

PHOTO ON BRIDGE CARD

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House Bill 4719

Sponsor: Rep. Dave Agema

House Bill 4720

Sponsor: Rep. Anthony G. Forlini

Committee: Families, Children, and Seniors

Complete to 10-3-11

A SUMMARY OF HOUSE BILL 4719 AND 4720 AS INTRODUCED 6-9-11

House Bills 4719 and 4720 would amend the Social Welfare Act (MCL 400.1 et seq.) to address the Electronic Benefit Transfer (EBT) system, in Michigan known as a Bridge Card. The Department of Human Services deposit benefits electronically onto the Bridge Card into either the food assistance account or the cash benefit assistance account. The Bridge Card functions as a debit card where clients can access their benefits by using a personal identification number (PIN) at qualified retailers and ATMs. Recipients can only withdraw cash from their cash assistance account.

House Bill 4719 would require that a recipient of food assistance or cash benefits have his or her photographic image and signature captured when issued a Michigan Bridge Card and require that the image and signature appear on the card. If more than one individual is authorized to use the card, both images and signatures would need to appear on the card. Under the bill, the Department of Human Services would have to purchase or lease equipment using standard purchasing procedures of the Department of Technology, Management and Budget, based on standards and specifications established by the DTMB.

House Bill 4720 would prohibit an individual from altering or disguising a Bridge Card or from making it appear in any other form or design other than as prescribed by the DHS.

FISCAL IMPACT:

If House Bill 4719 becomes law, the state should expect to see some one-time costs for new equipment followed by \$2.0 to \$3.0 million in ongoing costs from a more expensive EBT card and from having to replace equipment. The costs will be primarily split 50% federal funds, 50% state general fund/general purpose. House Bill 4720 would have a minimal to no fiscal impact.

Michigan is not the only state that has introduced legislation that would require a photograph on its Electronic Benefit Transfer (EBT) Card, known in Michigan as a Bridge Card. When the food stamp program converted from paper coupons to the EBT card in the 1990s, the federal government included a regulation that allows states to

include a photograph on their EBT cards, but requires that the state "establish procedures to ensure that all appropriate household members or authorized representatives are able to access benefits".¹ Two states, Massachusetts² and New York³, have included photographs on their EBT cards from the time they converted from the paper coupons to their EBT cards.

Missouri has a state law allowing their Department of Social Services to require photographs on their EBT cards. However, in 2001, the Missouri Auditor General determined that the state law mandating a photograph on the EBT card did not generate enough savings for the program to be continued. The Missouri Auditor General notes that one of the key factors limiting any potential savings is that the federal Food and Nutrition Services trains retailers to "disregard the photo, because transactions are valid as long as a person has the card and the [personal identification number] PIN." The Auditor General was also worried that the new EBT vendor contract would increase their costs of including a photograph on the EBT card.⁴

New Hampshire is looking at requiring photo identification cards for food stamp recipients. House Bill 485 in that state requires the department to request a federal waiver that requires photo identification to continue food stamp eligibility and proposes to not include a photo on their EBT card but to print another card for every food stamp recipient. These new cards are estimated to cost \$90,500 for 1,250,000 cards. The fiscal impact statement does not mention any assumed savings from fraud prevention.⁵

The Minnesota House of Representatives introduced a bill (HF 171) that would prohibit retailers from accepting EBT cards without first seeing a photo identification card. It is part of a larger package of public assistance changes, and the fiscal impact statement for the bill does not mention any assumed savings from requiring retailers to check the photo identification.⁶ If HF 171 becomes law, it is possible that the prohibition on accepting EBT cards without first showing photo identification could be found unconstitutional under the Equal Protection Clause of the Constitution by discriminating based on economic status.⁷

In Illinois, the Legislature introduced a bill (HB 161) that would require their EBT cards to be replaced with EBT cards that include a photograph of the cardholder. The Illinois Department of Human Services estimated that the cost for card production (60,000 a month) and equipment would cost \$2.0 to \$4.0 million. The current version of the bill does not mandate photo identification on their EBT card but instead requests that the department provide a good faith cost estimate.⁸

North Carolina has also introduced a bill (HB 734) that would require a photo on their EBT card. Their department estimates that cost of replacing 1.0 million EBT cards with the new EBT cards would cost \$25 million (\$25.00 per card). The fiscal analysis also assumes that the new EBT card would have higher on-going costs of \$2.3 to \$2.6 million

¹ http://edocket.access.gpo.gov/cfr_2011/janqtr/pdf/7cfr274.8.pdf

² http://www.masslegalservices.org/system/files/F97013_EBT_Mailings_Handouts.pdf

³ <http://www.nytimes.com/1999/06/18/nyregion/welfare-debit-cards-offer-benefits-and-some-snags.html>

⁴ <http://auditor.mo.gov/press/2001-58.pdf>

⁵ <http://e-lobbyist.com/gaits/text/146240>

⁶ http://www.mmb.state.mn.us/bis/fnts_leg/2011-12/H0171_1E.pdf

⁷ HFA is not in a position to provide answers to legal inquires. Legal counsel should be able to provide a more definitive answer.

⁸ <http://www.ilga.gov/legislation/BillStatus.asp?DocNum=161&GAID=11&DocTypeID=HB&SessionID=84&GA=97>

per year (a 55% increase to current contract costs). The fiscal analysis does not project any savings from fraud prevention.⁹

How do these analyses predict costs for Michigan?

The two bills that are the most similar to HB 4719 are the two bills introduced in Illinois and North Carolina. While they both project higher costs for more expensive cards and new equipment, their projections are quite different. Although the analysis for the one-time costs for the North Carolina bill look high from a per card cost, their analysis for ongoing costs seem to be similar to the costs mentioned in the analysis of the Illinois bill. So, if HB 4719 becomes law in Michigan, the state should expect to see some one-time costs for new equipment followed by \$2.0 to \$3.0 million in ongoing costs from more expensive EBT cards and having to replace equipment.

How do these analyses predict savings for Michigan?

The Missouri Auditor General reported that they did not believe that any program savings outweighed the costs so the program should be stopped. The analyses of the introduced bills for other states do not project any savings nor do they mention looking to see if any savings could be realized from including a photograph on the EBT card.

There are several factors that seem to restrict any amount of savings a photograph on an EBT card could generate by deterring fraud. First, the Federal Food and Nutrition Services retailer training guide specifically states that "the PIN identifies the customer. No other identification is needed."¹⁰ So the retailers who accept the EBT card are trained that if the person knows the PIN for that EBT card, then the retailer should assume that person is a group member or authorized representative for those public assistance benefits.

Second, there are types of fraud activities for which a photograph on an EBT card will not be a deterrent. EBT cardholders could still purchase food and then sell the food for money, and EBT cardholders could still sell their EBT cards to the fraudulent retailers. As an example, New York (which includes a photograph on their EBT cards) found \$6.1 million in fraud from four retailers in Albany.¹¹ For perspective, Michigan Office of Inspector General, Lansing police, and the federal Office of Inspector General arrested Lansing retailers for \$462,000 in fraud (one of the worst cases Michigan has seen).

Third, once persons looking to purchase EBT cards find the particular retailers who do not consistently check photographs, they can continue their fraudulent activity with minimal risk. Any savings from including a photograph on the EBT cards therefore comes from the frequency with which retailers check the photograph on the EBT card, which results in a higher or lower perceived risk of having the photograph on the EBT card checked by the retailer.

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.

⁹ <http://www.ncleg.net/Sessions/2011/FiscalNotes/House/PDF/HFN0734v1.pdf>

¹⁰ http://www.fns.usda.gov/snap/retailers/pdfs/Retailer_Training_Guide.pdf

¹¹ <http://www.timesunion.com/local/article/6-1M-scam-case-drives-call-for-reform-in-Albany-1400475.php>