

Electronic Benefit Transfer Theft and Updates on Implementation of Prior Funding Investments Report to the Legislature

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Executive Summary

The California Department of Social Services (CDSS), in partnership with the Office of Technology and Solutions Integration (OTSI) and the state Electronic Benefit Transfer (EBT) vendor Fidelity Information Services (FIS), has completed the statewide rollout of new EBT cards featuring Chip Europay, Mastercard, and Visa/Tap (Chip EMV/Tap) technology to reduce skimming theft. The mass mailing of replacement Chip EMV/Tap cards was completed on April 29, 2025, making California the first state in the nation to complete a Chip EMV/Tap transaction on an EBT card.

This report provides updates for May through September 2025 on the state's mass card replacement implementation expenditures, retailer and financial institution adoption, current data on Chip EMV/Tap, and theft mitigation.

Background

The CDSS administers the EBT system, which delivers food and cash assistance benefits of major safety net programs (i.e. California Work Opportunity and Responsibility to Kids, or CalWORKs, and CalFresh which is federally known as the Supplemental Nutrition Assistance Program, or SNAP, programs) to eligible households. In response to increased incidents of EBT card skimming and other forms of electronic benefit theft, the Department initiated a statewide transition from magnetic stripe (magstripe) EBT cards to more secure cards using Chip EMV/Tap technology.

This modernization effort was supported by prior funding investments approved by the Legislature to enhance card security, reduce fraud, and align California's EBT infrastructure with industry standards. The new Chip EMV/Tap cards protect recipients' benefits from electronic theft, improve transaction integrity, and reduce the fiscal impact of fraudulent activity on the State.

Implementation of the card replacement was conducted in phases, beginning in January 2025 with a controlled deployment consisting of 1,000 cardholders in Los Angeles and Yolo Counties. Following the success of the first phase, CDSS and OTSI advanced statewide deployment for the new cards based on program participation. The rollout prioritized individuals in cash-only benefit programs first, followed by those receiving both food and cash benefits, and concluded with food benefit-only households. This sequence was implemented from February 2025 through April 2025. County Welfare Departments (CWDs) aligned with this schedule and began the over the counter (OTC) issuance of the Chip EMV/Tap cards in February 2025. The FIS has also worked in coordination with retailers, financial institutions, and third-party payment processors to ensure point-of-sale (POS) and automated teller machine (ATM) infrastructure maintained compatibility with the new cards.

With the implementation completed, CDSS was able to analyze the impact. This report provides information, including expenditures across state fiscal years (SFY) 2023-24 and 2024-25 related to implementation project costs, card performance metrics,

ongoing operational costs, and the impact of theft mitigation efforts.

Implementation Expenditures

To support the one-time transition from magstripe-only to Chip EMV/Tap cards for EBT, CDSS budgeted a total of \$76.5 million for EBT vendor costs across SFY 2023-24 and 2024-25. Associated state operations costs were addressed using existing EBT maintenance and operations resources.

The project costs came in under budget. Of the amount budgeted, \$71.5 million was spent to fund EBT system functions affected by the transition to Chip EMV/Tap, allocated across the following expenditures:

- EBT Equipment: \$9.4 million
- EBT System Automation: \$19.9 million
- Card Mailings: \$39.6 million
- OTSI Resources (Consultancy): \$2.6 million

The breakdown of funding, by source, is as follows:

- Federal: \$29.5 million (41.61%)
- Temporary Assistance for Needy Families (TANF)/General Fund (GF): \$8.5 million (11.85%)
- Other GF: \$22.5 million (31.42%)
- County: \$10.8 million (15.11 %)

No further invoicing related to the one-time transition is expected through FY 2025-26. Unspent funding from the TANF/GF and other GF categories will revert to the General Fund.

Mass Card Replacement and Chip EMV/Tap Transaction Data

Total Replacement Cards: As of April 29, 2025, all EBT cardholders were issued a replacement Chip EMV/Tap EBT card, either via mail or through OTC printing. Summer EBT (SUN Bucks)¹ cards are currently issued annually and were excluded from the Chip EMV/TAP mass replacement. A total of 4,115,203 Chip EMV/Tap enabled EBT cards were issued through the mass card mailing.

Activation Rates: As of September 30, 2025, a total of 95.5% Chip EMV/Tap cards have been activated through a successful transaction or through OTC printing. When a successful transaction is made with the new card, it is automatically activated, and the

¹ The State continues to explore issuing future SUN Bucks EBT cards with Chip EMV/Tap features.

old magstripe card is deactivated.

Replacement Statistics: The following table provides cumulative Chip EMV/Tap replacement statistics since January 2025, unless otherwise noted.

Cumulative Chip EMV/Tap Replacement Statistics, through September 30, 2025

Item	Count	Percentage ²	Notes
Total Chip EMV/Tap Cards Issued	4,568,953	N/A	Cards issued by mail or over the counter as part of the mass card replacement issued either via mail or OTC printing from January through June 2025.
Activated Chip EMV/Tap Cards	4,363,323	95.5%	Cards that have been activated by a successful transaction or through county OTC printing.
Chip EMV/Tap Cards – Undelivered or Returned	185,912	4.1%	Cards that encountered delivery issues associated with the mailing address on file with the county.
Expired Magstripe Cards³	1,104,644	N/A	Total number of magstripe cards that were deactivated 180 days after the Chip EMV/Tap card was mailed. ⁴

Cardholders who did not receive a card due to delivery issues associated with their mailing address or who did not activate their new card within the 180-day activation window can visit their local county office to receive a replacement card within the same day or contact the EBT Customer Service Line at (877) 328-9677 to request another card be mailed.

The following table illustrates the Chip EMV/Tap transaction statistics from September 3

² When provided, the percentage is reflective of the cumulative count divided by the total Chip EMV/Tap cards issues as of June 30, 2025.

³ This total excludes magstripe cards that were automatically deactivated upon successful activation of Chip EMV/Tap cards.

⁴ Cardholders were encouraged to activate their new card within 180 days before the older magstripe card stopped working. Outreach included revised EBT card mailer, banners on client-facing web portals, informational flyers, public service announcements, social media campaigns, and targeted text and email messages. These remaining cards were deactivated between October 4 and October 25, 2025.

through September 30, 2025. Together, Chip EMV/Tap transactions accounted for 37.32% of all approved transactions.

Point in Time Chip EMV/Tap Transactions Statistics, September 3-30, 2025

Approved Transactions	Food Transaction Count	Cash Transaction Count	Total Transaction	Percent of Total
Fallback to Magstripe⁵	13,187,228	953,427	14,140,655	53.32%
Chip EMV	7,618,676	961,020	8,579,696	32.35%
Tap	1,259,936	58,086	1,318,022	4.97%
Online⁶	1,919,910	39	1,919,949	7.24%
Manual Entry⁷	523,011	33,257	556,268	2.10%
Total Approved Chip EMV/Tap Card Transactions	24,508,761	2,005,829	26,514,590	99.99%
Chip EMV/Tap Card Transaction Denials⁸	3,406	509	3,915	0.01%

⁵ The Chip EMV/Tap card will “fallback” when retailers that are not ready to process a transaction through the Chip EMV/Tap functionality. Fallback transactions are processed by swiping the card’s magnetic stripe.

⁶ CalFresh food benefits recipients could purchase SNAP items online from participating retailers. Federal law prohibits the usage of CalFresh benefits to pay for delivery fees, convenience fees, or other fees and charges associated with online purchasing. CalFresh recipients who also receive cash benefits are able to use their cash benefits to pay for delivery fees for their SNAP orders at Walmart exclusively.

⁷ The CDSS is conducting outreach with retailers and have found that the primary reason for using manual entry is due to their systems not falling back to magstripe or there is a training issue. The CDSS and OTSI have informed these retailers of what to do to make changes to their systems to accept the new Chip EMV/Tap cards. In addition, FNS recently released guidance out to all California and bordering state retailers on [Retailer Instructions - Using EBT chip cards at check-out](#).

⁸ The CDSS is conducting outreach with retailers and have found that the primary reason for denials is due to their systems not falling back to magstripe. The CDSS and OTSI have informed these retailers about how to make changes to their systems to accept the Chip EMV/Tap cards.

The distinction between Chip EMV and tap transaction counts are directly related to the retailer's business process and POS system. For example, Walmart, the largest Supplemental Nutrition Assistance Program (SNAP) retailer in the United States, only offers tap payment when using their service, [Walmart Pay](#). Walmart does not allow tap for any third-party cards. In addition, among credit/debit cards, [interchange fees](#), a fee paid by merchant each time a card transaction is processed differs among the different transaction types, with Chip EMV typically being lower than tap transactions. While EBT transactions do not incur interchange fees, most retailers develop business processes based on transaction volume, and EBT is dwarfed by credit/debit transactions.

SNAP Retailer Adoption of Chip EMV/Tap POS Updates

While SNAP retailer adoption of Chip EMV/Tap transactions is expected to progress, there is currently no mandate from the United States Department of Agriculture's (USDA) Food and Nutrition Service (FNS) requiring these transaction types. Based on historical trends, it may still take at least three additional years to reach majority adoption among SNAP retailers in California⁹. Details regarding Chip EMV/Tap adoption among California's top 5 SNAP retailers are provided below.

For context, when the financial industry started to shift from magstripe to Chip EMV/Tap technology for credit and debit cards, retailers became liable for certain types of fraud beginning October 2015.¹⁰ Despite this incentive, it still took three to six years for most retailers to adopt Chip EMV-enabled credit card transactions. In comparison, contactless tap-to-pay technology adoption for credit and debit cards has been accelerating more rapidly, largely due to the COVID-19 pandemic.

Food retailers have additional emerging transaction types they must consider and prioritize alongside Chip EMV/Tap upgrades for EBT, such as digital wallets, Buy Now, Pay Later (BNPL), Medicare Advantage Healthy Foods, and Cryptocurrency. Retailers implement payment innovations to compete for consumer spending. Only regulatory authorities, such as USDA FNS, can mandate retailer adoption of EBT transactions through Chip EMV/Tap functionality.

The following tables represent the top five California SNAP retailers by EBT dollar share and EBT transactions as of September 3, 2025.

⁹ [EMVCO, Worldwide EMV Deployment Statistics, no date \(n.d.\)](#)

¹⁰ [Carat from FIS, What is EMV?, n.d.](#)

Top 5 EBT Dollar Share – California SNAP Retailers

Retailer	Spend %	Amount	Chip EMV/Tap Status
Wal-Mart	14.33%	\$174,037,494	Chip EMV Ready
Costco	8.66%	\$105,218,282	In Pilot
Kroger	5.23%	\$63,544,373	Fallback Only
WinCo	4.02%	\$48,791,145	Chip EMV Ready
Stater Bros	3.15%	\$38,277,103	Chip EMV Ready

Top 5 EBT Transactions – California SNAP Retailers

Retailer	Transaction %	Transaction Count	Chip EMV/Tap Status
Wal-Mart	13.15%	3,303,273	Chip EMV Ready
7-Eleven	5.04%	1,789,832	Chip EMV transactions at some stores, not fully rolled out
Kroger	3.49%	1,240,236	Fallback Only
Costco	3.29%	1,167,281	In Pilot
Safeway	3.12%	1,109,379	Chip EMV transactions at some stores, not fully rolled out

Ongoing Costs and New Card Issuance

The EBT card costs are managed on a cost per case month (CPCM) model, which includes both the physical EBT card costs in addition to associated services, such as call center support which is used to support EBT accounts. Ongoing costs related to the card transition effort are primarily driven by administrative costs associated with establishing an EBT card for each new EBT cardholder and the incremental costs incurred by upgrading from a magstripe-only to a Chip EMV/Tap card. There are no new costs incurred by EBT cardholders issued a Chip EMV/Tap card. As illustrated in the table below, the Chip EMV/Tap card has a minimal increase to the CPCM that ranges from \$0.025 to \$0.05 over the next three years. Pricing terms are included in the procurement agreement with FIS, which is active through June 2027.

Cost per Card – Benefit Type

Benefit Type	CPCM 2025 (Magstripe)	CPCM 2025-2026 (Chip EMV/Tap)	CPCM 2027 (Chip EMV/Tap)
Food Only Card	\$ 0.465	\$ 0.495	\$ 0.490
Cash Only Card	\$ 0.500	\$ 0.550	\$ 0.550
Combined Food and Cash Card	\$ 0.770	\$ 0.800	\$ 0.795

Ongoing Fraud Mitigation Efforts

The CDSS continues to monitor how the transition to Chip EMV/Tap cards relates to reductions in the incidence of benefit theft. It will not be possible to fully isolate the impact of Chip EMV/Tap cards from other concurrent theft mitigation efforts, as these strategies have been implemented simultaneously and are inherently interrelated. Over the past 18 months, CDSS has conducted theft mitigation efforts in addition to the rollout of Chip EMV/Tap cards that have collectively reduced the average monthly benefit theft. These efforts include:

- *Cardholder Personal Identification Number (PIN) Reset Outreach Campaign:* Cardholders were sent a text message with instructions on how to select a new PIN for their card, if there are indications that it has been compromised. The message is sent in English and Spanish, depending on language preferences. Messaging began in February 2025 and is expected to be ongoing.
- *County procedural changes:* In December 2024, CDSS released policy guidance, [All County Letter No. 24-92](#), to CWDs to combat the electronic theft of benefits due to fraudulent PIN change activity. The CWDs were instructed to issue a new EBT card when an in-person PIN change is requested after completing proper verification of their identity. This policy also included guidance on cases that should be referred to the affected CWD’s Special Investigative Unit (SIU) for investigation of suspected fraud. In February 2025, CDSS released policy guidance, [All County Information Notice No. I-08-25](#), to assist CWD SIUs to counter EBT theft by providing information on available CDSS resources.
- *Investigative partnerships:* Between May 2025 and September 2025, CDSS supported 9 county and federal operations, resulting in 27 arrests and \$99,310 in recovered funds.

In the coming months, CDSS will be implementing additional security measures including limiting PIN changes made by the Interactive Voice Response (IVR), PIN Selection Device, and ebtEDGE cardholder portal and mobile app by blocking

cardholders from using common PINs (e.g. four sequential or consecutive numbers such as 1111 or 1234), and creating a new PIN that is the same as their most recently used PIN.

Additional security enhancements from FIS are forthcoming. For another layer of security, FIS will be implementing Multi-Factor Authentication (MFA) to both county administrator and cardholder tools, including ebtEDGE webADMIN, the cardholder portal, and mobile application. This will help secure logins through ebtEDGE tools and raise security to safeguard cardholder benefits.

Once implemented, cardholders will be allowed to opt-in to MFA, which will require a One-Time PIN (OTP) to log in. The OTP could be sent by text, the most secure method, or email. Cardholders will then input the OTP to verify their account to gain access. If the cardholder chooses to opt-out, no OTP will be sent but instead the user must correctly answer a security challenge question to log in. The information used, such as the user's phone number, email address, or answers to the challenge questions, are based on information provided during account registration. They can be updated from ebtEDGE mobile application or cardholder portal.

Household Reimbursements

For the period of October 1, 2022, through December 20, 2024, CalFresh replacement benefits were eligible for federal reimbursement pursuant to the [Consolidated Appropriations Act, 2023](#) and the [Continuing Appropriations and Extensions Act, 2025](#). However, as of December 21, 2024, replacement of food and cash benefits due to electronic theft is provided using state funds, pursuant to [California Assembly Bill 161 Human services](#). CDSS continues to monitor federal legislation, including [H.R. 3117 - 119th Congress: Fairness for Victims of SNAP Skimming Act of 2025](#) and [S. 1540 — 119th Congress: Fairness for Victims of SNAP Skimming Act of 2025](#), for any changes related to federal reimbursement of replacement benefit funding.

The following table refers to some of the key statistics on recent EBT benefit theft trends. Overall, total theft reimbursements dropped by 77.8% from December 2024 through September 2025.¹¹ A comprehensive interactive dashboard of the data is available by visiting the [CDSS EBT Theft Dashboard](#).

¹¹ Since December 2023 when cash and/or food benefits have been tracked separately, total theft reimbursements have been reduced by 82.3% through September 2025.

Statewide EBT Theft by Month¹²

Month	Total Theft Reimbursements (YoY % Change ¹³)	# Households Reimbursed (YoY % Change ¹⁴)
2024-December	\$16,160,979 (-19%)	20,790 (-26%)
2025-January	\$14,181,029 (-32%)	19,651 (-30%)
2025-February	\$11,595,634 (-42%)	15,070 (-48%)
2025-March	\$12,743,836 (-32%)	17,586 (-34%)
2025-April	\$6,712,046 (-65%)	8,795 (-68%)
2025-May	\$5,970,267 (-62%)	7,962 (-60%)
2025-June	\$6,200,842 (-54%)	8,620 (-50%)
2025-July	\$5,223,718 (-61%)	5,967 (-64%)
2025-August	\$4,039,889 (-67%)	4,793 (-69%)
2025-September	\$3,584,204 (-74%)	3,677 (-79%)

Conclusion

The CDSS, in partnership with OTSI, FIS, counties, and other key stakeholders, continues to strengthen the security of EBT cards used to deliver cash and food benefits to customers of California’s major safety net programs.

This report provides key updates from efforts from May through September 2025, including the latest data on Chip EMV/Tap, retailer and financial adoption, and ongoing efforts to prevent benefit theft. A final report will be submitted at the close of FY 2025-26.

¹² Data source: EBT transaction data. Theft reimbursement totals reflect the value of theft reimbursement payment transactions made by counties to cash and/or food benefit clients.

¹³ Percentage based on comparison to 12 months prior.

¹⁴ Percentage based on comparison to 12 months prior.