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Border Stores and Manual Vouchers

Except where necessary for border store access, the interim final rule excludes manual transactions from the interoperability requirements. In general, commenters were in support of the requirement that manual transactions continue to be interoperable in border stores necessary for access, with one commenter stating that all EBT retailers should be able to process interstate manual transactions nationwide. However, two commenters opposed the requirement that any retailer be required to process interstate manual transactions because of the administrative burden to the retailer. Although we understand this concern, border store retailers are already required to have the capability to participate in the neighboring State EBT system via a manual voucher process when the system is down or if the retailer is not equipped with a POS device. The requirement is in place because border stores, by definition, are necessary for clients to be able to make food stamp purchases without having to travel excessive distances. State agencies must, therefore, ensure that there is a process in place for these clients to purchase food regardless of system availability at the time. Given the high degree of client dependence on these stores and because the interim rule does not place an additional burden on these retailers, the Department is maintaining the manual voucher requirement in the final rule.

Benefit Conversion

The interim rule requires State agencies to have the capability to convert electronic benefits to paper coupons when the household relocates to a State that is not interoperable with, and where electronic benefits are not portable from, the household's current State of residence. One commenter opposed the requirement because retailers are increasingly reluctant to accept coupons from recipients and banks are refusing to redeem coupons for retailers. Although other commenters did not oppose the requirement under current EBT implementation realities, they wanted acknowledgement that coupons will soon become obsolete.

The Department is indeed preparing for the time when paper coupons will no longer be needed. The Department is also sympathetic to State agency concerns that as EBT is implemented in the remaining State agencies, coupons will become increasingly unfamiliar to

both clients and retailers. Currently, there are only six State agencies that do not have a Statewide EBT system in place. Four of these State agencies are scheduled to have EBT fully implemented within the next year, at which time approximately 95 percent of all food stamp benefits will be issued electronically.

The Department is also mindful, however, of Ohio and Wyoming's indefinite off-line exemptions from the interoperability requirements. Although many third party processor stores in these two States are able to accept out-of-State EBT cards, no retailers in the other States can accept the Ohio and Wyoming EBT smartcards. Therefore, the long-term impacts of eliminating the benefit conversion requirement would affect Ohio and Wyoming clients who move to another State. Estimates indicate that one percent of a State agency's caseload moves to another State in a given year. Currently, Ohio converts to coupons approximately \$92,000 in benefits a year. Wyoming converts approximately \$4,000 in benefits a year.

Given the limited instances in which benefit conversion would be necessary, the Department is convinced that requiring each State agency to have a benefit conversion process in place is no longer justified. Therefore, the Department is making optional the requirement that State agencies be able to convert electronic benefits to paper coupons when a household relocates to a State that is not interoperable with the household's current State of residence. However, clients must still be able to use their remaining electronic benefits upon relocation.

State agencies that wish to rely on third party processor access when a client moves to another State will need to assist clients in finding a store where their out-of-State benefits can be used and, if necessary, work with other State EBT directors, store managers, or third party processors to get the State's IIN loaded into a store's IIN files or routing tables.

Since it is not yet technically feasible for EBT smartcards to be interoperable at this time, Ohio and Wyoming State agencies will need to continue converting benefits to coupons whenever a household moves to another State.

Funding Provisions

Pub. L. 106-171 provided one hundred percent Federal funding for the cost of switching and settling interstate food stamp transactions. The total amount of funding available annually is limited to \$500,000. The \$500,000

funding limit was based on a study of interoperability fees conducted by the National Automated Clearing House Association (NACHA). Four commenters opposed the funding limit stating that interoperability should be an obligation of the Federal government.

The Department does not have the discretion to change the amount of one hundred percent funding available for interoperability costs incurred by State agencies. Although only about half of all State agencies have requested interoperability funding to date, there is no indication that total interoperability costs will exceed the \$500,000 limit given current pricing trends. In the event that interoperability costs do exceed the funding limit, State agencies will continue to be reimbursed at the fifty percent rate for the amount over the limit. Should such an instance occur, the Department expects the additional cost to individual State agencies to be nominal.

Other comments were raised regarding one hundred percent reimbursement for administrative fees related to interoperability that are passed onto State agencies. Public Law 106-171 (7 U.S.C. 2016(k)(6)(A)) specifically states, "the Secretary shall pay 100 percent of the costs incurred by a State agency under this Act for switching and settling interstate transactions * * *." Therefore, the legislation does not give the Department authority to provide one hundred percent Federal reimbursement for administrative costs related to interoperability. Accordingly, one hundred percent Federal funding for interoperability costs will continue to be limited to costs incurred specifically for switching and settling interstate food stamp transactions.

Two commenters expressed concern over the nature, amount and organization of billing information required to receive enhanced interoperability funding. The Department distributes to State agencies more detailed information on these requirements each fiscal year as part of the "Request for Interoperability Funding, Administrative Procedures." This document includes specific procedures outside the regulatory process. We have worked closely with State agencies since the publication of the interim rule to make the request and payment process for interoperability funding as streamlined as possible within our regulatory constraints. As a result, we believe we have achieved a process that is agreeable to all parties involved and welcome continued input.