

# History – Texas Electronic Benefit Transfer Program

## EBT IMPLEMENTATION IN TEXAS (EBT-1)

The Texas Department of Human Services (DHS) agency received federal approval to begin planning for the implementation of an Electronic Benefit Transfer (EBT) system in April 1992. The purpose of the project was to replace the existing system of delivering food stamp and Temporary Assistance to Needy Families (TANF) benefits through food stamp coupons and checks with a system that used electronic funds transfer (EFT) and point-of-sale (POS) technologies. DHS formed a multi-agency EBT project team, managed by the Client Self-support Services Division, to conduct a feasibility study and to define requirements for the system.

In 1994, the Texas EBT program was established to electronically distribute food stamp (now known as the Supplemental Nutrition Assistance Program or SNAP) and Temporary Assistance for Needy Families (TANF) benefits. On March 1, 1994, DHS entered into a formal contract with GTECH Administrative Services Corporation (GTASCO). The term of the contract was for seven years, with an option to extend the agreement for two additional two-year periods. GTASCO later changed its name to Transactive Corporation, a subsidiary of the GTECH Corporation.

The EBT project was implemented in six phases, beginning with three offices in Region 6 in October 1994 and ended with all regions fully implemented by November 1995. Texas became the largest EBT system in the nation with the implementation of Phase 1 in 1995, and has remained the nation's largest. At its inception, the EBT-1 system served approximately 1 million Food Stamp Program cases and 275,000 TANF cases each month. The caseload was reduced to nearly 50% of this initial level, due to welfare reform, but climbed back to 1.3 million cases by late 2006. The intense preparation at all levels (local offices, retailers and working with clients) for rollout paid off with a smooth, orderly transition from a paper system to an electronic system. Thorough risk analysis and business continuity planning were prepared at all levels during the project lifecycle and continue to be an important part of EBT operations today.

In 1996, the EBT project team became the Lone Star Technology Department (LSTD) within the Support Services Division of the Department of Health Services (DHS). LSTD was created to manage and monitor the EBT program and the EBT vendor contract.

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## TRANSITION TO EBT-2

In February 1998, Transactive Corporation, Texas' EBT vendor, and Citicorp Services Inc. announced an asset purchase agreement involving the sale of Transactive's EBT contracts and certain related assets to Citicorp. Texas' EBT contract was included in the proposed transaction.

On January 22, 1999, Citicorp withdrew its offer to purchase Transactive's EBT contracts after the U.S. Department of Justice sued to block the transaction. Transactive informed DHS that it was exiting the EBT business upon the expiration of its contract in February 2001.

Due to Transactive's announcement, Texas was faced with a noncompetitive market in which to create a successor to the original EBT system. After reviewing the recommendations of an independent analysis, DHS (in conjunction with legislative approval and guidance from the Texas EBT task force) chose to pursue an innovative EBT alternative that involved acquiring certain Transactive assets and selectively outsourcing other components to multiple vendors to create a

complete EBT system. The new program was called EBT-2. DHS was to become the integrator for the overall EBT-2 system.

In late 1999, DHS awarded contracts to Northrop Grumman Technical Services, Inc. (NGTSI) for central processing; Affiliated Computer Services (ACS) for retailer management; and GTECH for call center services. Contracts with the EBT-2 vendors were finalized and executed in May 2000. NGTSI maintained central processing hardware and software and provided EBT application software support. ACS provided retailer management, including settlement and reconciliation for third-party processors, the EBT-only point-of-sale network, and card issuance services. GTECH provided the call center for Texas clients and retailers to contact with questions or problems related to the Lone Star Card.

With this innovative multiple-vendor approach, LSTD became the prime "vendor". The LSTD team and its vendor partners worked together to successfully complete the transition to EBT-2 on February 25, 2001, with virtually no interruption in service, thus becoming the nation's first public-private EBT solution with the state acting as the prime vendor.

On April 1, 2004, state services were consolidated and LSTD was transferred to the Health and Human Services Commission (HHSC) within the Office of Family Services. In 2006, LSTD became Lone Star Business Services (LSBS). Through the dedication and skill of the LSBS team, the EBT-2 system continued to provide Texas clients with efficient, accessible services.

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### **TRANSITION TO EBT-3**

During 2007, LSBS transitioned EBT-2 to EBT-3 by reprocurring the call center and retailer management vendor contracts, and the application software support portion of the current central processor contract. Data center services, previously included in the central processor contract, was transitioned to the Department of Information Resources (DIR) through an interagency agreement.

Affiliated Computer Services (ACS) began providing EBT-3 call center services for Texas clients in May 2007. On February 28, 2007, the retailer management EBT-2 contract with ACS was renewed for EBT-3. When the central processor contract expired on August 31, 2007, Simpatico Software Systems, Inc. began providing application software support for EBT-3. LSBS ensures that the multi-vendor EBT program continues to function seamlessly for Texas clients.

### **TRANSITION TO EBT-4**

Request for Proposal (RFP) No. 529-15-0007 was released on July 10, 2014, to procure Texas EBT services from a single qualified vendor in order to provide SNAP, TANF and TANF-State Program benefits to eligible Texas clients. The single vendor benefit delivery approach replaces Texas EBT's multi-vendor approach.

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