

Summary

Between July 1996 and February 2000, the Ohio Department of Jobs and Family Services (ODJFS) designed, developed, and implemented an off-line electronic benefits transfer (EBT) system for issuing food stamps throughout the state. Volume 1 describes how the Ohio Direction Card system works, the process undertaken by ODJFS and its EBT vendor to design, develop, and test the system, the implementation process and experiences, and the cost of system design, development, and implementation. Volume 2 compares the ongoing administrative costs of system operations and levels of benefit loss and diversion with those of on-line EBT systems, the original off-line EBT pilot in Dayton, Ohio, and coupon systems.

Most EBT systems operating in the country today are on-line systems that work very much like bank debit systems. In contrast, an off-line EBT system maintains current information about a recipient's balance within the card itself. Ohio uses "smart cards", which are the size of credit or debit cards but have a microprocessor and memory chip embedded within the card.

The design for the Ohio Direction Card is quite similar to the predecessor system used in the demonstration, but with a number of enhancements that take advantage of improved technology for both smart cards and point-of-sale terminals. System development took place in the summer and fall of 1996. The system was approved in December 1996.

Conversion to the new system began in January 1997, when those participating in the original Dayton pilot program were converted to the new system. The process ended over three years later, when the last recipients in Athens County received the Direction Card. During this period,

the Citibank team equipped and trained 88 county food stamps offices and over 5,000 retailers. The counties provided cards and training to over 365,000 food stamp participants.

Implementing this system was a large and complex task. County staff typically created schedules, sent out notices, checked participants upon arrival, updated information on the computer system, trained recipients through group instruction and hands-on training, and issued cards. The major challenge was the large numbers of participants who failed to attend conversion sessions. No-show rates were sometimes as high as 50 percent and scheduling and tracking participants was a major effort. Typically, after two notices were sent out, conversion became mandatory – participants could only receive benefits through the Direction Card system.

A second major challenge was customer service. Because calls to the customer service hotline were greater than expected, many retailers and county agency staff became dissatisfied with the level of customer support. After the vendor reorganized the customer service staff and improved training and management, the problems were largely resolved. The most common reason for needing customer service was balance inquiries; problems with lost, stolen, damaged, or locked cards were less common but still occurred frequently.

The cost to design and develop the Direction Card system was an estimated \$2.5 million. The estimated cost for implementation was \$17.0 million. The total cost was thus about \$19.6 million, or \$74 per food stamp household.

When fully operational, the system provided about \$44 million in benefits per month to nearly 258,000 food stamp households. Total estimated operational costs averaged about \$1.7 million per month, or \$6.56 per participating

case. This was considerably less than the \$9.22 per month inflation-adjusted cost of the Dayton pilot off-line EBT demonstration and the \$11.61 inflation-adjusted cost of the Wyoming off-line EBT demonstration. However, it is 56 percent higher than the \$4.20 inflation-adjusted cost of the Maryland on-line EBT demonstration.

The Ohio EBT system was judged to pose less risk of benefit loss than either of the two previously evaluated EBT systems or the current on-line EBT systems. The estimated losses are just under 0.19 percent of benefits, compared to 0.47 percent for Maryland's on-line demonstration or 0.25 percent for the Dayton

pilot demonstration. The estimated risk of benefit diversion is about the same as for other EBT systems – between 2 and 4 percent of benefits.

The report concludes that aside from higher costs, the Ohio EBT system is a viable alternative to on-line EBT systems. It is possible that with major food stamp caseload increases and other changes to the EBT system (such as multiple programs sharing the costs of the system), costs could be competitive with on-line EBT systems or coupon systems.

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