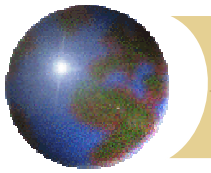


Electronic Benefit Transfer

The Modern Benefit Delivery System

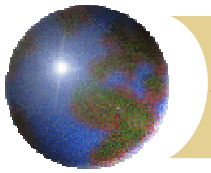
By

Lizbeth Silbermann



Modernizing Benefit Delivery

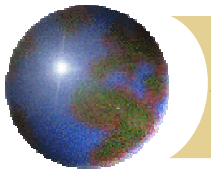
- Food Stamp Program overview
- EBT in the Food Stamp Program
- How EBT works



Program Scope

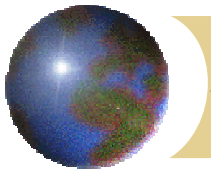
- 19.1 million people per month
- \$20.5 billion
- \$ 4.8 billion in administrative costs
- 145,000 licensed stores
- 1,500 National staff

- \$80 per month per person
- \$186 per household



Program Characteristics

- National uniform rules for eligibility and benefit determination
- Joint National-State administration
 - National funded benefits
 - National rules
 - State run local operations
 - Administrative costs split 50-50



Benefits Issued Monthly

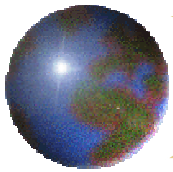
⊕ Households can buy:

- Foods for home preparation and consumption
- Seeds and plants that produce food for the household to eat

⊕ Households cannot buy:

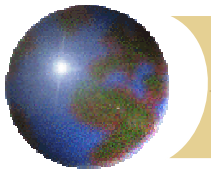
- Alcoholic beverages or tobacco
- Non-food items such as pet foods, soaps, paper products, household supplies
- Vitamins and medications
- Food that will be eaten in store
- Hot foods

Food Stamps cannot be exchanged for cash



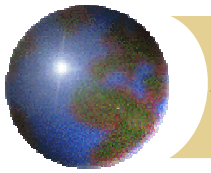
A Paper World





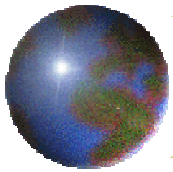
How the Paper World Worked

- Coupons printed and assembled into books
- Books shipped to states for issuance
- Books issued to recipients
- Coupons torn out and used at stores
- Coupons redeemed through banking system like checks/money
- Coupons destroyed

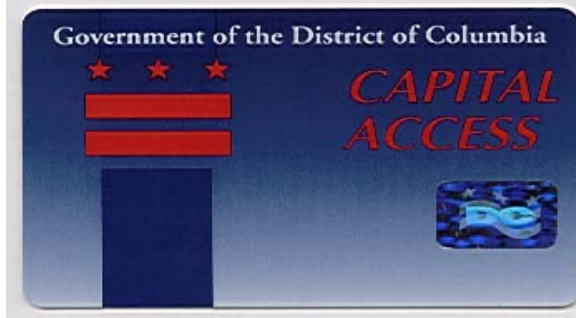


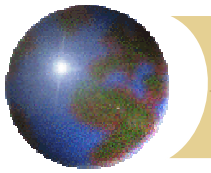
Issues

- ⊕ Cost
- ⊕ Logistics
- ⊕ Float
- ⊕ Accountability
- ⊕ Administration
- ⊕ Stigma
- ⊕ Cash Change
- ⊕ Trafficking/Fraud
- ⊕ SOLUTION?



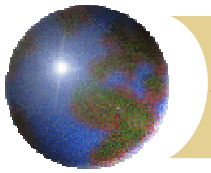
EBT





Technology Requirements

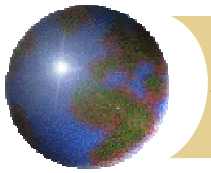
- Comparable to Debit Card Platform
- May include one or more technologies:
 - Integrated Circuit Chips
 - Magnetic Stripes
 - Anti-Counterfeiting
- Interoperability
- Performance
- Security



Technology Requirements

Exceptions

- Targeted Benefit
- Funds Movement at Point of Redemption
- Additional Reporting Requirements

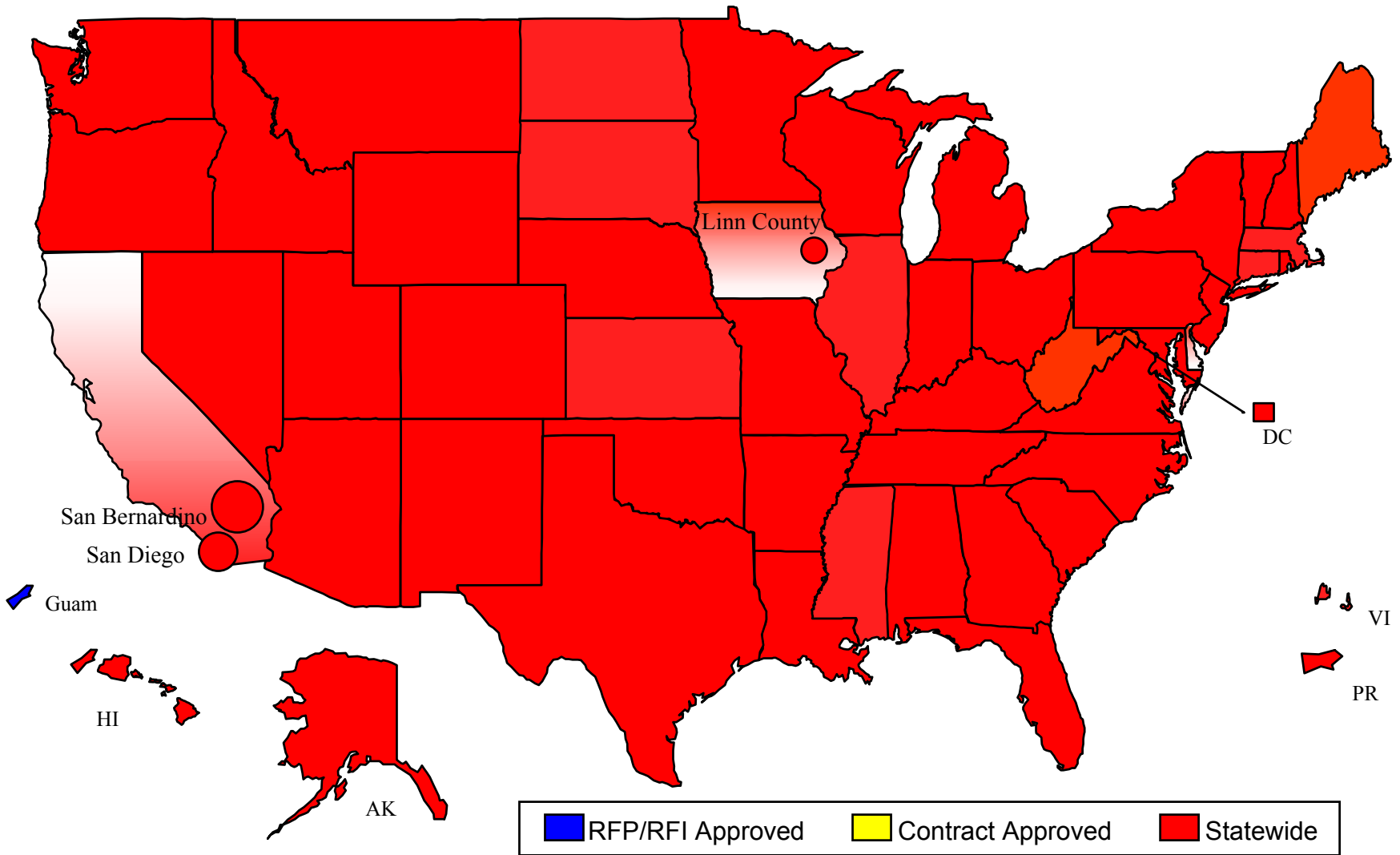


EBT Milestones

- Early demonstrations (1984-1992)
- FSP Regulations published (1992)
- Personal Responsibility and Work Opportunity Reconciliation Act passed—mandated EBT (1996)

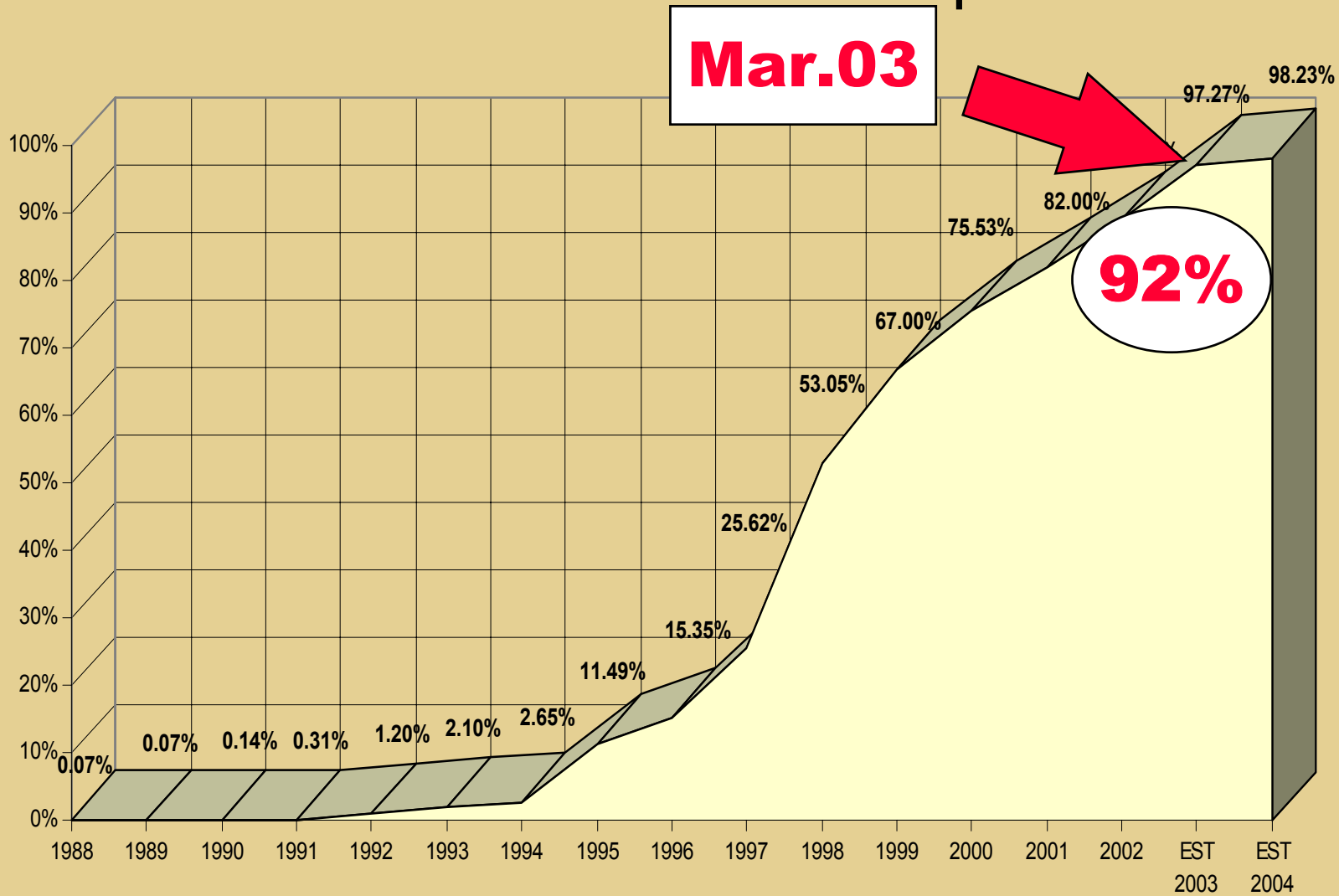
FSP EBT- June 2003

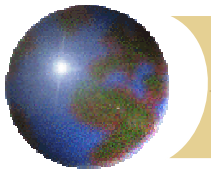
52 Operating, 48 Statewide*



Note: Shaded red indicates partial State conversion.
*Count includes Puerto Rico

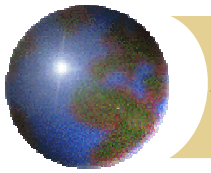
EBT as Percent of Total FSP Redemptions





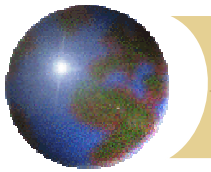
Advantages of EBT

- Less Stigma for Recipients
- Greater Security for Recipients
- Fast Payment to Retailers
- Better Financial Management for FNS
- Reduced Fraud
- Better Fraud Detection Tools
- Reduced Cost

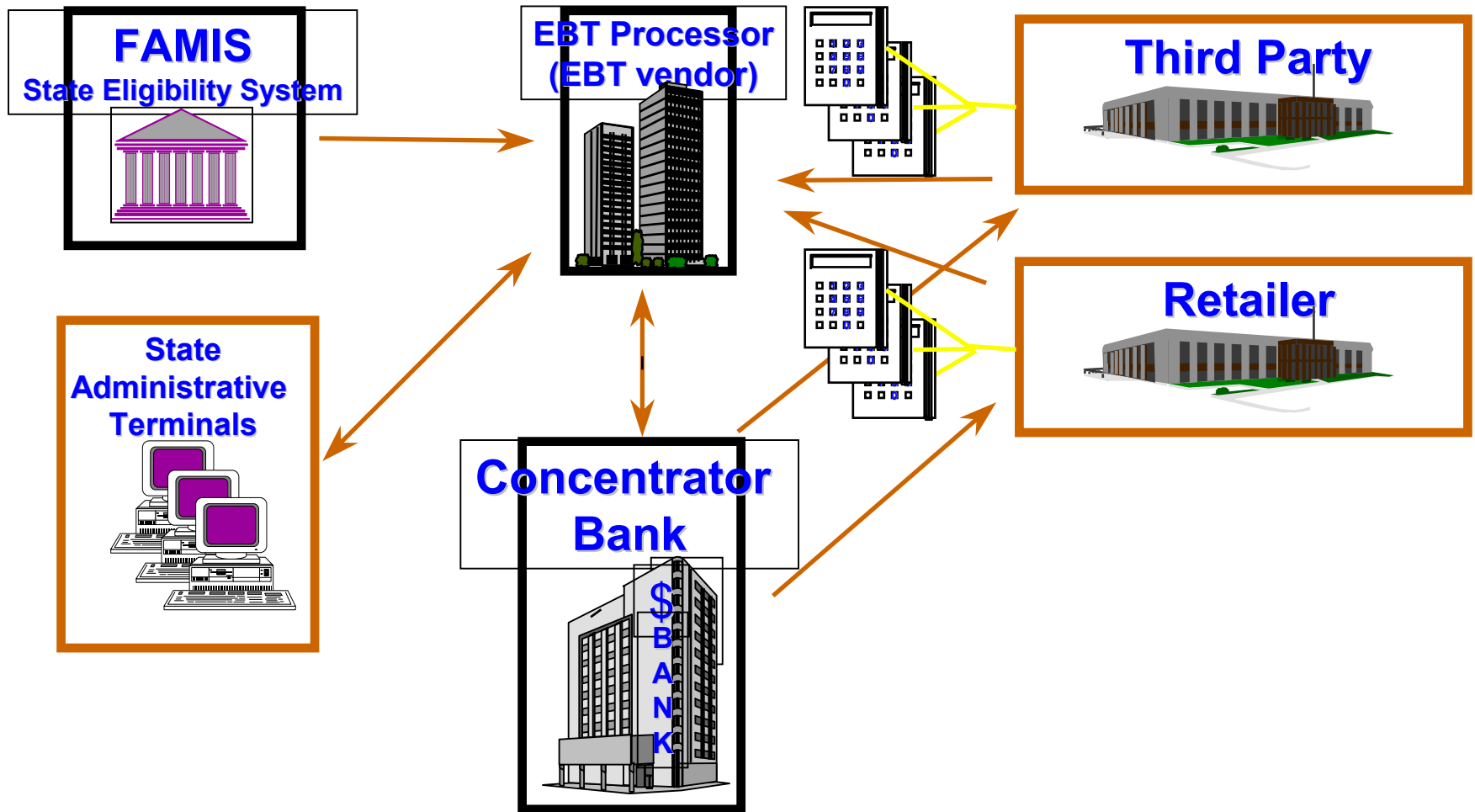


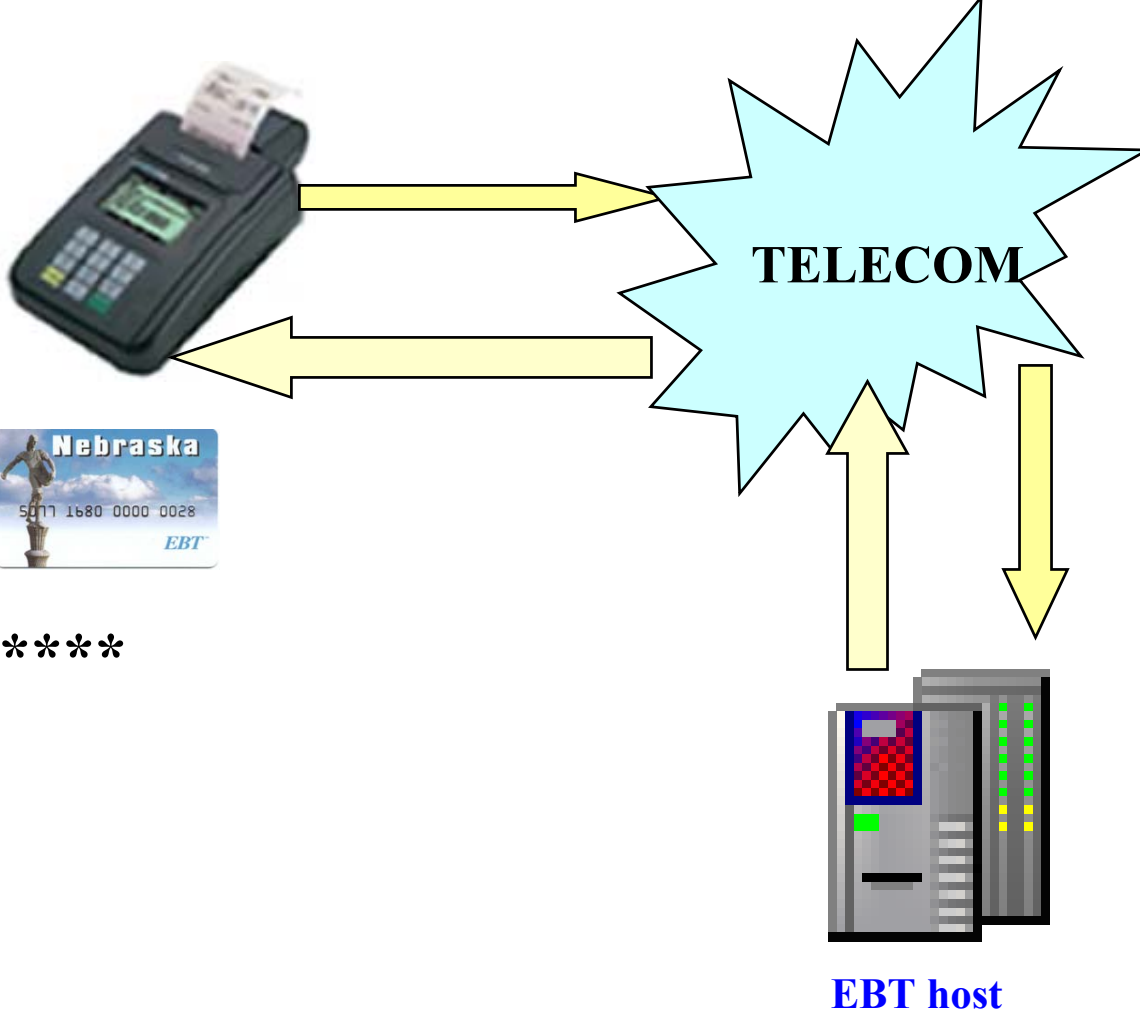
EBT Components

- ⊕ Account Setup & Benefit Authorization
- ⊕ Card Issuance and Training
- ⊕ Recipient Account Maintenance
- ⊕ Transaction Processing
- ⊕ Customer Service
- ⊕ Retailer Participation
- ⊕ EBT Settlement and Reporting

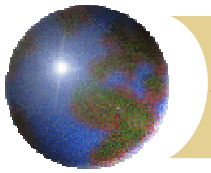


EBT Infrastructure





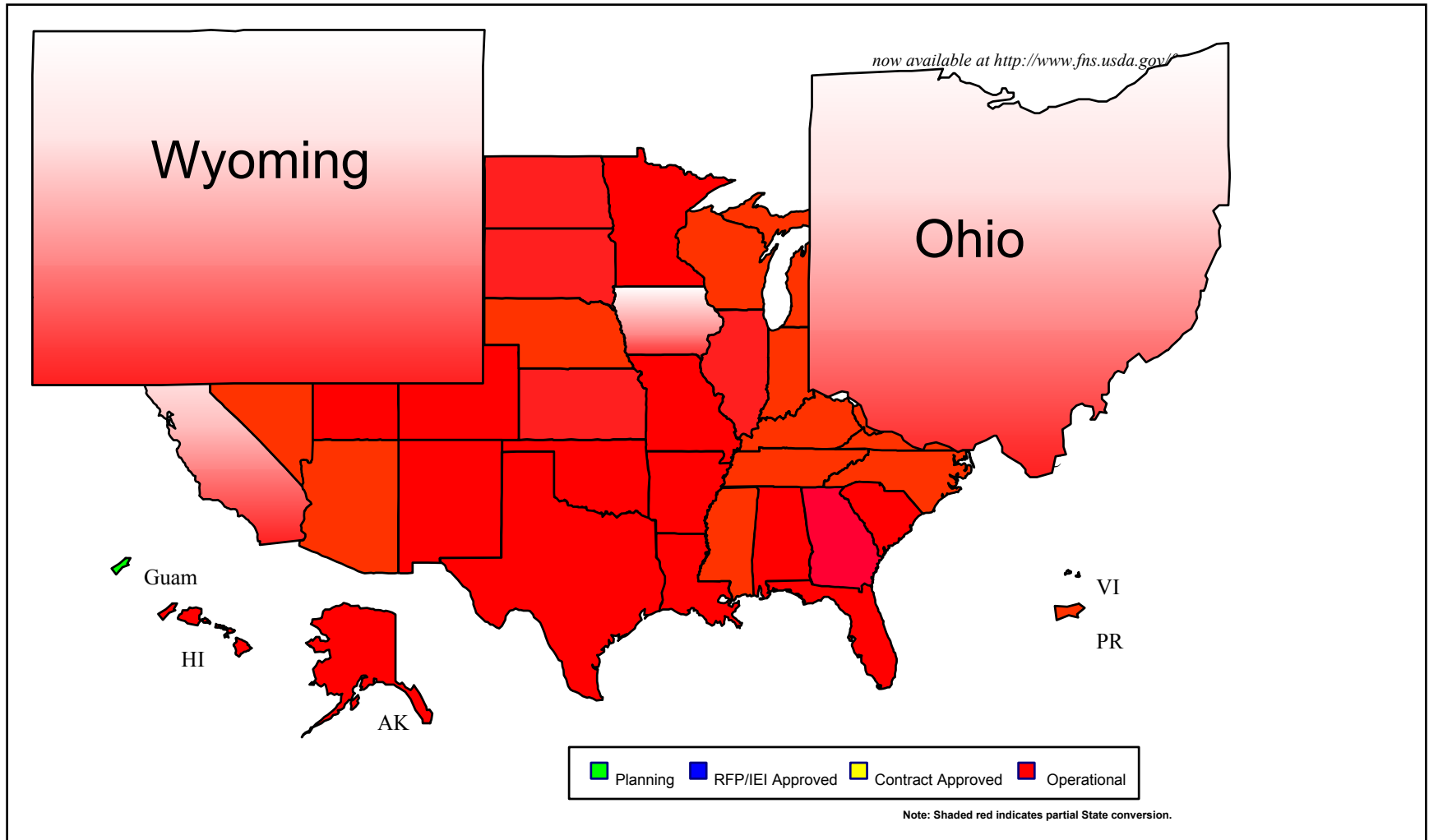
- Store FNS #
- Card PAN
- Card status
- PIN (encrypted)
- Benefit type
- Balance

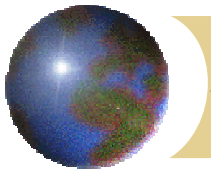


EBT Programs

- ⊕ Food Stamps
- ⊕ TANF
- ⊕ Child Care
- ⊕ Employment & Training
- ⊕ Medicaid Eligibility
- ⊕ Child Support
- ⊕ Other State Cash
- ⊕ WIC

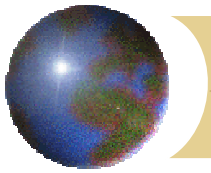
What About Smart Cards ...





Differences from On-Line

- Benefits loaded at store(s) chosen by recipient
- Balance and PIN on the card chip
- Telecommunication not required
- Hot card file not centralized
- Upload for settlement and to update card balances



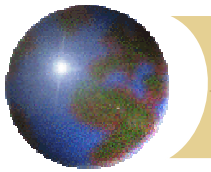
Off-line EBT

✚ PROs

- ✚ Lots of data space on card
- ✚ Added security
- ✚ No telecom downtime

✚ CONs

- ✚ Not adopted by commercial sector
- ✚ Cost of equipment/cards
- ✚ Load it or lose it
- ✚ No hotcard file
- ✚ Not interoperable



EBT Card Technologies in the future?

- Biometric applications may be more suited to smart cards
- WIC and health record maintenance seem to be more suited to smart card technology
- Security capabilities