



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #352

FoodShare Healthy Eating Incentive and EBT Equipment Funds (Health Services -- Medical Assistance and FoodShare Administration)

[LFB 2021-23 Budget Summary: Page 275, #5 and #6]

CURRENT LAW

Healthy Eating Pilot. 2017 Act 266 provided \$425,000 in 2017-18 on a one-time basis to fund a pilot program to provide discounts on fresh produce and other healthy foods to FoodShare recipients. Under the Act, the Department of Health Services (DHS) was required to establish and implement a 10-month pilot program to provide 2,000 households that are eligible for FoodShare benefits in both urban and rural areas with discounts on fresh produce and other healthy foods at the point-of-sale at participating retailers. Further, DHS was required to obtain and review proposals to administer the program under the Department's request-for-proposal procedures and according to criteria developed by the Department. After reviewing the applications submitted, the Act required DHS to select an applicant and enter into a contract with that applicant to administer the healthy eating pilot. At a minimum, the selected applicant must: (a) manage all financial transactions between and among participants, retailers, food manufacturers, and DHS; and (b) establish an adequate network of participating retailers to effectively conduct the pilot.

Subsequently, DHS was required to contract with an independent research entity to conduct a study of the program and to identify a statistically significant number of participants in the pilot program to provide food purchase, nutritional, and health data to the independent research entity. Finally, the research entity was required to analyze the efficacy of the pilot program in affecting food purchases and the health of participating families. However, this program was never implemented and the funding was never expended or encumbered.

EBT Equipment- Funding for Farmers and Farmers Markets. The federal Agricultural Act of 2014 requires that supplemental nutrition assistance program (SNAP or FoodShare in Wisconsin) retailers purchase their own electronic benefit transfer (EBT) processing equipment.

However, states have the option to provide no-cost, EBT point of sale processing equipment to certain farmers markets and direct-marketing farmers that can be exempt from the federal requirement.

In federal fiscal year 2019, the U.S. Department of Agriculture, Food and Nutrition Service provided states an opportunity to obtain funding to provide farmers markets and direct-marketing farmers with equipment that can be used to process SNAP transactions. Twenty-nine states, including Wisconsin, applied for and received funding. Wisconsin received \$187,500 on a one-time basis. The administration indicates that this funding must be spent before the end of federal fiscal year 2021 (September 30, 2021) and anticipates having expended the full amount by that date.

DISCUSSION POINTS

1. The federal supplemental nutrition assistance program (SNAP), called FoodShare in Wisconsin, provides federally-funded benefits to low-income individuals and families to buy food from participating retailers. In March, 2021, approximately 784,000 individuals, representing approximately 13% of Wisconsin's total population, lived in approximately 415,900 assistance groups (broadly households) that received FoodShare benefits.

2. The program is administered jointly by the federal, state, and local governments. At the federal level, the Food and Nutrition Service (FNS) in the U.S. Department of Agriculture (USDA) funds benefit payments, monitors state compliance with federal program rules, and oversees participating retailers. At the state level, DHS defines program policy within the bounds of federal regulatory guidance, oversees local agency operations, and conducts internal quality assurance activities.

3. SNAP benefits can be used to purchase foods including fruits and vegetables; meat, poultry, and fish; dairy; breads and cereals; other foods such as snacks and non-alcoholic beverages; and, seeds and plants, which produce food for the household to eat. Examples of what cannot generally be purchased with SNAP benefits include: beer, wine, liquor; vitamins, supplements, and medicines; prepared foods fit for immediate consumption; hot foods; or non-foods such as cigarettes, tobacco, cleaning supplies, or hygiene items.

Healthy Eating Pilot

4. USDA can give a state permission to conduct a pilot to test new ideas, such as restrictions on certain foods or incentives for certain foods. However, historically, USDA has raised a number of concerns regarding proposals to limit what SNAP benefits can be spent including concern regarding: how to determine what foods are healthy as opposed to unhealthy; the complexity and cost involved in implementing and administering such requirements; as well as a lack of evidence to suggest that restricting certain foods will result in better health outcomes and not simply shift those purchases to other payment forms.

5. In 2016, USDA conducted a study examining point-of-sale food purchase data to

determine for what foods SNAP households have the largest expenditures, including both SNAP benefits and other resources, and how their expenditures compare to those made by non-SNAP households.

6. Similar to most American households, USDA found that: "approximately 40 cents of every dollar of food expenditures by SNAP households was spent on basic items such as meat, fruits, vegetables, milk, eggs, and bread; another 20 cents out of every dollar was spent on sweetened beverages, desserts, salty snacks, candy, and sugar; and the remaining 40 cents were spent on a variety of items such as cereal, prepared foods, dairy products, rice, and beans." In conclusion, USDA found that "there were no major differences in the expenditure patterns of SNAP and non-SNAP households, no matter how the data were categorized."

7. USDA has historically been more interested in programs that incentivize healthy eating, for example through programs that double the purchase value of SNAP benefits if spent on fresh fruits or vegetables. The administration indicates that the goal of the health eating incentive is to increase access to healthy food options, including fruits and vegetables, for FoodShare participants.

8. A 2020, meta-analysis (a statistical analysis that combined the results of multiple previous studies) of fruit and vegetable incentive programs for SNAP participants, published in *Nutrients* [a peer-reviewed research journal published by the Multidisciplinary Digital Publishing Institute], stated that "eating sufficient amounts of fruits/vegetables (FV) is vital for a healthy dietary pattern associated with a lower risk of cardiovascular disease and certain cancers." Further, "among Americans, lower income groups consume less FV than higher income groups, and this is a key socioeconomic disparity in overall dietary quality. Thus, it is important that low-income participants in federal food assistance programs in the United States, such as the Supplemental Nutrition Assistance Program (SNAP), have access to these foods."

9. The analysis goes on to note that "for SNAP participants specifically, it has been demonstrated that the cost of healthy foods is a barrier for improving dietary quality. Incentives expand the financial resources participants have available to purchase healthy foods, and thus address the barrier that the cost of these food poses to dietary quality."

10. As such, the Committee could repeal the provision that prohibits DHS from expending funds from the appropriation that was created to fund the pilot program after December 31, 2019. This would allow the Department to implement and evaluate the healthy eating incentive pilot using the existing one-time funding [Alternative A1]. No additional funding would be needed, as the budget authority for the pilot program remains unexpended as a continuing balance in the appropriation.

11. However, the meta-analysis notes that while healthy eating incentive programs are successful in improving program participants' perceptions of their health, none of the studies under review measured BMI or other health measures. The study concludes in part that "no longitudinal studies of the impact of incentive programs have been performed" and that "additional research is required to determine the long-term impact of these programs."

12. In order to provide the Department with an opportunity to address some of these lacking data points and to provide additional benefits under the healthy eating incentive pilot beyond the initial

10 months required under 2017 Act 266, the Committee could choose to fund the pilot on an ongoing basis. Under this alternative the Committee could choose to provide \$425,000 GPR annually beginning in 2022-23, since the first year of the pilot could be funded with existing funds if the Committee repealed the time restriction on those funds under Alternative A1 [Alternative A2].

13. On the other hand, the Committee could view the lack of data regarding long-term changes in behavior and health improvement measures beyond self-reporting, as a reason to only adopt Alternative A1 but not Alternative A2, which would allow the Department to implement and evaluate the healthy eating incentive pilot, as intended under 2017 Act 266, using the existing one-time funding prior to committing to ongoing funding.

14. As recommended by the administration, current changes to the healthy eating pilot would prohibit DHS from spending more than \$425,000 per fiscal year for the pilot program. However, there is no limit on how little DHS could choose to spend on the pilot once the Department has met its statutory obligation to conduct one 10-month pilot program under this provision.

15. As such, the Committee may wish to combine a decision under A2 with statutory changes to require that a minimum, not a maximum, of \$425,000 be spent on the healthy eating incentive pilot per fiscal year [Alternative A3].

16. Finally, the Committee could repeal all of the provisions relating to the pilot program and lapse the balance in the appropriation to the general fund in 2021-22 [Alternative A4].

EBT Equipment- Funding for Farmers and Farmers Markets

17. As previously mentioned, the federal Agricultural Act of 2014 requires SNAP retailers to purchase their own EBT processing equipment, with some allowable exceptions including certain farmers markets and direct-marketing farmers.

18. As such, the Governor's budget would provide \$187,500 GPR annually to supply EBT processing equipment to farmers markets and direct-marketing farmers to participate in the FoodShare program. The administration indicates that providing such equipment to farmers markets and direct-marketing farmers will improve access to healthy foods for FoodShare participants. The funding amount is based on a current one-time federal grant of \$187,500 to fund such equipment through the end of federal fiscal year 2021. Prior to receiving the federal grant of \$187,500, the Department had not been providing any funds for this purpose.

19. State administrative costs for SNAP are typically shared 50/50 between SNAP state agencies and the federal government. In response to the COVID pandemic, the Consolidated Appropriations Act (CAA) provided \$100 million in federal funding for federal fiscal year 2021, for SNAP administrative expenses. This is 100% federal funding and does not require a match. The provision allocates the funds according to a formula that considers primarily the state's share of SNAP households and secondarily the increase in the state's SNAP participation over 12 months. Of the funding provided under the CAA, Wisconsin is anticipated to receive \$1,648,000.

20. Subsequently, the American Rescue Plan Act (ARPA) provided an additional \$1.15

billion to the CAA funding for SNAP administrative expenses. The funding is to be obligated in federal fiscal years 2021, 2022, and 2023. Of the funding provided under ARPA, Wisconsin is anticipated to receive \$21,768,000. However, USDA has not yet issued guidance regarding allowable uses of these administrative funds.

21. Beyond the general administrative funding, the CAA provided \$5 million to be split among three purposes: (1) additional support for FNS to test systems and provide technical assistance to retailers; (2) cooperative agreements or grants to provide assistance to direct-marketing farmers and farmers' markets; and (3) issuance innovation and technology improvement support (this includes development work regarding the mobile technologies projects authorized by the 2014 farm bill and testing methods to modernize EBT). ARPA provided \$25 million to USDA, available through federal fiscal year 2026, for four purposes: (1) to make technological improvements to SNAP online purchasing, (2) to modernize EBT technology, (3) to support mobile technology projects, and (4) to provide specified technical assistance to retailers.

22. In order to encourage farmers markets and direct-marketing farmers to participate in the FoodShare program, thereby increasing access to healthy foods for FoodShare recipients, the Committee may wish to provide \$187,500 GPR annually to supply EBT processing equipment to farmers markets and direct-marketing farmers to participate in the FoodShare program [Alternative B1].

23. However, due to the current uncertainty regarding allowable uses, and potential availability, of federal funds provided by the CAA and ARPA, the Committee may wish to provide \$187,500 GPR in each year of the biennium in the Committee's program supplements appropriation in the event DHS determines that it cannot support the costs of purchasing EBT processing equipment in the 2021-23 biennium using one-time federal funding the state will receive [Alternative B2].

24. In an April 23, 2021, letter to the Committee Co-Chairs, the Department of Administration indicated that the Governor intended to provide for the use of all forms of payment at farmers markets or farmers who sell food directly to the public and requested that the allowable uses of the grant funds include the purchase of credit and debit card processing equipment as well as FoodShare EBT processing equipment. It is unclear how this change would improve access to healthy foods specifically for FoodShare participants [B3].

25. Finally, the Committee could choose to take no action on this item [Alternative B4].

ALTERNATIVES

A. Healthy Eating Pilot

1. Repeal the current statutory provision that prohibits DHS from expending funds from the appropriation that was created to fund the healthy eating incentive pilot program after December 31, 2019.

2. Provide \$425,000 GPR annually, beginning in 2022-23, to fund an ongoing healthy

eating incentive pilot program.

| ALT A2 | Change to Base |
|---------------|-----------------------|
| GPR | \$425,000 |

3. In addition to Alternative A2, require a minimum, rather than maximum, expenditure of \$425,000 in each fiscal year funds are provided for the healthy eating incentive pilot.

4. Repeal all current provisions relating to the health eating pilot program. Lapse \$425,000 GPR to the general fund in 2021-22.

| ALT A4 | Change to Base |
|---------------|-----------------------|
| GPR-Lapse | \$425,000 |

B. EBT Equipment- Funding for Farmers and Farmers Markets

1. Provide \$187,500 GPR annually to fund EBT equipment for farmers markets and direct-marketing farmers who participate in the FoodShare program.

| ALT B1 | Change to Base |
|---------------|-----------------------|
| GPR | \$375,000 |

2. Provide \$187,500 GPR annually in the Committee's program supplements appropriation to fund EBT equipment for farmers markets and direct-marketing farmers who participate in the FoodShare program in the event DHS determines that such equipment purchases cannot be funded with one-time federal funds that may be available in the 2021-23 biennium.

| ALT B2 | Change to Base |
|---------------|-----------------------|
| GPR | \$375,000 |

3. Expand the allowable uses of grant funding to include not only EBT processing equipment for farmers markets and direct-marketing farmers, but also the purchase of credit and debit card processing equipment.

4. Take no action.

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