



STATE OF IOWA

CHESTER J. CULVER, GOVERNOR
PATTY JUDGE, LT. GOVERNOR

DEPARTMENT OF HUMAN SERVICES
KEVIN W. CONCANNON, DIRECTOR

The grocer EBT transaction fee June 2008

The issue: Iowa food stamp recipients pay for their groceries with an electronic benefit transfer (EBT) card, which acts like a debit card. Each time the EBT card is swiped at the checkout counter, the federal government pays for groceries and the state of Iowa pays the grocer an additional 7.0 cents.

Iowa is an outlier: Six states use tax money to pay grocers a fee every time a food stamp customer uses the checkout-line swipe machine. Forty-four states pay no transaction fee.

Iowa pays more than any other state: Iowa pays 7.0 cents per swipe, costing taxpayers \$1 million a year, with half being state dollars and the rest federal. Minnesota pays 4.0 cents, Illinois 2.5 cents, Texas 2.0 cents, New Jersey 1.4 cents, and Georgia 0.58 cents per swipe.

Iowa is not getting a return for this investment. The delivery of food stamps is not impeded by the lack of a taxpayer-paid grocer fee in 44 states. The subsidy does not enhance service to the food stamp program, or to recipients, in Iowa.

Iowa state law requires the subsidy. The DHS and two successive governors have recommended an end to the subsidy in each of the last four years.

No other customers pay a fee for using the swipe machine. In fact, it is the other way around. Grocers pay fees to your credit card company. Grocers provide the swipe machines as a convenience for customers. There is a cost to do this. Costs are recovered in the price of groceries.

Iowa has paid the highest subsidy since 2003. In September of that year, Wisconsin ended its fee of 8-cents per swipe. Wisconsin had just ended the use of paper food stamp coupons.

Wisconsin's reasoning. Wisconsin based its decision on a study by well-respected Maximus showing that grocers saved money with the transition away from coupons.

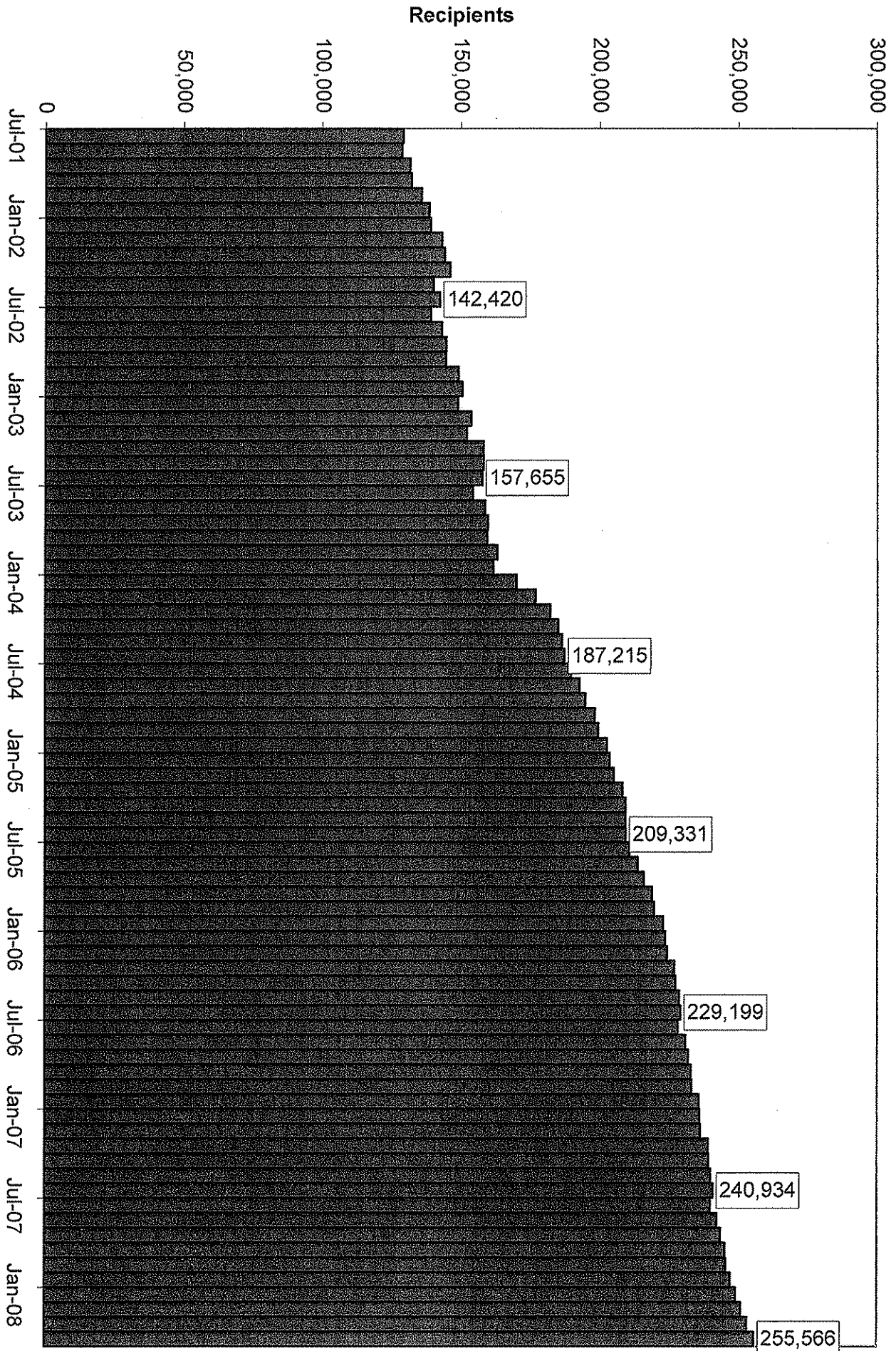
Grocers are essential. Grocers are an essential part of the food assistance program. Grocers have been well served by the food stamp program. Food stamp customers spend \$25 million a month in Iowa. That's double the amount of just five years ago.

Inaccurate forecast. Some predict grocers will demand state-paid EBT-only machines if there is no transaction fee. Wisconsin officials heard the same prediction in 2003. The number of state-paid EBT-only machines has declined in that state.

In conclusion: Turn the question around. If the grocer fee did not exist, as is the case in 44 states, would policymakers see a need to install one? Doubtful.

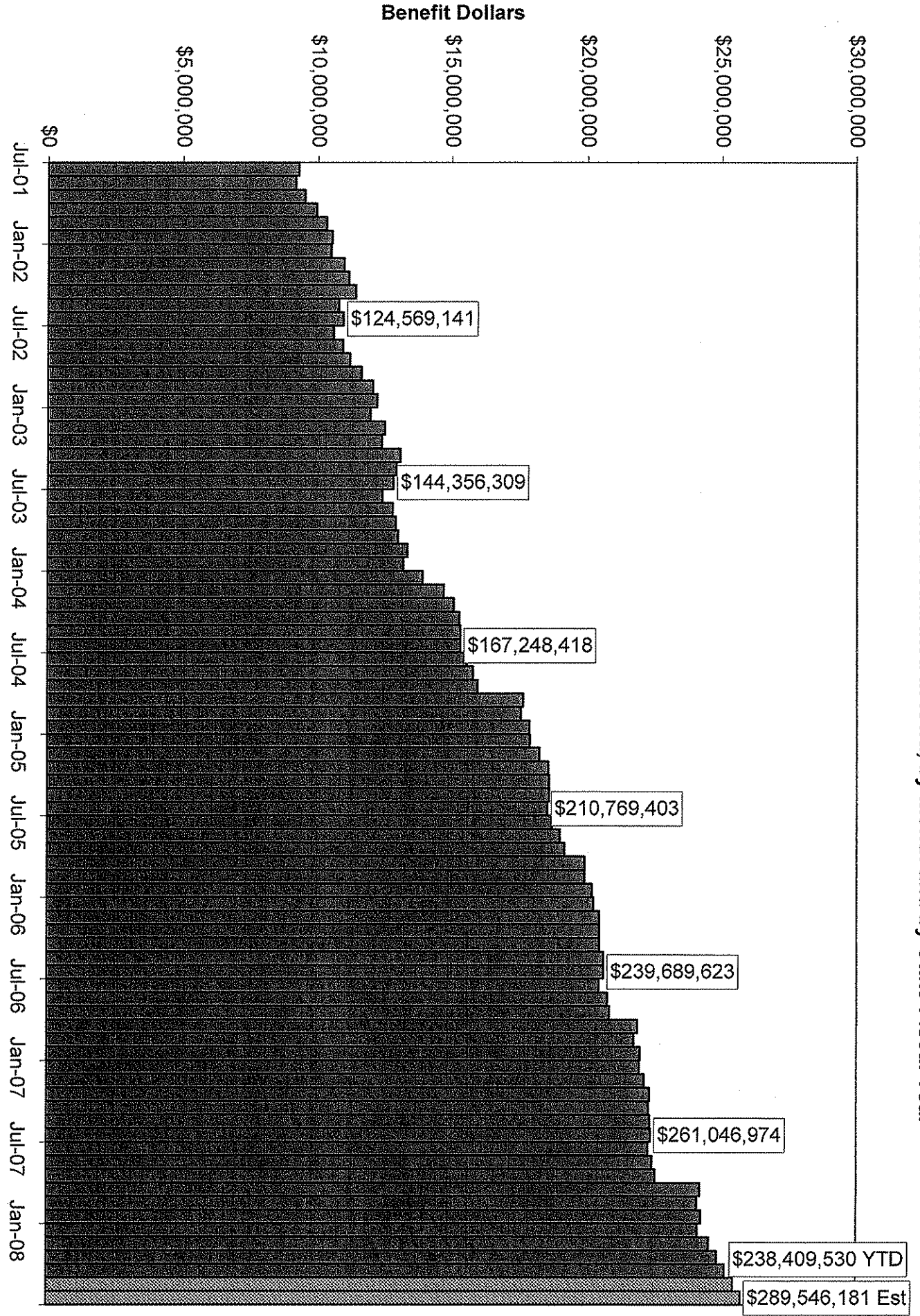
DHS suggestion. Policy makers should either save this money or redirect the appropriation. If policymakers want to help people of limited means, an appropriation to food banks would be welcome, especially now when food banks say their resources are drying up.

Number of Iowans Receiving Food Assistance



Source: F-1 Report—Food Assistance Program State Summary
Bureau of Research and Statistics
Division of Results Based Accountability

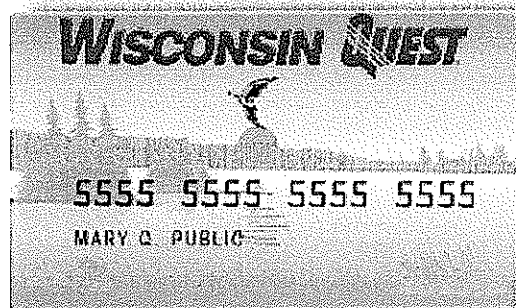
Total Food Assistance Benefits Distributed in Iowa, by Month and by State Fiscal Year



Source: F-1 Report--Food Assistance Program State Summary
 Bureau of Research and Statistics
 Division of Results Based Accountability

STUDY OF WISCONSIN RETAILER EBT & FOOD COUPON COSTS

May 30, 2002



Prepared For:
State of Wisconsin
Department of Workforce Development
Division of Economic Support

Prepared By:
MAXIMUS
2702 International Lane
Suite 201
Madison, WI 53704

TABLE OF CONTENTS

EXECUTIVE SUMMARY 1

STUDY OF WISCONSIN RETAILER EBT AND FOOD COUPON COSTS 3

A. BACKGROUND 3

B. WORK PLAN..... 5

C. STATISTICAL SAMPLING 7

 C.1 PHASE I: FOOD COUPON ENVIRONMENT 7

 C.2 PHASE II: EBT ENVIRONMENT 8

D. SAMPLING RESULTS..... 10

 D.1 TRANSACTION PROCESSING 10

 D.2 BACKROOM LABOR ESTIMATES 14

 D.2.1 *Phase I: Food Coupon Environment* 14

 D.2.2 *Phase II: EBT Environment* 15

E. FOOD STAMP PROCESSING COST CALCULATIONS..... 16

 E.1 PHASE I: FOOD COUPON ENVIRONMENT 16

 E.2 PHASE II: EBT ENVIRONMENT 19

 E.2.1 *Retailer EBT Processing*..... 19

 E.2.2 *Fees for Processing EBT* 21

F. OVERALL COST PER FOOD STAMP TRANSACTION..... 22

 F.1 PHASE I: FOOD COUPON ENVIRONMENT 22

 F.2 PHASE II: EBT ENVIRONMENT 23

G. CONCLUSIONS 24

 G.1 COMPARISON OF FOOD COUPON PROCESSING COSTS TO EBT PROCESSING COSTS 24

 G.2 COMPARISON OF EBT COST TO THE COSTS OF ACCEPTING OTHER TENDER TYPES 24

 G.3 COMPARISON OF WISCONSIN RETAILER EBT FEES TO OTHER STATES 25

APPENDIX A: RETAILER COST STUDY - DATA GATHERING PLAN..... 27

APPENDIX B: PHASE I OBSERVATION FORM 29

APPENDIX C: PHASE I OPERATING COSTS SURVEY 30

APPENDIX D: RETAILER COST STUDY – EBT DATA GATHERING PLAN 33

APPENDIX E: PHASE II OBSERVATION FORM..... 37

APPENDIX F: RETAILER FOOD STAMP/EBT PROCESSING SURVEY 38

EXECUTIVE SUMMARY

In 1995 the Wisconsin Legislature directed the Wisconsin Department of Workforce Development (DWD) to implement electronic benefits transfer (EBT), a paperless food stamp system (Wisconsin Act 368). The Legislature also directed that in implementing EBT, the department, "shall, to the extent possible, maximize the use of existing point-of-sale (POS) terminals." One potential obstacle to achieving this objective was retailer concern about the possible increased costs for conducting business under electronic benefits transfer (EBT). To alleviate this concern, DWD agreed to pay a fee of \$.08 per EBT food stamp transaction to retailers utilizing their own POS terminals. Under this agreement, the fee would be paid for a fixed period of two years following the rollout of the EBT project. DWD began implementing the EBT program in 2000 and at the same time commissioned a study to compare retailer costs associated with EBT to the cost of processing paper food stamp coupons (food coupons).

The first phase of the study was to determine the cost to retailers for accepting and processing food coupons. Field observations were conducted in those parts of the State where EBT had not yet been implemented. Retail stores were selected in cooperation with the Wisconsin Grocers Association (WGA). Stores included independents, local chains and national chains. In addition to field observations, a survey was sent to retailers to gather data on their operations. Once all of the data was collected a statistical analysis was performed.

The Phase I study was completed in June of 2001 and a Phase I report was issued by MAXIMUS, which was contracted to perform the study, to DWD on June 30, 2001. The results of the Phase I study show that the overall average cost per food coupon transaction is \$0.773.

Following the acceptance of the Phase I report by DWD, the MAXIMUS Project Team began work on Phase II. The same methodology was employed in the Phase II study as in Phase I. Stores were again selected from a list provided by the WGA, field observations were conducted, and a second survey was sent to the selected retailers. The same type of statistical analysis was performed on this data. The results of Phase II of the study show that the overall average cost per EBT transaction is \$0.218.

Calculated Retailer Cost per Transaction for Food Coupons and EBT		
Description	Food Coupon Cost/Txn	EBT Cost/Txn
Checkout clerk costs per transaction	\$0.112	\$0.105
Cash register close-out	\$0.138	\$0.020
Back-office general processing expense	\$0.110	\$0.005
Back-office bank deposit preparation	\$0.110	\$0.007
Checkout clerk training expense	\$0.079	\$0.036
Back-office clerical training expense	\$0.005	\$0.002
Cost of errors	\$0.219	N/A
Processing charge	N/A	\$0.042
Bank charge for deposit	N/A	\$0.002
Total Retailer Cost Per Transaction	\$0.773	\$0.218





Jim Doyle
Governor

Helene Nelson
Secretary

State of Wisconsin

Department of Health and Family Services

Telephone: 608-266-8922
FAX: 608-266-1096
TTY: 608-261-7798
www.dhfs.state.wi.us

August 13, 2003

Dear Retailer:

Wisconsin's 2003-2005 budget, Act 33 enacted July 24, 2003, eliminates the \$0.08 fee paid to some of the state's grocers by the Food Stamp Program. The change in fees is estimated to reduce state taxpayers' costs by about \$250,000 per year and will take effect on September 1, 2003.

The fee was authorized in 1998 to help assure a smooth transition from coupons to an electronic benefit transfer (EBT) system and has been paid only when the EBT transaction was processed on the grocers' own point-of-sale terminals. The conversion to EBT has reduced costs for retailers when compared to the cost of handling food stamps.

At the present time, over \$200 million of Food Stamp benefits are issued annually to low-income citizens to purchase food in Wisconsin stores. The Department of Health and Family Services is committed to increasing participation in the Food Stamp program, and helping more eligible families purchase nutritious food. Food stamps also provide economic benefits to our state. In the last 12 months, over 10,000 additional households have been added to the Wisconsin Food Stamp Program. The USDA estimates that every \$5 in food stamps generates \$9 in economic activity. At the current average benefit for a household (\$167/month), each 1,000 households added to the Food Stamp caseload will generate \$2 million annually in direct federal funding to the state for the purchase of food.

We are pleased to have completed a statewide transition to EBT and look forward to working closely with all Wisconsin retailers to increase participation in the Food Stamp program.

Sincerely,

Mark Moody
Administrator

Cc: Tim English, Food Stamp Director, USDA
Brandon Scholz, Wisconsin Grocers Association

Bcc: Susan Wood
Cheryl McIlquham
Rick Zynda
Joanne Simpson
Mike Skaer, USDA

-----Original Message-----

From: Timothy Burnett [mailto:BurneTF@dhfs.state.wi.us]
Sent: Tuesday, February 12, 2008 9:37 AM
To: Walters, Jan
Cc: Joanne Alig; Evie Ryan
Subject: Re: EBT Retailer Fees

Hi, The State of Wisconsin used to have an \$.08 per transaction retailer fee. The fees were discontinued because it was deemed that EBT transactions cost the retailer less than processing Food Stamp coupons. The State paid a consultant firm to assess the costs of both coupons and EBT. Attached is their assessment. Currently we have 2,218 retailers accepting the EBT FoodShare card throughout Wisconsin. Of these, 864 retailers are Certified EBT-only with 841 terminals. Here is the break down of EBT only devices

Nov' 2000 985
Nov' 2001 980
Nov' 2002 859
Nov' 2003 849

Our last retailer fee payment was in August of 2003. Our retail lobbyist also predicted a huge increase in stores asking for EBT only devices, but that never happened.

Year 2003

July 877 EBT only devices
Aug 866
Sep 855
Oct 846

Hope this helps, if you need any other information, please call Tim Burnett at 608-267-4573



United States
Department of
Agriculture

Food and
Nutrition
Service

Office of
Analysis,
Nutrition, and
Evaluation

Feasibility Study of Capturing Food Data at Checkout

FINAL REPORT

September 1999

Authors:

John Kirlin
Nancy Cole, Abt Associates

William Adam
Charles Pappas, Consumer Card Marketing, Inc.

Submitted by:

Abt Associates Inc.
55 Wheeler Street
Cambridge, MA 02138

Project Director: John Kirlin

Submitted to:

Office of Analysis, Nutrition, and Evaluation
USDA Food and Nutrition Service
3101 Park Center Drive, Rm. 214
Alexandria, VA 22302

Project Officer: Ken Offerman

This study was conducted under Contract No. 53-3198-4-022 with the Food and Nutrition Service, United States Department of Agriculture, under the authority of the Food Stamp Act of 1977, as amended. Points of view or opinions stated in this report do not necessarily represent the official position of the Food and Nutrition Service.

Exhibit 5-16

Distribution of Food Stamp and Non-Food Stamp Item Purchases, By Product Category

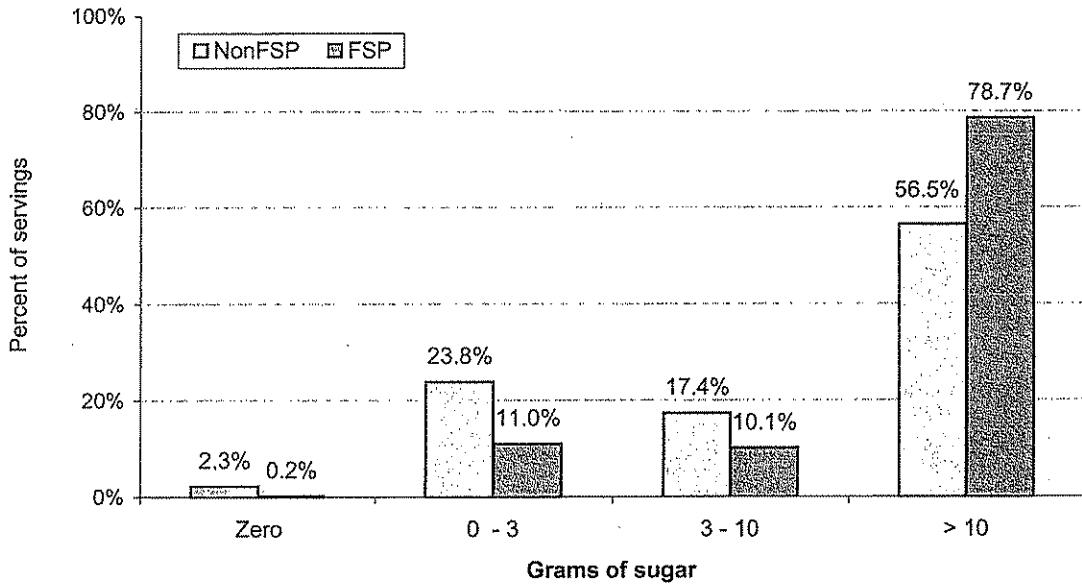
	Food Stamp Redemptions	Non-FSP Transactions
MILK, CHEESE, CREAM	4.8%	7.8%
Milk	2.4%	3.9%
Cheese	2.1%	3.3%
Cream	0.1%	0.3%
Yogurt	0.2%	0.3%
FRUIT AND VEGETABLES	12.2%	14.9%
Fruit	3.6%	4.4%
Juice	1.3%	2.4%
Vegetables	7.4%	8.1%
PREPARED FOODS	9.6%	9.0%
Frozen/Refrigerated	2.4%	2.4%
Deli/Salad bar	0.5%	1.4%
Grain Based	4.2%	2.1%
Meat Based	0.4%	0.4%
Soup	1.0%	1.3%
Diet	0.4%	0.3%
Baby Food	0.8%	1.0%
MEAT AND MEAT ALTERNATIVES	32.2%	26.8%
Red meat	12.2%	10.5%
Poultry	3.2%	3.8%
Fish	2.2%	2.3%
Lunch meats	6.1%	5.4%
Eggs	0.8%	0.9%
Legumes	0.2%	0.1%
Nuts	0.7%	0.8%
Meat, NFS*	6.8%	3.1%
GRAIN PRODUCTS	10.9%	10.6%
Breakfast cereals	3.3%	2.5%
Flour, rice, pasta	3.5%	1.8%
Bread	1.7%	3.1%
Bakery products	2.3%	3.2%
OTHER FOODS	30.3%	31.0%
Fats, oils	3.0%	2.5%
Sugar, candy	4.7%	3.7%
Seasonings	1.3%	0.7%
Soft drinks, ades	7.9%	6.3%
Coffe, tea	1.1%	2.4%
Salty snacks	2.1%	2.2%
Cookies, cakes, pies	4.9%	5.4%
Ice cream, jello, pudding	1.5%	2.5%
Condiments	2.7%	2.5%
NFS	1.2%	2.8%
Total purchases/redemptions	89,426	2,260,366

Notes: Table excludes items in the following broad product categories; Non-food, General Merchandise, Fees.
See notes to Exhibit 10 for definition of Food Stamp and Non-Food Stamp purchases.

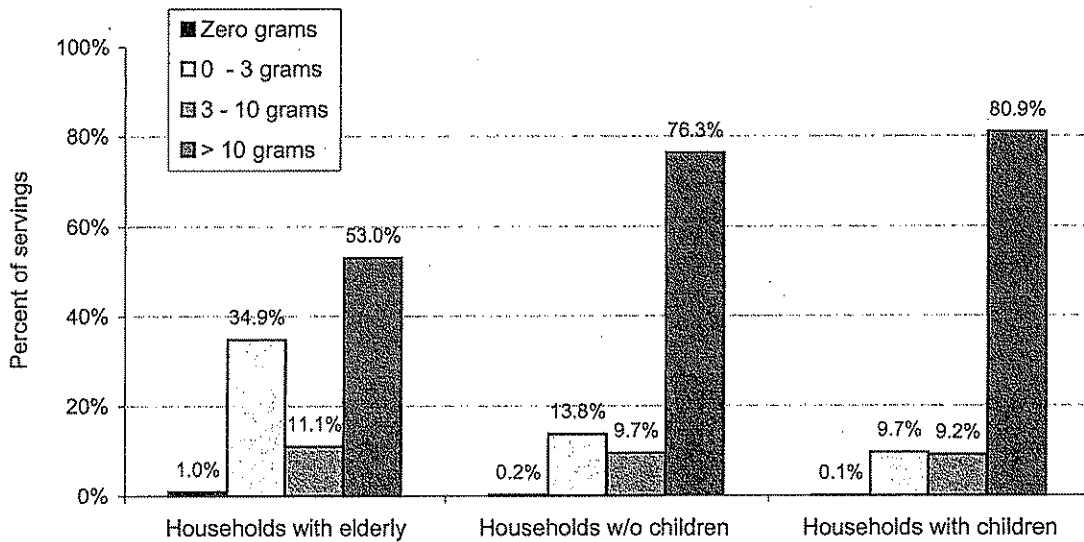
* NFS means not further specified.

Exhibit 5-23

**Distribution of Purchased Breakfast Cereal Servings By SUGAR Content:
Food Stamp and Non-Food Stamp Purchases**



**Distribution of Food Stamp Purchases of Breakfast Cereal Servings,
By SUGAR Content and Household Type**





Department of Human Services
Program to Enable Farmers Market Access for Food Stamp Customers

- **Why start the program?**
 - Enables food stamp customers to have access to the freshest, locally-grown food. Hard-wired EBT machines do not function at remote markets. USDA strongly urging states to find a way to bring back access that was lost when coupons were phased out.
 - Provides new customers for farmers
- **Timeline**
 - 10 farmers in three markets in 2005.
 - Now 161 farmers in 105 markets, more in both categories than any other state.
 - Iowa sponsors nationwide seminars to help launch programs in other states.
- **Farmer Testimonials**
 - 66 percent of participating farmers say their overall sales increased. Of those, the average overall sales growth was 28 percent in calendar 07.
- **Participation**
 - Total farmer's market sales using wireless machines in 07 was \$516,000.
 - Total EBT transactions in 07 was 4,457, which is double the number in 2006. The number is expected to double again in 2008.
- **Who pays debit/credit fees?**
 - In the first three seasons, the Iowa Farm Bureau Federation paid these fees.
 - Now, farmers pay the fees themselves.
- **Outreach costs.**
 - Outreach is needed to educate food stamp customers about new places to shop (farmers markets).
 - Total outreach cost in 2007 was \$268,500, or about \$2.40 per food assistance household. Total program cost in 2007 was \$378,000, or \$3.39 per food assistance household.¹

¹ Total costs include outreach, mailers, supplies, signage, postage, wireless fees, etc.