Fiscal Note & Local Impact Statement

Bill: H.B. 50 of the 132nd G.A.

Status: As Introduced

Sponsor: Rep. Schaffer

Local Impact Statement Procedure Required: Yes

Subject: Requirement for including photographs on electronic benefit transfer cards issued under the Supplemental Nutrition Assistance Program

State & Local Fiscal Highlights

- Based on other states' experiences with requirements similar to those imposed by the bill, the Ohio Department of Job and Family Services (ODJFS) and county departments of job and family services (CDJFSs) could incur one-time costs of roughly $1.5 million to $2.0 million under the bill and ongoing annual costs of roughly $1.0 million to $3.0 million.

- The federal government reimburses approximately 50% of the costs of administering the SNAP program, including any additional costs resulting from the bill.

Detailed Fiscal Analysis

Ohio Direction cards and photographs

The bill requires, with certain exceptions, that the debit cards used by Ohioans to access Supplemental Nutrition Assistance Program (SNAP) benefits include a color photograph of at least one adult member of the household for which the card is issued. SNAP debit cards issued in Ohio are called Ohio Direction cards. In January 2017, approximately 790,000 Ohio Direction cards were active. The bill exempts from the photograph requirement households that do not have any adult members and households where each of the adult members is 60 years of age or older, is blind, disabled, or a victim of domestic violence, or has a religious objection to being photographed. Based on these exemptions, ODJFS estimates that 425,000 to 450,000 cards will need to include a photograph. The bill also requires the back of every card to have a phone number and website that can be used to report suspected fraud; Ohio Direction cards currently meet this requirement, therefore any card exempt from the photograph requirement will not have to be replaced. The bill allows six months from its effective date before new cards would need a photograph and an additional six months before all existing nonexempt cards would need a photograph.

SNAP is a United States Department of Agriculture/Food and Nutrition Service (USDA/FNS) program administered by state governments that assists low-income households to purchase food from authorized merchants. A household that receives benefits under the program is a group of people who purchase and prepare meals together. This would generally be a family, but may also include unrelated adults who share a home and meals. SNAP benefits are fully funded by the federal government and state and local administrative costs are reimbursed by the federal government at a rate of about 50%. The federal government allows states to require SNAP debit cards to include photographs. However, a state choosing to institute such a requirement must establish procedures to ensure that everyone entitled to use the card is able to use it, whether or not the person's photograph is on the card. This may include one or more individuals, including adults who are not actual members of the recipient household, but who are authorized to purchase food on the household's behalf. Furthermore, the state must conduct a post implementation assessment and evaluation that includes two surveys conducted by independent evaluators – one for clients and one for merchants. The surveys are to demonstrate that clients and at least 80% of merchants understand the state and federal governments' policies governing the cards.

ODJFS has a contract with Conduent (formerly Xerox) to support the distribution and tracking of SNAP benefits. ODJFS negotiates a cost per card per month for active cards; at this single rate of $0.58 per card per month ($6.96 per card per year), the vendor issues and replaces cards, loads benefits to participant accounts, authorizes and tracks purchases, reimburses retailers for purchases with the card, and provides other operational activities. The current contract costs about $6.3 million per year, of which about 50% is reimbursed by the federal government.

Based on some other states' experiences or studies of the costs of requiring photographs on SNAP cards (see below for more information), Ohio could experience one-time costs of $1.5 million to $2.0 million and ongoing annual costs of $1.0 million to $3.0 million, of which 50% will be reimbursed by the federal government.

Under the bill, ODJFS will need to establish procedures for implementing the bill's photograph requirement and get them approved by USDA/FNS. ODJFS's administrative costs will increase from the requirement to communicate policies to clients and merchants and to perform the required post implementation assessment and evaluation. Presumably, these costs will be primarily one-time costs, although ODJFS will be responsible for cooperating with ongoing monitoring and evaluation of the photograph requirement by USDA/FNS. In addition, ODJFS will incur one-time costs to provide equipment, such as cameras and computer hardware and software, to CDJFSs to allow them to take the photographs.

ODJFS will need to negotiate a new contract with Conduent or another vendor to incorporate the photographs on the cards; this will likely result in higher annual costs. The ongoing administrative costs of CDJFSs also will likely increase to accommodate SNAP recipients who need to have a photograph taken. Currently, most applications for SNAP are done online, with interviews conducted by telephone. If, instead, many

applicants are required to go to a local office to have a photograph taken, it is possible that some CDJFSs may need to hire additional staff. If the photographs can be obtained in more than one manner, both the one-time and ongoing costs for taking required photographs could be lower. For example, Massachusetts allows the photographs taken for state driver licenses, when available, to be used on its SNAP cards.

Other states' experiences or studies of SNAP cards with photographs

Missouri had a photograph requirement in 2000. According to a performance audit[1] conducted by the Missouri State Auditor, the initial costs of the requirement were $1.8 million. The Auditor expected costs to increase in future years, including a cost of over $752,000 to replace cameras. Missouri's SNAP caseload is about 46.0% of Ohio's caseload.

Massachusetts has adopted a photograph requirement similar to the bill's requirement. The Massachusetts's Department of Transitional Assistance estimated in 2012 that the cost of implementing the cards would be about $4.0 million initially with ongoing annual costs of $4.4 million (including cards, camera equipment, staffing, and notices to recipients).[2] However, according to a newspaper article, in 2014, the Department estimated that it had spent $1.5 million to take photographs and send new cards to about 225,000 recipients.[3] Massachusetts allows the photographs taken for state driver licenses, when available, to be used on its SNAP cards. Massachusetts's SNAP caseload is about 58.0% of Ohio's caseload.

Pennsylvania's Legislative Budget and Finance Committee estimated in 2012 that on a per card basis, it costs $0.23 to produce an EBT card without a photograph, but would cost about $8 per card with a photograph.[4] That is an increase of over 3,000% and it is not clear from the report why there would be such a large increase.

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[1] Office of the Missouri State Auditor. "Audit of Department of Social Services Electronic Benefit Security Care and Electronic Benefit Transfer Benefit Delivery System." Report No. 2001-58. August 3, 2001. https://app.auditor.mo.gov/Repository/Press/2001-58.htm.

[2] Massachusetts Department of Transitional Assistance. "Report of the Electronic Benefit Transfer (EBT) Card Commission." April 1, 2012. http://archives.lib.state.ma.us/bitstream/handle/2452/213365 /ocn885253047.pdf?sequence=1&isAllowed=y.

[3] Woolhouse, Megan. Boston Globe. "US orders Mass. to fix food stamp procedures." December 8, 2014. https://www.bostonglobe.com/business/2014/12/08/usda-says-photos-food-stamp-cards-blocking-some-families-from-benefits/W0JbAUE6J0rODLX7UboMMK/story.html.

[4] Pennsylvania Legislative Budget and Finance Committee. "The Feasibility of Using Biometric Smart Cards or Photo ID Cards to Dispense Public Assistance Benefits." November 2012. https://lisaopdycke.files.wordpress.com/2014/03/ebt-feasibility-in-ri1.pdf.

Tennessee's Department of Human Services conducted a national review of other states that had either implemented or considered implementing programs requiring photographs printed on SNAP cards and found that the initiatives ranged from $1.4 million to $4.4 million in costs.[5] It is not clear, however, what is included in those estimates or how they were calculated.

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[5] Tennessee Department of Human Services. "Electronic Benefit Card Photo ID Study." January 15, 2014. https://www.tn.gov/assets/entities/humanservices/attachments/EBT%20Photo%20ID%20Study%20Jan-15-2014.pdf.