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Farmer's Market Wireless EBT Program

An efficient use of taxpayer dollars?

The Department of Human Services ("DHS") wants to eliminate the 7-cent reimbursement Iowa grocers receive each time they accept an EBT card used by persons on food assistance. DHS spokesman Roger Munns told the *Des Moines Register* that the reimbursement is "a waste of tax dollars."

DHS is right that there is a significant "waste of tax dollars" in the EBT program. But DHS fingered the wrong culprit. Instead of attacking an industry that provides safe, healthy, economical food to millions of Iowans, DHS should reexamine how it spends program money.

In 2005, DHS began what it calls the "Wireless Project" – an attempt to promote use of EBT cards at farmers' markets. The Wireless Project has three components. First, DHS gives away wireless credit card point-of-sale ("POS") devices to vendors at farmers' markets. Second, the farmers' market vendors use the devices for free: DHS pays the transaction costs for use of the POS devices (Farm Bureau pays some, but not all, of the cost of credit and debit card purchases). Third, DHS promotes the Wireless Project through an aggressive statewide advertising program.

The Wireless Project is based on the fundamentally flawed premise that the food at farmers' markets is somehow better than the food at grocery stores and, therefore, the state should spend taxpayer money competing against grocery stores. Notably, there is no requirement that food purchased using state dollars be Iowa-grown.

To add insult to injury, the Wireless Project has involved spending a large amount of tax dollars with very little to show for it. Some interesting facts about the program in its first two years, March 2005 through December 2006:

- DHS spent a total of \$504,739.84 on the Wireless Project, including:
 - \$286,037.48 on advertising, \$2,080 of which went to an ad agency to draft a single press release.
 - \$17,353.35 in transaction fees for EBT cards as well as credit and debit cards used by wealthier customers at farmers' markets.
 - \$75,480.73 to purchase of 84 wireless POS devices, at an average cost of nearly \$900 per device.
- What did DHS get after spending over half a million taxpayer dollars in two years?
 - A mere 2,301 EBT transactions, representing only one fifth of the total number of transactions on state supplied wireless POS devices. The other 80% of the transactions were credit and debit cards.
 - EBT recipients spent only \$19,947.34 at farmers' markets, which represents only 8.7% of the total dollars processed through the state-supplied wireless POS devices.
- How's this for a "waste of tax dollars"?
 - **DHS spent \$219 for each and every transaction by an EBT recipient at a farmers' market!**
 - **For every dollar spent by an EBT recipient at a farmers' market, DHS spent over \$25 taxpayer dollars promoting and administering the Wireless Project!**

Given these facts, how can the DHS say that 7 cents per transaction at grocery stores is a waste?