Department of Planning and Budget
2013 Fiscal Impact Statement

1. **Bill Number:** HB 1577

House of Origin	☒	Introduced	☐	Substitute	☐	Engrossed
Second House	☐	In Committee	☐	Substitute	☐	Enrolled

2. **Patron:** Wilt, Tony O.

3. **Committee:** Health, Welfare and Institutions

4. **Title:** TANF; restrictions on use of cash assistance, DSS to develop procedures for enforcing provisions

5. **Summary:** The proposed legislation provides that Temporary Assistance for Needy Families (TANF) benefits shall not be used (i) for the purchase of alcoholic beverages, tobacco products, lottery tickets, or sexually explicit visual materials or (ii) in any transaction in any government store established for the sale of alcoholic beverages, establishment in which tattooing or body-piercing is performed for hire or consideration, establishment in which pari-mutuel wagering or charitable gaming is conducted, or adult entertainment establishment in which performers appear nude or partially nude. The bill also directs the Department of Social Services to develop and implement procedures for enforcing the provisions of this act including training retail establishments on this provision, taking steps to block transactions in such establishments, tracking transactions, and terminating eligibility for violators.

6. **Budget Amendment Necessary**: Yes. See Item 8

7. **Fiscal Impact Cannot Be Determined:** See Item 8

8. **Fiscal Implications:** A specific fiscal impact cannot be determined for this bill. While the general restriction on TANF purchases may not create any additional costs; the specific enforcement requirements placed on the Department of Social Services (DSS) would have a significant fiscal impact. This statement provides a general summary of the bill's fiscal implications and will be revised when and if additional data becomes available.

   <u>Restrictions on Use</u>
   Federal statute (PL 112-96) enacted last year requires states to put procedures in place to prevent Temporary Assistance for Needy Families (TANF) benefits from being used in any electronic benefits transaction at casinos, liquor stores, and adult entertainment venues. The federal statute requires states to report to the Secretary of Health and Human Services policies and practices put in place to comply with the law. As of yet, states are not held accountable by the federal government for individuals who violate the law. However, there are pending federal TANF regulations to implement PL 112-96. These regulations could create compliance costs which are unknown at this time for Virginia.

The Department of Social Services maintains the need to codify the federal statue in the Code of Virginia in order to place the Commonwealth in compliance with the federal law. The department estimates that placing a general restriction on TANF usage, per to the federal statue, would have a minimal fiscal impact in and of itself.

<u>Enforcement</u>

The proposed legislation mandates that DSS perform several enforcement actions related to the new restrictions on TANF use. As the department has not yet determined a method of meeting these requirements, a specific fiscal impact cannot be estimated. However it is expected that enforcement of the bill's provisions would require the DSS to expend significant resources related to staffing and information technology systems.

The department estimates it would need between five and ten additional staff to meet the bill's requirements, which would require the agency to: provide information and training; identify and authorize retail establishments; audit and investigate completed transactions; terminate eligibility; and handle any appeals. Personnel and operating costs for each new staff member would have an average annual cost of approximately $95,000. Total staffing costs are estimated to be a minimum of $475,000.

TANF payments, child support and Virginia Employment Commission payments are currently issued on the same card. In order to track TANF purchases and block ineligible transactions, TANF benefits would need to be moved to a separate card. In order to restrict specific purchases, like tobacco products or lottery tickets being bought at a grocery store, the department would need to implement a system similar to the one used for the Supplemental Nutrition Assistance Program (SNAP) where certain items are restricted from purchase and where vendors are approved to accept the electronic benefits transfer (EBT) card. In addition, the card would need to be accepted at ATM machines to meet federal benefit accessibility requirements. The department does not operate a system with these requirements and cannot estimate the system cost. A request for information (RFI) would have to be issued for a system with these specific requirements in order to estimate the market cost of such a system. For the sake of comparison, the cost of the SNAP EBT program runs approximately $3.5 million annually; therefore the department offers that the implementation of a similar system for TANF might be at least $2 - 3 million each year. Because TANF benefits could still be accessed through ATMs, there would be no way to ensure that cash withdrawals would not be used for restricted purposes as required in this legislation in spite of the new system.

<u>TANF Savings</u>

There would be minimal TANF savings as a result of those recipients who lose their benefits. In addition, this legislation would generate a TANF savings as recipients intentionally violating this legislation would lose their benefits for six months after a first offense, twelve months after a second offense, and permanently after a third offense. However, evidence collected in Indiana, Arizona, Colorado, and California, four states which have this type of legislation, suggests that one percent or less of TANF transactions are made on restricted purchases thereby generating only minimal TANF savings.

9. Specific Agency or Political Subdivisions Affected: Department of Social Services

10. Technical Amendment Necessary: No

11. Other Comments: None

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