

- vice at more than 1 location under the same supplemental nutrition assistance program authorization, if—
- (i) the farmers' market or direct marketing farmer provides to the Secretary information on location and hours of operation at each location; and
 - (ii)(I) the point of sale device used by the farmers' market or direct marketing farmer is capable of providing location information of the device through the electronic benefit transfer system; or
 - (II) if the Secretary determines that the technology is not available for a point of sale device to meet the requirement under subclause (I), the farmers' market or direct marketing farmer provides to the Secretary any other information, as determined by the Secretary, necessary to ensure the integrity of transactions processed using the point of sale device.
- (g)(1) The State agency may establish a procedure for staggering the issuance of benefits to eligible households throughout the month. Upon the request of the tribal organization that exercises governmental jurisdiction over the reservation, the State agency shall stagger the issuance of benefits for eligible households located on reservations for at least 15 days of a month.
- (2) REQUIREMENTS.—
- (A) IN GENERAL.—Any procedure established under paragraph (1) shall—
 - (i) not reduce the allotment of any household for any period; and
 - (ii) ensure that no household experiences an interval between issuances of more than 40 days.
 - (B) MULTIPLE ISSUANCES.—The procedure may include issuing benefits to a household in more than 1 issuance during a month only when a benefit correction is necessary.
- (h) ELECTRONIC BENEFIT TRANSFERS.—
- (1) IN GENERAL.—
 - (A) IMPLEMENTATION.—Not later than October 1, 2002, each State agency shall implement an electronic benefit transfer system under which household benefits determined under section 8(a) or 26 are issued from and stored in a central databank, unless the Secretary provides a waiver for a State agency that faces unusual barriers to implementing an electronic benefit transfer system.
 - (B) TIMELY IMPLEMENTATION.—Each State agency is encouraged to implement an electronic benefit transfer system under subparagraph (A) as soon as practicable.
 - (C) STATE FLEXIBILITY.—Subject to paragraph (2), a State agency may procure and implement an electronic benefit transfer system under the terms, conditions, and design that the State agency considers appropriate.
 - (D) OPERATION.—An electronic benefit transfer system should take into account generally accepted standard operating rules based on—
 - (i) commercial electronic funds transfer technology;

- (ii) the need to permit interstate operation and law enforcement monitoring; and
 - (iii) the need to permit monitoring and investigations by authorized law enforcement agencies.
- (2) The Secretary shall issue final regulations that establish standards for the approval of such a system and shall periodically review such regulations and modify such regulations to take into account evolving technology and comparable industry standards. The standards shall include—
 - (A) defining the required level of recipient protection regarding privacy, ease of use, and access to and service in retail food stores;
 - (B) the terms and conditions of participation by retail food stores, financial institutions, and other appropriate parties;
 - (C)(i) measures to maximize the security of a system using the most recent technology available that the State agency considers appropriate and cost effective and which may include personal identification numbers, photographic identification on electronic benefit transfer cards, and other measures to protect against fraud and abuse; and
 - (ii) unless determined by the Secretary to be located in an area with significantly limited access to food, measures that require an electronic benefit transfer system—
 - (I) to set and enforce sales restrictions based on benefit transfer payment eligibility by using scanning or product lookup entry; and
 - (II) to deny benefit tenders for manually entered sales of ineligible items.
 - (D) system transaction interchange, reliability, and processing speeds;
 - (E) financial accountability;
 - (F) the required testing of system operations prior to implementation;
 - (G) the analysis of the results of system implementation in a limited project area prior to expansion; and
 - (H) procurement standards.
- (3) In the case of a system described in paragraph (1) in which participation is not optional for households, the Secretary shall not approve such a system unless—
 - (A) a sufficient number of eligible retail food stores, including those stores able to serve minority language populations, have agreed to participate in the system throughout the area in which it will operate to ensure that eligible households will not suffer a significant reduction in their choice of retail food stores or a significant increase in the cost of food or transportation to participating food stores; and
 - (B) any special equipment necessary to allow households to purchase food with the benefits issued under this Act is operational in the case of other participating stores, at a sufficient number of registers to provide service that is comparable to service provided individuals who are not members of households receiving supplemental nutrition assistance program benefits, as determined by the Secretary.

(4) Administrative costs incurred in connection with activities under this subsection shall be eligible for reimbursement in accordance with section 16, subject to the limitations in section 16(g).

(5) The Secretary shall periodically inform State agencies of the advantages of using electronic benefit systems to issue benefits in accordance with this subsection in lieu of issuing coupons to households.

(6) This subsection shall not diminish the authority of the Secretary to conduct projects to test automated or electronic benefit delivery systems under section 17(f).

(7) **REPLACEMENT OF BENEFITS.**—Regulations issued by the Secretary regarding the replacement of benefits and liability for replacement of benefits under an electronic benefit transfer system shall be similar to the regulations in effect for a paper-based supplemental nutrition assistance issuance system.

(8) **REPLACEMENT OF CARDS.**—

(A) **FEES.**—A State agency may collect a charge for replacement of an electronic benefit transfer card by reducing the monthly allotment of the household receiving the replacement card.

(B) **PURPOSEFUL LOSS OF CARDS.**—

(i) **IN GENERAL.**—Subject to terms and conditions established by the Secretary in accordance with clause (ii), if a household makes excessive requests for replacement of the electronic benefit transfer card of the household, the Secretary may require a State agency to decline to issue a replacement card to the household unless the household, upon request of the State agency, provides an explanation for the loss of the card.

(ii) **REQUIREMENTS.**—The terms and conditions established by the Secretary shall provide that—

(I) the household be given the opportunity to provide the requested explanation and meet the requirements under this paragraph promptly;

(II) after an excessive number of lost cards, the head of the household shall be required to review program rights and responsibilities with State agency personnel authorized to make determinations under section 5(a); and

(III) any action taken, including actions required under section 6(b)(2), other than the withholding of the electronic benefit transfer card until an explanation described in subclause (I) is provided, shall be consistent with the due process protections under section 6(b) or 11(e)(10), as appropriate.

(C) **PROTECTING VULNERABLE PERSONS.**—In implementing this paragraph, a State agency shall act to protect homeless persons, persons with disabilities, victims of crimes, and other vulnerable persons who lose electronic benefit transfer cards but are not intentionally committing fraud.

(D) **EFFECT ON ELIGIBILITY.**—While a State may decline to issue an electronic benefits transfer card until a

household satisfies the requirements under this paragraph, nothing in this paragraph shall be considered a denial of, or limitation on, the eligibility for benefits under section 5.

(9) OPTIONAL PHOTOGRAPHIC IDENTIFICATION.—

(A) IN GENERAL.—A State agency may require that an electronic benefit card contain a photograph of 1 or more members of a household.

(B) OTHER AUTHORIZED USERS.—If a State agency requires a photograph on an electronic benefit card under subparagraph (A), the State agency shall establish procedures to ensure that any other appropriate member of the household or any authorized representative of the household may utilize the card.

(10) FEDERAL LAW NOT APPLICABLE.—Section 920 of the Electronic Fund Transfer Act shall not apply to electronic benefit transfer or reimbursement systems under this Act.

(11) APPLICATION OF ANTI-TYING RESTRICTIONS TO ELECTRONIC BENEFIT TRANSFER SYSTEMS.—

(A) DEFINITIONS.—In this paragraph:

(i) AFFILIATE.—The term “affiliate” has the meaning provided the term in section 2(k) of the Bank Holding Company Act of 1956 (12 U.S.C. 1841(k)).

(ii) COMPANY.—The term “company” has the meaning provided the term in section 106(a) of the Bank Holding Company Act Amendments of 1970 (12 U.S.C. 1971), but shall not include a bank, a bank holding company, or any subsidiary of a bank holding company.

(iii) ELECTRONIC BENEFIT TRANSFER SERVICE.—The term “electronic benefit transfer service” means the processing of electronic transfers of household benefits, determined under section 8(a) or 26, if the benefits are—

(I) issued from and stored in a central databank;

(II) electronically accessed by household members at the point of sale; and

(III) provided by a Federal or State government.

(iv) POINT-OF-SALE SERVICE.—The term “point-of-sale service” means any product or service related to the electronic authorization and processing of payments for merchandise at a retail food store, including credit or debit card services, automated teller machines, point-of-sale terminals, or access to on-line systems.

(B) RESTRICTIONS.—A company may not sell or provide electronic benefit transfer services, or fix or vary the consideration for electronic benefit transfer services, on the condition or requirement that the customer—

(i) obtain some additional point-of-sale service from the company or an affiliate of the company; or

(ii) not obtain some additional point-of-sale service from a competitor of the company or competitor of any affiliate of the company.

(C) CONSULTATION WITH THE FEDERAL RESERVE BOARD.—Before promulgating regulations or interpretations of regulations to carry out this paragraph, the Secretary shall consult with the Board of Governors of the Federal Reserve System.

(12) RECOVERING ELECTRONIC BENEFITS.—

(A) IN GENERAL.—A State agency shall establish a procedure for recovering electronic benefits from the account of a household due to inactivity, or due to the death of all members of the household.

(B) BENEFIT STORAGE.—

(i) IN GENERAL.—A State agency may store recovered electronic benefits off-line in accordance with clause (ii), if the household has not accessed the account after 3 months.

(ii) NOTICE OF BENEFIT STORAGE.—A State agency shall—

(I) send notice to a household the benefits of which are stored under clause (i); and

(II) not later than 48 hours after request by the household, make the stored benefits available to the household.

(C) BENEFIT EXPUNGING.—

(i) IN GENERAL.—Subject to clause (ii), a State agency shall expunge benefits that have not been accessed by a household after a period of 9 months, or upon verification that all members of the household are deceased.

(ii) NOTICE OF BENEFIT EXPUNGING.—Not later than 30 days before benefits are to be expunged under clause (i), a State agency shall—

(I) provide sufficient notice to the household that benefits will be expunged due to inactivity, and the date upon which benefits will be expunged;

(II) for benefits stored off-line in accordance with subparagraph (B), provide the household an opportunity to request that such benefits be restored to the household; and

(III) not later than 48 hours after request by the household, make the benefits available to the household.

(D) NOTICE.—A State agency shall—

(i) send notice to a household the benefits of which are stored under subparagraph (B); and

(ii) not later than 48 hours after request by the household, make the stored benefits available to the household.

(13) FEES.—