

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

330 Super Stop,

Appellant,

v.

Case Number: C0216025

Retailer Operations Division,

Respondent.

FINAL AGENCY DECISION

It is the decision of the United States Department of Agriculture (USDA), Food and Nutrition Service (FNS), that there is sufficient evidence to support a finding that the Retailer Operations Division (Retailer Operations) properly decided to withdraw the authorization of 330 Super Stop (Appellant) to participate as an authorized retail food store in the Supplemental Nutrition Assistance Program (SNAP).

ISSUE

The issue accepted for review is whether Retailer Operations took action consistent with 7 CFR § 278.1(b)(1), in its administration of the SNAP when it withdrew the authorization of Appellant to participate as a SNAP retail food store.

AUTHORITY

7 U.S.C. § 2023, and the implementing regulations at 7 CFR § 279.1, provide that a food retailer 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

FNS regulations require that stores be reauthorized on a set schedule. The owners were requested to complete a reauthorization application. FNS-contracted personnel conducted an onsite store visit October 5, 2018, to ascertain Appellant's continued eligibility to participate in the SNAP. Subsequently, Retailer Operations requested proof of inventory, and Appellant provided some receipts.

By letter dated February 20, 2019, the authorization of Appellant to participate as a retail food store in the SNAP was withdrawn because the firm did not meet the eligibility criteria for stores as enunciated in the regulations at 7 CFR § 278.1(b)(1). Retailer Operations' letter informed the owners that Appellant failed to meet Criterion A because it did not offer for sale a variety of staple foods in sufficient stocking units on a continuous basis in the dairy staple foods category. The letter also states that the firm failed to meet Criterion B. A business must have more than 50% of its total gross retail sales in staple foods to be eligible for authorization under Criterion B. Appellant's eligibility under the need for access provision was also reviewed. Appellant was found not to meet the established criteria.

Counsel requested administrative review by letter dated February 28, 2019. The appeal was granted by letter dated March 8, 2019. Counsel emailed this office March 18, 2019 to seek resolution to this matter. He provided a reply by email on March 21, 2019 with some photographs.

STANDARD OF REVIEW

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

CONTROLLING LAW AND REGULATIONS

The controlling statute in this matter is contained in Section 14(a)(5) of the Food and Nutrition Act of 2008, as amended, and 7 U.S.C. § 2018. The SNAP regulations at 7 CFR Part 279 have been promulgated pursuant to the Food and Nutrition Act of 2008.

7 CFR § 271.2 states that Retail Food Store means: "An establishment 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 seven 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 three 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 accounting recordkeeping methods that are customary or reasonable in the retail food industry as set forth in § 278.1(b)(1) of this chapter. Entities that have more than 50 percent of their total gross retail sales in: Food cooked or heated on-site by the retailer before or after purchase; and hot and/or cold prepared foods not intended

for home preparation and consumption, including prepared foods that are consumed on the premises or sold for carry-out are not eligible for SNAP participation as retail food stores under § 278.1(b)(1) of this chapter. Establishments that include separate businesses that operate under one roof and share the following commonalities: Ownership, sale of similar foods, and shared inventory, are considered to be a single firm when determining eligibility to participate in SNAP as retail food stores.”

7 CFR § 278.1(b)(1)(i) imparts program requirements for retail food store participation, which states: “(A) An establishment or house-to-house trade route shall normally be considered to have food business of a nature and extent that 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 as defined in § 271.2 of this chapter, including perishable foods in at least three of the categories (Criterion A); or have more than 50 percent of the total gross retail sales of the establishment or route in staple foods (Criterion B).”

7 CFR § 271.2 states: “Staple food, means those 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. The meat, poultry, or fish staple food category also includes up to three types of plant-based protein sources (i.e., nuts/seeds, beans, and peas) as well as varieties of plant-based meat analogues (e.g., tofu). The dairy products staple food category also includes varieties of plant-based dairy alternative staple food items such as, but not limited to, almond milk and soy yogurt. 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.”

7 CFR § 278.1(b)(1)(ii) provides that in order for a retail store to qualify for authorization 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 seven 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 three 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.” 7 CFR § 278.1(b)(1)(ii)(A) of the SNAP regulations as currently implemented define continuous basis as offering for sale 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 on any given day of operation.

7 CFR § 278.1(b)(1)(iii) provides that in order for firms to qualify for authorization 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. However, a fee directly connected to the processing of staple foods, such as raw meat, poultry, or fish by the service provider, may be calculated as staple food sales under Criterion B.”

7 CFR § 278.1(b)(6) regarding access states: “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.”

7 CFR § 278.1(l)(1) Withdrawing authorization reads: “FNS shall withdraw the authorization of any firm authorized to participate in the program for any of the following reasons. (i) The firm’s continued participation in the program will not further the purposes of the program; (ii) The firm fails to meet the specifications of paragraph (b), (c), (d), (e), (f), (g), (h), or (i) of this section; (iii) The firm fails to meet the requirements for eligibility under Criterion A or B, as specified in paragraph (b)(1)(i) of this section; or, for co-located wholesale/retail firms, the firm fails to meet the requirements of paragraph (b)(1)(vi) of this section, for the time period specified in paragraph (k)(2) of this section;”

7 CFR § 278.1(k)(2) requires that firms withdrawn for failure to meet program eligibility criteria “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 withdrawal.

APPELLANT’S CONTENTIONS

All contentions have been considered in rendering this decision whether listed or not.

- The store has been accepting SNAP benefits since 2007 and has never had any violations or other issues.
- It’s my understanding that the regulation regarding staple food requirements went into effect in January of 2018. The store never received notice of the change in requirements. If the owners had been aware of the change, they would have absolutely complied.
- The store is currently in compliance and we have attached photographs as evidence of that.
- Due to the low-income area in which the store is located, it is a real possibility that losing certification could lead to the store shutting down. This would deprive this small community of a source for staple foods and would be counterproductive to the reason the regulation was put into place, i.e. to provide a source of staple foods to low-income individuals.

ANALYSIS AND FINDINGS

The authorization of a store to participate in the SNAP must be in accord with the Act and the applicable regulations; those requirements cannot be waived. The reauthorization process is to ensure that authorized retailers continue to meet the eligibility criteria for SNAP authorization. This review is to validate or to invalidate the decision made by Retailer Operations. The review is limited to consideration of the relevant facts at the time Retailer Operations rendered its decision.

Retailer Operations determined that Appellant did not maintain sufficient stocking units or varieties on a continuous basis in the dairy products staple food category to be eligible for reauthorization. This is supported by the onsite photographs and the overall record at the time the decision was rendered. Upon review, the photos provided by counsel do not change the determination.

Under Criterion B a business must have more than 50 percent of its total gross retail sales in staple foods. Retailer Operations determined that Appellant failed to meet Criterion B. No evidence was provided by the owners that Appellant met this eligibility criteria for reauthorization at the time the withdrawal decision was made.

Retailer Operations considered whether the firm is located in an area with limited access to food when it failed to meet Criterion A per paragraph (b)(1)(ii) or Criterion B per paragraph (b)(1)(iii), and determined that Appellant did not qualify for marginal eligibility.

The owners have not offered a preponderance of evidence to support that Appellant met the eligibility criteria at the time the determination was rendered. Additionally, even if Appellant's ignorance of SNAP regulations could be established, which is not supported by evidence, accepting the contention that ignorance of SNAP regulations is a mitigating factor to the eligibility requirements would render inert the provisions of those regulations.

A record of participation in the SNAP with no previously documented instance of violations does not constitute valid grounds for dismissal of eligibility criteria. There is no provision in the Act, or regulations, that reverses or reduces the eligibility criteria based upon a lack of prior violations by a firm and its owners, managers, and/or employees.

Ownership contends that the withdrawal of Appellant's SNAP authorization will have a negative financial impact. It is recognized that some degree of economic hardship is a likely consequence whenever a store is withdrawn from participation in SNAP. However, there is no provision in the SNAP regulations for waiver or reduction of an administrative assessment on the basis of possible economic hardship to the firm resulting from imposition of the regulations. To allow ownership to be excused from an assessed administrative action based on purported economic hardship to the firm would render virtually meaningless the enforcement provisions of the Food and Nutrition Act of 2008, and the enforcement efforts of the USDA. Furthermore, giving special consideration to economic hardship to the firm would forsake fairness and equity, not only to competing stores and other participating retailers who are complying fully with program regulations, but also to those retailers who have been withdrawn from the program in the past for failure to meet eligibility requirements. Therefore, ownership's contention that the firm may incur economic hardship does not provide a valid basis to preclude the withdrawal of Appellant's SNAP authorization.

SNAP authorization is an administrative privilege, granted upon proof of eligibility and continued proof of compliance with the governing laws and regulations. When a firm is at least once granted authorization to participate in SNAP, this not an unencumbered right or entitlement, and it does not extend in perpetuity. USDA has the obligation to safeguard the public's trust and financial interests. The agency labors to do so by diligently operating the program in accord with the statute and the regulations promulgated to implement the provisions thereof. Thus, if a firm does not conform to the applicable statutes and regulations, the same provide for the firm's removal from the program in accordance with the provisions detailed therein.

There are no provisions in the SNAP regulations for waiver or reduction of an administrative penalty assessment on the basis of after-the-fact corrective actions implemented subsequent to findings of eligibility deficiencies. Therefore, Appellant's contention that corrective action such as stocking the required varieties and units of staple foods after the withdrawal determination was made, does not provide a valid basis to dismiss the withdrawal of SNAP authorization determination.

CONCLUSION

Based on a review of the evidence, the determination by Retailer Operations to withdraw the authorization of Appellant to participate as a SNAP retailer is sustained. In accordance with 7 CFR § 278.1(k)(2) the owners will not be eligible to reapply for participation as a retail food store in the SNAP for a minimum period of six months from the effective date of the withdrawal.

General questions regarding the application process can be handled by contacting 877-823-4369. Operational questions regarding the withdrawal should be directed to the office that initially took the action to withdraw Appellant. Please contact Karla Morris at 972-454-1856 or Candyce Polite at 312-533-6804. The USDA website has useful retailer information, including what items are dairy products, and how many units of such products are needed to meet the authorization eligibility criteria.

RIGHTS AND REMEDIES

Your attention is called to Section 14 of the Food and Nutrition Act of 2008, and to the regulations at 7 CFR § 279.7 with respect to the applicable right to judicial review of this decision. Please note that 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 Appellant's owners reside or are engaged in business, or in any court of record of the State having competent jurisdiction. If any Complaint is filed, it must be filed within thirty (30) days of receipt of this Decision.

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.

M. Viens
Administrative Review Officer

April 5, 2019