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**Please Vote No on HB 2596-This bill makes thousands of households ineligible for food stamps – including families with children and increases the administrative burden on DES**

## **Background to the Food Stamp Program:**

The federal Supplemental Nutrition Assistance Program (“SNAP”) or more commonly referred to as the food stamp program provides food stamps for low-income families and individuals so they can purchase food to stay healthy and alive. The federal government pays for 100% of the food stamp benefits. In December 2015, 988,6067 persons in Arizona received food stamps; 474,875 were children; 438,283 households; and total food stamp allotment in the state was \$119,114,961. The average family received \$272 per month. The Arizona Department of Economic Security, Family Assistance Administration, Statistical Bulletin, December 2015. [www.azdes.gov/dbme\\_statistical\\_bulletin\\_12\\_2015.pdf](http://www.azdes.gov/dbme_statistical_bulletin_12_2015.pdf). Historically, the food stamp program has enrolled less than half the eligible persons.

**Food stamps are 100% paid for by the federal government** with administrative costs split between the state and federal government 50/50.

The food stamp program uses an electronic benefit transfer system (“EBT”). The EBT cards also have the cash assistance on the card if the family receives Temporary Assistance to Needy Families (“TANF”). The EBT cards are loaded electronically with the household’s food stamp (and cash assistance) allotment each month and function like a bank debit card or an ATM card. For the cards issued by J.P. Morgan, one adult member’s name is on the card. For the cards issued by the Arizona Department of Economic Security (“DES”), there is no name on the card. The EBT card is used by inserting the card into a machine at the grocery store and then entering a confidential personal identification number (“PIN”). The machine will deduct the cost of the food, such as milk, purchased from the card. If the person purchases toilet paper, the amount would be deducted from the cash assistance on the card.

## **Some of what this bill does:**

This bill will lock the state into certain food stamp program eligibility restrictions: This bill would (1) prevent the state from requesting a waiver of the 3 month time limit eligibility provision for childless adults; (2) require that the state not use categorical

income and resource eligibility requirements; (3) require a color photograph and the name of the recipient on all EBT cards, unless the recipient refuses the photo ID; and (4) establishes a process for the replacement of EBT cards that conflicts with federal regulation. The effect of this bill is that fewer low-income persons, including thousands of children, will receive needed food stamps and other services and DES will have increased administrative burdens.

**How this bill will deny food stamps to needy low-income households and significantly increase DES' administrative costs:**

**1. The state could not apply for a waiver of the 3 month limit on food stamp eligibility for childless adults in a 36 month period for parts of the state with high unemployment rates.** Although the food stamp act has a 3 month limit on eligibility for childless adults without a disability, states with high unemployment, can apply for a waiver of this limitation. Arizona, like most other states, qualified and requested a waiver of the 3 month limit for childless adults during the recession. In 2016, all counties except Maricopa qualify for a waiver. Because the unemployment rate is declining, only a few struggling areas could be eligible. There is no need to lock the state into this restriction. The state is not required to apply for a waiver now. As a result of economic conditions, the state may want this option, especially for those rural areas and reservations that have high unemployment. There is no reason to tie the state's hands in the future

**2. Prevents the state from using the categorical eligibility standards for any non-cash, in-kind or other benefit program unless required by federal law.** In Arizona, like approximately 40 other states, categorical eligibility is an option that allows the state to allow more low-income working families who qualify for other programs to qualify for food stamps. This bill would prevent that.

**3. Prevents the state from using a categorical (higher) gross income eligibility standard to determine food stamp eligibility unless required by federal law.**

- The food stamp calculation looks at gross income, minus deductions to arrive at net income. In general, only those persons whose net income is below the **net income standard of 100%** of the federal poverty level get food stamps.
- People who benefit from the higher gross income limit (185% vs. 130% of the federal poverty level) are working families with young children who have child care expenses and those persons with high housing costs who after deducting these expenses meet the **net income limit**.
- If families with children no longer qualify for food stamps, the children may not qualify for free and reduced meals at school

**4. Prevents the state from using a resource test that is above the amount in the food stamp act to determine eligibility.**

- In order to look at resources, the person must have met the 100% federal poverty net income level. Arizona allows for \$2,250 in resources but for categorical eligibility has no resource limit.
- Those who benefit from the current eligibility test are families and other persons who are trying to build their assets for self-sufficiency or for health and unemployment crises. Most low-income persons live 1-2 paychecks from losing their housing.
- Here, as well, the children in families who no longer qualify for food stamps, may not qualify for free and reduced meals at school
- There is a huge administrative burden for DES to review assets. Research shows that few families have resources and continuing to eliminate the resource test saves DES time and funds.

**5. Prevents the state from using categorical eligibility for gross income and resource test for any noncash, in-kind or other benefit program unless required by federal law.** This appears to be a combination of the above restrictions.

**6. Requires a color photo and name on the EBT card, unless the recipient refuses to have the photo ID.** Since the EBT card has cash assistance and food stamps on it, the more stringent food stamp requirements must be followed.

- A. There will be a huge administrative and financial burden on DES to buy photography equipment and other machinery to put a recipient color photograph and name on EBT cards.** We assume that a “recipient” is the head of household. In DES’ 60 local offices, DES issues EBT cards for emergency food stamps that must be processed within 7 days of the date of the application, for homeless persons who do not have an address where the cards can be safely mailed and others who can be approved on the day they are in the office. All other EBT cards currently are issued by J.P. Morgan. In December 2015, there were over 438,000 households receiving food stamps. In order for DES to put a color photograph and name on each EBT card, DES would have to purchase photographic and other machinery for each office and the cost is both unnecessary and prohibitive in these tight fiscal times. Also, there is the time to take the picture and get the required information. *As an example, if it took staff 10 minutes to prepare each EBT card with a picture on it, for 438,000 cards that would take 4.38 million minutes or over 73,000 hours. It would take over 1,800 employees each working one 40 hour week to complete these tasks. This project will cost several million dollars. A similar bill was proposed last year and the fiscal note on that bill was that DES estimated that it would*

*cost \$8.85 to produce each card, with a cost of \$17.2 million in the first year and ongoing, \$13.6 million.*

- B. A color photo on an EBT card is unnecessary and serves no purpose because a photo cannot limit who can use the card.** A picture on an EBT card is not required by federal law. The reason to have a photograph apparently is so retailers will check to see if the person using the card is the person whose picture is on the card. Retailers cannot limit the use of an EBT card to the person whose picture is on the card. There are many situations where the head of the household, such as the elderly, persons with disabilities or a parent may permit others to do her food shopping. Any EBT system must ensure that all persons allowed to use the EBT card can actually use it and the state “must establish procedures to ensure that all appropriate household members or authorized representatives are able to access benefits from the account as necessary.” 7 C.F.R. § 247.12(g)(6)(B)(iv); 7 U.S.C. § 20169(h)(9). Thus, there is no reason for a photo on an EBT card. Currently, access to EBT cards is accomplished by the customer knowing the confidential PIN number. Federal policy consistently has been that if an individual has the EBT card and the PIN, the retailer must assume that they are authorized to use the card, unless there is reason to suspect wrongdoing.

**Here are just a few examples of the many situations where someone whose picture is not on the card has permission to use the card at the grocery store:**

- (1) A parent is sick and wants her 16 year old daughter to go to the grocery store;
- (2) A mother wants her spouse to go to the store to purchase food;
- (3) A person with a disability wants her caretaker, relative, or friend to go to the grocery store; and
- (4) An elderly person’s nephew does most of the grocery shopping for his uncle.

In each of these situations, if the retailer checked the photograph to see if the EBT card belonged to the customer, the retailer would find it did not even though these individuals are authorized to use the card on the household’s behalf.

The federal government issued proposed regulations for photo ID on EBT cards on January 6, 2016, because the few states that have tried photo ID cards “revealed significant legal and operational complexities and challenges.” Under the regulations, the

disabled, elderly, domestic violence victims, those under 18 and the homeless would be exempt from any photo requirement.

**7. Imposes restrictions on replacement cards that conflict with federal law.** Federal regulation 7 C.F.R § 274.6(b) regulates the replacement of EBT cards. The regulation provides that once a household has requested 4 replacement cards in a 12 month period, unless there is evidence of trafficking, the state shall give notice that further requests will require contact with the agency. This bill issues the warning notice after 3 replacements and a face to face “interview with a fraud investigator and eligibility expert” at the 4<sup>th</sup> request. If the person does not appear for the interview, benefits can be terminated. In the regulation, the sanction is that the EBT card is not issued.

**8. Imposes full household disqualifications for noncompliance.** The federal regulations govern sanctions and restrict who is subject to a disqualification. Usually it is just the ineligible household member. While this bill states “unless expressly prohibited by federal law” since the vast majority of sanctions will not apply to the full household, the section is not needed.

**This bill is not needed, will deny food stamps to those in need and will significantly increase DES’ administrative costs to implement. The EBT replacement provisions conflict with federal law. In these still difficult tough economic times for many Arizonans, we cannot risk losing federal funding for hundreds of millions of dollars of food stamps. Please vote ‘no’ on this bill.**