fraud Prevention Act

This bill requires that, subject to specified exceptions, each newly issued or reissued electronic benefits transfer (EBT) card must contain a photograph of the recipient of the benefits.

Fiscal Summary

State Effect: General and federal fund expenditures increase significantly for the Department of Human Resources (DHR) to include photographs on newly issued or reissued EBT cards; federal fund revenues increase correspondingly with federal fund expenditures.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: An EBT card must contain a written statement that the card is valid without a photograph if the recipient is (1) age 60 or older; (2) disabled; (3) blind; (4) a minor child; (5) a victim of domestic violence; or (6) otherwise unable to provide a photograph because of a hardship situation, as determined by a local department of social services.

The Family Investment Administration must establish procedures to (1) be used by a local department in determining whether a recipient's EBT card must contain a photograph; (2) ensure that any eligible member of the recipient's household or an authorized

representative may use the card; and (3) inform recipients that other eligible members of the recipient's household or authorized representatives may use the card.

An establishment that accepts EBT cards may not require a cardholder to show the photograph on the card unless the establishment requires all other customers to show photographic identification under the same circumstances.

Current Law/Background: The Maryland EBT Card is called the Independence Card. It operates like a bank debit card and holds the food stamp and/or cash assistance benefits that are deposited into a recipient's account.

Massachusetts and Missouri currently require photos on EBT cards. Maine has a voluntary program to issue photo EBT cards. The federal Food and Nutrition Service (within the U.S. Department of Agriculture) updated regulations, effective January 12, 2017, pertaining to the Supplemental Nutrition Assistance Program (SNAP) and state plans to implement a photo EBT card option, as allowed by the Food and Nutrition Act of 2008. The regulations clarify that state agencies are prohibited from having photo EBT cards that affect the household's eligibility or the certification process. The regulations also clarify the right of all household members and other individuals permitted by the household to use the EBT card to purchase food or meals on behalf of the household, regardless of whether their photo is on the card.

State Expenditures: DHR expenditures increase significantly, beginning in fiscal 2018, to implement the bill. The exact fiscal impact depends on numerous factors, including how photos for EBT cards are obtained, vendor costs, and the number of people who qualify for exemptions under the bill. Individuals receiving SNAP benefits comprise the largest portion of the population that uses EBT cards. Using the average caseload of individuals receiving SNAP each month, and based on DHR's estimate of \$9.06 for each new EBT card with a photograph, total expenditures increase by \$2.5 million in fiscal 2018, which accounts for the bill's October 1, 2017 effective date, and by \$3.3 million annually thereafter to include photos on these cards.

However, the estimate above includes returning customers and individuals who may qualify for an exception under the bill. The Department of Legislative Services (DLS) notes that annual expenditures are reduced to the extent that a portion of the caseload does not require a new card. For example, it is assumed that once an individual receives an EBT card with a photograph, the individual may retain the card even after he or she is no longer eligible for benefits. To the extent the individual subsequently reapplies for assistance, a new EBT card may not be needed. The estimate above also does not account for the bill's allowance for exemptions to the photo requirement, which could impact a large number of applicants and significantly reduce expenditures. Although DHR provided an estimate of \$9.06 per EBT card, expenditures are reduced to the extent that actual costs associated with

new cards are less than estimated. DLS advises that the bill does not require every existing EBT card to be updated; rather, it only requires newly issued or reissued cards to include a photograph. DLS further notes that the federal regulations discussed above estimated that costs associated with implementing a photo EBT card policy for *six* states would increase total expenditures by \$9.3 million *over a five-year period*. Based on this information, DLS advises that a more cost-effective option than the estimate submitted by DHR for requiring photo EBT cards is likely available.

Administrative costs for SNAP are split equally between the states and the federal government. Accordingly, because most of the individuals using an EBT card are recipients of SNAP benefits, the total impact on the State is reduced significantly, as federal funds revenues and expenditures increase correspondingly to any State general funds spent on EBT cards for SNAP recipients.

Finally, DHR advises that it needs additional staff to implement the bill. DLS concurs that the bill increases DHR's workload, as it requires additional steps to issue an EBT card. Without actual experience under the bill, however, a more specific estimate of potential staffing costs cannot be reliably estimated. *For illustrative purposes only*, for every new office clerk that may be required, total expenditures increase by approximately \$33,000 annually. DLS notes that any potential staffing costs are likely to be incurred within the first year of implementation, as DHR begins the process of requiring photos on cards.

Additional Information

Prior Introductions: SB 880 of 2016 passed the Senate, as amended, and was heard in the House Appropriations Committee, but no further action was taken.

Cross File: None.

Information Source(s): Montgomery County; Department of Human Resources; Maine Equal Justice Partners; *Federal Register*; Department of Legislative Services

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