



**THE VOICE OF FOOD RETAIL**

Feeding Families  Enriching Lives

## **Supplemental Nutrition Assistance Program (SNAP)**

### **Background**

Since the 1960s, SNAP, the Supplemental Nutrition Assistance Program (formerly the food stamp program), has become the largest food assistance program in the United States, serving almost 45 million Americans in 2010. The SNAP program is administered jointly by the U.S. Department of Agriculture (USDA) and state welfare agencies. The food retail industry, through direct interaction in our stores and with our employees, plays the critical front-line role in the shopping experience of SNAP customers.

What began some fifty years ago as a paper coupon, or “food stamp” program, transitioned by June 2004 into a national Electronic Benefits Transfer (EBT) program<sup>1</sup>. The move from paper food stamps to EBT cards is an example of a public-private partnership that works, adding efficiency and reducing errors and fraud for all stakeholders in the program – the state agencies, the retailers and the customers. Retailers can find additional information, including how to become authorized for the program, at <http://www.fns.usda.gov/snap/>.

### **Status**

Authorization for SNAP is scheduled to expire with the Farm Bill on September 30, 2012. Both the Senate and House Agriculture Committees have started holding legislative hearings on a new Farm Bill. Ideally, Congress will complete and the President will sign a new Farm Bill before October 1<sup>st</sup>. There are many variables, however, that are placing the timing and method of reauthorization into question.

The current Farm Bill costs \$307 billion over five years with \$209 billion of it dedicated to nutrition assistance programs. Congress is working under budgetary constraints that require significant spending reductions across all federal agencies. As part of its recommendations for the Budget Control Act of 2011, House and Senate Agriculture Committee leaders proposed \$4 billion in savings from SNAP, as well as changes to the requirements for retailers to become eligible to accept SNAP.

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<sup>1</sup> EBT is an electronic system that allows a recipient to authorize transfer of their government benefits from a Federal account to a retailer account to pay for products received. EBT is used in all 50 States, the District of Columbia, Puerto Rico, the Virgin Islands, and Guam.

All of this compounded with the 2012 elections means it is growing more and more likely there will not be a completed farm bill this year. With this in mind, Congress may move forward with a short term extension to get themselves past the November elections, or pass a longer term extension to put off reauthorization even longer.

One potential policy debate is whether SNAP purchases should be limited to only items deemed to have a certain level of nutritional value as dictated by the government. A handful of waiver requests and state legislative efforts to ban certain products from the program have arisen at the state level, but currently, all have failed to pass.

FMI will oppose those efforts as they will frustrate interoperability between states, create a more complicated shopping process for SNAP customers, as well as provide potential complexities for supermarkets to determine, program for, and enforce limitations on, the eligibility of products, given the countless number of newly introduced or changing items throughout the store in an ongoing basis.

The SNAP Program is primarily a hunger program, whereas the WIC program is primarily a nutrition program<sup>2</sup>. Industry is dedicated to helping all of our customers make healthy choices for their families, and supermarket retailers offer a variety of approaches to nutrition education to help in that regard including new voluntary labeling of facts up front that give consumers quick, basic health information about store products that are visible on the front of food packages throughout the store.

Also, the SNAP program is currently piloting a program to test the effectiveness of healthy incentives within the SNAP program and to determine whether or not those incentives impact shopper's behavior. This [Healthy Incentives Pilot \(HIP\)](#) program<sup>3</sup> is taking place in Hampden County, Massachusetts and began a fifteen month pilot in November 2011. Fruits and vegetables targeted for purchase in the HIP program are those currently allowed by the WIC National Fruit and Vegetable Voucher.

### **Grocery Industry Impact**

SNAP is currently a very streamlined and efficient program with low fraud, costs, and errors. FMI believes changing the structure for SNAP, for example, moving it to a block grant program, has the potential to lessen the ability of states to manage an uptick in SNAP participation or quickly and effectively aid those in need due to weather disasters such as tornados, hurricanes and flooding.

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<sup>2</sup> Food, nutrition counseling, and access to health services are provided to low-income women, infants, and children under the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC).

<sup>3</sup> HIP was authorized in Section 4141 of the Food Conservation and Energy Act of 2008.

While the program is currently interoperable between states, new program structures or state-by-state restrictions on eligible products could remove guarantees regarding the administration of the program that currently exist at the national level. As such, FMI and industry partners sent a letter to the Senate Agriculture Committee and House Agriculture Subcommittee on Nutrition in 2011 supporting current SNAP program efficiencies.

As previously referenced, limiting SNAP purchases due to nutritional value is a complicated and erroneous undertaking with the thousands of products that are available in supermarkets across the country.<sup>4</sup> Limiting SNAP eligible products to specific items, as opposed to large buckets of products, would require extensive re-programming, as well as the creation and maintenance of an up-to-date list of products – both of which would increase administration costs in the system. Additionally, restrictions on SNAP eligible products put government into a SNAP shopper's basket and singles out SNAP customers, unnecessarily adding stigma back into the program.

Aside from limiting food choice, another issue of concern in the states is the distribution schedule of EBT benefits. Currently, nine states issue SNAP benefits on only one day, and others, on just three days. This creates a bottleneck for SNAP recipients and customers, as grocery lines become frustratingly long, on that one day. In addition, retailers have stocking issues and labor concerns as well. Stocking can be difficult for a retailer when they have to deal with their shelves being depleted after only one shopping day, and it is also difficult to keep labor for only a day or two surrounding that one busy day of the month.

A number of states have recently spread out their distribution schedules. For example, North Carolina spread their distribution days from ten days to nineteen days in 2011. The state worked closely with retailers and food bank representatives. All active households of recipients were sent notices detailing information on the adjustment in the EBT issuance dates beginning two months in advance of the scheduled distribution date change, and the state enclosed inserts in Medicaid and cash assistance mailings to notify recipients of the change and provided informational posters outlining the distribution date change to be used in the local county Social Service offices.

In addition, retailers developed cashier training materials as well as posted signage and distributed bag stuffers with details regarding the change in issuance dates. Providing clear materials and adequate notice well in advance of the change was crucial to help ensure that recipients were able to adapt to the new distribution schedule.

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<sup>4</sup> The average number of items carried in a supermarket in 2010 was 38,718.

[http://www.fmi.org/facts\\_figs/?fuseaction=superfact](http://www.fmi.org/facts_figs/?fuseaction=superfact)

The transition process was further facilitated by supplemental food bank support provided during this period by the wholesale and retail community. Both in-kind and direct financial support was provided to ensure food banks and food pantries were well-stocked prior to the initial transition.

In February 2012, USDA sent a letter to all states clarifying that USDA supports the staggering of SNAP benefits throughout the month – not just on a handful of days. In the letter, USDA asserts its stance: “... we are concerned when the effectiveness of the EBT distribution system is adversely impacted by factors that we have the combined ability to influence. Specifically, issuing SNAP benefits on a single day or over a limited number of days instead of staggering issuance over the course of the month, puts an unnecessary strain on SNAP clients and on participating retailers by causing surges in customer traffic at SNAP authorized stores.”

USDA further instructs states that “In the interest of best serving SNAP clients, we ask States to evaluate their issuance cycles and consider the steps, cost and time table that might be involved if the conversion of issuance dates to a staggered schedule or a further extension of a current schedule could improve services to SNAP clients and their access to healthy and nutritious food choices. States have the authority to stagger SNAP benefit issuance over the entire month as long as no participant goes longer than forty days between benefit issuance days”.

### **How SNAP Redemption at Retail Works**

A SNAP customer is issued an EBT card by the state. That card functions similar to a debit card and can only be used when a customer enters their unique personal identification number (PIN). Once a customer has their card, they are able to go to their neighborhood grocery store to do their shopping.

Currently, shoppers can purchase any foods for household preparation. They are, however, restricted from purchasing beer, wine, liquor, cigarettes, or tobacco, any non-food item, any foods considered nutritional supplements, any hot-prepared foods, or foods for consumption on the premises. If there is any question about whether or not a product qualifies, a request for determination can be submitted to USDA. Currently, there is a list of roughly 40 product category determinations that have been made; this is not item level detail.

When a customer completes their shopping, they continue to the checkout line where the cashier scans all of their items. When it is time to pay with EBT, and there is an item in their basket that does not qualify for SNAP, for example, paper towels, they will not

be able to pay for it with SNAP EBT. Products that do not qualify for SNAP are paid for with a different type of payment, for example, cash, credit, debit or TANF<sup>5</sup>.

Today, most retailers' Point of Sale (POS) systems are programmed to identify eligible SNAP items within large categories. Should additional limitations be placed on food items eligible under the SNAP program, there would need to be a significant reprogramming of retailers' POS systems to accommodate the more granular categories. This change will significantly increase the administrative cost of the program. Additionally, it will take extensive education efforts of not only SNAP participants to inform them of what types of products are banned from the program, but also cashiers.

Most large grocers would eventually be able to program an extensive list of banned products into their point-of-sale systems so that ineligible products would be identifiable when scanned; however, there would be major policy questions around which entity would make the product determination, maintain a list of ineligible products broken down to the subcategory product level (i.e. a UPC database), and keep that list updated with hundreds of new products entering the marketplace every day.

### **Position**

FMI supports SNAP as an effective, efficient way of reducing hunger and improving access to food for our nation's poor. FMI strongly supports improved efficiency by using current technology to deliver benefits electronically (EBT). We oppose significant program restructuring, such as breaking SNAP into 50+ variable state programs or government intervention, such as limiting food choice, both of which will increase the costs of administering the program.

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**Date Filed:** 3/27/2012

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<sup>5</sup> TANF, Temporary Assistance for Needy Families, is a federally funded grant program that allows states to create and administer their own assistance programs. TANF replaces the federal program previously known as "welfare," and enables states to offer a wide variety of social services. Sometimes states load TANF benefits on the EBT card, along with SNAP and other benefits.