

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.