

Special Guidance on Supplemental Nutrition Assistance Program (SNAP) System Data Files, the Letter of Credit and Other Requirements When Issuing Non-SNAP Benefits through the EBT System Food Account(s)

A. PURPOSE

This Guidance pertains to State SNAP Agencies issuing benefits funded by the Food and Nutrition Service (FNS) Child Nutrition Programs or other non-SNAP sources and making them available through their Electronic Benefits Transfer (EBT) SNAP Food account(s) along with FNS-Funded Supplemental Nutrition Assistance Program (SNAP) benefits. Examples of such Programs include:

- Summer Electronic Benefits Transfer for Children (Summer EBT) Program
- Childhood Hunger Demonstration Grants
- (FINI)¹

Such benefits do NOT include State-funded SNAP benefits as allowed under the Food and Nutrition Act of 2008, as amended.

B. CURRENT FUNDING PROCESS

1. FNS SNAP regulations and policy require submission of three different data files by the State or its contracted EBT processor:

- Account Management Agent (AMA) File
 - Sent daily to our current agent, the Federal Reserve Bank of Richmond, which manages the outstanding obligation of FNS funds in the EBT Food Account
 - Includes data on the number and value of new issuances and returns (expungements and claims payments) during the business day
 - Upon FNS approval, adds to the value of funds in the EBT Letter of Credit (LOC) from which EBT processors are reimbursed for payments they have made to the retailers (this is the point that funds for those accounts are obligated)
 - The LOC is tied to a Treasury Automated Application for Payments System (ASAP) Account, from which the above funds are drawn each business day
- Store Tracking and Redemption System (STARS) Net Retailer Credit (NRC) File
 - Generally referred to as the STARS file
 - Sent daily or weekly to FNS
 - Includes data on the date, total net value and FNS number of the benefits redeemed by, and settled to, each individual retailer during the settlement day

¹ Additional benefit types may be added in future.

- The STARS file does not contain any retailers with zero redemptions for that day, but may include negative values if the retailer only did refunds
 - Feeds into the FNS STARS system, which we use to authorize and monitor SNAP retailers
 - Total of redemptions for all retailers in the files should match exactly to funds drawn from the LOC to reimburse EBT processors – this is periodically validated through cross-match by FNS/AMA
- Anti-Fraud Locator using EBT Retailer Transactions (ALERT) File
 - Sent daily to FNS
 - Includes a variety of data regarding each retailer transaction
 - Feeds into the FNS ALERT system, which we use to analyze retailer activity and identify potential fraud
2. FNS has the authority to disqualify, sanction and require civil money penalties of FNS-authorized retailers who violate program rules. Unfortunately the law only allows us to take these measures based on activity involving Federal or State-funded SNAP benefits. Therefore FNS must identify and filter out all benefits funded through other sources (hereinafter referred to as Non-SNAP benefits) from our data analysis. For STARS we must be sure that only SNAP redemptions are added, not those from other programs.
 3. Because any given EBT transaction could use funds from more than one benefit grant, it is possible that some transactions in the ALERT file could include funds from a single benefit type while others include a mixture of SNAP and Non-SNAP funds. We need to be able to identify which transaction data to add to ALERT, and which to ignore.
 4. In addition, FNS must completely separate the obligations and expenditures of each of its programs. Funds from different programs cannot be comingled in a single LOC. A separate LOC must be established for each type of FNS-funded benefit. Funds managed by other federal agencies, like FINI grants, will not have a separate FNS LOC. Management of those funds and the draw process are determined by the cognizant Agency, the State and the EBT processor; FNS is not involved.
 5. Currently, the FNS LOC for each benefit funding source requires a separate AMA file, containing only the pertinent issuances and returns for that program. Because of the validation we perform between AMA and STARS, we also require separate STARS files for each benefit program.

C. SUMMER EBT FUNDING PROCESS

FNS will obligate food benefit funds to the State agency at the time of the grant award and authorize the full value of the grant's benefits on a new ASAP Account ID. Because the funding will be placed under an ASAP Recipient ID managed by the State Agency, the State Agency will be responsible to arrange for the Processor to be reimbursed timely. Each day, the State Agency will draw the full value of non-SNAP benefit funding to cover the redemption of benefits paid out by the EBT processor. The State Agency can use existing functionality in ASAP.gov to make payments directly to the Processor or other means available to them to ensure the Processor is paid.

The following changes will need to be implemented:

1. The EBT processor will modify file production as follows:
 - AMA File
 - Continue production of the AMA file for Federal SNAP benefit issuances and returns
 - Cease production of a separate AMA file used to obligate non-SNAP benefits
 - If applicable, provide the State with similar data on obligated non-SNAP benefits as the EBT processor currently provides for other State-funded benefits
 - STARS File
 - Continue production of the STARS file for Federal SNAP benefits redemptions
 - Cease production of a separate STARS file of non-SNAP benefit redemptions
 - ALERT FILE
 - No changes - the EBT processor should already be either separately coding the non-SNAP portion of the transactions in the ALERT file or excluding them from the file all together.
2. The EBT processor will modify settlement and funds draw to:
 - Update settlement process and related reports to identify the Non-SNAP benefits as a separate category of State-funded benefits
 - Draw funds to cover these non-SNAP funds from the State's settlement account (rather than directly from FNS)
 - If applicable, provide the State with similar data on redeemed non-SNAP benefits as the EBT processor currently provides for other State-funded benefits
3. The State Agency will:
 - Modify their internal systems and procedures as needed to support the above EBT processor changes
 - Provide adequate funding in the State benefit draw account to cover the day's non-SNAP benefit redemptions
 - Draw funds from the ASAP account established for the grant's benefits as reimbursement for the amount paid to the EBT processor for those benefits

- At the end of the year when annual certifications are conducted, complete a separate certification for each benefit program

D. SCENARIOS

Specific guidance on the handling of SNAP and non-SNAP obligations and payments will vary depending on the way that the State and EBT processor decide to set up the account structure. We have encountered the following scenarios, but more could develop:

- Separate BINs used for each benefit funding source, and as a result separate accounts and cards; essentially, this would be a separate EBT system
- Separate accounts and cards established for each funding source but same BIN; requires separate case/client numbers or other identifier to link them to the appropriate account
- All food benefits, regardless of funding source, commingled in a single account and available through the same card

FNS does not recommend commingling of funds (third bullet) because it may involve significant reprogramming by the EBT Processor and result in higher development costs. It also causes the most difficulty for FNS in terms of continued usability of data. However, we recognize that this option may be the simpler solution on the State eligibility system side, result in fewer case month charges, and be easier for existing SNAP clients to understand and use.

Because of the possible variations and permutations, additional technical guidance can be provided by FNS once a path is chosen. Such guidance would include instructions for handling each scenario, including its impact on the LOC and each of the three files submitted to FNS.