

Update Bulletin

WIC CVV Questions and Answers

June 18, 2009

The U.S. Department of Agriculture Food and Nutrition Service (FNS) has announced revisions to WIC Program food package regulations with the objective of better aligning WIC food packages with the 2005 Dietary Guidelines for Americans and infant feeding practice guidelines of the American Academy of Pediatrics.

This new program, called "WIC CVV," is the result of these revisions. The following questions and answers provide information on the program in general,

THE WIC CVV PROGRAM IN GENERAL

What does the program provide? – The new food packages give \$8.00 to women and \$6.00 to children for fruits and vegetables each month and add fruits and vegetables in the form of baby food for infants between the ages of 6 to 12 months.

What is a "CVV"? – The program includes a new Cash Value Voucher to facilitate the purchase of fruits and vegetables. A voucher is used because most fresh fruits and vegetables are sold via random weight facilities and without uniform bar codes; so such item prices vary considerably among seasons, regions, and stores. A CVV could take many different forms, such as the paper-based voucher (akin to the current WIC Farmers' Market Nutrition Program coupon); an automated solution like one of the multiple card technologies currently in use in the commercial environment today; or another electronic process, such as electronic coupons.

What is the timeline for this new program? – The USDA has stated this program will go into effect in all states no later than October 1, 2009, although each state has the right to implement it sooner if desired. Two states started with a totally manual program in January, whereas a few states began distributing CVVs in May. Others plan August, and most will go live in October. It would not be surprising if some states are not fully ready by the October 1 deadline.

Will every retailer be affected? – All grocery stores that are currently authorized to accept traditional WIC in their stores *must* be able to accept CVV as well.

Will the CVV program be consistent across the U.S.? – It will not be consistent. Although the general CVV program was initiated with federal policy guidelines, there are several details that the USDA has left to each state's WIC Authority to implement as they choose, including:

- Sunrise date: the USDA has stated this program will go into effect no later than October 1, 2009. Many states have opted to begin the program sooner. See the chart on Page 6 with state-by-state planning dates for CVV implementation.
- Mixed transactions: states may choose to allow CVV-eligible items to be paid with CVV in the same transaction as non-CVV items. States can alternately require that CVVs must be used in separate CVV-eligible-item-only transactions.
- Multiple tenders: states may choose to allow items purchased with a CVV to be partially tendered via a different medium. For example, a consumer bearing a \$4.00 CVV but

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purchasing \$4.50 of apples will be able to pay for the difference in cash in some states, but not in others that prohibit this practice by prohibiting split tenders in a CVV sale.

- Implementation methods: states may provide paper-based CVVs or choose to distribute fruits and vegetables CVVs via electronic means, for example as per EBT programs in place today.¹
- Denominations: states can choose which denominations to issue. For example, a state could issue \$6 in CVVs by providing a single \$6 CVV or six \$1 CVVs.
- Transaction limits: states can determine if multiple CVVs can be tendered in a single order, or if only one CVV may be tendered per order.

How does CVV differ from traditional WIC vouchers or Food Stamps? – Although the new CVV program is intended to supplement the existing WIC program, it is very different than traditional WIC vouchers and in some ways are handled much like paper food stamps. Characteristics and differences between CVV and traditional benefit programs include:

- Different items: CVV applies to different products in the store compared to standard WIC. CVV is available for fruits and vegetables, which the traditional WIC program does not address. The USDA currently specifies that an item can only belong to one group or the other, but not to both. As such, no item can be both WIC-eligible and CVV-eligible.²

In states that do not provide WIC-EBT (electronic WIC benefits), WIC vouchers must continue to be used in separate transactions, and therefore CVVs cannot be used in WIC transactions.

- Value: Cash Value Vouchers are dollar-based, not item-based. Because many produce items are variable weight/quantity and because their prices can fluctuate considerably, the vouchers will be in cash denominations (similar to Food Stamps) while traditional WIC vouchers will remain item-specific.
- Eligibility: all items that are CVV-eligible are also Food-Stamp eligible.
- Taxability: items purchased with CVV are not taxable. As with Food Stamps, CVV-eligible items purchased with CVVs will be considered non-taxable. However, if those same items are purchased with other tenders, they will be taxed according to the item's normal tax attributes.
- Cash back and change: no change in any form may be given with a CVV tender. Unlike traditional Food Stamps, the excess value of a CVV above the tendered amount will be lost by the consumer.
- Split tenders: traditional WIC transactions cannot be tendered with multiple media. WIC CVV transactions may be handled this way at a state's option.

¹ Electronic WIC benefits (non-CVV) are currently available in a very few states such as Michigan and Kentucky, and are planned for support by ISS45 V7 in the "Fall" release and by ISS45 V8 and ScanMaster V2 in the "Winter 2010" releases. Several states have indicated an interest in electronic CVV, but at this writing, there are no concrete, confirmed and specified plans or documentation for online CVV distribution and authorization (although "smart-card" WIC, as used in Texas, New Mexico and Wyoming, is planned to handle CVV this summer, and will be available in ISS45 V7 and V8). Once states create online/EBT CVV plans, ScanMaster and ISS45 are expected to develop WIC EBT for CVV facilities.

² Certain items, such as bananas and carrots, currently qualify as WIC items, and these items will be moved into the CVV category and no longer eligible under "traditional" WIC.



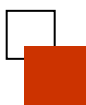
SCANMASTER AND ISS45 SOFTWARE SUPPORT OF CVV

Which versions of ISS45 and ScanMaster support WIC CVV? – All current ISS45 and ScanMaster versions can be used to accept CVVs and perform these transactions. However, new software is being released with specific CVV features that greatly simplify and automate the process. These new releases include:

- ISS45 V7 7.1.3.1-070 (currently available) – This feature include a separate new CVV tender that will process to a new additional PLU CVV flag on the item record. Host Batch processing supports adding the new PLU flag. The new feature also provides parameters to control the maximum voucher price and allow multiple CVV to be processed in one order. Note that this release does not support mixed basket orders or split tenders: these functions will be provided in 7.1.3.1-080, planned for release in July 2009.
- ISS45 V8 8.1.4.1-050 (first customer installations planned for August 2009)
- ScanMaster V2 2.06.01-050 (first customer installations planned for August 2009)
- ScanMaster V1 – there are no plans to add WIC CVV automation to ScanMaster V1.

How will these releases be enhanced to support CVV? – There are several new capabilities being added to the software for CVV automation, including the following functions:

- A new flag in the PLU and Department records indicates if an item or department is CVV-eligible
 - Note that by USDA rules, this flag will be mutually exclusive of the existing WIC-eligible flag, as no item or department can be both WIC-eligible and CVV-eligible at the same time.
 - All associated StoreNext systems will be updated to support the new flag, such as the maintenance applications, batch-file support, RBO, Retailix Store, PocketOffice etc. Release schedules for CVV support with each of these applications will vary.
- A new WIC CVV tender type
 - This tender type provides the ability to have the POS properly handle the taxability of items purchased with CVV. Similar to Food Stamp-able items, any portion of a CVV-eligible item that is purchased with CVV benefits is not taxable. However, taxability for any remaining portion of the item purchased with another tender will follow the tax attributes of the item.
 - For example – assume broccoli is defined as a taxable item, and is taxed at a rate of 5%. If \$3 of broccoli is purchased using a \$2 CVV with the remaining \$1 purchased with cash, then the \$1 balance due will be taxed at 5%, and the consumer will actually owe \$1.05.
 - This tender type will also not tender a CVV for an amount greater than the current CVV-eligible balance due.
- A new POS function for “WIC CVV Sale Mode”
 - Similar to the “WIC Sale Mode” function that is currently available, this function can be used at the beginning of a transaction to signify that only CVV-eligible items will be allowed to be entered. In some states, mixing CVV-eligible items and CVV in the same transaction may not be allowed, and for those states, this function provides a method to restrict the items entered during the sale.
- A function to enable the validation of a CVV expiration date



- New configuration parameters similar to what are available today for traditional WIC vouchers are being made available to prompt the cashier for a CVV Issue and/or Expiration Date to help ensure that the vouchers are properly validated.
- A function to allow CVVs within a standard sales transaction
 - Some states will allow retailers to accept one or more CVVs toward the purchase of CVV-eligible items as part of a normal sales transaction. Such “mixed-basket transactions” will have some items tendered via CVV while other items in the same transaction may not be CVV-eligible and would be tendered with alternate media. Configuration parameters will control this behavior.
- Retailers will also be able to limit the number of vouchers that can be used in each transaction
- A function to automate proper endorsement of CVVs
- As with all tenders currently, retailers will be able to define how they want each CVV to be endorsed based on their specific state regulations.

Will there be a separate option charge or fee to use these automated CVV capabilities? – There will not be a separate license fee for these WIC CVV features. However, a option license fee will be charged for online electronic CVV capabilities assuming this implementation method becomes a reality.

HANDLING CVVS WITHOUT THE CVV AUTOMATION FEATURES

Will I be able to accept CVVs in my store without installing the CVV software releases and features you've just described? – Yes, but it will take a lot more effort. The process below can be followed:

- 1) Separate CVV transactions from non-CVV transactions
 - Although not a requirement in all states, this process will greatly simplify the efforts required by the cashier to properly manage the tendering of CVV transactions. Vouchers cannot be accepted for any amount greater than a current CVV-eligible balance due in a transaction, and this value can be quite confusing to a cashier if non-CVV-eligible items are mixed in the same transaction.
- 2) Identify and separate CVV-eligible items
 - Without the enhanced software, cashiers must manually to identify CVV-eligible items during the checkout process. As a general rule, the CVV benefit applies to nutritional produce – therefore it doesn't include fruits or vegetables that have added sugar, or have limited nutritional value (such as whole white potatoes). Other limitations exist, such as vegetable trays and canned/dried legumes, which are also not considered CVV-eligible items. Retailers should consult with the USDA or their State WIC Authorities for specific CVV-eligibility requirements.
- 3) Tax items in the transaction according to state rules with the correct CVV exceptions
 - In some states, some CVV-eligible items may be taxable. If such an item is purchased with CVV, it is never taxable, but any portion of a CVV-eligible item purchased with another tender must follow the taxability of the item.
 - By defining a new CVV tender as a Food Stamp tender, the POS will handle taxability correctly, since the same tax rules currently apply to Food Stamps transactions.

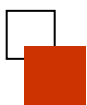


- Per the USDA, paper Food Stamps may no longer be redeemed after June 17, 2009. Stores can therefore consider redeploying a former paper Food Stamp tender as a CVV tender (if one is available), and change the name of the POS menu key for the cashier's benefit – this might simplify deployment requirements if you need to satisfy any local states in the very short term.
- 4) Validate the CVVs
 - Some states may use Issue or Expiration Dates on CVVs. The CVV-enabled ISS45 and ScanMaster software releases can be set to prompt cashiers for Issue or Expiration Dates on the vouchers, but without this feature, the cashier must manually verify such dates.
 - 5) Tender the CVVs
 - CVVs can be used for tender for any amount up-to the face value of the voucher. However, no change can be given back to the consumer. The final voucher of the transaction must not be entered for more than the remaining balance due. CVV-enabled ScanMaster and ISS45 systems manage tendering limits automatically, but otherwise these limits must be managed manually by cashiers. To help enforce these rules, consider configuring the POS so that a CVV tender cannot be over-tendered (this can typically be accomplished via Tender Maintenance, making sure that over-tenders are not allowed.)
 - For example – the balance of a CVV transaction is \$1.55, and a \$2 CVV is presented. The cashier should enter \$1.55 as the tender amount, and the voucher will be endorsed appropriately. If the cashier attempts to enter the \$2 face-value of the voucher, the amount should be rejected.
 - 6) Endorse CVVs as per state rules – but never for no more than the CVV's face value
 - CVVs are dollar-based with specific denominations. They must be endorsed with dollar amounts and other information (store, tender amount, etc.) as specified by each state. This can be accomplished using existing template functions that can be tailored for the new CVV tender.

MORE INFORMATION

Information about the new WIC CVV program can be found at the USDA FNS website (<http://www.fns.usda.gov/fns/>). Details on each state's requirements for CVV transactions should be obtained by the retailer from their local state offices.

A list of contacts for each state WIC office can be found at the USDA website (<http://www.fns.usda.gov/wic/Contacts/statealpha.HTM>). For further details or questions on how StoreNext supports CVV with ISS45 and ScanMaster, please feel free to contact your dealer or StoreNext representative.



WIC CVV State Implementation Timing³

DELAWARE	1/1/2009	INDIANA	10/1/2009
NEW YORK	1/1/2009	IOWA	10/1/2009
KENTUCKY	5/1/2009	LOUISIANA	10/1/2009
SOUTH CAROLINA	5/1/2009	MAINE	10/1/2009
COLORADO	6/1/2009	MARYLAND	10/1/2009
CONNECTICUT	7/1/2009	MASSACHUSETTS	10/1/2009
ILLINOIS	8/1/2009	MISSOURI	10/1/2009
KANSAS	8/1/2009	NEW HAMPSHIRE	10/1/2009
MICHIGAN	8/1/2009	NEW JERSEY	10/1/2009
OKLAHOMA	8/1/2009	NORTH CAROLINA	10/1/2009
OREGON	8/1/2009	OHIO	10/1/2009
WISCONSIN	8/3/2009	PENNSYLVANIA	10/1/2009
MINNESOTA	9/1/2009	RHODE ISLAND	10/1/2009
NEW MEXICO	9/15/2009	TEXAS	10/1/2009
ALABAMA	9/28/2009	VIRGINIA	10/1/2009
ARIZONA	10/1/2009	WASHINGTON	10/1/2009
ARKANSAS	10/1/2009	WEST VIRGINIA	10/1/2009
CALIFORNIA	10/1/2009	MISSISSIPPI	???
FLORIDA	10/1/2009	TENNESSEE	TBD
GEORGIA	10/1/2009		

³ As per data available May 2009.

