

LONE STAR ELECTRONIC BENEFIT TRANSFER (EBT) CARDS

AN ISSUE BRIEF FROM LEGISLATIVE BUDGET BOARD STAFF

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OBJECTIVE

Lone Star electronic benefit transfer (EBT) cards distribute certain federal public assistance benefits in Texas.

KEY FACTS

- ◆ Lone Star Cards operate similarly to bank debit cards and have magnetic stripes allowing instant online transaction verification. Benefits are loaded onto the cards on a monthly basis.
- ◆ Recipients may access benefits up to their account balance using a personal identification number. At the time of sale, the cardholder's account is automatically debited and the vendor's account is credited in the transaction amount.
- ◆ An estimated 1.7 million households use Lone Star Cards at approximately 16,400 Texas retailers. In fiscal year 2011, Texans used an estimated \$5.3 billion SNAP and \$0.1 billion TANF benefits in an estimated 195 million transactions.

BUDGETARY IMPACT

EBT costs are administrative expenses. SNAP administrative expenses are shared equally by states and the federal government. TANF is a block grant and administrative expenses are paid from the grant. In fiscal year 2012 HHSC Sub-strategy A.1.2.6, EBT, budgets \$17.6 million.

STATUTORY REFERENCES

7 U.S.C. § 2016 (SNAP)

42 U.S.C. § 604(g) (TANF)

Lone Star electronic benefit transfer cards (Lone Star Cards) transfer primarily federally funded public assistance benefits to retailer accounts in exchange for goods. Transferred benefits include Supplemental Nutrition Assistance Program (SNAP, previously referred to as the Food Stamp Program) and Temporary Assistance for Needy Families (TANF). Texas began planning an electronic benefit transfer (EBT) system in 1992, and implemented the Lone Star Card in 1994. By 1995, EBT delivery of both TANF and SNAP benefits had been implemented statewide. The Lone Star Card replaced paper food stamps and TANF warrants.

The Health and Human Services Commission (HHSC) administers both the SNAP and TANF programs in Texas. HHSC contracts for certain EBT system services, including application software support, retailer management, and call center services. HHSC maintains an interagency agreement with the Department of Information Resources to provide EBT Data Center Services.

FEDERAL STATUTORY DEVELOPMENT OF THE EBT SYSTEM

The 1996 Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) required state implementation of EBT systems for Food Stamp Program benefits by October 2002. PRWORA also encouraged, but did not require, states to implement EBT systems for TANF benefit delivery. The EBT Interoperability and Portability Act of 2000 required EBT benefit transfer and access in all states. The Middle Class Tax Relief and Job Creation Act of 2012 required states prevent TANF EBT use in liquor stores, casinos, or adult entertainment establishments.

ALLOWABLE USES OF BENEFITS

Households may only use SNAP EBT cards to purchase food, excluding hot foods or foods intended to be eaten in the store. SNAP EBT cards cannot be used to purchase tobacco, alcoholic beverages, soaps, diapers, paper products, or pharmaceuticals. TANF benefits are less restricted, but must be accessed electronically via a special terminal at retail establishments. TANF EBT clients may receive cash or use TANF to purchase items such as food, clothing, and items they cannot purchase using SNAP benefits.

ELIGIBILITY STANDARDS

Recipients must meet the eligibility standards for either assistance program before its benefit will be loaded onto their Lone Star Card. To qualify for SNAP benefits, households must meet specified income and resource requirements. With limited exceptions, able-bodied adults without dependents between 18 and 49 may receive only three months of SNAP benefits in a 36-month period unless enrolled in qualifying work programs. SNAP recipients must be U.S. citizens or legal immigrants meeting certain additional criteria. TANF families must include a child and meet income and resource requirements. The adult in the TANF family must be related to the child, but does not have to be the child's parent. With a few exceptions, non-U.S. citizen are ineligible for TANF in Texas.

REGULATIONS GOVERNING EBT CARDS

Federal regulations prescribe EBT program guidelines and state regulations provide more specific implementation detail within the parameters outlined in federal law and regulation.

Federal regulations specify minimum technological requirements of EBT components, including point of sale terminals, connectivity paths, and computer hardware and software. States must ensure that unexpended SNAP benefits within an account remain available from month-to-month. States must also maintain a card balance inquiry system other than at retail checkout terminals. State agencies administering benefits must specify and publicize benefit availability schedules and dates. States must ensure that households do not have duplicate accounts, and states are authorized to impose EBT card replacement fees. Regulations prohibit minimum dollar amounts for transactions, implementing a maximum number of transactions, or charging a fee for SNAP EBT transactions. A fee specified by state administrative agencies may be charged for accessing the TANF cash benefit. Regulations outline benefit access for Lone Star Card users moved out of state or if there is an emergency or natural disaster. Rules also establish processes and timeframes relating to benefit award, benefit forfeiture for non-use, and correction of balance and transaction errors.

SANCTIONS

The sale or purchase of public assistance benefits is termed trafficking and is made illegal by both federal and state law. The United States Department of Agriculture's (USDA) Food and Nutrition Service (FNS) works with state agencies and retailers to investigate and prosecute trafficking.

Federal law provides penalties including imprisonment, fines, restitution, and property forfeiture for violations of benefit laws or regulations. Violators may also be prohibited from receipt of SNAP benefits, and stores participating in benefit trafficking may be permanently disqualified from participation. The Texas Human Resources Code Section 33.011 specifies state penalties for benefit-related crimes. Penalties range from Class A misdemeanors to third-degree felonies depending on the value of the benefit.

USEFUL REFERENCES

- EBT Card FAQs, published by HHSC, <http://www.hhsc.state.tx.us/providers/lonestar/EBT/EBHowto.html>
- SNAP statutory history, including information on EBT, published by USDA FNS, <http://www.fns.usda.gov/snap/rules/Legislation/about.htm>
- Information on efforts to combat SNAP fraud and summaries of benefit trafficking studies, published by USDA FNS, <http://www.fns.usda.gov/snap/fraud.htm>
- Overview of Texas SNAP benefits, published by HHSC, <http://www.hhsc.state.tx.us/help/Food/snap.shtml>
- Overview of Texas TANF benefits, published by HHSC, <http://www.hhsc.state.tx.us/help/Financial/temporary-assistance.shtml>

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