

# CAAP PAYMENT OPTIONS

Improving Client Services and Program Efficiency

A Report Prepared for the  
City and County of San Francisco  
Human Services Agency

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## EXECUTIVE SUMMARY

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The San Francisco Human Services Agency (HSA) currently distributes County Adult Assistance Program (CAAP) benefits to clients twice-monthly via check. We recommend that the HSA instead distribute benefits once-monthly via Electronic Benefits Transfer (EBT). While this change will cost HSA an estimated additional \$1.28 million in annual operating costs and \$500,000 in one-time costs, we believe that these expenses are outweighed by new benefits to clients.

CAAP clients benefit most from this change. Accessing their funds using EBT is more convenient and less expensive than doing so with checks. Clients also derive additional benefits, such as the increased safety and security from carrying only a Personal Identification Number (PIN)-protected EBT card rather than cash. This change also accommodates clients' preference to receive their benefits once- rather than twice-monthly.

The HSA also benefits from the change to a once-monthly EBT payment system. Although the costs of EBT are higher than checks, EBT offers other advantages, such as improved client services and increased fraud detection capabilities. Because 85% of CAAP clients already possess EBT cards to access Food Stamp benefits, the processing workload for EBT cards should not increase substantially. Moreover, EBT presents new opportunities to detect and prevent fraud and may allow caseworkers to reduce the amount of time distributing benefits – allowing them to provide other client services.

Because the EBT system is familiar to most clients and client advocates agree that benefits via EBT are more convenient and less expensive, we expect little opposition to this change. However, the County should reassure advocates that the tracking capabilities of EBT will not be used inappropriately. Advocates are also concerned that there is insufficient access to ATMs in underserved areas. We recommend further dialogue to address these concerns.

Two important implementation issues potentially impede our recommended change. First, although switching to a once-monthly system is desirable for both clients and the HSA, it requires an ordinance change by the Board of Supervisors. Second, the Care not Cash program requires the HSA to provide cash benefits via two-party checks to clients who receive housing benefits. This provides an incentive for clients to use their housing benefits, while retaining full control of their funds. EBT provides no parallel mechanism and could eliminate this incentive. We believe this problem can be resolved, and suggest an approach for the HSA to follow towards a solution.

If this strategy proves to be infeasible, we recommend instead that the HSA implement once-monthly EBT for CAAP clients who do not receive a housing benefit and leave the payment system for clients in assisted housing unchanged.

# INTRODUCTION

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## Background

In 1996, Congress passed and President Clinton signed the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA)<sup>1</sup> which, among other things, required each state to implement a statewide Electronic Benefit Transfer (EBT) system for distributing Food Stamp benefits by October 1, 2002.<sup>2</sup> EBT is a system whereby clients can access benefits electronically using a plastic card similar to a debit card at ATMs and Point-of-Sale (POS) terminals. At the federal level, EBT was widely thought to yield significant cost savings in the Food Stamp program by eliminating the costs associated with printing, safeguarding, distributing, tracking, and destroying Food Stamp coupons. Additionally, because EBT creates an electronic record of each transaction, additional cost savings were expected from reductions in Food Stamp fraud and abuse.<sup>3</sup>

The California State EBT Project (CSEBTP) was charged with ensuring successful EBT coordination, implementation, and compliance with federal law in California. The CSEBTP consisted of staff from the Health and Human Services Data Center (HHSDC) and the California Department of Social Services (DSS). The State chose Alameda and Yolo as pilot counties and both implemented EBT in August 2002. California did not fully transition the remaining counties to EBT until December 2004. In addition to using EBT to provide Food Stamp benefits, federal law also authorized states to distribute cash benefits through EBT.

California law requires counties to provide assistance to “indigent persons [who] lawfully reside [within the county]” and grants counties broad discretion in regards to determining the “standards of aid and care.”<sup>4</sup> Pursuant to this mandate, the San Francisco Board of Supervisors established the County Adult Assistance Programs (CAAP), which consists of the state mandated

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<sup>1</sup> Personal Responsibility and Work Opportunity Reconciliation Act of 1996, Public Law 104 – 193, .

<sup>2</sup> U.S. Government Accountability Office. Food Stamp Program: Implementation of Electronic Benefit Transfer Systems,, 2002.

<sup>3</sup> Ibid.

<sup>4</sup> *California Welfare and Institutions Code*, § 1700

General Assistance (GA) program and three additional programs funded on a discretionary basis: Personal Assisted Employment Services (PAES), Supplemental Security Income Pending (SSIP), and Cash Assistance Linked to Medi-Cal (CALM).

The San Francisco Human Services Agency (HSA) is charged with administering the CAAP programs in “the most cost-effective manner possible”<sup>5</sup> and strives to uphold its organizational commitment to provide excellent and efficient client services. The HSA continuously seeks ways to increase efficiency as a means to ultimately improve client services. Implementing an alternative benefit delivery system may increase HSA efficiency and thereby improve client service.

## **Purpose of Study**

Currently, the HSA issues CAAP benefits twice-monthly via checks, which are produced, administered, and tracked at considerable program and workload costs. As a result, the HSA is interested in exploring two major changes to its current benefit delivery system. The first involves switching to a once-monthly payment system, a move that requires an ordinance change by the Board of Supervisors. The second change would allow CAAP clients to receive their benefits via EBT instead of by check. This is an administrative change that can be done internally by the HSA and is currently used in the CalWORKs and Food Stamp programs.

The goals of this study are threefold:

- To evaluate the potential benefits and shortcomings of each of the proposed changes to the current benefit delivery system, particularly with respect to the impact on CAAP clients
- Determine the cost effectiveness of each
- To identify any structural, advocate, or technical impediments to successful implementation

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<sup>5</sup>City and County of San Francisco Administrative Code, Article VII, § 20.55.4

## **Report Structure**

We first provide a brief overview of the CAAP program, giving close attention to issues unique to San Francisco. We continue and examine the policy changes currently under consideration and discuss the methodology and criteria underpinning our analysis. We then detail our policy options, discuss our findings, and highlight our primary and secondary recommendations. Finally, we explore the limitations of our study and identify some outstanding issues.

# SAN FRANCISCO COUNTY ADULT ASSISTANCE PROGRAM

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## Overview

CAAP provides short-term financial and in-kind assistance, employment help, and other services to eligible San Francisco residents, and is funded entirely through the City and County's General Fund. CAAP is divided into four programs: PAES, SSIP, CALM, and GA. Appendix A provides a brief look at the makeup of the CAAP population.

The HSA guidelines determine CAAP eligibility along the following criteria:

- Unable to support oneself
- Needs not met by any other federal, state or county public assistance programs
- Exhausted means of self-support
- Relatives or sponsors had been providing support but can no longer do so
- Not residents of a state or private institution<sup>6</sup>

In addition to providing financial assistance to eligible persons not supported by other means, CAAP is intended to enable and encourage aided persons to:

- Find employment, if employable, and encourage continued participation in the work force
- Receive support from other sources
- Reduce or eliminate the conditions that led to homelessness and dependency

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<sup>6</sup> A state institution is a facility managed wholly or partially by the state. A private institution is either a proprietary, nonprofit, fraternal establishment, or a benevolent facility, managed and controlled by an individual, association, or corporation.

## **Care Not Cash: Changing the Delivery of CAAP**

In November 2002, the voters of San Francisco passed Proposition N, which established Care Not Cash. The intent of Care Not Cash is to reduce homelessness and to improve the health and welfare of homeless adults receiving cash assistance by providing permanent housing opportunities and enhanced services. The HSA began its implementation of Care Not Cash on May 3, 2004.

Clients receiving cash assistance from CAAP were phased into Care Not Cash over a seven-month period beginning in May 2004. Under the program, the HSA offers homeless CAAP clients housing or shelter and associated amenities as a portion of their benefits package. San Francisco uses funding that would have otherwise been direct cash aid to expand permanent housing and services. Appendix A details the housing status of CAAP clients.

## **CAAP and the Food Stamp Program**

In 2004, San Francisco switched to the distribution of food benefits via EBT in compliance with PRWORA. Currently 85% of all CAAP clients receive Food Stamp benefits via EBT. Food Stamp EBT may be modified to also distribute CAAP monetary benefits, allowing clients to use one card to access benefits from both programs.

## **Current CAAP Benefits**

Under the current system, the HSA provides CAAP assistance via twice-monthly checks. In instances where CAAP clients receive housing directly from a public housing provider (e.g. the Tenderloin Housing Clinic), CAAP issues a two-party check to both the client and the provider. The HSA may mail checks to clients, distribute them at its Mission Street Office, or deliver them to local check-cashing centers where they are picked up by clients. CAAP is currently one of the only remaining county assistance programs to distribute benefits via check, as both the Food Stamp program and CalWORKs have already converted to EBT.

The current maximum CAAP grant amounts are as follows:

**TABLE 1: CAAP Benefit Amounts by Category**

Scenario	CAAP Sub-Program	
	GA	PAES, SSIP & CALM
When housed	Up to \$342	Up to \$422
When placed in HSA-housing	Up to \$342 (two-party check for rent plus up to \$59 monthly cash grant)	Up to \$422 (two-party check for rent plus up to \$97 monthly cash grant)
When offered shelter (whether accepted or refused)	Up to \$59 (Maximum grant less in-kind value for housing, utilities and food*)	Up to \$65 (Maximum grant less in-kind value for housing, utilities and food*)
When no shelter is available	Up to \$342	Up to \$422

*\*State of California Income In-kind values: housing/shelter: \$203; utilities: \$42; food: \$112.*

# PROPOSED POLICY CHANGES

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## **Rationale**

The HSA asked us to consider the effects of changing the current twice-weekly check-based benefit distribution method to one that is once-monthly and/or EBT-based. Their rationale for doing so is twofold:

### *Improve Client Services*

The HSA seeks to better achieve its mission to effectively serve clients with dignity and awareness of their basic needs. While the current benefit distribution method meets clients' concerns, a change might improve the quality of the services they receive.

### *Decrease Costs*

The HSA seeks to use taxpayer dollars more efficiently by maximizing cost efficiency. A change to the current distribution process might reduce administrative costs. While checks are relatively inexpensive to produce, replacing lost or stolen checks is time consuming and expensive due to the multiple administrative layers associated with check fraud detection and investigation.

## **Proposed Changes**

Given the aforementioned goals of the HSA, we are considering two major changes to CAAP:

### *Once-Monthly vs. Twice-Monthly Payment System*

A once-monthly system allows clients to receive their entire cash benefit in one installment, significantly reducing the current workload of twice-monthly payments. Twice-monthly payments, however, better enable clients to use their benefits consistently throughout the month. A once-monthly payment system requires an ordinance change by the Board of Supervisors.

### ***EBT vs. Checks***

EBT implementation eliminates most check-related costs. It is also potentially safer, cheaper, and more convenient for clients. Checks, however, are more compatible with the current system of housing assistance benefits offered through Care Not Cash. CAAP benefits can be converted via EBT with an administrative change made by the HSA.

### ***Inclusion vs. Non-Inclusion of CAAP Clients with Housing Benefits***

CAAP clients currently receive benefits through two different systems. Most clients receive their benefits directly from the HSA, while clients receiving housing assistance receive cash benefits through the HSA and in-kind benefits through a housing provider. In order to avoid conflicts between CAAP and the housing assistance system, we consider making no changes to the system that provides benefits to housing CAAP clients and only changing the distribution mechanism for non-housing CAAP clients.

# METHODOLOGY

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We approached our analysis using several quantitative and qualitative methods. They are discussed in detail below.

## **Literature Review and Similar Sites Analysis**

We conducted a broad review of past publications and other relevant literature regarding the effects of EBT on other public assistance programs. The results were compared across federal, state and local assistance programs to determine if there was a similarity in outcomes. We noted and analyzed any successes, failures, or other implementation concerns associated with a change from checks to EBT in other jurisdictions.

For purposes of comparison, we focused on the experience of Alameda County. Alameda was the first county in California to implement EBT for its Food Stamp Program and additionally chose to distribute cash benefits via EBT. In addition, we chose Alameda for comparison based on its geographical proximity to San Francisco and similar client population (see Appendix B).

## **Stakeholder Interviews**

We identified an initial set of stakeholders through meetings with the HSA's managerial and administrative staff. When interviewing those stakeholders we solicited their suggestions for other stakeholders, and continued this process until a representative list was generated.

Interviews were conducted either in person or by phone ; in most cases, at least two interviewers were present for each session. If in-person or telephone interviews were unavailable, contact was made via email. Detailed notes of each interview were kept by the primary interviewer and shared with the research team for discussion. When necessary, the primary interviewer conducted follow-up interviews for question clarification. Due to time constraints, we were unable to interview all stakeholders. Necessarily, only the inputs, suggestions, and concerns from the interviews we were able to conduct are reflected in our analysis.

## **Data Collection and Analysis**

The data for this analysis came primarily from two sources: an original survey and internal data from the HSA and City and County of San Francisco.

We developed a survey (see Appendix D) that assessed the workload of HSA caseworkers responsible for Food Stamp and CAAP benefits. Because the HSA has already converted its Food Stamp distribution process to EBT, a survey of Food Stamp workers allowed us to analyze the effect of EBT on caseworker productivity. Each survey included a brief introduction stating the purpose so respondents were fully aware of the nature of the survey as well as the researchers involved. Responses were kept anonymous except where respondents volunteered their names.

### ***Calculation Methods***

We attempted to quantify all administrative and program costs associated with benefit payments, and projected an estimate of these costs under each policy option. Where it was not possible to estimate actual costs, we performed a breakeven analysis to determine at what point changes would begin to negatively affect individual outcomes. A discussion of the calculation methods used is included below in Appendix C. For criteria where quantification was inappropriate, we conducted a qualitative analysis which is discussed below.

# CRITERIA

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We select five criteria to evaluate the merits of our policy options. In considering any change from the current system, the HSA should seek to achieve each of the following goals, ranked in order of importance:

## **Maximize Client Outcomes**

Policy options should increase clients' abilities to access their CAAP benefits and minimize the costs to do so.

## **Minimize Administrative and Program Costs**

Policy options should minimize costs the HSA faces to distribute client benefits. Options should also minimize overpayments to individuals who should not be receiving benefits without reducing individual benefit amounts or changing CAAP eligibility requirements.

## **Minimize Administrative Workload**

Policy options should minimize the amount of caseworker time necessary to administer CAAP benefit payments including the effort necessary to distribute payments, reissue lost payments and monitor fraud.

## **Maximize Advocate Support**

Policy options should maximize support from client advocacy groups.

## **Maximize Compatibility with HSA Programs**

Policy options should maintain CAAP compatibility with other HSA programs, including Care Not Cash and the Food Stamp EBT system.

# POLICY OPTIONS

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## Scope of Analysis

We examined six policy options, focusing our analysis on the first three listed below:

- Once-monthly payments via EBT for all clients
- Once-monthly payments via EBT for clients not receiving housing assistance
- Twice-monthly payment via check for all clients (no change from current policy)

The following three options are technically feasible, but are not being considered by the HSA for implementation.<sup>7</sup> While they were included in our analysis, none offered significant benefits compared to the first three options. Accordingly, they are not discussed in this report.

- Twice-monthly payments via EBT for all clients
- Twice-monthly payments via EBT for clients not receiving housing assistance
- Twice-monthly payments via check for all clients

## Option 1: Once-Monthly Payments via EBT for All Clients

Under this option, the HSA would distribute benefits once-monthly via EBT to all CAAP clients. This option offers benefits to the greatest number of clients, potentially reduces the HSA's administrative workload and enjoys significant advocate support, but also has the highest costs of any of the six options examined.

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<sup>7</sup> Vladimir Rudakov (CAAP Carrying Section Manager, San Francisco Human Services Agency), in discussion with authors, April 27, 2006.

**TABLE 2: Changes in Costs Associated with Once-Monthly Payment via EBT for All Clients**

<b>Types of Costs</b>	<b>Change From Current Policy</b>
Annual Administrative Costs	\$ 217,956.29
Annual Program Costs	\$ 1,070,429.76
<b>Total Ongoing Costs</b>	<b>\$ 1,288,386.05</b>
<b>Capital Costs</b>	<b>\$ 500,878.00</b>

This option also presents compatibility challenges to the HSA’s existing housing assistance program. We believe, however, that the HSA can meet these challenges and roll out EBT for all clients with minimal additional costs. We suggest an approach by which the HSA can address this issue later in this report.

***Client Outcomes***

This option significantly improves client outcomes. All CAAP clients will receive their benefits on a more convenient payment schedule and be able to access their benefits more quickly and at a lower cost. Clients may also be safer and more integrated into the financial mainstream.

- **More Efficient Payment Schedule**

90.9% of CAAP clients are in some form of housing and use at least part of their benefits to pay rent.<sup>8</sup> Because benefits are currently distributed on a twice-monthly basis, most clients’ housing options are limited to those who will accept rent payments twice-monthly.<sup>9</sup> Allowing clients to access their benefits on a once-monthly basis may widen their range of housing options. Clients also generally prefer to receive their benefits on a once-monthly basis as it gives them more flexibility in personal budgeting.<sup>10</sup>

<sup>8</sup> City and County of San Francisco, Human Services Agency, *June 2005 CAAP Snapshot Quarterly Report*, <[http://www.sfhsa.org/files/caap\\_snapshot\\_quarterly\\_report/internetpostingjune2005caapreport.pdf](http://www.sfhsa.org/files/caap_snapshot_quarterly_report/internetpostingjune2005caapreport.pdf)>

<sup>9</sup> Steve Bingham (Staff Attorney, Bay Area Legal Aid), in discussion with authors, April 6, 2006; Debbie Rauscher (Deputy Director, Tenderloin Housing Clinic), in discussion with authors, April 14, 2006.

<sup>10</sup> Steve Bingham (Staff Attorney, Bay Area Legal Aid), in discussion with authors, April 6, 2006; Teri Donnelly (Senior Systems Coordinator, Information Systems Division, Alameda County Social Services Agency) and Martha Duarte (Program Systems Coordinator, Information Systems Division, Alameda County Social Services Agency), discussion with authors, March 16, 2006; Bill Hart (Executive Director, General Assistance Advocacy Project), in discussion with authors, April 7, 2006.

- **Faster Access to Benefits**

Under the current system, most clients receive their benefits by mail and so must wait approximately three days for postal delivery.<sup>11</sup> Under EBT, clients can access their benefits at the beginning of each payment period without delay.

- **Lower Cost to Access Benefits**

Presently, most clients cash their CAAP checks at check-cashing outlets.<sup>12</sup> Based on the median fee charged by such outlets, the typical CAAP clients would need to use a no-surcharge ATM eleven times each month to be financially worse off under this option. If a client only has access to ATMs with a surcharge, he would still be able to use the ATM four times per month without incurring costs above those presently faced. Based on anecdotal evidence, we believe that most clients would use an ATM fewer than five times each month and so would face an overall lower cost to access their benefits.

**TABLE 3: Client Costs to Access Benefits**

<b>Check-Related Fees</b>	<b>Per-Transaction</b>
Check Cashing Rate	\$3.00

<b>EBT-Related Fees</b>	<b>Per-Transaction</b>
ATM Fee (first four transactions)	\$0.00
ATM Fee (after first four transactions)	\$0.85
ATM Surcharge	\$1.50

<b>Potential Client Options</b>	<b>Cost to Access Benefits</b>
Receives Checks Twice-Monthly	\$6.00
Receives Checks Once-Monthly	\$3.00

<b>Potential Client Options</b>	<b>Breakeven Transactions</b>	<b>Cost to Access Benefits</b>
Assuming No ATM Surcharge Usage	11	\$5.95
Assuming All ATM Surcharge Usage	4	\$6.00

<sup>11</sup> Vladimir Rudakov (CAAP Carrying Section Manager, San Francisco Human Services Agency), in discussion with authors, February 23, 2006.

<sup>12</sup> Ibid.

- **Personal and Financial Safety**

Because clients can keep their benefits safe in their EBT accounts instead of carrying cash, they may suffer smaller financial losses due to loss or theft. To the extent that this makes clients less appealing targets to thieves, it may also improve clients' physical safety.<sup>13</sup>

- **Financial Mainstreaming**

By allowing clients to use the same system as the banked population, EBT helps integrate clients into the financial mainstream.<sup>14</sup> Furthermore, anecdotal evidence suggests that implementing EBT may increase the proportion of clients who choose to open bank accounts and receive their benefits via EFT.<sup>15</sup>

### *Administrative Costs*

This option has the highest ongoing (\$286,285) and capital (\$500,878) administrative costs of the six we examined. Increases in ongoing costs are driven primarily by the increase in ATM withdrawal fees paid by the HSA and fees paid to outside contractors for management of the EBT system.

**TABLE 4: Ongoing Administrative Costs Associated with Once-Monthly Payment via EBT for All Clients**

<b>Checks Distributed</b>	
Clients Receiving Checks	0
Client Checks per Month	0
<b>TOTAL Checks per Month</b>	<b>0</b>

<sup>13</sup> Steve Bingham (Staff Attorney, Bay Area Legal Aid), in discussion with authors, April 6, 2006; Teri Donnelly (Senior Systems Coordinator, Information Systems Division, Alameda County Social Services Agency) and Martha Duarte (Program Systems Coordinator, Information Systems Division, Alameda County Social Services Agency), discussion with authors, March 16, 2006; Meg Sheldon (Information Technology Associate, County Welfare Directors Association of California), discussion with authors, March 17, 2006.

<sup>14</sup> Meg Sheldon (Information Technology Associate, County Welfare Directors Association of California), discussion with authors, March 17, 2006.

<sup>15</sup> Leo Levenson (Finance Director, San Francisco Human Services Agency), in discussion with authors, February 14, 2006.

<b>Check-Related Costs</b>	<b>Per-check</b>	<b>Checks</b>	<b>Subtotal</b>
Check Stock	\$0.02	0	\$0
Postage	\$0.33	0	\$0
Printing	\$0.02	0	\$0
Envelope	\$0.02	0	\$0
<b>TOTAL Check-Related Costs</b>			<b>\$0</b>

<b>EBT Accounts</b>	
Clients on EBT	7,512
Clients Receiving Food Stamp Benefits	6,313
Clients not Receiving Food Stamp Benefits	1,199

<b>Contractual Costs</b>	<b>Per-Transaction</b>	<b>Quantity</b>	<b>Subtotal</b>
Additional Cost for Clients Receiving Food Stamp Benefits	\$0.97	6,313	\$6,123.61
Cost for Clients not Receiving Food Stamps	\$0.37	1,199	\$443.63
ATM Withdrawals	\$0.48	30,048	\$14,423.04
ARU Calls	\$0.25	11,160	\$2,790.00
<b>TOTAL Contractual Costs</b>			<b>\$23,780.28</b>

<b>Card-Related Costs</b>	<b>Per-Transaction</b>	<b>Quantity</b>	<b>Subtotal</b>
Card Issuances	\$1.00	47	\$47.00
PIN Resets	\$0.88	27	\$23.76
<b>TOTAL Card-Related Costs</b>			<b>\$70.76</b>

<b>Maintenance Costs</b>	<b>Per-Transaction</b>	<b>Quantity</b>	<b>Subtotal</b>
PIN Selection and Encryption Device	\$6.08	1	\$6.08
<b>TOTAL Maintenance Costs</b>			<b>\$6.08</b>

<b>TOTAL EBT Costs</b>	<b>\$23,857.12</b>
<b>TOTAL Monthly Administrative Costs</b>	<b>\$23,857.12</b>
<b>TOTAL Annual Administrative Costs</b>	<b>\$286,285.44</b>

The primary driver of new capital costs is the cost to reprogram the CalWIN system to distribute San Francisco’s payments on a once-monthly basis.

**Table 5: Capital Costs Associated with Once-Monthly Payment via EBT for All Clients**

<b>Capital Costs</b>	<b>Per Unit</b>	<b>Quantity</b>	<b>Subtotal</b>
CalWIN Programming Change	\$500,000	1	\$500,000
PIN Selection and Encryption Device	\$878	1	\$878
<b>TOTAL Capital Costs</b>			<b>\$500,878</b>

***Program Costs***

Under this option, the HSA will distribute an additional \$89,202 per month to clients who would have otherwise been discontinued from CAAP mid-month. Because client benefits will be distributed in a lump sum at the beginning of the month instead of twice-monthly, the HSA will no longer be able to reap cost savings by discontinuing clients mid-month. In other words the same clients who previously would have received only half of their once-monthly benefits before being dropped from CAAP rolls will now receive their full once-monthly benefit.

Evidence from other counties suggests that a change to EBT will improve fraud detection and deter benefit abuse, as it allows benefit providers to more closely track potentially fraudulent spending and monitor client account withdrawals.<sup>16</sup> HSA staff we interviewed agreed that EBT could help flag questionable activity and aid investigations, but suggested that it might not reduce the amount or rate of client overpayments.<sup>17</sup> Taking these different estimates of the effects of EBT into consideration, we predict that EBT will not increase and may reduce fraud and overpayment rates.

<sup>16</sup> Teri Donnelly (Senior Systems Coordinator, Information Systems Division, Alameda County Social Services Agency) and Martha Duarte (Program Systems Coordinator, Information Systems Division, Alameda County Social Services Agency), discussion with authors, March 16, 2006; Meg Sheldon (Information Technology Associate, County Welfare Directors Association of California), discussion with authors, March 17, 2006.

<sup>17</sup> Diana Christensen (Investigations Manager, San Francisco Human Services Agency) and John McClellan (Senior Manager, San Francisco Human Services Agency), in discussion with authors, March 10, 2006.

### ***Administrative Workload***

EBT rollout in other counties led to reduced administrative workload for human services staff, primarily through a reduction in time spent on check processing, distribution, and tracking issues.<sup>18</sup> In all the cases we examined, personnel were reassigned to other tasks. We expect that the same would happen within the HSA and that to the extent using EBT saved caseworkers or other HSA staff time, that time would be spent addressing other client needs currently being postponed or underserved. While it seems likely that during the initial stages of EBT implementation, caseworkers might spend more time on client training to familiarize individuals new to EBT with the new system, that effect should be temporary.

### ***Advocate Support***

Client advocates are generally supportive of this option. Several commented on what they perceived as the HSA's successful transition of the Food Stamp program and CalWORKs to EBT and acknowledged the benefits to clients noted above.<sup>19</sup>

Advocates we interviewed expressed some concerns regarding client access to ATMs and client's financial privacy. However, we believe that these concerns can be resolved.

- **Client Access to ATMs**

Advocates expressed concerns that some clients' limited access to ATMs would make it more difficult for them to access their benefits via EBT, noting that ATMs are scarce in several neighborhoods where check-cashing outlets are highly prevalent.<sup>20</sup> Under the San Francisco County Cash Access Plan, there are enough ATMs in each San Francisco ZIP code to meet the projected demand for ATM usage. In all neighborhoods except two, that demand can be met solely through no-surcharge ATMs.<sup>21</sup> Even in a worst-case scenario

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<sup>18</sup> Teri Donnelly (Senior Systems Coordinator, Information Systems Division, Alameda County Social Services Agency) and Martha Duarte (Program Systems Coordinator, Information Systems Division, Alameda County Social Services Agency), discussion with authors, March 16, 2006.

<sup>19</sup> Steve Bingham (Staff Attorney, Bay Area Legal Aid), in discussion with authors, April 6, 2006; Bill Hart (Executive Director, General Assistance Advocacy Project), in discussion with authors, April 7, 2006.

<sup>20</sup> Steve Bingham (Staff Attorney, Bay Area Legal Aid), in discussion with authors, April 6, 2006; Bill Hart (Executive Director, General Assistance Advocacy Project), in discussion with authors, April 7, 2006.

<sup>21</sup> JP Morgan Electronic Financial Services, *San Francisco County Cash Access Plan Annual Update*, March 17, 2006.

where a client can only access benefits via a surcharge ATM, she would be better off under EBT if she used the ATM four or fewer times per month. Clients using non-surcharge ATMs would be better off under EBT if they used an ATM eleven or fewer times each month.

**TABLE 6: San Francisco Cash Availability by ZIP Code<sup>22</sup>**

Zip	Daily Cash Needed	ATM Cash Surcharge Free	ATM Cash with Surcharge	Cash at POS Surcharge Free	Cash at POS with Surcharge	Total Daily Cash Available	Total % Met	% Met Surcharge Free
94102	\$133,891	\$352,800	\$2,881,200	\$100,000	\$120,000	\$3,454,000	2580%	338%
94103	\$131,874	\$252,000	\$3,847,200	\$97,000	\$0	\$4,196,200	3182%	265%
94107	\$66,835	\$84,000	\$1,722,000	\$53,500	\$0	\$1,859,500	2782%	206%
94108	\$17,604	\$151,200	\$974,400	\$12,500	\$240,000	\$1,378,100	7828%	930%
94109	\$72,412	\$235,200	\$2,041,200	\$116,030	\$0	\$2,392,430	3304%	485%
94110	\$175,918	\$260,400	\$2,284,800	\$108,500	\$125,000	\$2,778,700	1580%	210%
94112	\$149,166	\$126,000	\$865,200	\$78,500	\$120,000	\$1,189,700	798%	137%
94114	\$14,652	\$252,000	\$2,032,800	\$89,500	\$0	\$2,374,300	16205%	2331%
94115	\$107,024	\$109,200	\$1,092,000	\$48,500	\$0	\$1,249,700	1168%	147%
94116	\$40,383	\$176,400	\$176,400	\$36,000	\$0	\$388,800	963%	526%
94117	\$58,908	\$25,200	\$1,419,600	\$67,500	\$0	\$1,512,300	2567%	157%
94118	\$28,619	\$302,400	\$1,159,200	\$36,000	\$0	\$1,497,600	5233%	1182%
94121	\$54,607	\$151,200	\$705,600	\$53,500	\$0	\$910,300	1667%	375%
94122	\$55,948	\$403,200	\$1,150,800	\$72,000	\$0	\$1,626,000	2906%	849%
94123	\$877	\$210,000	\$1,150,800	\$48,500	\$0	\$1,409,300	160757%	29487%
94124	\$299,249	\$42,000	\$445,200	\$86,000	\$0	\$573,200	192%	43%
94127	\$11,025	\$252,000	\$285,600	\$36,000	\$0	\$573,600	5203%	2612%
94131	\$19,241	\$84,000	\$268,800	\$36,000	\$0	\$388,800	2021%	624%
94132	\$39,822	\$210,000	\$688,800	\$0	\$0	\$898,800	2257%	527%
94133	\$58,751	\$319,200	\$1,629,600	\$73,500	\$0	\$2,022,300	3442%	668%
94134	\$176,335	\$67,200	\$268,800	\$53,500	\$0	\$389,500	221%	68%
<b>TOTAL:</b>	<b>\$1,713,141</b>	<b>\$4,065,600</b>	<b>\$27,090,000</b>	<b>\$1,302,530</b>	<b>\$605,000</b>	<b>\$33,063,130</b>		

<sup>22</sup> Spreadsheet and methodology from: JP Morgan Electronic Financial Services, *San Francisco County Cash Access Plan Annual Update*, March 17, 2006, modified to include CAAP demand projected from City and County of San Francisco, Human Services Agency, *June 2005 CAAP Snapshot Quarterly Report*, <[http://www.sfhsa.org/files/caap\\_snapshot\\_quarterly\\_report/internetpostingjune2005caapreport.pdf](http://www.sfhsa.org/files/caap_snapshot_quarterly_report/internetpostingjune2005caapreport.pdf)>

- **Financial Privacy**

Advocates expressed some concern about the extent to which the HSA would review clients' financial records, noting that they were satisfied with the privacy protections currently in place for CalWORKs and Food Stamp EBT records, but were unclear to what extent those protections would be in place for CAAP clients.<sup>23</sup> Based on interviews with the HSA staff, we concluded that the HSA has no plans to use CAAP EBT records differently than it does CalWORKs or Food Stamp EBT records.<sup>24</sup> This clarification should be formalized to defuse any potential advocate and client concerns.

### *Compatibility with Existing Programs*

This option may be incompatible with the existing housing assistance program the HSA provides through Care Not Cash. Under the current system, clients in assisted housing receive their benefits via two-party checks which are payable to the client and the housing provider. As a result, the client must endorse their check to the provider – paying rent – on a once-monthly basis to receive their non-rent benefits. Clients thus have a strong incentive to make their rent payments and access their housing benefit. If all client benefits are distributed via EBT, it is not immediately clear how this incentive system would be maintained.<sup>25</sup>

## **Option 2: Once-Monthly Payments via EBT for Non-Housing Clients**

Under this option, the HSA distributes benefits once-monthly via EBT only to CAAP clients not receiving an assisted housing benefit. Clients in assisted housing would receive their benefits via a once-monthly check. This option offers benefits to a significant number of clients, has minimal advocate support and has the second-highest administrative and program costs of the options examined:

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<sup>23</sup> Steve Bingham (Staff Attorney, Bay Area Legal Aid), in discussion with authors, April 6, 2006; Bill Hart (Executive Director, General Assistance Advocacy Project), in discussion with authors, April 7, 2006.

<sup>24</sup> Diana Christensen (Investigations Manager, San Francisco Human Services Agency) and John McClellan (Senior Manager, San Francisco Human Services Agency), in discussion with authors, March 10, 2006.

<sup>25</sup> Debbie Rauscher (Deputy Director, Tenderloin Housing Clinic), in discussion with authors, April 14, 2006.

**TABLE 7: Changes in Costs Associated with Once-Monthly Payment via EBT for Non-Housing Clients**

Types of Costs	Change From Current Policy
Annual Administrative Costs	\$ 185,003.94
Annual Program Costs	\$ 1,070,429.76
Total Ongoing Costs	\$ 1,255,433.70
Capital Costs	\$ 500,878.00

This option poses no compatibility problems.

***Client Outcomes***

This option will significantly improve client outcomes for the 86.9% of clients not in assisted housing.<sup>26</sup> These CAAP clients will receive their benefits on a more convenient payment schedule and be able to access their benefits more quickly and at a lower cost. Clients may also be safer and more integrated into the financial mainstream, as discussed in detail above.

Clients in assisted housing will also reap moderate benefits through this outcome, receiving their benefits on the more convenient once-monthly schedule.

***Administrative Costs***

This option has the second-highest ongoing (\$253,333) and capital (\$500,878) administrative costs of the six we examined. Increases in ongoing costs are driven primarily by the increase in ATM withdrawal fees paid by the HSA and fees paid to outside contractors for management of the EBT system.

**TABLE 8: Administrative Costs Associated with Once-Monthly Payment via EBT for Non-Housing Clients**

<b>Checks Distributed</b>	
Clients Receiving Checks	982
Client Checks per Month	1
<b>TOTAL Checks per Month</b>	<b>982</b>

<sup>26</sup> City and County of San Francisco, Human Services Agency, *June 2005 CAAP Snapshot Quarterly Report*, <[http://www.sfhsa.org/files/caap\\_snapshot\\_quarterly\\_report/internetpostingjune2005caapreport.pdf](http://www.sfhsa.org/files/caap_snapshot_quarterly_report/internetpostingjune2005caapreport.pdf)>

<b>Check-Related Costs</b>	<b>Per-check</b>	<b>Checks</b>	<b>Subtotal</b>
Check stock	\$0.02	982	\$ 19.64
Postage	\$0.33	982	\$ 320.13
Printing	\$0.02	982	\$ 17.68
Envelope	\$0.02	982	\$ 14.73
<b>TOTAL Check-Related Costs</b>			<b>\$ 372.18</b>

<b>EBT Accounts</b>	
Clients on EBT	6,530
Clients Receiving Food Stamps	5,488
Clients not Receiving Food Stamps	1,042

<b>Contractual Costs</b>	<b>Per-transaction</b>	<b>Quantity</b>	<b>Subtotal</b>
Additional Cost for Clients Receiving Food Stamp Benefits	\$0.97	5,488	\$5,323.11
Cost for Clients not Receiving Food Stamp Benefits	\$0.37	1,042	\$385.64
ATM Withdrawals	\$0.48	26,120	\$12,537.60
ARU Calls	\$0.25	9,701	\$2,425.25
<b>TOTAL Contractual Costs</b>			<b>\$20,671.59</b>

<b>Card-Related Costs</b>	<b>Per-transaction</b>	<b>Quantity</b>	<b>Subtotal</b>
Card Issuances	\$1.00	41	\$ 41.00
PIN Resets	\$0.88	23	\$ 20.24
<b>TOTAL Card-Related Costs</b>			<b>\$ 61.24</b>

<b>Maintenance Costs</b>	<b>Per-transaction</b>	<b>Quantity</b>	<b>Subtotal</b>
PIN Selection and Encryption Device	\$6.08	1	\$ 6.08
<b>TOTAL Maintenance Costs</b>			<b>\$ 6.08</b>

<b>TOTAL EBT Costs</b>	<b>\$20,738.91</b>
<b>TOTAL Monthly Administrative Costs</b>	<b>\$21,111.09</b>
<b>TOTAL Annual Administrative Costs</b>	<b>\$253,333.09</b>

The primary driver of new capital costs is the cost to reprogram the CalWIN system to distribute San Francisco's payments on a once-monthly basis.

**Table 9: Capital Costs Associated with Once-Monthly Payment via EBT for Non-Housing Clients**

<b>Capital Costs</b>	<b>Per Unit</b>	<b>Quantity</b>	<b>Subtotal</b>
CalWIN Programming Change	\$500,000	1	\$500,000
PIN Selection and Encryption Device	\$878	1	\$878
<b>TOTAL Capital Costs</b>			<b>\$500,878</b>

***Program Costs***

The HSA will distribute an additional \$89,202 per month to clients who are being discontinued from CAAP. As discussed above, converting some clients to EBT may also reduce fraud and overpayment rates.

***Administrative Workload***

As noted above, we anticipate once-monthly payments via EBT for non-housing clients to reduce administrative workload primarily through a reduction in the time needed to distribute checks.<sup>27</sup> In other counties that implemented EBT, personnel were reassigned to other tasks. We expect similar results within the HSA.

***Advocate Support***

Client advocates may be significantly opposed to this option because it treats CAAP clients receiving housing assistance differently than others and effectively distributes intangible benefits inequitably within CAAP.<sup>28</sup> However, housing providers support this option as it allows them to collect the entire rent balance once-monthly.<sup>29</sup>

***Compatibility with Existing Programs***

This option is compatible with existing HSA programs.

<sup>27</sup> Teri Donnelly (Senior Systems Coordinator, Information Systems Division, Alameda County Social Services Agency) and Martha Duarte (Program Systems Coordinator, Information Systems Division, Alameda County Social Services Agency), discussion with authors, March 16, 2006; Meg Sheldon (Information Technology Associate, County Welfare Directors Association of California), discussion with authors, March 17, 2006.

<sup>28</sup> Bill Hart (Executive Director, General Assistance Advocacy Project), in discussion with authors, April 7, 2006.

<sup>29</sup> Debbie Rauscher (Deputy Director, Tenderloin Housing Clinic), in discussion with authors, April 14, 2006.

### **Option 3: Twice-Monthly Payments by Check for All Clients (No Change)**

Under this option, the HSA would continue to distribute benefits twice-monthly by check to all CAAP clients. Because this policy is already in place, this option offers no new client benefits and is neither supported nor opposed by advocates. It would present no new costs for the HSA.

**TABLE 10: Administrative Costs Associated with Twice-Monthly Payment via Check for All Clients**

<b>Types of Costs</b>	<b>Change From Current Policy</b>
Annual Administrative Costs	\$ -
Annual Program Costs	\$ -
Total Ongoing Costs	\$ -
Capital Costs	\$ -

#### *Client Outcomes*

This option will not change client outcomes.

#### *Administrative Costs*

This option has the lowest ongoing (\$68,329) administrative costs of the six we examined, and would not require any new capital expenditures. Ongoing costs are driven primarily by postage costs.

**TABLE 11: Administrative Costs Associated with Twice-Monthly Payment via Check for All Clients**

<b>Checks Distributed</b>	
Clients Receiving Checks	7,512
Client Checks per Month	2
<b>TOTAL Checks per Month</b>	<b>15,024</b>

<b>Check-Related Costs</b>	<b>Per-Check</b>	<b>Checks</b>	<b>Subtotal</b>
Check Stock	\$0.02	15,024	\$ 300.48
Postage	\$0.33	15,024	\$ 4,897.82
Printing	\$0.02	15,024	\$ 270.43
Envelope	\$0.02	15,024	\$ 225.36
<b>TOTAL Check-Related Costs</b>			<b>\$ 5,694.10</b>

<b>TOTAL EBT Costs</b>	<b>\$ 0.00</b>
<b>TOTAL Monthly Administrative Costs</b>	<b>\$ 5,694.10</b>
<b>TOTAL Annual Administrative Costs</b>	<b>\$ 68,329.15</b>

***Program Costs***

This option will not change program costs.

***Administrative Workload***

This option will not change administrative workload.

***Advocate Support***

Client advocates are neutral to this option.

***Compatibility with Existing Programs***

This option would be compatible with existing HSA programs.

# CONCLUSIONS

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## Summary of Findings

The following table summarizes our findings:

**TABLE 12: Summary of Findings**

	Once-Monthly EBT for All Clients	Once-Monthly EBT Non-Housing Clients	Twice-Monthly Checks for All Clients
Client Outcomes	Significant benefit for all clients	Significant benefit for non-housed (87%) clients; moderate benefit for housed (13%) clients	No change
New Benefit Delivery Costs	\$ 217,956.29	\$ 185,003.94	\$ -
New Program Costs	\$ 1,070,429.76	\$ 1,070,429.76	\$ -
Total New Ongoing Costs	\$ 1,288,386.05	\$ 1,255,433.70	\$ -
New Capital Costs	\$ 500,878.00	\$ 500,878.00	\$ -
Administrative Workload	Minor reduction	Minor reduction	No change
Advocate Support	Supportive	Opposition expected	No change
Compatibility	Conflict with housing assistance	No conflicts	No conflicts

## Primary Recommendation: Once-Monthly Payments via EBT for All Clients

Based on our findings across the criteria discussed earlier, we recommend that the HSA implement once-monthly payments via EBT for all CAAP clients.

This option offers the most benefit to the greatest number of clients and can attract substantial advocate support. While it is more expensive than providing once-monthly payments via EBT for CAAP clients not receiving housing assistance, costing an additional \$32,952 annually, it also garners substantially more support from advocates. We believe that additional support and

the ability to improve outcomes for all clients is worth the additional cost of the recommended option.

This option is also more expensive than the status quo: it costs an additional \$1.29 million annually and \$500,878 in capital expenditures. Again, we believe that the ability of this option to substantially benefit clients outweighs its costs.

### ***Potential Conflict with the Housing Assistance Program***

This option will conflict with the existing housing assistance program provided through Care Not Cash. We believe that this conflict can be resolved at minimal additional cost to the HSA; toward that end, we recommend that the HSA convene a working group of stakeholders including CAAP staff, housing providers and client advocates to develop a mutually acceptable system through which the HSA can provide EBT benefits to clients in assisted housing.

We suggest that the working group begin with the goals that should be met under any final proposal:

- Clients must have an incentive to visit housing providers regularly to pay rent and access their housing assistance benefit
- Clients must maintain control over their benefits, including benefits paid out to housing providers as rent
- Housing providers must be able to reliably collect rent and recoup related costs (e.g. key deposits) from clients

### **Secondary Recommendation: Once-Monthly Payments via EBT for Non-Housing Clients**

In the event that our primary recommendation is infeasible due to an irresolvable conflict with the housing assistance system, we recommend that the HSA implement a system of once-monthly payments via EBT for all CAAP clients not receiving housing assistance.

While this option is more expensive than the status quo, costing an additional \$1.25 million annually and \$500,878 in capital expenditures, and may be opposed by some client advocates, we believe that it remains worthwhile to substantially benefit the majority of CAAP clients and moderately benefit the remainder.

## **Other Recommendations**

### ***The HSA should improve internal data collection.***

The HSA should create and monitor additional internal performance measures. We were unable to assess the impact of EBT on fraud detection rates and caseworkers' usage of time using the HSA's data. This suggests that additional performance monitoring might improve efficiency and help guide future HSA decisions.

### ***The HSA should explore ways to increase the number of CAAP clients who are banked.***

The majority of CAAP clients currently use check cashing outlets to access their CAAP benefits, indicating that these individuals do not currently have bank accounts.<sup>30</sup> Having a bank account can greatly increase an individual's ability to save and acquire wealth as well as inform individuals of investment strategies and proper credit use.<sup>31</sup> As such, the HSA should explore ways to increase the number of CAAP clients who have bank accounts and therefore access their cash benefits via EFT. Anecdotal data suggests that implementing EBT increases the number of clients who do so. The HSA should explore ways, beyond EBT, to increase the number of CAAP clients who are banked.

### ***San Francisco should increase ATM and POS access in underserved areas.***

As part of its EBT management contract with the State of California, JP Morgan conducted a study on ATM and POS locations in San Francisco that accept EBT cards and ascertained that there are a sufficient number in each San Francisco ZIP code to meet demand. However, ATM and POS locations appear to be relatively sparse in some areas where many CAAP clients live, such as Hunter's Point. Because of this, some CAAP clients may have to travel further to access

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<sup>30</sup> Vladimir Rudakov (CAAP Carrying Section Manager, San Francisco Human Services Agency), in discussion with authors, February 23, 2006.

<sup>31</sup> Anne Kim, *Taking the Poor Into Account: What Banks Can Do to Better Serve Low-Income Markets*, Progressive Policy Institute, 2001.

their benefits under EBT. The city should use geographic software to compare the addresses of CAAP clients with those of ATM and POS locations to estimate the average distance clients have to travel to access their benefits. Based on this assessment, San Francisco should work to increase ATM and POS access in underserved areas.

# OBSERVATIONS AND LIMITATIONS

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## **Limited Data**

Limited data on HSA operations made it difficult to estimate workload costs associated with EBT and check processing. We were also unable to separate the program costs associated with a change to EBT due to any potential increase in the rate of fraud detection and discontinuance. As a result, we have discussed this issue qualitatively and excluded it from our cost estimates. Given these limitations it is important to recognize that our options may not reflect the full costs of implementation. However, we do not believe that they bias our analysis or conclusions and are included here for primarily for the sake of completeness.

## **San Francisco Is Unique**

The City and County of San Francisco is distinct in its distribution of CAAP benefits, largely due to the voters' passage of Care Not Cash, making comparisons to other counties difficult. Additionally, given San Francisco's diversity and highly informed and engaged electorate, predictions based on the experience of other counties may not be entirely applicable.

## **Late Implementation Should Ease CAAP's Transition to EBT**

There are several reasons to believe that San Francisco's transition to EBT may be easier than other counties'. This should reduce the difficulty of implementing EBT for CAAP.

San Francisco is one of the last counties in California who have yet to convert their county cash assistance payment programs to EBT. Thus the HSA will be able to take advantages of best practices used in other counties and in transitioning San Francisco's Food Stamp and CalWORKs payments to EBT.

Many of the initial concerns held by advocates regarding EBT have not been borne out. In fact, several of the advocates we spoke with praised the HSA's implementation of EBT for its Food Stamp program.<sup>32</sup>

Finally, in the decade since the federal government mandated the use of EBT for the Food Stamp program, there has been a dramatic increase in the use and availability of electronic payments systems, including debit cards, online banking, and bill pay. Many earlier concerns about the accessibility of EBT have been alleviated by this mainstreaming effect.

## **Electronic Funds Transfer**

Electronic Funds Transfer (EFT) allows clients to have their benefits directly deposited into a bank account. Increased use of EFT could offer benefits to both clients and the HSA. As EFT was beyond the scope of our analysis, we did not assess the costs and benefits associated with EFT or strategies to increase EFT use.

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<sup>32</sup> Steve Bingham (Staff Attorney, Bay Area Legal Aid), in discussion with authors, April 6, 2006; Bill Hart (Executive Director, General Assistance Advocacy Project), in discussion with authors, April 7, 2006.

# APPENDICES

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## APPENDIX A: CAAP Statistics

Table A.1: Population Distribution According to CAAP Programs<sup>33</sup>

<b>Program</b>	<b>June 2005</b>
PAES -- Personal Assisted Employment Services	3,820 (50%)
GA -- General Assistance Program	1,624 (21%)
CALM -- Cash Assistance Linked to Medi-Cal	675 (9%)
SSIP -- Supplemental Security Income Pending	1,393 (18%)
Application Pending	205 (3%)
<b>TOTAL</b>	<b>7,717 (100%)</b>

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<sup>33</sup> City and County of San Francisco, Human Services Agency, *June 2005 CAAP Snapshot Quarterly Report*, <[http://www.sfhsa.org/files/caap\\_snapshot\\_quarterly\\_report/internetpostingjune2005caapreport.pdf](http://www.sfhsa.org/files/caap_snapshot_quarterly_report/internetpostingjune2005caapreport.pdf)>

**Table A.2: CAAP Client Ethnicity & Language Background<sup>34</sup>**

<b>Ethnicity</b>	<b>June 2005</b>
African-American	3,115 (40.4%)
White	1,823 (23.6%)
Chinese	869 (11.3%)
Hispanic	866 (11.2%)
Russian	217 (2.8%)
Filipino	282 (3.7%)
Vietnamese	151 (2.0%)
Cambodian	27 (0.3%)
Other Asian	172 (2.2%)
Other / Unknown	195 (2.5%)
<b>TOTAL</b>	<b>7,717 (100%)</b>
<b>Primary Language</b>	
English	5,893 (76.4%)
Cantonese	750 (9.7%)
Russian	250 (3.2%)
Spanish	375 (4.9%)
Filipino (Tagalog)	156 (2.0%)
Vietnamese	141 (1.8%)
Cambodian	7 (0.1%)
Mandarin	58 (0.8%)
Laotian	7 (0.1%)
Other / Unknown	80 (1.0%)
<b>TOTAL</b>	<b>7,717 (100%)</b>

<sup>34</sup> Ibid.

**Table A.3: CAAP Client Housing Type<sup>35</sup>**

<b>Scenario</b>	<b>June 2005</b>
Private Housing	6,199 (80.4%)
Tenderloin Housing Clinic	667 (8.6%)
Homeless	533 (6.9%)
Other Assisted Housing	318 (4.1%)
<b>TOTAL</b>	<b>7,717 (100%)</b>

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<sup>35</sup> Ibid.

**Table A.4: CAAP Client Housing by Neighborhood<sup>36</sup>**

<b>Scenario</b>	<b>June 2005</b>
Homeless	533 (6.9%)
Tenderloin Housing Clinic	667 (8.6%)
Assisted Housing	318 (4.1%)
Tenderloin (94102)	629 (8.2%)
South of Market (94103)	672 (8.7%)
Potrero Hill (94107)	171 (2.2%)
Chinatown (94108)	89 (1.2%)
Russian Hill (94109)	349 (4.5%)
Mission (94110)	585 (7.6%)
Ingleside / Excelsior (94112)	507 (6.6%)
Castro / Noe Hill (94114)	73 (0.9%)
Western Addition (94115)	352 (4.6%)
Parkside (94116)	140 (1.8%)
Haight (94117)	253 (3.3%)
Inner Richmond (94118)	100 (1.3%)
Outer Richmond (94121)	195 (2.5%)
Sunset (94122)	217 (2.8%)
Bayview / Hunter's Point (94124)	765 (9.9%)
Miraloma (94127)	36 (0.5%)
Glen Park (94131)	62 (0.8%)
Lake Merced (94132)	141 (1.8%)
North Beach (94133)	212 (2.7%)
Visitation Valley (94134)	487 (6.3%)
Other / Unknown	164 (2.1%)
<b>TOTAL</b>	<b>7,717 (100%)</b>

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<sup>36</sup> Ibid.

## APPENDIX B: Demographic Comparison between San Francisco and Alameda Counties

Table B.1: Cash Assistance Client Ethnicity & Language Background, by County

<b>Ethnicity</b>	<b>San Francisco</b>	<b>Alameda</b>
African-American	3,115 (40.4%)	1,815 (57.5%)
White	2,040 (26.4%)	414 (13.1%)
Asian	1,219 (15.7%)	455 (14.4%)
Hispanic	866 (11.2%)	170 (5.3%)
Filipino	282 (3.7%)	47 (1.5%)
Pacific Islander	N/A	44 (1.3%)
Native American	N/A	13 (0.4%)
Other / Unknown	195 (2.5%)	202 (6.3%)
<b>TOTAL</b>	<b>7,717 (100%)</b>	<b>3,157 (100%)</b>
<b>Primary Language</b>		
English	5,893 (76.4%)	2,640 (85.1%)
Chinese	808 (10.5%)	152 (4.9%)
Russian	250 (3.2%)	N/A
Spanish	375 (4.9%)	31 (0.9%)
Filipino (Tagalog)	156 (2.0%)	19 (0.6%)
Vietnamese	141 (1.8%)	130 (4.0%)
Other / Unknown	94 (1.2%)	130 (4.0%)
<b>TOTAL</b>	<b>7,717 (100%)</b>	<b>3,102 (100%)</b>

## **APPENDIX C: Calculation Methods**

Our analysis has focused on the potential changes in costs across policy options rather than the specific costs of each option. As a result, we focused our analysis on costs and other factors expected to differ across options.

Due to limited data availability, we made the following assumptions and approximations when calculating cost estimates and projecting client outcomes:

### *Assumptions*

**ARU usage:** We assumed that if transitioned to EBT, CAAP clients currently on Food Stamp EBT will increase their usage of the ARU help line by 50%. We assume that CAAP clients not currently receiving Food Stamps EBT will use the ARU at the same rate as current Food Stamp EBT clients.

**Cross-enrollment between CAAP and Food Stamp programs:** Data were available for the proportion of PAES and GA clients enrolled in the Food Stamp program. We assume that this rate is constant across CAAP programs and thus also applies to CALM and SSIP.

**Capital needs (embossers):** Data were available for the numbers and models of card embossers currently in use for Food Stamp EBT; specifications provided by their manufacturers estimated their capacities. Based on this information, we assume that no additional card embossers would be required to service CAAP clients.

### *Approximations*

**ATM withdrawals:** Existing data on ATM use by Food Stamp clients may not accurately predict the behavior of CAAP clients, who may more commonly access their benefits by ATM rather than POS terminals. For the purposes of projecting EBT-related costs for the HSA, we assume that the average client will use an ATM four times each month. This scenario maximizes costs for the HSA and represents an upper bound on ATM-related costs.

**Capital needs (PIN selection devices):** Data were available for the number of PIN selection and encryption devices currently in use for Food Stamp EBT. Based on this information, we assume that the rate of clients-per-machine should remain constant at 1,681.

**EBT card loss rate:** Data were available for the number of EBT cards issued to Food Stamp clients relative to the number of enrolled Food Stamp clients. We were unable to disaggregate the number of replacement cards issued from the total number of replacement and new cards issued. Our estimated EBT card loss rate is calculated based on the total number of EBT cards issued rather than replacement cards issued. Accordingly our estimated card loss rate is upwardly biased and represents an upper bound on card loss rates.

### *Dropped Observations*

**Discontinuances:** We used discontinuance data from January through March 2006 to estimate the effect of converting CAAP from a twice- to once-monthly payment schedule. In the data provided by the HSA, 305 of 3,136 observations reported discontinuances with a benefit of \$0.00. In estimating discontinuance rates and the amount of benefits being paid to discontinues, we dropped these zero-value observations.

## **APPENDIX D: CAAP and Food Stamp Workload Surveys**

### *Summary*

In order to develop statistics on the relative workloads associated with processing checks and handling EBT cards, we created and fielded two surveys asking questions about time spent on administrative and benefit-processing tasks. The first survey was distributed to CAAP workers, who currently distribute benefits via check. The second was distributed to Food Stamp workers who distribute benefits via EBT.

In total, 36 CAAP and 38 Food Stamp surveys were completed. Within each survey, the number of responses to individual questions was somewhat lower. As a result, the standard error associated estimates of the mean time spent on various tasks was quite large. Possibly because the survey allowed workers to list their own task categories, many workers did not reply to key questions on the form.

In an attempt to minimize the impact of the small sample sizes collected, we performed a “bootstrapped standard error simulation.” In this analysis, a computer program was used to repeatedly resample the survey responses we received, and average the means of all the re-samples together. Although this reduced the variance in our estimates, a large possible range remained.

The results of our survey are inconclusive. In fact, a simple analysis predicts that the time spent handling EBT issues is greater than that for checks. However, we believe that we did not capture true estimates of the time spent on check handling due to flaws in the survey design mentioned above and because CAAP workers do not clearly distinguish between time spent on “check-related issues” and other client-related tasks. Contrarily, Food Stamp caseworkers may more clearly distinguish between time spent on EBT and PIN issues and other client issues.

Our results are presented below:

**Table D.1: Total Cases per Worker per Month**

Variable	Valid Observations	Mean	Standard Error	95% Confidence (low estimate)	95% Confidence (high estimate)
CAAP Workers	36	120.2	9.53	104	136
Food Stamp Workers	35	266.2	21.24	231	301

**Table D.2: Time per Month per Worker, by Activity (in minutes)**

Variable	Valid Observations	Mean	Standard Error	95% Confidence (low estimate)	95% Confidence (high estimate)
Time to issue check (CAAP-specific)	17	1,190	288	579	1,801
Time for Lost Check (CAAP-specific)	13	397	102	175	620
Homeless/Housed Conversion (CAAP-specific)	5	190	57	33	347
Replace EBT Card (Food Stamp-specific)	28	592	250	78	1,105
PIN Change (Food Stamp-specific)	9	476	391	0 (negative; clamped to 0)	1,379
Client Training (Food Stamp-specific)	9	2,448	1,520	0 (negative; clamped to 0)	5,952
Client Remedy	28	762	255	238	1,285
Fraud Referral	25	244	96	45	443

**Table D.3: Time per Month per Worker, by Check-related Time versus EBT-Related Time (in minutes)**

<b>Variable</b>	<b>Valid Observations</b>	<b>Mean</b>	<b>Standard Error</b>	<b>95% Confidence (low estimate )</b>	<b>95% Confidence (high estimate )</b>
Total specific to Food Stamp (EBT)	5	1,9158	10,321	0	4,7815
Total specific to CAAP (Checks)	12	3,091	899	1112	5,071

**Table D.4: Total Case Issues per Worker per Month**

<b>Variable</b>	<b>Valid Observations</b>	<b>Mean</b>	<b>Standard Error</b>	<b>95% Confidence (low estimate )</b>	<b>95% Confidence (high estimate )</b>
Cases touched	71	192.2042	14.56124	163.	221
Check Issuances (CAAP-specific)	35	33.1	2.452987	28	38
Lost Checks (CAAP-specific)	27	8.333333	1.252917	6	11
Discontinuances	54	22.87037	2.221063	18	27
Client Remedies	42	13.59524	1.941302	9	18
Fraud Referrals	47	5.06383	1.924549	1.2	8.9
Homeless/Housed (CAAP-specific)	5	5.2	1.337909	1.5	8.9
Card Replacements (Food Stamp - specific)	36	35.29167	5.31658	24.5	46.1
PIN Changes (Food Stamp - specific)	13	26.69231	11.64837	1.3	52.1
Client Training (Food Stamp - Specific)	8	40.875	17.24968	0 (negative; clamped to 0)	82
Other Alerts (only Food Stamp surveys reported)	5	210	64.03124	32	388
Other Discrepancies (only Food Stamp workers reported))	5	83.5	54.36911	0 (negative; clamped to zero)	234

**Table D.5: Number of Case Issues per Worker per Month, by Food Stamp-Specific and CAAP-Specific Issues**

Variable	Valid Observations	Mean	Standard Error	95% Confidence (low estimate)	95% Confidence (high estimate)
Total Food Stamp Specific Actions	9	78.66667	31.64868	5.7	151.6
Total CAAP Specific Actions	27	38.27778	3.045983	32.0	44.5

**Table D.6: Time by Activity per Worker Per Month (in minutes)**

Variable	Observations	Mean	Standard Error	95% Confidence (low estimate)	95% Confidence (high estimate)
Issue Check (CAAP-specific)	18	37	4.714045	27	47
Lost check (CAAP-specific)	14	42.5	6.456745	29	56
Discontinue Benefits	37	30.59459	4.456869	21	40
Client Remedy	29	39	5.360324	28	50
Fraud Referral	27	27.5	3.118103	21	34
Homeless to Housed (CAAP-specific)	5	36	3.221025	27	45
Replace EBT Card (Food Stamp-specific)	28	12	2.685509	6.5	17.5
Change EBT PIN (Food Stamp-specific)	9	19	12.95267	0 (negative; clamped to 0)	49
Train Client (Food Stamp-specific)	9	35.5	14.65719	2	69
Other Alerts (only Food Stamp workers reported)	5	28	8.524084	4	52
Other Discrepancies (only Food Stamp worker reported)	5	133	56.90993	0 (negative; clamped to 0)	291

**Table D.7: Time per Action per Worker per Month, by EBT-Specific and CAAP-Specific Activities**

Variable	Valid Observations	Mean	Standard Error	95% Confidence (low estimate)	95% Confidence (high estimate)
All Food Stamp Specific Activities	5	118	54.22813	0 (negative; clamped to 0)	268
All CAAP-Specific Activities	13	82	11.72788	56	107

**Table D.8: T-Test Comparison**

Two variables common to both Food Stamp and CAAP had a sufficient number of observations in both to conduct rudimentary T-tests. In both cases, we saw that there was insufficient evidence to show that these tasks vary significantly between the two programs

Variable	Degrees of Freedom	CAAP Mean	Food Stamp Mean	t-score	Not significant
Per Client Time per Month Spent on Client Remedy	28	3.24	2.57	-0.39	Not significant
Per Client Time per Month Spent on Fraud Referrals	24	0.36	1.15	0.99	Not significant

Finally, the following tables show the amount of time per caseworker client, of all check-related activities and all EBT-related activities, as reported by the case workers.

**Table D.9: Time per Client per Month, Broken Down by Check-Related vs. EBT-Related**

Variable	Observations	Mean	Standard Error	95% Confidence (low estimate)	95% Confidence (high estimate)
All CAAP-Specific Activities	36	10.2	2.80	5.6	14.8
All Food Stamp - Specific Activities	35	16.8	11.5	0 (clamped from negative)	35.6

**Table D.10: Time per Client per Month, Broken Down by Activity**

<b>Variable</b>	<b>Mean</b>	<b>Standard Error</b>	<b>95% Confidence (low estimate )</b>	<b>95% Confidence (high estimate )</b>
Client Training	12.7	7.1	0.97	24.4
Homeless to Housed Transition (CAAP-specific)	1.1	0.29	0.65	1.6
Check Issuance (CAAP-specific)	12.9	4.0	6.4	19.4
Lost Check (CAAP-specific)	2.4	0.53	1.5	3.2
PIN Change (Food Stamp - specific)	5.1	4.6	0 (clamped from negative)	12.6
Fraud Referrals	0.9	0.37	0.28	1.50
Client Remedy	2.9	0.84	1.5	4.2
Replace EBT Card (Food Stamp - specific)	2.6	1.1	0.77	4.56

## CAAP/EBT WORKLOAD SURVEY

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What is your average monthly caseload? \_\_\_\_\_

Please note how much time you spend in an average month on the following issues:

Issue	Cases per Month	Clerical Time per Case
Check issuance		
Lost or undelivered checks		
Discontinuances		
Client remedy		
Referrals to Early Fraud		

Please add any other additional EBT-related issues on which you spend time:

Issue	Cases per Month	Time Spent per Case (in minutes)

Please list up to three other issues on which you work if you had more time:

Issue	Cases per Month	Time Spent per Case (in minutes)

**(OPTIONAL)** If we may contact you with further questions, please list your name and contact information:

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## FS/EBT WORKLOAD SURVEY

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What is your average monthly caseload? \_\_\_\_\_

Please note how much time you spend in an average month on the following issues:

Issue	Cases per Month	Time Spent per Case (in minutes)
Card replacement		
PIN Change		
Client training		
Discontinuances		
Client remedy		
Referrals to Early Fraud		

Please add any other additional EBT-related issues on which you spend time:

Issue	Cases per Month	Time Spent per Case (in minutes)

Please list up to three other issues on which you work if you had more time:

Issue	Cases per Month	Time Spent per Case (in minutes)

**(OPTIONAL)** If we may contact you with further questions, please list your name and contact information:

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## APPENDIX E: Potential Conversion of Cash Assistance Program for Immigrants (CAPI)

### Summary

The HSA has one other major program besides CAAP that currently disburses benefits using checks. The Cash Assistance Program for Immigrants (CAPI) is a state program funded through Medi-Cal and administered by the County that provides SSI-like benefits to legal immigrants who do not qualify for SSI. Because the HSA is considering switching CAAP to EBT, it is also considering concurrently changing CAPI to EBT.

We do not believe that our findings with respect to CAAP can be extrapolated to fit CAPI. CAPI is sufficiently different from CAAP to warrant its own analysis.

### Differences between CAPI and CAAP

We have not conducted significant research on CAPI; however, the following table summarizes our preliminary findings comparing the two programs:

**Table E.1**

	CAPI	CAAP
<b>Majority Client</b>	Elderly immigrant female (the program, by definition is for Elderly and disabled immigrants not eligible for SSI) (3.5% <i>under</i> the age of 65, 43% <i>over</i> the age of 71 <sup>37</sup> )	Working-age native male (19.8% <i>over</i> the age of 55, 60% male, 68.9% English speaking, GA recipients 62.9% homeless. <sup>38</sup> )
<b>Housing Situation</b>	Have a home (have a reliable address)	Many are indigent or otherwise without a reliable address
<b>Bank Account</b>	Yes. Many using direct deposit	Typically, no

<sup>37</sup> City and Country of San Francisco Department of Human Services, Medi-Cal Quarterly Report, January, 2003. <<http://www.sfgov.org/site/uploadedfiles/dhs/statistics/medical0103.pdf>>

<sup>38</sup> City and Country of San Francisco Department of Human Services, CAAP Quarterly Report, March 2003. <<http://www.sfgov.org/site/uploadedfiles/dhs/statistics/caap0303.pdf>>

	<b>CAPI</b>	<b>CAAP</b>
<b>Ambulatory</b>	In many cases, no	Varies
<b>Comfort with using electronic banking</b>	Presumed to be low	Moderate/Low
<b>Lost checks</b>	Few	Many
<b>Discontinuance</b>	Infrequent	Frequent

Most CAPI clients are elderly immigrants who have checks mailed to their homes or deposited in their bank accounts through direct deposit. Compared to CAAP, relatively few checks require re-issuance or are subject to fraud<sup>39</sup>. As a result, many of the problems that EBT addresses are not significant for the CAPI population. Similarly, relative to CAAP, a majority of CAPI checks are cashed at banks rather than check-cashing establishments that take a sizeable portion of CAAP funds for themselves through fees. Thus CAPI recipients are less likely than CAAP clients to benefit little monetarily from the changeover to EBT.

On the other hand, CAPI is faced with some unique challenges. Compared to CAAP clients, a larger percentage of CAPI clients are home-bound and so cannot easily access ATMs. CAPI clients may also be unwilling to lend an EBT card and its PIN to an assistant who could reach an ATM in their stead. Additionally, because all CAPI clients are elderly, they may not be familiar or comfortable doing their banking with ATMs.<sup>40</sup> As a result, converting CAPI to EBT might actually increase hardships for CAPI clients.

### ***Recommendations for Further Research***

It is plausible that a detailed analysis of the effects of implementing EBT for CAPI will show substantially different results from those of CAAP. We strongly recommend that CAPI receive an independent investigative treatment before being converted to EBT.

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<sup>39</sup> Interview with Paul Rosenberg, SFHSA, March 1, 2006.

<sup>40</sup> National Consumer Law Center <[http://www.consumerlaw.org/initiatives/seniors\\_initiative/topics\\_ebt.shtml](http://www.consumerlaw.org/initiatives/seniors_initiative/topics_ebt.shtml)>

## APPENDIX F: Glossary of Terms

Table F.1 Glossary of Terms

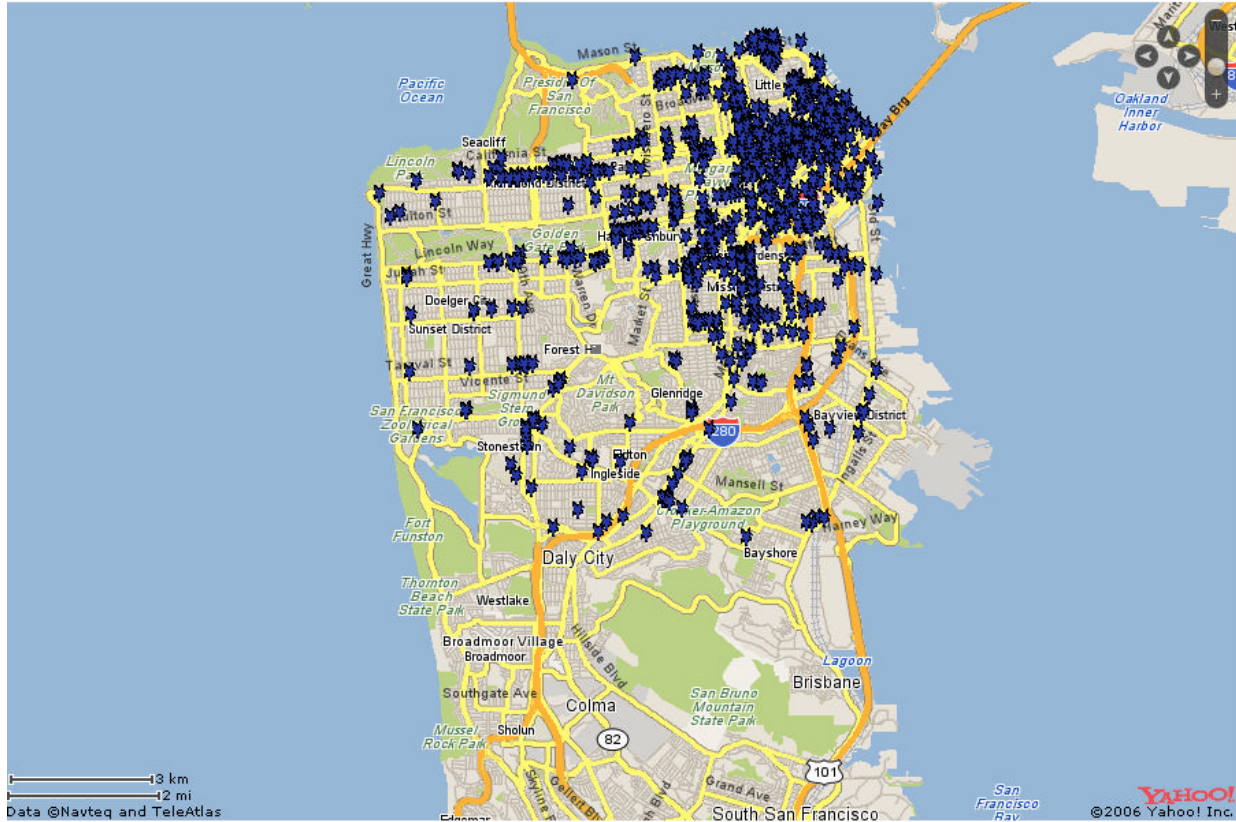
Term	Definition
ARU	<p>Automated Response Unit</p> <p>The ARU is a toll-free help line EBT clients can call to resolve difficulties accessing their benefits. Calls to this line are paid for by each county. This costs the county \$0.25 per call.</p>
ATM	<p>Automated Teller Machines.</p> <p>ATMs are machines from which bank and EBT transactions can be conducted.</p>
balance inquiry	<p>A balance inquiry is a non-financial transaction in which a user checks the current available balance of his or her account. EBT clients pay a \$0.25 fee each time they check their balance through an ATM.</p>
banked	<p>Individuals who have a checking or savings account are considered “banked.” One advantage of EBT implementation for the CalWORKs program was that many clients became banked, opening their own checking accounts and opting to receive their benefits through EFT rather than through EBT.</p>
CAAP	<p>County Adult Assistance Program</p> <p>CAAP programs distribute benefits to San Francisco adults with no other means of support. There are four separate programs under the CAAP umbrella: PAES, SSIP, GA, and CALM.</p>
CALM	<p>Cash Assistance Linked to Medi-Cal</p> <p>CALM provides a financial benefit to individuals receiving Medi-Cal (because they are aged or disabled) but who do not qualify for SSI or CAPI.</p>
CalWIN	<p>CalWORKs Information Network</p> <p>CalWIN is the computer system that the HSA uses to track and issue all benefits, including those distributed under CAAP. CalWIN is a state-wide system with customization for each county that uses it. Currently, most counties have switched over to using CalWIN.</p>
CAPI	<p>County Assistance Program For Immigrants</p> <p>Under CAPI, the State of California provides SSI-like benefits to elderly immigrants who do not qualify for SSI. This program is funded by the state but administered by counties.</p>

Care Not Cash	Care Not Cash is the commonly-used name given to the changes in San Francisco's assistance programs approved through the voters' passage of Proposition N in 2004. Care Not Cash changed the CAAP benefits package to shift focus from cash benefits to in-kind benefits such as housing and job training.
case	A single beneficiary unit receiving benefits from one or more programs through a single recipient account.
CSEBTP	California State EBT Project  The California State EBT Project oversaw and implemented the change to EBT for the Food Stamp program in California.
DHS	Department of Human Services  DHS is the federal Department of Human Services.
EBT	Electronic Benefits Transfer  As part of the Food Stamp program, the federal government mandated that coupons be replaced with an electronic distribution system. This took the form of the EBT card, which is similar to a bank ATM card. The EBT system is also capable of hosting the benefits from other public assistance programs. Currently, most counties in California provide cash benefits via EBT.
EBT card	The EBT card is the plastic card that clients use to access their benefits at ATMs and POS terminals. It resembles an ATM card and It contains the client's account number on a machine-readable magnetic strip.
GA	General Assistance  GA provides a cash grant to indigent, able-bodied adults. The program is combined with a requirement to participate in Workfare (local community service). GA is a state-mandated program administered and funded by counties.
PAES	Personal Assistance Employment Services  PAES provides a cash stipend as well as education and training to improve client employability according to an individualized employment plan.
PIN	Personal Identification Number  A PIN is a secret code that clients select to access their benefits using the EBT system. In order to access benefits, clients must possess both their physical EBT card and be able to enter their PIN into a keypad on the ATM or POS terminal.

POS	<p>Point-of-Sales</p> <p>POS terminals are electronic devices designed to allow customers to pay for goods and services without cash. Many POS locations also allow clients using EBT to access their benefits to make purchases and, in some cases, receive “cash back” cash withdrawals.</p>
PRWORA	<p>Personal Responsibility and Work Opportunity Reconciliation Act</p> <p>Passed in 1996, PRWORA was a major welfare reform package. Among other changes, it mandated that Food Stamp benefits be distributed via EBT instead of paper coupons</p>
SSI	<p>Supplemental Security Income</p> <p>SSI is a federally income supplement funded by general tax revenues. It provides the aged, blind and disabled with a cash benefit to meet basic needs for food, clothing, and shelter.</p>
SSIP	<p>Supplemental Security Income Pending</p> <p>SSIP is a program that provides disabled individuals eligible for SSI with a cash benefit, housing subsidy and Muni tokens for medical appointments until their SSI application is approved</p>
THC	<p>The Tenderloin Housing Clinic</p> <p>THC is the largest provider of low-income housing for San Francisco’s CAAP clients. They currently contract with the city to provide housing for 3,000 clients a year.</p>
USDA	<p>United States Department of Agriculture</p> <p>The Food Stamp program is administered by the USDA</p>

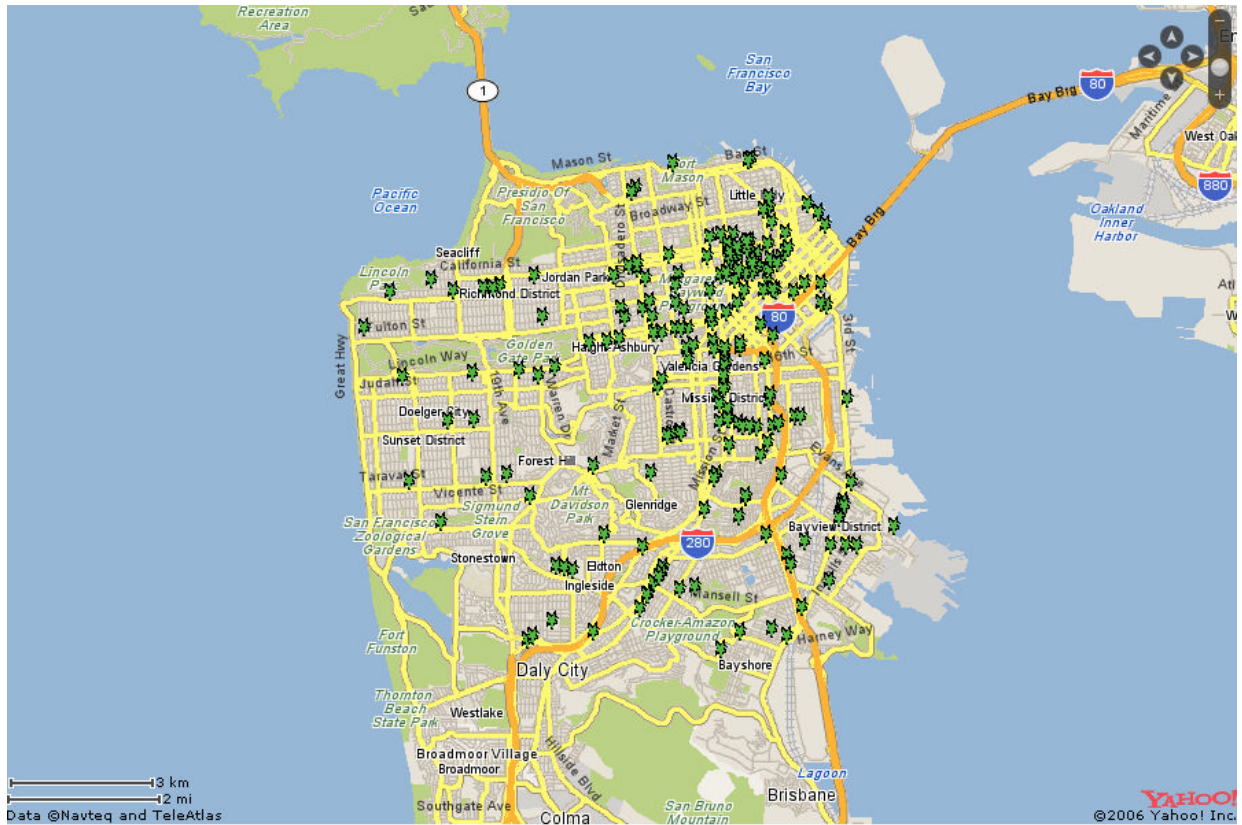
## APPENDIX G: Maps of EBT Access Locations in San Francisco

The map below shows locations of San Francisco ATMs that accept EBT cards:<sup>41</sup>



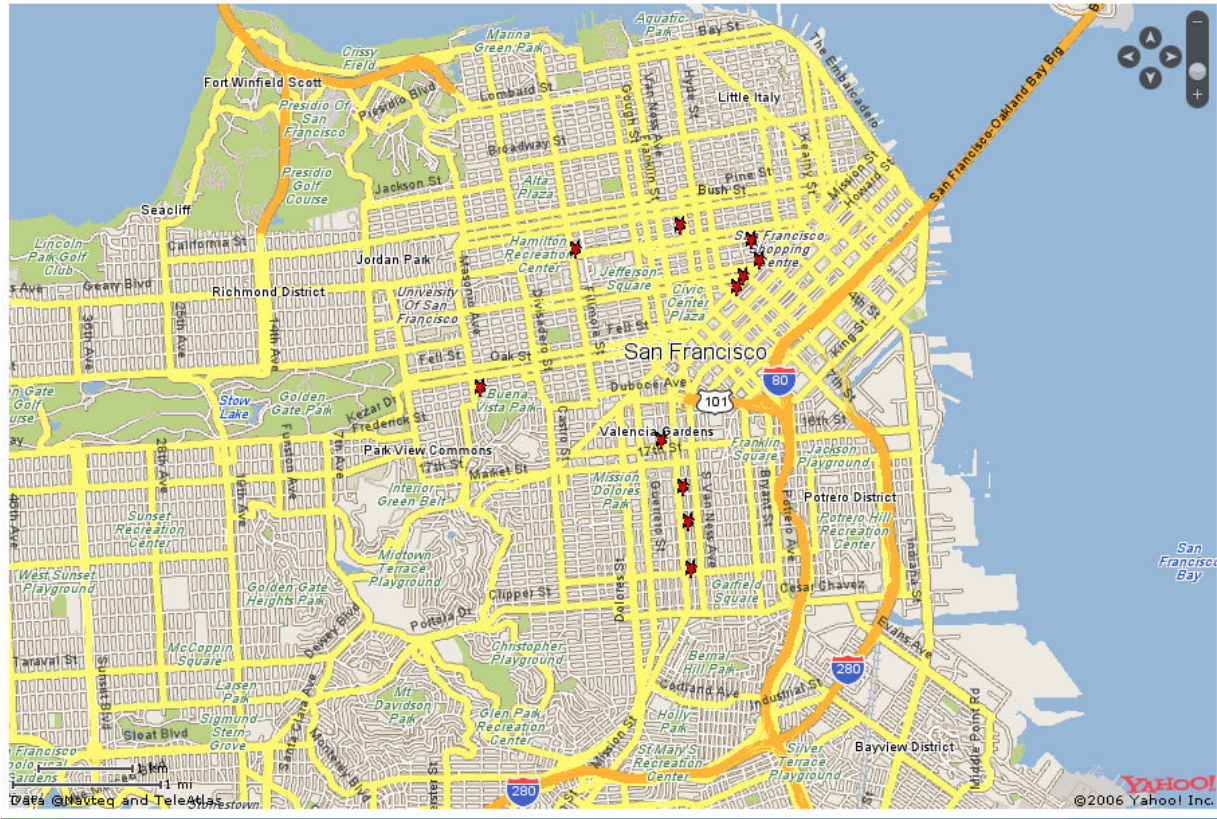
<sup>41</sup> Data from the California EBT, San Francisco County Cash Access Plan, March 17, 2006

The map below shows locations of San Francisco POS terminals that accept EBT cards <sup>42</sup>



<sup>42</sup> Ibid

The map below shows check cashing locations in San Francisco where CAAP clients currently receive benefits – not all check cashing locations in San Francisco:<sup>43</sup>



<sup>43</sup> Data from City and County of San Francisco Fiscal Homeless Warrant Register Summary Report Mid-Month, February, 2006

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