



The Retail Food Industry Center
Advancing Knowledge About Processing,
Distribution,
Sales, and Food Service

Working Paper 00-06
The Retail Food Industry Center
University of Minnesota
Printed Copy \$22.50

**FROM PAPER TO PLASTIC BY 2002:
Retailers' Perspective on Electronic
Benefit Transfer Systems for Food Stamps**

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August 2000

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ABSTRACT

The Food Stamp Program (FSP) is working under the deadline of October 1, 2002, to coordinate a change from the current paper disbursement system of paper food stamps to an electronic transfer system of benefits, known as EBT. The Food and Nutrition Service of the U.S. Department of Agriculture has been studying the effectiveness of differing vehicles for benefit dispersal since the inception of the FSP in the 1960's. The merits of a direct cash payment have been compared to those of the paper system by the USDA and an array of professional groups and research organizations. The adoption of the electronic benefit transfer (EBT) system engenders a new set of questions about the effects of EBT on benefit recipients, retailers and the administering government agencies.

Issues surrounding the transition from paper to plastic are still problematic for retailers in spite of the rapidly approaching deadline. National interoperability of EBT as well as fees involved with EBT operation are still points of contention for retailers. Anecdotal evidence from retailers also point to kinks in the institutional operation of EBT. Peak-loading problems with the electronic network system generate a host of undesirable consequences for benefit recipients and retailers. These problems impede the electronic system from taking advantage of the positive network effects that could arise from this new technology.

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INTRODUCTION

The Food Stamp Program (FSP) has been established as a functional element of the income safety net the United States provides for its low income households. The FSP operates by giving qualifying families, those below predetermined income levels, access to benefits for food purchases. In the fiscal year of 1999, 6.7% of the population in the United States received assistance in the form of food stamps. The average monthly benefits of food stamps for an eligible person was \$72.23. The total cost to the federal government for the FSP was \$17.7 billion in 1999, down from \$18.8 billion in 1998, and a high of \$24.6 billion in 1995¹. The percentage of the population that receives benefits has declined each year since it peaked in 1994 at 10.6%², it is nevertheless indicative of the reach this type of domestic aid has for American households. Analysis of this decline by USDA shows that 35% of the decline is due to better economic conditions with more jobs and 12% is due to program reforms³. The program is designed to work with the normal channels of trade, making food retailers an integral component of the successful transfer of benefits from the government to the recipients⁴.

Since the initiation of the FSP in the 1960's, it has evolved into a functional form of assistance for needy households. Over its 40 year history the FSP has marginally adjusted the goals of government food assistance. The initial aims of increasing needy families' purchasing

¹Food Stamp Program Participation and Costs, USDA. Data as of January 28, 2000. Viewed 22 February, 2000: <http://www.fns.usda.gov/pd/fssummar.htm>

²Food Stamp Program Participation, USDA. Data as of January 28, 2000. Viewed 22 February, 2000: <http://www.fns.usda.gov/pd/fsfypart.htm>

³Wilde, P., P. Cook, C. Gunderson, M. Nord, and L. Tiehen, The Decline in Food Stamp Program Participation in the 1990's, Washington D.C.: USDA, ERS, Food Assistance and Nutrition Report No. 7, June 2000.

⁴Mantovani, Richard E., Lynn Draft, et.al. Food Retailers in the Food Stamp Program: Characteristics and Service to Program Participants USDA, February 1997, 34 pp.

power increasing the demand for food and boosting a stagnant, Depression-era agricultural economy have been supplemented by the government's stance on improving the nutritional content of low-income household diets. This latter position has become the program's main goal. The questions surrounding the best methods for implementing food assistance present a challenge to federal policymakers. The program has been scrutinized by numerous studies in order to ascertain the relative effectiveness of benefits delivery systems. The main concern over its design revolves around the form which benefits should take. When the program was first implemented, the instrument chosen for benefits transfer was the paper food stamp, coupons redeemable for the equivalent dollar value of food purchased from authorized retailers. It remains the method of choice today, but even with the paper food stamp coupon as the vehicle for benefits distribution, analysts have continued to assess the effectiveness of this paper coupon system versus those of a cash-out system, and more recently, the effectiveness of transferring food stamps benefits to an electronic system.

In earlier studies, the merits of a paper coupon system have been weighed against that of a direct cash transfer of benefits to food stamp recipients. Researchers have evaluated the relative worth of administering assistance in the form of cash versus coupons. The effects of both, the cash-out and the food stamp coupons, on household food expenditures have been consistent across studies. Food stamps demonstrate a larger marginal effect on increasing low-income household food expenditures than an equivalent cash transfer. Where an additional, bonus dollar of cash income generates a 5 to 10 cent increase in food spending, an additional dollar of food stamps causes a 20 to 45 cent rise in food spending⁵. Studies of the cash-out option versus the

⁵USDA [The Effects of Cash-Out on Food Use of Food Stamp Participants: Summary Results from Four Demonstrations](http://www.usda.gov/cgi-bin/waisgate?WAISdocID=149708733+46+0+0&WAIAction=retrieve)
<http://www.usda.gov/cgi-bin/waisgate?WAISdocID=149708733+46+0+0&WAIAction=retrieve>

coupon system demonstrate that food stamps have a significantly greater contributory effect by yielding estimates of the marginal propensity to consume (MPC) food at home that are substantially higher for food stamps than for cash income⁶. It should be noted that food stamps cannot be used to purchase food in restaurants, fast food eateries or some ready-to-eat foods at grocery stores. Therefore, with cash (vs. coupons) more food might be purchased outside a grocery store and escape being counted as an increase in food expenditures.

In addition to the studies conducted, the Food and Nutrition Service funded four major cash-out demonstrations to investigate the expenditure generation differences between coupons and cash. The demonstrations were carried out with the San Diego Cash-Out Demonstration, the Washington State Family Independence Program, the Alabama Avenues to Self-Sufficiency through Employment and Training (ASSETS) Program, and the Alabama “Pure” Cash-Out Demonstration. The Alabama “Pure” Cash-Out Demonstration and the San Diego Cash-Out Demonstration used an interesting method for capturing the “cash-out” effect. Both projects randomly assigned households to receive cash or coupon benefits and measured the differences in expenditure behavior between the two groups. The findings for these four demonstrations were mixed. The cash-out option reduced household food expenditures in the San Diego Demonstration, but only by a modest amount. The Alabama ASSETS Program resulted in more significant cash-out food expenditure reductions, with the Washington Program assigning a moderate drop in food expenditures due to cash-out implementation. The Alabama “Pure” Demonstration, however, gave no significant difference between its cash-out and food stamp groups.

⁶Senauer and Young, "The Impact of Food Stamps on Food Expenditures: Rejection of the Traditional Model," *American Journal of Agricultural Economics*, 68(No.1; February 1986): 36-43.

The Commonwealth of Puerto Rico also offers some insights to the cash-out debate. In 1981, the Food and Agriculture Act legislated a stop to the Food Stamp Program in Puerto Rico, effective the following year, in favor of enacting a block grant for food assistance. The hope was that with a block grant, the island would not incur as much cost to the federal government and the Food Stamp Program as it had in the past: in 1981 alone the cost of administering the FSP in Puerto Rico amounted to \$1 billion. Puerto Rico subsequently received yearly block grants, along with annual funding increments. Out of this block grant, Puerto Rico established the Nutrition Assistance Program, a plan that uses direct cash payments to dispense benefits to recipients. Studies of the Puerto Rican model have found no significant difference between the marginal effects generated by the earlier food stamp system and the cash transfer payments⁷. Still, the prevalence of findings in the literature point to the greater impact that food stamps have on food spending when compared to ordinary cash transfers. There is a clear inference from these studies that if federal food assistance policies aim at increasing recipient household food spending on food available in grocery stores, the Food Stamp Program should not be converted to

⁷Davis, Carlton and Benjamin Senauer, "Needed Directions in Domestic Food Assistance Policies and Programs," *American Journal of Agricultural Economics*, (December 1986): 1253-1257.

a cash-out system⁸.

DYNAMICS OF THE SYSTEM

Increasing developments in electronic funds technologies opened up the possibility of applying these methods to the disbursement of FSP benefits. The use of these technologies, however, raises a new set of policy implications and infrastructural issues whose overall effects on the food assistance program itself, retailers and consumers are still unclear⁹. In 1996, retailers authorized to accept food stamps totaled 200,000. This includes all manner of retailers: large supermarket chains, smaller convenience-type shops, and individually owned and operated stores. Although supermarket retailers are the largest and most widely available source of foodstuffs for food stamp recipients, convenience stores, supercenters (general merchandise and full line of food products), farmers' markets, home delivery companies, discount meat or bread stores, and non-profit cooperative food purchasing ventures are among the various forms of retailers that are able to accept food stamps. The primary criteria for retailer authorization to accept food stamps is that at least 50% of the food available for sale qualifies as food staples and that this food is predominately meant for household consumption¹⁰. Despite this wide range of operation of the FSP, many difficulties exist with food stamp fraud and trafficking that are not only problematic for the program itself but are also points of contention for retailers. To curtail much of this abuse and to lower distribution costs, the concept of electronic benefits transfer (EBT) for food stamp

⁸Senauer and Young, "The Impact of Food Stamps on Food Expenditures: Rejection of the Traditional Model," *American Journal of Agricultural Economics*, V.68(No.1; February 1986): 36-43.

⁹United States Department of Agriculture, Food and Nutrition Service, Office of Analysis and Evaluation New Directions in Food Stamp Policy Research. Nancy Fasciano, Daryl Hall, Harold Beebout, editors. June 1993. 141 pp.

¹⁰Mantovani, Richard E., Lynn Daft, et. al. Food Retailers in the Food Stamp Program: Characteristics and Service to Program Participants USDA, February 1997, 34pp.

benefits was conceived. By the Debt Collection Improvement Act of 1996, the federal government was required to dispense most payments electronically, except tax refunds, as of January 2, 1999. These payments include Social Security, Supplemental Security Income, Veterans Compensation, Pension and Railroad Retirement Board benefits. Recipients of these payments who also receive state administered benefits such as food stamps have the option of using the EBT system in the form of a single card to access all state and federal benefits at automated teller machines (ATM) or point-of-sale (POS) terminals. In the best case scenario, recipients would have a single card with food stamp and cash benefits included on it¹¹. To follow up on the Debt Collection Improvement Act, the Welfare Reform Law mandates the placement of food stamp EBT systems in all states by October 1, 2002. The reforms stipulated in this law pave the way for nation-wide EBT adoption by the deadline given. Under the provisions, the Secretary of Agriculture is authorized to give waivers to states confronted with extenuating circumstances that prevent the timely implementation of EBT. It also gives states the flexibility to establish the terms, conditions and ultimate design of the EBT program¹². Given this latest legislative push by Congress, a country-wide network of state implemented EBT systems for food stamps is developing into a reality for state administrators, consumers and retailers alike.

The role for EBT as a disbursement mechanism is extensive. When it is fully transitioned by 2002, it will officially eliminate paper food stamp coupons. EBT converts the FSP distribution system from a paper trail to an electronic one. Recipients will use their accounts, credited with their corresponding monthly allotment of benefits, to purchase food items from authorized

¹¹Financial Management Service, U.S. Treasury Department, "Electronic Benefits Transfer." Viewed 15 November, 1999 from: <http://www.fms.treas.gov/ebt/index.html>

¹²National Automated Clearing House Association "Electronic benefits transfer- welfare reform legislation." Accessed 16 November, 1999 from: <http://www.nacha.org/ebt/ebt/wlfar.htm>

retailers. The computer system will allow recipients to permit the transfer of benefits from these accounts to a retailer for goods purchased. Food stamp benefits can be accessed by recipients via a retail POS terminal, a system of payment that is readily available at many stores. In this way, neither cash nor coupons are exchanged between benefit recipients and retailers. The only transaction made is an electronic one.

Online EBT System

EBT systems can be implemented as online or offline programs. The online system requires the electronic funds transfer technologies described above: recipients can use POS terminals to authorize the transfer of government allocated benefits from personal accounts to the retailer. The online card is very similar to an ordinary ATM card and requires a link to a main computer that approves payment depending on the benefits existing on the recipient's account. The process occurs online, where the recipient is required to key in a personal identification number (PIN) at the check-out counter. In the case of retailers without the necessary POS equipment, some allowances are made for authorized food stamp retailers to apply for state-sponsored POS equipment. When the magnetic card is swiped through and the PIN is keyed in, the PIN is verified electronically and benefits are automatically debited from the recipient's account. If the PIN is incorrect, or there are insufficient funds in the recipient's account, the transaction will be interrupted and denied.

Offline EBT System

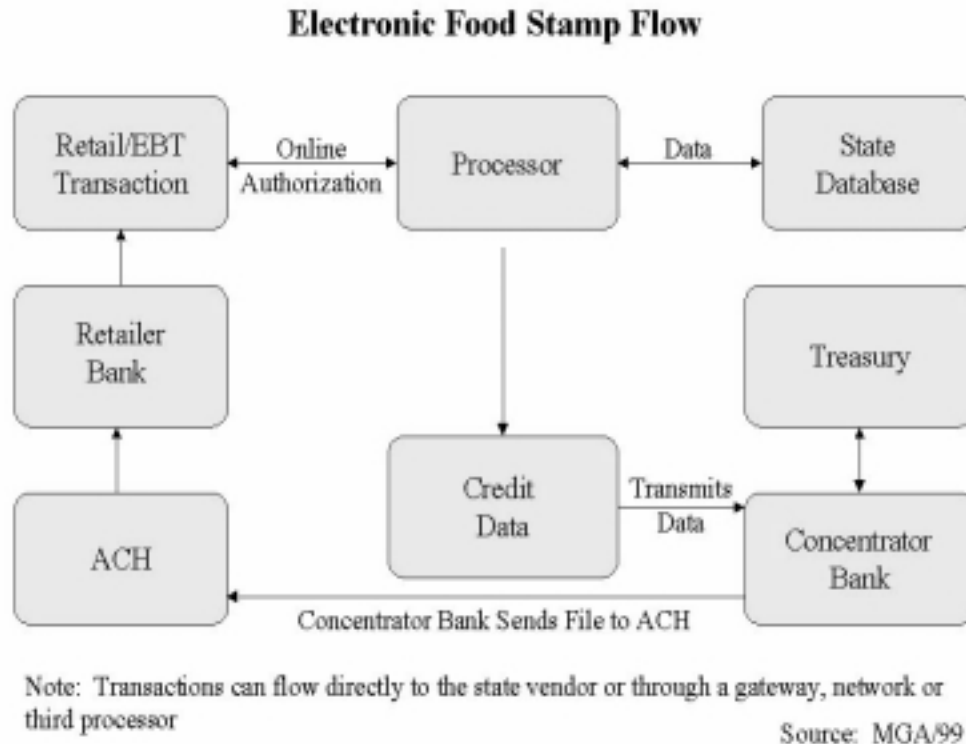
The offline system for EBT uses a "smart card" technology that does not require connection to a central, authorizing computer to complete the transaction. The card contains a chip that automatically stores the benefit account balance information onto itself. With this system, the transaction is between the store terminal and the card itself, making the use of a

central computer online authorization process unnecessary. When food purchases are made, the recipient's card balance is updated with the current balance. In order to add on government benefits that are allotted each month, the recipient must take the smart card to a retailer POS terminal where benefit amounts are downloaded and added onto the card. The transaction record is kept at the POS terminal until sent to the central computer with a batch message. Only then is the retailer's bank account credited¹³. Either of these two methods is equally effective, but many argue that the online, magnetic strip card is the obvious choice because much of the infrastructure needed for its use is already in place at most food retail stores.

Figure 1 demonstrates the flow of electronic benefits from the recipient accessing benefits at the food retail store through the authorization and debiting process. At the point of sale, information about the transaction is sent to a data processor known as a gateway. Here it is determined if the pin number matches the account and whether the balance is sufficient to cover the expenditure. If so, the transaction is authorized and data is sent to the state and to a credit/debit transactor. The U.S. Treasury will have deposited funds into a bank account for the recipient; the account is debited and funds are electronically transferred through a system wide automatic clearing house and credited to the bank account of the retailer. This is basically the same route taken by any debit or credit transaction, except the state data base would not be involved and the Treasury would likely be replaced by an employer.

¹³Oliveira, Victor and J. William Levedahl, "All Food Stamp Benefits to be Issued Electronically," *FoodReview*, V.21(No.1, Jan-Apr 1998): 35-39.

Figure 1.



THE MINNESOTA EXPERIMENT

The first pilot program to test an EBT system occurred in Reading, Pennsylvania in 1984. This new pilot program generated interest in a host of additional EBT project developments. In 1987, the Food and Nutrition Service established a new group of demonstrations for the electronic delivery of food assistance benefits in combination with the disbursement of Aid to Families with Dependent Children (AFDC) benefits. The two of these new demonstrations were conducted in Ramsey County, Minnesota and Albuquerque, New Mexico. In addition to these

agency-sponsored demonstration projects, the FNS also published EBT system guidelines for states to begin the planning process. At the outset, Maryland, New Jersey, Iowa, Oklahoma and South Carolina were the first states to receive approval from the FNS for their EBT system test plans. Of these, Maryland became the first to implement an operational EBT system for food stamp benefits dispersal¹⁴.

Much of the momentum for the nationwide impetus toward EBT readiness comes from the encouraging feedback generated by these initial pilot projects. The pilot project in Ramsey County, Minnesota gives one such case of how the program was set up, implemented and scrutinized, all of which is detailed in the project's final evaluation report. The report documents the results and presents its conclusions and recommendations for electronic benefits systems for the county. The conclusions found in the pilot project of Ramsey County were based on its overall objectives. The program evaluated how well EBT works for benefits recipients, financial processors, and retailers. It assessed the reliability of equipment used for EBT transactions and determined the cost-effectiveness and fraud prevention components of an electronic benefits issuance system. The pilot project collected data from evaluation questionnaires for the purpose of chronicling the patterns of use; problems and perception of the program from the standpoint of customers, financial processors and merchants; frequency and amount of transactions and costs related to benefits distribution. The findings of the pilot confirmed that EBT worked "exceptionally well." The study found that benefit recipients were appropriately trained and perceived the system to be easy to use and beneficial. Recipients demonstrated a strong preference of EBT over paper coupons and elected not to return to the paper system. The

¹⁴Oleander (1993)"Electronic Benefit Transfer in the Food Stamp Program: The First Decade" in New Directions in Food Stamp Policy Research, Fasciano, Hall and Beebout, eds., USDA, FNS, and OAE, June 1993, 141 pp.

Ramsey County final report of the EBT pilot detailed some findings of lengthy down times, but attributed this incident to temporary severe congestion, and was not anticipated to reoccur. EBT was also found to be cost-effective when comparing the cost of disbursing food stamp benefits using the paper coupon system. Retailers also responded favorably to the EBT pilot. They reported no serious problems, and demonstrated an interest in the continuation of EBT efforts for county-wide rollout and statewide rollout of EBT systems¹⁵. Despite these positive results from the 1988 pilot project evaluation, Minnesota, like many other states that have initiated EBT rollout programs in order to comply with the 2002 deadline, has since experienced more extensive problems and difficulties with EBT.

DIVISIVE ISSUES

Several contentious issues remain at the forefront of making the food stamp EBT process a viable and acceptable system. There are concerns from the legislative and legal standpoint about the operation of EBT that need to be addressed. For the agents involved in EBT dispersal, the process of 'electronifying' the food stamp system engenders questions about cost and procedure. Throughout the discussion and development of food stamp EBT systems, several key points have recurred and continue to be problematic for policy-makers.

Regulation E

One of the debates centered around whether or not the EBT system should be subject to the Federal Reserve Regulation E of the Electronic Fund Transfer Act. Under this legislation, a recipient's liability for lost EBT cards would be limited to \$50, if a report of the loss was prompt.

¹⁵Office of Research and Evaluation, Ramsey County Community Human Services Department, Ramsey County Electronic Benefit System Final Evaluation Report, February 1988, 71pp.

Although this serves as good protection for recipients, it is hardly desirable for retailers. Such liabilities would limit the effectiveness and adoption of EBT as a viable benefits transfer option for businesses and government agencies¹⁶. The costs of compliance were estimated to be a large expense for retailers to bear. In a monumental move, Congress effectively exempted EBT retailers and processors from Regulation E as part of the third welfare reform package (H.R. 3734). The package gives states broad authority over their welfare programs, including AFDC block grants. States can now pursue alternative programs for benefits transfer without the undue burden of liability for benefits replacement afforded under Regulation E¹⁷. As a result of this legislation, states can now critically inspect the benefits and drawbacks of implementing EBT systems for benefit distribution.

Banking Fees

Another contentious issue is the charging of fees to retailers for EBT transactions. Financial institutions treat an EBT transaction as they would any other electronic transfer of funds: they charge retailers for the authorization and transfer services. The absorption of this fee by retailers is a point of friction. This is most problematic for retailers when stores are also forced to absorb costs associated with installing terminals for EBT, credit and debit payment in all lanes for check-out when stores are not always able to receive support in the form of state-provided equipment. In 1997, Congress passed Section 7(g)(2) of the Food Stamp Act which states that, "The cost of documents or systems that may be required pursuant to this subsection (for EBT) may not be imposed upon a retail food store participating in the food stamp program." Based on this clause, states began to offer retailers the use of some free equipment and software, based on

¹⁶Senauer, Ben "America's Second Currency" *The Region* (March 1993): 5-11.

¹⁷Krouse, Jim and Steve Kenneally "Major EBT Roadblock Finally Removed" State Services Organization. Viewed 28 July 1999 from: <http://www.sso.org/nasact/wregleg.htm>

availability, which allowed the processing of EBT cards. The state also provided free access to a data processor when using state equipment. If a store chose to install equipment purchased using its own means, it would be subject to a third party gatekeeper fee to access the electronic system each time a customer swipes a card for a transaction. The problem for retailers becomes even more involved. It is legislatively established that the free equipment provided by the state to eligible retailers processing EBT transactions using the state's vendor are not subject to fees. However, those transactions that are processed through the commercial network with pre-existing machines that are charged a fee, even if the retailer has free EBT equipment provided by the state in another check-out lane.

In 1997, the Pennsylvania Food Merchants Association (PFMA) sought legal action against the Pennsylvania Department of Public Welfare and the state EBT contractor, Citicorp Services. The PFMA claimed that the enforced EBT procedure imposed illegal costs on food retailers not consistent with Section 7(g)(2) of the Food Stamp Act. With this legal action, the PFMA attempted to look to programs in other states where retailers were reimbursed for costs associated with EBT transactions. At the time, Louisiana, Kentucky, Texas and New Jersey had existing legislation that required state contracted processors to reimburse retailers. In these cases, retailers were not using the magnetic-stripe readers and the processing services provided by the states' contractors. In order to create incentives to use this equipment and to access these services, the state legislated some cash relief directed at food retailers¹⁸. Since then, the PFMA has lost their litigation battle, but the pressures still exist for states to compensate retailers with reimbursements for EBT transaction fees.

¹⁸Sender, Isabelle "EBT Spells Out Differently in the Courts" *Chain Store Age* V.74(No.8, Aug. 1998): 124-126.

Interoperability

Since the states issue and allocate funds to recipients, out-of-state customers usually do not have access to their funds when making purchases in another state. In the interim, the federal government endorses the use of paper food stamps for recipients that will travel across state lines. If recipients know beforehand that they will be traveling, they are encouraged to get paper food stamps which are still accepted, under these circumstances, throughout the country. From the retailers' perspective, however, this is vastly inefficient. The Food Marketing Institute (FMI), a retail trade organization designed to serve the needs of retailers and wholesalers, draws attention to this interoperability issue. The FMI testified before the Congressional Subcommittee on Department Operations, Oversight, Nutrition and Forestry that national efforts on interstate incompatibilities should concentrate on converting EBT into a nationwide system to the fullest extent¹⁹.

The testimony was in support of Republican Congressman Bob Goodlatte's measure for the Electronic Benefits Transfer, Interoperability and Portability Act of 1999 (H.R. 2709). Pending in the 106th Congress, this bill would retain the main aspects of the FSP, but it would also provide some legislation for operability of EBT systems across state lines. The two keys to this legislation are the portability and the interoperability components. The portability provision ensures that recipients will be able to spend benefits at any store, and in any state. It supports the precept that the government should not dictate where recipients are able to shop. The interoperability condition states that EBT cards should function with existing infrastructure used

¹⁹Snyder, Jacki, "Testimony of Jacki Snyder, Manager, Electronic Payments, Supervalu, Inc on behalf of the Food Marketing Institute before the Subcommittee on Department Operations, Oversight, Nutrition and Forestry," FMI Report, (August, 1998). Accessed on 15 November 1999, <http://www.fmi.org/food/articles/supervalu.html>

in electronic payments such as debit and credit cards. It seeks to prevent an incompatible patchwork of EBT systems throughout the country. Both concepts are meant to protect recipient rights to flexible food shopping options. This flexibility, however, can be costly for food retailers. The near-universal acceptance of debit and credit cards makes magnetic stripe cards an attractive choice for retailers in a nationwide EBT plan because different scanners and readers at each check-out counter would drive up costs for retailers. Having one card and one system for all state and federal benefits that is user-friendly and has the potential for a unified delivery of government funded benefits is a major goal for food retailers²⁰.

The difficulties with EBT interoperability are most clearly manifested in individual state EBT implementation. Each state chooses a processor through a private contract bid process, which allows for the possibility of slight differences between state EBT systems. Although the general objectives for EBT implementation are the same across states, the federal government gives some leeway for states to individually tailor their EBT programs²¹. Compatibility problems are prevalent with the divergence of smart card technologies and magnetic stripe card systems. States are given the option of choosing the technology for their EBT programs, but when cross-border transactions are considered, differing systems create operability problems. Ohio is one state that has chosen to implement its EBT program using smart card technologies. Because overloading problems associated with magnetic, online systems are non-existent with smart cards, state planners chose this latter system to build its EBT program. The compatibility problems with this alternative system are emerging. Ohio has many food retail stores located on state boundaries

²⁰Hammonds, Tim, "Why We Need One EBT Standard," *Chain Store Age*, V.75(No. 11, Nov 1999): 44.

²¹Gosnell, David, "A Connection Problem," *Credit Card Management*, V.12(No.7, Oct 1999): 24.

and county lines, making cross-county and cross-state compatibilities a priority. Customers who shop across state or municipal lines are experiencing problems that require retailers to undertake paper and electronic programs simultaneously. Wyoming has followed Ohio's suit in espousing a system that does not incur online congestion problems, and Texas is contemplating a move to smart card technologies. Although smart cards have the sophistication to handle food stamp and other benefits disbursement (such as WIC), the non-conformity of offline-online systems renders current state EBT programs an incoherent national semblance of systems²²

In an effort to make these state EBT systems more nationally compatible, the National Automated Clearing House Association (NACHA) has created the EBT Council. The Council acts as an arm of the NACHA, and is ultimately designed to look at issues surrounding EBT. Particularly salient is the issue of interoperability²³. The EBT council is composed of financial institutions, EBT service providers, payment networks, merchants, government entities, trade associations, and other stakeholders that are engaged in making EBT a fully operational system. The goal of the Council is to provide a forum of communication for all interested parties, including federal and state governments, government-designated issuers, third party processors, and EBT recipients, as well as those parties directly involved in the Council itself. The Council is also interested in conducting studies of EBT operation for research and information purposes. In the area of interoperability of EBT state systems, the Council has developed the Quest Operating Rules. These rules detail uniform specifications in order to create a system for EBT processors to handle transactions across state boundaries. States that choose to belong to Quest must comply

²²Taneja, Sunil, "'Smart' Decision?" *Chain Store Age*, V.75(No.8, Aug 1999): 136-8.

²³Weinstein, Steve, "Adjusting to EBT" *Progressive Grocer*, V78(No.5, May 1999): 89-94.

with the Operating Rules that specify how transactions are processed in order to make member state systems compatible with each other²⁴.

The EBT Council has also been involved in studying the transaction costs associated with case studies of state interoperability problems. With more states placing EBT systems into operation, more cross-border situations have emerged. An interoperability pilot was initiated by the EBT Council to study these costs and the volume of transactions with the purpose of registering empirical evidence of the interoperability problem. One such case of an interstate operation problem of EBT systems occurred for the company of California Superama with stores in Gallup, New Mexico, and stores in Window Rock, Arizona. In this case, Arizona cards are not compatible with the system in place in New Mexico. This is significant because there is a large volume of cross-border shopping involved in this geographical area. In order for California Superama to operate effectively in the Gallup store, it would need a processor able to recognize both cards or it would have to acquire Arizona equipment. The company was forced to change its processor in the Window Rock store in order to handle these inconsistencies²⁵. The EBT Council has been attempting to avoid such problems of incompatibility across states. The Council and Congressman Bob Goodlatte have been trying to pass H.R. 2709 with a clause requiring states to conform to an operating system like Quest. Although the bill provides for the Food, Nutrition and Consumer Services office at USDA to pay for the costs associated with switching to a uniform system, the inconveniences for states and retailers could be considerable. The proposed legislation provides states with offline systems, Ohio and Wyoming, with additional time

²⁴National Automated Clearing House Association, "EBT Site Contents" Viewed on 16 Nov. 1999 at <http://www.nacha.org/ebt/ebt.htm>

²⁵Weinstein, Steve, "Adjusting to EBT" *Progressive Grocer*, V78(No.5, May 1999): 89-94.

to come in line with online EBT systems, but the process of conversion is extensive. Because Ohio has chosen to use smart cards in lieu of magnetic stripe cards, it is inherently incompatible with online EBT systems prevalent in the majority of states. Should this legislative attempt for a uniform national system for EBT be passed, Ohio would have to reissue approximately 300,000 smartcards with magnetic stripes also included on them and modify 14,000 POS terminals in 5,400 retail locations in order to comply with the mandate²⁶.

THE RETAILER'S PERSPECTIVE

Benefits of EBT

As a theoretical system, EBT has strong virtues of efficiency and effectiveness. It would allow the FSP more freedom from the burdens generated by a paper food stamp system. It streamlines the benefits transfer process by eliminating the extra hours required for manual handling of paper food stamps. Although the system funds transfer pathway required for EBT is subtly different from the traditional food stamp program, the mechanics of the electronic system are inherently different from the traditional system. As described beforehand, the government agency releases the funds by crediting the recipient's account at the EBT vendor. The EBT vendor then determines at the end of the day the sum total of funds withdrawn by the recipient from their account. This information is passed on to the benefit-issuing government agency, who in turn transfers the necessary amount to the banks. The banks then reimburse the owners of the used ATMs and credit the accounts of retailers whose POS terminals were used. It is important

²⁶Green, Jeffrey, "A Technological Step Backward" *Credit Card Management*, V12(No.8, Nov 1999): 20-1.

to remember that all of these transactions occur electronically, which cuts down on the time, and hours of labor needed to complete this cycle.

From the retailer's perspective, EBT engenders a series of questions. The participation in an EBT system requires retailers to modify some of their activities to cater to the new electronic system. Analyses of EBT pilot programs and expectations of the electronic system have enumerated various benefits associated with the transition to EBT from paper food stamps.

According to the Connecticut Department of Social Services²⁷, several important points that are highlighted as benefits to EBT implementation include:

1. Initial and refresher training as well as training materials are to be provided at no cost to retailers.
2. All retailers are to have access to a 24-hour helpline for training support.
3. Funds needed to cover POS purchases are transferred from EBT accounts to the retailer's bank within 2 banking days.
4. POS process eliminates problems with bad checks or counterfeit currency.
5. EBT eliminates handling and counting of food stamp coupons.
6. Other states show that sales increase with EBT.

During pilot programs of EBT systems in Pennsylvania and early stages of pilots in Maryland, Minnesota, New Mexico, and Wyoming, retailers reported a general acceptance by program participants and a preference over the coupon system. When participants were surveyed after the pilot was over, benefits recipients gave positive feedback about EBT system convenience, security and ease of use over paper coupons²⁸.

Criticisms of EBT

²⁷Connecticut Department of Social Services "What does EBT mean for retailers?" viewed on 28 July 1999, <http://dss.state.ct.us/digital/faq/ebtret.htm>

²⁸Oleander, Carol, "Electronic Benefit Transfer in the Food Stamp Program: The First Decade" in New Directions in Food Stamp Policy Research, Fasciano, Hall and Beebout, eds., USDA, FNS, and OAE, June 1993, 141 pp.

When analyzing the benefits of converting to a full EBT system from the paper program, the net effect will be to shift traditional food stamp transactions to electronic ones. Several consequences follow from this net effect. EBT is predicted to deliver benefits at a lower cost than the paper system as ATM cards progressively replace checks and paper food stamps. The major expense of a maturing EBT system is the electronic processing costs which are largely incurred by the benefits issuer (the government) and the EBT processor (the retailers, for one)²⁹. In the case of Pennsylvania, the state's requirements for EBT as set by the Pennsylvania Department of Public Welfare, actually shift the administrative costs of this electronic system to the retailers. Retailers do have options to minimize their ultimate cost burden. Upon implementation of EBT systems from state pilot programs, retailers can accept free POS equipment, should it be made available by contracted EBT online processing companies³⁰. Regardless of the opportunities for cost minimization, retailers are nevertheless responsible for absorbing the administrative costs associated with implementing an electronic system.

There is also an observed failure to take advantage of scale economies associated with electronic transactions. Computer processing expenses experience strong scale economies, but these scale economies are offset by the high cost and irregularity of use of interbank communication. The offset occurs mainly because transactions tend to be concentrated during peak periods in a month. Peak-loading problems occur because of this tendency (resulting in 'down' time problems), and because the transaction volume is not more stable across days of the

²⁹Humphrey, David B. "The Economics of Electronic Benefit Transfer Payments" Federal Reserve Bank of Richmond *Economic Quarterly* Volume 82/2 Spring 1996, pp.77-94

³⁰Pennsylvania Food Merchant's Association "What to Expect as EBT is Implemented" viewed on 28 July 1999, <http://www.pfma.org/hotline/ebt.html>

month, these scale economies are dissipated due to the large amounts of unused capacity which is available during much of the calendar month³¹.

Despite the claims for the broad benefits of EBT for retailers, there are several severe criticisms of the way EBT is set up. In Pennsylvania, the site of the first EBT system, retailers began to experience “down time” when conducting EBT transactions. The peak-loading problems began to manifest themselves here in the beginning days of the month, around the 2nd or the 3rd. In a study by Wilde and Ranney, food expenditure patterns were traced for food stamp benefits recipients, and peak loading times were also found. The study demonstrates that there are peaks in mean daily expenditures for food at home during the first three days of the food stamp month. The pattern flattens out as the month progresses³². Interviews with management at Minneapolis and St. Paul area grocery stores corroborated this finding. Peak load capacity has not been supplied by the processing system and it goes down just as all recipients are in the store with carts full of this month’s groceries. During these down times, electronic benefits were not accessible by the recipients and retailers were forced to use other means to process these transactions. It is in these situations that manual vouchers were and still are being used, and it is not certain when this grave issue will be resolved³³. The greatest retailer concern with EBT systems, then, are the down times that occur as a result of overuse during peak times. The

³¹Humphrey, David B. "The Economics of Electronic Benefit Transfer Payments" Federal Reserve Bank of Richmond *Economic Quarterly* Volume 82/2 Spring 1996, pp.77-94

³²Wilde, Parke and Christine Ranney, "A Monthly Cycle in Food Expenditure and Intake by Participants in the U.S. Food Stamp Program," Working Paper, Department of Agriculture, Resource, and Managerial Economics, Cornell University; WP 97-04, March 1997.

³³Frye, Jennifer "EBT Gets Off to a Rocky Start" Pennsylvania Food Merchant's Association, viewed 28 July 1999, <http://www.pfma.org/advisor/may/top/EBTRockyStart.html>

Pennsylvania Food Merchant's Association identified spillover problems of additional concern that occur as a direct result of down time. These consequential problems include:

1. Declined retailer faith in the system because of down time.
2. Limited manual voucher supply.
3. Poor response by retailer hotline.
4. Inadequate retailer training and inadequate recipient training.
5. Declined transaction receipts and accepted transaction receipts look too similar.

Appendix 1 details the concerns and observations of sampled EBT retailers in the Twin City area of Minnesota.

When the online system is overloaded, additional problems for retailers can occur. Grocery stores have reported instances of angry customers leaving carts at the check-out lanes because of delays with the electronic transaction process. Retailers run the risk of suffering large costs of food loss from spoilage in these situations, and also face the labor costs of 'shopping-back' the foodstuffs that are abandoned in the carts³⁴. When peak time problems occur, they result in large expenses for retailers. Streamlining the manual voucher process would serve to make the overall system more efficient, and the provision of a second and third (if necessary) back-up system to what is currently being used would be most useful to combat much of the time loss and customer dissatisfaction experienced during these down times. According to Figure 1, the breakdown in the EBT system occurs at the processor box of the flow chart. This suggests that back-up systems should be implemented in this area of the electronic food stamp flow.

CURRENT STATE STATUS

³⁴Ingram, Bob, "Pubic Policy at the Checkout" *Supermarket Business*, V53(No. 7, July 1998): 21-6.

As of August 1998, 36 states had begun using EBT to issue food stamp benefits.

Maryland became the first state to implement EBT statewide in April 1993 and has been joined by Alabama, Alaska, Arkansas, Colorado, Connecticut, Hawaii, Idaho, Illinois, Kansas, Louisiana, Massachusetts, Missouri, New Mexico, North Dakota, South Dakota, Oklahoma, Oregon, South Carolina, Texas and Utah. All of these states currently operate EBT systems on a statewide basis. Current operations of EBT systems in parts of states occur in Arizona, California, District of Columbia, Florida, Georgia, Iowa, Minnesota, New Hampshire, New Jersey, North Carolina, Rhode Island and Vermont. All other remaining states are in the planning stages for implementing EBT, and several even have consortiums for joint EBT projects³⁵.

The coalitions that are currently operational are the Southern Alliance of States (SAS), the Northeast Coalition, the Western State EBT Alliance, the Midwest Consortium and the Mid-Atlantic Regional Coalition. The Southern Alliance of states includes Alabama, Arkansas, Florida, Georgia, Kentucky, Missouri, North Carolina and Tennessee. The Northeast Coalition incorporates Connecticut, Maine, Massachusetts, New Hampshire, New York, Rhode Island, and Vermont. The Western State EBT Alliance includes Alaska, Arizona, Colorado, Hawaii, Idaho and Washington. The Midwest Consortium consists of Minnesota and Wisconsin. Finally, the Mid-Atlantic Regional Coalition joins together the District of Columbia, Delaware, Maryland, New Jersey, New York, Ohio, Pennsylvania, Virginia and West Virginia³⁶. These alliances among states are the first attempt at reconciling some of the interoperability problems facing EBT

³⁵USDA "EBT- Frequently Asked Questions" viewed on 30 June 1999,
<http://www.fns.usda.gov/ftp/MENU/ADMIN/EBT/faq/faq.htm>

³⁶Jack D. Doyle "Electronic Benefits Transfer Program by State" Oregon Department of Human Resources, viewed 28 July 1999,
<http://dhrinfo.hr.state.or.us/intranet/tands/DebitCards.htm>

systems. Even with interstate cooperation and discussion, the status of EBT in states still faces some difficulties that were unforeseen in pilot projects and during early stages of EBT implementation.

Ohio has already been mentioned as a state experiencing difficulty in coordinating its offline system for EBT with other states who predominantly use online systems. Other states reporting chronic difficulties include Pennsylvania, Illinois, Tennessee, New Jersey and Indiana. Problems exist in various other states, but these states have become representative cases of EBT programs gone somewhat awry. Pennsylvania, as previously discussed, had litigation troubles with its EBT program. Retailers associations were pitted against the state government agencies, but since the failure of the PFMA lawsuit, a more positive working relationship has emerged between the two camps. Pennsylvania has since been experiencing severe down times, prompting cooperation between the PFMA, the Department of Public Welfare and the state processor, Citibank. Since the formation this cooperative group, the state has cut down considerably on down time problems and rollout of EBT systems was completed in November 1999.

Illinois, Indiana and New Jersey have all seen significant delays at the food retail check out counter as well. The telephone lines are cited as a common problem, with too much congestion interfering with effective EBT system transactions. Tennessee is seeing problems of a different kind. The challenge there has been with recipient training in the use of EBT. Recipients have caused long delays in check out times because of the ineffectiveness of training and the fact that 40% of recipients do not have a bank account, making the holding of EBT funds at banks problematic³⁷.

³⁷*Progressive Grocer*, "The State of States," V78(No. 5, May 1999): 94-6.

Most EBT rollout programs are occurring slowly but progressively in states. Glitches and problems are surfacing, but interoperability rules discussions, and conversation about debilitating down times in network processing is making the transition from paper coupons to electronic benefits transfers move forward. A summary of state status in the transition to EBT is given by Appendix 2. Although some difficulties still exist in the transition to electronic benefit transfer, states are working toward the October 1, 2002 deadline.

ENDING REMARKS

The Food and Nutrition Service (FNS) of the United States Department of Agriculture has examined the feasibility of transferring the Department's Food Stamp Program (FSP) from a paper based system to an electronic one. The electronic system for food stamp disbursement, EBT, replaces the need for food stamp coupons and ties the electronic benefits to food expenditures. In this way, EBT remains consistent with earlier studies (Senauer and Young, 1986) that report greater increases in food expenditures with food stamp coupons when compared to cash transfers. Coupons and electronic benefit transfers direct recipient use of benefits toward food purchases in a grocery store. A cash-out program, in contrast, would transfer a lump sum to recipients without any stipulations as to how the transfer is to be spent.

A future problem for EBT recipients and their grocers lies in the increasing proportion of food sold inside a grocery store that is hot and/or ready-to-eat. Both the shopper and the checkout clerks will need to be carefully trained to know which items are eligible for EBT payments and which are not. For example, hot roasted chicken is not eligible but frozen roasted chicken is. One can also foresee questions of discrimination if EBT shoppers are not able to use internet shopping methods, especially the reverse auction opportunities that can offer lower

prices. Will, for example, princetonline.com or WEBVAN.com be authorized to accept EBT payments?

State EBT systems provide recipients with plastic cards connected by a computerized network which allows them access to individual government-given food stamp benefits. The possibility of so called network effects are not yet fully realized in the case of EBT for nationwide food stamp disbursement. Network effects are defined by Katz and Shapiro³⁸ as utility to consumers derived from a good that is responsive to the number of people accessing that good. In this way, the gains to any user increase with the number of people participating in the network. This effect describes user gains to such technologies as the telephone, fax and personal computer, but it can also be applied to EBT. As the system becomes implemented across all states, benefits from network effects are possible. This network effect tends to take place in the areas of public goods, in cases where technological progress occurs, or where economies of scale emerge (where the marginal costs decline with the number of users). These situations all apply to EBT, where it is anticipated that a properly functioning EBT system will generate lower costs to implementing the food stamp program³⁹.

Katz and Shapiro⁴⁰ continue on to describe the three critical aspects of network effects: expectations, coordination and compatibility. The expectations of adopting the EBT system imply benefits for recipients, retailers and the administering federal body, the Food and Nutrition Service

³⁸Katz, M.L. and C. Shapiro "Network Externalities, Competition, and Compatibility" *American Economic Review* 75(June 1985):424-440

³⁹Kinsey, Jean "A Faster, Leaner, Supply Chain: New Uses of Information Technology" to be presented at the 2000 Meetings of the American Agricultural Economics Association, July 30-August 2, 2000, Tampa, Florida.

⁴⁰Katz, M.L. and C. Shapiro "Systems, Competition and Network Effects" *J. of Economic Perspectives* 8:2(Spring 1994):93-116.

of the USDA. EBT must also be compatible in terms of the equipment and software used for state systems to be able to communicate with each other. Finally, federal and individual state programs need to coordinate a comprehensive electronic food benefit system in order to ensure that EBT is taking advantage of these positive network effects.

Through a series of early pilot projects and implementation programs, EBT was found to be acceptable and desirable by food retailers and benefits recipients, but subsequent to these initial programs, food retailers have reported problems persistent to the electronic system. These difficulties continue to be detrimental to the nationwide 'electronification' process. Issues of interoperability of EBT systems across state borders, legislative specifics of protections afforded to retailers under EBT systems, and the liabilities of fees associated with EBT transactions remain problematic for food retailers. Despite the benefits and concerns associated with electronic benefit transfer systems, states continue the transition toward EBT readiness as the October 1, 2002 deadline approaches.

APPENDIX I

**RETAILER’S PERSPECTIVE ON EBT:
THREE CASE STUDIES OF FOOD STORES IN THE MINNEAPOLIS/ST. PAUL AREA**

	Store 1: Inner-City	Store 2: Suburb	Store 3: Exurb
Problems/ Concerns	<p>-System down time. Exacerbated when entire system is down.</p> <p>-Down time leads to slow check out for all customers.</p> <p>-Language barriers in some cases with foreign recipients.</p> <p>-Poorly trained recipients: 1)How to use the electronic system 2)Which foods are eligible.</p> <p>-Cost to “reverse shop” when recipients have insufficient funds. Retailers must absorb food spoilage costs.</p> <p>-Those who don’t understand the system are apt to swipe the card more than once and stores are charged for each swipe.</p>	<p>-System down time. Exacerbated when entire system is down.</p> <p>-Sees the problem as processor’s inability to handle peak periods.</p>	<p>-System down time. Exacerbated when entire system is down.</p> <p>-Would find it much more manageable if the state’s release of funds were even across the month.</p>

Administer Off-Line Vouchers?	-Yes. Requires 4-6 extra staff to call in orders and verify funds. Security in store a problem.	-Not anymore. Found some recipients would shop at two different stores in close proximity during “down” times. The first store to call in secured the funds.	-Yes. It takes 20-30 minutes to verify each sale.
EBT Sales as a Proportion of All Sales	-Does a large amount of business with recipients; figure cited as confidential.	-Documented 3% for the week of July 11-17, 1999.	-Only about 1% sales are EBT sales.
Recipient Reactions/ Behavior	-Recipients like the versatility. -If recipients have additional benefits on their accounts, they can use the card to withdraw cash. -Shopping behavior tends toward stockpiling meats and spending the bulk of the benefits the day of release.	-Shopping behavior is more tempered. This store serves a large proportion of retired people. Manager estimates they do not need to shop the day benefits are released. -Recipients tend not to keep track of available funds. Sometimes exacerbated by having multiple users (anyone can use a card if they can access the PIN).	-Shopping behavior tends toward stockpiling meats and vegetables and recipients spend about 90% of month’s allocation the first day.
EBT Compared to Paper System	-Prefer paper method: no down time. -Recipients buy larger quantities with EBT.	-Prefer EBT: retailer no longer has to “police” store to prevent abuses of buying/selling paper food stamps.	-Overall, EBT is much better than the paper system; cheaper than handling coupons.
Overall Rating of EBT	-Displeased. System is overloaded, not enough capacity.	-EBT works very well at this location.	-Works well but down time needs to be addressed.

Does EBT Software Track for Eligible Foods?	-Yes. Hot foods, and some sandwiches are not eligible. - Tax exemptions on some prepared foods. Sophisticated software needed for this feature.	-No.	-Unknown
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**APPENDIX II
FOOD STAMP PROGRAM EBT STATUS, 1999**

State	FSP Households	FSP Auth. Retailers	Year	Status
Alabama	162,360	3,449	Pilot: 4/97 Statewide: 11/97	State and Citibank negotiating contract.
Alaska	13,956	524	Pilot: 2/98 Statewide: 6/98	Contracted Citibank March 1997.
Arizona	78,478	2,195	Pilot: 7/98 Statewide by 4/99	Allied with Colorado who selected Citibank.
Arkansas	100,486	1,881	Pilot: 10/97 Statewide: 4/98	Contracted Citibank for Southern Alliance of States.
California	780,926	17,333	Pilot: 12/93	Looking to procure one vendor. New admin. stopped process pending re-write of model contract.
Colorado	78,478	1,717	Pilot: 2/97 Statewide: 2/98	Selected Citibank in May 1996.
Connecticut	90,026	1,471	Pilot: 2/97 Statewide: 10/97	Contracted Citibank August 1996.
Delaware	15,755	451	Has submitted for approval of an updated plan to the FNS.	Is part of the Mid-Atlantic Regional Coalition.
District of Columbia	37,869	450	Pilot: 6/98 District-wide: 10/98	Lockheed IMS selected as primary contractor and Citibank as processor in 1997.
Florida	428,372	10,380	Pilot: 10/97 Statewide: 10/98	Contracted Citibank in 1997.

Georgia	288,044	5,344	Pilot: 7/97 Statewide: 11/98	Contracted Citibank in 1996.
Hawaii	55,425	1,026	Pilot: 3/98 Statewide: 8/98	Secured Citibank through Colorado's RPF (Western States EBT Alliance-WSEA) in 1996.
Idaho	22,057	624	Pilot: 9/97 Statewide: 2/98	Secured Citibank through WSEA in 1996.
Illinois	359,731	6,319	Pilot: 10/96 Statewide: 11/97	Contracted Transactive Corp. In 1996 but they opted out and agreement was purchased by Citicorp.
Indiana	125,403	2,793		Transactive contracted in 1996. Bid protest caused delays. Sale of Transactive to Citicorp caused more delays. Now negotiating with Citibank.
Iowa	55,518	1,753	Voluntary EBT system in 1993	State legislation slowing down process. Considering collaboration with Montana and Nebraska.
Kansas	51,776	1,208	Pilot: 4/96 Statewide: 3/97	Selected Deluxe Data as EBT contractor in 1996.
Kentucky	157,659	4,423	Pilot: 5/99 Statewide by 11/99	Contracted Citibank in 1997.
Louisiana	206,911	4,294	Pilot: 1/97 Statewide: 12/97	Selected Deluxe Data in 1996.

Maine	53,541	1,786	Hybrid FSP/WIC EBT system called "Partners" in progress	Part of Northeast Coalition of States (NCS); constructed Citibank in 1998.
Maryland	128,808	2,941	Multi-benefit demonstration EBT in 1989. Statewide: 4/93	Contracted Deluxe Data.
Massachusetts	123,752	3,386	Pilot: 4/97 Statewide: 10/97	Selected Citibank in 1997.
Michigan	311,405	5,991	Proposed pilot site near Lansing.	Selected Citibank in 1997.
Minnesota	94,663	2,899	Pilot: 1987 (Ramsey County) Statewide: 10/98	Selected Deluxe Data in 1996.
Mississippi	123,238	3,221	Pilot: 1995 but has since dropped original approach.	Joined Southern Alliance of States (SAS) and is now negotiating with Citibank.
Missouri	169,097	3,187	Pilot: 6/97 Statewide: 6/98	Contracted Citibank through SAS in 1996.
Montana	24,605	828		Considering working with other states without an EBT system yet- Iowa, Nebraska.
Nebraska	40,108	962		Considering working with other states without an EBT system yet- Iowa, Montana.
Nevada	29,931	667	Submitted planning APD in 1998.	Selected Citibank in 1996.

New Hampshire	17,898	718	Pilot: 8/98 Statewide: 1/99	Selected Citibank in 1996 through NCS.
New Jersey	175,469	4,648	Pilot: 2/94 Statewide by late Spring 1999	Contracted Data Deluxe Systems in 1997.
New Mexico	64,392	1,153	Hybrid EBT pilot for FSP and WIC in 1996.	Selected Citibank.
New York	722,884	14,709	Pilot: 3/99 Statewide by 2001	Selected Citibank through NCS in 1996.
North Carolina	213,529	5,198	Pilot: 4/98 Statewide: 6/99	Contracted Citibank in 1997.
North Dakota	13,502	551	Pilot: 2/96 Statewide: 3/97	Contracted Citibank in 1995.
Ohio	304,744	6,206	Pilot: 1/97 Statewide by 8/99	Contracted Citibank in 1995.
Oklahoma	117,434	2,528	Pilot: 6/97 Statewide: 1/98	Selected Lockheed in 1996.
Oregon	104,236	2,206	Pilot: 9/97 Statewide: 5/98	Selected Deluxe Data Systems in 1997.
Pennsylvania	387,721	8,957	First EBT demonstration project in Reading, 1984. Statewide: 9/98	Contracted Citibank, with Lockheed as a subcontractor in 1997.
Rhode Island	36,609	770	Pilot: 6/98 Statewide: 10/98	Selected Citibank through NCS in 1996.

South Carolina	131,909	2,716	Pilot: 11/94 Statewide: 12/94	Contracted Citibank
South Dakota	16,653	593	Pilot: 2/96 Statewide: 3/97	Contracted Citibank in 1995.
Tennessee	224,158	4,459	Pilot: 11/98 Statewide: 11/99	Contracted Citibank through SAS in 1997.
Texas	546,671	12,688	Pilot: 9/94 Statewide: 11/95	Contracted Transactive Corp. in 1994. Began working with New Mexico and Oklahoma for interstate transactions now operational as of March 1997. Transactive sold to Citicorp in 1998. Citibank was sued for antitrust by the Dept. of Justice in Delaware on July 27, 1998. Action pending.
Utah	34,786	803	Pilot: 10/95 Statewide: 4/96	Contracted Deluxe Data in 1995.
Vermont	21,046	631	Pilot: 6/98 Statewide: 10/98	Contracted Citibank through NCS in 1997.
Virginia	161,640	4,619		Participating in Mid-Atlantic Regional Coalition. Bids too high in cost so state canceled procurement.
Washington	145,815	3,381	Pilot: 3/99 Statewide by 11/99	Selected Citibank in 1996 through WSEA

West Virginia	104,098	2,464		Has joined SAS and plans to pursue contract with Citibank with the Mid-Atlantic Regional Coalition
Wisconsin	70,895	2,434	Pilot by 10/99 Statewide by 7/00	Joined Minnesota in the procurement of services. Selected Deluxe Data in 1996 but Wisconsin withdrew and selected Citibank in February 1999.
Wyoming	9,229	302	Plans to convert system to include food stamps in 5/99 and complete statewide by 11/99	Contracted Stored Value Systems of Louisville, Kentucky.

Compiled from USDA, FOS Online at:
<http://www.fns.usda.gov/fsp/MENU/ADMIN/EBT/statusnew.htm#Minnesota>