

**U.S. Department of Agriculture
Food and Nutrition Service
Administrative Review Branch**

Bob's Bottle Shop,

Appellant,

v.

Retailer Operations Division,

Respondent.

Case Number: C0252067

FINAL AGENCY DECISION

It is the decision of the U.S. Department of Agriculture (USDA), Food and Nutrition Service (FNS) that the Retailer Operations Division properly denied the application of Bob's Bottle Shop (hereinafter "Appellant") to participate as an authorized retailer in the Supplemental Nutrition Assistance Program (SNAP). As a result, the firm may not reapply for SNAP authorization for a period of six months from the date of denial.

ISSUE

The issue accepted for review is whether the Retailer Operations Division took appropriate action consistent with Title 7 Code of Federal Regulations (CFR) Part 278 in its administration of SNAP when it denied the retailer application of Bob's Bottle Shop.

AUTHORITY

7 U.S.C. § 2023 and its implementing regulations at 7 CFR § 279.1 provide that "[A] food retailer or wholesale food concern aggrieved by administrative action under § 278.1, § 278.6 or § 278.7 . . . may file a written request for review of the administrative action with FNS."

CASE CHRONOLOGY

In a letter dated January 18, 2022, the Retailer Operations Division denied the Appellant's SNAP application due to its failure to meet basic program eligibility requirements. This denial action was based on observations made during a contractor's store inspection on December 29, 2021, as well as information provided on the firm's SNAP application dated April 29, 2021.

The Retailer Operations Division determined that the firm did not meet eligibility requirements under Criterion A or Criterion B pursuant to SNAP regulations at 7 CFR § 278.1(b)(1). The denial letter stated the Appellant failed to meet the requirements of Criterion A because in at

least one of the four staple food categories it did not offer for sale on a continuous basis a variety of foods in required minimum quantities. It also stated that the Appellant failed to meet the requirements of Criterion B because staple food sales did not comprise more than 50 percent of its total retail sales. Additionally, the letter indicated that FNS considered the firm's eligibility under the Need for Access provision of the regulations found at 7 CFR § 278.1(b)(6), but determined that the Appellant did not qualify for SNAP under this provision.

As a result of being found ineligible for participation under both Criteria A and B, and being found ineligible under the Need for Access provision, the Appellant's SNAP application was denied for a period of six months pursuant to regulation at 7 CFR § 278.1(k)(2).

In a letter dated January 18, 2022, the Appellant requested an administrative review of the Retailer Operations Division's decision. The request was granted.

STANDARD OF REVIEW

In an appeal of adverse action, such as an application denial, an appellant bears the burden of proving by a preponderance of the evidence that the administrative action should be reversed. This means that an appellant has the burden of providing relevant evidence which a reasonable mind, considering the record as a whole, would accept as sufficient to support a conclusion that the matter asserted is more likely to be true than not true.

CONTROLLING LAW AND REGULATIONS

The controlling law in this matter is found in the Food and Nutrition Act of 2008, as amended (7 U.S.C. § 2018), and promulgated through regulation under Title 7 CFR Part 278. In particular, 7 CFR § 278.1(k) provides the authority upon which FNS shall deny the authorization of any firm applying for participation in SNAP if it fails to meet established eligibility criteria.

7 CFR § 278.1(k)(2) reads, in relevant part:

FNS shall deny the application of any firm if it determines that:

(2) The firm has failed to meet the eligibility requirements for authorization under Criterion A or Criterion B, as specified in paragraph (b)(1)(i) of this section.... Any firm that has been denied authorization on these bases shall not be eligible to submit a new application for authorization in the program for a minimum period of six months from the effective date of the denial.

7 CFR § 271.2 defines a *retail food store* as:

(1) An establishment or house-to-house trade route that sells food for home preparation and consumption normally displayed in a public area, and either offers for sale qualifying staple food items on a continuous basis, evidenced by having no fewer than

[three]* different varieties of food items in each of the four staple food categories with a minimum depth of stock of three stocking units for each qualifying staple variety, including at least one variety of perishable foods in at least [two]* such categories (Criterion A) as set forth in § 278.1(b)(1) of this chapter, or has more than 50 percent of its total gross retail sales in staple foods (Criterion B) as set forth in § 278.1(b)(1) of this chapter as determined by visual inspection, marketing structure, business licenses, accessibility of food items offered for sale, purchase and sales records, counting of stockkeeping units, or other inventory or accounting recordkeeping methods that are customary or reasonable in the retail food industry as set forth in § 278.1(b)(1) of this chapter...

7 CFR § 271.2 defines *staple food* as:

...food items intended for home preparation and consumption in each of the following four categories: Meat, poultry, or fish; bread or cereals; vegetables or fruits; and dairy products... Hot foods are not eligible for purchase with SNAP benefits and, therefore, do not qualify as staple foods for the purpose of determining eligibility under § 278.1(b)(1) of this chapter. Commercially processed foods and prepared mixtures with multiple ingredients that do not represent a single staple food category shall only be counted in one staple food category. For example, foods such as cold pizza, macaroni and cheese, multi-ingredient soup, or frozen dinners, shall only be counted as one staple food item and will be included in the staple food category of the main ingredient as determined by FNS. Accessory food items include foods that are generally considered snack foods or desserts such as, but not limited to, chips, ice cream, crackers, cupcakes, cookies, popcorn, pastries, and candy, and other food items that complement or supplement meals, such as, but not limited to, coffee, tea, cocoa, carbonated and uncarbonated drinks, condiments, spices, salt, and sugar. Items shall not be classified as accessory food exclusively based on packaging size but rather based on the aforementioned definition and as determined by FNS. A food product containing an accessory food item as its main ingredient shall be considered an accessory food item. Accessory food items shall not be considered staple foods for purposes of determining the eligibility of any firm.

7 CFR § 278.1(b)(1)(i) states, in part:

An establishment...will effectuate the purposes of the program if it sells food for home preparation and consumption and meets one of the following criteria: Offer for sale, on a continuous basis,

* As currently implemented. See SNAP Retailer Policy and Management Division Policy Memorandum 2018-04 for additional information regarding the enhanced retailer standards, which were implemented on January 17, 2018. This memorandum can be found on the FNS public website at <https://www.fns.usda.gov/snap/retailer-eligibility-clarification-of-criterion>.

a variety of qualifying foods in each of the four categories of staple foods...including perishable foods in at least [two]* of the categories (Criterion A); or have more than 50 percent of the total gross retail sales of the establishment...in staple foods (Criterion B).

7 CFR § 278.1(b)(1)(ii) states, in part:

In order to qualify under [Criterion A] firms shall:

- (A) Offer for sale and normally display in a public area, qualifying staple food items on a continuous basis, evidenced by having, on any given day of operation, no fewer than [three]* different varieties of food items in each of the four staple food categories with a minimum depth of stock of three stocking units for each qualifying staple variety and at least one variety of perishable foods in at least [two]* staple food categories. Documentation to determine if a firm stocks a sufficient amount of required staple foods to offer them for sale on a continuous basis may be required in cases where it is not clear that the firm has made reasonable stocking efforts to meet the stocking requirement. Such documentation can be achieved through verifying information, when requested by FNS, such as invoices and receipts in order to prove that the firm had ordered and/or received a sufficient amount of required staple foods up to 21 calendar days prior to the date of the store visit...
- (B) Offer for sale perishable staple food items in at least [two]* staple food categories. Perishable foods are items which are either frozen staple food items or fresh, unrefrigerated or refrigerated staple food items that will spoil or suffer significant deterioration in quality within 2-3 weeks; and
- (C) *[Offer a variety of staple foods which means different types of foods, such as apples, cabbage, tomatoes, and squash in the fruit or vegetable staple food category, or milk, cheese, butter and yogurt in the dairy category. Variety of foods is not to be interpreted as different brands, different nutrient values, different varieties of packaging, or different package sizes. Similar processed food items with varying ingredients such as, but not limited to, sausages, breakfast cereals, milk, sliced breads, and cheeses, and similar unprocessed food items, such as, but not limited to different varieties of apples, cabbage, tomatoes, or squash shall not each be considered as more than one staple food variety for the purpose of determining variety. Multiple ingredient food items...such as...cold pizza, macaroni and cheese, soup, or frozen dinners, shall only be counted as one staple food variety each and will*

* As currently implemented. See SNAP Retailer Policy and Management Division Policy Memorandum 2018-04 for additional information regarding the enhanced retailer standards, which were implemented on January 17, 2018. This memorandum can be found on the FNS public website at <https://www.fns.usda.gov/snap/retailer-eligibility-clarification-of-criterion>.

*normally be included in the staple food category of the main ingredient as determined by the FNS.]**

7 CFR § 278.1(b)(1)(iii) states, in part:

In order to qualify under [Criterion B] firms must have more than 50 percent of their total gross retail sales in staple food sales. Total gross retail sales must include all retail sales of a firm, including food and non-food merchandise, as well as services, such as rental fees, professional fees, and entertainment/sports/games income...

7 CFR § 278.1(b)(6) states:

Need for access. FNS will consider whether the applicant firm is located in an area with significantly limited access to food when the applicant firm fails to meet Criterion A per paragraph (b) (1) (ii) or Criterion B per paragraph (b) (1) (iii) of this section so long as the applicant firm meets all other SNAP authorization requirements. In determining whether an applicant is located in such an area, FNS may consider access factors such as, but not limited to, the distance from the applicant firm to the nearest currently SNAP authorized firm and transportation options. In determining whether to authorize an applicant despite its failure to meet Criterion A and Criterion B, FNS will also consider factors such as, but not limited to, the extent of the applicant firm's stocking deficiencies in meeting Criterion A and Criterion B and whether the store furthers the purposes of the Program. Such considerations will be conducted during the application process as described in paragraph (a) of this section.

APPELLANT'S CONTENTIONS

The Appellant made the following summarized contentions in its request for administrative review, in relevant part:

- Appellant applied for SNAP authorization on April 29, 2021, when the owner was in escrow for purchasing the store.
- The owner has had COVID-19 since January 9, 2021 and has been in quarantine and in very bad shape. The owner went through a lot to get to this point in the application process.
- The store location purchased by the owner has always accepted EBT and the new owner carries the same items.

* As currently implemented. See SNAP Retailer Policy and Management Division Policy Memorandum 2018-04 for additional information regarding the enhanced retailer standards, which were implemented on January 17, 2018. This memorandum can be found on the FNS public website at <https://www.fns.usda.gov/snap/retailer-eligibility-clarification-of-criterion>.

- When the owner received the e-mail requesting proof of a third staple food item, he was at home very sick and almost dying from the coronavirus. This is the reason he was unable to send the information requested by USDA.
- The owner has been waiting so long to get approved and will end up losing his business because of this.
- Appellant has the invoices for the third item requested by USDA. Appellant apologizes for not sending the information previously. Appellant owner is just now getting back on his feet from COVID-19 and is now able to send the requested information.
- Appellant requests that its application be reopened.

The preceding may represent only a brief summary of the Appellant's contentions presented in this matter. However, in reaching a final decision, full attention was given to all contentions presented, including any not specifically summarized or explicitly referenced in this document.

ANALYSIS AND FINDINGS

The purpose of this review is to either validate or invalidate the denial determination made by the Retailer Operations Division. This review is limited to consideration of the relevant facts as they existed at the time of the agency's determination.

After reviewing the contractor's store visit report and photographs as well as evaluating the contentions and evidence submitted by the Appellant, it is the determination of this review that Bob's Bottle Shop does not carry sufficient staple food inventory to be eligible for SNAP authorization. Specifically, the firm is deficient in the dairy category. According to the contractor's report, the only dairy varieties in sufficient quantities at the time of the store visit were milk and cheese. As described in regulations cited earlier, a firm must meet either Criterion A or Criterion B to be eligible for SNAP participation. In order for a firm to be eligible under Criterion A, it must offer for sale on a continuous basis no fewer than three different varieties of food items in each of the four staple food categories with a minimum depth of stock of three stocking units for each variety. In this case, the firm was deficient in one variety of dairy.

On October 20, 2021, the Retailer Operations Division sent the Appellant a letter requesting a sample of receipts and invoices to demonstrate the types of staple food products purchased by the store during a one-month period. In response to this request, the Appellant sent 26 pages of purchase records. Most of the inventory purchase appeared to be snack foods and beverages, with just a small amount of staple food. The only dairy variety in these records was milk.

After receiving this information, the Retailer Operation Division determined that a store visit was necessary to establish the firm's eligibility for SNAP authorization. During that store visit on December 29, 2021, the inspector discovered that the only dairy products on the store's shelves were milk and cheese. This visit confirmed that the store was deficient in the dairy category.

On January 7, 2022, the Retailer Operations Division sent the Appellant a letter stating that the firm was lacking staple food inventory. The letter gave the firm an opportunity to provide additional invoices or receipts as evidence that the store normally carried at least three stocking units of at least three different varieties of dairy products. The letter further stated that the

invoices or receipts must be dated no more than 21 calendar days prior to the date of the store visit and may not be dated on or after the date of the store visit. The record shows that the Appellant did not respond to the January 7 letter. Accordingly, the firm's SNAP application was denied for failure to meet inventory eligibility requirements.

In his request for administrative review on January 18, 2022, the Appellant owner argued that he had the invoices that were requested, but had not replied to the January 7 request because he had COVID-19. He stated that he was getting back on his feet after his illness and could now submit the requested information. Despite this claim, the Appellant did not submit any receipts or invoices to confirm the store's eligibility.

On February 19, 2022, the Appellant owner sent an e-mail to the administrative review officer asking for a status update of his appeal. In his e-mail, the owner again stated that the reason he had not submitted evidence of a third staple food item earlier was because he had been suffering from COVID-19. It is noted that that despite having made this same argument a second time, the Appellant still did not submit any evidence to support his claim.

In response to the owner's e-mail, the review officer informed him that if he actually had evidence of missing staple food items as he claimed, that evidence should be submitted immediately.

On February 24, 2022, the Appellant contacted the review officer again by e-mail and stated that the firm had started selling eggs, with a fresh shipment from Costco every Monday. The Appellant claimed that the store had never carried eggs before and this change in inventory resulted in increased business for the firm. Finally, the Appellant stated that FNS could revisit the store and see its inventory of eggs. In support of its claims, the Appellant submitted one invoice from Costco, dated February 24, 2022, showing the order of 15 dozen eggs.

In accordance with regulations at 7 CFR § 278.1(b)(1)(ii)(A), FNS can accept only those receipts and invoices that are dated up to 21 calendar days prior to the date of the store visit. Any inventory documents dated outside of that 21-day timeframe cannot be considered as they do not reflect inventory conditions at the time the contractor visited the store. The invoice from Costco is dated nearly two months after the date of the store visit, and thus, cannot be considered by this review. It is also important to note that eggs are not a dairy item, so the purchase of eggs has no bearing on the firm's eligibility in the dairy staple food category. As such, this review finds that the store's inventory remains deficient under Criterion A.

After considering all available evidence in this case, it is the finding of this review that Bob's Bottle Shop was deficient in its staple food inventory on the day the contractor visited the store (or as stated in the regulations, "on any given day of operation"), and no evidence has been provided to prove otherwise. With only milk and cheese in sufficient quantities in the dairy category, the firm does not have a sufficient variety of staple foods and is not eligible for SNAP authorization under Criterion A. The firm is also not eligible for SNAP participation under Criterion B, as the sale of staple foods does not exceed 50 percent of the firm's total retail sales. According to the Appellant's SNAP application, just 20 percent of its sales come from the sale of staple foods.

Because deficiencies in Criterion A and Criterion B exist at Bob's Bottle Shop, it is the finding of this review that the application denial was appropriate and fully conforms to regulations at 7 CFR § 278.1(b)(1) and (k)(2).

With regard to the Appellant's insinuation that the firm needs SNAP authorization to help it survive, regulations do not permit this review to consider a store's financial or economic circumstances when determining whether a store should be authorized. A store may only be authorized if it meets minimum eligibility criteria.

Prior Store Authorized

The Appellant contends that the location of Bob's Bottle Shop has always accepted EBT benefits and claims that the new owner carries the same items as previous owners.

Unfortunately, what may or may not have occurred under prior store ownership is not relevant. A retailer may only participate in SNAP if the store, under its current ownership, meets minimum eligibility requirements, which Bob's Bottle Shop does not.

Need for Access

SNAP regulations at 7 CFR § 278.1(b)(6) state that FNS will consider authorizing a firm which fails to meet Criterion A or B as long as it is located in an area with significantly limited access to food and provided that it meets all other eligibility requirements. This Need for Access evaluation considers factors such as distance to the nearest SNAP-authorized retail store, transportation options, extent of the firm's stocking deficiencies, and whether the firm furthers the purposes of the program.

As for Bob's Bottle Shop, the record indicates that the Retailer Operations Division conducted a Need for Access evaluation and determined that the firm is not located in an area with significantly limited access to food and thus, does not qualify for SNAP authorization under this provision. After an analysis of all available evidence in this case, this review finds that Need for Access was fully and properly considered and that authorization under this provision is not appropriate.

CONCLUSION

Based on a preponderance of the evidence, it is the finding of this review that the Appellant firm, Bob's Bottle Shop, does not meet eligibility requirements under Criterion A or B as outlined in regulations at 7 CFR § 278.1(b)(1). Additionally, the contentions and evidence presented by the Appellant are not sufficient to show that the denial decision should be reversed. Accordingly, the determination by the Retailer Operations Division to deny the application of Bob's Bottle Shop to participate as a retailer in SNAP is sustained.

In accordance with 7 CFR § 278.1(k)(2), the Appellant shall not be eligible to reapply for participation as a retailer in SNAP for a minimum period of six months from January 18, 2022, which is the effective date of the denial.

RIGHTS AND REMEDIES

Applicable rights to a judicial review of this decision are set forth in Section 14 of the Food and Nutrition Act of 2008 (7 U.S.C. § 2023) and in Section 279.7 of the SNAP regulations. If a judicial review is desired, the complaint, naming the United States as the defendant, must be filed in the U.S. District Court for the district in which the Appellant owner resides or is engaged in business, or in any court of record of the State having competent jurisdiction. If a complaint is filed, it must be filed within 30 days of receipt of this decision. The judicial filing timeframe is mandated by the Act, and this office cannot grant an extension.

Under the Freedom of Information Act, we are releasing this information in a redacted format as appropriate. FNS will protect, to the extent provided by law, personal information that could constitute an unwarranted invasion of privacy.

JON YORGASON
Administrative Review Officer

March 9, 2022