

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

La Rosa Cake,

Appellant,

v.

Retailer Operations Division,

Respondent.

Case Number: C0253858

FINAL AGENCY DECISION

It is the decision of the U.S. Department of Agriculture (USDA), Food and Nutrition Service (FNS) that FNS's Retailer Operations Division properly denied the application of La Rosa Cake (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 La Rosa Cake.

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

The agency's record shows that La Rosa Cake was originally authorized to accept SNAP benefits under the present ownership on February 17, 2012. During a routine reauthorization of the store, the Retailer Operations Division sent a letter to the firm requesting detailed information pertaining to the firm's ongoing eligibility for SNAP. The letter, dated January 13, 2022, requested copies of the most recent federal business tax returns as well as a listing of all products sold under different food categories, including staple foods, accessory foods, and hot and cold prepared foods.

The record shows that the firm did not respond to the agency's letter. Consequently, the firm's SNAP authorization was withdrawn effective February 9, 2022, for failure to cooperate in the reauthorization process. The withdrawal was imposed in accordance with SNAP regulations at 7 CFR § 278.1(n).

On February 18, 2022, the Appellant submitted a new application for SNAP participation, and FNS began to process it.

In a letter dated March 24, 2022, and sent to the firm on April 4, 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 which took place on March 18, 2022, as well as information provided on the firm's application.

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, including perishable 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 an e-mail dated April 4, 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

* 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>.

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, 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...

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- (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 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

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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 contentions in its request for administrative review, summarized in relevant part:

- During the reauthorization process, the Appellant was unable to respond to FNS's request for information in a timely manner because the e-mail went to its junk mailbox.
- The firm has been participating in SNAP for many years.
- The store meets and has met all of the requirements for participation in SNAP. Appellant believes that when the inspector visited the store, he either missed items that were sealed for freshness or in closed boxes. Additionally, some items may have been in the process of being delivered.

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 submitted, including any not specifically summarized or explicitly referenced in this document.

ANALYSIS AND FINDINGS

After reviewing the contractor's store visit report and photographs as well as evaluating the contentions submitted by the Appellant, it is the determination of this review that La Rosa Cake does not carry sufficient staple food inventory required for SNAP authorization.

In order for a firm to be eligible for SNAP participation it must meet either Criterion A or Criterion B as described in regulations at 7 CFR § 271.2 and § 278.1(b)(1). To be eligible under Criterion A, a store 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. The four staple food categories are: dairy; breads/cereals; meat/poultry/fish; and fruits/vegetables. According to the inspector's report, the only staple food items in the store at the time of the inspection were bread and 100 percent fruit juice. As such, the firm was deficient in every staple food category. Accordingly, the firm is not eligible for SNAP participation under Criterion A.

Most items sold in the store appeared to be accessory foods, such as cookies, cakes, pastries, and other desserts, as well as prepared sandwiches and hot foods ready for immediate consumption. None of these products are considered staple foods for the purpose of determining SNAP eligibility. Further, the firm reported on its SNAP application that just 10 percent of its total sales were from the sale of staple foods. Because staple food sales constitute less than 50 percent of the firm's sales, it is not eligible for SNAP participation under Criterion B.

The Appellant claims that it has participated in SNAP for many years and has always met the requirements for authorization. Based on these statements, it appears that the Appellant may not

fully understand the difference between staple foods and accessory foods and does not understand what caused the firm to be ineligible for SNAP after several years of program authorization.

Effective January 17, 2018, SNAP regulations were amended to strengthen the requirements of program eligibility. The updated regulations state that in order to meet program eligibility under Criterion A, a firm must have a minimum depth of stock of three stocking units for each variety of staple food. This stocking unit provision did not exist previously. Under the old regulations, many stores, including many bakeries, were deemed eligible for SNAP despite having only a very small number of staple food items in stock. Congress determined that such stores did not further the purposes of the program and introduced the strengthened eligibility requirements in the 2014 Farm Bill.

Another change which directly affects La Rosa Cake is a more detailed definition of the term “accessory food.” Before January 17, 2018, accessory foods were defined in regulation as “food items including...coffee, tea, cocoa, carbonated and uncarbonated drinks, candy, condiments, and spices.” Under this former rule, FNS considered a staple food to be any eligible food item that was not specifically identified in the regulation. In the new rule, the definition of accessory food has been significantly expanded to reflect those foods that are generally considered snack foods or desserts as well as other foods that are intended to complement or supplement meals. Accessory foods now consist of the items mentioned in the earlier regulation plus additional items such as chips, ice cream, doughnuts, cupcakes, cookies, muffins, pastries, sweet rolls, pies, cakes, etc. [A full list can be found at www.fns.usda.gov/snap/retailer/eligible.] These items are eligible for purchase with SNAP benefits at authorized stores, but are not considered staple foods for the purpose of determining SNAP eligibility. Similarly, cold prepared sandwiches are also eligible for purchase with SNAP benefits as long as they are not consumed on the premises, but they are not considered staple foods for the purpose of determining program eligibility.

Based on the evidence in this case, it is clear to this review that on the day of the store visit (or as stated in 7 CFR § 278.1(b)(1)(ii)(A), “on any given day of operation”), the firm did not carry sufficient staple food inventory required for eligibility 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 sales. It should be noted that the Appellant has not offered any evidence to dispute the agency’s findings.

Because deficiencies in Criterion A and Criterion B exist at La Rosa Cake, 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).

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 La Rosa Cake, 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. This review agrees with that determination.

CONCLUSION

Based on a preponderance of the evidence, it is the finding of this review that the Appellant firm, La Rosa Cake, does not meet eligibility requirements under Criterion A or B as outlined in regulations at 7 CFR § 278.1(b)(1). Additionally, the contentions 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 La Rosa Cake 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 April 4, 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

May 19, 2022