

DEPARTMENT OF SOCIAL SERVICES

744 P Street, Sacramento, California 95814



May 22, 2002

ALL COUNTY LETTER NO. 02-38

TO: ALL COUNTY WELFARE DIRECTORS
ALL COUNTY EBT COORDINATORS

SUBJECT: ELECTRONIC BENEFIT TRANSFER

REFERENCE: Manual Sections (M.S.) 16-000, 16-001, 16-001.1 through .4, 16-005(a through z), 16-010, 16-015, 16-120, 16-130, 16-200, 16-210, 16-215, 16-300, 16-301, 16-310, 16-315, 16-320, 16-325, 16-400, 16-401, 16-410, 16-500, 16-510, 16-505, 16-510, 16-515, 16-517, 16-520, 16-600, 16-601, 16-610, 16-700, 16-701, 16-750, 16-800, 16-801, 20-300, 44-302, 44-303 and 44-304.

REASON FOR THIS TRANSMITTAL

- State Law Change
- Federal Law or Regulation Change
- Court Order or Settlement Agreement
- Clarification Requested by One or More Counties
- Initiated by CDSS

The purpose of this letter is to transmit proposed regulations and revisions for implementation of the Electronic Benefit Transfer System. The regulations are being adopted on an emergency basis and are effective May 1, 2002. Public Hearings are scheduled for June 19 and 21, 2002 and the regulations are subject to revision. You will be notified of any revisions via All County Letter as soon as possible. A County Fiscal Letter will be forthcoming to transmit the EBT Settlement and Reconciliation Guide providing specific information on the forms and procedures necessary for the required daily reconciliation and settlement. In addition, the CalWORKs Eligibility Bureau will be issuing an All County Information Notice containing the program-relevant Notices of Action and forms to be used with EBT as well as instructions for their use.

If you have any questions, please contact David Badal of the Program Technology Bureau at (916) 654-1405.

Sincerely,

**Original Document
Signed By**

BRUCE WAGSTAFF
Deputy Director
Welfare To Work Division

Attachment

REGULATION CHANGES

M.S. 16-000 is being adopted to provide the chapter title “General.”

M.S. 16-001 is being adopted to provide the section title “General System Information.”

M.S. 16-001.1 is being adopted to provide a description of an Electronic Benefit Transfer (EBT) system.

M.S. 16-001.11 is being adopted to specify that an eligible recipient’s benefit information shall be loaded into a central computer account each month during the certification period.

M.S. 16-001.12 is being adopted to specify that a magnetic-stripe plastic card shall be used to access a recipient’s account in lieu of food stamp coupons for the purchase of food items at authorized food retailers or in lieu of cash benefits issued via warrant for the purchase of goods or services. The section further specifies that cardholders shall use the same card to access food stamp and cash benefit accounts (if the CWD elects to issue cash benefits through the EBT system).

M.S. 16-001.13 is being adopted to specify that the cardholder will access the benefit account by swiping the EBT card through a point of sale (POS) terminal at a retail location for a purchase transaction.

M.S. 16-001.131 through .136 are being adopted to describe the steps involved in a purchase transaction.

M.S. 16-001.2, .21, and .22 are being adopted to specify that the CWD shall issue benefits for the Food Stamp Program and the California Food Assistance Program via the EBT system.

M.S. 16-001.3, .31, and .32 are being adopted to specify that the EBT system may be used to issue CalWORKs benefits and, with the approval of the California Department of Social Services, other program benefits.

M.S. 16-001.4 is being adopted to mandate that counties implement the Division 16 EBT regulations and other EBT regulations in the Manual of Policies and Procedures including but not limited to, Division 20 and Division 44 when the statewide EBT system is implemented in the county.

M.S. 16-003 is being adopted to mandate that counties comply with all civil rights laws and rules and Division 21. This requirement also applies to all contractors and sub-contractors performing any county function.

M.S. 16-005 is being adopted to provide the section title “Definitions.”

M.S. 16-005(a)(1) is being adopted to provide a definition of the term “Account.”

M.S. 16-005(a)(2) is being adopted to provide a definition of the term “Administrative Terminal Interface.”

M.S. 16-005(a)(3) is being adopted to provide a definition of the term “Assistance Unit.”

M.S. 16-005(a)(4) is being adopted to provide a definition of the term “Authorized Representative.”

M.S. 16-005(a)(5) is being adopted to provide a definition of the term “Automated Clearing House.”

M.S. 16-005(a)(6) is being adopted to provide a definition of the term “Automated Response Unit.”

M.S. 16-005(a)(7) is being adopted to provide a definition of the term “Automated Teller Machine.”

M.S. 16-005(a)(8) is being adopted to provide a definition of the term “Availability Date.”

M.S. 16-005(b)(1) is being adopted to provide a definition of the term “Balance Inquiry.”

M.S. 16-005(b)(2) is being adopted to provide a definition of the term “Batch Interface.”

M.S. 16-005(b)(3) is being adopted to provide a definition of the term “Business Day.”

M.S. 16-005(c)(1) is being adopted to provide a definition of the term “Calculated Net Benefit Increase.”

M.S. 16-005(c)(2) is being adopted to provide a definition of the term “Cardholder.”

M.S. 16-005(c)(3) is being adopted to provide a definition of the term “Caretaker Relative.”

M.S. 16-005(c)(4) is being adopted to provide a definition of the term “Case.”

M.S. 16-005(c)(5) is being adopted to provide a definition of the term “Cash.”

M.S. 16-005(c)(6) is being adopted to provide a definition of the term “Cash Withdrawal Transaction.”

M.S. 16-005(d)(1) is being adopted to provide a definition of the term “Designated Alternate Cardholder.”

M.S. 16-005(d)(2) is being adopted to provide a definition of the term “Doctor or Medical Licensed Practitioner.”

M.S. 16-005(e)(1) is being adopted to provide a definition of the term “Electronic Benefit Transfer.”

M.S. 16-005(e)(2) is being adopted to provide a definition of the term “EBT Card.”

M.S. 16-005(e)(3) is being adopted to provide a definition of the term “EBT Contractor.”

M.S. 16-005(e)(4) is being adopted to provide a definition of the term “EBT Host.”

M.S. 16-005(e)(5) is being adopted to provide a definition of the term “Eligibility System Interface.”

M.S. 16-005(f)(1) is being adopted to provide a definition of the term “FNS Authorized Retailer.”

M.S. 16-005(f)(2) is being adopted to provide a definition of the term “Food and Nutrition Service.”

M.S. 16-005(f)(3) is being adopted to provide a definition of the term “Food Stamp Merchandise Refund.”

M.S. 16-005(f)(4) is being adopted to provide a definition of the term “Food Stamp Program.”

M.S. 16-005(f)(5) is being adopted to provide a definition of the term “Food Stamp Purchase.”

M.S. 16-005(g) is being adopted as a placeholder.

M.S. 16-005(h)(1) is being adopted to provide a definition of the term “Host-to-Host interface.”

M.S. 16-005(i)(1) is being adopted to provide a definition of the term “Interoperable Transaction.”

M.S. 16-005(i)(2) is being adopted to provide a definition of the term “Issuer.”

M.S. 16-005(j) is being adopted as a placeholder.

M.S. 16-005(k) is being adopted as a placeholder.

M.S. 16-005(l) is being adopted as a placeholder.

M.S. 16-005(m)(1) is being adopted to provide a definition of the term “Magnetic Stripe.”

M.S. 16-005(m)(2) is being adopted to provide a definition of the term “Manual Food Stamp Transaction.”

M.S. 16-005(n)(1) is being adopted to provide a definition of the term “Non-settling Transaction.”

M.S. 16-005(o)(1) is being adopted to provide a definition of the term “Off-line.”

M.S. 16-005(o)(2) is being adopted to provide a definition of the term “On-line.”

M.S. 16-005(p)(1) is being adopted to provide a definition of the term “Personal Identification Number [PIN].)

M.S. 16-005(p)(2) is being adopted to provide a definition of the term “Point of Sale [POS].)

M.S. 16-005(p)(3) is being adopted to provide a definition of the term “Primary Account Number [PAN].)

M.S. 16-005(q) is being adopted as a placeholder.

M.S. 16-005(r)(1) is being adopted to provide a definition of the term “Receipt.”

M.S. 16-005(r)(2) is being adopted to provide a definition of the term “Reconciliation.”

M.S. 16-005(r)(3) is being adopted to provide a definition of the term “Reject.”

M.S. 16-005(s)(1) is being adopted to provide a definition of the term “Settlement.”

M.S. 16-005(s)(2) is being adopted to provide a definition of the term “Surcharge.”

M.S. 16-005(t)(1) is being adopted to provide a definition of the term “Third-party Processor.”

M.S. 16-005(t)(2) is being adopted to provide a definition of the term “Trafficking.”

M.S. 16-005(t)(3) is being adopted to provide a definition of the term “Transaction day.”

M.S. 16-005(u)(1) is being adopted to provide a definition of the term “Unlinked Benefits.”

M.S. 16-005(v)(1) is being adopted to provide a definition of the term “Void.”

M.S. 16-005(w) is being adopted as a placeholder.

M.S. 16-005(x) is being adopted as a placeholder.

M.S. 16-005(y) is being adopted as a placeholder.

M.S. 16-005(z) is being adopted as a placeholder.

M.S. 16-010 is being adopted to provide the section title “County Interface and Administrative Transactions.”

M.S. 16-010.1, .11, .12 and .13 are being adopted to establish that each CWD shall utilize one or more of the following interface methods: Standard Batch Interface (required), Standard Host-to-Host Interface, and/or Administrative Terminal Interface.

M.S. 16-010.2(a through m) are being adopted to identify the administrative transaction functions of the eligibility system, including but not limited to: account setup, account information update, adding program benefits to an existing card, adding or removing cardholders to or from an existing account, benefit authorization, card issuance, card replacement, recipient PIN selection, Food Stamp conversion, card deactivation, recipient account inquiry, inactive account reactivation and voluntary claim repayment.

M.S. 16-015 is being adopted to provide the section title “EBT Security.”

M.S. 16-015.1 is being adopted to recommend that all EBT system users (other than cardholders) address security and privacy requirements in the following areas: System and application access and control of administrative terminals, security roles and responsibilities, physical security, personnel identification and authentication, data sharing, data transmission, audit control procedures, data backup, data care and storage, procedures for destruction of confidential data, and security incident reporting procedures.

M.S. 16-005.2 is being adopted to recommend that security policies be implemented prior to EBT implementation and that they be updated on a regular basis.

M.S. 16-100 is being adopted to provide the chapter title “EBT Account.”

M.S. 16-105 is being adopted to provide the section title “EBT Account Setup.”

M.S. 16-105.1 is being adopted to require that account setup information be provided by the CWD to the EBT contractor using the standard EBT interfaces.

M.S. 16-105.2 is being adopted to mandate that batch files be transmitted within the time frames required in M.S. 215.1 and .2.

M.S. 16-105.3 and .31 through .39 are being adopted to require that the necessary case data information for EBT account setup includes, but is not limited to: welfare case number, recipient name, date of birth, social security number, and address, transaction type identifier, recipient code identifier, other optional recipient identifier, worker and/or location identifier.

M.S. 16-105.4 and .41 are being adopted to mandate that the CWD must establish a new EBT account when a recipient moves from one county and establishes eligibility in another county.

M.S. 16-105.5 is being adopted to mandate that for all cases other than expedited issuance cases, the CWD shall transmit account setup data prior to card issuance.

M.S. 16-120 is being adopted to provide the section title "Account Aging and Expungement."

M.S. 16-120.1 is being adopted to establish that an EBT account aging status may be inactive, dormant, or expunged.

M.S. 16-120.11 is being adopted to identify inactive accounts as those in which there has been no debit activity by the cardholder for 45 days.

M.S. 16-120.111 is being adopted to establish that the CWD shall receive a monthly report identifying accounts to which no debits have been posted for 45 days.

M.S. 16-120.112 has been adopted to mandate that a recipient must be notified (at the time that the CWD becomes aware that there has been no debit activity for 45 days) that their benefits will become inaccessible after a total of 90 days of inactivity.

M.S. 16-120.12 is being adopted to identify dormant accounts as those in which no debit activity (by the cardholder) has occurred for a period of 90 days.

M.S. 16-120.121 is being adopted to establish that a client must contact the CWD in order to have access to benefits held in a dormant status.

M.S. 16-120.122 is being adopted to provide the methodology for reinstating benefits held in a dormant status.

M.S. 16-120.13 is being adopted to identify expunged benefits as those that have been available for a period of 270 days with no debit activity.

M.S. 16-120.131 is being adopted to mandate that expunged food stamp benefits shall not be reinstated.

M.S. 16-120.132 is being adopted to require that food stamp issuance reports shall reflect any adjustment in issuance totals to comply with federal reporting requirements.

M.S. 16-120.133 is being adopted to mandate that CWDs maintain an accounting of expunged cash benefits and reissue such benefits upon recipient request.

M.S. 16-120.134 is being adopted to state that the EBT contractor shall expunge benefits on a daily basis.

M.S. 16-120.2 is being adopted to require that food stamp benefits remaining in an account be expunged if the household fails to use the benefits within one week after conversion of electronic benefits to food stamp coupons, pursuant to M.S. 16-315.

M.S. 16-130 is being adopted to provide the section title "Account Balance and Transaction History."

M.S. 16-130.1 is being adopted to establish that the CWD shall have access to account balances and transaction history via administrative terminals.

M.S. 16-130.2(a through l) are being adopted to require that at a minimum, the transaction history record will include: recipient name and PAN, EBT account number and benefit program identifier, transaction type, FNS number for food stamp transactions, merchant identifier and retailer or bank name, transaction location, amount, and date, and itemized transaction fees or surcharges.

M.S. 16-130.3 is being adopted to require that a rolling 90-day transaction history be maintained and accessible through administrative terminals. The section further mandates that after 90 days, transaction history must be maintained off-line for 4 years.

M.S. 16-130.4 is being adopted to mandate that off-line transaction data be made available at CWD request within 5 days of the request.

M.S. 16-130.5 is being adopted to mandate that the CWD assist cardholders in obtaining transaction history via the ARU or the Customer Service Center (CRC).

M.S. 16-130.51 is being adopted to establish that at the cardholder's request the CRC will provide a two-month transaction history within 5 business days.

M.S. 16-200 is being adopted to provide the chapter title "EBT Benefits."

M.S. 16-201 is being adopted to provide the section title "Benefit Authorization."

M.S. 16-201.1 is being adopted to mandate that the CWD shall transmit benefit authorization records containing each day's authorizations to the EBT contractor.

M.S. 16-201.11 is being adopted to mandate that benefits be authorized at least once per month for ongoing cases.

M.S. 16-201.111 is being adopted to state that although benefit delivery dates will be staggered, the monthly authorization file will be transmitted once monthly.

M.S. 16-201.12 is being adopted to mandate that at a minimum, the CWD shall transmit benefit authorizations on a daily basis for new accounts and supplements.

M.S. 16-201.2 is being adopted to require that benefit authorization data fields shall include, but not be limited to: welfare case number, benefit program identifier, type, amount, and availability date, benefit month and year, and location and/or worker identifier.

M.S. 16-215 is being adopted to provide the section title "Benefit Availability."

M.S. 16-215.1 is being adopted to require that benefits issued via EBT be issued within the time frames mandated by existent program regulations.

M.S. 16-215.11 is being adopted to provide an example for M.S. 16-215.1.

M.S. 16-215.2 is being adopted to require that the CWD transmit account setup and benefit authorization date via the eligibility system interface to meet immediate need and expedited service time frames.

M.S. 16-215.21 is being adopted to establish that EBT card and PIN issuance may occur at designated county locations.

M.S. 16-215.22 is being adopted to state that the EBT system will be able to satisfy program requirements by providing same-day account setup, benefit authorization, and card.

M.S. 16-215.3 is being adopted to require that the CWD inform recipients of their benefit availability date.

M.S. 16-215.4, .41 and .42 are being adopted to permit the CWD to change the benefit issuance cycle, that any such change conform to CDSS benefit issuance requirements, and that recipients be notified of any such change as specified in MPP Section 22.001t(1).

M.S. 16-215.5 is being adopted to require that food stamp benefits issued via EBT be staggered over the first 10 calendar days each month.

M.S. 16-215.6 is being adopted to require CWDs issuing cash benefits via EBT issue such benefits on a staggered basis over the first 3 calendar days of the month.

M.S. 16-215.61 is being adopted to establish that CWDs may request a countywide waiver of the 3-day stagger requirement in M.S. 16-215.6.

M.S. 16-215.62 is being adopted to establish that the CWD may grant a case-by-case exemption of the cash stagger requirement in M.S. 16-215.6 based on hardship. Such hardship may include but is not limited to the incidence of late fees for housing costs.

M.S. 16-215.63 is being adopted to establish that General Assistance benefits may be staggered over a period longer than 3 days.

M.S. 16-215.7 is being adopted to establish that benefits remaining in an account beyond the month of issuance shall be carried forward month-to-month unless the benefits are subject to M.S. 16-120, Account Aging.

M.S. 16-300 is being adopted to provide the chapter title "Benefit Transaction."

M.S. 16-301 is being adopted to provide the section title "General Benefit Transaction."

M.S. 16-301.1 is being adopted to mandate that benefits under M.S. 16-001.2 may be issued via EBT provided that recipients have reasonable access to such benefits.

M.S. 16-301.2 and .21 through .26 are being adopted to establish the conditions under which an EBT transaction may be authorized.

M.S. 16-301.3 is being adopted to establish that if any of the conditions set forth in M.S. 16-301.2 through .26 are not met, the transaction must be denied. The transaction response shall include the reason for the denial and, if the denial is due to insufficient funds, the transaction shall include the available balance.

M.S. 16-310 is being adopted to provide the section title "Food Stamp Transaction."

M.S. 16-310.1 is being adopted to establish that no transaction fees be imposed on food stamp households using the EBT system to access their benefits.

M.S. 16-310.2 is being adopted to establish that food stamp benefits shall be transacted using EBT at FNS authorized retailers for eligible food items.

M.S. 16-310.21 is being adopted to establish that a recipient's food stamp account shall be debited for the cost of eligible food items purchased with food stamp benefits.

M.S. 16-310.22 is being adopted to establish that a recipient's food stamp account be credited for any refund related to the purchase of eligible food items and that they be provided with a receipt indicating their adjusted balance.

M.S. 16-310.3 is being adopted to establish that no minimum dollar amount per transaction or maximum number of transactions shall be established.

M.S. 16-310.4 is being adopted to establish that food stamp electronic benefits shall not be converted to cash and that no cash change shall be given to cardholders when using food stamp electronic benefits.

M.S. 16-310.5 is being adopted to prohibit EBT access to food stamp benefits outside of the United States and its territories.

M.S. 16-310.6 is being adopted to preface the conditions under which a manual voucher process shall be used in food stamp transactions.

M.S. 16-310.61, .611, .612, .612(a), .612(b), and .613 are being adopted to establish the conditions under which a manual voucher process is to be used for food stamp transactions. These include: retailers and non-traditional retailers do not have access to a POS device, the retailer's system cannot communicate with the EBT host, or the EBT host is unavailable for transaction processing.

M.S. 16-310.62 and .621 are being adopted to establish that if the EBT host is unavailable for transaction processing the EBT contractor shall invoke a floor limit.

M.S. 16-310.63 is being adopted to require that at a minimum, the manual voucher shall include the transaction amount and the authorization number and that the cardholder shall sign and receive a copy of the voucher.

M.S. 16-310.64 is being adopted to establish that manual vouchers shall not be used for cash transactions.

M.S. 16-310.7 is being adopted to require that CWDs identify recipients normal shopping patterns (which may extend three miles beyond the state border) to provide for minimal disruption of access to benefits.

M.S. 16-315 is being adopted to provide the section title “Food Stamp Benefit Conversion.”

M.S. 16-315.1 is being adopted require that the CWD convert food stamp electronic benefits to coupons at the recipient’s request when the household relocates to another state that is not EBT operable.

M.S. 16-315 .2 is being adopted to require CWDs to convert EBT food stamp benefits to food stamp coupons for short-term absences from the project area for family emergencies or similar occurrences.

M.S. 16-315.3 is being adopted to require CWDs to develop procedures for conversion that do not conflict with mailing restrictions for other authorization documents.

M.S. 16-315.4 is being adopted to provide CWDs the option of storing and converting food stamp coupons or having the EBT contractor perform this function.

M.S. 16-315.41, .411 and .412 are being adopted to describe the time frames for the conversion of electronic food stamp benefits to coupons.

M.S. 16-315.5 is being adopted to establish that benefits remaining in a food stamp account be rounded down to the nearest whole dollar amount for conversion purposes.

M.S. 16-315.6, .61 and .611 are being adopted to establish that the household is required to spend any remaining balance that cannot be converted to coupons within one week of conversion or the benefits shall be expunged in accordance with M.S. 16-120.

M.S. 16-315.7 is being adopted to establish that there is no limit to the number of times that a household’s electronic benefits can be converted to coupons.

M.S. 16-315.8 and .9 are being adopted to prohibit conversion to food stamp coupons solely for the purpose of shopping outside of the project area and to prohibit the splitting of electronic benefits and coupons at the time of issuance.

M.S. 16-320 is being adopted to provide the section title “Cash Transaction.”

M.S. 16-320.1 is being adopted to state that the issuance of cash benefits via EBT is a county option and that MPP sections 16-320 and 16-325 shall not apply to counties not issuing cash benefits via EBT.

M.S. 16-320.2 is being adopted to clarify that recipients shall access their cash benefits at ATM, POS or other devices that accept cash EBT transactions.

M.S. 16-320.3 through .34 are being adopted to specify the types of EBT cash transactions.

M.S. 16-320.4 is being adopted to require the CWD to provide information to cardholders regarding cash access locations and information on fees.

M.S. 15-320.41 is being adopted to specify that the CWD will receive a monthly report listing cash access locations and related features.

M.S. 16-320.5 is being adopted to specify that cardholders will not be charged a transaction fee by the EBT contractor for the first four cash withdrawal transactions per case per month.

M.S. 16-320.6 is being adopted to clarify that the cardholder may, at their option, choose to make cash withdrawals at locations that impose additional surcharges or fees.

M.S. 16-320.7 is being adopted to mandate that surcharges and fees attributable to the recipient shall be deducted from their account at the time of the transaction.

M.S. 16-325 is being adopted to provide the section title “Alternative Methods to EBT Cash Benefit Delivery.”

M.S. 16-325.1 is being adopted to specify that in counties issuing cash benefits via EBT, all such benefits are to be issued using either EBT or an alternative method (direct deposit or warrant).

M.S. 16-325.2 is being adopted to establish that at recipient option the CWD shall issue EBT cards and PINs to other adult household/assistance unit members or to an individual outside of the household/assistance unit.

M.S. 16-325.3 is being adopted to establish that to receive a warrant for cash benefits, an individual must demonstrate their inability to successfully use the EBT system.

M.S. 16-325.31 and .311 are being adopted to establish the criteria for the continued receipt of a warrant due to physical or mental incapacity.

M.S. 16-325.32, .321, .321(a), .321(b), .322, and .323 are being adopted to provide the verification procedures to be used in validating claims of physical or mental incapacity in relation to M.S. 16-325.31.

M.S. 16-325.33 and .331 are being adopted to allow CWDs the discretion to continue warrant issuance for recipients who are demonstrably unable to successfully use the EBT system to access their cash benefits for reasons other than physical or mental incapacity.

M.S. 16-325.4 is being adopted to specify that a recipient’s claim of their inability to successfully use the EBT system should be approved only after all other alternative methods of benefit delivery have been considered.

M.S. 16-400 is being adopted to provide the chapter title “Settlement, Reconciliation, and Reporting.”

M.S. 16-401 is being adopted to provide the section title “Cash Settlement Process.”

M.S. 16-401.1, .11, and .111 through .112 are being adopted to mandate and describe the responsibilities of the CWD to ensure the following: that a settlement account is established in a bank capable of processing the federal wire or Automated Clearing House debit transactions, that the bank is capable of processing transactions during every business day, and that monies are available in the funding account to cover daily settlement activities.

M.S. 16-401.12 is being adopted to specify that the State will monitor settlement activity.

M.S. 16-401.13 is being adopted to require each county to establish a management and operations structure to monitor settlement.

M.S. 16-401.14 and .141 are being adopted to specify that in the event a county fails to make settlement funds available, the EBT contractor must settle with retailers and ATM owners that have redeemed benefits. The EBT contractor will then assess interest charges and may assess the county

other fees for late settlement. The county is responsible for these interest charges and relevant late settlement fees at the time of the third occurrence of late settlement during a 12-month period.

M.S. 16-401.15 is being adopted to mandate that the State is responsible to reimburse the EBT contractor in the event of a county's failure to settle. The county will then be responsible to reimburse the State for such costs through direct payment to the State or by offset of funds owed to the county.

M.S. 16-401.16 is being adopted to specify that if a county refuses to or is unable to fund settlement, the State may terminate the cash EBT services of the county.

M.S. 16-401.17 is being adopted to establish the responsibility of the county related to problems with settlement in that county.

M.S. 16-410 is being adopted to provide the section title "Food Stamp and Cash Reconciliation Process."

M.S. 16-410.1 is being adopted as a header for the following sections pertinent to an overview of reconciliation for all system interfaces.

M.S. 16-410.11 and .12 are being adopted to mandate that CWDs must perform daily reconciliation for food stamps and for cash benefits entering into, out from, or remaining in the EBT system.

M.S. 16-410.13 is being adopted to specify that the county's eligibility system is the primary keeper of all benefit obligations created and that a benefit obligation is not created until the benefit is available and posted to the recipient account.

M.S. 16-410.14 and .141 through .143 are being adopted to describe the mandated interrelated but independent accounting systems that must be reconciled.

M.S. 16-410.2, .21 and .22 are being adopted to specify that food stamp and cash benefits entering the EBT system are either benefits issued or non-settling transactions.

M.S. 16-410.3 and .31 are being adopted to mandate that the county shall ensure that all files are created and transmitted successfully to the EBT contractor.

M.S. 16-410.32, .321 and .322 are being adopted to mandate that the county shall reconcile benefits issued by the availability date and transmit files for new accounts and supplements in accordance with M.S. 16-201.12 on a daily basis.

M.S. 16-410.33 is being adopted to require that the county send a monthly file containing recurring benefit issuance data to the EBT contractor in accordance with M.S. 16-201.11.

M.S. 16-410.34 is being adopted to require that each county produce and transmit its own specific batch files.

M.S. 16-410.35 is being adopted to require that each county verify receipt of the return file validating that batch ID, record counts and dollar amounts match what was originally transmitted by the county.

M.S. 16-410.36 is being adopted to require the county to correct errors discovered in the return file referenced in M.S. 16-410.35.

M.S. 16-410.37 is being adopted to require the county to track and manage unlinked benefits on a daily basis.

M.S. 16-410.4 and .41 are being adopted to mandate that CWDs shall track and manage rejects and voids on a daily basis.

M.S. 16-410.411 is being adopted to specify that the EBT contractor will return rejected records in the return file to the county on a daily basis.

M.S. 16-410.42 is being adopted to mandate that on a daily basis the county will remove or correct rejected benefit obligations without creating duplicate files in the eligibility system.

M.S. 16-410.43 is being adopted to mandate that the county remove and void rejected issuance records from its eligibility system.

M.S. 16-410.44 is being adopted to require the county to correct the issuance without creating a duplicate obligation in the eligibility system.

M.S. 16-410.5 and .51 are being adopted to mandate that benefit availability dates on the eligibility system match the availability date on the EBT system and that benefits are activated on the availability date.

M.S. 16-410.52 is being adopted to require the county to verify and reconcile returned non-settling benefits on a daily basis.

M.S. 16-410.53 is being adopted to require the county to identify and reconcile discrepancies in its net benefit issuance and that reported by the EBT contractor on a daily basis.

M.S. 16-410.54 is being adopted to require the county to contact the EBT contractor if it is unable to reconcile its issuance totals against that reported by the EBT contractor.

M.S. 16-410.541 is being adopted to establish that the county is responsible for resolving reconciliation discrepancies and for documenting the reasons for discrepancies.

M.S. 16-410.55 and .551 are being adopted to establish that CDSS will provide a reconciliation worksheet template for the counties and that the counties will submit the worksheet for the Food Stamp Program to CDSS by the 30th day after the end of each month.

M.S. 16-410.6 and .61 are being adopted to mandate that for the Food Stamp Program, the county shall reconcile the benefit issuance worksheet with the FNS 46 report.

M.S. 16-410.62 is being adopted to require the county to provide a copy of the FNS 46 and the monthly benefit issuance worksheet to CDSS by the 30th day after the end of each month.

M.S. 16-410.63 is being adopted to mandate that the county ensures that the benefit issuance worksheet is reconciled to the DFA 256.

M.S. 16-410.7 and .71 are being adopted to require that the county reconcile reductions in cash accounts by program.

M.S. 16-410.8, .81 and .82 are being adopted to require the county to reconcile remaining obligations for cash EBT programs and that the county ensure that adequate reserve funds remain to fund outstanding benefit obligations and to fund the settlement account on a daily basis.

M.S. 16-500 is being adopted to create the chapter title "EBT Card and PIN."

M.S. 16-501 is being adopted to create the section title "EBT Cardholders."

M.S. 16-501.1 is being adopted to establish that the CWD shall issue individual EBT cards and PINs to recipients and other designated cardholders.

M.S. 16-501.2 and .3 are being adopted to specify that each cardholder will have their own EBT card with a unique PAN and that multiple cards will be linked to the recipients account.

M.S. 16-501.4 and .41 are being created to specify that the EBT system can add new program benefits to an existing card and that if a recipient with an active card is eligible for additional program benefits those benefits will be added to the existing card.

M.S. 16-505 is being adopted to create the section title "Additional EBT Cardholders."

M.S. 16-505.1 is being adopted to establish that other adult household/assistance unit members shall be issued EBT cards and PINs enabling them to access the household's benefits.

M.S. 16-505.2 is being adopted to establish that the recipient head of household/assistance unit may designate one individual outside of the household/assistance unit to access benefits.

M.S. 16-505.21 is being adopted to specify that the head of household may designate one adult to act as authorized representative for food stamps, one adult to act as designated alternate cardholder for cash benefits, or the same adult to act in both capacities.

M.S. 16-505.22 is being adopted to specify that if no responsible adult is available, a minor outside of the household may be designated in accordance with M.S. 16-505.21.

M.S. 16-505.23 is being adopted to specify that an individual designated as authorized representative for EBT food stamps is subject to the provisions of MPP Section 63-402.6.

M.S. 16-510 is being adopted to provide the section title "EBT Card and PIN Issuance."

M.S. 16-510.1 is being adopted to require the CWD to determine when EBT cards are to be issued to applicants.

M.S. 16-510.21 is being adopted to provide CWDs with the option of issuing EBT cards and PINs either through the mail or over-the-counter.

M.S. 16-510.211 is being adopted to provide an example for M.S. 16-510.21.

M.S. 16-510.212, .212(a), (b) and (c) are being adopted to require that the CWD determine the number of issuance locations and the on-site preparations for such locations.

M.S. 16-510.213, .213(a), (b) and (c) are being adopted to specify the responsibilities of the CWD for over-the-counter card and PIN issuance.

M.S. 16-510.214 and .214(a) are being adopted to require that the EBT card and PIN be mailed separately and on separate dates.

M.S. 16-510.214(b)(1) and (2) are being adopted to specify the processes to be used for the mailing of EBT cards and PINs.

M.S. 16-510.214(c) is being adopted to specify that for mail-based card and PIN issuance, the CWD be equipped to perform over-the-counter issuance.

M.S. 16-510.214(c)(1) is being adopted to specify that the EBT contractor shall provide and maintain EBT card and PIN issuance equipment at designated county locations.

M.S. 16-510.3, .31 and .311 are being adopted to require the CWD to mail EBT cards and PINs to homebound recipients and other recipients with a hardship preventing them from travelling to the CWD.

M.S. 16-510.4 and .41 are being adopted to require the CWD to establish a new EBT account and provide a new EBT card with a new PAN for recipients who move from one EBT county to another.

M.S. 16-510.411 is being adopted to mandate that any benefits remaining in a recipient's account at the time they move to another county shall remain available to the recipient via the previous EBT card.

M.S. 16-510.412 is being adopted to establish that benefits referenced in M.S. 16-510.411 are to remain active until either used or aged per M.S. 16-120, Account Aging.

M.S. 16-515 is being adopted to provide the section title "Lost, Stolen, Inoperative EBT Card."

M.S. 16-515.1 is being adopted to require the CWD to immediately provide a cardholder with the toll-free telephone number in the event their card is lost, stolen, or rendered inoperable.

M.S. 16-515.2 is being adopted to specify that the EBT system will maintain a 24-hour toll-free telephone number for recipients to report that their card or PIN have been lost, stolen, or rendered inoperable.

M.S. 16-515.3 is being adopted to specify that the EBT system will immediately deactivate an EBT card that has been reported lost, stolen or rendered inoperable.

M.S. 16-515.4 is being adopted to specify that a record of all lost, stolen or inoperable EBT cards reported by households will be available to CWDs from the EBT contractor.

M.S. 16-517 is being adopted to provide the section title "EBT Card Replacement."

M.S. 16-517.1 is being adopted to require the CWD to provide a replacement EBT card within 3 business days of the cardholder's request for replacement.

M.S. 16-517.2 is being adopted to require that the CWD ensure that replacing the EBT card does not result in a duplicate benefit to which the household is not entitled.

M.S. 16-517.3 is being adopted to require that active cards be deactivated prior to the issuance of replacement cards.

M.S. 16-517.4 is being adopted to require replacement cards be issued with a new PAN.

M.S. 16-517.5, .51, .511, .512 and .512(a) are being adopted to establish that CWDs have to option of issuing replacement cards on existing cases using either over-the-counter or mail-based issuance and the methodology to be used for the chosen method.

M.S. 16-517.6 is being adopted to specify the information regarding card status that will be available via the administrative terminal.

M.S. 16-520 is being adopted to provide the section title "PIN Selection, Change, and Unlock."

M.S. 16-520.1 is being adopted to require the CWD to permit the cardholder to change and/or select their PIN either through the ARU or at a designated county location.

M.S. 16-520.2 is being adopted to specify that the CWD shall not limit the number of times a cardholder can change their PIN.

M.S. 16-520.3 is being adopted to require the CWD, at the request of the cardholder, to reactivate an EBT card that has been deactivated due to 4 consecutive invalid PIN attempts within a calendar day and the relevant required verification procedures to be followed.

M.S. 16-520.31 is being adopted to specify the verification criteria required to reactivate a card that has been deactivated pursuant to M.S. 16-520.3.

M.S. 16-520.32 is being adopted to specify the circumstances in which a card will be deactivated due to invalid PIN attempts.

M.S. 16-600 is being adopted to provide the chapter title "Training."

M.S. 16-601 is being adopted to provide the section title "Cardholder Training."

M.S. 16-601.1 is being adopted to require the CWD to provide EBT training and instructions to cardholders.

M.S. 16-601.2 is being adopted to require that the CWD provide training materials to cardholders prior to their use of the EBT system.

M.S. 16-601.3, .31, .32, .321, .322 and .323 are being adopted to establish that face-to-face training be available at designated county locations on an as-needed basis and the criteria identifying the need for face-to-face training.

M.S. 16-601.4 is being adopted to specify that training materials shall be provided for monolingual or bilingual households and may vary between district offices.

M.S. 16-601.41 is being adopted to mandate that written training material be provided in all languages currently required by the provisions of the Dymally-Alatorre Bilingual Services Act of 1973.

M.S. 16-601.5 is being adopted to specify that EBT training functions may be incorporated with certification procedures.

M.S. 16-601.6(a through z) are being adopted to identify the areas that, at a minimum, must be covered by cardholder training.

M.S. 16-610 is being adopted to provide the section title "County Training."

M.S. 16-610.1 is being adopted to require the CWD to conduct ongoing training for cardholders and for county staff.

M.S. 16-610.2 is being adopted to identify the materials that the training referenced in M.S. 16-610.1 must cover.

M.S. 16-700 (Chapter Title "Adjustments") and 701 (Section Title "Benefit Adjustment") are being adopted as placeholders. This chapter and sections will be included in regulations as soon as possible. Pertinent information will be transmitted via All County Letter in the near future.

M.S. 16-750 is being adopted to provide the section title "Food Stamp Overissuance Collections from EBT Accounts."

M.S. 16-750.1 is being adopted to require the CWD to allow a household to pay its food stamp overissuance claims using their EBT account benefits.

M.S. 16-750.11, .111 and .112 are being adopted to specify that the CWD may collect overissuances from active and reactivated accounts with written or oral permission from the recipient.

M.S. 16-750.12 is being adopted to provide the process necessary for the CWD to collect overissuances from stale EBT accounts.

M.S. 16-750.13 is being adopted to establish the procedure for the CWD to follow if adjusting an overissuance with expunged benefits.

M.S. 16-750.14 is being adopted to specify that a collection from an EBT account must be non-settling against the benefit drawdown account.

M.S. 16-750.15, .151, .152, .153, .154 and .155 are being adopted to identify the information that must be included, at a minimum, in any written agreement with the household authorizing collection using active EBT benefits.

M.S. 16-750.2 is being adopted to establish that the household shall not be entitled to a refund of an overpaid claim if the payment was made with expunged benefits.

M.S. 16-800 is being adopted to provide the chapter title "EBT Fraud and Suspected Violations."

M.S. 16-801 is being adopted to provide the section title "Fraud and Suspected Violations for Benefits Received via the EBT System."

M.S. 16-801.1 is being adopted to specify that all suspected fraud or misuse of EBT benefits should be referred to the county Special Investigative Unit (SIU) or other appropriate agency.

M.S. 16-801.2 is being adopted to specify the location of comprehensive procedures for investigation, referral for investigation, and Intentional Program Violations.

M.S. 16-801.3 is being adopted to specify that suspected fraud of EBT benefits should be investigated in accordance with the provisions of MPP Division 20.

M.S. 16-801.4 is being adopted to specify the information resources available to county investigators.

M.S. 16-801.5 is being adopted to require that the county SIU, State agency, or local law enforcement shall contact the CDSS Fraud Bureau or the USDA to coordinate investigations of potential fraud and/or trafficking.

M.S. 20-300.12 is being amended to replace phrase “coupons or ATPs” with the word “benefits.”

M.S. 20-300.312 and .313 are being amended to add the word “benefits.”

M.S. 44-302 is being amended to replace the term “Direct Deposit” with the term “Electronic Fund Transfer.”

M.S. 44-302.1, .11, .12 and .13 have been renumbered.

M.S. 44-302.2 is being adopted to specify that counties may elect to issue cash program benefits using the EBT system.

M.S. 44-304.53 is being adopted to specify that counties opting to use the EBT system to issue cash benefits shall do so pursuant to M.S. 16-215.

M.S. 44-304.611 has been amended to delete the phrase “to the recipient” and to add the phrase “to recipients using direct deposit and available on the designated payment date to recipients using EBT pursuant to M.S. 16-215.5.”

M.S. 44-303.611(a) has been amended to replace the phrase “first of the month” with “payment date,” to replace the phrase on the prior Friday or Saturday (depending on the financial institution)” with “in time,” and to replace the phrase “to the recipient” with “for recipients using direct deposit and available by the designated payment date for recipients using EBT.”

FINDING OF EMERGENCY

These regulations are being implemented on an emergency basis for the immediate preservation of the public peace, health and safety, or general welfare, within the meaning of Government Code Section 11346.1.

DESCRIPTION OF SPECIFIC FACTS WHICH CONSTITUTE THE EMERGENCY

1. The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996 (Public Law 103-196) mandated that all federal food stamp benefits be provided electronically by October 1, 2002.
2. Assembly Bill (AB) 1542, (Chapter 270, Statutes of 1997), enacted provisions impacting the California Department of Social Services (CDSS) by establishing the statewide electronic benefit transfer system (EBT). This statute adds Section 10072 to the Welfare and Institutions Code, which requires the design, development, and implementation of an EBT system for electronic access of food stamp benefits and, at county option, cash benefits. Issuance of benefits through EBT is scheduled to begin July 1, 2002. The regulations will establish the requirements for activities related to administration, maintenance and operation of EBT.
3. AB 1542, which also adds Welfare and Institutions Code Section 10077, allows the CDSS to adopt regulations for implementation of the act. It also states that the adoption of these regulations shall be deemed an emergency and necessary for the immediate preservation of the public peace, health, safety or general welfare within the meaning of Government Code Section 11346.1.
4. Furthermore, Welfare and Institutions Code Section 10077 states that the emergency regulations shall be exempt from review by the Office of Administrative Law.

INFORMATIVE DIGEST

Welfare and Institutions Code Sections 18900 through 18919 authorize California to participate in the federal Food Stamp Program that is administered at the national level by the United States Department of Agriculture (USDA) , Food and Nutrition Service (FNS). CDSS oversees the program that is administered at the local level by the county welfare departments. Public Law (P.L.) 104-193, PRWORA of 1996 mandates states to implement an EBT system for food stamp benefit issuance no later than October 1, 2002 (for which California received waiver approval). Federal regulation 7 CFR 274.12 provides implementation requirements for an EBT issuance system for food stamp benefits as an alternative to issuing food stamp coupons. State legislation, AB 1542, establishes the authority for a statewide EBT system to issue food stamp benefits and, at county option, the issuance of cash benefits. An on-line EBT system is an issuance system in which benefits are stored in a central computer database and electronically accessed by cardholders at a point-of-sale (POS) terminal, automated teller machine (ATM), and other electronic fund transfer device utilizing a reusable plastic card. EBT is an extension of debit card access to benefit funds from POS terminals (or ATMs) via electronic fund transfer networks. EBT is a proven technology and is operating in a majority of states.

Current state regulations do not provide the authority for an EBT issuance system. These regulations implement pertinent federal provisions regarding the operation of an EBT issuance

system for the Food Stamp Program. Additionally, these regulations implement requirements in the Welfare and Institutions Code applicable to EBT benefit issuance for food stamps and, at county option, cash benefits. These regulations specify requirements regarding the EBT system, benefit accounts, EBT benefits, benefit transactions, adjustments, settlement, reconciliation and reporting, EBT card and PIN, training, and fraud.

COST ESTIMATE

1. Costs or Savings to State Agencies: Additional expenditures of approximately \$677,000 in the State Fiscal Year 2002-03.
2. Costs to Local Agencies or School Districts: None.
3. Nondiscretionary Costs or Savings to Local Agencies: Additional expenditures of approximately \$167,000 for Food Stamps and savings of approximately \$167,000 for CalWORKs.
4. Federal Funding to State Agencies: Additional expenditures of approximately \$1,626,000 in the State Fiscal Year 2002-03.

LOCAL MANDATE STATEMENT

These regulations implement issuance of Food Stamp and cash benefits via the EBT system. The regulations implementing issuance of cash benefits via the EBT system do not impose a mandate on local agencies or school districts because this is a county option as set forth in Welfare and Institutions Code Section 10069. There are no state-mandated local costs in this order that require reimbursement under the laws of California.

The regulations implementing issuance of Food Stamp benefits via the EBT system do impose a mandate upon local agencies, but not on school districts. There are no "state-mandated local costs" in these regulations which require state reimbursement under Section 17500 et seq. of the Government Code because any costs associated with the implementation of these regulations are costs mandated by Federal Food Stamp regulations at 7 CFR 274.12.

AUTHORITY AND REFERENCE CITATIONS

CDSS adopts these regulations under the authority granted in Welfare and Institutions Code Sections 10077, 10553, 10554, 18904, 18904.1 and 7 CFR 271.2. Subject regulations implement and make specific Welfare and Institutions Code Sections 10065, 10069, 10071, 10072, 10075.5, 10075.6, 10077, 10600, 10980, 11006.2, 15153.2; 7 CFR 271.1(a); 7 CFR 271.2; 7 CFR 271.3; 7 CFR 273.18(g) and (h); 7 CFR 274.2(d); 7 CFR 274.10(j); 7 CFR 274.12(a) [finalized April 1, 1992], (a), (f), (g), (h), (j), (i), (k); 7 CFR 278.1; FNS Letter to EBT Coordinators FS 9-5-1/EBT GEN, dated September 28, 1998; California Approved Waiver Request #980069 for 7 CFR 274.12(h)(7) [subsequently renumbered to 7 CFR 274.12(i)(7)]; California Approved Waiver Request #980070 and #980071 for 7 CFR 274.12(f)(7) and (f)(7)(i) [subsequently renumbered to 7 CFR 274.12(g)(7) and (g)(7)(i)]; California Approved Waiver Request #980090 for 7 CFR 274.12(f)(10)(ii) [subsequently renumbered to 7 CFR 274.12(g)(10)(ii)]; California Approved Waiver Request #980091 for 7 CFR 274.12(f)(5)(ii) [subsequently renumbered to 7 CFR 274.12(g)(5)(ii)]; California Approved Waiver Request #2000040 for 7 CFR 274.12(h)(7)(iii) [subsequently renumbered to 7 CFR 274.12(i)(7)(iii)]; Preamble, Federal Register, Vol. 57, No. 63, April 1, 1992; and Administrative Notice 00-57, dated August 11, 2000.

NOTICE OF PROPOSED CHANGES IN REGULATIONS OF THE
CALIFORNIA DEPARTMENT OF SOCIAL SERVICES (CDSS)

ITEM # 1 Electronic Benefit Transfer (EBT) Regulations

The California Department of Social Services (CDSS) hereby gives notice of the proposed regulatory action(s) described below. Any person interested may present statements or arguments orally or in writing relevant to the proposed regulations at public hearings to be held June 19 and 21, 2002, as follows:

June 19, 2002
Office Building #9
744 P St. Auditorium
Sacramento, CA 95814

June 21, 2002
Community Care Licensing
1000 Corporate Center Dr., Suite 670
Monterey Park, CA 91754

The public hearings will convene at 10:00 a.m. and will remain open only as long as attendees are presenting testimony. The Department will adjourn the hearings immediately following the completion of testimony presentations. The above-referenced facilities are accessible to persons with disabilities. If you are in need of a language interpreter at the hearing (including sign language), please notify the Department at least two weeks prior to the hearing.

Statements or arguments relating to the proposals may also be submitted in writing, e-mail, or by telefax to the address/number listed below. All comments must be received by 5:00 p.m. on June 21, 2002.

CDSS, upon its own motion or at the instance of any interested party, may adopt the proposals substantially as described or may modify such proposals if such modifications are sufficiently related to the original text. With the exception of nonsubstantive, technical, or grammatical changes, the full text of any modified proposal will be available for 15 days prior to its adoption to all persons who testify or submit written comments during the public comment period, and all persons who request notification. Please address requests for regulations as modified to the agency representative identified below.

Copies of the express terms of the proposed regulations and the Initial Statement of Reasons are available from the office listed below. This notice, the Initial Statement of Reasons and the text of the proposed regulations are available on the internet at <http://www.dss.cahwnet.gov/ord>. Additionally, all the information which the Department considered as the basis for these proposed regulations (i.e., rulemaking file) is available for public reading/perusal at the address listed below.

Following the public hearing, copies of the Final Statement of Reasons will be available from the office listed below.

CONTACT: Anthony J. Velasquez, Chief
Office of Regulations Development
California Department of Social Services
744 P Street, MS 7-192
Sacramento, California 95814

TELEPHONE: (916) 657-2586 TELEFAX: (916) 654-3286 E-MAIL: ord@dss.ca.gov

CHAPTERS

Manual of Policies and Procedures, Division 16 (Electronic Benefit Transfer System), Chapter 16 (General), Sections 16-001 (General System Information), 16-003 (General Information), 16-005 (Definitions), 16-010 (County Interface and Administrative Transactions), and 16-015 (EBT Security); Chapter 16-100 (EBT Account), Section 16-105 (EBT Account Setup), 16-120 (Account Aging and Expungement), and 16-130 (Account Balance and Transaction History); Chapter 16-200 (EBT Benefits), Sections 16-201 (Benefit Authorization) and 16-215 (Benefit Availability); Chapter 16-300 (Benefit Transaction), Sections 16-301 (General Benefit Transaction), 16-310 (Food Stamp Transaction), 16-315 (Food Stamp Benefit Conversion), 16-320 (Cash Transaction), and 16-325 (Alternative Methods to EBT Cash Benefit Delivery); Chapter 16-400 (Settlement, Reconciliation, and Reporting), Sections 16-401 (Cash Settlement Process) and 16-410 (Food Stamp and Cash Reconciliation Process); Chapter 16-500 (EBT Card and PIN), Sections 16-501 (EBT Cardholders), 16-505 (Additional EBT Cardholders), 16-510 (EBT Card and PIN Issuance), 16-515 (Lost, Stolen, Inoperative EBT Card), 16-517 (EBT Card Replacement) and 16-520 (PIN Selection, Change, and Unlock); Chapter 16-600 (Training), Sections 16-601 (Cardholder Training) and 16-610 (County Training); Chapter 16-700 (Adjustments), Section 16-701 (Reserve - Error Resolution) and 16-750 (Food Stamp Overissuance Collections from EBT Accounts); and Chapter 16-800 (EBT Fraud and Suspected Violations), Section 16-801 (Fraud and Suspected Violations for Benefits Received Via the EBT System); and Division 20 (Fraud and Suspected Law Violations), Chapter 20-300 (Intentional Program Violations in the Food Stamp Program), Section 20-300 (Intentional Program Violations in the Food Stamp Program); and Division 44 (Standards of Assistance), Chapter 44-300 (Aid Payments), Sections 44-302 (Payment by Electronic Fund Transfer) and 44-304 (Aid Payment Schedules)

INFORMATIVE DIGEST/POLICY STATEMENT OVERVIEW

Welfare and Institutions Code Sections 18900 through 18919 authorize California to participate in the federal Food Stamp Program that is administered at the national level by the United States Department of Agriculture (USDA), Food and Nutrition Service (FNS). The California Department of Social Services (CDSS) oversees the program that is administered at the local level by the county welfare departments. Public Law (P.L.) 104-193, the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996, as codified at 7 USC 2016, mandates states to implement an electronic benefit transfer (EBT) system for food stamp benefit issuance no later than October 1, 2002 (for which California received waiver approval). Federal regulation 7 CFR 274.12 provides implementation requirements for an EBT issuance system for food stamp benefits as an alternative to issuing food stamp coupons. State legislation, AB 1542, establishes the authority for a statewide EBT system to issue food stamp benefits and, at county option, the issuance of cash benefits. An on-line EBT system is an issuance system in which benefits are stored in a central computer database and electronically accessed by cardholders at a point-of-sale (POS) terminal, automated teller machine (ATM), and other electronic fund transfer device utilizing a reusable plastic card.

EBT is an extension of debit card access to benefit funds from POS terminals (or ATMs) via electronic fund transfer networks. EBT is a proven technology and is operating in a majority of states.

Current state regulations do not provide the authority for an EBT issuance system. These regulations implement pertinent federal provisions regarding the operation of an EBT issuance system for the Food Stamp Program. Additionally, these regulations implement requirements in the Welfare and Institutions Code applicable to EBT benefit issuance for food stamps and, at county option, cash benefits. These regulations specify requirements regarding the EBT system, benefit accounts, EBT benefits, benefit transactions, adjustments, settlement, reconciliation and reporting,

EBT card and PIN, training, and fraud.

COST ESTIMATE

1. Costs or Savings to State Agencies: Additional expenditures of approximately \$677,000 in the State Fiscal Year 2002-03.
2. Costs to Local Agencies or School Districts: None.
3. Nondiscretionary Costs or Savings to Local Agencies: Additional expenditures of approximately \$167,000 for Food Stamps and savings of approximately \$167,000 for CalWORKs.
4. Federal Funding to State Agencies: Additional expenditures of approximately \$1,626,000 in the State Fiscal Year 2002-03.

LOCAL MANDATE STATEMENT

These regulations implement issuance of Food Stamp and cash benefits via the EBT system. The regulations implementing issuance of cash benefits via the EBT system do not impose a mandate on local agencies or school districts because this is a county option as set forth in Welfare and Institutions Code Section 10069. There are no state-mandated local costs in this order that require reimbursement under the laws of California.

The regulations implementing issuance of Food Stamp benefits via the EBT system do impose a mandate upon local agencies, but not on school districts. There are no "state-mandated local costs" in these regulations which require state reimbursement under Section 17500 et seq. of the Government Code because any costs associated with the implementation of these regulations are costs mandated by Federal Food Stamp regulations at 7 CFR 274.12.

STATEMENT OF SIGNIFICANT ADVERSE ECONOMIC IMPACT ON BUSINESS

CDSS has made an initial determination that the proposed action will not have a significant, statewide adverse economic impact directly affecting businesses, including the ability of California businesses to compete with businesses in other states.

STATEMENT OF POTENTIAL COST IMPACT ON PRIVATE PERSONS OR BUSINESSES

CDSS is not aware of any cost impacts that a representative private person or business would necessarily incur in reasonable compliance with the proposed action.

SMALL BUSINESS IMPACT STATEMENT

Food Stamp Program: The federal regulations and state legislation mandate the use of an EBT system for the issuance of food stamp benefits. FNS authorized food retailers are not required to participate in the EBT system. POS terminals will be provided to authorized retailers with food stamp redemption of at least \$100 per month that do not have, or do not intend to use, their own POS terminal. Those retailers with less than \$100 per month in food stamp redemption may obtain the equipment to participate in EBT at their own expense. Those choosing not to acquire their own equipment will be able to participate in EBT using manual vouchers or other alternatives approved by the state.

Because food stamp coupons will no longer be used, businesses, such as coupon issuers, that issued the coupons for the county welfare offices, will have a decrease in business.

EBT Cash Issuance: The state legislation includes a county option to issue cash benefits through the EBT system. Retailers are not required to participate in the EBT system.

In counties that choose the cash option, check cashers with CalWORKs clientele may have a decrease in business. Also, ATMs may have an increase in business dispensing cash to cash benefit recipients.

ASSESSMENT OF JOB CREATION OR ELIMINATION

The adoption of the proposed amendments will neither create nor eliminate jobs in the State of California nor result in the elimination of existing businesses or create or expand businesses in the State of California.

STATEMENT OF EFFECT ON HOUSING COSTS

The proposed regulatory action will have no effect on housing costs.

STATEMENT OF ALTERNATIVES CONSIDERED

CDSS must determine that no reasonable alternative considered or that has otherwise been identified and brought to the attention of CDSS would be more effective in carrying out the purpose for which the regulations are proposed or would be as effective and less burdensome to affected private persons than the proposed action.

AUTHORITY AND REFERENCE CITATIONS

CDSS adopts these regulations under the authority granted in Welfare and Institutions Code Sections 10077, 10553, 10554, 18904, and 18904.1 and 7 CFR 271.2. Subject regulations implement and make specific Welfare and Institutions Code Sections 10065, 10069, 10071, 10072, 10075.5, 10075.6, 10077, 10600, 10980, 11006.2, 15153.2; 7 CFR 271.1(a); 7 CFR 271.2; 7 CFR 271.3; 7 CFR 273.18(g) and (h); 7 CFR 274.2(d); 7 CFR 274.10(j); 7 CFR 274.12(a) [finalized April 1, 1992], (a), (f), (g), (h), (j), (i), (k); 7 CFR 278.1; FNS Letter to EBT Coordinators FS 9-5-1/EBT GEN, dated September 28, 1998; California Approved Waiver Request #980069 for 7 CFR 274.12(h)(7) [subsequently renumbered to 7 CFR 274.12(i)(7)]; California Approved Waiver Request #980070 and #980071 for 7 CFR 274.12(f)(7) and (f)(7)(i) [subsequently renumbered to 7 CFR 274.12(g)(7) and (g)(7)(i)]; California Approved Waiver Request #980090 for 7 CFR 274.12(f)(10)(ii) [subsequently renumbered to 7 CFR 274.12(g)(10)(ii)]; California Approved Waiver Request #980091 for 7 CFR 274.12(f)(5)(ii) [subsequently renumbered to 7 CFR 274.12(g)(5)(ii)]; California Approved Waiver Request #2000040 for 7 CFR 274.12(h)(7)(iii) [subsequently renumbered to 7 CFR 274.12(i)(7)(iii)]; Preamble, Federal Register, Vol. 57, No. 63, April 1, 1992; and Administrative Notice 00-57, dated August 11, 2000.

CDSS REPRESENTATIVE REGARDING RULEMAKING PROCESS OF THE PROPOSED REGULATION

Contact Person: Anthony J. Velasquez (916) 657-2586
Backup: Maureen Miyamura (916) 657-2586

CDSS REPRESENTATIVE REGARDING SUBSTANCE OF THE PROPOSED REGULATION

Program Contact: Stan Cagle 654-1529
Backup: Nancy Yee 654-1065

EMERGENCY STATEMENT

These regulations are to be adopted on an emergency basis. In order to allow interested persons an opportunity to submit statements or arguments concerning these regulations, they will be considered at public hearing in accordance with Government Code Section 11346.4.

AGENDA ITEM FOR THESE PUBLIC HEARINGS - June 19, 2002 and June 21, 2002

ITEM #1 ORD # 0202-04 Electronic Benefit Transfer (EBT) Regulations

Adopt new Division 16, Chapter 16-000, and Section 16-001 to read:

Division 16 Electronic Benefit Transfer System

Chapter 16-000 General

16-001 General System Information

16-001

HANDBOOK BEGINS HERE

- .1 An on-line Electronic Benefit Transfer (EBT) System is an issuance system in which benefits are stored in a central computer database and electronically accessed by cardholders at a POS terminal, ATM, and other electronic fund transfer device utilizing a reusable plastic card.
- .11 When determined eligible, the recipient's benefit information is electronically loaded each month into a central computer account during the certification period.
- .12 A magnetic-stripe plastic card is used to access the recipient's account in lieu of issuing food stamp coupons to purchase food items at authorized food retailers or in lieu of issuing cash warrants to purchase goods or services. Cardholders shall use the same EBT card to access food stamp and cash benefit accounts (if the CWD elects to issue cash benefits through the EBT system).
- .13 The cardholder will access the benefit account by swiping the EBT card through a POS terminal at a retailer for a purchase transaction. The following is a brief general description of the steps of a transaction:
 - .131 Connect on-line to the central processor database;
 - .132 Verify the validity of the Personal Identification Number (PIN), card number and the amount of available benefits in an EBT account;
 - .133 Obtain authorization for each purchase;
 - .134 Initiate the debiting of the recipient's account and the crediting of the retailer's account;
 - .135 Send the transaction information to the central processor for maintenance of transaction history;
 - .136 Provide the cardholder a printed receipt indicating the remaining balance after the transaction has been completed.

HANDBOOK ENDS HERE

- .2 The CWD shall use the EBT system to issue the following program benefits:
 - .21 Food Stamp Program
 - .22 California Food Assistance Program
- .3 The EBT system may be used to issue the following:
 - .31 Upon election of the county, benefits under Chapter 2 (commencing with Section 11200) of Part 3, e.g., CalWORKs benefits
 - .32 With the approval of the Department, the EBT system may also be used for the distribution of other benefits.
- .4 Counties shall implement the Division 16 EBT regulations and other EBT regulations contained in the Manual of Policies and Procedures (MPP), including, but not limited to, MPP Division 20 and Division 44, when the statewide EBT system is implemented in the county.

Authority Cited: Sections 10077, 10553, 10554, 18904, and 18904.1, Welfare and Institutions Code.

Reference: Sections 10065, 10069, 10072(c), 10075.5, and 10077, Welfare and Institutions Code; and 7 CFR 274.12(a) [finalized April 1, 1992], (a), and (g)(3).

Adopt new Section 16-003 to read:

16-003 General Information

16-003

In administering the regulations in Division 16, the county must comply with all civil rights laws, and the rules, and regulations of Division 21. This provision also applies to contractors and subcontractors performing any and all county functions.

Authority Cited: Sections 10077, 10553, 10554, 18904, and 18904.1, Welfare and Institutions Code.

Reference: Sections 11135 through 11139.5, Government Code.

Adopt new Section 16-005 to read:

16-005 Definitions 16-005

- (a) (1) Account – A food stamp or cash EBT account.
- (2) Administrative Terminal Interface – A PC-based software application that will provide real-time, on-line access to the EBT system from county office locations and terminals. This interface will effectively be a direct link between the local office terminal within the respective county and the EBT system.
- (3) Assistance Unit (AU) – A group of related persons living in the same home who have been determined eligible for CalWORKs benefits.
- (4) Authorized Representative (AR) – The person designated by a food stamp household to act on behalf of the household in one or all of the following capacities: making application for the Food Stamp Program, obtaining and using benefits. The AR will receive an EBT card to access the food stamp benefit account for the purpose of purchasing food items on behalf of the food stamp household.
- (5) Automated Clearing House (ACH) – A financial network that is part of the Federal Reserve banking system and is used to process electronic funds requests. The ACH network is typically used in a food stamp EBT system to transfer credits from the concentrator bank to financial institutions holding retailer accounts.
- (6) Automated Response Unit (ARU) – Automated phone system that accepts data from touch-tone telephones and responds with synthesized voice commands and information. Used in an EBT system to provide numerous functions such as balance information or to authorize manual transactions.
- (7) Automated Teller Machine (ATM) – Unattended terminal from which one or more cash EBT and/or banking transactions can be performed, including balance inquiries and cash withdrawals. Requires card access.
- (8) Availability Date – A date assigned to every recipient's benefit issuance that determines the date on which that benefit is to be accessible to the cardholder.
- (b) (1) Balance Inquiry – A nonfinancial transaction that permits the cardholder to obtain the current balance of the recipient's account.
- (2) Batch Interface – An interface between a county eligibility system and the EBT system. Various records, wrapped in a batch header and footer, are transmitted from the eligibility system processor to the EBT system at a minimum of daily and possibly more often. Each record will direct the EBT system to perform certain functions, such as set up an EBT account, and will provide the necessary data to

perform the function. Batch files for each county's batch processing will constitute independent files. These files will be transmitted as available.

- (3) Business Day – Any day that the Federal Reserve Bank of New York is open for business.
- (c)
- (1) Calculated Net Benefit Issuance – The total issuance by availability date minus any returns.
 - (2) Cardholder – An individual who has been issued and authorized to use a card. Cardholder can be the recipient or other designated individuals.
 - (3) Caretaker Relative – A relative, related to the degree specified in MPP Section 82-808.11 who lives with a child who is part of the filing unit, and exercises responsibility for the day-to-day care and control of the child.
 - (4) Case – A single beneficiary unit receiving benefits from one or more programs through a single recipient account.
 - (5) Cash – Any other non-Food Stamp program, e.g., CalWORKs, General Assistance.
 - (6) Cash Withdrawal Transactions – A transaction in which a cardholder obtains cash at a POS or ATM location without also making a purchase.
- (d)
- (1) Designated Alternate Cardholder – A responsible individual designated by the head of the assistance unit to receive an EBT card and PIN to access cash benefits. This individual is not a member of the assistance unit.
 - (2) Doctor or Medical Licensed Practitioner – A licensed health care professional authorized by state law to diagnose/treat physical and/or mental impairments. This includes, but is not limited to, Doctors of medicine, Acupuncturists, Chiropractors, Educational Psychologists, Nurse Practitioners, Nurses (Registered and Vocational), Physical Therapists, Psychiatrists, Psychiatric Technicians, and Clinical Psychologists.
- (e)
- (1) Electronic Benefit Transfer (EBT) – The electronic transfer of government funds to individuals through the use of card technology and ATMs and POS terminals.
 - (2) EBT Card – A plastic card, issued in accordance with Chapter 16-500, which bears the QUEST Mark and which can be used to effect transactions.
 - (3) EBT Contractor – The entity with which a government entity contracts for the implementation, maintenance and operation of an EBT program.
 - (4) EBT Host – The EBT host computer is the central account management component of the EBT system. It is the computer system that is used for processing cardholder

transactions, maintaining transaction histories, performing account reconciliation, and conducting settlement, and is the source for all EBT reporting.

- (5) Eligibility System Interface – The mechanism by which data is shared between the county eligibility systems and the EBT system. The eligibility system interface may be a batch eligibility interface, host-to-host eligibility interface, and/or administrative terminal interface.
- (f)
- (1) FNS Authorized Retailer – Any firm, i.e., retail food store, that is authorized by FNS to accept and redeem food stamp benefits.
 - (2) Food and Nutrition Service (FNS) – The Food and Nutrition Service of the US Department of Agriculture. The FNS administers the Food Stamp Program.
 - (3) Food Stamp Merchandise Refund – A transaction initiated with a card to credit a cardholder's food stamp account for a return of merchandise originally purchased under the Food Stamp Program with the same card.
 - (4) Food Stamp Program – A food assistance program governed by FNS that helps low-income people buy the food they need for good health. The program is operated under the authority of the Food Stamp Act of 1964, as amended.
 - (5) Food Stamp Purchase – A transaction initiated with a card at an FNS retailer that is authorized from a food stamp account. The entire transaction amount of which is for the purchase of products or services permitted under the Food Stamp Program.
- (g) Reserved
- (h)
- (1) Host-to-host Interface – An interface that provides real-time, on-line access between local office staff and the EBT system. A real-time transaction based link is created between the EBT system and a county or consortia host system. The county or consortium host system reformats and forwards all transaction requests received from the local office to the EBT system, and receives acknowledgements from the EBT system and returns them to the requesting local office terminal. Host-to-host eligibility interface leverages existing networks and equipment and avoids the need for duplicate data entry.
- (i)
- (1) Interoperable Transaction – A transaction initiated with a card issued by one issuer at a terminal of an acquirer that has an acquirer agreement with an issuer other than that of the issuer that issued the card. Interoperable transactions in the statewide EBT system enables cardholders to use their state EBT card in other EBT project areas such as, San Bernardino or San Diego counties or states.
 - (2) Issuer – A depository institution that has entered an agreement with a government entity or prime contractor to undertake the responsibilities of an issuer under the Quest Operating Rules. The EBT Contractor is the California EBT card issuer and is responsible for approving and settling California EBT benefit transactions.

(j) through (l) Reserved

- (m) (1) Magnetic Stripe – A stripe of magnetic tape that is affixed on the reverse side of the EBT card that meets all applicable industry standards.
- (2) Manual Food Stamp Transaction – An off-line food stamp transaction.
- (n) (1) Non-settling Transactions – Benefits returned to the county. They do not involve a flow of funds or a reimbursement to a benefit provider. They include expungements, repayments and coupon conversions.
- (o) (1) Off-line – An EBT system or transaction in which individual purchases are authorized without telecommunication between the POS device or ATM and EBT host. In an "off-line" EBT system, data on recipient account balance is maintained on the access card, and purchase authorization only requires contact between the card and local device.
- (2) On-line – An EBT system or transaction in which authorization of individual purchases requires telecommunication between the POS device or ATM and EBT host in which real time data on account balances is maintained.
- (p) (1) Personal Identification Number (PIN) – A four to six character alphanumeric code issued to or selected by a cardholder.
- (2) Point of Sale (POS) – Typically used to reference equipment (e.g., terminal, PIN pad and printer) at a retail location that is used to initiate the electronic debit of recipient accounts and credit to retailer accounts as a purchase is being made.
- (3) Primary Account Number (PAN) – The account number that identifies the issuer and the cardholder and that is fully displayed and encoded on the card.
- (q) (Reserved)
- (r) (1) Receipt – In commercial networks, hard copy description of a transaction that took place at the POS or ATM, containing at a minimum the date, merchant name and location, primary account number (truncated), type of account accessed, amount, reference number, and an action code.
- (2) Reconciliation – The daily process of balancing the EBT system and resolving any discrepancies in the various internal and external accounts.
- (3) Reject – A record that has a missing data element in the record which is sent by the county to the EBT Contractor.
- (s) (1) Settlement – The process by which retailers and ATM owners are reimbursed on a daily basis for authorized benefits they have redeemed during the most recently

completed transaction day and by which funds are drawn from each individual benefit program's funding account to cover that day's financial settlement.

- (2) Surcharge – A fee added to a transaction by an acquirer, terminal operator or merchant for a transaction initiated at a POS or ATM terminal.
- (t) (1) Third Party Processor – An entity, other than the one with which the State has contracted, that drives and maintains retailer POS terminals, authorizes and processes transactions, and settles retailer accounts.
- (2) Trafficking – As defined by 7 CFR 271.2, trafficking means the buying or selling of coupons, ATP cards or other benefit instruments for cash or consideration other than eligible food; or the exchange of firearms, ammunition, explosives, or controlled substances, as defined in Section 802 of Title 21, United States Code, for food stamp benefits.
- (3) Transaction Day – A 24-hour daily cycle for which funds settlement occurs.
- (u) (1) Unlinked Benefits – Benefits which are placed in the EBT Contractor's pending file by the county's eligibility system because they cannot be matched to an active recipient's account. The county will receive a Pending Report from the Contractor in order to reconcile to daily authorizations.
- (v) (1) Void – A benefit issuance record that is removed from the EBT system prior to its availability date.
- (w) through (z) Reserved

Authority Cited: Sections 10553 and 10554, Welfare and Institutions Code.

Reference: Sections 10065, 10069, 10072(e), and 10077, Welfare and Institutions Code; 7 CFR 271.1(a); 7 CFR 271.2; 7 CFR 271.3; 7 CFR 274.12(a), (f), (g)(4), (i)(3), and (k)(1); and 7 CFR 278.1(j).

Adopt new Section 16-010 to read:

16-010 County Interface and Administrative Transactions

16-010

- .1 Each CWD shall transmit and receive information from the EBT system utilizing one or more of the following established interface methods:
 - .11 Standard Batch Eligibility Interface. This is required in all counties.
 - .12 Standard Host-to-Host Eligibility Interface.
 - .13 Administrative Terminal Interface.
- .2 The eligibility system interface will be used for administrative transactions which include, but are not limited to, the following:
 - (a) Account setup
 - (b) Update account information
 - (c) Add program benefits to an existing card
 - (d) Add or remove additional cardholders to existing account
 - (e) Benefit authorization
 - (f) Card issuance
 - (g) Card replacement
 - (h) Recipient PIN selection
 - (i) Food stamp coupon conversion
 - (j) Status the EBT card (i.e., deactivate card)
 - (k) Recipient account inquiry (including real-time balance by program)
 - (l) Reactivation of inactive account

(m) Voluntary claim repayment

Authority Cited: Sections 10077, 10553, 10554, 18904, and 18904.1, Welfare and Institutions Code.

Reference: Sections 10065, 10069, 10077, and 10600, Welfare and Institutions Code; and 7 CFR 274.12(a) and (f).

Adopt new Handbook Section 16-015 to read:

16-015 EBT Security

16-015

HANDBOOK BEGINS HERE

- .1 It is recommended that all users, other than cardholders, of the EBT system and other connected systems address security and privacy requirements in the following areas:
- (a) System and application access/control for administrative terminals
 - (b) Security roles and responsibilities for administrative (personnel) tasks
 - (c) Physical security (building access, administrative terminals and associated peripheral devices)
 - (d) Personnel identification and authentication
 - (e) Data sharing (authorized/unauthorized)
 - (f) Transmission of data
 - (g) Audit control procedures
 - (h) Backup of data
 - (i) Care and storage procedures of data
 - (j) Procedures for destruction of confidential and sensitive data
 - (k) Information security incidents reporting procedures
- .2 Security policies should be implemented and updated on a regular basis prior to implementation of the EBT system.

HANDBOOK ENDS HERE

Authority Cited: Sections 10077, 10553, 10554, 18904, and 18904.1, Welfare and Institutions Code.

Reference: Sections 10065, 10069, and 10077, Welfare and Institutions Code; 7 CFR 274.12(a), (f)(1), and (i)(3).

Adopt new Chapter 16-100 and new Section 16-105 to read:

Chapter 16-100 EBT Account

16-105 EBT Account Setup 16-105

- .1 Account setup information shall be provided by the CWD and transmitted to the EBT Contractor using the standard EBT interfaces.
- .2 The CWD shall transmit batch files within a specific time frame pursuant to Sections 16-215.1 and .2.
- .3 Recipient case data necessary for the setup of an EBT account shall include, but is not limited to:
 - .31 Welfare case identification number
 - .32 Recipient name (last/first/middle initial)
 - .33 Date of birth
 - .34 Social Security Number (SSN) or corresponding 000's if recipient does not have an SSN.
 - .35 Address
 - .36 Transaction type identifier (setup, change account data, or modify account status)
 - .37 Recipient code(s) (to indicate if the cardholder is the recipient, AR, etc.)
 - .38 Optional recipient identifier
 - .39 Location and/or worker identifier
- .4 Inter-County Recipient Move
 - .41 The CWD shall establish a new EBT account for a recipient who moves from one county and establishes eligibility in another county. See Section 16-510.4.

.5 For all cases, other than expedited issuance cases, the CWD shall transmit account setup data prior to the issuance of a card.

Authority Cited: Sections 10077, 10553, 10554, 18904, and 18904.1, Welfare and Institutions Code.

Reference: Sections 10065, 10069, 10072(a), and 10077, Welfare and Institution Code; and 7 CFR 274.12(a) and (f)(1).

Adopt new Section 16-120 to read:

16-120 Account Aging and Expungement

16-120

.1 An EBT account aging status may be inactive, dormant, or expunged.

.11 Inactive Account Status are accounts for which no debit activity by the cardholder have been posted for 45 days.

.111 The CWD shall receive a monthly report to identify accounts to which no debits have been posted for 45 days.

.112 Upon receiving the 45-day report or when the CWD becomes aware that no debit activity has occurred for 45 days, the recipient shall be notified that after a total of 90 days of inactivity the benefits will become inaccessible, and how the recipient can reaccess the benefits.

.12 Dormant Account Status are accounts for which no debit activity by the cardholder have been posted for 90 days.

.121 The CWD shall receive a monthly report to identify accounts on which no debits have been posted for 45 - 89 days. When no debits have been posted on an account for 90 days, the recipient must contact the CWD in order to access the account benefits or upon reapplication.

.122 The CWD shall use the administrative terminal or host-to-host interface to reinstate benefit availability. The benefits shall be reinstated and accessible to the recipient within 24 hours after the CWD has transmitted the request to the EBT system.

.13 Expunged Status – After the benefits have been available for a total of 270 days or more, with no debit activity, those benefits shall be expunged from the EBT host. The CWD will receive reports indicating benefits expunged and the benefit balance remaining at the time of expungement.

.131 Expunged food stamp benefits shall not be reinstated.

.132 Food stamp issuance reports shall reflect the adjustment in issuance totals in order to comply with federal monthly issuance reporting requirements.

.133 The CWD shall maintain an accounting of expunged cash benefits and reissue the cash benefits upon recipient request.

HANDBOOK BEGINS HERE

.134 The EBT Contractor expunges benefits on a daily basis.

HANDBOOK ENDS HERE

.2 Any remaining food stamp benefits in the recipient's food stamp account shall be expunged if the household fails to spend the benefits within one week after conversion of food stamp electronic benefits to food stamp coupons, pursuant to Section 16-315, Food Stamp Benefit Conversion.

Authority Cited: Sections 10077, 10553, 10554, 18904, and 18904.1, Welfare and Institutions Code.

Reference: Sections 10065, 10069, and 10077, Welfare and Institutions Code; 7 CFR 274.12(a), (g)(6)(vi), and (g)(7); FNS Letter to EBT Coordinators FS 9-5-1/EBT GEN, dated September 28, 1998; California Approved Waiver Request #980070 and #980071 for 7 CFR 274.12(f)(7) and (f)(7)(i) [subsequently renumbered to 7 CFR 274.12(g)(7) and (g)(7)(i)]; and Preamble, Federal Register, Vol. 57, No. 63, April 1, 1992.

Adopt new Section 16-130 to read:

16-130 Account Balance and Transaction History

16-130

.1 The CWD shall have access to recipient account balances and transaction history data through administrative terminals.

HANDBOOK BEGINS HERE

.2 At a minimum, the transaction history record will include:

- (a) Recipient name
- (b) PAN
- (c) EBT account number
- (d) Benefit program identifier
- (e) Transaction type (e.g., food stamp purchase, cash)
- (f) FNS number for Food Stamp Program transactions
- (g) Merchant identification
- (h) Retailer or bank name
- (i) Transaction location
- (j) Transaction amount
- (k) Transaction date
- (l) Itemized transaction fees and/or surcharges.

.3 A rolling 90 days transaction history will be maintained and accessible through administrative terminals. After 90 days, transaction history data will be maintained off-line for four years.

HANDBOOK ENDS HERE

.4 Upon request of CWD, transaction history information stored off-line will be retrieved and provided in a time frame not to exceed five business days.

.5 The CWD shall assist the cardholder obtain transaction history by directing the cardholder to use the ARU to review the last ten transactions or the Customer Service Center for more extensive transaction history.

.51 Upon the cardholder's request, the Customer Service Center will send a two-month transaction history to the recipient's address within five business days.

Authority Cited: Sections 10077, 10553, 10554, 18904, and 18904.1, Welfare and Institutions Code.

Reference: Sections 10065, 10069, 10077, Welfare and Institutions Code; and 7 CFR 274.12(a) and (g)(2).

Adopt new Chapter 16-200 and new Section 16-201 to read:

Chapter 16-200 EBT Benefits

16-201 Benefit Authorization

16-201

.1 The CWD shall transmit benefit authorization records containing each day's authorizations to the EBT Contractor.

.11 For ongoing cases, the CWD shall authorize benefits at a minimum of once per month.

HANDBOOK BEGINS HERE

.111 Though the monthly authorization file will be transmitted at one time each month, the actual dates of benefit availability will be staggered.

HANDBOOK ENDS HERE

.12 At a minimum, the CWD shall also transmit benefit authorizations daily including, but not limited to, authorizations for new accounts and supplements (i.e., underpayments) for existing accounts.

.2 Benefit authorization data fields shall include, but are not limited to, the following:

.21 Welfare case identification number

.22 Benefit program identifier

.23 Benefit type

.24 Benefit amount

.25 Benefit availability date

.26 Benefit month and year

.27 Location and/or worker identifier

Authority Cited: Sections 10077, 10553, 10554, 18904, and 18904.1, Welfare and Institutions Code.

Reference: Sections 10065, 10069, 10077, Welfare and Institutions Code; and 7 CFR 274.12(a) and (f)(1).

Adopt new Section 16-215 to read:

16-215 Benefit Availability

16-215

- .1 The CWD shall ensure EBT issued benefits are available to the recipient in compliance with benefit issuance time frames established by the benefit program regulations.

HANDBOOK BEGINS HERE

- .11 For example, in the EBT issuance of food stamp benefits, a food stamp household that is entitled to expedited service shall receive their food stamp benefits in accordance with MPP Section 63-301.531.

HANDBOOK ENDS HERE

- .2 To meet expedited service or immediate need time frames, the CWD shall transmit account setup and benefit authorization data via eligibility system interface.

- .21 The EBT card issuance and PIN selection may take place at a designated county location.

HANDBOOK BEGINS HERE

- .22 The EBT system will be able to provide same-day account setup, benefit authorization, and card issuance in order to provide same-day access to benefits as may be required to meet program requirements.

HANDBOOK ENDS HERE

- .3 The CWD shall inform the recipient of the benefit availability date to access benefits.

- .4 A CWD may change the benefit issuance cycle.

- .41 Any change shall be done in conformity with CDSS requirements for benefit issuance.

- .42 Recipients shall be notified as specified in MPP Section 22-001t.(1) of any such change.

- .5 Each CWD shall stagger food stamp benefits over the first 10 calendar days of the month.

- .6 Counties electing to use the EBT system to issue cash benefits shall stagger cash issuance over the first three calendar days of the month.

- .61 Section 16-215.6 may be waived on a countywide basis for CalWORKs benefits for the issuance of benefits in less than three days, allowing for a shorter cash benefit

issuance time frame, with CDSS approval. The CWD must submit a written waiver request to CDSS.

.62 At recipient's request for a hardship exemption, the CWD shall determine on a case-by-case basis whether to exempt a recipient from the three-day staggering requirement of Section 16-215.6. Hardship includes, but is not limited to, the incurrence of late charges on the household's housing payments.

.63 General Assistance (GA) may be staggered over a period longer than three days at the CWD's discretion.

.7 Benefit balances that remain in the recipient's account after the issuance month shall be carried forward month to month and are available to the recipient unless the benefit is subject to Section 16-120, Account Aging.

Authority Cited: Sections 10077, 10553, 10554, 18904, and 18904.1, Welfare and Institutions Code.

Reference: Sections 10065, 10069, 10072(c) and (l), and 10077, Welfare and Institutions Code; 7 CFR 274.2(d)(1); and 7 CFR 274.12(a), (f)(1), and (f)(2), (g)(4), (g)(7), and (g)(8).

Adopt new Chapter 16-300 and new Section 16-301 to read:

Chapter 16-300 Benefit Transaction

16-301 General Benefit Transaction

16-301

- .1 Any benefits provided to recipients under Section 16-001.2 may be distributed through the EBT system provided recipients have reasonable access to their benefits.
- .2 EBT transactions are authorized only if:
 - .21 The transaction is initiated through a valid terminal, third party processor or network.
 - .22 The retailer has a valid FNS authorization number (for Food Stamp transactions).
 - .23 The care authentication value is verified.
 - .24 The card status is "active."
 - .25 The cardholder's PIN is verified.
 - .26 There are sufficient funds in the account to cover the amount of purchase or cash withdrawal and any fees or surcharges that are the cardholder's responsibility.
- .3 If any one of the conditions in Section 16-301.2 is not met, the transaction shall be denied. The transaction response shall include the reason for denial. When the denial is due to insufficient funds, the transaction response shall include the available balance.

Authority Cited: Sections 10077, 10553, 10554, 18904, and 18904.1, Welfare and Institutions Code.

Reference: Sections 10065, 10069, 10071, 10072(a) and (c), and 10077, Welfare and Institutions Code; and 7 CFR 274.12(a) and (g)(9).

Adopt new Section 16-310 to read:

16-310 Food Stamp Transaction

16-310

- .1 No transaction fees shall be imposed on food stamp households utilizing the EBT system to access their food stamp benefits.
- .2 Food stamp electronic benefits shall be transacted at FNS authorized retailers for food stamp eligible items.
 - .21 The recipient's food stamp account shall be debited for the cost of the food purchased with food stamp benefits.
 - .22 A recipient's food stamp account shall be credited for the amount of the refund and a receipt will be provided to indicate the adjusted balance.
- .3 No minimum dollar amount per transaction or maximum limit on the number of transactions shall be established.
- .4 Food stamp electronic benefits shall not be converted to cash. No cash change will be given to cardholders when using food stamp electronic benefits.
- .5 No EBT access to Food Stamp Program benefits shall be permitted beyond the United States and its territories.
- .6 Manual Voucher
 - .61 The manual voucher process shall be used in Food Stamp Program transactions when:
 - .611 Retailers and non-traditional retailers such as farmers' markets and route vendors do not have access to a POS device.
 - .612 The retailer's system cannot communicate with the EBT host during a food stamp transaction such as when the PIN pad, card reader, or POS terminal fails, or there is a problem with an intermediate third party processor.
 - (a) In such instances, if the telephone lines are operational, the retailer shall call the retailer assistance service number to receive an authorization number for the transaction and complete the transaction using a manual voucher process.
 - (b) If telephone authorization was not obtained at the time of purchase, and the transaction is denied for insufficient funds, the retailer is liable for the full transaction amount.

.613 The EBT host is unavailable for processing transactions.

HANDBOOK BEGINS HERE

.62 Off-Line Transaction Floor Limit

.621 If the EBT host is unavailable for processing transactions, and cannot provide an authorization via the ARU or customer service center, the EBT Contractor shall invoke a floor limit.

HANDBOOK ENDS HERE

.63 At a minimum, the manual voucher shall include the amount of the transaction and the authorization number. The cardholder will sign and receive a copy of the voucher.

.64 Manual vouchers shall not be used to for cash benefit transactions.

.7 To ensure that recipients' normal shopping patterns are not disrupted, the EBT system shall provide for minimal disruption of access to and service in retail stores by eligible households. Normal shopping patterns will be identified by each CWD, and may extend beyond three miles of the state border.

Authority Cited: Sections 10077, 10553, 10554, 18904, and 18904.1, Welfare and Institutions Code.

Reference: Sections 10065, 10069, 10072(a), and 10077, Welfare and Institutions Code; 7 CFR 274.10(j); and 7 CFR 274.12(a) [finalized April 1, 1992], (a), (f)(2), (f)(4), (g)(1), (g)(9), (h)(3), and (h)(4).

Adopt new Section 16-315 to read:

16-315 Food Stamp Benefit Conversion

16-315

- .1 At the recipient's request, the CWD shall convert food stamp electronic benefits to food stamp coupons when the food stamp household is relocating to a state that is not interoperable and where electronic benefits are not portable from the household's current state of residence or the household leaves an EBT project area.
- .2 The CWD shall allow benefits in an EBT account to be converted to food stamp coupons for short-term absences from the EBT project area for family emergencies or similar isolated occurrences.
- .3 The CWD shall develop procedures for conversion that do not conflict with mailing restrictions regarding ATP or other authorization documents.
- .4 The CWD shall have the option of storing and converting food stamp coupons or having the EBT Contractor store and mail the food stamp coupons to the requesting recipient.
 - .41 The conversion of food stamp EBT benefits to coupons must occur within the following time frames:
 - .411 If food stamp coupons are stored at local agency locations, then the recipient shall receive benefits converted to food stamp coupons within one business day following the recipient's request.
 - .412 If the coupons are stored at a central location, or mailed by the EBT Contractor, the recipient must receive the coupons within three business days following the request.
- .5 EBT food stamp benefits remaining in an account shall be rounded down to the nearest dollar amount suitable for coupon issuance.
- .6 The household shall be required to spend any remaining balance that cannot be converted to food stamp coupons.
 - .61 When a recipient fails to spend the remaining benefits within one week after conversion occurs, the Food Stamp benefits shall be expunged from the recipient's EBT account as specified in Section 16-120.
 - .611 The CWD shall report the adjustment to FNS as specified in Section 16-120, Account Aging.
- .7 A limit on the number of times a household converts to food stamp coupons shall not be imposed on households.

.8 The CWD shall prohibit conversions to food stamp coupons solely for purposes of shopping outside the EBT project area.

.9 Splitting food stamp benefits between food stamp coupons and food stamp electronic benefits at the time of issuance shall not be permitted.

Authority Cited: Sections 10077, 10553, 10554, 18904, and 18904.1, Welfare and Institutions Code.

Reference: Sections 10065, 10069, 10077, Welfare and Institutions Code; and 7 CFR 274.12(a) and (g)(6).

Adopt new Section 16-320 to read:

16-320 Cash Transaction

16-320

- .1 Using the EBT system for cash benefit issuance is a county option. MPP Sections 16-320 and 16-325 shall not apply to counties not issuing cash benefits via the EBT system.
- .2 Cardholders shall access their EBT cash benefits at POS devices or ATMs or other devices that accept cash EBT transactions.
- .3 Cash EBT transactions include the following:
 - .31 Cash withdrawal
 - .32 Purchase
 - .33 Purchase with cash back
 - .34 Balance Inquiry
- .4 The CWD shall provide the cardholder with information on locations where cash benefits may be obtained and information on additional charges (e.g. fees and surcharges).

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- .41 The CWD will receive a monthly report of locations where cardholders may obtain cash. This report will include those retailers that provide \$200 or more without surcharge, as well as other retailers providing cash back, bill payment services, or locations providing financial services.

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- .5 Cardholders will not be charged a transaction fee by the EBT Contractor for the first four cash-only withdrawal transactions per case per month. After the first four cash-only withdrawal transactions, the cardholder may be charged a fee.
- .6 The cardholder may choose to make cash withdrawal transactions at locations that impose additional charges (e.g., fees and surcharges).

.7 Surcharges incurred by the recipient on the first four cash withdrawal transactions, or fees and surcharges for any other cash EBT transactions that are the recipient's responsibility shall be deducted from the recipient's cash account at the time of the transaction.

Authority Cited: Sections 10077, 10553, 10554, 18904, and 18904.1, Welfare and Institutions Code.

Reference: Sections 10065, 10069, 10072(c) and (k), and 10077, Welfare and Institutions Code; and 7 CFR 274.12(a).

Adopt new Section 16-325 to read:

16-325 Alternative Methods to EBT Cash Benefit Delivery

16-325

- .1 In those counties issuing cash benefits through the EBT system, all such cash benefits shall be distributed via EBT or an alternative method. Alternative methods include direct deposit, as provided in MPP Section 25-301 or the receipt of a warrant. Those cash benefit recipients already receiving benefits via direct deposit shall continue to do so unless they request a change.
- .2 At the option of the payee, the CWD shall provide EBT cards to other adult assistance unit members or a designated person outside of the assistance unit, as provided in Section 16-505.
- .3 To continue to receive a warrant, an individual must demonstrate their inability to successfully use the EBT system. The criteria required to demonstrate this inability are as follows:
 - .31 Physical or Mental Incapacity or Condition
 - .311 An individual who has a permanent or temporary physical or mental condition preventing them from successfully using POS or ATM devices required to access benefits via EBT may receive benefits via a warrant.
 - .32 Verification
 - .321 To receive a warrant due to physical or mental condition, the individual must either:
 - (a) provide written verification (CW 61 Rev. 7/01 or its equivalent) from a doctor or medical licensed practitioner (as defined in Section 16-005) identifying the condition and its expected duration, or
 - (b) have a condition that is readily apparent to the CWD or has previously been documented.
 - .322 The county may review the individual's condition at the time the condition is expected to end.
 - .323 The individual shall be required to provide the verification within 60 days from the date of the claim of the condition or the date of application, whichever is later. During the 60-day period the individual may receive their cash benefits via a warrant.

.33 Other

.331 A recipient may also continue to receive their benefits via warrant due to their inability to successfully use the EBT system because of other barriers. Such requests may be approved at CWD discretion on a case-by-case basis. The CWD, at its discretion, may review approval of benefit issuance via warrant due to changes in the recipient's circumstances.

.4 A recipient's request to receive benefits via warrant should be approved only after the recipient/applicant's consideration of other available alternatives, e.g., individualized training, direct deposit, or cards issued to other adult household/assistance unit members, or other third party not part of the household or assistance unit.

Authority Cited: Sections 10072 and 11006.2, Welfare and Institutions Code.

Reference: Sections 10065, 10069, 10072(d) and (e), 10077, and 11006.2, Welfare and Institutions Code; and 7 CFR 274.12(a).

Adopt new Chapter 16-400 and Section 16-401 to read:

Chapter 16-400 Settlement, Reconciliation, and Reporting

16-401 Cash Settlement Process

16-401

.1 Managing the Settlement Process for Cash

.11 Each county participating in the cash program has the management responsibility to ensure:

.111 A settlement account is established in a bank capable of processing the federal wire or ACH electronic debit transaction.

.112 The bank is available to process these transactions on every business day. The county shall ensure the EBT Contractor has the ability to debit the county account on every business day.

.113 Monies are available timely in the funding account to cover the daily settlement. The county shall obligate and ensure that the funds are available in the settlement account to cover the daily cash settlement on the day of settlement.

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.12 The State will monitor settlement to ensure the process is consistent with requirements.

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.13 Each county shall establish a management and operations structure to support settlement. The county shall have a contact person and a backup contact person responsible for the daily settlement to resolve any issues with the EBT Contractor.

.14 If a county fails to make funds available, the EBT Contractor remains liable to settle with the retailers and ATM owners that redeemed benefits. The EBT Contractor will cover the settlement funds as necessary for the settlement and will charge interest for the use of the funds. The county shall be responsible for the interest liability incurred and any fees associated with late settlement.

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.141 The county's obligation to pay interest and any fees associated with late settlement shall not apply until the third occurrence of a late settlement during a 12-month period.

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- .15 In the event of the county's failure to settle with the EBT Contractor, the State is obligated to reimburse the EBT Contractor for settlement. The county shall be required to reimburse the State for the county's settlement. Reimbursement shall be achieved by direct payment to the State or by State administrative offset of county funds owed or payable to the county.
- .16 If a county refuses or is unable to fund settlement, the State may terminate the cash EBT services of the county.
- .17 The county shall be responsible for resolving problems with settlement that arise in connection to the EBT system. The county shall continue without delay to carry out all their respective responsibilities while attempting to resolve the dispute.

Authority Cited: Sections 10077, 10553, 10554, 18904, and 18904.1, Welfare and Institutions Code.

Reference: Sections 10065, 10069, 10075.6, 10077, 10600, and 15153.2, Welfare and Institutions Code; and 7 CFR 274.12(a), (f)(3), (h)(5), (i)(2), (j)(1), (k), (k)(1), (k)(2), and (k)(5).

Adopt new Section 16-410 to read:

16-410 Food Stamp and Cash Reconciliation Process

16-410

.1 Reconciliation Overview for All System Interfaces

- .11 For the Food Stamp Program, the county shall on a daily basis reconcile benefits entering into the EBT system with the county's eligibility system.
- .12 For the cash programs, the county shall on a daily basis reconcile benefits entered into, exiting from, and remaining in the EBT system with the county's eligibility system.
- .13 The county's eligibility system shall remain the primary keeper of all benefit obligations created. A benefit obligation is not created until the benefit has become available and is posted to the EBT on-line recipient account.
- .14 Within an EBT system the county shall reconcile the following three interrelated but independent accounting systems:
 - .141 The county's eligibility system that is issuing benefits electronically and creating obligations.
 - .142 The EBT Contractor's EBT system that is managing the recipient benefit accounts and outstanding obligations.
 - .143 The funding system that is managing the funds required for settling the outstanding obligations.

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.2 Food stamps and cash benefits entering the EBT system fall under two categories.

- .21 Benefits issued.
- .22 Non-settling transactions.

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.3 Food Stamps and Cash System Interfaces

- .31 The county shall ensure all files are created and transmitted successfully to the EBT Contractor.
- .32 On a daily basis the county shall:
 - .321 reconcile benefits issued by the availability date.
 - .322 transmit to the EBT Contractor files for new accounts and supplements in accordance with Section 16-201.12.
- .33 The county shall send to the EBT Contractor a monthly file containing the recurring benefit issuance in accordance with Section 16-201.11.
- .34 The county shall produce and transmit its own county specific batch files even if they share a system and processing support with multiple counties.
- .35 To ensure that the files are accurately received by the EBT Contractor and that no duplicate files are transmitted, the county shall verify receipt of the return file, that the batch ID, record counts and dollar amount match against what was originally transmitted by the county.
- .36 If the return file has error code edits from the EBT Contractor, the county must correct the error.
- .37 The county shall track and manage unlinked benefits on a daily basis.

.4 Food Stamps and Cash EBT Rejects and Voids

- .41 The county shall track and manage rejects and voids on a daily basis.

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- .411 On a daily basis the EBT Contractor returns rejected records in the return file back to the county.

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- .42 The county shall either remove the rejected benefit and its related obligation from its eligibility system or correct the issuance and resubmit it to the EBT system without creating a duplicate obligation in the eligibility system. Rejects shall be corrected on a daily basis.
- .43 The county shall remove and void an issuance record and its related obligation from its eligibility system.

.44 When necessary, the county shall correct the issuance and resubmit it to the EBT system without creating a duplicate obligation in the eligibility system.

.5 Food Stamps and Cash Reconciliation of Benefits Entering the EBT System

.51 The availability date on the county's eligibility system must match the availability date on the EBT system. The county shall ensure that benefits are activated on the availability date.

.52 The county shall verify and reconcile returned non-settling benefits on a daily basis.

.53 On a daily basis, the county shall identify and reconcile any discrepancies between its calculated net benefit issuance and that reported by the EBT Contractor. These discrepancies shall be researched by the county and corrected.

.54 If after verification, the county is unable to reconcile its issuance totals against that reported by the EBT Contractor, the county shall contact the EBT Contractor on a daily basis.

.541 The county shall be responsible for resolving reconciliation disputes and problems that arise in connection to the EBT system and shall document the reason for the discrepancy. The county shall continue without delay to carry out all their respective responsibilities while attempting to resolve the dispute.

.55 A separate benefit issuance reconciliation worksheet shall be maintained for the Food Stamp Program. CDSS will provide a template to the counties for the worksheet.

.551 For the Food Stamp Program, the monthly worksheet shall be completed and submitted to CDSS by the 30th day after the end of each month.

.6 Food Stamp Reconciliation of Benefits to the FNS 46 and DFA 256 Reports

.61 The county shall for the Food Stamp Program, reconcile the monthly benefit issuance reconciliation worksheet with the FNS 46 Report, segregating federal food stamp and State food stamp issuances.

.62 The county shall submit a final FNS 46 report to the CDSS and attach a copy of the monthly benefit issuance reconciliation worksheet as required by Section 16-410.55 by the 30th day after the end of each month.

.63 The county shall ensure that the benefit issuance reconciliation worksheet is reconciled to the State's Food Stamp Program Participation and Coupon Issuance Report, DFA 256, segregating Federal and State issuances.

.7 Cash Reconciliation of Benefits Exiting the EBT System

.71 The county shall reconcile the reductions in their cash accounts by program.

.8 Cash Reconciliation of Benefits Remaining in the EBT System

.81 Each county shall reconcile the county's remaining obligations for the cash programs enrolled in EBT.

.82 The county shall ensure adequate reserves remain to fund the outstanding benefit obligations and to fund the settlement account on a daily basis.

Authority Cited: Sections 10077, 10553, 10554, 18904, and 18904.1, Welfare and Institutions Code.

Reference: Sections 10065, 10069, 10075.5, 10075.6, 10077, and 10600, Welfare and Institutions Code and 7 CFR 274.12(a), (g)(4), (i)(3), and (k)(1).

Adopt new Chapter 16-500 and new Section 16-501 to read:

Chapter 16-500 EBT Card and PIN

16-501 EBT Cardholders

16-501

- .1 The CWD shall issue the recipient and other designated cardholder(s), pursuant to Section 16-505, individual EBT cards and PINs.
- .2 Each cardholder will have their own EBT card with a unique PAN and may select their own PIN. The cardholder uses the same EBT card and PIN to access the benefit account(s), e.g., food stamp benefits, cash benefits.
- .3 Multiple cards, if any, will be linked to the recipient's account.

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- .4 The EBT system has the capability to add new benefit program accounts to an existing card.
 - .41 If a recipient with an active card becomes eligible for additional benefit programs included in the EBT system, those benefits will be accessible through the recipient's and/or designated cardholder's existing EBT card.

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Authority Cited: Sections 10077, 10553, 10554, 18904, and 18904.1, Welfare and Institutions Code.

Reference: Sections 10065, 10069, 10072(e), and 10077, Welfare and Institutions Code; and 7 CFR 274.12(a), (f)(1), and (g)(5).

Adopt new Section 16-505 to read:

16-505 Additional EBT Cardholders

16-505

- .1 At the option of the recipient head of household/assistance unit, the county shall provide multiple EBT cards to additional household/assistance unit members enabling them to access the household/assistance unit's benefits.
- .2 In addition to persons identified in Section 16-505.1, the head of the household/assistance unit may designate one additional responsible adult outside of the household/assistance unit to receive an EBT card and PIN.
 - .21 This individual may be designated by the head of household/assistance unit to act as authorized representative with access to food stamp benefits and/or a designated alternate cardholder with access to cash benefits. The head of household/assistance unit may opt to designate one individual to access cash benefits and a different individual to access food stamps.
 - .22 If the CWD determines that no responsible adult is available to act as authorized representative/designated alternate cardholder, the head of household/assistance unit may designate a minor to act in that capacity.
 - .23 For the Food Stamp Program, an individual designated to act as authorized representative is subject to the provisions of MPP Section 63-402.6.

Authority Cited: Sections 10077, 10553, 10554, 18904, and 18904.1, Welfare and Institutions Code.

Reference: Sections 10065, 10069, 10072(e), and 10077, Welfare and Institutions Code; and 7 CFR 274.12(a).

Adopt new Section 16-510 to read:

16-510 EBT Card and PIN Issuance

16-510

- .1 The CWD shall determine when EBT cards will be issued to recipients as required to meet benefit program time frames, pursuant to MPP Section 16-215. EBT card issuance may occur either prior to or after final eligibility determination depending on county operational procedures.
- .2 CWD option for EBT card and PIN issuance for ongoing operations.
 - .21 Each CWD shall have the option to issue EBT cards and PINs over-the-counter or to issue EBT cards and PINs to recipients via mail. The CWD may make exceptions to its chosen EBT card issuance method on a case-by-case basis.

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- .211 For example, the CWD may choose mail-based card issuance overall, but choose to issue EBT cards over-the-counter due to individual circumstances.

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- .212 For Over-the-Counter EBT Card and PIN Issuance:

- (a) The CWD shall determine the number of EBT card issuance locations.
- (b) The CWD shall be responsible for site preparations at each location where EBT card issuance and PIN selection equipment is to be installed.
- (c) The CWD shall be responsible for the furniture, power and phone lines as may be required to support the equipment.

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- .213 For CWDs that choose the over-the-counter option, the EBT Contractor shall:

- (a) Equip designated EBT card issuance locations with card stock, and all equipment necessary to perform over-the-counter EBT card issuance and PIN selection.
- (b) Provide, install and maintain all required equipment.
- (c) Coordinate site preparations with each CWD.

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.214 For Mail-Based EBT Card and PIN Issuance:

- (a) The EBT card shall be mailed separately from the PIN and there shall be a delay between the mailing dates.

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- (b) For CWDs that choose the mail-based option with the EBT Contractor performing the mailing service, the EBT Contractor shall:

- (1) Mail cards and PINs using first class postage. EBT cards shall be delivered to the postal facility no later than the next business day following the receipt of account setup information from the CWD.
- (2) Mail the PIN and usage instructions (including how to change the PIN), separately from the EBT card with a delay between mailing dates.

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- (c) For mail-based EBT card and PIN issuance, the CWD shall also be equipped with card personalization equipment and card stock to allow for over-the-counter issuance on a case-by-case basis. The CWD shall determine the number of location(s) for over-the-counter issuance.

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- (1) The EBT Contractor shall provide, install, and maintain the EBT card and PIN equipment at the designated CWD location(s).

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.3 Homebound Food Stamp Recipient Issuance

- .31 Upon notification from a recipient who is homebound and does not have an AR, the CWD shall issue an EBT card and PIN via the mail issuance process. The recipient shall be able to change the PIN via the ARU.

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- .311 This procedure applies to households in a hardship situation who are unable to travel to the CWD, e.g., care for a household member, prolonged severe weather that prevents them from going to the CWD.

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.4 Inter-County Recipient Move

.41 The CWD shall establish a new EBT account and issue a new EBT card with a new PAN for a recipient who moves from one county and establishes eligibility in another county.

.411 If there are benefits remaining in an EBT account in the county from which the recipient moved, those benefits shall remain available to the recipient via the previous EBT card.

.412 The previous EBT account shall remain active until the benefits are used or the account ages as provided in Section 16-120, Account Aging.

Authority Cited: Sections 10077, 10553, 10554, 18904, and 18904.1, Welfare and Institutions Code.

Reference: Sections 10065, 10069, 10072(a), and 10077, Welfare and Institutions Code; 7 CFR 274.12(a), (f)(1), (g)(5), and (i)(7); and California Approved Waiver Request #980069 for 7 CFR 274.12(h)(7) [subsequently renumbered to 7 CFR 274.12(i)(7)].

Adopt new Section 16-515 to read:

16-515 Lost, Stolen, Inoperative EBT Card

16-515

- .1 The CWD shall immediately provide the cardholder with the toll-free phone number for the EBT system ARU, if they contact the CWD to report a lost or stolen EBT card, in order for the cardholder to report the situation to the EBT Contractor.

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- .2 The EBT system will have a 24-hour-per-day toll-free telephone hotline for the cardholder to a report lost, stolen, or inoperative EBT card and to provide the cardholder with information on how to have the EBT card, and if necessary the PIN, replaced.
- .3 When a lost, stolen, or inoperative EBT card is reported to the EBT Contractor, the EBT Contractor will immediately deactivate the card.
- .4 A record of all household reports of a lost or stolen EBT card will be available to the CWD. Report information will include the date, time, and reason for the request.

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Authority Cited: Sections 10077, 10553, 10554, 18904, and 18904.1, Welfare and Institutions Code.

Reference: Sections 10065, 10069, 10072(f) and (g), and 10077, Welfare and Institutions Code; and 7 CFR 274.12(a) and (g)(5).

Adopt new Section 16-517 to read:

16-517 EBT Card Replacement

16-517

- .1 The CWD shall provide a replacement EBT card within three business days following a cardholder's request to the CWD for an EBT replacement card.
- .2 When replacing an EBT card, the CWD shall ensure that a duplicate account is not established that would permit the cardholder to access food stamp and/or cash benefits to which the recipient is not eligible.
- .3 Any active card shall be deactivated before the EBT replacement card is issued.
- .4 The EBT replacement card shall carry a new PAN.
- .5 CWD Options for EBT Card Replacement.
 - .51 Each CWD shall have the option to replace EBT cards on existing cases through over-the-counter issuance or to have the EBT Contractor mail the EBT cards to the cardholders. The CWD may make exceptions to its EBT card replacement issuance method on a case-by-case basis.
 - .511 For over-the-counter EBT card replacement, see Section 16-510.212 and Handbook Section 16-510.213.
 - .512 For mail-based EBT card, the EBT cards shall be mailed to cardholders with the existing PIN still in place. Mail-based EBT replacement card issuance is described in Section 16-510.214.

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- (a) EBT replacement cards will be mailed not later than the U.S. Postal Service day following the cardholder's request for the replacement card. Replacement EBT cards will be mailed daily using first class postage.
- .6 Information on card status will be available to specified CWD staff via administrative terminal inquiry. At a minimum, information will include:
 - .61 County/Office
 - .62 Recipient Name
 - .63 Account number
 - .64 Type of account(s)

.65 Number of replacements

.66 Reason for replacements

.67 Dates of replacements

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Authority Cited: Sections 10077, 10553, 10554, 18904, and 18904.1, Welfare and Institutions Code.

Reference: Sections 10065, 10069, 10077, Welfare and Institutions Code; 7 CFR 274.12(a), (f)(1), and (g)(5); and California Approved Waiver Request #980091 for 7 CFR 274.12(f)(5)(ii) [subsequently renumbered to 7 CFR 274.12(g)(5)(ii)].

Adopt new Section 16-520 to read:

16-520 PIN Selection, Change, and Unlock

16-520

- .1 The CWD shall permit the cardholder to select and change the PIN. At cardholder option, PIN change may be accomplished either via the ARU or at a designated county location.
- .2 The CWD shall not limit the number of times cardholders can change their PIN.
- .3 At the cardholder's request, using the administrative terminal, the CWD shall reactivate an EBT card that has been deactivated by the EBT system due to four consecutive invalid PIN attempts within a calendar day. Prior to reactivating the card, the CWD shall verify that the person is a designated cardholder. This verification involves the CWD asking the person to provide at least two verifiable items of information related to the primary cardholder's demographic data available through the administrative terminal.

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- .31 The demographic data fields are name and address; optional data fields are Social Security Number, date of birth, and telephone number.
- .32 After four consecutive invalid PIN attempts within a single calendar day, the system will deactivate the card until 12:00 midnight Pacific Standard Time.

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Authority Cited: Sections 10077, 10553, 10554, 18904, and 18904.1, Welfare and Institutions Code.

Reference: Sections 10065, 10069, 10072(e), and 10077, Welfare and Institutions Code; 7 CFR 274.12(a), (f)(1), and (g)(5); and California Approved Waiver Request #2000040 for 7 CFR 274.12(h)(7)(iii) [subsequently renumbered to 7 CFR 274.12(i)(7)(iii)].

Adopt new Chapter 16-600 and new Section 16-601 to read:

Chapter 16-600 Training

16-601 Cardholder Training

16-601

- .1 The CWD shall provide EBT training and instructions to EBT cardholders.
- .2 EBT training material on the use of the EBT system shall be provided to the cardholder prior to using the EBT system. Training material shall be mailed to the cardholder and material shall also be available at the CWD. Retraining will be available in the use of the EBT card and/or system subsequent to the initial mail-based training.
- .3 Face-to-face training shall be available on an as-needed basis at a designated county location that is readily accessible to cardholders.
 - .31 Face-to-face training shall be available upon cardholder request.
 - .32 Face-to-face training shall be provided to cardholders who:
 - .321 Have had three or more cards issued to them during the prior three calendar months, or
 - .322 Habitually lose or damage EBT cards, or
 - .323 Make excessive calls to the CSC or excessive balance inquiries.
- .4 Training materials shall be provided in languages for monolingual or bilingual households. Training materials will be provided in languages specified by the CWD office which may vary between district offices.
 - .41 Written training materials shall be produced in all languages required by the provisions of the Dymally-Alatorre Bilingual Services Act of 1973 (currently English and Spanish) and additional languages, (including, but not limited to, Mandarin, Vietnamese, Cambodian, Russian, Hmong, Eastern Armenian, Lao, and Farsi).
- .5 Training functions for the EBT system may be incorporated with certification procedures.
- .6 At a minimum, cardholder training shall include the following areas:
 - (a) Transactions limits
 - (b) Access to balances
 - (c) Transaction receipts

- (d) Issuance of benefits
- (e) Issuance and replacement of EBT card and PIN
- (f) Benefit conversion
- (g) Stale account handling
- (h) Timely benefit availability
- (i) Access to retail stores
- (j) Request hands-on training for the use of the EBT equipment necessary to access benefits and obtain balance information
- (k) Manual Food Stamp Program transactions
- (l) Use and safeguarding EBT card and PIN
- (m) Recipient's rights, liabilities and responsibilities for use of the EBT card and PIN
- (n) Written materials and/or other information, including the specific rights to benefits in an EBT system
- (o) Information on the signs or other appropriate indicators located in checkout lanes that enable the cardholder to identify lanes equipped to accept EBT cards
- (p) Disclosure information regarding adjustments and the households' rights to notice, fair hearings and provisional credits. The disclosure shall also state where to call to dispute an adjustment and request a fair hearing.
- (q) Inability to access benefits from failure to select PIN and activate card
- (r) Use of the EBT card and types of transactions at POS devices and ATMs, if appropriate
- (s) All EBT transaction fees and surcharges, including those associated with ATM usage, which may be charged to the recipient
- (t) Card replacement and PIN change procedures
- (u) Reporting problems with the card or its use
- (v) Reporting a lost or stolen card
- (w) Use of the ARU

- (x) Customer services (including TDD services)
- (y) Exposure to loss of benefits before reporting loss or theft of card
- (z) Error reporting and resolution procedures

Authority Cited: Sections 10077, 10553, 10554, 18904, and 18904.1, Welfare and Institutions Code.

Reference: Sections 10065, 10069, 10072(h), and 10077, Welfare and Institutions Code; and 7 CFR 274.12(a), (f)(1)(v), and (g)(10); and California Approved Waiver Request #980090 for 7 CFR 274.12(f)(10)(ii) [subsequently renumbered to 7 CFR 274.12(g)(10)(ii)].

Adopt new Section 16-610 to read:

16-610 County Training

16-610

- .1 The CWD shall conduct ongoing cardholder and county staff training for EBT.
- .2 The training shall cover:
 - (a) All training materials provided to cardholders
 - (b) Use of the administrative terminal
 - (c) System functions
 - (d) Card status
 - (e) County responsibilities
 - (f) Equipment usage
 - (g) Card issuance and PIN selection processes
 - (h) Contractor contacts and escalation procedures
 - (i) Security for equipment, cards and data
 - (j) Error resolution process
 - (k) Settlement and reconciliation
 - (l) Using and understanding reports, and producing ad hoc reports
 - (m) Use of administrative terminals for fraud investigation
 - (n) Set-up and use of pseudo-households for investigative purposes

Authority Cited: Sections 10077, 10553, 10554, 18904, and 18904.1, Welfare and Institutions Code.

Reference: Sections 10065, 10069, and 10077, Welfare and Institutions Code; and 7 CFR 274.12(a), (f)(1), and (g)(10).

Adopt new Chapter 16-700 to read:

Chapter 16-700 Adjustments

16-701 Reserve – Error Resolution

16-701

Adopt new Section 16-750 to read:

16-750 Food Stamp Overissuance Collections from EBT Accounts

16-750

- .1 The CWD shall allow a household to pay its food stamp overissuance claim using benefits from its EBT account.
- .11 The CWD may collect overissuances from active (or reactivated) EBT accounts by obtaining permission from the recipient in one of the following forms:
 - .111 Written permission. This must be obtained in advance, and must be done in accordance with Section 16-750.15.
 - .112 Oral permission. This may be obtained for the purpose of a one-time reduction only. In addition, the CWD must send the household a receipt of the transaction within 10 days.
- .12 The CWD may collect overissuances from stale EBT accounts by providing the household written notification that it intends to apply the stale benefits to any outstanding claim. The written notification must indicate that the household has 10 days to notify the CWD that it does not want to use these benefits to pay the claim.
- .13 For making an adjustment with expunged EBT benefits, the CWD must adjust the amount of any claim by subtracting any expunged amount from the EBT benefit account for which the CWD becomes aware. Retention rules as provided in MPP Section 63-705 do not apply to this adjustment.
- .14 A collection from an EBT account must be non-settling against the benefit drawdown account.
- .15 At a minimum, any written agreement with the household to collect a claim using active EBT benefits must include:
 - .151 A statement that this collection activity is strictly voluntary.
 - .152 The amount of the payment.
 - .153 The frequency of the payments.
 - .154 The length of the agreement.
 - .155 A statement that the household may revoke this agreement at any time.

.2 The household shall not be entitled to a refund for an overpaid claim if the payment was made with an expunged EBT benefit.

Authority Cited: Sections 10077, 10553, 10554, 18904, and 18904.1, Welfare and Institutions Code.

Reference: Sections 10065, 10069, 10077, Welfare and Institutions Code; 7 CFR 274.12(a); 7 CFR 273.18(g)(2) and (h)(2); and Administrative Notice 00-57, dated August 11, 2000.

Adopt new Chapter 16-800 and new Section 16-801 to read:

Chapter 16-800 EBT Fraud and Suspected Violations

16-801 Fraud and Suspected Violations for Benefits Received
Via the EBT System

16-801

.1 General

All suspected fraud or misuse of benefits received via the EBT system should be referred to the county Special Investigative Unit (SIU) or other appropriate agency.

.2 Comprehensive procedures concerning criteria for referring cases for investigation, investigating cases, referring cases for prosecution, and imposing Intentional Program Violations are addressed in MPP Division 20.

.3 Suspected fraud and misuse of benefits in the EBT system shall also be investigated in accordance with MPP Division 20.

.4 As a result of EBT implementation, county SIUs have the ability to access on-line EBT transaction data and fraud reports from the EBT Contractor, CDSS, and the USDA to detect potential recipient and/or retailer fraud/trafficking. County SIUs may review/analyze the on-line EBT transaction data/fraud reports and investigate in accordance with MPP Division 20.

.5 In the Food Stamp Program, the county SIU, State agency or local law enforcement agency shall contact the CDSS Fraud Bureau or the USDA to coordinate investigations of potential retailer trafficking/fraud.

Authority Cited: Sections 10553 and 10554, Welfare and Institutions Code; and 7 CFR 271.2.

Reference: Sections 10065, 10069, 10077, 10553, 10554, 10600, and 10980, Welfare and Institutions Code; and 7 CFR 271.2.

Amend Sections 20-300.12, .312, and .313 to read:

20-300 Intentional Program Violations In the Food Stamp Program 20-300

.1 Definition: Intentional Program Violation

For the purpose of this section, an Intentional Program Violation (IPV) applies to the Food Stamp Program and is defined as having intentionally: (Continued)

.12 Committed any act which constitutes a violation of the Food Stamp Act, the Food Stamp Program regulations, or any state statute relating to the use, presentation, transfer, acquisition, receipt or possession of food stamp ~~coupons or ATPs~~ benefits. (Continued)

.3 Disqualification Penalties

.31 Individuals found to have committed an IPV shall be ineligible to participate in the Food Stamp Program as follows: (Continued)

.312 Twenty-four months for the first violation and permanently for the second violation of trading food stamps benefits for a controlled substance, as defined in Section 102 of the Controlled Substance Act (21 USC 802). (Continued)

.313 Permanently for the first violation for trading food stamps benefits for firearms, ammunition, or explosives. (Continued)

Authority Cited: Sections 10553, 10554, and 10809, Welfare and Institutions Code.

Reference: Sections 10072, 10553, 10554 and 18901, Welfare and Institutions Code, Public Law (PL) 103-66, Section 13942; PL 104-193, Sections 813, 814, and 820 (Personal Responsibility and Work Opportunity Reconciliation Act of 1996); 7 USC 2024(b) and (c); 21 USC 802; USDA Food and Consumer Services, Administrative Notice No. 94-04 dated October 8, 1993; and Garcia and Zellar v. Concannon et al.

Amend Section 44-302 to read:

44-302 Payment by ~~Direct Deposit~~ Electronic Fund Transfer

44-302

.1 Payment by Direct Deposit

Notwithstanding Section 25-301, direct deposit of assistance payments must be made available to CalWORKs recipients in all counties that offer a program of direct payroll deposit to some or all of their employees.

.11 The CWD shall notify recipients of the option to receive benefits by direct deposit at the time of application or redetermination.

.12 The recipient can request at anytime to receive direct deposit.

.13 The recipient shall be eligible for direct deposit for the duration they are on aid.

.2 Payment by Electronic Benefit Transfer (EBT)

Pursuant to Section 16-001.23, counties may elect to use the EBT system to issue cash benefits.

Authority Cited: Sections 10553, 10554, and 11006.2, Welfare and Institutions Code.

Reference: Sections 10072 and 11006.2, Welfare and Institutions Code.

Amend Section 44-304.5 and .611 and Handbook Section 44-304.611(a) to read:

44-304 Aid Payment Schedules (Continued) 44-304

.5 Standard Delivery Dates (Continued)

.53 Notwithstanding Section 44-304.52, counties opting to use the EBT system shall issue cash benefits pursuant to Section 16-215.

.6 Exceptions to Standard Delivery Date

.61 Weekends/Holidays (Continued)

.611 With respect to direct deposit electronic fund transfer, when a payment date falls on a weekend or holiday, funds shall be electronically transferred so that the funds are available to the recipient on the first day of that month to recipients using direct deposit and available on the designated payment date to recipients using EBT pursuant to Section 16-215.5.

HANDBOOK BEGINS HERE

(a) Example: If the ~~first of the month~~ payment date is on a Monday and Monday is a holiday, the direct deposit electronic fund transfer must be made ~~on the prior Friday or Saturday (depending on the financial institution)~~ in time to ensure that the funds are available ~~to the recipient~~ for recipients using direct deposit and available by the designated payment date for recipients using EBT.

HANDBOOK ENDS HERE

.62 (Continued)

Authority Cited: Sections 10553 and 10554, Welfare and Institutions Code.

Reference: Sections 10063(a), 10072, 10553, 10554, 11006.2, 11251.3, 11453.2, 11455 and 17012.5, Welfare and Institutions Code; 45 CFR 206.10(a)(6)(D); 45 CFR 233.23; 45 CFR 233.29(a)-(d); 45 CFR 233.31(b)(4); 45 CFR 233.32; and Balderas v. Woods Court Order.

INITIAL STATEMENT OF REASONS

a) Specific Purpose of the Regulations and Factual Basis for Determination that Regulations Are Necessary

The Invitation to Partner (ITP) is the compilation of requirements for the Electronic Benefit Transfer (EBT) system in California. The requirements of the ITP are the practical application of the direction received from state and federal law, state policy, industry standards and multiple stakeholder input. It is the culmination of extensive research and years of work that has involved the participation and input from multiple state agencies and departments, counties, retailers, client advocates and other stakeholders. The ITP reflects almost all of the EBT policy decisions developed by the California Department of Social Services (CDSS), and has been reviewed and approved by the EBT Committee as required by the Welfare and Institution Code Sections 10068 and 10069. Further, the ITP is an integral part of the contract between the state and contractor; thus the contractor is contractually obligated to meet ITP requirements.

The document commonly referred to as the "contract" is actually comprised of numerous separate documents. The document entitled "Electronic Benefit Transfer Contract" is the negotiated terms and conditions (NTC). This document contains the terms for the legal relationships between the parties and defines how the other documents comprising the contract interplay with the NTC. While the NTC defines the legal relationship, the ITP contains the contractor's responsibilities related to and the requirements for the EBT system. Together, these two documents, along with the contractor's proposal (which is not used as a basis for these regulations) and accepted deliverables, comprise the EBT contract; therefore, each of these documents is part of the overall contract and is therefore legally binding and enforceable.

Division 16 and Chapter 16-000Specific Purpose/Factual Basis:

Division 16 is being adopted to provide the requirements of the statewide EBT system. Chapter 16-000 is being adopted to provide a location within the EBT regulations for general information about the EBT system. These adoptions are necessary to implement a statewide EBT system as required by 7 CFR 274.12(a) and Welfare and Institutions Code Sections 10065, 10069, and 10077.

Section 16-001Specific Purpose/Factual Basis:

This section is being adopted to provide a location within the EBT regulations for general system information. This adoption is necessary to implement a statewide EBT system as

required by 7 CFR 274.12(a) and Welfare and Institutions Code Sections 10065, 10069, and 10077.

Handbook Section 16-001.1 et seq.

Specific Purpose:

This handbook section is being adopted to provide general EBT system information. California's EBT system is an on-line issuance system. The benefits are stored in a central computer database. A cardholder will access the benefit account by using a magnetic strip plastic card at point-of-sale (POS) terminal, automated teller machine (ATM) and other electronic fund transfer devices that will accept the EBT card.

Factual Basis:

This handbook section provides a general description of the statewide EBT system as an on-line issuance system as provided in 7 CFR 274.12(a), finalized April 1, 1992. Cardholders will access benefits in ATMs, POS, and other devices as contained in Welfare and Institutions Code Section 10072(c). The magnetic stripe plastic benefit card is used to access benefits in the EBT account as provided in California EBT ITP Section 6.7.

Handbook Sections 16-001.11 and .12

Specific Purpose:

These handbook sections are being adopted to provide a general description of an EBT issuance system. In general the process involves: 1) transmitting benefit information into a central computer account and 2) issuance of the magnetic stripe plastic EBT card to access food stamp benefits and cash benefits (if the county chooses to offer cash benefits via the EBT system) in place of the recipient receiving food stamp coupons or a public assistance payment.

Factual Basis:

These handbook sections are necessary to provide a general overview of an on-line EBT system as provided in 7 CFR 274.12(a), finalized April 1, 1992. This handbook includes the use of an EBT card for food stamp and cash benefit access as provided in Welfare and Institutions Code Section 10069.

Handbook Section 16-001.13 et seq.

Specific Purpose:

This handbook section is being adopted to provide general description of the on-line EBT system when the cardholder uses the EBT card to make a purchase transaction: 1) on-line connection to the central processor, 2) verification of the personal identification number (PIN), card number and the benefit amount in the EBT account, 3) authorization of the

purchase, and 4) debiting from the recipient's EBT account and crediting the retailer's account. The transaction is completed with the transmitting of information to maintain transaction history and by providing the cardholder with a receipt for the purchase.

Factual Basis:

This handbook section is necessary to provide a general overview of a transaction using an on-line EBT system as provided in 7 CFR 274.12(a), finalized April 1, 1992. This section continues to describe the transaction by including transaction information for up-to-the-minute information regarding cash and food stamp account balances and transaction history as required in California EBT ITP Section 6.5.2. Also, the cardholder will receive a receipt after a purchase transaction as provided in 7 CFR 274.12(g)(3) and California EBT ITP Section 6.10.6.

Section 16-001.2 et seq.

Specific Purpose:

This section is being adopted to require the implementation of the EBT system for the issuance of food stamp benefits for the Food Stamp Program and the California Food Assistance Program.

Factual Basis:

This section is necessary to implement the issuance of food stamp benefits using a statewide EBT system as required in 7 CFR 274.12(a) and Welfare and Institutions Code Section 10069.

Section 16-001.3 et seq.

Specific Purpose:

This section is being adopted to allow use of the the EBT system for CalWORKs benefits at county election and other benefits with CDSS approval.

Factual Basis:

The county may elect to issue CalWORKs benefits and other benefit programs using the EBT system as provided in Welfare and Institutions Code Section 10069.

Section 16-001.4

Specific Purpose:

This section is being adopted to require that when the statewide EBT system is operational, the CWD must implement State EBT regulations.

Factual Basis:

This section is necessary to comply with Welfare and Institutions Code Sections 10069, 10075.5, and 10077.

Section 16-003

Specific Purpose:

This section is adopted to provide a location within the EBT regulations for general information and to identify the county's obligation to comply with all civil rights laws, rules, and regulations when administering these regulations.

Factual Basis:

This adoption is necessary to implement a statewide EBT system as required by 7 CFR 274.12(a) and Welfare and Institutions Code Sections 10065, 10069, and 10077 and for compliance with civil rights laws in the administration of social service programs as required by Government Code Sections 11135 through 11139.5.

Section 16-005

Specific Purpose:

This section is being adopted to provide the user with a general understanding of terms used in these regulations. The regulations will be used by a variety of people who may not be familiar with terms used in social service programs and terms specific to the California EBT system and processes.

Section 16-005(a)(1)

Factual Basis:

This section is necessary to conform with California EBT ITP Appendix B, Page 2. "EBT" is added to make the definition specific for the EBT regulations.

Section 16-005(a)(2)

Factual Basis:

This section is necessary to conform with California EBT ITP Section 6.3.1.

Section 16-005(a)(3)

Factual Basis:

This section is necessary to conform with MPP Section 80-301a.(9).

Section 16-005(a)(4)

Factual Basis:

This section is necessary to conform with MPP Sections 63-402.61 through .613 and California EBT ITP Appendix B, Page 2. The reference to using coupons is deleted because the term "benefits" includes all food stamp issuance methods.

Section 16-005(a)(5)

Factual Basis:

This section is necessary to conform with EBT Reconciliation Guidance for State Agencies, received in September 2001 from FNS, Glossary, Page 26.

Section 16-005(a)(6)

Factual Basis:

This section is necessary to conform with California EBT ITP Appendix B, Page 2. The phrase "computer peripheral" is being replaced by "automated" to use a more familiar term. The phrase, "numerous functions" is being added to reflect the expanded use of the ARU in the EBT system since the initial release of the ITP document.

Section 16-005(a)(7)

Factual Basis:

This section is necessary to conform with California EBT ITP Appendix B, Page 2, which is modified to more accurately reflect ATM use for cash EBT. The term "banking transactions" is used in place of listing specific banking transactions; some of which are not appropriate cash EBT transactions.

Section 16-005(a)(8)

Factual Basis:

This section is necessary to define the date benefits become available to a recipient. This date also functions as the cut-off date for counties to make an adjustment to a recipient's account. This section is also necessary to conform with the California EBT Settlement and Reconciliation Guide, Glossary. The term "client" is being replaced by "recipient" and "cardholder" since those are the terms used in these regulations.

Section 16-005(b)(1)

Factual Basis:

This section is necessary to conform with California EBT ITP Appendix B, Page 2.

Section 16-005(b)(2)

Factual Basis:

This section is necessary to identify a type of computer interface that may be used by the CWD to interact with the EBT host and to conform with the California EBT Settlement and Reconciliation Guide, Glossary, and California EBT ITP Section 6.3.1.

Section 16-005(b)(3)

Factual Basis:

This section is necessary to conform with the California EBT Settlement and Reconciliation Guide, Glossary.

Section 16-005(c)(1)

Factual Basis:

This section is necessary to conform with the Clarification for the FNS-46 Issuance Reconciliation Report from the United States Department of Agriculture Food and Nutrition Service, effective beginning with the Fiscal Year 2000 FNS-46 reporting periods, Page 8.

Section 16-005(c)(2)

Factual Basis:

This section is necessary to conform with the Quest Operating Rules, Definitions Chapter, Page 2. Additionally, for a more complete description, information for the statewide EBT system is provided to specify individuals who have access to an EBT account as allowed in Welfare and Institutions Code Section 10072(e).

Section 16-005(c)(3)

Factual Basis:

This section is necessary to conform with MPP Section 80-301c.(1).

Section 16-005(c)(4)

Factual Basis:

This section is necessary to conform with California EBT ITP Appendix B, Page 2.

Section 16-005(c)(5)

Factual Basis:

This section is necessary to implement Welfare and Institutions Code Section 10069 by defining the other types of benefits that the EBT system is capable of delivering.

Section 16-005(c)(6)

Factual Basis:

This section is necessary to define a type of transaction available to cardholders and conform with California EBT ITP Section 6.6.2.2.3.

Section 16-005(d)(1)

Factual Basis:

This section is necessary to provide a definition of who outside of the members of the assistance unit may be issued an EBT card for access to cash benefits. The definition was developed as the result of discussions with county representatives and CDSS program and legal staff.

Section 16-005(d)(2)

Factual Basis:

This section is necessary to provide a definition of the term "Doctor or Medical Licensed Practitioner" as used in Section 16-325.321(a). This definition was developed by combining the definition of "Medical Licensed Practitioner" at MPP Section 63-102m.(5) in the California Food Stamp Program regulations with the definition of the term "Doctor" at MPP Section 42-701(d)(2) in the California CalWORKs regulations. MPP Section 63-102m.(5) references to "midwives" and "home administrators and registry" are being deleted because they are not applicable to the requirements in Section 16-325.321(a).

Section 16-005(e)(1)

Factual Basis:

This section is necessary to conform with the Quest Operating Rules, Definitions Chapter, Page 3.

Section 16-005(e)(2)

Factual Basis:

This section is necessary to conform with the Quest Operating Rules, Definitions Chapter, Page 2. "EBT" is added to specify that the card is used in the EBT system. The phrase "these Rules" is being amended to "Chapter 16-500" to be specific to these EBT regulations.

Section 16-005(e)(3)

Factual Basis:

This section is necessary to conform with the California EBT ITP, Appendix B, Page 4, Prime Contractor. The term "EBT Contractor" is used instead of the term "prime contractor" because, in this case, the State's contracted work is for the EBT system. For the purposes of these regulations it is a more easily identifiable term for the reader.

Section 16-005(e)(4)

Factual Basis:

This definition of the EBT host is derived from EBT Reconciliation Guidance for State Agencies, received in September 2001 from FNS, Glossary, Page 27, definition of the term "central computer -- The processor's EBT system, also referred to as the Host." The California EBT system uses the term "EBT host" in place of "central computer" because it specifies that the term relates to an EBT system. The additional information is an abbreviated description of the EBT system as it relates to the EBT functional requirements set forth in 7 CFR 274.12(f). These two federal sources provide a more complete description.

Section 16-005(e)(5)

Factual Basis:

This section provides a generic term encompassing the three types of interfaces to that may be used to connect a CWD to the EBT host and is necessary to conform with California EBT ITP Section 6.3.1.

Section 16-005(f)(1)

Factual Basis:

This section is necessary to provide a definition of an FNS authorized retailer. The definition combines the definition of a retail food store as provided in the 7 CFR 271.2

"retail food store" and the FNS approval that is necessary for the firm (retail food store) to receive in order to accept and redeem food stamp benefits provided in 7 CFR 278.1(j).

Section 16-005(f)(2)

Factual Basis:

This is necessary to conform with California EBT ITP Appendix B, Page 2. Additional information regarding FNS and the Food Stamp Program conforms with 7 CFR 271.3.

Section 16-005(f)(3)

Factual Basis:

This section is necessary to conform with the Quest Operating Rules, Definition Chapter, Page 3. The phrase "at a POS terminal" is being deleted to accommodate manual voucher transactions.

Section 16-005(f)(4)

Factual Basis:

This section is necessary to conform with 7 CFR 271.1(a).

Section 16-005(f)(5)

Factual Basis:

This section is necessary to conform with the Quest Operating Rules, Definitions Chapter, Page 3. The phrase "at a POS terminal" is being deleted to accommodate manual voucher transactions. Since the term "retailer" is more commonly used in existing Food Stamp regulations, the term "merchant" is being replaced with "retailer."

Section 16-005(h)(1)

Factual Basis:

This section is necessary to identify a type of computer interface that may be used by the CWD to interact with the EBT host and to conform with California EBT ITP Section 6.3.1.

Section 16-005(i)(1)

Factual Basis:

This section is necessary to conform with the Quest Operating Rules, Definitions Chapter, Page 4. Further explanation of the term is contained in California EBT ITP Section 4.4.

Section 16-005(i)(2)

Factual Basis:

This section is necessary to conform with the Quest Operating Rules, Definitions Chapter, Page 4 and the California EBT Settlement Resettlement Guide, Glossary.

Section 16-005(m)(1)

Factual Basis:

This section is necessary to conform with the Quest Operating Rules, Definition Chapter, Page 4. "EBT" is added to make the definition specific for the EBT regulations.

Section 16-005(m)(2)

Factual Basis:

This section is necessary to conform with California EBT ITP Appendix B, Page 4.

Section 16-005(n)(1)

Factual Basis:

This section is necessary to conform with 7 CFR 274.12(k)(1)(v) and the EBT Reconciliation Guidance for State Agencies, received in September 2001 from FNS, Page 19 [7 CFR 274.12(j)(1), subsequently renumbered to 7 CFR 274.12(k)(1)].

Section 16-005(o)(1)

Factual Basis:

This section is necessary to conform with California EBT ITP Appendix B, Page 4. For the statewide EBT system, the specific term "EBT host" is used in place of central data base.

Section 16-005(o)(2)

Factual Basis:

This section is necessary to conform with California EBT ITP Appendix B, Page 4. For the statewide EBT system, the specific term "EBT host" is used in place of central data base.

Section 16-005(p)(1)

Factual Basis:

This section is necessary to conform with the Quest Operating Rules, Definition Chapter, Page 5. The definition was shortened to accommodate transactions that are initiated without a card, such as manual vouchers.

Section 16-005(p)(2)

Factual Basis:

This section is necessary to conform with California EBT ITP Appendix B, Page 4.

Section 16-005(p)(3)

Factual Basis:

This section is necessary to conform with the Quest Operating Rules, Definition Chapter, Page 5.

Section 16-005(r)(1)

Factual Basis:

This section is necessary to conform with California EBT ITP Appendix B, Page 4. The word "truncated" is being added because the entire PAN will not appear on the receipt. "ATM" is being added because cardholders can access cash accounts at ATMs. The ITP definition does not contain ATM because many ATM receipts will not contain all the elements required by the ITP definition. "Balance remaining" is being deleted because many ATMs are not capable of printing the balance.

Section 16-005(r)(2)

Factual Basis:

This section is necessary to implement the NTC Section 4.8 (Settlement and Reconciliation) which requires that the EBT Contractor provide settlement information to each county on EBT transactions and 8.3.2 (Operating Rules) which specifies that the Quest Rules shall be the governing rules for EBT transactions. This section is in compliance with the Quest Operating Rules, Chapter Six - Settlement, Section 6.1 (End of Day Cut-off and Processing), Section 6.2 (Settlement Payments), and Section 6.3 (Government Reimbursement).

Section 16-005(r)(3)

Factual Basis:

This section is necessary to implement 7 CFR 274.12(i)(3)(iii)(C) which specifies how to handle reversals (rejects) that are not fully processed and recorded in the contractor's EBT system. In addition, this section is necessary to implement Interface Document Section 2.0 (Processing Rules) which specifies how files sent to the contractor can be rejected and the error codes listed on the return files to the counties and Appendix A: Page 21 (Return File Processing).

Section 16-005(s)(1)

Factual Basis:

This section is necessary to implement the NTC Sections 4.8 (Settlement and Reconciliation) and 8.3.2 (Operating Rules) which require that the EBT Contractor provide settlement information to each county on EBT transactions. This section is in compliance with the Quest Operating Rules, Chapter Six - Settlement, Section 6.1 (End of Day Cut-off and Processing), Section 6.2 (Settlement Payments), and Section 6.3 (Government Reimbursement).

Section 16-005(s)(2)

Factual Basis:

This section is necessary to conform with California EBT ITP Appendix B, Page 5. The terms "POS" and "ATM" used to describe the type of terminal were added to specify the types of terminals used in EBT transactions.

Section 16-005(t)(1)

Factual Basis:

This section is necessary to conform with California EBT ITP Appendix B, Page 5. A more generic term "entity" is used in place of "company" to broaden the description of a third party processor.

Section 16-005(t)(2)

Factual Basis:

This section is necessary to conform with 7 CFR 271.2. The phrase "for coupons" is being revised to "for food stamp benefits" to allow for the inclusion of the delivery of benefits by methods other than through coupon issuance.

Section 16-005(t)(3)

Factual Basis:

This section is necessary to be consistent with the EBT Settlement and Reconciliation Guide, Flow of Information, Page 11.

Section 16-005(u)(1)

Factual Basis:

This section is necessary to implement the FNS instructions contained in EBT Reconciliation Guidance for State Agencies, received in September 2001 from FNS, Page 10 [7 CFR 274.12(j)(1)(i), renumbered 7 CFR 274.12(k)(1)(i)].

Section 16-005(v)(1)

Factual Basis:

This section is necessary to implement 7 CFR 274.12(g)(4)(i) and (i)(3)(iii)(A) which specify how messages sent to the contractor can be adjusted and voided as specified in the system design. This section is also necessary to implement Interface Document, Section 1.0 (Operational Functions), Section 1.1 (Batch Interface), Section 1.2 (Host-to-Host Interface) Section 1.3 (Administrative Terminal Interface), Appendix A: Page 33 (Benefit Header Record) which specifies how the counties can void a benefit that has been posted to the contractor's EBT system, and Appendix B: Page 93 (Benefit Add/Void Request Message) which specifies how a county can void a pending benefit that has not yet reached its availability.

Section 16-010

Specific Purpose/Factual Basis:

This section is being adopted to provide a location within the EBT regulations for county interface and administrative transactions requirements. This adoption is necessary to implement a statewide EBT system as required by 7 CFR 274.12(a) and Welfare and Institutions Code Sections 10065, 10069, and 10077.

Section 16-010.1 et seq.

Specific Purpose:

Section 16-010.1 is being adopted to require the CWD to transmit and receive information with the EBT system using the interface methods described. The three types of interface methods are standard batch eligibility interface, standard host-to-host eligibility interface and administrative terminal interface.

Factual Basis:

The section is necessary to require the CWD eligibility system to interface with the EBT system for the purpose of transmitting and receiving information to meet the functional requirements contained in 7 CFR 274.12(f) and as provided in California EBT ITP Section 6.3.1. The CWD is required to use one or more of the three interface methods described in California EBT ITP Section 6.3.1.

Section 16-010.2 et seq.

Specific Purpose:

This section is being adopted to specify some of the administrative transactions that will be transmitted using the eligibility system interface.

Factual Basis:

This section is necessary to require the administrative transactions as provided in California EBT ITP Sections 6.4 and 6.6.2.5. The item listed in ITP Section 6.6.2.5 as "Debit a food stamp or cash account to pay a replacement card fee" is not included because California EBT ITP Section 6.8.4.1, states that replacement fees will not be imposed.

Section 16-015

Specific Purpose/Factual Basis:

This section is being adopted to provide a location within the EBT regulations for EBT security information. This adoption is necessary to implement a statewide EBT system as required by 7 CFR 274.12(a) and Welfare and Institutions Code Sections 10065, 10069, and 10077.

Handbook Sections 16-015.1 and .2

Specific Purpose:

Handbook Sections 16-015.1 and .2 are to identify and recommend areas of EBT system security.

Factual Basis:

These handbook sections are necessary to comply with 7 CFR 274.12(f)(1)(ix) and (x), and 7 CFR 274.12(i)(3).

Chapter 16-100

Specific Purpose/Factual Basis:

This chapter is being adopted to provide a location within the EBT regulations for EBT account requirements. This adoption is necessary to implement a statewide EBT system as required by 7 CFR 274.12(a) and Welfare and Institutions Code Sections 10065, 10069, and 10077.

Section 16-105

Specific Purpose/Factual Basis:

This section is being adopted to provide a location within the EBT regulations for EBT account setup requirements. This adoption is necessary to implement a statewide EBT system as required by 7 CFR 274.12(a) and (f)(1)(iii) and Welfare and Institutions Code Sections 10065, 10069, and 10077.

Sections 16-105.1 and .2

Specific Purpose:

Sections 16-105.1 and .2 are being adopted to require CWDs to provide the EBT Contractor with account setup information and to require the CWD to transmit batch files within a specific time frame.

Factual Basis:

These sections are necessary to comply with California EBT ITP Section 6.4 which requires account setup information to be provided to the EBT Contractor by the CWD via the standard EBT interface to meet benefit availability time frames.

Section 16-105.3 et seq.

Specific Purpose:

This section is being adopted to specify recipient case data for the account setup.

Factual Basis:

This section is necessary to comply with California EBT ITP Section 6.4.2. In Section 16-105.34, "corresponding 000s if a recipient does not have an SSN" is being added after "Social Security Number (SSN)" for those clients without an SSN to have a data entry for the SSN.

Section 16-105.4 et seq.

Specific Purpose:

This section is being adopted to include inter-county recipient moves in account setup situations. Although the recipient has a case in the previous county, upon moving to a new county, the CWD shall establish a new account for the recipient if program eligible. A cross-reference is being adopted to provide additional regulations concerning inter-county recipient moves.

Factual Basis:

This section is necessary to comply with California EBT ITP Section 6.8.7 which requires that in the event a recipient moves from one county to another and establishes eligibility, the recipient shall have a new EBT account established in the new county. This section is also necessary to comply with Welfare and Institutions Code Section 10072(a) which requires an EBT system that is interoperable.

Section 16-105.5

Specific Purpose:

This section is being adopted to require the CWD to transmit account setup data to the EBT system prior to the issuance of the EBT card, except in expedited issuance cases.

Factual Basis:

This section is necessary to comply with California EBT ITP Section 6.4.2 which requires the transmission of account setup data prior to card issuance in all cases, except expedited issuance cases.

Section 16-120

Specific Purpose/Factual Basis:

This section is being adopted to provide a location within the EBT regulations for aging EBT account and benefit expungement requirements. This adoption is necessary to implement a statewide EBT system as required by 7 CFR 274.12(a) and (g)(7), and Welfare and Institutions Code Sections 10065, 10069, and 10077.

Section 16-120.1

Specific Purpose:

Section 16-120.1 is being adopted to specify that consistent terms are used to describe the status of an aging account as inactive, dormant, or expunged.

Factual Basis:

This section is necessary to comply with federal requirements on stale account handling in 7 CFR 274.12(g)(7). This section is also necessary for consistency and to comply with the terms used to describe an aged account as set forth in California EBT Requirements Validation Document, dated November 15, 2001, Section II, Item 3.0, or the accepted version of this document.

Section 16-120.11 et seq.

Specific Purpose:

This section is being adopted to describe inactive account status as an account which has not had any debit activity for 45 days. Whether the CWD becomes aware of the inactive account as a result of the EBT Contractor-produced report or by some other means, the CWD must send a notice to the recipient informing the recipient that the benefits will become inaccessible after a total of 90 days and inform the recipient of how to reaccess those benefits.

Factual Basis:

This section is necessary to implement the requirements of an inactive account status, as set forth in California EBT Requirements Validation Document, dated November 15, 2001, Section II, Item 3.0, or the accepted version of this document. The EBT Contractor will provide the CWD with a monthly report to identify inactive accounts as contained in California EBT ITP Section 6.5.6.2. ITP Section 6.5.6.2 has been amended by Work Authorization No. 3, which eliminated the 60-day report and, instead, the recipient will be notified at the 45-day report time frame about the inaccessibility of the benefits after a total of 90 days and how to reaccess those benefits. This action satisfies 7 CFR 274.12(g)(7)(i)(A) which requires that benefits be made available after recipient reapplication or re-contact. This section is also necessary to comply with 7 CFR 274.12(g)(7)(i)(B) that requires an attempt be made to contact the recipient before the benefits are stored off-line. This section also includes the Client Advocate Advisory Group recommendation that the CWD notify the recipient of the inactive account status and take the appropriate action regardless of how the CWD becomes aware of the situation.

Section 16-120.12 et seq.

Specific Purpose:

This section is being adopted to describe dormant account status as an account for which there has been no debit activity for 90 days. The section provides that the CWD will receive a report identifying accounts that are dormant and that the recipient must contact the CWD in order to access the account benefits or upon the recipient's reapplication. This section directs the CWD to use the administrative terminal or host-to-host interface to reinstate benefit availability upon recipient contact or recipient's reapplication. The benefits

shall be accessible to the recipient within 24 hours after the CWD request to the EBT system.

Factual Basis:

This section is necessary to implement the requirements of dormant accounts, as set forth in the California EBT Requirements Validation Document, dated November 15, 2001, Section II, Item 3.0, or the accepted version of this document. Also, this section is necessary to comply with 7 CFR 274.12(g)(7)(i) which specifies that a state may move benefits off-line after three months or longer. California Approved Waiver Request #980070 for 7 CFR 274.12(f)(7) [subsequently renumbered to 7 CFR 274.12(g)(7)] was approved for the State to use 90 days instead of three months. The EBT Contractor will provide the CWD with a 90-day dormant account report as contained in Work Authorization No. 3 to the California EBT ITP. This section is necessary to comply with 7 CFR 274.12(g)(7)(i)(A) which requires the benefits be made available after recipient reapplication or re-contact. California EBT ITP Section 6.5.6.3 contains the requirement that the benefits be available to the recipient within 24 hours of the county's reinstatement request via the on-line interface.

Section 16-120.13

Specific Purpose:

This section is being adopted to provide that benefits that have been available in an account for a total of 270 days or more without debit activity will be expunged from the EBT host. An expungement report, which includes the benefits expunged and the remaining account balance, will be provided to the CWD.

Factual Basis:

This section is necessary to conform with the term "expunged" as set forth in the California EBT Requirements Validation Document, dated November 15, 2001, Section II, Item 3.0, or the accepted version of this document. This section is necessary to comply with 7 CFR 274.12.(g)(7)(ii) which requires the expungement of food stamp benefits after one year. FNS letter to EBT Coordinators, FS-9-5-1/EBT GEN, dated September 28, 1998 clarifies benefit expungement. This FNS letter specifies that benefits which have been accessible to the household for the full year (or if the State has a waiver shortening the intended period of use) are the only benefits to be expunged. California Approved Waiver Request #980071 for 7 CFR 274.12(f)(7) [subsequently renumbered to 7 CFR 274.12(g)(7)] allows benefits to be expunged after 180 days of off-line storage. California EBT ITP Section 6.5.6.4 specifies that benefits be available for the full duration of 90 days on-line and 180 days off-line, a total of 270 days, before the benefits are expunged. California EBT ITP Section 6.5.6.4 also specifies that the EBT Contractor will provide the CWD an expunged account report that includes the benefits expunged and the remaining account balance.

Section 16-120.131

Specific Purpose:

This section is being adopted because expunged food stamp benefits will not be reinstated to the recipient.

Factual Basis:

This section is necessary to comply with Preamble of the final rules and regulations Federal Register, Vol. 57, No. 63, April 1, 1992, p. 11232, left column, regarding stale benefits.

Section 16-120.132

Specific Purpose:

This section is being adopted to require the CWD to report expunged benefits according to the federal monthly issuance reporting requirements.

Factual Basis:

This section is necessary to comply with 7 CFR 274.12(g)(7)(ii).

Section 16-120.133

Specific Purpose:

This section is being adopted to require the CWD to maintain an accounting of expunged cash benefits and to reissue those cash benefits upon recipient request. It distinguishes the difference in the treatment between food stamp EBT benefits and cash EBT benefits.

Factual Basis:

CalWORKs grants that are made available on the EBT system, but not used by the recipient may be taken off-line on the same time frame as food stamp benefits. However, the cash grant balance may not be expunged as the food stamp balance is permitted to be. California law does not currently provide a termination date for cash aid, and establishing such a date must be done legislatively, rather than through regulations, since the current underpayment rules at Welfare and Institutions Code Section 11004(k) could require the State to reinstate any benefits owed which were not used.

Handbook Section 16-120.134

Specific Purpose:

This handbook section is being adopted to inform the CWD that the EBT Contractor will expunge benefits on a daily basis.

Factual Basis:

Benefits must be available for the full availability period before expungement as contained in FNS letter to EBT Coordinators, FS 9-5-1/EBT GEN, dated September 28, 1998. In California, the availability period is 270 days. The EBT Contractor will expunge benefits monthly from an account as contained in California EBT ITP Section 6.5.6.4. However, to more accurately describe the EBT system activity, benefits are expunged on a daily basis.

Section 16-120.2

Specific Purpose:

This section is being adopted to require the CWD to expunge food stamp benefits that remain in the household's EBT account one week after conversion from food stamp electronic benefits to food stamp coupons.

Factual Basis:

This section is necessary to comply with 7 CFR 274.12(g)(6)(vi).

Section 16-130

Specific Purpose/Factual Basis:

This section is being adopted to provide a location within the EBT regulations for account balance and transaction history requirements. This adoption is necessary to implement a statewide EBT system as required by 7 CFR 274.12(a) and (g)(2), and Welfare and Institutions Code Sections 10065, 10069, and 10077.

Sections 16-130.1 and .4 and Handbook Sections 16-130.2 et seq. and .3

Specific Purpose:

Section 16-130.1 is being adopted to specify the availability of recipient account balances and transaction history data to the CWD through the administrative terminal. The handbook sections are being added to provide some of the transaction history information and the duration the history is to be maintained. Section 16-130.4 is being adopted to specify that the EBT system will retrieve the history data within five business days after the CWD request.

Factual Basis:

This section is necessary to implement 7 CFR 274.12(g)(2) which requires that the EBT system provide transaction history. California EBT ITP Section 6.5.2 establishes that the CWD can access transaction history through the administrative terminal. ITP Section 6.5.2

also provides the minimum transaction history information, the duration for which the history is maintained and the retrieval time frames.

Section 16-130.5 et seq.

Specific Purpose:

This section is being adopted to require the CWD to assist the cardholder in obtaining their transaction history by directing them to use the ARU or to call the Customer Service Center. The cardholder will receive a two-month transaction history within five business days.

Factual Basis:

This section is necessary to implement 7 CFR 274.12(g)(2) and California EBT ITP Section 6.5.2.

Chapter 16-200 and Section 16-201

Specific Purpose/Factual Basis:

This chapter is being adopted to provide a location within the EBT regulations for EBT benefit requirements. This section is being adopted to provide a location within the EBT regulations for benefit authorization requirements. This adoption is necessary to implement a statewide EBT system as required by 7 CFR 274.12(a) and (f)(1)(vi), and Welfare and Institutions Code Sections 10065, 10069, and 10077.

Section 16-201.1 et seq. and Handbook Section 16-201.111

Specific Purpose:

Sections 16-201.1 and .11 are being adopted to require that at least once a month, the CWD transmit ongoing case benefit authorization records to the EBT Contractor. Handbook Section 16-201.111 clarifies that although the benefit authorization files are transmitted at one time, the benefits are available to the recipient according to the recipient's benefit availability date. Section 16-201.12 is being adopted to require that benefit authorization for new accounts, and supplements and corrective underpayments for existing accounts are transmitted at least once daily.

Factual Basis:

These sections are necessary to comply with 7 CFR 274.12(f)(1)(vi) which requires authorizing benefit delivery. Also, Section 16-201.1 is necessary to comply with California EBT ITP Section 6.4.3 which requires the transmission of benefit authorization files. California EBT ITP Section 6.4.3.1 provides clarification between the monthly authorization file transmission and the actual benefit availability date of the recipient in the handbook section. ITP Section 6.4.3.1 provides for at least daily transmission of benefit

authorization for new accounts and supplements (i.e., underpayments). CalWORKs uses the term "underpayments" as a type of supplement.

Section 16-201.2 et seq.

Specific Purpose:

This section is being adopted to specify the benefit authorization data fields.

Factual Basis:

This section is necessary to meet the requirement of California EBT ITP Section 6.4.3 that lists the authorization data fields the CWD will use.

Section 16-215

Specific Purpose/Factual Basis:

This section is being adopted to provide a location within the EBT regulations for benefit availability requirements. This adoption is necessary to implement a statewide EBT system as required by 7 CFR 274.12(a) and Welfare and Institutions Code Sections 10065, 10069, and 10077.

Section 16-215.1 and Handbook Section 16-215.11

Specific Purpose:

Section 16-215.1 is being adopted to require EBT benefit availability meet program requirements. The handbook section provides an example of the Food Stamp Program expedited service issuance time frame.

Factual Basis:

This section is necessary to implement 7 CFR 274.12(g)(8) which requires states to comply with expedited service benefit delivery and normal application processing standards. The handbook section complies with MPP Section 63-301.531.

Section 16-215.2 et seq. and Handbook Section 16-215.22

Specific Purpose:

Section 16-215.2 is being adopted to require that for emergency cases, such as expedited service and immediate need cases, the CWD use a standard interface to authorize benefits and that EBT card and PIN issuance may occur at a designated county location. The handbook section provides information on the EBT system ability to meet issuance requirements for emergency cases.

Factual Basis:

This section is necessary to implement 7 CFR 274.12(g)(8) which requires states to comply with expedited service benefit delivery and normal application processing standards. Emergency cases are to be established using administrative terminal and host-to-host interface as provided in California EBT ITP Section 6.4.3.3. Batch interface is also being added as a result of CWD comments, that batch interface can also meet the program time frames for these cases. EBT card issuance and PIN selection procedures for expedited issuance are contained in California EBT ITP Section 6.8.3. The handbook section refers to the California EBT ITP Section 6.8.3.

Section 16-215.3

Specific Purpose:

This section is being adopted to require the CWD inform the recipient of the benefit availability date.

Factual Basis:

This section is necessary to comply with 7 CFR 274.12(f)(1)(viii) and (g)(4).

Section 16-215.4 et seq.

Specific Purpose:

This section is being adopted to specify that the CWD may change benefit issuance cycle and that recipients must be informed about this change.

Factual Basis:

This section is necessary to comply with California EBT ITP Section 6.4.3.1 which allows for issuance cycle change and 7 CFR 274.12(f)(1)(viii) and (g)(4) which require that recipients be informed of benefit availability.

Section 16-215.5

Specific Purpose:

This section is being adopted to require the CWD to issue food stamp benefits over the first ten calendar days of the month.

Factual Basis:

This section is necessary to comply with 7 CFR 274.2(d)(1) and California EBT ITP Section 6.4.3.1, and is necessary for consistency with MPP Section 63-602.4 (Food Stamp Program Issuance Schedule).

Sections 16-215.6 and .61

Specific Purpose:

These sections are being adopted to require CWDs, that elect to provide cash benefits through the EBT system, to stagger cash issuance over the first three calendar days of the month. The CWD may issue cash benefits in less than three days after receiving waiver approval by the CDSS.

Factual Basis:

These sections are necessary to comply with Welfare and Institutions Code Section 10072(c) which requires the three-day stagger issuance for cash benefits. Welfare and Institutions Code Section 10072(c) also provides for the CWD to submit a request to waive the three-day stagger provision. The regulation is necessary to clarify this waiver process is intended to allow counties with a small caseload, who may not need to stagger cash issuance over three days, to opt out of the three-day stagger.

Section 16-215.62

Specific Purpose:

This section is being adopted to require the CWD to evaluate a household's request for exemption from the three-day stagger due to recipient hardship. Hardship includes, but is not limited to, the incurrence of late charges to the recipient for housing payments.

Factual Basis:

This section is necessary to comply with Welfare and Institutions Code Section 10072(l).

Section 16-215.63

Specific Purpose:

This section is being adopted to require a CWD electing to use the EBT system to issue General Assistance (GA) benefits to stagger issuance over a minimum of three days. Benefit issuance may be staggered over a period of more than three days at the CWD's discretion.

Factual Basis:

This section is necessary to comply with California EBT ITP Section 6.4.3.1.

Section 16-215.7

Specific Purpose:

This section is being adopted to provide that recipient benefits not used in the issuance month will be carried forward month-to-month for recipient use unless benefit aging regulations at Section 16-120 apply.

Factual Basis:

This section is necessary to comply with 7 CFR 274.12(f)(2)(vi) which requires that benefit availability and benefits are to be carried over from month-to-month. This section is also necessary to implement 7 CFR 274.12(g)(7), aging accounts and expungement.

Chapter 16-300 and Section 16-301

Specific Purpose/Factual Basis:

This chapter is being adopted to provide a location within the EBT regulations for benefit transaction requirements. This section is being adopted to provide a location within the EBT regulations for general benefit transaction requirements. This adoption is necessary to implement a statewide EBT system as required by 7 CFR 274.12(a) and (g)(9), and Welfare and Institutions Code Sections 10065, 10069, and 10077.

Section 16-301.1

Specific Purpose:

Section 16-301.1 is being adopted to require the CWD to provide recipients with reasonable access to benefits when the CWD issues benefits through the EBT system.

Factual Basis:

This section is necessary to comply with Welfare and Institutions Code Section 10071 and 10072(a) and (c), and 7 CFR 274.12(g)(9) regarding the distribution of benefits through the EBT system provided the recipient has reasonable access to his or her benefits.

Section 16-301.2 et seq.

Specific Purpose:

This section is being adopted to describe the steps the EBT system will check to authorize an EBT transaction.

Factual Basis:

This section is necessary to comply with California EBT ITP Section 6.6.1 which provides for the transaction authorization or denial factors.

Section 16-301.3

Specific Purpose:

This section is being adopted to provide that all the factors in Section 16-301.2 must be met for transaction approval. When a transaction is denied, the system shall provide a reason. If insufficient funds is the reason for denial, the transaction response will include the available balance.

Factual Basis:

The section is necessary to comply with California EBT ITP Section 6.6.2.1.7.

Section 16-310

Specific Purpose/Factual Basis:

This section is being adopted to provide a location within the EBT regulations for food stamp EBT benefit transaction requirements. This adoption is necessary to implement a statewide EBT system as required by 7 CFR 274.12(a) and (g), and Welfare and Institutions Code Sections 10065, 10069, and 10077.

Section 16-310.1

Specific Purpose:

Section 16-310.1 is being adopted to specify that no transaction fees shall be imposed on food stamp households using the EBT system for any Food Stamp Program transaction.

Factual Basis:

This section is necessary to comply with 7 CFR 274.12(g)(1) and California EBT ITP Section 6.6.2.1.

Sections 16-310.2 and .21

Specific Purpose:

These sections are being adopted to specify the use of food stamp electronic benefits for food stamp purchase.

Factual Basis:

Section 16-310.2 is necessary to comply with 7 CFR 274.12(a), finalized April 1, 1992, which states that eligible households will utilize the plastic cards (EBT cards) in lieu of food stamp coupons to purchase food items at authorized food retailers. This section is necessary to also comply with 7 CFR 274.12(f)(4)(i) and (iii), and California EBT ITP Sections 6.6 and 6.6.2.1.1. Section 16-310.21 is necessary to comply with 7 CFR 274.12(a) finalized April 1, 1992 which states that after obtaining authorization for each purchase, the transaction then initiates the debiting of the household's account and the crediting of the retailer's account. The FNS EBT - Frequently Asked Questions, updated 10/31/01, Question #2, clarifies that the recipient's account is then debited for the amount of the purchase and the retailer's account is credited.

Section 16-310.22

Specific Purpose:

This section is being adopted to specify the food stamp merchandise refund transaction.

Factual Basis:

This section is necessary to comply with 7 CFR 274.12(f)(2)(iii) in which the household's food stamp account is debited or credited. Food stamp refund transaction regulations are also necessary to comply with the Quest Operating Rules, Chapter 3 - Acquirer and Terminal Operator Requirements, Section 3.36b (Food Stamp Transactions) and California EBT ITP Section 6.6.2.1.2.

Section 16-310.3

Specific Purpose:

This section is being adopted to establish that there will be no minimum dollar amount per transaction or maximum limit on the number of transactions.

Factual Basis:

This section is necessary to comply with 7 CFR 274.12(g)(1).

Section 16-310.4

Specific Purpose:

This section is adopted to specify that food stamp EBT benefits are not to be converted to cash or cash benefits and that no change will be given.

Factual Basis:

This section is necessary to comply with 7 CFR 274.12(a), finalized April 1, 1992 in which the household's account is debited for the amount of the purchase. USDA FNS' position is the food stamp household's account is debited for the amount of the purchase in transacting food stamp EBT benefits. No change is provided because this is not a coupon transaction; 7 CFR 274.10(j) applies to change in a food stamp coupon transaction. This section is also necessary to comply with California EBT ITP Section 6.5.4.

Section 16-310.5

Specific Purpose:

This section is adopted to specify that Food Stamp Program benefits cannot be accessed outside the United States and its territories.

Factual Basis:

This section is necessary to comply with Welfare and Institutions Code Section 10072(a) and California EBT ITP Sections 6.6.3.1 and 6.10.4.1.

Sections 16-310.6 and .61

Specific Purpose:

These sections are being adopted to specify the requirements and procedures for manual vouchers for food stamp EBT transactions.

Factual Basis:

These sections are necessary to implement 7 CFR 274.12(f)(2)(v) which requires that back-up procedures be provided.

Section 16-310.611

Specific Purpose:

This section is being adopted to specify that manual vouchers are to be used when retailers do not have access to a POS device and manual vouchers may be used by non-traditional retailers.

Factual Basis:

This section is necessary to comply with 7 CFR 274.12(h)(4)(ii)(C) and California EBT ITP Sections 6.10.4.3. and 6.10.8.

Section 16-310.612 et seq.

Specific Purpose:

This section is being adopted to specify that manual vouchers are to be used when the retailer's system cannot communicate with the EBT host during a food stamp transaction and the steps that the retailers are to follow.

Factual Basis:

This section is necessary to comply with 7 CFR 274.12(h)(4)(ii)(C) and California EBT ITP Sections 6.6.2.1.4 and 6.10.8.

Section 16-310.613

Specific Purpose:

This section is being adopted to specify that manual vouchers are to be used when the EBT host is unavailable for process transactions.

Factual Basis:

This section is necessary to implement 7 CFR 274.12(h)(4)(ii)(C) and California EBT ITP Section 6.10.9.

Handbook Section 16-310.62 et seq.

Specific Purpose/Factual Basis:

This handbook section is being added to provide the EBT Contractor's responsibility concerning off-line transaction floor limits and is necessary to implement California EBT ITP Section 6.10.9.

Section 16-310.63

Specific Purpose:

This section is being adopted: 1) to specify the minimum content of the manual voucher; 2) to require that the voucher is signed by the cardholder; and 3) to specify that the cardholder is to receive a copy of the voucher.

Factual Basis:

This section is necessary to comply with California EBT ITP Section 6.10.8.

Section 16-310.64

Specific Purpose:

This section is being adopted to specify that manual vouchers are not used for cash benefit transactions.

Factual Basis:

This section is necessary to comply with California EBT ITP Section 6.10.8.

Section 16-310.7

Specific Purpose:

This section is being adopted to specify that the EBT system is to provide minimal disruption of access to and service in retail stores by eligible households.

Factual Basis:

This section is necessary to comply with 7 CFR 274.12(g)(9) and (h)(3), and California EBT ITP Section 6.10.4.1.

Section 16-315

Specific Purpose/Factual Basis:

This section is being adopted to provide a location within the EBT regulations for food stamp benefit conversion requirements. This adoption is necessary to implement a statewide EBT system as required by 7 CFR 274.12(a) and (g)(6), and Welfare and Institutions Code Sections 10065, 10069, and 10077.

Section 16-315.1

Specific Purpose:

This section is being adopted to require CWDs to convert food stamp electronic benefits to food stamp coupons at the household's request when the household is relocating to a state that is not interoperable and where electronic benefits are not portable or if the household leaves an EBT project area.

Factual Basis:

This section is necessary to implement 7 CFR 274.12(g)(6)(i) and (iv), and the California EBT ITP Section 6.4.4.

Section 16-315.2

Specific Purpose:

This section is being adopted to require CWDs to allow conversions to coupons for short-term absences from the EBT project area for family emergencies or similar occurrences.

Factual Basis:

This section is necessary to comply with 7 CFR 274.12(g)(6)(ii).

Section 16-315.3

Specific Purpose:

This section is being adopted to require CWDs to develop conversion procedures that do not conflict with mailing restrictions regarding authorization documents.

Factual Basis:

This section is necessary to comply with 7 CFR 274.12(g)(6)(v).

Section 16-315.4 et seq.

Specific Purpose:

Section 16-315.4 is being adopted to specify that the CWD can opt to store and convert food stamp coupons or have the EBT Contractor store and mail the coupons to the recipient. Section 16-315.41 et seq. is being adopted to specify that the conversion must occur either: 1) within one business day following the recipient's request if the coupons are stored at local agency locations; or 2) within three business days following the request if the coupons are stored at a central location or mailed by the EBT Contractor.

Factual Basis:

This section is necessary to implement 7 CFR 274.12(g)(6)(i) and the California EBT ITP Section 6.4.4.

Section 16-315.5

Specific Purpose:

This section is being adopted to specify that any benefits remaining in an account are to be rounded down to the nearest dollar amount suitable for coupon issuance.

Factual Basis:

This section is necessary to comply with 7 CFR 274.12(g)(6)(vi).

Section 16-315.6 et seq.

Specific Purpose:

This section is being adopted to require the household to spend any remaining balance that cannot be converted to coupons; to specify that if the recipient fails to spend the remaining balance within one week, the benefits are expunged from the recipient's EBT account; and to require that CWDs report the adjustment to FNS.

Factual Basis:

This section is necessary to comply with 7 CFR 274.12(g)(6)(vi).

Section 16-315.7

Specific Purpose:

This section is being adopted to specify that no limit is to be imposed on the number of times a household can convert coupons.

Factual Basis:

This section is necessary to implement 7 CFR 274.12(g)(6)(iv).

Section 16-315.8

Specific Purpose:

This section is being adopted to require CWDs to prohibit coupon conversion solely for shopping outside the EBT area.

Factual Basis:

This section is necessary to comply with 7 CFR 274.12(g)(6)(ii).

Section 16-315.9

Specific Purpose:

This section is being adopted to specify that benefits are not to be split between coupons and electronic benefits.

Factual Basis:

This section is necessary to comply with 7 CFR 274.12(g)(6)(iii).

Section 16-320

Specific Purpose/Factual Basis:

This section is being adopted to provide a location within the EBT regulations for cash transaction requirements. This adoption is necessary to implement a statewide EBT system as required by 7 CFR 274.12(a) and Welfare and Institutions Code Sections 10065, 10069, and 10077.

Section 16-320.1

Specific Purpose:

This section is being adopted to specify that using the EBT system for cash benefits is a county option. Sections 16-320 and 16-325 shall not be implemented in counties that do not issue cash benefits via the EBT system.

Factual Basis:

This section is necessary to implement Welfare and Institutions Code Section 10069 which provides for the issuance of cash benefits via the EBT system, upon county election. Regulations in Sections 16-320 and 16-325 will not be applicable in counties that do not choose this issuance method for cash benefits.

Section 16-320.2

Specific Purpose:

This section is being adopted to provide that cardholders use POS devices, ATMs, or other devices that accept cash EBT transactions to access EBT cash benefits.

Factual Basis:

This section is necessary to implement Welfare and Institutions Code Section 10072(c) which requires that benefits be accessible through such devices.

Section 16-320.3 et seq.

Specific Purpose:

This section is being adopted to specify that cash EBT transactions include, but is not limited to cash withdrawal, purchase, purchase with cash back, and balance inquiry.

Factual Basis:

This section is necessary to implement California EBT ITP Section 5.10.1 and to comply with California EBT ITP Sections 6.6.2.2.1, 6.6.2.2.2, 6.6.2.2.3, and 6.6.2.3.2.

Section 16-320.4 and Handbook Section 16-320.41

Specific Purpose:

This section is being adopted to require CWDs to provide the cardholder with cash access locations and information on additional charges. Handbook Section 16-320.41 is being added to inform CWDs that a monthly report will be provided which will include cash access locations and other applicable information.

Factual Basis:

Section 16-320.4 is necessary to comply with the California EBT ITP Section 5.10.6.4 which requires that the EBT Contractor provide each CWD that chooses EBT for cash benefit issuance with a monthly report of locations where cardholders may obtain cash and other information.

Section 16-320.5

Specific Purpose:

This section is being adopted to specify that there will not be a transaction fee for the first four cash-only transactions per case per month, but that after the four transactions, the cardholder may be charged a fee.

Factual Basis:

This section is necessary to comply with Welfare and Institutions Code Section 10072(k) and the California EBT ITP Section 6.6.2.2.3.

Section 16-320.6

Specific Purpose:

This section is being adopted to specify that the cardholder may choose to make a cash withdrawal transactions at any location including those cash access locations that impose an additional charge.

Factual Basis:

This section is necessary to implement Welfare and Institutions Code Section 10072(k) and California EBT ITP Section 5.10.2.

Section 16-320.7

Specific Purpose:

This section is being adopted to provide that the recipient will pay for fees and surcharges that are their responsibility. These charges will be deducted from the recipient's cash account at the time of the transaction.

Factual Basis:

This section is necessary to implement Welfare and Institutions Code Section 10072(k) and California EBT ITP Sections 5.10.2, 6.6.2.2.3, 6.6.2.3, and 6.6.6.

Section 16-325 Title

Specific Purpose/Factual Basis:

This section is being adopted to provide a location within the EBT regulations for requirements regarding alternate methods of EBT cash benefit delivery. This adoption is necessary to implement a statewide EBT system as required by 7 CFR 274.12(a) and Welfare and Institutions Code Sections 10065, 10069, and 10077.

Section 16-325.1

Specific Purpose:

Section 16-325.1 is being adopted to establish that in those counties issuing cash benefits via EBT, such benefits shall be issued via EBT or an alternate method. Alternate methods include direct deposit or the issuance of a paper warrant.

Factual Basis:

This section is necessary to implement Welfare and Institutions Code Section 10072(d) which requires alternative methods of issuance for recipients who are unable to use the EBT system due to physical disabilities or mental disabilities, or are otherwise unable to make effective use of the system.

Section 16-325.2

Specific Purpose:

Section 16-325.2 is being adopted to establish the requirement that, at the option of the recipient head of household/assistance unit, the county shall provide an EBT card to other adult household/assistance unit members to enable them to access benefits.

Factual Basis:

This section is necessary to implement Welfare and Institutions Code Section 10072(e) which allows the recipient head of household/assistance unit to designate other adult household/assistance unit members to receive EBT cards to access the household/assistance unit's benefits.

Sections 16-325.3, .31, and .311

Specific Purpose:

These sections are being adopted to require that those recipients who request the receipt of a warrant for cash benefit issuance due to a physical or mental incapacity or condition demonstrate their inability to effectively use the EBT system.

Factual Basis:

These sections are necessary to implement Welfare and Institutions Code Section 10072(d). This section states that the system shall provide reasonable access to recipients who demonstrate the inability to use the EBT system due to disability.

Section 16-325.32 et seq.

Specific Purpose:

This section is being adopted to specify the procedure that CWDs are to use in establishing a recipient's eligibility to receive a warrant for cash issuance due to a disability as set forth in Sections 16-325.3 and .311. This section specifies the documentation requirements necessary for a recipient to validate a claim of mental or physical incapacity, including specific guidelines for written verification, if needed. This section also specifies the guidelines for counties to review a claim of disability and the time frames for a recipient to provide the verification to the county.

Factual Basis:

This section is necessary to establish the criteria and relevant verification procedures for counties to follow when a recipient claims to be unable to effectively use the EBT system due to a physical or mental disability. The referenced procedures were developed through consultation with county representatives and CDSS program and legal staff.

Section 16-325.33 et seq.

Specific Purpose:

This section is being adopted to specify that recipients may continue to receive their benefits via warrant due to their inability to use the EBT system because of other barriers if approved by the CWD.

Factual Basis:

This section is necessary to establish that recipients may receive their cash benefits through the issuance of a warrant if faced with "other barriers" to the successful use of the EBT system. Welfare and Institutions Code Section 10072(d) requires the State to provide "reasonable access" to benefits for recipients faced with "other barriers," but does not provide a pertinent definition of such barriers. This requirement was developed through discussions with county representatives and CDSS program and legal staff.

Section 16-325.4

Specific Purpose:

This section is being adopted to establish those recipient requests to receive cash benefits via warrant issuance should only be considered after the recipient has considered all other available alternatives.

Factual Basis:

This section is necessary to convey the State's desire that recipients be approved for warrant issuance only after all other options are considered.

Chapter 16-400 and Section 16-401

Specific Purpose/Factual Basis:

Chapter 16-400 is being adopted to provide a location within the EBT regulations for settlement, reconciliation, and reporting requirements. Section 16-401 is being adopted to provide a location within the EBT regulations for the food stamp and cash settlement process requirements. This adoption is necessary to implement a statewide EBT system as required by 7 CFR 274.12(a) and (k), and Welfare and Institutions Code Sections 10065, 10069, and 10077.

Sections 16-401.1 and .11 et seq.

Specific Purpose:

These sections are being adopted to specify the minimum capabilities of the county's bank that are needed to take retailer credits and/or debits obtained from the EBT Contractor and transmit them to the Automated Clearing House (ACH) network operated by the Federal Reserve.

Factual Basis:

This adoption is necessary to implement a statewide EBT system as required by 7 CFR 274.12(a) and Welfare and Institutions Code Sections 10065, 10069, and 10077.

This section is also necessary to implement 7 CFR 274.12(f)(3)(vii) and (viii); (j)(1)(i), (ii), and (iii); and (k)(1)(ii), (iii), (iv), (v), and (vi) which describe the ACH transaction process for EBT. This section maintains consistency between the Food Stamp Program and cash programs.

These sections are necessary to implement the requirement contained in NTC Sections 4.8 and 8.3.2 which require that financial institutions be monetarily reimbursed for EBT transactions. These sections are in compliance with the Quest Operating Rules, Chapter Six - Settlement, Section 6.2 (Settlement Payments).

Handbook Section 16-401.12

Specific Purpose:

This handbook section is being added to establish the State's role in monitoring the settlement process to ensure that retailers are being reimbursed.

Factual Basis:

This adoption is necessary to implement a statewide EBT system as required by 7 CFR 274.12(a) and Welfare and Institutions Code Sections 10065, 10069, and 10077.

This section is necessary to implement 7 CFR 274.12(k)(5)(i), (ii), and (iii) which require that the state agency must obtain an examination by an independent auditor. The State will monitor the SAS No. 70 federal requirement. This section is also necessary to implement 7 CFR 274.12(k)(2)(ii) which requires that management reports consist of information regarding transactions which is necessary to conduct compliance investigations. This section maintains consistency between the Food Stamp Program and cash programs.

This handbook section is necessary to implement Welfare and Institutions Code Sections 10075.6 and 10600. This handbook section is in compliance with the Quest Operating Rules, Chapter Six - Settlement, Section 6.2 (Settlement Payments).

Sections 16-401.13

Specific Purpose:

This section is being adopted to specify the county's responsibility to have the management and operating structure in place to support settlement.

Factual Basis:

This adoption is necessary to implement a statewide EBT system as required by 7 CFR 274.12(a) and Welfare and Institutions Code Sections 10065, 10069, and 10077.

This section is necessary to implement 7 CFR 274.12(k)(1)(vi) which requires that there is a maintenance of audit trails that document information on transactions at retailers through settlement. This section is also necessary to implement 7 CFR 274.12(k)(2)(i) and (ii) which specify how the system operates, type and cause of system problems, and information regarding transactions necessary to conduct compliance investigations. In addition, this section is necessary to implement 7 CFR 274.12(i)(2)(iii) which requires reports and other information regarding problematic transactions shall be made available to the state agency. Errors shall be resolved in a timely manner. This section maintains consistency between the Food Stamp Program and cash programs.

This section is necessary to implement NTC Section 4.8 which requires that financial institutions be monetarily reimbursed for EBT transactions. These sections are in compliance with the Quest Operating Rules, Chapter Six - Settlement, Section 6.1 (End of Day Cut-off and Processing), Section 6.2 (Settlement Payments), and Section 6.3 (Government Reimbursement).

Section 16-401.14 and Handbook Section 16-401.141

Specific Purpose:

This section is being adopted to specify the county's liability for late settlement. The handbook section is being added to describe that after the third occurrence of late settlement, fees will be charged to the county.

Factual Basis:

This section is necessary to implement a statewide EBT system as required by 7 CFR 274.12(a) and Welfare and Institutions Code Sections 10065, 10069, and 10077.

This section is necessary to implement 7 CFR 274.12(k)(1)(vi) which requires that audit trails that document the full cycle of issuance from benefit allotment posting to the state issuance authorization through settlement of retailer credits are maintained; 7 CFR 274.12(k)(2)(i) and (ii) which require that there is information on how the system operates and information regarding transactions necessary to conduct compliance investigations; and 7 CFR 274.12(h)(5) which requires that the EBT Contractor provide credit to the retailers or third party processor within two business days. This section is also necessary to implement 7 CFR 274.12(i)(2)(iii) which requires that reconciliation reports and other information regarding problematic transactions shall be made available to the state agency. Errors shall be resolved in a timely manner. This section maintains consistency between the Food Stamp Program and cash programs.

This section is necessary to implement NTC Section 4.8 which requires that financial institutions be monetarily reimbursed for EBT transactions. This section is in compliance with the Quest Operating Rules, Chapter Six - Settlement, Section 6.3 (Government Reimbursement).

Section 16-401.15

Specific Purpose:

This section is being adopted to specify that the EBT Contractor is to be reimbursed by the State in the event the county fails to provide settlement payments to EBT Contractor for settlement.

Factual Basis:

This section is necessary to implement NTC Section 4.8 which requires that financial institutions be monetarily reimbursed for EBT transactions. This section is in compliance with the Quest Operating Rules, Chapter Six - Settlement, Section 6.3 (Government Reimbursement) and Welfare and Institutions Code Section 15153.2.

Section 16-401.16

Specific Purpose:

This section is being adopted to specify that the state may terminate EBT services in order to maintain the integrity of the EBT system and ensure that recipients maintain access to their benefits, if a county is unable or refuses to settle with the EBT Contractor.

Factual Basis:

This section is necessary for the state through the Health and Human Services Data Center to meet the obligation of maintaining and operating an EBT system as provided in Welfare and Institutions Code Section 10075.6 to ensure continued EBT services.

Section 16-401.17

Specific Purpose:

This section is being adopted to specify that the counties are responsible for resolving disputes with the EBT Contractor.

Factual Basis:

This section is necessary to implement a statewide EBT system as required by 7 CFR 274.12(a) and Welfare and Institutions Code Sections 10065, 10069, and 10077.

This section is necessary to implement 7 CFR 274.12(h)(5) which requires that the EBT Contractor provide credit to the retailers or third party processor within two business days and 7 CFR 274.12(i)(2)(iii) which requires that reconciliation reports and other information regarding problematic transactions shall be made available to the state agency. Errors shall be resolved in a timely manner. This section maintains consistency between the Food Stamp Program and cash programs.

This section is necessary to implement NTC Section 19.13 (Dispute Resolution) which requires that parties use their best, good faith efforts to cooperatively resolve disputes and problems that arise. This section is in compliance with Chapter Eight – Arbitration and Grievance Procedures, Assessments, Section 8.2 (Classification of Disputes).

Section 16-410

Specific Purpose/Factual Basis:

Section 16-410 is being adopted to provide a location within the EBT regulations for the food stamp and cash reconciliation process requirements. This adoption is necessary to implement a statewide EBT system as required by 7 CFR 274.12(a) and Welfare and Institutions Code Sections 10065, 10069, and 10077.

Sections 16-410.1, .11, and .12

Specific Purpose:

These sections are being adopted to specify that the county must reconcile benefits entering the EBT system with the county's system on a daily basis.

Factual Basis:

These sections are necessary to implement 7 CFR 274.12(k)(1) which specifies how electronic benefits entering the EBT system are to be reconciled each day and Welfare and Institutions Code Sections 10075.5 and .6. This section is also necessary to implement EBT Reconciliation Guidance for State Agencies, received in September 2001 from FNS, Page 8 [7 CFR 274.12(j)(1)(i) subsequently renumbered to 7 CFR 274.12(k)(1)(i)] and Page 19 [7 CFR 274.12(j)(1)(v) subsequently renumbered to 7 CFR 274.12(k)(1)(v)].

Section 16-410.13

Specific Purpose:

This section is being adopted to specify that the county's eligibility system is the primary keeper of all obligations created by the county's eligibility system.

Factual Basis:

This section is necessary to implement the FNS instructions contained in EBT Reconciliation Guidance for State Agencies, received in September 2001 from FNS, Pages 18 and 19 [7 CFR 274.12(j)(1)(v) subsequently renumbered to 7 CFR 274.12(k)(1)(v)], Page 5 (Reconciliation Overview), and Page 8 [7 CFR 274.12(j)(1)(i) subsequently renumbered to 7 CFR 274.12(k)(1)(i)]. This section is necessary to implement 7 CFR 274.12(k)(1)(i) and (v) which specify how electronic benefits enter the contractor's EBT system.

This section is also necessary to implement Interface Document, Section 2.1 (Batch Interface) which specifies how files are posted in the contractor's EBT system. This section is in compliance with the Quest Operating Rules, Chapter Six - Settlement, Section 6.2 (Settlement Payments) and Section 6.3 (Government Reimbursement).

Section 16-410.14 et seq.

Specific Purpose:

This section is being adopted to instruct the counties on the systems to be reconciled.

Factual Basis:

This section is necessary to implement the FNS instructions contained in EBT Reconciliation Guidance for State Agencies, received in September 2001 from FNS, Page 2 (Background) and Page 5 (Reconciliation Overview). This section is necessary to implement 7 CFR 274.12(k)(1)(i) through (v) which specifies the five areas of reconciliation.

This section is in compliance with Quest Operating Rules, Chapter Six - Settlement, Section 6.2 (Settlement Payments) and Section 6.3 (Government Reimbursement).

Handbook Section 16-410.2 et seq.

Specific Purpose:

This handbook section is being added to describe benefits entering the EBT system for the purpose of reconciliation.

Factual Basis:

This handbook section is necessary to implement the FNS instructions contained in EBT Reconciliation Guidance for State Agencies, received in September 2001 from FNS, Page 7 (Reconciliation Overview) and Page 19 [7 CFR 274.12(j)(1)(v) subsequently renumbered to 7 CFR 274.12(k)(1)(v)]. This handbook section is necessary to implement 7 CFR 274.12(k)(1)(v) which specifies that electronic benefits are returned to the counties via the contractor's EBT system.

In addition, this handbook section is necessary to implement Interface Document Section 1.0 (Operational Functions) and Section 1.1 (Batch Interface) which specify the details of how benefit grants can be expunged from the contractor's EBT system; and Appendix A: Page 20 (California EBT Batch Interface), Page 48 (Inactive/Dormant/Expunged Header Record), Page 49 (Inactive/Dormant/Expunged Detail Record), Page 50 (Inactive/Dormant/Expunged Trailer Record), Page 51 (Grant Expungement Header Record), Page 52 (Grant Expungement Detail Record), and Page 53 (Grant Expungement Trailer Record).

Sections 16-410.3 and .31

Specific Purpose:

These sections are being adopted to specify that the counties are to establish and send electronic files successfully to the EBT Contractor.

Factual Basis:

These sections are necessary to implement the FNS instructions contained in EBT Reconciliation Guidance for State Agencies, received in September 2001 from FNS, Page 8 [7 CFR 274.12(j)(1)(i) subsequently renumbered to 7 CFR 274.12(k)(1)(i)]. This section is also necessary to implement 7 CFR 274.12(i)(3)(iii)(A) which specifies that electronic benefits are to be sent timely to the contractor.

In addition, this section is necessary to implement Interface Document Section 5.0 (Transmission), Section 5.1 (Transmission Calendar), and Section 5.2 (Operational Monitoring) which specify that counties are to send files on a scheduled basis.

Sections 16-410.32 et seq. and .33

Specific Purpose:

These sections are being adopted to specify that counties are to reconcile benefits by availability date on a daily basis.

Factual Basis:

These sections are necessary to implement the FNS instructions contained in EBT Reconciliation Guidance for State Agencies, received in September 2001 from FNS, Page 8 [7 CFR 274.12(j)(1)(i) subsequently renumbered to 7 CFR 274.12(k)(1)(i)]. These sections are also necessary to implement 7 CFR 274.12(g)(4) which specifies that electronic benefits are to be sent to the contractor according to the benefits availability date. The availability date is the date on which the recipient can access their benefits.

In addition, these sections necessary to implement Interface Document, Appendix A: Page 33 (Benefit Header Record) which specifies that benefits are to be posted by availability date.

Section 16-410.34

Specific Purpose:

This section is being adopted to specify how counties will produce and send their own electronic files separately even if they share a system with other counties.

Factual Basis:

This section is necessary to require counties to send separate files so commingled files from other counties or duplicate files from other counties will not be sent to the EBT Contractor. This section is necessary to implement 7 CFR 274.12(i)(3)(iii)(A) which specifies that electronic benefits are to be sent to the EBT Contractor separately.

Sections 16-410.35 and .36

Specific Purpose:

These sections are being adopted to specify that the files are to be sent electronically to the EBT Contractor and how to compare the files sent to the EBT Contractor against the county's eligibility system. The counties will be required to verify the accuracy of files sent to the EBT Contractor.

Factual Basis:

These sections are necessary to implement the FNS instructions contained in EBT Reconciliation Guidance for State Agencies, received in September 2001 from FNS, Pages 8 and 9 [7 CFR 274.12(j)(1)(i) subsequently renumbered to 7 CFR 274.12(k)(1)(i)]. These sections are also necessary to implement 7 CFR 274.12(i)(3)(iii)(A) which specifies how electronic benefits are to be sent to the EBT Contractor.

In addition, these sections necessary to implement the requirement contained in Interface Document, Section 4.0 (Error Handling) and Section 4.1 (Batch Interface) which specify that files are to be sent with a header and trailer record and that the return files from the EBT Contractor to the counties will have the error codes listed.

Section 16-410.37

Specific Purpose:

This section is being adopted to specify how the counties will track unlinked benefits.

Factual Basis:

This section is necessary to implement the FNS instructions contained in EBT Reconciliation Guidance for State Agencies, received in September 2001 from FNS, Page 10 [7 CFR 274.12(j)(1)(i) subsequently renumbered to 7 CFR 274.12(k)(1)(i)].

Sections 16-410.4 and .41 and Handbook Section 16-410.411

Specific Purpose:

These sections and handbook section are being adopted to require counties to track and manage rejects and voids.

Factual Basis:

These sections and handbook section are necessary to implement the FNS instructions contained in EBT Reconciliation, Guidance for State Agencies, received in September 2001 from FNS, Pages 8 and 9 [7 CFR 274.12(j)(1)(i) subsequently renumbered to 7 CFR 274.12(k)(1)(i)]. These sections are also necessary to implement 7 CFR 274.12(i)(3)(iii)(C) which specifies how to handle reversals (rejects) that are not fully, processed and recorded in the EBT Contractor's EBT system and 7 CFR 274.12(g)(4)(i) and (i)(3)(iii)(A) which specify how messages sent to the contractor can be adjusted and voided as specified in the system design.

In addition, these sections are necessary to implement Interface Document Section 2.0 (Processing Rules) which specifies how files sent to the contractor can be rejected and the error codes listed on the return files to the counties; and Section 1.0 (Operational Functions), Section 1.1 (Batch Interface), Section 1.2 (Host-to-Host Interface), Section 1.3 (Administrative Terminal Interface), and Appendix A: Page 33 (Benefit Header Record), and Appendix A (CA EBT Batch Interface) which specifies how the counties can void a benefit that has been posted to the contractor's EBT system and Appendix B: Page 93 (Benefit Add/Void Request Message).

Section 16-410.42

Specific Purpose:

This section is being adopted to specify how reversals (rejects) of messages sent to the EBT Contractor that are not fully processed and recorded in the EBT Contractor's EBT system.

Factual Basis:

This section is necessary to implement 7 CFR 274.12(i)(3)(iii)(C) which specifies how to handle reversals that are not fully processed and recorded in the contractor's EBT system. This section is necessary to implement 7 CFR 274.12(k)(1) which specifies how reconciliations are to be conducted.

This section is also necessary to implement Interface Document Section 2.0 (Processing Rules) which specifies how files sent to the contractor can be rejected and the error codes listed on the return files to the counties.

Sections 16-410.43 and .44

Specific Purpose:

These sections are being adopted to specify how benefits can be voided in the EBT system.

Factual Basis:

This section is necessary to implement 7 CFR 274.12(g)(4)(i) and (i)(3)(iii)(A) which specify how messages sent to the contractor can be adjusted and voided as specified in the system design.

This section is necessary to implement Interface Document Section 1.0 (Operational Functions), Section 1.1 (Batch Interface), Section 1.2 (Host-to-Host Interface) Section 1.3 (Administrative Terminal Interface), Appendix A: Page 33 (Benefit Header Record), and Appendix B: Page 93 (Benefit Add/Void Request Message) which specify how the counties can void a benefit that has been posted to the EBT Contractor's EBT system.

Sections 16-410.5 through .53

Specific Purpose:

These sections are being adopted to specify how benefits enter the EBT system and how counties are to reconcile benefits.

Factual Basis:

These sections are necessary to implement the FNS instructions contained in EBT Reconciliation Guidance for State Agencies, received in September 2001 from FNS, Pages 8 and 9 [7 CFR 274.12(j)(1)(i) subsequently renumbered to 7 CFR 274.12(k)(1)(i)] and Page 19 [7 CFR 274.12(j)(1)(v) subsequently renumbered to 7 CFR 274.12(k)(1)(v)]. These sections are also necessary to implement 7 CFR 274.12(k)(1)(i) and (v) which specify the reconciliation of total funds entering the system each day.

Further, these sections are necessary to implement Interface Document Section 1.0 (Operational Functions), Section 1.3 (Administrative Terminal Interface), Section 2.0 (Processing Rules), Appendix A: Page 33 (Benefit Header Record), Page 34 (Benefit Header Record Edits), and Appendix B: Page (Host to Host Interface) which specify how the counties can reconcile records based on their availability date, non-settling records and discrepancies in the contractor's EBT system. In addition, this section is in compliance with the Quest Operating Rules, Chapter Six - Settlement, Section 6.2 (Settlement Payments) and Section 6.3 (Government Reimbursement).

Section 16-410.54 et seq.

Specific Purpose:

This section is being adopted to specify how the counties are responsible for resolving disputes with the EBT Contractor.

Factual Basis:

This section is necessary to implement the FNS instructions contained in EBT Reconciliation Guidance for State Agencies, received in September 2001 from FNS, Pages 8 and 9 [7 CFR 274.12(j)(1)(i) subsequently renumbered to 7 CFR 274.12(k)(1)(i)]. This section is consistent with the NTC Pages 17-18, Section 4.8 (Settlement and Reconciliation) and page 78, Section 19.13.1 (Dispute Resolution). This section is also in compliance with the Quest Operating Rules, Chapter Eight - Settlement, Section 8.2 (Classification of Disputes).

Section 16-410.55 et seq.

Specific Purpose:

This section is being adopted to specify how the counties will reconcile food stamp benefits issued on a worksheet.

Factual Basis:

This section is necessary to implement the FNS instructions contained in EBT Reconciliation Guidance for State Agencies, received in September 2001 from FNS, page 5 (Reconciliation Overview). This section is also necessary to implement 7 CFR 274.12(k)(1)(vi) which requires that there is a maintenance of audit trails.

The 30-day time frame is consistent with the 30-day time frame for counties to submit claims for state/federal reimbursement. Thirty days is a reasonable time frame for counties to submit the worksheet.

Sections 16-410.6 through .62

Specific Purpose:

These sections are being adopted to describe how the counties are to reconcile food stamp benefits to the FNS 46 report.

Factual Basis:

These sections are necessary to implement the FNS instructions contained in EBT Reconciliation, Guidance for State Agencies received in September 2001 from FNS, page 5 (Reconciliation Overview). These sections are also necessary to implement 7 CFR 274.12(k)(1)(vi) which requires that there is a maintenance of audit trails.

The 30-day time frame is consistent with the 30-day time frame for counties to submit claims for state/federal reimbursement. Thirty days is a reasonable time frame for counties to submit the worksheet.

Section 16-410.63

Specific Purpose:

This section is being adopted to specify how the counties will reconcile federal food stamp benefits separating federal and state food stamp benefits on the DFA 256.

Factual Basis:

This section is necessary to implement the FNS instructions contained in EBT Reconciliation Guidance for State Agencies, received in September 2001 from FNS, page 5 (Reconciliation Overview). This section is also necessary to implement 7 CFR 274.12(k)(1)(vi) which requires that there is a maintenance of audit trails.

Section 16-410.7 et seq.

Specific Purpose:

This section is being adopted to specify how the counties reconcile the reductions in their cash accounts by program.

Factual Basis:

This is in compliance with the Quest Operating Rules, Chapter Six - Settlement, Section 6.2 (Settlement Payments). This section is necessary to implement the requirement contained in Interface Document Section 1.0 (Operational Functions) and Section 1.1 (Batch Interface) which specify the account activity detailed information down to the to the grant level.

Sections 16-410.8 and .81

Specific Purpose:

These sections are being adopted to specify how the counties reconcile benefits remaining in the EBT system.

Factual Basis:

These sections are in compliance with the Quest Operating Rules, Chapter Six - Settlement, Section 6.2 (Settlement Payments). These sections are necessary to implement the requirement contained in Interface Document Section 1.0 (Operational Functions) and Section 1.1 (Batch Interface) which specify the account activity detailed information down to the to the grant level.

Section 16-410.82

Specific Purpose:

This section is being adopted to specify how the counties are to ensure that funds are available in the settlement account on a daily basis to fund the EBT Contractor.

Factual Basis:

This section is necessary to implement NTC Section 4.8 which requires that financial institutions be monetarily reimbursed for EBT transactions. This section is in compliance with the Quest Operating Rules, Chapter Six - Settlement, Section 6.2 (Settlement Payments) and Section 6.3 (Government Reimbursement).

Chapter 16-500 and Section 16-501

Specific Purpose/Factual Basis:

Chapter 16-500 is being adopted to provide a location within the EBT regulations for EBT card and PIN requirements. Section 16-501 is being adopted to provide a location within the EBT regulations for EBT cardholder requirements. These adoptions are necessary to implement a statewide EBT system as required by 7 CFR 274.12(a) and Welfare and Institutions Code Sections 10065, 10069, and 10077.

Sections 16-501.1 and .2

Specific Purpose:

Section 16-501.1 is being adopted to require the CWD to issue EBT cards and PINs to recipients and designated cardholders. Section 16-501.2 is being adopted to require all cardholders to have their own EBT card with a unique PAN, and their own PIN to access benefit account(s).

Factual Basis:

These sections are necessary to comply with 7 CFR 274.12(f)(1)(i) to issue EBT cards to eligible households. Each cardholder will be issued an EBT card, with a unique PAN, and will have the ability to select their own PIN as required in 7 CFR 274.12(g)(5)(i), Welfare and Institutions Code Section 10072(e) and California EBT ITP Section 6.8. The EBT card is used to access benefits in the recipient's EBT account(s) as specified in California EBT ITP Section 6.7.

Section 16-501.3

Specific Purpose:

This section is being adopted to require multiple cards (EBT card of cardholders other than the recipient) to be linked to the recipient's account.

Factual Basis:

This is necessary to comply with California EBT ITP Section 6.4.2.2.

Handbook Section 16-501.4 et seq.

Specific Purpose:

This handbook section is being added to inform the CWD that the EBT system is capable of adding new benefit programs to an existing card. This clarifies that when the recipient is eligible for different program benefits, that will be issued via the EBT system, the same EBT card is used to access the benefits.

Factual Basis:

This handbook section is contained in California EBT ITP Section 6.4.2.3 for the EBT system to have the capability to add new benefit program accounts to an existing card.

Section 16-505

Specific Purpose/Factual Basis:

Section 16-505 is being adopted to provide a location within the EBT regulations for additional EBT cardholder requirements. This adoption is necessary to implement a statewide EBT system as required by 7 CFR 274.12(a) and Welfare and Institutions Code Sections 10065, 10069, and 10077.

Section 16-505.1

Specific Purpose:

In some cases more than one individual will have access to the household/AU's benefit account(s). In addition to the recipient receiving an EBT card and PIN to access his/her benefits, other household /assistance unit (AU) members as well as individuals not a part of the household/AU can be provided an EBT card at the recipient's request. Section 16-505.1 is being adopted to require the CWD to provide, at the recipient's request, an EBT card to adult household/assistance unit (AU) members to access benefits from the household/AU's EBT account(s).

Factual Basis:

This section is necessary to comply with Welfare and Institutions Code Section 10072(e) which specifies that at the option of the recipient head of household/AU, the CWD shall provide an EBT card to each adult member to enable them to access benefits.

Section 16-505.2

Specific Purpose:

This section is being adopted to specify that at the request of the head of household/AU, the CWD shall provide an EBT card and PIN to one additional responsible adult outside of the household/AU.

Factual Basis:

This section is necessary to comply with Welfare and Institutions Code Section 10072(e) which allows for an institution, authorized representative or other third party not part of the recipient household/AU to be issued a separate EBT card and PIN.

Section 16-505.21

Specific Purpose:

This section is being adopted to allow: 1) the head of household to designate the same AR/designated alternate cardholder to access both of the household/AU's benefit accounts (food stamp and cash benefits) or 2) the head of household to designate two different individuals – one to access food stamp benefits and another to access cash benefits.

Factual Basis:

This section is necessary to comply with Welfare and Institutions Code Section 10072(e) which allows for an institution, authorized representative or other third party not part of the household/AU to be issued a separate EBT card and PIN. The referenced section provides that at the option of the recipient, the third party's access to the recipient's benefits may be restricted. Therefore, for practical application, one individual may be designated to access cash benefits, and another may be designated to act as authorized representative for food stamps.

For administrative efficiency between the Food Stamp and CalWORKs Programs, agreement was reached between the CDSS Legal Office, Food Stamp Bureau, Eligibility Bureau, and Program Technology & Support Bureau managers to have one description for the individual outside the household/AU (referred to in Welfare and Institutions Code Section 10072(e)). Although the description of this individual is the same for Food Stamp and cash programs, these programs use different terms. The authorized representative (AR) is a term used in the Food Stamp Program to describe an individual who is authorized by the head of household to obtain food stamp benefits for the household. A designated

alternate cardholder is the term that will be used to describe an individual who is not a part of the AU who is authorized to access cash EBT benefits.

Section 16-505.22

Specific Purpose:

This section is being adopted to specify that the head of household/AU may designate a minor to be issued an EBT card and PIN to access benefits, if the CWD determines no responsible adult is available to act as the authorized representative/designated alternate cardholder.

Factual Basis:

This section is necessary to comply with Welfare and Institutions Code Section 10072(e) which allows for an institution, authorized representative or other third party not part of the household/AU to be issued a separate EBT card and PIN. For administrative efficiency between the Food Stamp and CalWORKs Programs, agreement was reached between the CDSS Legal Division, Food Stamp Bureau, CalWORKs Eligibility Bureau, and the Program Technology and Support Bureau that the criteria to act as authorized representative for food stamps and alternate designated cardholder for CalWORKs be as similar as possible. Food Stamp regulations do not prohibit the designation of a minor as authorized representative. Therefore, for CalWORKs purposes, a minor may be designated as a designated alternate cardholder in the event that the CWD determines that no adult is available to act in that capacity.

Section 16-505.23

Specific Purpose:

This section is being adopted to require that the authorized representative is subject to Food Stamp Program regulation of MPP Section 63-402.6.

Factual Basis:

This section is required to comply with Welfare and Institutions Code Section 10072(e) which allows the head of household/AU to designate an authorized representative to access the household's food stamp benefits. Existing regulations found in MPP Section 63-402.6 apply to an authorized representative in the Food Stamp Program and must apply when an AR is designated to an EBT food stamp account.

Section 16-510

Specific Purpose/Factual Basis:

Section 16-510 is being adopted to provide a location within the EBT regulations for EBT card and PIN issuance requirements. This adoption is necessary to implement a statewide

EBT system as required by 7 CFR 274.12(a) and Welfare and Institutions Code Sections 10065, 10069, and 10077.

Section 16-510.1

Specific Purpose:

This section is being adopted to require the CWD to determine when cards will be issued to recipients.

Factual Basis:

This section is necessary to implement 7 CFR 274.12(f)(1)(i) and (g)(5), and the California EBT ITP Section 6.8.

Section 16-510.2

Specific Purpose:

Section 16-510.2 is being adopted to specify county options for card and PIN issuance.

Factual Basis:

This section is necessary to implement the California EBT ITP Section 6.8.2.

Section 16-510.21 and Handbook Section 16-510.211

Specific Purpose:

This section is being adopted to specify that each county has the option to issue cards and PINs over the counter or via mail, and that the county may make an exception to the card issuance method on a case-by-case basis. The handbook section is added to provide an example of how the options may be used.

Factual Basis:

This section is necessary to implement the California EBT ITP Section 6.8.2.

Section 16-510.212 et seq. and Handbook Section 16-510.213

Specific Purpose:

This section is being adopted to specify that when the CWD elects to provide over-the-counter card and PIN issuance the CWD shall 1) determine the number of card issuance locations, 2) be responsible for site preparations at each location where issuance equipment is to be installed, and 3) be responsible for the furniture, power and phone lines necessary to support the issuance equipment. The handbook section is added to provide the EBT

Contractor's responsibilities when the CWD elects to provide over-the-counter issuance process.

Factual Basis:

This section is necessary to comply with the California EBT ITP Section 6.8.2.1.

Section 16-510.214 et seq. and Handbook Sections 16-510.214(b) et seq. and (c)(1)

Specific Purpose:

This section is being adopted to specify that the EBT card shall be mailed separate from the PIN and there will be a delay between mailing the EBT card and the PIN. Although the CWD selects mail-based EBT card and PIN issuance countywide, the CWD is required to be equipped to provide over-the-counter issuance on a case-by-case basis. For those CWDs that choose to have the mail-based issuance handled by the EBT Contractor, the handbook section is being adopted to describe the mail issuance process. Also the handbook contains the EBT Contractor responsibilities related to over-the-counter issuance.

Factual Basis:

This section is necessary to comply with Quest Operating Rules, Chapter Nine - Security, Section 9.2d (General Issuer Requirements) and the California EBT ITP Section 6.8.2.2.

Section 16-510.3 et seq. and Handbook Section 16-510.311

Specific Purpose:

This section is being adopted to specify that upon notification, a recipient who is homebound shall be issued a card and PIN via the mail issuance process, and that the recipient is able to change the PIN via the ARU. The handbook section is added to provide examples of a hardship situation that could lead to a recipient being homebound.

Factual Basis:

This section is necessary to implement 7 CFR 274.12(i)(7)(iii), California Approved Waiver Request #980069 for 7 CFR 274.12(h)(7)(iii) [subsequently renumbered to 7 CFR 274.12(i)(7)(iii)], and the California EBT ITP Section 6.8.5.

Section 16-510.4 et seq.

Specific Purpose:

Section 16-510.4 is being adopted to establish requirements regarding inter-county recipient moves. Section 16-510.41 is being adopted to require CWDs to establish a new EBT account when a recipient moves from one county and establishes eligibility in another county. Section 16-510.411 is being adopted to specify that any benefits remaining in the

EBT account in the original county is to remain available to the recipient via the previous EBT card. Section 16-510.412 is being adopted to specify the time frame for which the previous account is to remain active.

Factual Basis:

This section is necessary to implement Welfare and Institutions Code Section 10072(a) and to comply with the California EBT ITP Section 6.8.7.

Section 16-515

Specific Purpose/Factual Basis:

Section 16-515 is being adopted to provide a location within the EBT regulations for lost, stolen, and inoperative EBT card requirements. This adoption is necessary to implement a statewide EBT system as required by 7 CFR 274.12(a) and Welfare and Institutions Code Sections 10065, 10069, and 10077.

Section 16-515.1, and Handbook Sections 16-515.2 and .3

Specific Purpose:

This section is being adopted to require the CWD to immediately provide the toll-free phone number for the EBT system ARU in order for the cardholder to report that their EBT card has been lost or stolen to the EBT Contractor. The handbook sections are being added to provide the system requirement to have a 24-hour-per-day toll-free telephone line available for reporting a lost or stolen EBT card and that the EBT Contractor shall immediately deactivate the EBT card.

Factual Basis:

This section is necessary to comply with Welfare and Institutions Code Section 10072(f) and to implement the California EBT ITP Section 6.8.4. One of the options of the ARU menu is to speak with a customer service representative at the Customer Service Center.

Handbook Section 16-515.4

Specific Purpose:

This handbook section is being added to provide the requirement that the EBT Contractor maintains a report of lost or stolen EBT cards that will be available to the CWD.

Factual Basis:

This handbook section is necessary to comply with 7 CFR 274.12(g)(5)(iv) and the California EBT ITP Section 6.8.4.

Section 16-517

Specific Purpose/Factual Basis:

Section 16-517 is being adopted to provide a location within the EBT regulations for EBT card replacement requirements. This adoption is necessary to implement a statewide EBT system as required by 7 CFR 274.12(a) and Welfare and Institutions Code Sections 10065, 10069, and 10077.

Section 16-517.1

Specific Purpose:

This section is being adopted to require the CWD to provide a replacement card within three business days following a cardholder's request for a replacement EBT card.

Factual Basis:

This section is necessary to implement 7 CFR 274.12(f)(1)(i) and to comply with the California Approved Waiver Request #980091 for 7 CFR 274.12(f)(5)(ii) [subsequently renumbered to 7 CFR 274.12(g)(5)(ii)].

Section 16-517.2

Specific Purpose:

This section is being adopted to require the CWD to ensure that a duplicate account is not established that would allow access to duplicate food stamp and/or cash benefits.

Factual Basis:

This section is necessary to implement 7 CFR 274.12(g)(5)(iii).

Section 16-517.3

Specific Purpose:

This section is being adopted to specify that any active EBT card is to be deactivated before the replacement card is issued.

Factual Basis:

This section is necessary to implement 7 CFR 274.12(g)(5)(iv).

Section 16-517.4

Specific Purpose:

This section is being adopted to specify that the replace card shall carry a new PAN.

Factual Basis:

This section is necessary to comply with the California EBT ITP Section 6.8.4.

Section 16-517.5 et seq. and Handbook Section 16-517.512(a)

Specific Purpose:

This section is being adopted to specify the CWD option for issuance of EBT card replacement and to cross-reference the card issuance sections. The handbook section describes the EBT Contractor's process for mailing EBT replacement cards.

Factual Basis:

This section is necessary to comply with the California EBT ITP Section 6.8.4.

Handbook Section 16-517.6 et seq.

Specific Purpose:

This handbook section is being added to provide the requirement that the EBT system will provide information on card status that will be available to the CWD.

Factual Basis:

This handbook section is necessary to comply with the California EBT ITP Section 6.8.9.

Section 16-520

Specific Purpose/Factual Basis:

Section 16-520 is being adopted to provide a location within the EBT regulations for PIN selection, change, and unlock requirements. This adoption is necessary to implement a statewide EBT system as required by 7 CFR 274.12(a) and Welfare and Institutions Code Sections 10065, 10069, and 10077.

Section 16-520.1

Specific Purpose:

Section 16-520.1 is being adopted to require the CWD to allow the cardholder to select their own PIN. The cardholder can change the PIN by using the ARU or by going to the designated county location that has the necessary equipment for PIN change.

Factual Basis:

The EBT system allows the cardholder to select their own PIN as contained in 7 CFR 274.12(f)(1)(ii), 7 CFR 274.12(g)(5)(i) and Welfare and Institutions Code Section 10072(e). A cardholder can change their PIN by using the ARU or by going to a designated location as described in California EBT ITP Section 6.8.6 and California Approved Waiver Request #2000040 for 7 CFR 274.12(h)(7)(iii) [subsequently renumbered to 7 CFR 274.12(i)(7)(iii)] which provides for PIN change through the ARU.

Section 16-520.2

Specific Purpose:

This section is being adopted to specify that the CWD cannot limit the number of times a cardholder changes their PIN.

Factual Basis:

The section is necessary to comply with California EBT ITP Section 6.8.6.

Section 16-520.3 and Handbook Sections 16-520.31 and .32

Specific Purpose:

The EBT system automatically deactivates an EBT card after four unsuccessful PIN attempts. At 12:00 midnight Pacific Standard Time, the card is reactivated and the PIN count is reset to zero. These sections are being adopted to require the CWD to reactivate an EBT card, at the cardholder's request, when the cardholder's card has been deactivated due to four consecutive invalid PIN attempts. Before the CWD can reactivate the EBT card, the CWD must have the cardholder provide two verifiable items of demographic information about the primary cardholder. The CWD must validate the cardholder's responses with the demographic information available through the administrative terminals. The demographic data fields are name and address, and may include Social Security Number, date of birth, and telephone number.

Factual Basis:

This section is necessary to comply with California EBT ITP Section 6.8.8.3. ITP Section 6.8.8.3, deactivating the EBT card after three consecutive unsuccessful PIN attempts, raised

concerns from the CWDs and the Client Advocate Advisory Group. The concern focused on the household's/AU's inability to access their benefits during the card deactivation period. The State addressed this concern by changing the requirement through an amendment to the California EBT ITP in Work Authorization No. 4, which requires the EBT Contractor to increase the number of unsuccessful PIN attempts to four.

Additionally, the State provides for the CWD to reactivate the EBT card by using the administrative terminal as contained in an amendment to the California EBT ITP in Work Authorization No. 2. This would be done upon the request of the cardholder and could allow for an earlier card reactivation time, thus the household/AU would be able to use the EBT card to access their benefits. Prior to the CWD reactivating the EBT card, the cardholder must provide information about the primary cardholder that the CWD would verify using the administrative terminal. The verification step is similar in concept to the cardholder authentication process for a PIN change contained in California EBT ITP Section 6.8.6.

Chapter 16-600

Specific Purpose/Factual Basis:

Chapter 16-600 is being adopted to provide a location within the EBT regulations for EBT training. This adoption is necessary to implement a statewide EBT system as required by 7 CFR 274.12(a) and Welfare and Institutions Code Sections 10065, 10069, and 10077.

Section 16-601 et seq.

Specific Purpose:

This section sets forth when and how to provide cardholder training and the areas the training should include.

Factual Basis:

Sections 16-601.1, .2, and .3 are necessary to implement the new federal mandate contained in 7 CFR 274.12(f)(1)(v) and (g)(10); California Approved Waiver Request #980090 for 7 CFR 274.12(f)(10)(ii) [subsequently renumbered to 7 CFR 274.12(g)(10)(ii)]; Welfare and Institutions Code Section Section 10072(h); and California EBT ITP Sections 6.9, 6.9.1, and 6.9.2. Section 16-601.4 is necessary to implement 7 CFR 274.12(g)(10)(vi) and California EBT ITP Section 6.9.2.1 and California EBT ITP as amended by Work Authorization No. 5. Section 16-601.5 is necessary to implement 7 CFR 274.12(g)(10) Section 16-601.6 is necessary to implement 7 CFR 274.12(g)(10)(i) through (viii) [correct (f)(1) through (f)(9) to (g)(1) through (9)] and California EBT ITP Section 6.9.2.2.

Section 16-610

Specific Purpose/Factual Basis:

Section 16-610 is being adopted to provide a location within the EBT regulations for county training requirements. This adoption is necessary to implement a statewide EBT system as required by 7 CFR 274.12(a) and Welfare and Institutions Code Sections 10065, 10069, and 10077.

Sections 16-610.1 and .2 et seq.

Specific Purpose:

These sections are being adopted to establish the requirement that the CWD provide EBT ongoing training for cardholders and county staff. The training content is provided in this regulation. Training will include: training provided to cardholders, use of the administrative terminal, system functions, card status, county responsibilities, equipment usage, card issuance and PIN selection processes, contractor contacts and escalation procedures, EBT security for equipment, cards, and data, error resolution process, settlement and reconciliation, using and understanding reports, and producing ad hoc reports, use of administrative terminals for fraud investigation, set-up and use of pseudo-households for investigative purposes.

Factual Basis:

This section is necessary to comply with 7 CFR 274.12(f)(1)(v) which requires training for EBT system users and 7 CFR 274.12(g)(10) which requires training be provided to cardholders. Also, Section 16-610 is necessary to comply with California EBT ITP Section 6.9 which states that cardholder and administrative staff training is a county responsibility. ITP Section 6.9.4.1 lists the minimum training areas.

Chapter 16-700

Specific Purpose/Factual Basis:

This chapter is being adopted to provide a location within the EBT regulations for adjustment requirements. This adoption is necessary to implement a statewide EBT system as required by 7 CFR 274.12(a) and Welfare and Institutions Code Sections 10065, 10069, and 10077.

Section 16-701

Specific Purpose/Factual Basis:

This section is being reserved for regulations pertaining to error resolution which will be added when completed.

Section 16-750

Specific Purpose/Factual Basis:

Section 16-750 is being adopted to provide a location within the EBT regulations for food stamp overissuance collections from EBT accounts requirements. This adoption is necessary to implement a statewide EBT system as required by 7 CFR 274.12(a) and Welfare and Institutions Code Sections 10065, 10069, and 10077.

Section 16-750.1

Specific Purpose:

This section is being adopted to comply with federally mandated provisions regarding recipient claim establishment and collections as they pertain to EBT benefits.

Factual Basis:

The United States Department of Agriculture, Food and Nutrition Service, established final federal rules, as outlined in Administrative Notice 00-57 dated August 11, 2000, that mandate several provisions be implemented in the establishment and collection of recipient overissuances. These provisions are published in the Federal Register dated July 6, 2000, and are listed in 7 CFR 273.18(g)(2).

Section 16-750.11 et seq.

Specific Purpose:

This section is being adopted to specify the methods by which the CWD may obtain permission from the household to use the household's EBT account to recoup food stamp overissuances.

Factual Basis:

7 CFR 273.18(g)(2)(i) allows the household to repay its overissuance claims by using benefits from its EBT accounts. However, permission must be obtained from the household pursuant to 7 CFR 273.18(g)(2)(ii)(A).

Section 16-750.12

Specific Purpose:

This section is being adopted to specify instruction on collecting overissuance claims from a household's stale EBT benefits.

Factual Basis:

7 CFR 273.18(g)(2)(ii)(B) allows the CWD to collect overissuance claims from a household by applying stale EBT benefits to the outstanding claim amount.

Section 16-750.13

Specific Purpose:

This section is being adopted to specify instruction to the CWD on adjusting outstanding overissuance claims by subtracting any expunged amounts from the household's EBT benefit account.

Factual Basis:

7 CFR 273.18(g)(2)(ii)(C) provides the state with the authority to adjust overissuance claim amounts by subtracting any expunged amount from the household's EBT benefit account.

Section 16-750.14

Specific Purpose:

This section is being adopted to instruct the CWD that any collections from EBT accounts are considered "non-cash" transactions and are to be considered as an adjustment to the household's EBT benefit account.

Factual Basis:

7 CFR 273.18(g)(2)(iii) specifies that collections from EBT accounts are to be considered non-settling transactions, and that any amount taken from an EBT account is to be considered an adjustment to that account.

Section 16-750.15 et seq.

Specific Purpose:

This section is being adopted to specify the minimum requirements for a written agreement with a household to pay overissuance claims by using the household's EBT benefits.

Factual Basis:

7 CFR 273.18(g)(2)(iv) specifically identifies the minimum requirements for the CWD to enter into a written agreement with a household to repay any overissuance claim using the household's EBT benefit account.

Section 16-750.2

Specific Purpose:

This section is being adopted to instruct the CWD that households that have overpaid claims shall not be entitled to a refund if the overpaid amount is attributed to an expunged EBT benefit.

Factual Basis:

7 CFR 273.18(h)(2) states that households that have overpaid a claim as a result of expunged EBT benefits shall not be entitled to a refund.

Chapter 16-800 and Section 16-801

Specific Purpose/Factual Basis:

Chapter 16-800 and Section 16-801 are being adopted to provide a location within the EBT regulations for referring and investigating fraud and misuse of benefits received via the EBT system. This chapter and section are necessary to comply with Welfare and Institutions Code Sections 10553, 10554, and 10600.

Section 16-801.1

Specific Purpose:

This section is being adopted to instruct counties to refer cases of suspected fraud or misuse of benefits delivered via the EBT system to the county Special Investigative Unit (SIU) or appropriate agency.

Factual Basis:

This section is necessary to comply with Welfare and Institutions Code Sections 10553, 10554, and 10600.

Section 16-801.2

Specific Purpose:

This section is being adopted to instruct counties to refer to the MPP Division 20 including Sections 20-004, 20-007, 20-008, 20-300 and 20-350 for comprehensive regulations regarding fraud, criteria for referring cases for investigation, investigating cases, referring cases for prosecution, and imposing Intentional Program Violations.

Factual Basis:

This section is necessary to comply with Welfare and Institutions Code Sections 10553, 10554, 10600, and 10980.

Section 16-801.3

Specific Purpose:

This section is adopted to instruct county SIUs that cases of suspected fraud and misuse of benefits received via the EBT system must be investigated in accordance with MPP Division 20, Section 20-007.

Factual Basis:

This section is necessary to comply with Welfare and Institutions Code Sections 10553, 10554, and 10600.

Section 16-801.4

Specific Purpose:

This section is adopted to inform county SIUs that they have the ability to access on-line EBT transaction data and fraud reports to detect potential retailer and/or recipient fraud/trafficking.

Factual Basis:

This section is necessary to comply with Welfare and Institutions Code Sections 10553, 10554, and 10600.

Section 16-801.5

Specific Purpose:

This section is being adopted to direct SIUs to contact the CDSS Fraud Bureau or the USDA to coordinate investigations of potential retailer trafficking/fraud in the Food Stamp Program.

Factual Basis:

This section is necessary to comply with Welfare and Institutions Code Sections 10553, 10554, and 10600.

Section 20-300.12

Specific Purpose:

The proposed amendment to this section is to replace the words "coupons or ATPs" with the word "benefits."

Factual Basis:

This amendment is necessary for consistency and clarity and to reference the correct term for Food Stamp Program benefits. The reference to food stamp benefits will include Food Stamp Program benefits that are received in any form including those benefits delivered through the EBT system.

Sections 20-300.312 and .313

Specific Purpose:

The proposed amendments to these sections are to delete the "s" in the word "stamps" and add "benefits."

Factual Basis:

These amendments are necessary to reference the correct term for Food Stamp Program benefits. The reference to food stamp benefits will include Food Stamp Program benefits that are received in any form including those benefits delivered through the EBT system.

Section 44-302 Title

Specific Purpose:

Regulations are being added in this section to allow CalWORKs benefit payment by electronic benefit transfer as well as by direct deposit. The section title is amended to reflect both payment methods.

Factual Basis:

This amendment is necessary to comply with Welfare and Institutions Code Section 10072 which provides counties the option to issue cash benefits via electronic benefit transfer and Welfare and Institutions Code Section 11006.2 which directs counties to permit benefit payment by direct deposit if this option is available to county employees.

Section 44-302.1 et seq.

Specific Purpose:

The numbering sequence in this section is revised to consolidate placement of direct deposit language and to allow for the addition of regulatory language to permit use of an EBT system for delivery of benefits. Section numbers are modified to add .1 to the existing first paragraph in Section 44-302 and renumber subsections .1, .2, and .3 to .11, .12, and .13 for direct deposit regulations.

Factual Basis:

These numbering changes are necessary to regulate the implementation of electronic benefit transfer pursuant to Welfare and Institutions Code Section 10072.

Section 44-302.2

Specific Purpose:

This section is being adopted to provide counties the option to use the EBT system as a method to deliver cash benefits as outlined in proposed Section 16-001.23.

Factual Basis:

Section 44-302.2 is necessary to comply with Welfare and Institutions Code Section 10072, which provides counties the option to issue cash benefits via an EBT system.

Section 44-304.53

Specific Purpose:

Section 44-304.53 is being adopted to require those counties opting to use the EBT system to issue cash benefits pursuant to Section 16-215.

Factual Basis:

Section 44-304.53 is necessary to comply with Welfare and Institutions Code Section 10072 and to provide consistency and clarity, and to cross-reference EBT requirements for issuing cash benefits.

Section 44-304.611 and Handbook Section 44-304.611(a)

Specific Purpose:

Section 44-304.611 is being amended to ensure that benefits issued through the EBT system are available to recipients by their designated payment date when that date falls on a weekend or holiday. Editorial changes are also being made to incorporate this change into

existing language. Also, handbook section is being amended to include EBT benefit availability.

Factual Basis:

This change is necessary to comply with Welfare and Institutions Code 10072, which requires that recipients receive their payment on or by their designated payment date.

b) Identification of Documents Upon Which Department Is Relying

7 CFR 271.1

7 CFR 271.2

7 CFR 271.3

7 CFR 273.18

7 CFR 274.2

7 CFR 274.10

7 CFR 274.12

7 CFR 274.12(a) (finalized April 1, 1992)

7 CFR 278.1

California Approved Waiver Request #980069, 980070, 980071, 980090, 980091, 2000040, and 2010191

EBT Coordinators Letter, FS-9-5-1/EBT GEN, dated September 28, 1998 from FNS Western Region Office

Preamble of the Final Rules and Regulations Federal Register, Vol. 57, No. 63, April 1, 1992

USDA, Food and Nutrition Service (FNS), EBT Reconciliation Guidance for State Agencies

FNS EBT – Frequently Asked Questions, updated 10/31/01

Negotiated Terms and Conditions of the Electronic Benefit Transfer Contract (NTC)

California EBT Invitation to Partner (ITP)

California EBT ITP Work Authorization No. 2 through 7

California EBT Requirements Validation Document

California EBT Interface Document

California EBT Settlement and Reconciliation Guide

Quest Operating Rules

c) Local Mandate Statement

These regulations implement issuance of Food Stamp and cash benefits via the EBT system. The regulations implementing issuance of cash benefits via the EBT system do not impose a mandate on local agencies or school districts because this is a county option as set forth in Welfare and Institutions Code Section 10069. There are no state-mandated local costs in this order that require reimbursement under the laws of California.

The regulations implementing issuance of Food Stamp benefits via the EBT system do impose a mandate upon local agencies, but not on school districts. There are no "state-mandated local costs" in these regulations which require state reimbursement under Section

17500 et seq. of the Government Code because any costs associated with the implementation of these regulations are costs mandated by Federal Food Stamp regulations at 7 CFR 274.12.

d) Statement of Alternatives Considered

CDSS must determine that no reasonable alternative considered or that has otherwise been identified and brought to the attention of CDSS would be more effective in carrying out the purpose for which the regulations are proposed or would be as effective and less burdensome to affected private persons than the proposed action.

CDSS must determine that no reasonable alternative considered or that has otherwise been identified and brought to the attention of CDSS would lessen any adverse impact on small business.

e) Statement of Significant Adverse Economic Impact On Business

CDSS has made an initial determination that the proposed action will not have a significant, statewide adverse economic impact directly affecting businesses, including the ability of California businesses to compete with businesses in other states.