

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

Louisiana Red Seafood,

Appellant,

v.

Case Number: C0208944

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 imposed the withdrawal of the authorization of Louisiana Red Seafood (Appellant) to participate as a retail food store in the Supplemental Nutrition Assistance Program (SNAP).

ISSUE

The issue accepted for review is whether Retailer Operations took appropriate 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 retailer.

AUTHORITY

7 U.S.C. § 2023 and its 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 firms be reauthorized on a set schedule. As part of this process, the owners were requested to complete a FNS-252-R reauthorization application for stores. An FNS-contractor conducted an onsite visit April 3, 2018, to ascertain Appellant's continued eligibility to participate in the SNAP. By letter dated April 25, 2018, the authorization of Appellant to participate in the SNAP was withdrawn because the firm is primarily a restaurant

with more than 50 percent of total gross retail sales are from heated foods and/or prepared foods. Heated foods are foods cooked or heated by the retailer before or after purchase. Prepared foods are hot or cold foods not intended for home preparation and/or home consumption, including prepared foods that are consumed on the premises or sold for carryout.

A named CPA requested an administrative review of the withdrawal action by letter dated May 4, 2018. The appeal was granted by letter dated May 16, 2018.

The CPA sent an email May 24, 2018, that Appellant's EBT machine was not working. This office contacted Retailer Operations that same date to request that the business be reinstated. This office emailed the CPA May 30, 2018 that it had no letter of representation signed by the owners that she was authorized to handle this review request. Also, the CPA was informed that tax information stated as attached to her May 4, 2018, letter was not attached. The CPA provided an email that she received that stated: "Congratulations! Your application to accept Supplemental Nutrition Assistance Program (SNAP) Electronic Benefit Transfer (EBT) benefits has been approved for the following location."

This office emailed the CPA on May 30, 2018, that the business was temporarily reinstated, that the review would continue, and that any additional information had to be provided by the due date, which was June 6, 2018. The CPA emailed this office May 30, 2018, to thank it for the information.

No additional information was received by the stated review due date, nor was the sales tax information reportedly attached to the May 4, 2018, letter ever advanced to this office. The CPA is not copied on this decision as she provided no letter of representation, as requested, that she was authorized to act on behalf of the owners.

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 which 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 § 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. 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. 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: “(A) An establishment 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 § 278.1(b)(1)(ii) provides that for a retail store to qualify for authorization under Criterion A, a firm 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)(ii)(B) states that in order to qualify under Criterion A firms shall: “Offer for sale perishable staple food items in at least three 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.”

7 CFR § 278.1(b)(1)(ii)(C) states that in order to qualify under Criterion A firms shall: “Offer a variety of staple foods which means different types of foods within each staple food category. Accessory foods shall not be counted as staple foods for purposes of determining eligibility to participate in SNAP as a retail food store.”

7 CFR § 278.1(b)(1)(iii) provides that 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)(1)(iv) states: “Ineligible firms: Firms that do not meet the eligibility requirements in this section or that do not effectuate the purpose of the SNAP shall not be eligible for program participation. New applicant firms that are found to be ineligible will be denied authorization and authorized firms will be withdrawn from program participation. Ineligible firms under this paragraph include, but are not limited to, stores selling only accessory foods, including spices, candy, soft drinks, tea, or coffee; ice cream vendors selling solely ice cream; and specialty doughnut shops or bakeries not selling bread. In addition, firms that are considered to be restaurants, that is, firms that have more than 50 percent of their total gross sales in foods cooked or heated on-site by the retailer before or after purchase; and hot and/or cold prepared foods not intended for home preparation or consumption, including prepared foods that are consumed on the premises or sold for carryout, shall not qualify for participation as retail food stores under Criterion A or B. This includes firms that primarily sell prepared foods that are consumed on the premises or sold for carryout.”

7 CFR § 278.1(l)(1) Withdrawing authorization reads in part: “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) deals with denying authorization and states FNS shall deny the application of any firm if it determines that 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.

APPELLANT'S CONTENTIONS

All contentions have been considered in rendering this decision.

- Louisiana Red Seafood is primarily a fish market.
- We also sell hot and cold prepared, ready to eat foods intended for immediate consumption.
- This market does not provide table or chairs to customers because this market is not mainly operating to sell hot food as a restaurant. Customers order items to pick up only.
- Based on sales tax reports from 1Q 2017 through 1Q 2018, the actually [sic] sales portion included sales tax of taxable hot foods and taxable non-food items are about 33%, 33%, 45%, and 44% including soda and drinks.
- The nontaxable uncooked fresh, refrigerated and frozen fishes are around 57%, 57%, 55%, 56% and 56% including vegetables, flour, corn, and other non-taxable items.
- Louisiana Red Seafood cannot be categorized as a restaurant. The business owner is well aware of retail store eligibility standards and will conduct its business in accordance with USDA rules that regulate SNAP.
- We believe the attached document will help you make a decision.
- EBT is urgent for their business.

No information was attached as indicated, and no additional information was provided by the due date.

ANALYSIS AND FINDINGS

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

The onsite visit report supports by a preponderance of the evidence that Appellant is a restaurant and as such is an ineligible firm. The firm reported 5 U.S.C. § 552 (b)(6) & (b)(7)(C) as non-taxable sales and 5 U.S.C. § 552 (b)(6) & (b)(7)(C) taxable sales for the first quarter on their state tax returns. Retailer Operations determined that Appellant's SNAP redemptions for the 1st quarter of 2018 were 5 U.S.C. § 552 (b)(6) & (b)(7)(C). Retailer Operations determined this

indicated that only SNAP customers bought non-taxable foods, fresh and or frozen fish by the pound, and that non-SNAP customers bought only reported taxable food such as hot and prepared foods. Retailer Operations determined this was not credible.

Retailer Operations found that the most plausible explanation for the tax information advanced was that Appellant was selling SNAP customers hot and cold prepared foods for SNAP benefits and ringing them up as non-taxable because they were SNAP sales. The register reports assessed by Retailer Operations were divided into two departments: dept. 1, non-taxable and dept. 2, taxable. The invoices show that Appellant acquires a lot of soda, buns, oil, ketchup, mayonnaise, containers/lids, napkins, brown bags, flour, corn meal, hush puppies, potato salad, chicken wings, and fish. These are all items used for prepared hot fish dinners. The signage and photos support this is primarily a restaurant.

On review, the owners provided no additional evidence to support the sale of staple foods as a percentage of total gross retail sales at Appellant. The dollar amount provided on the reauthorization application of staple sales against total sales at 56% is not credible when assessed against Appellant's SNAP redemption dollar volume.

Ownership contends that a withdrawal of its SNAP authorization will have a negative financial impact on Appellant's business. It is recognized that some degree of economic hardship is a likely consequence whenever a firm is withdrawn from participation in SNAP. However, the preponderance of the evidence supports that this business is not a retail food store and is an ineligible firm.

CONCLUSION

Based upon a review of all of the evidence in this matter, the decision by Retailer Operations to withdraw the authorization of Appellant because the firm does not meet the requirements of a retail food store as set forth in Section 278.1(b)(1) of the SNAP regulations is sustained. The eligibility requirements to participate as a SNAP retail food store must be met and cannot be waived. Please contact 877-823-4369 for general SNAP retailer information.

The state of California does operate a Restaurant Meal Program in Los Angeles County that allows the elderly, disabled and homeless to use SNAP benefits at authorized restaurants. The internet should be consulted for more information about the LA County Restaurant Meal application process. The owners may also contact the state regarding possible participation in that program; again the internet has the contact information.

RIGHTS AND REMEDIES

Your attention is called to Section 14 of the Food and Nutrition Act of 2008 and to Section 279.7 of the regulations (7 CFR § 279.7) with respect to applicable rights to a judicial review of this determination. 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 the

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

July 5, 2018