USDA United States Department of Agriculture

Food and Nutrition Service November 2016

Feasibility Study of Capturing Supplemental Nutrition Assistance Program (SNAP) Purchases at the Point of Sale: Final Report (Summary)

Background

Each year, Supplemental Nutrition Assistance Program (SNAP) households redeem their benefits at authorized retail food stores in transactions made using SNAP Electronic Benefit Transfer (EBT) cards. The Food and Nutrition Act does not require retailers to collect or transmit item-level transaction data for these purchases to the Department of Agriculture's Food and Nutrition Service (FNS). Instead, FNS uses consumer-reported data and other data sources to analyze the diet and food purchasing patterns of SNAP households.

This study explored the feasibility of creating a data collection system capable of directly and automatically providing FNS with item-level data on food purchases made by SNAP households. The data would be captured at the point of sale (POS) from purchases made using EBT cards.

Data Sources and Methodology

Information for this feasibility study was collected through interviews with key stakeholders, review of relevant documents, and targeted research to determine the necessary technical parameters.

Building on this data-gathering process, an array of preliminary technical alternatives for collecting, transmitting, and storing item-level purchase data was developed. FNS then narrowed the alternatives into the set of technical solutions described in a separate report (Katz, et al., August 2014).

During the second phase of this study, these technical solutions were subjected to further testing. This proof-of-concept testing focused on demonstrating that item-level data of sufficient quality could be collected using the proposed technical solutions. Testing was conducted in a laboratory environment that simulated a retailer setting.

Findings

The data-gathering and testing found that, while it would be possible to collect item-level transaction data from retailers that currently use integrated electronic cash register systems (IECRs), **it would not be feasible to collect transaction data from stores with less sophisticated cash register systems.** This latter group is estimated to represent about half of all authorized retailers.

Overall implementation costs for such a system, designed to reach stores that currently have IECRs, are estimated to be about $400 million, with ongoing costs of about $600 million per year.

- Most of these costs would fall on retailers, who would need to make software modifications and significant upgrades in storage capacity and communications infrastructure.
- *Smaller stores would be particularly hard hit.* Most small stores are single-outlet operations. Unlike larger stores, which can spread development costs across multiple outlets within a single national or regional chain, small stores must absorb the full cost of software and infrastructure modifications.

Additional processing would be needed to make the data usable once collected. In addition to price and transaction data, this system would collect Universal Product Codes (UPCs) and Price look-up codes (PLUs). UPCs

and PLUs are unique numeric identifiers associated with a specific product and product description.

- Even for the same item, product descriptions can vary across retailers.
- UPCs and PLUs can be store-specific and may identify different products at different stores.
- Retail stores routinely add new products, with new codes, to their shelves.
- *Constant data cleaning would be needed* to ensure that product descriptions are accurate and consistent, that items are properly classified, and that data are current.

A number of legal, policy, and systems changes would need to be made in order to implement this data collection system:

- *Legal authority*. FNS would need to go through notice and comment rulemaking to require stores to collect and submit item-level transaction data.
- *Data extraction software*. Extracting item-level data from SNAP transactions will require modifications to store POS software. Developing prototype software that stores could modify would facilitate this process.
- *New data transmission standard*. SNAP EBT transactions must conform to financial industry transmission standards. The current standard would need to be revised or replaced, as it does not allow for transmission of item-level data.
- *Infrastructure upgrades*. In order to store and transmit transaction data, retailers would need to upgrade their communications infrastructure and storage capacity. Because of the costs involved, additional Federal funding, particularly for small stores, may be needed.
- *FNS infrastructure*. FNS would need to establish a secure communications portal for transmitting the data and would need to obtain additional secure storage capacity.

For More Information

Garasky, Steve, et al. (2016). *Feasibility Study of Capturing Supplemental Nutrition Assistance Program (SNAP) Purchases at the Point of Sale: Final Report.* Prepared by IMPAQ International, LLC, for the USDA Food and Nutrition Service (available online at www.fns.usda.gov/research-and-analysis).

Katz, Slava, et al. (2016). *Feasibility Study of Capturing Supplemental Nutrition Assistance Program (SNAP) Purchases at the Point of Sale: Technical Solutions Report.* Prepared by IMPAQ International, LLC for the USDA Food and Nutrition Service (available online at www.fns.usda.gov/research-and-analysis).