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Office of Research
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Office

S.B. 165
133rd General Assembly

Fiscal Note & Local Impact Statement

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Version: As Reported by Senate General Government & Agency Review

Primary Sponsor: Sen. Schaffer

Local Impact Statement Procedure Required: Yes

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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 and ongoing costs in the millions of dollars.
- The federal government reimburses approximately 50% of the costs of administering the Supplemental Nutrition Assistance Program (SNAP), including any additional costs resulting from the bill.

Detailed 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. Currently, approximately 680,000 Ohio Direction cards are 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.¹ 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 telephone number and website that can be used to report suspected fraud; Ohio Direction

¹ Exempted households may opt to have a photograph placed on their cards.

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. 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 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 would experience one-time costs and ongoing annual costs, of which 50% will be reimbursed by the federal government. The other states' experience or estimates vary depending on the state and program's size, among other things. ODJFS states that costs might be about \$15.1 million for implementation and about \$1.0 million for ongoing costs. Of the \$15.1 million in implementation costs, \$13.1 million of these costs will be for information technology upgrades (about 15% of these costs are contingency funds). The remaining \$2.0 million will be primarily used for the issuance of new cards. The card cost is estimated to increase from \$1.15 per card to \$2.50 per card. Again, SNAP administrative costs are typically reimbursed at 50% from the federal government. Based on ODJFS's estimate and other states' experience, it appears that implementation and ongoing costs would be in the millions of dollars.

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 may 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 may also incur some 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. The bill allows a registrar or employee of the Bureau of Motor Vehicles (BMV) to share photographs with ODJFS for the purpose of printing them on SNAP cards, which may offset both the one-time and ongoing costs for taking required photographs. However, creating a system for providing photos may pose an administrative cost to the Department of Public Safety. The bill requires ODJFS to develop a strategy in consultation with the BMV and the USDA/FNS for issuing the debit cards within one year of the bill's effective date. There could be administrative costs associated with developing the strategy as well.

Other states' experiences or studies of SNAP cards with photographs

Missouri had a photograph requirement in 2000. According to a performance audit² 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).³ 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.⁴ Massachusetts allows the photographs taken for state driver licenses, when available, to be used on its SNAP cards. Massachusetts's SNAP caseload is about 60.0% of Ohio's caseload.

² 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>.

³ 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>.

⁴ 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>.

Pennsylvania's Legislative Budget and Finance Committee estimated in 2012 that on a per-card basis, it costs 23¢ to produce an EBT card without a photograph, but would cost about \$8 per card with a photograph.⁵

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.⁶ It is not clear what is included in those estimates or how they were calculated.

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⁵ 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>.

⁶ 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>.