

**U.S. DEPARTMENT OF AGRICULTURE  
FOOD AND NUTRITION SERVICE**



**REQUEST FOR APPLICATION  
SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM (SNAP)  
HEALTHY INCENTIVES PILOT (HIP)**

**CFDA #: 10.580**

<b>SIGNIFICANT PILOT DATES</b>	
<b>January 29, 2010</b>	<b>Letter of Intent (LoI) to Apply and Written Questions Due to FNS</b>
February, 2010	Conference Call with all States Submitting LoI
<b>May 21, 2010</b>	<b>Application Due to FNS</b>
August 2010	Award Announced
August 2010	Cooperative Agreements in Place and Funds Available
August 2010	Orientation Conference at FNS Headquarters
August 2010 – November 2011	Planning, Testing, Training
December 2011 – February 2013	Operation Phase of Pilot (15 months)
March 2013 – April 2013	HIP Operations Close Out
May 2013 – June 2013	Close Out Conference with FNS including Formal Presentation for FNS at FNS Headquarters

**SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM (SNAP)  
HEALTHY INCENTIVES PILOT (HIP) REQUEST FOR APPLICATION (RFA)**

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## SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM (SNAP) HEALTHY INCENTIVES PILOT (HIP) REQUEST FOR APPLICATION (RFA)

### OVERVIEW OF HIP

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Public Law 110-246, The Food, Conservation and Energy Act of 2008, enacted on June 18, 2008, provided \$20 million to the USDA Food and Nutrition Service (FNS) for Pilot projects “to evaluate health and nutrition promotion in the Supplemental Nutrition Assistance Program [SNAP—formerly the Food Stamp Program].” Under this legislation, funds are targeted to:

- Supporting pilot project(s) that provide incentives at the point of purchase to encourage households participating in the SNAP “to purchase fruits, vegetables, or other healthful foods”;
- Conducting a rigorous evaluation that “measures the impact of the Pilot program on health and nutrition.”

The goal of the Healthy Incentives Pilot (HIP) is to carry out this Congressional mandate by testing the effects of providing a financial incentive to participating SNAP households to reward them for purchasing fruits and vegetables with SNAP benefits. HIP will operate under the management of a State SNAP Agency together with a team of partners assembled by the State. The Pilot will be evaluated by an independent evaluation contractor chosen by FNS.

FNS invites applications from State SNAP Agencies interested in identifying a community(ies) to serve as the Pilot site and administering its operations. A grant will be competitively awarded to one State Agency based on the criteria described in this RFA up to an amount of \$6.3 million. The actual amount awarded will depend on the specifics of the proposed plan and reasonableness of the associated budget. The State Agency will be reimbursed for 100 percent of costs incurred for HIP administration. (HIP food benefits will be paid for by FNS as it does with SNAP benefits.) The selected State Agency will be called the *HIP Grantee*.

**HIP Operations.** The HIP Grantee and its team of partners, including local agency staff, retailers and its EBT contractor (and at State option other community partners), will operate HIP in one pre-selected sub-State area, such as a county, a community or a group of contiguous communities. The Pilot site will be a locality with mainstream SNAP operations currently serving a SNAP caseload of 35,000-60,000 households. The Pilot site will have a variety of readily accessible retailers offering a range of SNAP eligible foods, and a SNAP participant profile that is generally representative of the State’s caseload. In this location, financial incentives will be provided to a random sample of SNAP households (hereafter called HIP participants) when they purchase HIP-targeted fruits and vegetables using their SNAP benefits. The amount of the incentive will be 30 percent of the cost of the fruits and vegetables purchased. The incentive will be calculated and instantly applied to the HIP participant’s SNAP benefit account. Information on the incentive earned and account balance will be provided on the receipt. The HIP Grantee will provide information to HIP participants about the Pilot including, but not limited to, which foods trigger the incentive (target foods), how to transact purchases at the grocery store, and the amount of incentive benefits they can earn.

**EBT and Retailer Systems.** The HIP Grantee in collaboration with its partners will be required to make adjustments to the State's EBT and retailer systems and procedures. These changes will recognize targeted foods and total their value, transmit it in the authorization request to the EBT system, validate participating HIP households and stores; properly calculate and post incentive benefits; maintain monthly cumulative incentive totals for each HIP participant to ensure that they do not exceed the monthly incentive cap, generate appropriate approval messages to retailers; and print incentive values on EBT receipts. FNS anticipates that HIP benefits would be separately tracked, reported and funded through modified versions of currently existing processes. Retailers with integrated electronic cash register (IECR) systems that include scanners and POS interfaces will need to reprogram them to identify target foods, calculate and transmit their value, and print resulting incentive values. Retailers using standalone (side by side) point of sale (POS) terminals or vouchers will need to create and manually enter a separate subtotal of target foods based on visual identification. Their POS devices must be altered so that this additional value can be captured. Technical requirements for HIP benefit delivery are described in Attachment A of this RFA.

**HIP Evaluation.** FNS will award and manage a contract for an independent evaluation of HIP. The goal of the evaluation is to rigorously assess the impact of HIP on the purchase and consumption of healthy foods by SNAP households. Specifically, the evaluation will:

- describe the processes involved in implementing HIP;
- test the effect of the Pilot on SNAP participants' intake of fruits and vegetables by comparing experimental and control groups;
- determine if fruits and vegetables replace other foods in participants' diets;
- quantify, to extent possible, the Federal, State and local administrative and benefit costs of HIP;
- assess HIP's impact on local retailers, local SNAP agency(ies), the EBT contractor, and other partners.

The FNS evaluation contractor will work with the HIP Grantee to randomly select approximately 7,500 SNAP households at the Pilot site to participate in the Pilot as HIP participants. Of these, about 1,500 households will be randomly selected for the evaluation experimental group. Among the SNAP households at the Pilot site who do not participate in HIP, about 1,500 will be randomly selected by the evaluation contractor to serve as the evaluation control group. As a condition of the cooperative agreement, the HIP Grantee and its partners will be required to cooperate fully with the evaluation contractor to ensure the integrity of the evaluation and quality of the data provided to the contractor before, during, and after HIP operations.

**Pilot Site Selection.** To demonstrate that the applicant State Agency and its assembled team of partners possess strong capability to work together to successfully carry out the obligations of the agreement in a timely, efficient and effective manner, the application must clearly indicate:

- commitment of the SNAP State Agency and partners to work closely and cooperatively with the independent evaluation team to support study objectives and methods. As evidence of this commitment, the applicant must sign an agreement to these conditions (agreement template provided in Attachment G);

- cooperation and capability of local SNAP agency(ies), local retailers and EBT contractor(s) to support the Pilot generally and carry out Pilot-specific responsibilities, including all steps necessary to meet the design, implementation and operational requirements of the Pilot project;
- propose a Pilot site that meets all specifications designated in this RFA;
- ability and commitment of SNAP State Agency to oversee and manage technical aspects of the Pilot, including EBT system modifications, local staff training, recruiting, and training retailers, instructing HIP participants on Pilot procedures, ensuring benefit accountability and payment integrity, and meeting all reporting and data collection requirements in a timely manner.

*Cooperative Agreement.* This grant will be awarded in the form of a cooperative agreement. This agreement is a legal instrument reflecting a relationship between the federal government and the State, local government or other recipient (i.e. "HIP grantee"). The principal purpose of this relationship is to transfer something of value to the grantee to carry out a public purpose of support or stimulation authorized by law. Substantial involvement is expected between the federal government and the HIP Grantee when carrying out the activity in the agreement. Cooperative agreements are subject to the same administrative requirements as grants (see Attachment C for Terms and Conditions of the Award).

*Application Instructions.* To assist applicants in preparing an application, specifications and information on format, mandatory forms, and administrative procedures are provided in Attachment D. This includes a list of critical application items that if not provided in or with the application will disqualify the applicant from further consideration. In addition, applications must use the elements provided in Attachment F to apply.

**Required elements are discussed throughout this Request for Application. Applicants are strongly advised to carefully read the entire RFA before using Attachment F to prepare applications.**

**Key Timeframes.** FNS plans to enter into a cooperative agreement with a State SNAP Agency by August 2010. The HIP Grantee will be allowed to use the funds until expended consistent with its application plans. Assuming an August 2010 award date, the general expectation is that the Pilot operations will be completed by March 2013 and all Pilot activities will be complete by June 2013. However, modifications to the timeline shall be considered depending on the specifics of the State's application plans.

The HIP Grantee will be expected to launch the Pilot in a fully operational form within 15 months. During this 15 month period, the HIP Grantee will be expected to make all administrative and accounting systems adjustments to set HIP up for operations. Once launched, Pilot operations will last for a 15-month period. Approximately one-third of HIP households will be introduced into the Pilot during each of the first three months of operations. Participation for each

household will end after 12 months. The State shall participate in evaluation activities (e.g., providing administrative data, assisting with access to SNAP households, participating in interviews to assess Pilot implementation) before, during, and after Pilot operations. After completion of the Pilot, the State team shall participate in a final meeting with FNS. At that time the HIP Grantee shall conduct a formal presentation for FNS. Monthly conference calls to report on Pilot progress are required. Formal progress and financial reports are due quarterly. A final project report and final financial report are also required. Attachment B provides tasks and activities and a general timeline that applicants may reference as a general guide in constructing their proposed Pilot.

## INCENTIVES CONCEPT

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There has been growing interest in environmental and policy approaches to the promotion of healthy diets. “The goal of these approaches is to influence one or more of the many factors that affect adult food purchasing decisions, such as food prices, household income, knowledge about food choices that contribute to a healthy diet, and food availability,” (p. 13).<sup>1</sup> Three potential general strategies (financial incentives, nutrition education, and improving access) have been noted and have been reviewed in the academic literature<sup>2</sup> as well as by the Government Accountability Office (GAO) in their 2009 report on options for delivering financial incentives to SNAP participants.

In general, financial incentives include providing monetary rewards for purchasing a targeted good, either through lowering prices with a subsidy or giving a bonus when a given purchase amount is achieved. In the case of promoting healthful foods, the goal of providing a financial incentive is to encourage the purchase and consumption of targeted foods by making them more affordable than alternative food choices. Financial strategies can also be disincentives, for instance, when a tax is placed on certain goods that are to be discouraged. While nutrition education often takes the form of individual-level classroom instruction, information provided at the point of purchase and social marketing involving media-based strategies designed to reach target audiences can be conceptualized as environmental strategies. Changes to the environment can involve improving access to desirable foods, such as through subsidizing farmers’ markets. It may also involve restricting access to foods believed to be undesirable, such as recent proposals to limit the use of SNAP benefits to purchase soda and other goods.

GAO found that while studies of nutrition promotion efforts are promising, “results vary and changes in consumption patterns as a result of [these] approaches may not be substantial enough to meet Federal dietary guidelines,” (p. 14). GAO also observed that little is known about the effectiveness of efforts to increase individuals’ access to targeted foods. Because SNAP is designed to provide financial resources

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<sup>1</sup>Government Accountability Office (July 2009). *Food Stamp Program: Options for Delivering Financial Incentives to Participants for Purchasing Targeted Foods* (GAO-08-415). Government Printing Office: Washington, D.C. Available: <http://www.gao.gov/new.items/d08415.pdf>

<sup>2</sup> See Pomerleau et al. (2005). Interventions designed to increase adult fruit and vegetable intake can be effective: A systematic review of the literature. *Nutritional Epidemiology*, 135, 2486-2495.

to households to be used for purchasing food, the impact of financial incentive approaches to encourage healthful food choices are of particular policy interest. Indeed, a main goal of the GAO study was to explore the idea of increasing SNAP households' purchases of targeted foods by incorporating financial incentives for purchasing those foods. A financial incentive was defined as an additional [SNAP] allotment tied to the purchase of certain foods targeted for promotion. GAO found "a few studies examining the effectiveness of financial incentives have demonstrated short-term positive effects on purchases of targeted foods, consumption, or weight loss," (p. 3).

USDA's Economic Research Service (ERS) reports that financial incentives may be more effective than disincentives or providing unrestricted cash or food benefits.<sup>3</sup> ERS has primarily focused on modeling consumer responses to changes in prices of fruits and vegetables; however, offering incentives to purchase targeted healthful foods shares many characteristics of lowering the price of these foods. ERS estimates of SNAP participants' response to changes in the price of fruits and vegetables indicate that a 20 percent price reduction could raise fruit and vegetable consumption from 1.95 cups per day to an estimated 2.2 cups per day (a gain of approximately  $\frac{1}{4}$  cup).<sup>4</sup> While promising, such a change would not be large enough to bring the consumption patterns of typical adults in line with current Federal recommendations. As discussed below, HIP will examine the impact of a 30 percent incentive.

## PILOT DESIGN

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In preparation for the Pilot, FNS in October 2008 hosted a roundtable symposium of interested stakeholders and other experts, including representatives from academic and other research institutions, private industry, Federal and State governments, retailer associations, farmers markets, and advocates.<sup>5</sup> The meeting focused on key decision points, which were discussed by three expert panels and the audience. Topic areas covered by the panels were target foods, evaluation of the impact of incentives, and EBT system requirements for delivering incentives.

Following this symposium, an FNS working group continued to consult with external organizations to obtain additional opinions and information and to seek relevant experiences and expertise upon which to design HIP. A number of important and often competing considerations framed each choice-point:

- Creating a Pilot with a strong capacity to succeed, i.e., increase purchase and consumption of healthful foods
- Meeting the legislative requirement for a rigorous evaluation that authoritatively answers the key question—do financial incentives work?

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<sup>3</sup> Stewart, H. & Blisard, N. (January 2008). *Are Lower Income Households Willing and Able to Budget for Fruits and Vegetables?*, U.S. Department of Agriculture, Economic Research Service: Washington, D.C.

<sup>4</sup> Guthrie, J., Lin, B., Ver Ploeg, M., & Frazao, E. (September 2007). *Can Food Stamps Do More To Improve Food Choices?* (Economic Information Bulletin No. 29-1). U.S. Department of Agriculture Economic Research Service: Washington, D.C. Note: ERS used statistical models and data from the 1987-88 Nationwide Food Consumption Survey for this analysis. Estimates should be interpreted with caution.

<sup>55</sup> Symposium materials can be found at <http://www.fns.usda.gov/snap/hip/qa-shtm#Symposium>

- Designing a Pilot that can be replicated widely within the current SNAP environment
- Conducting the Pilot and evaluation with available resources

As a result of this planning process, FNS has specified a number of Pilot parameters in a manner that balances competing goals and at the same time leaves some design choices open to the discretion of applicants. Those Pilot parameters are described below.

**Pilot Site.** One Pilot location, referred to herein as the Pilot site, will be competitively selected for HIP. The Pilot site must possess the following characteristics:

- contain 35,000-60,000 SNAP households;
- be fairly representative of the State's SNAP demographics and general operations;
- be unlikely to encounter significant interruptions in SNAP operations during the Pilot (e.g., State funding issues, disaster-prone area);
- be serviced by a fully-staffed local office(s) capable of implementing new procedures and participating in evaluation activities in addition to regular SNAP operations;
- have no outstanding open fiscal or program issues that are not being addressed via Corrective Action Plans.

**Retailers.** All SNAP-authorized retailers in the selected Pilot area or serving HIP participants must be invited to participate in HIP if they typically sell the targeted fruits and vegetables directly to households such as conventional retail establishments and farmers' markets. However, authorized retailers that do not typically sell target foods directly to households may not participate in HIP. They include: drug/alcohol treatment programs, bread specialty stores, battered women's shelters, communal dining facilities, group living arrangements, homeless meal providers, meal delivery service, meat specialty stores, restaurants, seafood specialty stores, seniors and other residential centers, and wholesalers. No retailers are required to participate in HIP. Ideally, the selected Pilot area will have a broad representation of retailers including supermarket chains, independent retail grocers of all sizes, convenience stores and at least one farmers' market.

**Target Foods.** Fruits and vegetables targeted for HIP are those allowed by federal regulations for the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) Fruit and Vegetable Voucher.<sup>6</sup> These are defined in detail in Figure 1 below. They can be summarized as follows:

- Most fruits and vegetables are included (mature legumes and juices are not authorized).
- Included fruits and vegetables can be in any of the following forms: fresh, canned, frozen, and dried.
- In general, eligible fruits and vegetables must not have any added sugars, fats, oils, or salt.<sup>7</sup>

<sup>6</sup> While some State WIC programs authorize fewer fruits and vegetables (e.g., fresh only or fresh and frozen only), HIP will target all forms of fruits and vegetables that meet the minimum requirements and specifications as described in the Federal regulation for the WIC Fruit and Vegetable Voucher.

<sup>7</sup> Certain exceptions are noted in Figure 1.



- White potatoes are excluded, but yams and sweet potatoes are allowed.

### Figure 1. Minimum Requirements and Specifications for WIC Fruits and Vegetables

Any variety of fresh whole or cut fruit without added sugars.<sup>1</sup>

Any variety of fresh whole or cut vegetable, except white potatoes, without added sugars, fats, or oils (orange yams and sweet potatoes are allowed).<sup>1</sup>

Any variety of canned<sup>2</sup> fruits (must conform to FDA standard of identity (21 CFR Part 145); including applesauce, juice pack or water pack without added sugars, fats, oils, or salt (i.e. sodium). Any variety of frozen fruits without added sugars.<sup>3</sup>

Any variety of canned<sup>2</sup> or frozen vegetables (must conform to FDA standard of identity (21 CFR Part 155)) except white potatoes (orange yams and sweet potatoes are allowed); without added sugars, fats, or oils. May be regular or lower in sodium.<sup>3</sup>

Any type of dried fruits or dried vegetable without added sugars, fats, oils, or salt (i.e., sodium).<sup>1</sup>

<sup>1</sup>Herbs or spices; edible blossoms and flowers, e.g., squash blossoms (broccoli, cauliflower and artichokes are allowed); creamed or sauced vegetables; vegetable-grain (pasta or rice) mixtures; fruit-nut mixtures; breaded vegetables; fruits and vegetables for purchase on salad bars; peanuts; ornamental and decorative fruits and vegetables such as chili peppers on a string; garlic on a string; gourds; painted pumpkins; fruit baskets and party vegetable trays; and items such as blueberry muffins and other baked goods are not authorized. Mature legumes (dry beans and peas) and juices are not authorized.

<sup>2</sup>“Canned” refers to processed food items in cans or other shelf-stable containers, e.g., jars, pouches. Home canned fruits and vegetables, such as those sold at Farmers’ Markets, are not allowable.

<sup>3</sup>Excludes white potatoes; catsup or other condiments; pickled vegetables, olives; soups; juices; and fruit leathers and fruit roll-ups.

**Amount of the Incentive.** Buying the target fruits or vegetables using SNAP benefits will result in participants earning an amount equal to 30 percent of those purchases, which will be added to HIP participants’ SNAP benefit accounts. For example, if a HIP participant uses SNAP benefits to purchase \$10 of target fruits and vegetables, that participant will earn an incentive payment in the amount of \$3 (30 percent of \$10). If the participant began the shopping trip with a balance of \$20 in his/her SNAP benefit account, his/her balance after the shopping trip would be \$13 (\$20 balance - \$10 spent + \$3 incentive = \$13.00).

**Incentive Cap.** The maximum incentive that can be earned by a HIP household each month will be subject to a dollar cap that FNS will set subsequent to grant award. FNS plans to set this cap high enough to allow for substantial increases in the amount of fruits and vegetables purchased but low enough to limit the Federal Government’s exposure to loss through error or fraud.

**What the Incentive May be Used to Purchase.** Incentives may be used to purchase any SNAP allowable food.

**Integration with Current EBT System.** HIP will utilize the existing EBT system currently in place for SNAP: its debit cards, Point of Sale terminals, receipts and vendor data system. However, the system will need to accommodate the unique accounting needs of HIP at the point of purchase, which differs from regular SNAP transactions. Thus, temporary changes are needed to EBT system programming, accounting and reporting for the duration of the Pilot. Due to the technical nature of changes necessary to allow retailers to comply with the accounting, crediting and the reporting needs of HIP, these specifications and requirements are enumerated systematically in Attachment A of this RFA. State Agencies will need to review these requirements carefully and, together with their EBT contractor and other relevant parties, develop a plan of action to address them and present that plan in their application.

**Messages to HIP Participants.** To highlight the incentive to the participant, both the incentive amount and the accumulated monthly value of incentives must be communicated to HIP households at the point of purchase in the form of a message on a cash register receipt. For example, the receipt could read “HIP Incentive Earned: \$\_\_.; Total for This Month: \$\_\_.” immediately above the remaining SNAP balance (which is already a SNAP receipt requirement). An alternative method to advise participants of incentive earnings will be needed for voucher transactions. Responses to this RFA should propose a method of communication for voucher transactions.

**Participant Identification.** Retailers that have IECR systems are able to identify HIP target foods automatically as they are scanned. FNS anticipates that it would be easiest for these retailers to calculate and transmit the HIP purchase amount for all SNAP customers, whether or not they are HIP participants. However, retailers that use standalone POS terminals or manual vouchers will have to visually identify, separate and subtotal HIP eligible items. It would be burdensome to require them to do this for all SNAP customers. Therefore, these retailers will need some means of identifying HIP participants at the start of the sales transaction to ensure that participants receive the incentives to which they are entitled. Ultimately, it will be the EBT Contractor’s system that must identify the household as a HIP household, not the client or retailer.

There are several ways that identification of HIP participants can be done. The HIP Grantee could provide separate identification cards to participants, affix stickers to the participants’ EBT cards or rely on self identification by the clients themselves. Each has its advantages and disadvantages. Regardless of the method used, participants need to be trained to identify themselves at the beginning of the purchase so that eligible foods can be properly sorted and subtotaled. The method of identification is to be proposed by the HIP Grantee and should be specified in the response to this RFA.

**Nutrition Education.** No additional nutrition education will be provided in conjunction with HIP as solicited. The scope of the currently funded evaluation includes testing only the impact of the financial incentive. However, there is potential that additional funds will be provided for testing an incentive plus education component of HIP. If these funds are provided, the HIP Grantee shall be required to submit commensurate SNAP-Ed plans for the period of HIP operations. For purposes of this application,

States should assume that no new SNAP nutrition promotions or educational activities will be approved for the Pilot site once a project site is selected. At the same time, applicants should demonstrate their willingness to develop and implement SNAP-Education plans that include nutrition education for HIP participants. No additional funds for these activities will be provided by FNS.

**State Proposed Enhancements.** In addition to meeting the basic requirements of this RFA, State agencies may wish to submit in their applications enhancements that make their Pilot more feasible or manageable. Add-on features may be submitted in the application so long as those features do not detract from or interfere with the goals, rigor, and integrity of the Pilot research or contradict project design requirements (i.e., nutrition education must be the same for all SNAP participants at the site regardless of whether a SNAP participant is also a HIP participant). Such enhancements should be presented separately from the State's core proposal in the application. Any enhancements a State proposes should include an accompanying budget proposal that is separate from the core proposal budget.

## **PILOT ROLES AND RESPONSIBILITIES**

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**FNS.** FNS will oversee the Pilot and provide direction and technical assistance both to the HIP Grantee and the evaluation contractor and coordinate their efforts. FNS will approve major aspects for the Pilot in advance of their implementation in a manner and timeframe agreed upon between the HIP Grantee and FNS. FNS will establish funding mechanisms consistent with grants to States and provide the HIP Grantee with detailed directions on claiming and accounting for HIP funds.

**HIP Grantee.** The HIP Grantee is the SNAP State Agency that will be competitively selected based on the technical merits of its application to operate the Pilot. The HIP Grantee has overall responsibility for Pilot planning, implementation and operations in cooperation with the SNAP local agency(ies), retailers, EBT contractor serving that site, and other partners as designated by the HIP Grantee. FNS encourages consultation and partnering with the appropriate WIC agencies who have experience with retailer and participant training on the purchase of targeted fruits and vegetables. The HIP Grantee shall:

- Select/hire appropriately credentialed personnel to manage and operate the Pilot;
- Delegate responsibilities to SNAP local agency staff or other partners as appropriate.
- Conduct appropriate training and provide necessary support for local agency staff and other partners to successfully handle HIP responsibilities. Examples of these responsibilities include:
  - educating HIP participants on HIP benefits and how to use them;
  - providing data on participants to the evaluation contractor;
  - facilitating access to participants for the evaluation contractor;
  - providing local agency(ies) and partners with necessary support, resources and oversight.
- Train retailers in all relevant aspects of HIP and overseeing their activities to ensure Pilot integrity and effectiveness including:

- amending Third Party Processors (TPP) and EBT-only agreements, as needed, to support HIP system and procedural changes in participating retailers;
- developing Memoranda of Understanding with participating retailers that have the capability to scan and identify HIP target foods to ensure that they understand their responsibilities in the Pilot and meet milestones of the HIP management plan;
- working with retailers that frequently use manual vouchers to meet the accountability needs of HIP
- Cooperate fully with the FNS evaluation contractor to:
  - access administrative records for the purpose of randomly assigning SNAP households to HIP participant and control groups, as well as contacting SNAP households for evaluation interviews;
  - facilitate periodic interviews with State and local SNAP staff;
  - maintain records on project costs;
  - assist with arrangements for site visits from FNS and the evaluation contractor
- Seek FNS approval at critical junctures and checkpoints after award of grant, including management plan, budget plan, training plans, EBT contractor's design and implementation plan, and retailer accountability plans that are submitted in preliminary form in the application.
- Meet specific obligations and approval points that will be further delineated by FNS in the terms of the cooperative agreement between FNS and HIP Grantee upon award.
- Submit timely progress reports, financial reports and special reports during the Pilot and a final progress report and a final financial report.
- Attend orientation and close-out meetings at FNS headquarters.
- Make a formal presentation to FNS at the close-out meeting.
- Attend progress meetings via teleconference and/or at the Pilot site as needed.
- Account for HIP funds separately from SNAP administrative funds and establish financial and management reporting and controls to assure that HIP funds and SNAP funds are not commingled or used inappropriately. A separate and distinct audit trail must be established and maintained for the expenditure of HIP funds that clearly demonstrates that they are used solely for HIP purposes.

**Local SNAP Agency.** The local agency or agencies serving the Pilot site will work with the HIP Grantee as designated and other project partners during all phases of the project. It is expected that one or more local agency staff will be designated as the point of contact for FNS. Pilot responsibilities may include training HIP participants, as well as troubleshooting and monitoring day-to-day operations. Local agency staffs are also expected to support the evaluation by providing access to participant records and contact information, facilitating the selection of HIP participants and random assignment to HIP participant and control groups, participating in periodic interviews, and maintaining records of project costs.

**SNAP Participants.** Approximately 7,500 SNAP households in the Pilot site will be randomly chosen to participate in HIP. Among these households, approximately 1,500 will be randomly selected to be a part of the HIP evaluation. They will be provided with a stipend for each of three waves of data collection. Among the remaining non-HIP SNAP households, 1,500 will be randomly chosen to be in the evaluation control group. The same data collection request and stipends will be offered to both the

HIP and non-HIP evaluation samples. All SNAP households in the Pilot site will continue to receive regular SNAP benefits as usual. Instructions will be provided to all HIP households on how to earn and use the incentive. This information includes the identification of target foods, additional steps to complete a purchase at the store, how to track the amount of incentives earned, and caps on the amount of incentive that can be earned by a household in any one month of HIP.

No change will be made in the availability of nutrition education to SNAP participants at the Pilot site. All SNAP participants at the Pilot site, regardless of whether they are participating in HIP or a study control group will receive the same nutrition education.

**Retailers.** Participating retailers must develop and maintain whatever EBT system and check-out procedures necessary to support HIP and as described in Attachment A. Retailers must conform to the protocols the HIP Grantee establishes with the EBT contractor to serve HIP participants, by maintaining and providing to the State a list of eligible target foods, identifying the total cost of target foods, transmitting the amount in the authorization request to the EBT vendor and printing the appropriate information on receipts. States should present their plan for compensating retailers' costs associated with HIP, such as reprogramming of existing POS terminals and modifying internal data storage systems or acquiring additional equipment. As discussed above, States must also provide for training of retailer personnel. For example, the State may enter into a contract with an appropriate partner to conduct retailer training.

**EBT Contractor.** The EBT contractor servicing retailers at the Pilot site will, at the direction of the HIP Grantee, meet all requirements and operate and maintain the HIP-modified system as described in Attachment A of this RFA. This includes, but is not limited to the following duties:

- Program the system to identify and recognize SNAP participants eligible for HIP incentives and apply incentives earned to HIP participants' SNAP benefit accounts.
- Convert HIP participant households back to normal procedures at the end of the Pilot.
- Calculate the incentive which will be equal to 30 percent of the cost of such purchases.
- Track each HIP participant's monthly cumulative incentives earned to ensure that capped value is not exceeded and report "real time" cumulative incentives earned on cash register receipts.
- Reconcile and provide daily reports on incentives earned and credited to EBT accounts.
- Reimburse retailers for the redemption of HIP incentive benefits along with their regular SNAP benefits.
- Provide daily and monthly summary reports and daily activity files at the individual transaction level as specified during the Project Design phase to FNS and/or its designated agents.
- Support clients with HIP questions or problems through the client Automated Response Unit (ARU) and customer service representatives.
- Equip new EBT-only retailers at the Pilot site with HIP functional POS terminals in a timely manner.
- Support EBT-only and commercial retailers on HIP-specific problems through the retailer ARU and customer service representatives.
- Cooperate with the FNS evaluation contractor and be interviewed by the contractor.
- At the request of the HIP Grantee, assist with other HIP implementation activities, such as assisting the HIP Grantee in the training of retailers for the new system and voucher processing.

**Evaluation Contractor.** The Pilot will be independently evaluated by an evaluation contractor competitively selected by FNS. The primary objective of the evaluation is to determine the impact of point-of-purchase incentives on the purchase and consumption of healthful foods.

**Other Partners.** A State SNAP agency may engage additional partners in HIP. Duties of such community partners should be clearly described in the application, along with an overview of how the State will provide oversight to their activities throughout HIP.

## **PILOT ADMINISTRATION**

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**Orientation and Close Out Meetings.** The HIP Grantee shall attend an orientation meeting at FNS headquarters within two months following grant award to meet FNS and evaluation staff, to review the research design and to discuss preparations for meeting the research objectives. The HIP Grantee shall also attend a follow-up meeting at the conclusion of the Pilot to present findings and exchange information on lessons learned. The HIP Grantee shall provide a formal presentation to FNS at that time.

**Monthly Conference Calls.** Monthly conference calls shall provide an overview of the activities conducted during the previous month, major accomplishments with completion dates and budget, deviations from the proposed plan, difficulties encountered, solutions developed to overcome difficulties, assistance needed from FNS on technical issues, and major planned activities for the next month. The HIP Grantee shall provide FNS with an agenda 5 business days prior to each call. The HIP Grantee shall also prepare minutes for each call and distribute to FNS no later than 5 business days after the call.

### **Reporting Requirements.**

**Quarterly Reports.** Quarterly progress reports and quarterly financial reports must be submitted to FNS. As outlined in 7CFR 3016, Uniform Administrative Requirements for Grants and Agreements, quarterly progress reports must provide a description of the activities conducted during the reporting period, major accomplishments with completion dates and budget, deviations from the proposed plan, difficulties encountered, solutions developed to overcome difficulties, and major planned activities for the next quarter. The HIP Grantee is responsible for obtaining the necessary information from the other partners to complete this report. These reports are due on the next business day 5 days after the end of each quarter. Financial reports should provide information on the grant expenditures for the quarter and totals to date, broken down into the same categories as the original budget using SF-425. For reports that include the operational timeframe information, the HIP Grantee shall report on the value of benefits and redemptions using the daily and monthly reconciliation reports described in the EBT Contractor requirements.

**Final Reports.** A final financial report on form SF-425 and a final written progress report (no more than 20 pages in length) will be due 90 days after the close of the Pilot (unless otherwise noted and justified in the application). The final progress report will be composed of a short Executive Summary and the following:

- A project description which includes a description of the Pilot site, including any HIP significant events observed during the Pilot operations;
- A summary of major accomplishments, difficulties encountered and solutions developed to resolve the difficulties;
- A discussion of lessons learned;
- Recommendations for future policy consideration.

More detailed specifications for progress reporting, assistance with preparation of FNS yearly reports to Congress, and the final project report will be included in the cooperative agreement established with the HIP Grantee.

**Presentation.** The HIP Grantee shall make a formal presentation to FNS at the close out meeting, which will take place within 90 days of the close of the Pilot (around May 2013 unless otherwise noted and justified in the application)

**Use of Grant Funds.** All costs must be allowable, allocable, necessary and reasonable in accordance with OMB Circular A-87; and A-21, and A-122 where appropriate. Allowable use of funds includes, but is not limited to, personnel costs; training; translation of forms; other supplies; printing, duplication, and dissemination of materials; and technology (both hardware and software) necessary for operating the Pilot and/or participating in the evaluation of the Pilot. SNAP funds may not be used for this Pilot and HIP funds may not be used for any non-HIP related SNAP costs. An audit trail and strict accounting system to guard against commingling or improper expenditure of SNAP and HIP funds is necessary.

Allowable HIP costs include State and local agency staffing, reprogramming of EBT contractor systems, TPP certification, retailer IECR systems and standalone POS terminals, modifications to the voucher approval and clearance process and other changes to electronic benefit systems required to accommodate the special accounting and tracking needs of HIP, as well as any reprogramming back to traditional protocols after the completion of the Pilot. Allowable HIP costs also include costs incurred by retailers that directly relate to programming changes that will allow for HIP operations.

## APPLICATION INSTRUCTIONS

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**Letter of Intent to Apply.** Any State Agency planning to submit an application to conduct HIP should complete and submit the Letter of Intent to Submit an Application Form (LoI) by January 29, 2010 to:

Gregory Walton  
Grants Officer  
Grants & Fiscal Policy Division  
Food and Nutrition Services, USDA  
3101 Park Center Drive, Room 738  
Alexandria, VA 22302  
[Greg.Walton@fns.usda.gov](mailto:Greg.Walton@fns.usda.gov)

Attachment E provides a sample LoI. Submitting the LoI does not obligate the State Agency in any way, but will provide useful information to FNS in preparing for the application review and selection. State Agencies submitting a LoI will qualify to be on a conference call with FNS and will be notified of the date and time of the call. States not submitting a LoI may still submit an application by the specified due date.

**Written Clarification Questions.** When submitting their LoIs, States should also submit their clarification questions in writing to Gregory Walton at [Greg.Walton@fns.usda.gov](mailto:Greg.Walton@fns.usda.gov). These questions will be compiled and, along with answers from FNS, posted at [www.fns.usda.gov/snap/hip](http://www.fns.usda.gov/snap/hip). Questions will not be identified by individual or agency affiliation. Answers to clarification questions will be reviewed during the conference call with FNS, which will take place in February 2010.

**ATTACHMENT D** to this Request for Application provides critical details on application procedures such as size limit, number of copies, submission procedures and other important administrative information on application submission.

**ATTACHMENT F** to this Request for Application is a critical document that provides a template to create an application for HIP. It is essential that applicants carefully read this entire Request for Application prior to starting their application, as elements required in the application are discussed throughout the RFA.

## EVALUATION OF APPLICATIONS

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**Initial Screening Criteria.** Applications will be prescreened by FNS to assure that the following essential items are submitted in or with the application. Failure to submit any of these required items will result in the application being considered non-responsive and eliminated from further evaluation and consideration.



**1. All mandatory forms** listed in ATTACHMENT F are submitted.

**2. Letters of commitment or memoranda of understanding or agreement** are submitted as follows:

- All local SNAP agencies servicing the Pilot site must agree to cooperate with the Pilot and perform any HIP Grantee-delegated responsibilities such as notifying participants that they have been randomly selected for participation, training them on the benefits and procedures at grocery check-out, and providing participant data or access to it to the evaluation contractor.
- The EBT contractor must agree to necessary temporary reprogramming and testing of EBT systems to meet the needs of HIP, with procedures in place to promptly terminate the incentive system at the end of pilot operations.
- Letters from a sample of different retailer types<sup>8</sup> (at least one retailer from each of the following: large supermarkets, smaller groceries, convenience stores, and farmers' markets) must demonstrate retailer commitment to participate in the Pilot and adhere to the procedures specified by FNS. Each letter should outline the steps the retailer will take to fully comply with FNS requirements for participation given that retailer's setting (e.g., identify participants, identify target foods, update cash register programming, participate in retailer training, cooperate with the evaluation contractor).
- Community partners, if any, that agree to duties as assigned by the HIP Grantee as part of the proposal.

**3. Cooperation with the independent FNS evaluation is evident.** An evaluation agreement form (Attachment G) is presented as an appendix to the application. Signature of this agreement attests that the SNAP State Agency and the local SNAP agency(ies) servicing the Pilot site will fully cooperate with the evaluator and facilitate the evaluation. Such signature shall commit the State agency to the following:

- Providing the evaluation contractor with data or access to data on SNAP participants in a timely manner.
- Working in cooperation with the evaluation contractor to trouble-shoot and resolve issues and refine procedures to the extent that it is within the HIP Grantee's control, making all efforts to ensure the integrity of the evaluation and quality of the data provided to the contractor.
- Facilitating evaluation contractor's access to SNAP participants and SNAP staff for the purpose of conducting interviews or other data collection.

**4. Submission of Budget Summary Form (SF 424A), Itemized Budget, and Accompanying Narrative.** These components must be submitted with the application.

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<sup>8</sup> See <http://www.fns.usda.gov/snap/retailers/pdfs/2008-annual-report.pdf> for SNAP retailer types.

**5. A SNAP integrity reference check** will be conducted by FNS to assure that there are no State or local SNAP agency issues with fiscal or program integrity, or other outstanding issues that impact the proposed Pilot site. If Corrective Action Plans (CAP) were required, all CAP findings were addressed or are being addressed on schedule.

**Evaluation and Scoring of Applications.** After the initial screening of applications, FNS will convene a technical review panel to determine the technical merits of responsive grant applications. The panel will rate each application according to how well it addresses each of the technical evaluation criteria. The award will be made to an applicant whose proposal, when all criteria are considered, represents the best value to the Government. FNS reserves the right to make no award if there are no applications of sufficient technical merit.

The selection official will consider the technical panel's recommendations; however he or she may consider other USDA or FNS priorities such as geographic, demographic or socioeconomic diversity, and agency priorities in addition to the scores assigned by the technical review panel.

#### TECHNICAL EVALUATION CRITERIA AND WEIGHTS

##### Pilot Design and Implementation (50 points)

- Applicant demonstrates understanding of the goals and objectives of HIP.
- Proposed Pilot site is thoroughly described and meets specifications outlined in RFA. State demonstrates the site's potential for operating a successful Pilot, including providing relevant data on the SNAP retailer community, SNAP caseload, local SNAP agency(ies), and broader community context as appropriate.
- Plans for informing SNAP clients selected for HIP participation about (1) their eligibility for the incentive, (2) how to earn the incentive, (3) where to earn the incentive, and (4) to field ongoing questions and concerns raised by HIP participants is well thought out and supports SNAP clients' full participation in the Pilot. Draft information package is included.
- Outline of preliminary training plans for local office staff, retailers, and any community partners are included. Training plans consider major issues to be addressed during training and demonstrate knowledge in key content areas addressed in Attachment B.
- Plan for soliciting participation of retailers is included. Plan, along with letters of commitment, demonstrate likelihood of successful participation by a broad base of SNAP retailers. Plan includes procedures and timeline milestones for achieving maximum retailer participation prior to HIP operations.
- Plans for incentive benefit delivery demonstrate a detailed understanding of key steps and timelines for having fully operational EBT and retailer systems in place for the Pilot,

including describing viable approaches for identifying target foods and HIP participants, and crediting HIP incentives according to types of participating retailers: those with IECR systems, those with standalone POS devices, and those that use vouchers. Presents a well-considered and workable solution for handling each stage of the proposed HIP manual voucher process; and provides sufficiently detailed descriptions of the other proposed technical solutions for the grantee, EBT contractor, participating integrated retailers, their TPPs, and standalone terminal providers that thoroughly address the specifications and requirements in Attachment A.

- Plan demonstrates a full understanding of the retailer implementation and operational needs, concerns, and challenges and addresses these issues with a plan that is realistic and reasonable.
- A clear and realistic timeline for successfully implementing, operating, and closing the Pilot is included.
- Implementation and operation plans show understanding of the FNS evaluation requirements, along with capacity and commitment to fulfilling those requirements.

#### Staffing Plan (15 Points)

- Staffing Plan describes the roles and responsibilities of key personnel and partners involved in HIP and includes a chart showing key personnel and partners and lines of authority.
- Staffing Plan documents that the key personnel have the necessary and relevant education, skills, and experience for their proposed roles on the Pilot. Includes supporting documentation in the form of resume/vita, and position descriptions for all key positions, including vacancies.
- Staffing Plan provides sufficient information to document that the time commitment of key personnel appears to be appropriate for their roles in the Pilot. Includes supporting documentation (i.e., letters of support from supervisors) for all key personnel.
- Staffing plan demonstrates that retailers, local agency(ies), EBT contractor, and community partners, if any, have appropriate experience and commitment to effectively fulfill their proposed Pilot roles within the time and financial constraints of the Pilot. (Letters or memoranda of commitment/understanding required to be attached to the application serve as evidence of these commitments, but narrative supporting the State's plan should also be included).

#### Management Plan (15 Points)

- Management Plan articulates how the State will provide oversight necessary to ensure high quality products, services, or outcomes and to keep the Pilot on time and within budget.
- Management Plan demonstrates effective internal controls of HIP funds that are provided to retailers, the EBT Contractor, standalone terminal providers, community partners, and local agencies that ensure HIP funds are used only for HIP purposes, with an accounting record and audit trail for HIP that is separate and distinct from SNAP funding account.
- Management Plan provides a plan for managing personnel associated with the Pilot and for addressing any contingencies such as loss of key personnel.
- Management Plan shows potential for strong interrelationships, teamwork, and cooperation between the State agency and partners.

Budget (20 points)

- Budget considers all necessary Pilot implementation and operation costs as outlined in the RFA. Costs are allowable and reasonable.
- Application includes a budget narrative describing how costs within the budget categories were derived and links between expenditures and specific activities/tasks.

## **ATTACHMENT A—HIP Systems Functionality and Requirements**

This attachment addresses the system changes needed for the EBT contractor, participating integrated retailers, POS terminal providers, and manual voucher processing to meet the functional requirements of HIP as envisioned in this RFA. It addresses system interfaces, transaction processing, voucher handling, security, and Pilot reporting.

**EBT System Programming, Accounting and Reporting.** FNS has determined that there are certain basic elements that are essential to account for the Pilot transactions through the EBT system for purposes of correctly crediting accounts, for reporting and evaluation purposes, and to meet logistical and administrative needs. In preparation for the RFA, FNS consulted with each of the three major EBT Contactors regarding feasibility, potential design and their estimated costs for HIP. The only processes that that were not resolved at the time involved the handling of HIP manual voucher transactions. Each contractor agreed to think about a potential solution in case one of their States were to apply and respond to the RFA, and handle the creation of incentive benefits and update the monthly earnings total in an effective manner for voucher transactions for voucher-only retailers as well as those that have the capability to clear them with their POS terminals. This could possibly be accomplished more effectively during the voucher clear process rather than at the time of voucher authorization, resulting in delayed calculation, creation and update of HIP benefit and monthly earnings data as well as further delay of client notification. Responses to this RFA should address in detail the proposed method(s) for handling incentives resulting from voucher transactions and how the clients would be able to access information about their HIP earnings based on voucher purchases.

FNS expects that a new benefit type code (for example, HIP) would be assigned to the incentive benefits created by the EBT system. The transaction approval process will continue to include checks for valid FNS authorization number, account number and PIN value, as well as determining that account status is active and that there are sufficient funds. However, to meet the Pilot's needs, the HIP Grantee must modify the EBT system to provide additional basic functions for HIP participants, which work in all retailer environments to:

- use the existing, rather than a separate, SNAP benefit account to post and debit incentives earned.
- identify the following types of SNAP households in the selected Pilot site: HIP participants, HIP evaluation participants (HIP participants who also participate in the evaluation), and evaluation control group participants (SNAP participants not participating in HIP but who participate in the evaluation). This would likely be coded by the HIP Grantee and transmitted to the EBT system in a client demographic record, but the applicant may propose an alternative method.
- ensure that incentives can be earned only by HIP participants and only using their SNAP benefits.
- validate that the retailer type code is allowable for HIP so that incentives are only calculated and applied for allowable retailer types.
- apply a cap to the monthly amount of incentive that can be earned by any one household (actual amount of the cap to be determined after award).
- keep a separate running tally (applying both credits and debits) of each HIP participant's current monthly earnings to ensure that the cap amount is not exceeded.
- determine the remaining allowable incentive amount for the household (equal to cap amount minus previous monthly earnings total).

- read the combined value of HIP target foods from the retailer's transaction message and multiply by 30 percent, rounding to the nearest penny.
- if the transaction is for a purchase and the target-food purchase value is greater than \$0.00, create a HIP incentive benefit for the household equal to the lesser value of the two previous calculations, so that total monthly earnings do not exceed cap value.
- assign a unique authorization number to each benefit and automatically populate other fields required by the system design, including availability date.
- post any incentive benefit that is earned to the SNAP account so that it is available for use immediately.
- if the transaction is for a purchase, increase the HIP participant's current monthly earnings total by the value of the benefit posted.
- if the transaction is for a refund and the HIP value is greater than \$0.00, calculate the value of the incentive previously earned for the returned eligible items (30 percent of the reported HIP value in the current transaction), then check the participant's previous monthly earnings total – if the returned incentive value is equal to or greater than the earnings total, reduce the earnings total by that value; if it is less, reduce the earnings total to \$0.00.
- if the transaction is for a purchase, include the value of any new incentive benefit posting and the updated monthly earnings total in the approval message transmitted back to the retailer, so that it can be printed on the receipt.
- if the transaction is for a refund, include the amount actually deducted from the earnings total (as a negative value) and the updated monthly earnings total in the approval message transmitted back to the retailer so that it can be printed on the receipt.
- store values for HIP-eligible fruit and vegetable purchase/refund amount in permanent transaction record for all SNAP clients at the Pilot site.
- store values for incentive benefit created/reduced and ending month-to-date earnings total in permanent transaction record for all HIP participants.
- automatically set the monthly earnings for all HIP participants back to \$0.00 at the start of each month.

For the most part, HIP benefits will be treated in the same manner as other SNAP benefit types; however, there are a few differences. HIP benefits will be:

- excluded as a transaction that triggers additional case month fees after the household stops receiving SNAP benefits; the State would only be charged for months that they post regular SNAP benefits.
- transacted in a manner compliant with current ANSI message standard X9.58, modified as necessary to transmit HIP data in a standard manner for all retailers participating in the Pilot (this will require collaboration with FNS, participating integrated retailers and their TPPs, and standalone terminal providers).
- assigned a hierarchy level that maintains first in, first out redemption of benefits in chronological or other State-approved order.
- displayed in the online administrative terminal, cardholder and/or retailer sites in the same manner as other benefit postings and debits.

- reported by the automated response unit (ARU) in the same manner as other transactions when the caller selects the options to listen to the list of most recent transactions or to have a two-month statement mailed.
- reported each day as they are created to the Account Management Agent (AMA) system as Issuances – Other.
- usable for payment of recipient claims or card fees.
- expunged according to the same rules as other SNAP benefits in the account, and reported to AMA as Returns – Expunged or Other in the same manner as other benefit types.
- funded by the same Letter of Credit used for other federal SNAP benefits through a combined single draw.
- paid out to retailers in the same Automatic Clearing House (ACH) file with other EBT redemptions.
- reported to the Store Tracking and Redemption System (STARS) as part of the total daily SNAP redemptions for each retailer.
- included in the daily ALERT file in the current manner.
- reconciled and reported daily at the benefit type level to validate funds entered into, exiting from, and remaining in the system each day, including the starting and ending balances.

FNS has the following additional EBT system requirements:

1. This system shall be designed in such a way that it does not change or interfere with EBT functionality for non-participating clients or retailers, both within and outside of the Pilot site. It shall also be set up so that all HIP functionality can easily be terminated after the last day of Pilot operations. At that point, households may retain all unspent HIP benefits until used or expunged; however, no new incentives may be earned.
2. Since the ALERT file does not currently include all of the data fields necessary to monitor and assess HIP benefits and redemptions, and the number of transactions to be examined represents only a small subset of the State's total EBT activity, FNS will not use ALERT for HIP analysis. Instead, FNS proposes that the EBT system produce a more detailed set of records which would be similar to the daily activity or daily history file produced by the EBT Contractor for transmission to the HIP Grantee. The structure and content of the file(s) will be determined during the system design phase, and will include SNAP-related activity records for all households residing in the selected Pilot site. At a minimum, records of the following types of actions must be included: demographic records (new account setups and updates, changes to the participant type (i.e., HIP participant, HIP evaluation group, evaluation control group); regular SNAP benefit postings transmitted by the HIP Grantee; new HIP incentive benefits created by the EBT Contractor; HIP-eligible fruit and vegetable subtotals for relevant transactions (regardless of Pilot group); voucher authorizations, clears and expirations; all POS terminal transactions (balance inquiry, purchase, refund, voucher clear, void last, reversal, etc.); and all other settling and non-settling financial transactions (expungements; recipient claims; adjustments, card fee payments, etc.) Data on all households in the Pilot site will be kept and reported for the duration of the Pilot. Codes shall be developed to identify participation status in HIP. These files are to be transmitted directly to FNS, with the schedule and transmission method to be established during the design phase.

3. The EBT administrative terminal system (or an alternative system) will require added inquiry functionality to allow users to select a specific account and view the complete HIP history (up to 15 months worth of data) at both the summary and detail level. At a minimum, this shall include identification of the type of participant, data on HIP-eligible purchases, incentive benefits created, as well as debits from and credits to those benefits. The dollar values shall be subtotaled by month with grand totals for the life of the Pilot.

4. The system shall also provide FNS with screens or reports showing:

- daily and monthly reconciliation totals for the various types of financial transactions for HIP, total value of funds drawn specifically for HIP, and outstanding liability. The ending balance for each processing day shall be carried over as the beginning balance for the next day's activity.
- daily and monthly totals and averages per household of HIP purchases, benefit postings and redemptions, broken down by the three HIP study groups. The monthly version of this report should also show the number of households that had no HIP purchases at all and the number that reached or exceeded the level of purchases that would result in the maximum capped benefit.

5. The EBT Contractor shall be responsible for training their customer service representative staff to respond to cardholder and retailer issues involving HIP.

6. Ideally, the EBT Contractor will modify the client automated response unit script to state the current monthly earnings total at the beginning of the call, or provide a menu option that the caller may select to get the value. However, FNS recognizes that there would be only one standard statewide script. If the above change will be unwieldy or confusing for other State customers, or the changes would be prohibitively expensive, we encourage applicants to provide alternate proposals.

7. Comprehensive formal testing of HIP system revisions is required and shall include:

- Contractor-FNS interfaces
- Contractor-TPP interfaces
- POS transaction processing for EBT-only terminals
- POS transaction processing with all integrated system retail Pilot partners and their TPPs
- Voucher authorization, clearing and expiration
- Handling of expungement, recipient claims and card fees
- Administrative terminal system functionality
- Automated Response Unit revisions
- Report and data file validation

8. To the extent possible, the test environment shall use or simulate production system interfaces and transaction routing, as is done for system conversions. Testing shall include both positive and negative conditions, and allow for "What If" scenarios. All errors or test problems shall be ranked by level of severity. The Contractor shall log and track the correction, retest and resolution of each issue. FNS will require interim and final reports describing the results of each test performed, any deficiencies found, modifications identified as necessary to resolve system errors, additional re-testing and regression testing performed. On a scale of one to five, with five being the most severe, all problems of level



three or greater shall be resolved and accepted by FNS prior to implementation. If any issues remain as of that date, they shall be resolved within 30 days after implementation.

9. Successful implementation of HIP will require the HIP Grantee and EBT Contractor to work closely with both the EBT-only retailers and those using commercial equipment in order to ensure that all parties are ready prior to implementation. This includes assuring that commercial retailers and their TPPs have the necessary information about HIP eligible foods, the X9.58 standard coding changes for HIP, and certification specifications, as well as performing all necessary testing with TPPs and integrated retailers.

10. FNS requires, at a minimum, the following documentation specific to HIP prior to the beginning of HIP operations:

- EBT Contractor's Design, Development, Implementation and Operations Plan (This plan must provide timelines for completing draft and final versions and getting FNS approval of all the deliverables listed below).
- Functional Design Document
- Detailed Design Document including HIP record layouts
- Documentation of X9.58 modifications and codes required to support HIP
- Contractor-FNS Interface Specifications, procedures and schedule
- TPP Certification Specifications
- HIP System Test Plan
- Detailed Test Scripts

11. The EBT system shall continue to support the HIP Grantee in reconciling regular SNAP benefits separate and apart from HIP benefits. The HIP Grantee and EBT Contractor must work together to decide if HIP benefits and transactions will be included or excluded from the State's own statewide reconciliation totals, data warehouse, daily activity files, and other reports and files.

**Integrated Retailer System Programming and Functionality.** Virtually all large retailers and many small retailers already have IECR systems that enable in-lane scanning and identification of each item. These are already programmed to identify SNAP-eligible products and automatically provide a subtotal for the EBT transaction. To participate in HIP, retailers with IECRs must update their product database to include an additional identifier for HIP target foods, reprogram software and train clerks. FNS recognizes that this will require significant resources. **Retailer costs directly associated with HIP implementation and operation may be reimbursed, in part or in full, from the grant awarded by this RFA.**

FNS anticipates that system changes for integrated systems will include:

- addition of a new field to the retailer's product database to identify HIP target foods.
- coding of flags for all HIP target foods. FNS does not plan to maintain its own database of Price Look-Up (PLU) or Universal Price Codes (UPC), but will be available to provide guidance and assistance in this area in the form of an initial list of product codes that meet the target foods specifications in a State or States operating WIC EBT.

- providing the HIP Grantee with a list, at the beginning and end of HIP operations, of foods coded as eligible to earn the incentive.
- in addition to the current calculation of the all SNAP-eligible items subtotal, computation of a second subtotal just for HIP target foods for both purchases and refunds.
- revising the content of two fields of the store's SNAP authorization message (for both purchases and refunds) to include a HIP program indicator and the HIP-only subtotal.
- reprogramming the system to read two additional values from the authorization message
- print these values for the HIP incentive earned with the current purchase and the cumulative monthly earnings with concise explanations (see example in body of RFA under Participant HIP Earnings).

FNS anticipates that each integrated retailer will need to work closely with the EBT Contractor through its TPP in order to be certified as compliant with Contractor's specifications for HIP transactions. If the retailer cannot get cooperation from its TPP to make necessary changes for HIP, the HIP Grantee may use HIP grant funds to certify the retailer directly to the EBT Contractor's gateway switch and maintain the connection for the duration of the Pilot. Integrated retailers shall provide FNS with a list of the product codes identified as HIP-eligible. FNS reserves the right to participate in the retailer's system testing to ensure that transactions are accurately processed and recorded on the receipt.

**Standalone EBT Terminal Programming and Functionality:** The requirements in this section apply to EBT-only retailer POS terminals as well as the standalone commercial equipment provided by TPPs. These retailers, as well as those that have no POS equipment and only do vouchers, will need to identify HIP target foods and separate them from the household's other SNAP eligible foods. The clerk must obtain a subtotal for HIP, and record the value. The clerk would then continue adding up the value of the remaining SNAP items to get a total that also includes the HIP value.

The software in standalone EBT terminals will need to be modified, for both purchases and refunds, to add manual entry of the HIP value and to transmit the HIP program indicator and HIP value to the processor. It must also be revised to read the values for the HIP incentive earned with the current purchase and the cumulative monthly earnings and print them on the customer receipt with concise explanations. If a retailer with commercial standalone equipment cannot get cooperation from its TPP to make necessary changes for HIP, the HIP Grantee may offer the retailer an EBT-only terminal with HIP functionality for the duration of HIP.

Essentially, there are two ways that the entry of HIP purchase values can be handled. The first is to add an extra step to purchase and refund transactions for entry of the HIP subtotal between the card swipe and entry of the total for all SNAP purchases and refunds. The retailer would enter \$0.00 if there were no HIP eligible items. The other is to create separate transactions for HIP purchases and HIP refunds. With the latter method, the retailer would total all of the HIP eligible items, select the HIP transaction type, and enter only the HIP total for the transaction value. The POS terminal will code in the HIP program indicator and place the HIP value in both the HIP field and the purchase/refund amount field. Then the retailer would total up the remaining SNAP eligible products and perform a regular purchase or refund transaction just for the non-HIP items. This requires a second card swipe and PIN entry. There are advantages and disadvantages to both of these methods. We expect that the

State and its EBT contractor, in consultation with small retailers, will need to consider the following factors in deciding which method to use; ease of coding, consistency with POS software for non-HIP terminals in the State, impact of double swipes on customer cards, retailers and transmission and processing fees, ease of use by retailers and clients, and the complexities of training both groups.

**ATTACHMENT B—Proposed HIP Phases, Activities, & Timeline**

Applicants may tailor these proposed tasks, activities and timelines to their specific applications, including adding tasks they deem necessary and changing timeframes to support their proposal as justified in their applications. Dates provided herein assume an August 2010 start date.

Suggested Pilot Phases are:

I.	Planning and Start Up	August 2010 - November 2010
II.	Testing and Training	December 2010 - November 2011
III.	Operations	December 2011 - February 2013
IV.	Pilot Close Out	March 2013 - April 2013
V.	Final Reports and Briefing	May 2013 - June 2013
VI.	Reporting Schedule	Throughout

<b>Phase I. Planning and Start Up</b>	<b>August 2010 - November 2010</b>
<b>Cooperative Agreement executed between FNS and HIP Grantee</b>	
<b>Orientation Meeting</b> at FNS headquarters will include Pilot basics as well as reporting requirements, recordkeeping of HIP funds independent of SNAP funds, funding mechanisms for the grant, allowable costs, financial issues, operational issues, expectations, technical issues including a review of technical retailer issues and EBT contracting changes, etc.	
<b>Monthly Progress Conference Calls</b> shall occur for the duration of the Pilot as scheduled in the cooperative agreement. The HIP Grantee shall prepare an agenda for each call and submit to FNS 5 business days prior to the call. Meeting minutes shall be prepared by the HIP Grantee and submitted 5 business days after the call takes place each month.	
<b>Evaluation Orientation</b> may take place with general orientation or may be a separate event based on FNS determination. HIP Grantee will meet with evaluation firm to discuss evaluation needs and begin identifying procedural changes necessary to meet those needs.	
<b>Meet with local SNAP agency(ies)</b> to specifically define roles and responsibilities that were generally outlined in the application and to set forth general expectations and obligations; execute formal signed agreements delineating duties, obligations and responsibilities.	
<b>Continue retailer recruitment</b> that began as part of the application process; clarify expectations and address challenges of retailer involvement in HIP.	
<b>Meet with EBT contractor</b> to address Pilot needs and develop plans to meet those needs (see Attachment A for details); Develop specifications for contract amendment for changes in electronic benefit delivery for Pilot with technical assistance and approval from FNS.	
<b>Meet with prospective community partners</b> (if any are planned) to further discuss opportunities for their involvement in the Pilot. Develop a proposed agreement with community partners and, upon FNS approval, execute agreements with these partners.	
<b>Refine implementation and operations plan</b> to reflect the outcome of start-up activities above,	

such as roles of local agency staff and community partners and update on retailer recruitment activities. Revise timeline presented in the application for all aspects of the Pilot.

**Seek FNS approval** of implementation and operations plan.

**Refine plan** reflecting any FNS comments and get FNS final approval.

## Phase II. Operational Set-Up, Testing and Training

December 2010 – November 2011

### EBT System

**Work with EBT Vendor to implement and deploy procedural and programming changes** necessary to meet all requirements described under EBT System Programming, Accounting and Reporting in Attachment A and in the revised implementation and operations plans approved by FNS.

**Identify TPPs** that need to be recertified to accept HIP transactions for all integrated retailers participating in the Pilot.

**Complete certification** of all TPPs and integrated retailer transaction processing

**Create Draft and Final Memoranda of Understanding** and/or amendment language for EBT-only and TPP Agreements. Seek FNS approval.

**Develop a training plan** (in cooperation with EBT vendor) for retailers with EBT contractor on HIP; its goals, objectives, processes and benefits to participants and provide detailed information on expectations of participating retailers, including specific information on processes and transactions. Gear the training to the retailer on the basis of their benefit processing capabilities; i.e. integrated systems, standalone POS and voucher processing. Provide a problem resolution resource or customer service representative contact to respond to day to day operational issues for retailers and for participants.

**Perform HIP system testing** detailed in Attachment A.

**Submit interim and final HIP Systems test reports** to FNS for approval.

### Point of Sale Reprogramming and Testing – Integrated Retailers and TPPs

**Finalize participating retailer list and meet with participating retailers** to clarify responsibilities; execute signed formal agreements documenting retailer commitment and understanding of their obligations under HIP.

**Meet all requirements** described under Integrated Retailer System Programming and Functionality in Attachment A for IECR systems. Meet requirements described under Standalone EBT Terminal Programming and Functionality in Attachment A for TPP standalone terminals.

**Test systems** to assure their integrity internally, through the TPP and to/from the EBT Contractor.

**Make necessary changes and report to FNS** for implementation approval.

**Conduct retailer/clerk training** with assistance from EBT vendor or other partners as proposed.

**Follow up** with retailers to reinforce training and respond to issues and questions.

### Evaluation Contract

**Establish protocols** for all partners to work with evaluation contractor to meet evaluation needs.

<b>Provide necessary SNAP participant case file data</b> to test sampling plan and to execute final random selection of participants into the study groups needed for the evaluation.
<b>Provide updates on participant contact information and case file data</b> to contractor as needed.
<b>Prepare to assist the evaluation contractor</b> with participant notification (and training, as needed). The evaluation contractor will be primarily responsible for informing participants about participation in the evaluation and the procedures involved, but may solicit and shall receive assistance from local agencies.
<b>Local Agency Training</b>
<b>Develop training for local agency(ies)</b> which clearly conveys and explains in detail HIP's goals and objectives; operations; local agency staff responsibilities and commitments, including executing day to day operations of the Pilot, including relevant retailer operations; reporting requirements; and interaction and cooperation with the evaluation contractor. Training plans shall include providing local agencies with information necessary for them to conduct participant training (if delegated to them). Training plan shall also include establishing procedures for identifying and responding to participants' questions and problems.
<b>Obtain FNS approval for revised staff training plan.</b>
<b>Conduct local agency training.</b> Training should take place once retailer operations are firmly established. Training should also include follow-up steps for reinforcing material covered.
<b>Participant Notification and Training</b>
<b>Develop participant information package.</b> This package should describe procedures for contacting participants selected for HIP and contain materials that will be included in this initial contact, including telephone scripts or letters to participants.
<b>Develop participant training plan.</b> Describe who will deliver the training, where the training will take place, and the means and manner of that delivery, as well as a training timeline. Participant training should explain HIP, its goals, objectives, benefits, allowable food purchases, and how to identify themselves to retailers prior to purchase. The training shall provide detailed information to participants on how to perform a HIP transaction at different types of participating retailers and what participants should do if they have questions or problems during HIP.
<b>Obtain FNS approval for participant information and training packages.</b>
<b>Notify participants of their selection</b> for HIP participation after selection by the evaluation contractor.
<b>Conduct participant training.</b>
<b>Reinforce training</b> by following up with participants upon implementation.
<b>Community Partner Training</b>
<b>Develop training</b> for community partners on responsibilities as delegated to them. Training plans should be specific to the functions of each partner and include detailed information on HIP as described above under Local Agency training and participant training.
<b>Obtain FNS approval</b> for community partner training plan.
<b>Conduct community partner training.</b>

Phase III. Operations	December 2011 – February 2013
<b>Operate Pilot</b> according to final plans approved by FNS.	
<b>Monitor program integrity</b> and interface with EBT contractor as needed.	
<b>Provide required daily and monthly EBT system reports and data files</b> and make them available to FNS and the evaluation contractor according to approved Pilot plans.	
<b>Provide FNS with a list of all target foods</b> identified by participating retailers with IECR systems as of the beginning date of HIP operations.	
<b>Field participant and retailer questions and problems; solve operational issues</b>	
<b>Facilitate evaluation</b> data collection and access to participants for interviews. Provide updated case file records to the evaluation contractor as needed.	
<b>Notify FNS</b> of any operational issues and work with FNS to resolve issues.	
<b>Facilitate site visits by FNS staff.</b>	
<b>Notify all parties of cut-off date</b> and close out period for Pilot.	
<b>Prepare and submit reports</b> as noted in Section VI. Reporting Schedule	

Phase IV. Close Out	March 2013 – April 2013
<b>Discontinue HIP operations.</b> Disable participant access and retailer features and restore traditional SNAP operations as required.	
<b>Provide FNS with the final list of all target foods</b> identified by participating retailers with IECR systems as modified during Pilot operations to incorporate new products, etc.	
<b>Continue</b> working with evaluation contractor to provide transaction and other data.	

Phase V. Final Reports and Briefings	May 2013 – June 2013
<b>Submit</b> final financial report and draft final progress report; upon FNS review submit Final Progress Report.	
<b>Draft materials</b> for FNS presentation and submit to FNS for review.	
<b>Refine presentation</b> based on FNS review.	
<b>Make presentation</b> and participate in debriefing at close out meeting at FNS headquarters.	

VI. Reporting Schedule	
<b>Quarterly Financial Reports (SF-425)</b>	5 business days after end of quarter
<b>Quarterly Progress Reports</b>	5 business days after end of quarter
<b>Final Financial Report (SF-425)</b>	90 days after the end of HIP operations
<b>Final Project Report</b>	90 days after the end of HIP operations

## **ATTACHMENT C—Terms and Conditions of Award**

A HIP cooperative agreement will be administered in accordance with The Food, Conservation and Energy Act of 2008, 7 CFR Parts 3015, 3016, 3017, and 3018, and the applicable regulations and OMB grant circulars, as described below. Copies of these documents are available from the OMB website ([www.WhiteHouse.gov/OMB/grants](http://www.WhiteHouse.gov/OMB/grants)) and from the Grants Officer, upon request.

7 CFR Part 3015: “Uniform Federal Assistance Regulations” for Entitlement Programs (Reference OMB Circular A-110 Common Rule)

7 CFR Part 3016: “Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments” other than Entitlement Programs (Reference OMB Circular A-102 Common Rule)

7 CFR Part 3017: Subparts A-E “Government-wide Debarment and Suspension (Non-procurement)”

7 CFR Part 3017: Subparts F “Government-wide Requirements for Drug-free Workplace (Grants)”

7 CFR Part 3018: “New Restrictions on Lobbying”

OMB Circular A-21: Cost Principles for Educational Institutions

OMB Circular A-87: Cost Principles for State and Local Governments

OMB Circular A-133: Audits of State, Local Governments and Nonprofit Organizations



## **ATTACHMENT D—Application Submission Procedures**

### **Application Due Date**

The complete application package must be received by FNS at the address listed below on or before 5:00 p.m. Eastern Daylight Time (EDT) on **May 21, 2010**. Applications received after the deadline date and/or time will be deemed ineligible and will not be reviewed or considered.

### **Submission of Application**

Applications may be submitted by hand delivery, by mail, or electronically using the federal grants website: [www.grants.gov](http://www.grants.gov) . **FNS will not accept faxed or e-mailed applications.**

If choosing to submit the application by hand delivery or by mail, applications should be directed to the following address:

Gregory Walton, Grants Officer  
Grants & Fiscal Policy Division  
Food and Nutrition Services, USDA  
3101 Park Center Drive, Room 738  
Alexandria, VA 22302

We advise applicants to meet the deadline by hand delivering or mailing the application sufficiently in advance of the deadline to ensure its timely receipt. If applicants opt to mail the application, a mail delivery service that guarantees delivery and allows delivery tracking to FNS is strongly advised.

The government-wide website [www.grants.gov](http://www.grants.gov) is designed for electronic submission of applications. If submitting the application electronically, we advise that you allow ample time to familiarize yourself with the system's requirements. You will need both a Data Universal Number (DUNS) and a Contract Registry Number (CCR) to access the system. You can contact Dun and Bradstreet at 1-800-234-3867 to obtain a DUNS number if you do not have one already.

All applicants that opt to submit their application via [www.grants.gov](http://www.grants.gov) must send an email to Gregory Walton at [Greg.Walton@fns.usda.gov](mailto:Greg.Walton@fns.usda.gov) indicating that the application was submitted through the grants.gov portal. This e-mail must be received no later than **5:00 p.m. EDT on May 21, 2010**. Please be aware that the grants.gov system provides several confirmation notices. It is your responsibility to ensure that you have confirmation that the application was *accepted*.

Late and/or incomplete applications will not be considered in this competition. The applicant must submit all required forms and documentation detailed here (in Attachment B) and reiterated in Attachment F.

**FNS WILL NOT consider any additions or revisions to applications once they are received.**

### Number of Copies and Format

One original and two copies must be submitted along with an electronic copy of the application. The original copy must be singled-spaced, single-sided, unstapled, unbound, with at least 1 inch margins on top and bottom, 12-point font size, pages numbered and on 8 ½ by 11 inch white paper for copying. The two copies may be submitted with back-to-back copying. The electronic copy must be submitted in portable document format (PDF) on a CD.

### Mandatory Forms

The following mandatory forms must be completed, signed and submitted with the application package. Failure to submit all of these mandatory forms will be deemed non-responsive and the application will not be considered in the grant competition.

Application for federal assistance (SF-424)

Budget information (SF-424A)

Assurances – Non-construction programs (SF-424B)

Disclosure of lobbying activities (SF-LLL)

These federal forms and their instructions are in an electronic version at [www.grants.gov](http://www.grants.gov)

### Copies of Request for Application

This RFA may be obtained electronically on the FNS website at [www.fns.usda.gov/snap/hip](http://www.fns.usda.gov/snap/hip) and on [www.grants.gov](http://www.grants.gov). Use of the electronic version of Attachment F will facilitate State applications.

### Questions

Questions regarding this RFA should be directed to Gregory Walton, Grants Officer, Grants & Fiscal Policy Division, Food and Nutrition Service, USDA, at [greg.walton@fns.usda.gov](mailto:greg.walton@fns.usda.gov). If questions arise about the RFA, FNS will post a list of these questions and Agency responses at [www.fns.usda.gov/snap/hip](http://www.fns.usda.gov/snap/hip).

**ATTACHMENT E—Letter of Intent to Apply**

State Agencies intending to submit an application for a grant for HIP are requested to submit a Letter of Intent (LoI). This can be fulfilled by completing the form below and sending it to FNS by **5:00 pm EST January 29, 2010**. This LoI does not obligate a State Agency in any way, but will provide useful information to FNS to prepare for staffing of the review and selection process. In turn, FNS will invite all State agencies that submit a LoI to participate in a basic informational conference call to review obligations and expectations of the grant as an aid in developing applications.

The LoI may be mailed or e-mailed. FNS thanks State Agencies in advance for their cooperation with this request. The Letter of Intent should be submitted to:

Gregory Walton, Grants Officer  
Grants & Fiscal Policy Division  
USDA Food and Nutrition Service  
3101 Park Center Drive, Room 738  
Alexandria, VA 22302  
[Greg.Walton@fns.usda.gov](mailto:Greg.Walton@fns.usda.gov)

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**Healthy Incentives Pilot Letter of Intent to Submit an Application**

**State Agency Name and Address:**

**Pilot Director or Contact Person:** \_\_\_\_\_

**Telephone:** \_\_\_\_\_ **Email:** \_\_\_\_\_

**State SNAP Director:** \_\_\_\_\_

**Telephone:** \_\_\_\_\_ **Email:** \_\_\_\_\_

**State EBT Coordinator:** \_\_\_\_\_

**Telephone:** \_\_\_\_\_ **Email:** \_\_\_\_\_

## **ATTACHMENT F—Application Template**

Applicants must use the following format, including titling and numbering system presented below for application. Use of the electronic version of this document to fill in the narrative under the headings and guidance provided is recommended. For an electronic copy of the RFA containing this attachment go to [www.fns.usda.gov/snap/hip](http://www.fns.usda.gov/snap/hip) or [www.grants.gov](http://www.grants.gov)

### **1. Cover Sheet.**

Pilot title—Healthy Incentives Pilot—and CFDA number (#10.580)

State Agency name and address

State Agency contact person, job title, address, phone and fax number, email address

Start and completion dates

Level of grant support requested

**2. Table of Contents.** Include a one-page table of contents.

**3. Proposal Summary.** A summary of one page or less that highlights the Pilot goals and site-specific features and provides a general timeline for the following key phases of the Pilot: planning, implementation and testing, operations, and close down.

### **4. Pilot Design and Implementation.**

**a. Goals and Objectives.** Briefly outline the goals and objectives of the Pilot.

**b. Pilot Site.** Describe the community(ies) in which the Pilot will operate in detail, including:

- Community characteristics, including a detailed description of the locality for the project; its boundaries, whether it is rural or urban, and any other relevant characteristics.
- SNAP participant characteristics at the proposed site, including demographics, numbers, SNAP issuance and redemption rates and comparison of these with general demographics of the State.
- Disaster assistance received in the past 5 years.
- Retailer characteristics, including store types, numbers, locations, types of EBT processing systems (including how many participating retailers have IECR systems, how many have commercial standalone POS devices, how many have EBT-only terminals, and how many are voucher-only), facilities and equipment that will be used in the Pilot. Identify retailers (especially major retailers with IECR systems) that are expected to participate in HIP as well as any who have declined participation.
- Local agency characteristics, qualifications of key staff, staffing level, structure, office space, facilities and equipment that will be used in the Pilot
- Information on usual SNAP-Education activities currently occurring at the proposed Pilot site.
- Any SNAP Corrective Action Plans in progress at the site and status of any outstanding issues.

**c. Incentive Benefit Delivery Features and Operation.**

- Present a detailed description of the grantee’s proposed solution for producing and crediting incentive benefits for manual voucher transactions as described in Attachment A, including:
  - Telephone authorization modifications
  - Voucher clear modifications
  - Timing and method for transmitting HIP total value from the retailer to the host
  - Timing and method of creating and posting the incentive value
  
- Provide a detailed description and preliminary outline to describe how the following benefit delivery and reporting requirements will be addressed and how they will be accomplished in cooperation with the EBT Contractor and retailers as appropriate to ensure successful implementation. For each item below that requires direct involvement of retailers, describe any variations among the different types of retailers participating (integrated system, standalone EBT-only POS, standalone TPP POS, and manual voucher). These items are marked with an asterisk:
  - The flagging of Pilot site SNAP participants, HIP participants, and evaluation (both HIP and control groups) participants accounts so they can be recognized by the host (EBT Contractor) system in order to authorize incentives and create reports on account activity
  - Retailer identification of HIP participants eligible for incentive\*
  - Identification/recognition of target food purchases at the point of purchase by HIP participants\*
  - Calculation, entry and transmission of the cost of target foods for the transaction
  - Host system verification that only HIP participants receive incentive benefits
  - Validation that the retailer type code is allowable for the Pilot
  - Calculation of 30 percent of the total target food costs for purchases and refunds
  - Creation of new, uniquely identified, incentive benefits based on the 30 percent calculation, posting them to the client’s account for immediate availability
  - Reducing the value of the participant’s current monthly earnings when the client requests a refund for HIP items by 30 percent of the transaction’s HIP value
  - Creating a mechanism to accumulate the total of HIP benefit earnings for each household each month, assuring that the value never goes below \$0.00 or exceeds the incentive cap per household, and resetting the cumulative total back to \$0.00 each month. The cap amount will be established after grant award by FNS
  - Assuring that the values of the currently earned (or deducted) HIP incentive and the total monthly earnings are printed on the customer receipt\*
  - Notifying HIP participants of the value of incentives earned for manual voucher transactions
  - Reporting the new issuances created each day to FNS’ EBT Account Management Agent (AMA) at the Federal Reserve Bank of Richmond
  
- Providing daily activity extract files to FNS in a format that can be linked to SNAP administrative files (e.g., including a common household ID).
  
- Displaying HIP-specific information within the EBT administrative terminal system or alternate means.

- Producing and facilitating FNS access to:
  - o daily and monthly reconciliation reports for HIP benefits
  - o daily and monthly totals and averages per household of HIP purchases, benefit postings and redemptions, broken down by the three participant groups.
  - o monthly report on the number of households that had no HIP purchases at all and the number that reached the cap for HIP purchases, broken down by the three participant groups (HIP Participants not in the study; HIP Participants in study and control group). Providing customer assistance for participants and retailers (ARU, online, etc.)
- Describing method of terminating HIP incentive creation and posting when the Pilot ends
- Committing to provide all of the technical documentation listed in the Pilot design section of the RFA delineated in Attachment A

d. Retailer Recruitment. Include a plan for soliciting retailer participation in the Pilot. Discuss efforts undertaken in preparation for submitting this application as well as plans for further recruitment.

e. Participant Notification. Include a plan for notifying participants who are selected for participation in the Pilot (participant selection will be done by the evaluation contractor and the list of participants will then be turned over to the HIP Grantee). Include phone scripts or drafts of written materials to be used during notification. (After award, final participant notification plans will be submitted to FNS for approval.) Once notified of their selection for HIP participation, participants will be trained on how to participate in HIP. Participant training plans are required and discussed below.

f. Outlines of Training Plans.

Provide a general outline of separate customized plans to train local agency staff, SNAP participants and all partners who would be involved in the Pilot (see Attachment B for details). Cover Pilot overview, purpose, administrative obligations, processes, benefits, benefit calculation, redemption processes and reporting. The plan should provide general timeframes for the training. After award, final training plans will be submitted to FNS for approval.

g. Evaluation Cooperation. Describe procedures and duties associated with evaluation, including how the State and its partners will work with the evaluation contractor to meet evaluation needs.

Specifically,

- describe how data on the SNAP caseload at the Pilot site will be provided or made accessible to the evaluator to allow for random assignment of participants into HIP participant and control groups and subsets of those groups to be used for evaluation;
- how work will be done with evaluator to troubleshoot and resolve issues and refine procedures as needed;
- how access to participants for interviews will be facilitated;

Provide in an appendix to the application a signed agreement that attests to full cooperation of the HIP Grantee with the evaluation contractor (see Attachment G).

#### h. Implementation Schedule.

Present key milestones, deliverables and timelines in the design, implementation and operation of the Pilot (such as those described in Attachment B). At a minimum, include action steps and timeframes for the following major activities:

- Orientation with FNS.
- Overview meetings with retailers, EBT contractor, and local agency to secure final commitments and cooperation and identify specific obligations, roles and responsibilities.
- Identification of retailers willing to participate; taking written agreements with them outlining their obligations and protocols for HIP.
- Assessment of capabilities of participating retailers and development of action plan to begin setting them up to account for HIP. Modification and testing of retailer EBT processing systems to meet the needs of HIP, including creation of the necessary information about HIP eligible foods, the X9.58 standard coding changes for HIP, and certification specifications including retailers that use IECR systems, commercial standalone POS, EBT-only POS and retailers with no POS.
- EBT Contractor's Design, Development, Implementation and Operations Plan and the following required documentation: Functional Design Document, Detailed Design Document, Contractor-FNS Interface Specifications, HIP System Test Plan, detailed test scripts, User Acceptance Test and regression testing.
- Training of retailers in processes and requirements for HIP, including the handling of HIP participant and control groups and HIP eligible foods.
- Training of local agency(ies) on obligations for HIP.
- Working with evaluation firm to facilitate the evaluation process, including providing data on participants for random selection into the three study groups.
- Updating records on participants as needed.
- facilitating access of evaluator to participants for interviews.
- Training of HIP participants on how HIP works; how to identify themselves to retailers without IECR systems; how to conduct a HIP participant grocery transaction and how the HIP benefits work; what they can be used for, what the cap limit on their monthly earnings is, what are allowable foods that will trigger the incentive, and documentation that training has occurred prior to activation of HIP benefits.
- Instructing control group participants on their role in HIP and expectations.
- Monitoring and oversight of HIP to ensure operational integrity.
- Financial reporting and final report.
- Quarterly reports, final reports, and special reports as specified in the cooperative agreement.
- Budgeting and accountability.
- Operational phase of HIP not longer than a period of 15 months total, with participants eligible for 12 months, unless otherwise justified in the application.
- Close out period of HIP to be completed by April 2013 or alternative date with justification.

#### 5. Staffing Plan

a. Key Personnel. Identify and describe the duties, experience, capabilities, and management lines of authority for all personnel who bear a substantive responsibility for managing, developing, and administering all significant components of the Pilot. To define “key personnel,” consider at minimum that this would include all personnel who will:

- spend 25 percent or more of their time on the Pilot (including vacancies);
- be designated to work with 1) evaluation contractor, 2) EBT contractor, 3) retailers; and
- be responsible for (1) monthly progress and final progress reports and 2) quarterly and final financial reports; 3) special reporting upon request of FNS, and 4) a formal presentation to FNS at the close of HIP.

The State’s Staffing Plan should provide a position description of all key personnel. For key positions currently vacant, provide position description and anticipated date of hire. Key positions include:

- Pilot director at State level
- Pilot assistant director or comparable backup position
- Contact for the evaluation
- Contact responsible for preparation of required quarterly and final progress reports
- Contact responsible for preparation of required quarterly and final financial reports
- Local agency Pilot coordinator
- EBT Contractor contact(s)

*Provide the following for all key personnel listed above:*

- Current positions and what their title on the Pilot will be
- Salary and percentage of time committed to HIP for each year of the Pilot
- Specific roles and duties
- Experience, skills and education and how they are relevant to specific Pilot duties
- In the appendix attach current Resume or Vita for key personnel
- In the appendix attach letters of support from supervisors of key personnel

*Chain of Command and Responsibilities.* Provide a chart or a narrative that describes the management relationships and channels of communication that will be used between key personnel and provide information on who has authority over whom.

b. Key Partners. The Staffing Plan should also identify key partners and describe the expertise and time commitments they will dedicate to the Pilot. In the appendix to the application, provide copies of documentation in the form of letters, memoranda of understanding or agreement or other documentation that demonstrates each key partner’s understanding of its role and commitment to HIP and willingness to cooperate and actively participate in HIP. Include such for a sample of retailer types, major retailers; with IECR systems--integrated systems that can be programmed to identify target foods at check out.

## **6. Management Plan.**



a. Quality Control.

Discuss how the integrity of HIP will be protected and ensured, including management and oversight; monitoring, management and financial controls, corrective actions and adjustment to operations to correct deficiencies or improve on operations.

- Describe accountability plan, including internal controls to ensure the integrity of payments or reimbursements to EBT contractor, retailers, and local agencies.
- Describe internal controls to monitor the incentives accounting system to assure that target participant SNAP accounts are credited appropriately.
- Describe how HIP and SNAP funds will be accounted for as distinct and separate accounts, and what audit trails and financial controls will be used to assure and demonstrate that SNAP funds are used only for SNAP purposes, and HIP funds will be used only for HIP-related activities.

b. External management.

Provide plans for management of outside personnel (those not in the direct line of supervision of the HIP Grantee such as those persons identified in Section 5b. Key Partners. Describe how strong interrelationships, communication and teamwork will be fostered among partners by the HIP Grantee:

- retailers
- EBT contractor
- local agency(ies)
- any community partners

c. Contingency Plans.

Describe contingency plans for ensuring that the Pilot is not unduly disrupted by any unforeseen changes in key personnel or disruption or failure of benefit issuance systems.

**7. Budget.** A line-item budget detailing HIP-related costs must be included. HIP funding is intended to cover 100 percent of the HIP Grantee's administrative and operational expenses associated with the Pilot. Retailer costs directly associated with HIP implementation and operation may be reimbursed from the grant awarded by this RFA, as long as the total costs for all parties involved in HIP do not exceed \$6.3 million. Incentive food benefits will be paid out by FNS as they are redeemed, similar to existing SNAP benefits; thus, food benefit costs of HIP should not be included in States' budgets for this Request for Application. Likewise, any stipends paid to participants for participating in the evaluation will be paid from the evaluation contract.

a. Budget Forms. In addition to the detailed budget, applicants must use SF-424A to prepare a budget summary for the Pilot. Provide amounts for all major budget categories. Forms are available in electronic version at [www.grants.gov](http://www.grants.gov).

b. Budget Narrative. Provide a detailed explanation for all funds requested in the line-item budget and describe how those costs were derived and how they relate to Pilot goals, objectives and each major proposed activity. Details must be provided for both Federal and non-Federal resources, including in-kind contributions. Costs for EBT systems changes and retailer system programming must be detailed and supporting documentation (e.g., quotes from EBT vendor, third party processors, and retailers representing various store types included in the Pilot) must be included.

c. Budget Assumptions: The budget should assume Pilot activities will take place from August 2010-June 2013 unless otherwise justified in the application. The budget should include funds for Pilot key personnel to attend a one-day meeting for orientation and a similar one-day meeting within 90 days after the close of the Pilot as specified in the application to discuss the independent evaluation and State's findings. At the close-out meeting, the HIP Grantee shall conduct a formal presentation for FNS on the Pilot. The meetings will be held at FNS headquarters in Alexandria, Virginia.

d. Indirect Cost: Applicants claiming an indirect cost MUST attach a copy of the State Agency's negotiated and approved rate.

**8. Assurances and Disclosure Attachments:** Attach the following mandatory forms, which with their instructions, can be found in an electronic version at [www.grants.gov](http://www.grants.gov) :

Application for federal assistance (SF-424)

Budget information (SF-424A)

Assurances - Non-construction programs (SF-424B)

Disclosure of lobbying activities (SF-LLL)

**9. Appendices:** Include each of the following as a separate appendix:

- Resumes and vitas for key personnel
- Letters of support from supervisors of key personnel
- Job descriptions for key personnel, indicating those that must be hired
- Copies of letters, agreements or memoranda of understanding with the local agency, the EBT contractor, a variety of retailer types that will be represented in the Pilot, and as many major retailers (those with IECR systems) as possible.
- Signed agreement to cooperate with the evaluation firm (provided on the next page)
- Any other supporting documentation referenced in the application

**Attachment G—Evaluation Cooperation Agreement**

Date \_\_\_\_\_

As an applicant for a HIP grant, \_\_\_\_\_ agrees to foster and support full  
(State SNAP Agency Name)  
cooperation with the evaluation contractor and its designated agents in all aspects of the evaluation of  
HIP, including but not limited to:

- Providing data or access to data on SNAP participants on a timely basis to the evaluation contractor to allow it to complete random assignment of SNAP participants into the various study groups deemed necessary by the contractor.
- Working in cooperation with the evaluator to trouble-shoot and resolve issues and refine procedures to the extent of the HIP Grantee’s control. Making all efforts to maintain the integrity of the evaluation and ensure the quality of the data provided to the contractor.
- Facilitating access of the evaluation contractor to participants for interviews, providing address and contact information and updates to that information as necessary.

Signed \_\_\_\_\_

(HIP Grantee representative with authority to obligate the State Agency to this agreement).