

**Date of State Budget Office Approval:**

**Date Requested:** Tuesday, April 21, 2015

**Date Due:** Friday, May 01, 2015

<i>Impact on Expenditures</i>		<i>Impact on Revenues</i>	
FY 2015	N/A	FY 2015	N/A
FY 2016	Indeterminate	FY 2016	Indeterminate
FY 2017	Indeterminate	FY 2017	Indeterminate

*Explanation by State Budget Office:*

This bill prohibits the use of cash assistance funds held on electronic benefit transfer (EBT) cards at the following types of commercial establishments and prohibits the following types of merchants from accepting EBT cards: liquor stores, casinos and gambling facilities, adult-oriented entertainment facilities, adult bookstores and paraphernalia stores, firearms dealers, tattoo parlors, manicure or esthetic shops, jewelry stores, and cruise ships.

The Department of Human Services already prohibits cash assistance from being used at most of the commercial establishments outlined in the bill, in accordance with Section 4004 of Public Law 112-96, Middle Class Tax Relief and Job Creation Act of 2012, which directed states to maintain policies and practices necessary to prevent cash assistance from being used at liquor stores, casinos, or adult-oriented entertainment facilities. These prohibitions are contained in DHS Regulation 1427.05.20 "Restrictions on Use of EBT Cash Benefits," implemented in August 2014. This bill would codify these restrictions and more into state law.

In addition to prohibiting cash assistance funds from being used at the aforementioned establishments, this bill prescribes escalating penalties for recipients of aid who violate its provisions, up to and including termination of benefits. The bill also prescribes monetary penalties and licensure related disciplinary action for merchants who knowingly violate these prohibitions.

*Comments on Sources of Funds:*

Fines and penalties would be deposited as general revenue.

*Summary of Facts and Assumptions:*

1. This note assumes an effective date of July 1, 2015 for this bill. Therefore, there is no fiscal impact reported in FY 2015.
2. The bill creates escalating penalties for recipients of aid who violate its provisions, up to and including termination of benefits, which would likely result in reduced program expenditures. However, there is no way to reasonably or accurately predict the potential number of violators that may be caught.
3. This bill creates fines and/or penalties for violators, which would likely result in additional revenues. However, there is no way to reasonably or accurately predict the potential number of violators that may be caught.
4. The current EBT system prevents EBT transactions from occurring at the three

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types of restricted establishments under federal law and state regulations (liquor stores, casinos, and adult-oriented entertainment facilities) through use of the merchant code. If the restricted establishment is licensed appropriately, the EBT transaction will be blocked. The Department is able to add additional restricted merchant categories for a nominal fee of \$100 to \$200.

5. The bill directs the Department of Human Services to “maintain policies and practices as necessary” to prohibit cash assistance from being used at the types of commercial establishments as outlined in the bill. For purposes of this fiscal note, it is assumed that these policies and practices would not extend to conducting investigations of potential fraudulent use of benefits, which would require the creation of a distinct unit within DHS to carry out this function. Should it be deemed the legislative intent to create such a function, this could have potentially significant fiscal implications, depending on the number of FTE positions hired. For illustrative purposes, the average cost per additional employee, assuming positions equivalent to an Investigator for the Workers’ Compensation Fraud Prevention Unit (Grade 30), would be about \$100,733 in FY 2016 and FY 2017, including benefits.

*Summary of Fiscal  
Impact:*

FY 2015: N/A  
FY 2016: Indeterminate  
FY 2017: Indeterminate

Budget Office Signature: \_\_\_\_\_

*Thomas A. Mullarney*

Fiscal Advisor Signature: \_\_\_\_\_

*Charles Plungis*