

An Overview of Electronic Benefits Transfer (EBT)

The California Integrated Travel Project | December 2024

Introduction

The California Integrated Travel Project (Cal-ITP) is dedicated to making travel simpler and cost-effective for all and has been exploring mechanisms for delivering benefits to increase travel affordability. As California prepares to roll out contactless chip-enabled EMV-EBT cards in 2025,¹ Cal-ITP is interested to understand how EBT may fit into the future of transportation benefits, including paying for transit. This document offers an overview of EBT, gives preliminary insights into the upcoming EBT rollout in California, and highlights key opportunities for further exploration, including initiatives already introduced through Cal-ITP Benefits.

Background

Electronic Benefits Transfer, or **EBT**, is the delivery system that provides recipients with electronic access to public assistance, including via Supplemental Nutrition Assistance Program (SNAP) benefits and Temporary Assistance for Needy Families (TANF).

While SNAP and TANF are administered at the federal level by the U.S. Department of Agriculture (USDA) and the Food and Nutrition Service (FNS), and the Department of Human Services (DHS) respectively, each state is responsible for delivering these programs and manages administration costs. In this document, "EBT" will specifically refer to the card product, with an emphasis on potential implications for 1) applicant eligibility verification 2) payments for transit and mobility.

History

EBT cards were introduced in the late 1990s, replacing paper food stamps or coupons as the method for distributing Supplemental Nutrition Assistance Program (SNAP) benefits. Initially used only for SNAP, EBT cards later expanded to include financial benefits like direct cash assistance under the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA).²

- **SNAP** benefits are loaded onto the EBT card and can only be used for food and grocery purchases, without the option to withdraw cash.
- **TANF** assistance is also distributed through the EBT card, allowing beneficiaries to access and use the funds as cash. EBT cash benefits allows recipients to get cashback at the register or withdraw funds from an ATM.

¹ USDA, "[Attention: Attention: California and Oklahoma SNAP EBT Retailers](#)" (2024)

² [PUBLIC LAW 104-193-AUG. 22, 1996](#)

In certain states, including California, SNAP and TANF benefits can be bundled onto the same account. Eligibility criteria for these programs focus on gross monthly income, net income, and assets. However, the number of benefits, eligibility requirements, and any usage restrictions, such as one-time-only assistance, vary on a statewide basis.

EBT in California

In California, the EBT system is used for the delivery and redemption of issued public assistance, like food and cash aid benefits. The California Work Opportunity and Responsibility to Kids (CalWORKs) program is the State implementation of the Federal Temporary Assistance to Needy Families (TANF) program. CalFresh is the State implementation of the Federal SNAP program. There are approximately 5 million EBT cardholders who receive CalFresh benefits each month. The California Department of Social Services (DSS) administers both of these programs.

How EBT Works

Below is a breakdown of how EBT works from the perspective of the state ('the administrator'), merchants, and the individual recipients:

- **State** - Each state is responsible for delivering benefits to eligible recipients through the EBT system. States contract with an EBT processor, which serves as the intermediary between the state's benefit system and merchant payment infrastructure. The EBT processor ensures communication between the state's system and merchant point-of-sale (POS) terminals. In addition to facilitating payments, some EBT processors also manage key functions like issuing EBT cards, fraud prevention, and overall system maintenance.
- **Merchants** - Merchants must be equipped with the necessary hardware to accept EBT payments. This includes installing an EBT-enabled point-of-sale (POS) terminal, which connects to the EBT payment processor, and facilitates the transaction, allowing customers to use their EBT cards for eligible purchase. The terminal must support a PIN entry pad since EBT transactions require the customer to enter their PIN. Merchants need to ensure their POS systems are compatible with the EBT network to accept these payments. With the introduction of contactless, chip-enabled EBT cards, merchants will need to update their existing POS equipment with the latest software. The updated POS system must also support fallback processing for EBT magnetic stripe transactions, which is essential for the contactless EMV-EBT transactions. If the current POS equipment cannot meet these requirements, merchants will need to acquire a separate POS terminal that offers this functionality.

- **Individuals** - Individuals enrolled in EBT programs, such as CalFresh (SNAP) or CalWORKs (TANF), receive an EBT card that acts as a digital wallet, enabling them to purchase eligible goods and services at participating merchants. These cards work like a debit card, with the balance linked to the recipient's account. While the EBT card does not provide direct access to a traditional bank account, it is designed to allow individuals to access their benefits conveniently and in a similar manner to other digital payment methods.

Evolution of EBT Card Technology

The payment technology of EBT cards continues to evolve. Beginning in the early 1990s, EBT cards were based on magstripe technology with no EMV specification. The magnetic stripe on the card encoded essential account details, such as the cardholder's unique identifier and benefit account information. However, the cards lacked dedicated fraud protection measures beyond basic PIN security.³ As a result, they were more vulnerable to skimming, a technique in which devices are installed on card readers to steal card data and PIN entries, enabling the creation of counterfeit cards and the theft of benefits.⁴

In response to increased skimming and other types of fraud, two new technologies to deliver benefits are being deployed:

- **Mobile:** In 2023, five states were selected by the USDA and FNS to pilot SNAP mobile payments as an alternative to physical SNAP EBT cards. Although a timeline has not been confirmed, the five states - Illinois, Louisiana, Massachusetts, Missouri and Oklahoma – may be able to use mobile payments in the next few years.
- **Contactless chip:** California and Oklahoma are two states with confirmed plans to launch contactless chip-enabled EMV-EBT cards by 2025, with other states likely to follow suit.⁵ As a result, merchants and their payment processing partners will need to request an EMV EBT-enabled terminal or they will need to reprogram their existing point-of-sale systems to accept EMV-EBT payments.

The rollout of EMV-EBT cards in California may eliminate the need for merchants to install an EBT-enabled point-of-sale (POS) terminal once the full transition to EMV cards is complete. Instead, payments will be processed through the payment networks, such as Visa and Mastercard.

Opportunities for Cal-ITP

³ PIN protection is universal and should be the highest protection measure available – no one can use a card without knowing the PIN (relevant for both for EMV and non-EMV technology).

⁴ The USDA has published a dashboard to track the replacement of stolen benefits linked [here](#).

⁵ In October 2024, the U.S. Department of Agriculture announced plans to move federal food assistance to more secure cards, but the agency has not shared a timeline for a full transition to new cards nationwide.



Cal-ITP, in collaboration with partners, including the California Air Resources Board (CARB), the California Department of Technology, and the California Department of Social Services (DSS), is exploring opportunities to ensure transit and other essential transportation services remain affordable for low-income Californians, many of whom receive EBT benefits.

Eligibility Services

For example, through Cal-ITP Benefits, riders can now easily register a contactless payment card to be able access reduced transit fares. In partnership with the California Department of Technology, the Cal-ITP Benefits web app (access [here](#)) enables Californians to enroll in transit benefits and receive reduced fares for transit when paying by contactless debit or credit card. For example, seniors and veterans can verify their eligibility through Login.gov⁶ (access [here](#)) at participating transit operators in California.

In a recent development, Californians enrolled in CalFresh, the state's SNAP program, can now verify their active participation online as a proxy for low-income status. By entering their verification details through Login.gov, the California Department of Social Services can verify their eligibility for transit benefits. Through this online platform, individuals no longer need to appear in person at a transit agency to apply for the discount-fare benefit.

Today, transit discount benefits are currently loaded directly onto individuals' contactless debit or credit cards. However, there may be an opportunity to extend these discounts or other benefits to the new contactless EBT cards, providing support for un- or underbanked individuals.^{7,8}

Building Financial Literacy

Many individuals enrolled in CalFresh are also unbanked or underbanked. CalFresh caseworkers engage with recipients at key touchpoints—during application, renewal, and program exit—where they often provide eligibility guidance, application assistance, and additional resources.

While today EBT cards do not provide direct access to bank accounts, these frequent interactions offer an opportunity to introduce recipients to tools and products that help them access basic banking services or build credit. CARB and its partners already work within local communities, providing support and subsidies for transitioning to low carbon transportation options. There may also be an interest for CARB to use this community engagement network to support increased financial literacy across California. The introduction of contactless EBT

⁶ Login.gov is a service that offers secure and private online access to government programs, such as federal benefits, services and applications.

⁷ Unbanked refers to individuals who do not use or have access to traditional financial services and rely on alternative financial services to meet their banking needs. Underbanked refers to individuals who have some type of bank account but also rely on alternative financial services to manage their finances and make purchases.

technology could present an opportunity to integrate integrating CARB's incentives distribution channels with the various CalFresh touchpoints, enhancing both financial inclusion and mobility access.

Electronic Benefits Transfer as Benefits Distribution

As contactless EMV-EBT cards are introduced across California, there is an opportunity to explore how bundling benefits—such as subsidies or rewards—can be integrated with EBT. For California recipients, similar to how SNAP and TANF benefits are currently combined into a single account, contactless EBT cards could provide an interesting use case for unbanked or underbanked individuals to receive mobility benefits. Furthermore, coupling mobility benefits with financial literacy initiatives alongside the provisioning of EBT cards could help establish a system that is more financially inclusive. However, note that the POS terminals for EMV-EBT cards currently require fallback capabilities for magnetic stripe processing, which is not compatible with tap to ride transit systems. Technology alternatives and/or policies would need to be put in place to address this limitation. Nonetheless, the attractiveness of expanding the utility of these cards to additional use cases, including but not limited to mobility, should be explored.

Conclusion

As the contactless chip-enabled EMV-EBT cards are rolled out next year, Cal-ITP, in collaboration with CARB, is interested in exploring how EBT can be utilized to ensure sustainable mobility, including public transit, remains accessible and increasingly affordable for low-income Californians. In addition to expanding the eligibility services platform, there may be an opportunity to integrate benefits directly into the EBT system, leveraging the new contactless technology to support unbanked and underbanked individuals. By strengthening financial literacy initiatives, this effort could broaden access to transit and other essential services.

Resources

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