

1. General Participation Requirements and Standards

1.1. Introduction

This Section describes the participants, relationships, and general requirements for participation in the Texas Electronic Benefit Transfer (EBT) Program. All capitalized terms in these Operating Rules are defined in the Glossary at the end of this document, or, in some cases, the first time they occur in the body of this document.

1.2. Operation of the Texas EBT Program

The implementation and operation of the Texas EBT Program has been contracted by the Health and Human Services Commission (HHSC) to vendors operating in the roles of 1) Third-party Processor (TPP) Services Provider, 2) State-supported point-of-sale (POS) Terminal Services Provider, 3) EBT Call Center Provider, and 4) Central Processor for the Texas EBT system, hereinafter referred to in this document as the “EBT Providers.” At the time of publication of this document, Xerox State and Local Solutions, Inc. is serving as the TPP Services Provider and the EBT Call Center Provider; J. P. Morgan Chase Bank, N.A. serves as the State-supported POS Terminal Services Provider; and Central Processing is provided through the State of Texas Data Center Services vendor contract. The EBT Providers' authority, individually and collectively, with respect to the Texas EBT Program has been contractually delegated to them by HHSC.

1.3. Participation in the Texas EBT Program

1.3.1. Lone Star Cards

The TPP Services Provider and the State issue magnetic stripe Lone Star Cards to Clients for benefit account access. HHSC determines Client eligibility for benefits monthly and conveys that information to the Texas EBT System. Lone Star Cards are not returned or collected if a Client is no longer eligible. Therefore, all Lone Star Card usage is validated and updated online, either through terminals connected to the Texas EBT Network or through telephonic Voucher Authorization and manual procedures.

1.3.2. General Retailer Eligibility

Participation in the Texas EBT Program is limited to Retailers who are authorized by the United States

Department of Agriculture (USDA) Food and Nutrition Service (FNS) to provide food purchase services to Texas Supplemental Nutrition Assistance Program (SNAP) Recipients and/or who meet Federal and State requirements to redeem Temporary Assistance for Needy Families (TANF) Cash Benefits. Participating Retailers must connect to the Texas EBT Network through a Third-party Processor (TPP) that is certified to process Texas EBT Transactions. A Retailer may act as its own TPP, and in that role must meet all TPP requirements in these Operating Rules.

Retailers may redeem SNAP benefits (if authorized by FNS), TANF Cash Program benefits, or both. Each SNAP-Authorized or Non-SNAP Retailer that elects to redeem TANF Cash Program benefits must certify in writing that the Retailer complies with the Lone Star Operating Rules and with all State and Federal requirements related to the redemption of TANF Cash Program benefits (see Sections 1.3.3 and 1.3.4).

The State-supported POS Terminal Services Provider supplies POS equipment to retailers that are qualified to receive free equipment and services for the redemption of SNAP benefits (per Section 3.2.4). Only stores that are exempt are eligible for free POS equipment that handles EBT-only transactions. Exempt Retailers are farmers' markets, direct marketing farmers, military commissaries, non-profit food buying cooperatives, and community meal services and programs. The State-supported POS Terminal Provider also acts as the TPP for Retailers with whom a Retailer Participation Agreement has been executed.

Subject to Federal regulations, non-exempt Retailers with monthly average SNAP benefit redemptions below \$100 who were authorized before March 21, 2014 may continue to use pre-authorized Manual Vouchers only if they were processing Texas EBT Program Transactions exclusively by Manual Vouchers on or before March 21, 2014.

1.3.3. Non-SNAP Retailer Eligibility

In accordance with terms and conditions contained in these Operating Rules, a Retailer that is not authorized to participate in the SNAP Program may redeem TANF Cash Program benefits. Such Retailers will execute a Retailer

Participation Agreement with 1) a TPP that is certified to process Texas EBT Network Transactions or 2) the State-supported POS Terminal Services Provider. By signing the Agreement, the Retailer certifies compliance with all State and Federal rules and regulations related to TANF Cash Program benefits, including that:

- no more than 10% of the Retailer's gross revenue is derived from Entertainment (which is defined as the sale of alcoholic beverages, legalized games of chance, sexually oriented materials, coin-operated amusement machines or amusement services (Texas Administrative Code, Title 1, Part 15, Chapter 372, Subchapter G, RULE §372.1701));
- the Retailer shall not redeem TANF Cash Program benefits for ineligible products (which are goods and services that are not necessary and essential to the welfare of the children, such as alcoholic beverages, tobacco products, lottery tickets, adult entertainment, firearms, ammunition, bingo, illegal substances, etc.);
- the Retailer is not a liquor store, casino, gambling casino, or other gaming establishment, or a retail establishment which provides adult-oriented entertainment in which performers disrobe or perform in an unclothed state for entertainment (as defined in Public Law 112-96, Section 408 of the Social Security Act, 42 U.S.C. 617); and
- the Retailer's participation in the Texas EBT Network is a sound business decision for Texas recipients who receive TANF Cash Program benefits.

If a Retailer that has executed a Retailer Participation Agreement changes its business model, the Retailer will report the change to their TPP or to the State-supported POS Terminal Services Provider, as appropriate. The Retailer must also submit a new signed statement confirming that the Retailer's new business model complies with State and Federal requirements related to TANF Cash Program benefits.

Non-SNAP Retailers will be required to pay for their own equipment and services. The Retailer's participation shall be limited to TANF Cash Program benefits (not SNAP).

Retailers participating in the Texas EBT Network as a Non-SNAP Retailer will be required to pay a transaction fee

associated with each TANF Cash Transaction processed via the POS Terminal.

1.3.4. TANF Cash Participation

SNAP-authorized and Non-SNAP Retailers must comply with State and Federal requirements related to TANF Cash Program benefits. Retailers may redeem TANF Cash Program benefits as follows:

1. redemption of TANF Cash Program benefits to effect a purchase from Retailer and/or to obtain cash (i.e., no purchase required) in any amount up to the account balance;
2. redemption of TANF Cash Program benefits to effect a purchase from Retailer and/or to obtain cash (i.e., no purchase required) once a day in an amount not to exceed a limit (selected by Retailer) in excess of any purchase amount or where no purchase occurs; or
3. redemption of TANF Cash Program benefits only to the extent necessary to effect a purchase from Retailer.

Retailers electing to redeem TANF Cash Program benefits pursuant to option 1 or 2 above may also select the hours during Retailer's regular operating hours in which "cash back" in excess of a purchase or where no purchase occurs will be available, provided that such "cash back" service is available at least during the hours that the Retailer provides regular check cashing and debit card services to other customers.

Retailers must ensure that TANF Cash Program benefits are not redeemed for ineligible products. Ineligible products are goods and services that are not necessary and essential to the welfare of the children, such as alcoholic beverages, tobacco products, lottery tickets, adult entertainment, firearms, ammunition, bingo, illegal substances, etc. Eligible products for purchase with TANF Cash Program benefits are goods and services necessary and essential to the welfare of the children, such as food, clothing, housing, furniture, transportation, laundry, medical supplies, household supplies, and recreation (see the Texas Administrative Code, Title 1, Part 15, Chapter 372, Subchapter F, Division 1, RULE §372.1509, (b)).

On a quarterly basis, each TPP, including the State-supported POS Terminal Services Provider, is required to submit to HHSC a list of Retailers that have current

agreements for processing TANF transactions. HHSC will review the TPP lists and initiate action with the TPP to remove Retailers that derive more than ten percent (10%) of the location's gross revenue from the sale of Entertainment; that are a liquor store, casino, gambling casino, or other gaming establishment, or a retail establishment which provides adult-oriented entertainment in which performers disrobe or perform in an unclad state for entertainment; or that redeem TANF Cash Program benefits for ineligible products. The TPP may, if deemed necessary by HHSC or the TPP, audit the Retailer location to verify the Retailer's certification to ensure that they are complying with State and Federal TANF Cash Program requirements.

1.3.5. Participation Agreements

All SNAP and Non-SNAP Retailers must sign a Texas EBT Retailer Participation Agreement with a TPP and, by so doing, agree to abide by these Operating Rules and any amendments thereto. All TPPs, including Retailers that act as their own TPP, must sign a TPP agreement with the HHSC TPP Services Provider; and by so doing, the TPPs also agree to abide by these Operating Rules and any amendments thereto.

If a SNAP-authorized or Non-SNAP Retailer requests to redeem TANF Cash Program benefits, but does not certify in writing that they will comply with the Operating Rules and State and Federal requirements related to the redemption of TANF Cash Program benefits, then the TPP may not sign an agreement with the Retailer to process TANF Cash Program benefits.

TPPs must ensure that all sub-processors and Retailers, with whom they have agreements to process Texas EBT Transactions, follow all requirements of these Operating Rules and the TPP agreement.

1.4. Participation Standards

1.4.1. Operations in Conformance with Regulatory Standards

Each Retailer and TPP shall observe operational standards in conducting Texas EBT Network Transaction operations so that such Retailer and TPP will comply with any standards imposed upon them by applicable regulatory authorities from time to time, including, but not limited to

the FNS Regulations at 7 CFR § 274. Each Retailer and TPP shall conduct all phases of their EBT program in a financially sound manner so as to ensure ability to meet their obligations to their EBT Clients, with regards to providing cash back services.

1.4.2. Maintenance of Records

Each Retailer or TPP shall maintain all Texas EBT Network Transaction records or copies thereof communicated by Retailer/TPP to the Texas EBT System, or by the Texas EBT System to the Retailer/TPP, for a period of five (5) months (or such longer period of time as may be required under applicable State or local laws or regulations), and shall make such records promptly available for examination by representatives of the EBT Providers, HHSC, or other authorized State or Federal government agency.

1.4.3. Cooperation in Error Resolution

Each Retailer and TPP is obligated to fully cooperate with the EBT Providers and/or HHSC in the resolution of disputes and errors in accordance with the procedure for resolution of such disputes defined in Section 9 of these Operating Rules.

1.4.4. Examinations

Each Retailer and each TPP shall be subject to and shall cooperate with special examination by the EBT Providers and/or HHSC to ensure that the Retailer or TPP is complying with the provisions of the Operating Rules, including the EBT TPP Interface Specifications. Such examination shall be for probable cause as determined by the EBT Providers and/or HHSC.

1.4.5. Remedial Action

If any examination described above in Section 1.4.4 reveals a materially adverse condition or discrepancy, such Retailer or TPP shall take appropriate corrective action promptly. In an appropriate case, the TPP Services Provider, the State-supported POS Terminal Services Provider, and/or HHSC may (a) make a recommendation to FNS to impose conditions upon the Retailer's and/or TPP's continued participation or (b) require the Retailer and TPP to withdraw from participation in the TANF EBT Program, subject to Section 13. Only FNS has the authority to

execute an involuntary withdrawal of a Retailer from the SNAP Program.

1.5. Lone Star Card Standards

All Lone Star Cards will conform to the standards and specifications described in these Operating Rules. In addition, each Lone Star Card must have been issued by the TPP Services Provider or the State in order to access an individual Client's benefit account(s).

1.5.1. Encoding and Embossing

All Lone Star Cards will comply with the International Standards Organization (ISO) standards for the encoding of Track II of the magnetic stripe and the embossing of the face of the card.

1.5.2. Restriction on Use

The Lone Star Mark will only be used on cards issued by the TPP Services Provider, or the State and will not be placed on any card which does not qualify for use as described in Section 11.

1.5.3. PIN

All clients holding Lone Star Cards will use Personal Identification Numbers (PINs). PINs will meet ISO standards, i.e., they must be alphanumeric and be four (4) characters/digits in length.

1.5.4. Electronic Funds Transfer Capability

Each Lone Star Card shall be capable of initiating an electronic funds transfer (as defined in Regulation E, 12 CFR § 205).

1.6. Non-Discrimination

The Retailer (and the TPP) shall treat transactions by Clients in the same manner as transactions effected by other electronic methods and forms of tender (e.g., credit and debit cards), and within applicable laws; with the exception that SNAP recipients shall not be required to sign POS terminal receipts generated as a result of such transactions.

1.7 Confidentiality of Client Information

The Retailers and TPPs shall not disclose Client information to anyone other than the EBT Providers and/or HHSC for the purpose of completing an EBT Program Transaction, to comply with error resolution procedures or as necessary in connection with examinations as set forth in these Operating Rules, fraud investigations, or as otherwise specifically required by law and/or these Operating Rules.

