

# SNAP Rule Confusion Risks A Compliance Crisis

By **Tyson-Lord Gray** (February 19, 2026, 5:03 PM EST)

This week, three states implemented Supplemental Nutrition Assistance Program, or SNAP, food restriction waivers under the Trump administration's Make America Healthy Again initiative.

Idaho and Oklahoma's rules went into effect Feb. 15. Louisiana followed Feb. 18. All three were approved by the same federal agency — the U.S. Department of Agriculture's Food and Nutrition Service. All three purport to restrict the same categories: candy and soda.

Here is what the federal government actually approved:

Idaho: Candy does not include "any preparation containing flour."

Oklahoma: Candy does include products "with wafers, cookies, or flour components" and items "dipped, coated, or covered in chocolate."

Louisiana: Candy does not include "protein bars, granola bars, or baking ingredients."

Pick up a chocolate-covered granola bar. In Idaho, it is not candy — the flour exempts it. SNAP-eligible. In Oklahoma, it is candy — flour-based and chocolate-coated. Restricted. In Louisiana, it is explicitly not candy — granola bars are carved out by name. SNAP-eligible again.

Here we have three states, three definitions and no coherent national standard. All are approved by Washington to go into effect the same week.

For attorneys advising food retailers, that is not a curiosity. It is a compliance crisis — and the USDA's approval letters make no mention of the costs it will impose.

## What USDA Didn't Account For

SNAP is not merely a nutrition assistance program. It is the economic backbone of America's food retail industry. The program distributes nearly \$100 billion annually in benefits, redeemed by 41.7 million participants across more than 250,000 authorized retail establishments.

For grocery stores operating on profit margins averaging less than 2%, SNAP revenue is often the difference between viability and closure.

The industry impact analysis commissioned by the Food Industry Association, the National Association of Convenience Stores and the National Grocers Association — what the trade groups call the Richards Report — quantifies what the USDA chose not to examine before approving these waivers. The numbers are significant: \$1.6 billion in one-time implementation costs, plus \$759.1 million in ongoing annual expenses.

The per-store breakdown is more striking still. Supercenters face implementation costs up to \$1.5 million per location. Supermarkets will average \$154,650 in up-front expenses plus \$281,000 in annual operating cost increases.

Small convenience stores — the stores most likely to serve low-income, rural or food-insecure communities — will face \$75,000 to \$100,000 in new system expenditures.



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These figures derive from a single underlying requirement: Point-of-sale systems must now filter SNAP-restricted items at the stock-keeping unit level. Every product must be categorized. Every database must be updated when product formulations change.

Every cashier must be trained on rules that vary by a customer's state of residence. Industry projections indicate that retailers will spend between \$550 and \$2,400 per store per week simply monitoring compliance and managing transaction disputes — representing annual per-store costs of \$28,600 to \$124,800 for error management alone.

Multistate retailers face a compounding problem. A chain with stores in Idaho, Oklahoma and Louisiana must now maintain three separate compliance regimes for the same products.

The chocolate-covered granola bar is SNAP-eligible in one store, restricted in another and explicitly permitted in a third — and the distinction turns on which state issued the customer's electronic-benefit transfer card, not which state the store is in.

### **Small Retailer Problem Is Existential**

For national chains, the compliance burden is significant. For small independent grocers, it is potentially fatal.

A convenience store generating \$500,000 in annual SNAP redemptions faces the same technology investment requirements as a supermarket processing 10 times that volume. Fixed compliance costs do not scale with transaction volume.

Spread over far fewer sales, the per-transaction cost becomes economically irrational for stores already operating on 1% to 2% margins. The Richards Report documents that convenience stores collectively face more than \$1 billion in aggregate up-front costs — a burden concentrated on retailers least equipped to absorb it.

When small retailers exit the SNAP program, the consequences extend beyond their balance sheets. Participants who experience declined transactions, checkout confusion or stigma from item-by-item eligibility determinations change their shopping behavior.

Some switch stores. Others reduce trips, cutting into the non-SNAP purchases that cross-subsidize store margins. Low-income shoppers typically supplement SNAP benefits with personal cash in the same shopping trip.

A customer spending \$200 monthly in SNAP benefits and \$150 in personal cash represents \$350 in total monthly store revenue — meaning the store's exposure to customer attrition is nearly double what a SNAP-only analysis would suggest.

For stores in low-income neighborhoods where SNAP participants constitute a large share of the customer base, even modest traffic declines can be decisive. And when those stores close, they do not leave behind alternative options.

They leave behind food deserts. Neighborhoods already classified by the USDA as lacking adequate food access become harder to serve. The restrictions justified as promoting nutrition end up expanding the geographic areas where nutritious food is least available.

### **What the USDA Ignored**

Here is the legal question that has received insufficient attention: The USDA's waiver approval letters acknowledge that retailers will bear compliance burdens. The department requires states to develop communications plans for notifying SNAP-authorized retailers and compliance monitoring plans including retailer self-attestation.

The agency cannot simultaneously acknowledge that its approvals impose retailer obligations and deny that retailers suffer cognizable injury from those approvals.

Under the U.S. Supreme Court's 1983 decision in *Motor Vehicle Manufacturers Association v. State Farm Mutual Automobile Insurance Co.*, an agency acts arbitrarily and capriciously when it "entirely failed to consider an important aspect of the problem."

The Richards Report's \$1.6 billion cost estimate, the documented disproportionate burden on small retailers, the projected store closures in underserved communities, the per-store weekly compliance costs — none of this appears in any of the 18 waiver approval letters USDA has issued.

That omission matters for standing as much as for merits. Food retailers authorized to accept SNAP benefits have Article III standing to challenge these approvals. Their injuries are concrete and traceable: reduced SNAP revenue on restricted items, mandatory point-of-sale system modification and ongoing compliance costs directly caused by the waiver approvals.

Absent federal approval, state-imposed restrictions would have no legal basis — the Food Stamp Act defines eligible food broadly, and states lack unilateral authority to narrow that definition. The USDA's approval letter is the but-for cause of every compliance dollar spent.

The zone-of-interests test presents no obstacle. Congress designed SNAP to operate through a public-private delivery system in which authorized retailers are explicit statutory partners. The Food Nutrition Act contains detailed provisions governing retailer authorization, participation conditions and enforcement.

Agency actions that threaten retailers' economic viability undermine SNAP's foundational structure and fall squarely within the statute's regulatory scope.

Eighteen states will have implemented these waivers by October. Retailers facing authorization loss, small grocers facing closure and communities facing expanded food deserts all have concrete injuries traceable to approvals that never examined those injuries. The compliance costs are not abstractions. The store closures are not hypothetical.

The question for practitioners advising clients in the food retail industry is not whether standing exists. It is who files first. Multiple retailers — national chains, regional grocers and independent operators — could bring suit.

Trade associations representing the industry could sue on behalf of members. The standing analysis is the same for all of them. What differs is litigation strategy: venue selection, case framing, and whether to challenge one state's approval or the entire waiver program.

The first-filed case will set the procedural trajectory, determine which circuit hears the appeal and likely shape how courts frame the *State Farm* arbitrary-and-capricious analysis.

For an industry facing billions in documented compliance costs from approvals that never examined those costs, the first retailer to file picks the circuit and frames the case. Someone will. The question is who.

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