

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5864-03
Bill No.: HCS for HB 1877
Subject: Gambling; Public Assistance; Social Services Dept.
Type: Original
Date: May 4, 2012

Bill Summary: Prohibits Temporary Assistance for Needy Families recipients to use public assistance cash benefits in gambling establishments.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
General Revenue	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on General Revenue Fund	(Unknown)	(Unknown)	(Unknown)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Federal*	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

* Revenues and expenditures unknown but net to \$0.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on FTE	0	0	0

Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Administrative Hearing Commission** assume the proposal will have no fiscal impact on their organization.

Officials from the **Joint Committee on Administrative Rules (JCAR)** state the legislation is not anticipated to cause a fiscal impact to JCAR beyond its current appropriation.

Officials from the **Office of Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. **The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes this is a small amount and does not expect that additional funding would be required to meet these costs.** However, it is also recognized that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain within its core budget. **Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.**

Officials from the **Department of Public Safety - Missouri Gaming Commission (MGC)** state the impact of this legislation to casino Adjusted Gross Tax Receipts (AGR) to Education and Admission Fees to the Gaming Fund (0286) to be transferred to the Vets, National Guard, Access Missouri and Early Childhood Education is UNKNOWN. The intent of the legislation is to prevent individuals on state family assistance from using their benefits to gamble and that if found guilty after a hearing would no longer be eligible for public assistance. The legislation references that anyone may file a complaint with Social Services against an individual suspected to have gambled with state assistance money, but it does not mandate compliance by the casino industry. Therefore, it is impossible to estimate the sheer number of complaints received or the number of individuals who will adhere to the legislation and cease to gamble at casinos voluntarily affecting state tax revenue from AGR tax receipts and Admission Fees.

Oversight assumes the legislation does not prohibit TANF recipients from gambling or entering gambling establishments. **Oversight** assumes the legislation only provides that TANF recipients cannot use their EBT benefit cards to obtain cash from gambling establishment ATMs and according to the Department of Social Services, casinos already block these types of transactions from taking place. Therefore, **Oversight** assumes the legislation will not result in an unknown impact on Gaming Fund revenues.

ASSUMPTION (continued)

Officials from the **Department of Social Services (DSS) - Family Support Division (FSD)** state Section 208.031 would require the FSD put into place a process for sanctions to be imposed if a Missouri cardholder makes a successful ATM withdrawal at any of these locations: “any casino, gambling casino, or gaming establishment.” Currently, electronic benefit transfer (EBT) transactions at ATM’s are voluntarily blocked by Missouri casinos. There will be administrative costs associated with any hearings resulting from this violation. Those costs will be addressed in the Division of Legal Services fiscal note response.

Section 208.032 requires policies and procedures to be developed and set forth to ensure TANF benefits are not used at liquor stores, casino, gambling casino, gambling establishment or retail establishments that provide adult-oriented entertainment which do not include grocery stores that may be located within the same building or complex.

It is unclear if the FSD will have costs associated with implementing section 208.032. The recent passing of HR 3630 at the federal level does not establish whom costs would fall on in association with ensuring TANF benefits are not used at any of these establishments.

Preliminary discussions with the current EBT vendor leads the FSD to believe that there will be difficulty in restricting the use of automated teller machines (ATM) that are in and around these establishments.

Possible obstacles include:

- Most ATMs are owned by banks or other financial institutions, as opposed to being owned by a casino or gaming establishment. Therefore, matching the ownership of the ATM with the business location will be nearly impossible.
- Matching the ATM address with the Casino address will not always produce reliable results. The ATM could be located at an adjoining or nearby hotel, restaurant, or service station.
- Any method to match up the names and addresses of ATMs and Casinos (or other gaming establishments) will require a good deal of manual effort. In addition, the ATMs do not always stay in the same places.

Therefore, the impact to the FSD is unknown.

ASSUMPTION (continued)

Officials from the **DSS - Division of Legal Services (DLS)** state the proposal would require the FSD to put into place a process for sanctions to be imposed if a Missouri cardholder makes a successful ATM withdrawal at any of these locations: “any casino, gambling casino, or gaming establishment.”

The DLS anticipates there will be additional administrative hearings due to the requirements of this proposal. However, it is not possible to estimate the number of such hearings because it is not possible to determine the number of individuals who will request such a hearing. Therefore, the DLS cannot estimate the potential fiscal impact.

The FSD is unable to determine if any individuals receiving TANF have been able to successfully use an ATM to make cash withdrawal at any casino, gambling casino or gaming establishment. Currently, electronic benefit transfer (EBT) transactions at ATM’s are voluntarily blocked by Missouri casinos. Another complication is that there is no reliable way to determine exactly where the ATMs are located. Most ATMs are owned by banks or other financial institutions, as opposed to being owned by a casino or gaming establishment. Therefore, matching the ownership of the ATM with the business location is difficult.

The DLS believes that it will take approximately two hours to conduct each hearing required by this proposal. This will include hearing preparation, the actual hearing and the writing and reviewing of the hearing decision. The DLS assumes that its hearing officers can hold approximately 900 hearings per year. The hearings should not require complex evidence or facts. The cases should not require the presence of a DLS litigation attorney. Therefore, once the number of potential hearings can be estimated, it will be possible to determine the fiscal impact.

It is unclear if the FSD will have costs associated with implementing section 208.032. The recent passing of HR 3630 at the federal level does not establish whom costs would fall on in association with ensuring TANF benefits are not used at any of these establishments.

Preliminary discussions with the current EBT vendor leads the FSD to believe that there will be difficulty in restricting the use of ATMs that are in and around these establishments. The DLS therefore, assumes an unknown fiscal impact.

Oversight assumes since the DLS cannot determine the number of potential hearings that it might be required to hold as a result of this proposal, the DLS will request additional staff and resources through the appropriations process if the number of hearings become sufficiently large enough to warrant needing additional funds.

ASSUMPTION (continued)

Officials from the **Office of Administration (OA) - Information Technology Services Division (ITSD)/DSS** state:

Section 208.031

The FAMIS system would need to add a sanction code for TANF recipients and change one program to look for this code and an expiration date.

Assumptions:

- ITSD staff will make all of the changes
- The current rate for ITSD staff averages \$42.56 per hour
- TANF is charged at 100% General Revenue

Estimate

20 hours	Analysis
40 hours	Modify Program Module to look for new sanction code
40 hours	Modify Screen to accept new sanction code
<u>40 hours</u>	Testing
140 hours	

Total Cost: 140 hours X \$42.56/hour = \$5,958.40

Oversight assumes OA-ITSD-DSS is given a given core funding to perform a certain amount of system modifications and assumes the modifications required by this proposal can be absorbed within current funding levels.

<u>FISCAL IMPACT - State Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
GENERAL REVENUE FUND			
<u>Costs - DSS-FSD</u>			
Implementation of policies developed for 208.032	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

<u>FISCAL IMPACT - State Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
FEDERAL FUNDS			
<u>Income - DSS-FSD</u>			
Reimbursement for implementation costs of 208.032	Unknown	Unknown	Unknown
<u>Costs - DSS-FSD</u>			
Implementation of policies developed for 208.032	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

Section 208.032 requires the Department of Social Services to implement and maintain policies and practices which prevent TANF families from accessing electronic benefits through ATMs or point-of-sale devices located in any liquor store, any casino, gambling casino, or gambling establishment, and any adult-oriented entertainment establishment.

SOURCES OF INFORMATION

- Office of Administration -
 - Administrative Hearing Commission
 - Information Technology Services Division - Department of Social Services
- Department of Social Services -
 - Family Support Division
 - Division of Legal Services
- Department of Public Safety -
 - Missouri Gaming Commission

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SOURCES OF INFORMATION (continued)

Joint Committee on Administrative Rules
Office of Secretary of State

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive style with a large initial "M".

Mickey Wilson, CPA
Director
May 4, 2012