

In Portland food stamps-for-pizza debate, U.S. government runs hot and cold

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A federal judge is trying to sort out a mess created more than a year ago, when government officials permitted a dozen Little Caesars franchises in the Portland metropolitan area to accept food stamps for take-and-bake pizzas, then abruptly yanked their approval with little explanation.

At a hearing Thursday in Portland, U.S. District Judge Garr M. King said that owners of the pizzerias appear innocent of any wrongdoing -- other than taking the word of the government's Supplemental Nutrition Assistance Program, better known as SNAP.

"It's a shame that the advice was wrong," King said.

A lawyer for the Little Caesars franchisees, Jeff Pitzer, told King that if the businesses are forced to withdraw from the food stamp program, they will have to lay off up to 25 employees in the metro area.

King kept an emergency temporary restraining order in place that prevents the U.S. government from yanking the franchises out of the program. It's unclear when he will decide if the pizzerias can stay in the program.

If they are tossed out, their owners are expected to seek damages from the U.S. government.

The economy was tanking badly in 2010 when the companies began looking into the idea of selling uncooked pizzas to needy people who carry Oregon Trail cards, the debit cards that

replaced food stamps. Jeff Burgess, who operates three of the franchises, submitted a proposal to the regional SNAP office.

The program required Burgess and two other franchise owners -- Michael Akhavi (who operates four Little Caesars) and Dustin Ward (who operates five) -- to make certain their hot pizza operations were financially separate from their take-and-bake enterprises.

The owners had to form and license separate companies for the new take-and-bake operations, install separate cash registers and undergo inspections by the U.S. Department of Agriculture, Pitzer said. The government approved the first of them to begin accepting Oregon Trail cards in August 2010.

"They invested thousands and thousands of dollars in advertising," Pitzer said.

The franchises began selling 14-inch take-and-bake pizzas at \$5 a pie. Their idea was to sell pizzas that were cheaper than the gourmet frozen ones that people could buy at supermarkets with Oregon Trail cards. They hoped participating in the government program might shore up their revenues and improve their chances of staying in business during tough times, Pitzer said.

Last August, the government sent letters to each of the 12 Little Caesars establishments seeking retail sales data, which they provided. In October, regulators notified them that their SNAP authorizations were being withdrawn.

Government regulations allow establishments to participate in the SNAP program if more than 50 percent of their gross retail sales are "staple foods," which include take-and-bake pizzas.

Regulators determined that the Portland Little Caesars shared kitchens, sales counters and equipment. This meant that, even though they had created separate business entities, they did not meet the qualifying standard because the majority of their retail sales are for cooked pizza, said Assistant U.S. Attorney Sean E. Martin.