

Fiscal Impact Review 2017 General Assembly Session

Date: February 7, 2017

Bill number: HB 2207; Food stamp program; excessive requests for replacement of electronic benefit transfer card

Review requested by: Senator Reeves, Chair, Rehabilitation and Social Services

JLARC Staff Fiscal Estimates

JLARC staff do not concur with the fiscal impact statement prepared by the Department of Planning and Budget (DPB) for HB 2207, and believe the cost would be higher. The bill would require the Department of Social Services (DSS) to withhold the fifth replacement EBT card requested by a household within a 12-month period until the household contacts DSS to explain the high number of replacement requests. As explained in the DPB impact statement, additional DSS staff time would be needed to handle the contacts from households, and data system changes would be required to restrict issuance after four replacement cards. JLARC staff concur with DPB's estimate of these associated additional costs. Not included in DPB's impact statement is the additional workload for fraud investigators resulting from an increase in mandatory referrals to the DSS fraud unit, which JLARC staff estimate as 0.5 FTEs, or about \$40,000 per year. The total estimated cost of HB 2207 is \$240,000 in FY18 and \$120,000 in subsequent years, split equally between general and non-general funds.

An explanation of the JLARC staff review is included on the pages that follow.

Authorized for release:



Hal E. Greer, Director

Bill summary

A federal regulation promulgated in 2013 gives states the option to set a threshold for the number of SNAP EBT replacement cards that is excessive and to withhold a replacement card beyond this threshold until the cardholder contacts the agency to explain the excessive replacement requests (7 CFR § 274.6(b)(5)). If the recipient contacts the agency, the federal regulation requires that the agency mail the card or make it available for pickup within two business days, regardless of the explanation provided. If the recipient does not contact the agency, or if their explanation for the replacement cards is “indicative of trafficking,” the state agency is required to refer the case to its fraud unit.

HB 2207 would exercise this option in federal regulations, defining four replacement requests within 12 months as excessive, and requiring DSS to withhold a fifth card until the recipient explains the excessive replacement requests. All other specific provisions in HB 2207 mirror the federal regulation.

Fiscal implications

Currently, DSS notifies clients who have requested four replacement cards within 12 months that their account is being monitored for suspicious activity. DSS sends approximately 5,000 notices annually to households who request a fourth replacement card, and approximately 3,600 households request a fifth card. DSS refers cases to its fraud unit when an eighth replacement card is requested, which is about 180 cases annually. DSS refers about 15 percent of these cases to local fraud investigators.

If enacted, HB 2207 would change DSS practice primarily by withholding a fifth replacement card and requiring clients to contact the agency. This change will increase the number of cases referred for fraud investigation.

According to the DPB impact statement, one additional FTE would be required to handle the contacts from clients and coordinate with local DSS offices and the EBT vendor. Based on other states’ experiences in implementing this policy, the number of requests for fifth replacement cards is likely to decline somewhat. Assuming 3,000 households contact DSS annually about a fifth replacement card, the average number of contacts per month would be 250, or roughly 12 per day. One FTE to communicate with clients, LDSS offices, and the EBT vendor is a reasonable estimate. The allocation of additional workload and related costs would depend on whether households are directed to contact DSS or their local DSS offices. DPB’s estimated cost of additional staff time is \$88,630 in FY18 and \$83,468 in FY19 and each subsequent year.

The DPB impact statement includes a vendor estimate of \$114,000 in FY18 for the cost to modify the EBT data system to restrict the ability to issue a fifth card and monitor when the restriction should be removed. The vendor estimate covers hundreds of hours of programming and testing, the cost of which would be split evenly between general and non-general funds.

The DPB impact statement does not include an estimate of the cost of an increase in fraud investigations, but HB 2207 would increase the number of cases referred to the fraud unit. Based on information from DSS about the time required for a preliminary investigation, the percentage of cases that DSS refers to local DSS fraud investigators, and the average time local fraud staff spend investigating a case, the additional workload is estimated to be approximately 0.5 FTEs annually. About half of the additional workload would be for the DSS fraud unit to do an initial investigation, and half would be for local DSS fraud investigators. Assuming a cost of \$80,000 for one FTE, the cost of the additional workload for fraud would be \$40,000 per year.

The total estimated cost of HB 2207 is \$242,630 in FY18 and \$123,468 in each subsequent year.

Budget amendment necessary? Yes, a budget amendment would be necessary to cover the additional staffing and systems cost.

Agencies affected: Virginia Department of Social Services; local departments of social services

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