

TEXAS EBT LONE STAR OPERATING RULES (LSOR) VERSION 5.1.1

SUMMARY OF KEY CHANGES

The Texas Electronic Benefit Transfer (EBT) Lone Star Operating Rules (LSOR) were updated in May 2014, in order to include several changes necessary due to implementation of the Agricultural Act of 2014 (Public Law 113-79), which is commonly referred to as the 2014 Farm Bill; and the Middle Class Tax Relief and Job Creation Act of 2012 (Public Law 112-96) relating to establishments that are prohibited from participating in the Temporary Assistance for Needy Families (TANF) program. Changes were made to language in Sections 1 and 15 of the LSOR to incorporate new TANF and Supplemental Nutrition Assistance Program (SNAP) requirements as a result of implementation of these two federal laws. The key LSOR changes are summarized below:

1. EBT Provider References: As a result of contractual changes, the responsibilities formerly performed by a single Retailer Management Provider have been distributed between two vendors. Therefore, the term "Retailer Management Provider" is no longer applicable and two new roles have been defined, including:
 - "Third-party Processor (TPP) Services Provider," which refers to the vendor that provides financial settlement to TPPs, Lone Star Card production and distribution, and other services related to the Texas EBT system. This vendor is Xerox State and Local Solutions, Inc. (Xerox).
 - "State-supported point-of-sale (POS) Terminal Services Provider," which refers to the vendor that supports and processes Texas EBT transactions for State-supported Retailers. This vendor is JPMorgan Chase Bank, N.A. (JPMorgan).

Location of LSOR Change: Section 1.2

2. TANF Laws and TANF Certification Statement: SNAP-authorized and Non-SNAP retailers accepting TANF benefits must certify in writing that they comply with the LSOR and with all State and Federal requirements related to the redemption of TANF Cash Program benefits, which includes 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 changes its business model, the retailer must report change to TPP and submit a new signed certification statement.

Any retailer that does not provide written certification of compliance with the LSOR and with all State and Federal requirements related to the redemption of TANF Cash Program benefits may not redeem TANF benefits. TPPs are not allowed to enter into agreements to process TANF Cash Program benefits for retailers for which they do not have a written certification.

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By signing an agreement with a TPP to process TANF Cash Program benefits, the retailer certifies compliance with all State and Federal rules and regulations related to TANF cash benefits.

Location of LSOR Change: Section 1.3.2, 1.3.3, 1.3.4, and 1.3.5

3. Review of TANF Retailers: On a quarterly basis, each TPP that processes Texas EBT transactions must submit to HHSC a list of retailers that have agreements for processing TANF cash transactions. HHSC reviews the TPP lists and may initiate action with the TPP to remove retailers that do not comply with State and Federal TANF requirements.

Location of LSOR Change: Section 1.3.4

4. Retailer Eligibility for Free EBT equipment:

- After September 21, 2014, only FNS certified retailers that are classified as “exempt” based on the 2014 Farm Bill are eligible for free EBT equipment and services. Exempt retailers include farmers’ markets, direct marketing farmers, military commissaries, non-profit food buying cooperatives, and community meal services and programs.
- Non-exempted stores with redemptions below \$100 and 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.

Location of LSOR Change: Section 1.3.2

5. Sub-processors: TPPs must ensure that all sub-processors and retailers with whom they have agreements to process Texas EBT Transactions follow all requirements of the Texas EBT LSOR, as well as the agreement that the TPP has executed with the Third-party Processor Services Provider.

Location of LSOR Change: Section 1.3.5

6. Other Changes to LSOR Terminology:

- The term “Processor” has changed to “TPP.”
- The term “Non-Food Retailer” has changed to “Non-SNAP Retailer.”
- The term “Retailer Participation Agreement” is used to refer to:
 - the written agreement executed between the State-supported POS Terminal Services Provider and an exempt Retailer electing to operate POS Terminals supplied by the State-supported POS Terminal Services Provider on behalf of HHSC; or
 - the written agreement executed between a TPP and a Retailer.
- The term “TPP Agreement” is used to refer to a written agreement executed between the TPP Services Provider and a TPP.

Location of LSOR Change: Throughout Section 1 and Section 15 (Glossary)