

## Executive Summary

### Project Purpose

The South Dakota Department of Social Services (DSS), Economic Assistance, SNAP Division, requests approval under Section 17 of the Food and Nutrition Act of 2008 to conduct a statewide SNAP Food Restriction Demonstration Project. South Dakota proposes to prohibit SNAP benefits from being used to purchase soft drinks, defined as nonalcoholic beverages containing natural or artificial sweeteners.

The restriction would exclude milk and milk-based products; soy, rice, or similar milk alternatives; and 100 percent juices approved by the South Dakota Department of Health for the WIC program. South Dakota requests applicable waivers under 7 U.S.C. § 2012(k) and 7 CFR § 271.2.

The project would be implemented within six months of FNA approval and operate for up to five years.

### Goals and Scope

The primary goal is to improve the nutritional quality of SNAP purchases by reducing the use of benefits for nutrient-poor, high-sugar beverages and encouraging healthier beverage choices. The demonstration will measure changes in purchasing behavior, participant and retailer experience, compliance, and overall program impacts.

The demonstration will apply to all South Dakota SNAP households, approximately 72,000 individuals in 36,500 households, based on SFY26 averages. There will be no household exclusions or phase-in.

The restriction will apply to all SNAP-authorized retailers in South Dakota, approximately 800 retailers as of August 2026.

### Communication and Outreach

South Dakota will implement a communication and outreach plan beginning after FNA approval and continuing through implementation and ongoing operations.

SNAP households will receive information through existing channels, including mailed notices, website updates, social media, FAQs, print and digital materials, eligibility staff, and community partners. Communications will explain the purpose of the demonstration, effective date, restricted products, eligible alternatives, and methods for obtaining assistance or submitting complaints.

Retailers will receive advance notices, implementation guidance, FAQs, product and POS information, testing and readiness instructions, employee-training materials, and technical assistance. South Dakota will coordinate with retailer associations, POS/EBT partners, community organizations, and other stakeholders to promote consistent messaging and address common implementation questions.

Retailer communications will occur in phases, including an initial stakeholder briefing, formal implementation notice, technical and product guidance, testing and readiness information, final pre-launch communication, and post-implementation support.

## Evaluation

South Dakota State University (SDSU) will serve as the evaluation partner. A mixed-methods evaluation will assess participant purchasing behavior, awareness and understanding of the restriction, participant and retailer experience, complaints, stakeholder feedback, compliance, and potential cross-border purchasing.

Participant surveys will be conducted before implementation and approximately six and twelve months after implementation. FIS transaction data will be used, to the extent available and appropriate, to monitor SNAP transactions occurring outside South Dakota. South Dakota will also track participant and retailer complaints and implementation issues.

South Dakota will examine available Medicaid claims and demographic data for individuals enrolled in both SNAP and Medicaid to monitor trends in diet-related health expenses before and after implementation of the demonstration.

Quarterly evaluation reporting will be provided during the first year, followed by annual reporting consistent with FNA requirements.

## Timeline

| Timeframe  | Key Activities                                                                |
|------------|-------------------------------------------------------------------------------|
| Months 1-2 | Planning, FNA/FIS coordination, communication and training development        |
| Months 2-5 | Household and retailer outreach, staff training, system testing and readiness |
| Month 6    | Final readiness and statewide implementation                                  |
| Ongoing    | Communication, monitoring, technical assistance, and evaluation               |

## Retailer Implementation

The Department of Social Services (DSS) has reviewed potential options and identified a feasible path to successful implementation of SNAP restrictions on beverages in response to the passage of House Bill 1056. DSS currently contracts with Fidelity National Information Services (FIS) as our SNAP EBT processor. FIS has offered states a technological solution to implementing waivers regarding restricted products.

The restriction will be implemented through EBT and retailer point-of-sale (POS) systems. Retailers will continue to accept SNAP benefits for all eligible foods that are not subject to the restriction.

South Dakota will provide retailers with advance information regarding implementation, testing, product classification, and technical assistance. Any required testing will occur before statewide implementation. Newly authorized retailers will receive applicable requirements through the normal retailer onboarding process.

Retailers will be expected to maintain SNAP-compliant POS systems, complete required readiness activities, ensure employees understand the new checkout requirements, and report POS or product-classification issues through the designated support process. Retailers will **not** be responsible for independently maintaining the state's Denied Product List (DPL) for the newly restricted items (soft drinks).

## A Technological Solution:

FIS' technological solution to SNAP Restriction Waivers offers a streamlined process that promotes healthier choices and simplifies compliance for retailers. Retailers benefit from automated adjudication processes at the point-of-sale, providing real-time validation of approved and denied items. This solution offers a less demanding option for retailers and reduces the pressure on employees to monitor or enforce which items are allowed or not allowed in an ever-changing environment of new products. This process will establish and maintain a state-specific Denied Product List (DPL). FIS will use UPC-level product information to identify restricted soft drinks, with products checked against the DPL at checkout. South Dakota and FIS will establish a process for updating the DPL and correcting product classifications. Retailers will receive instructions for reporting products that appear to be incorrectly classified.

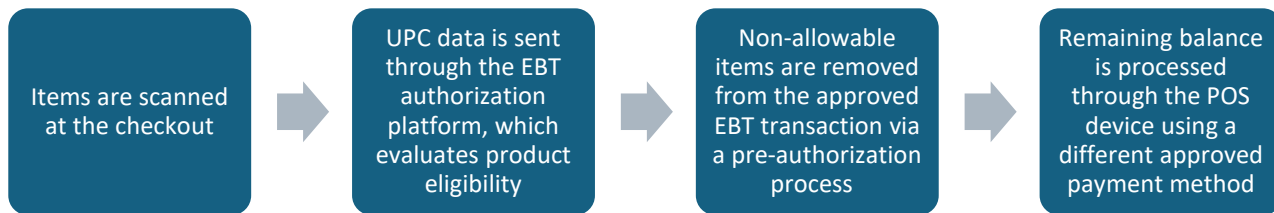
South Dakota SNAP retailers are broken out into the following categories:

| Retailer Type *                              | Number of SD Retailers |
|----------------------------------------------|------------------------|
| Convenience Store                            | 313                    |
| Combination Grocery /Other                   | 189                    |
| Direct Marketing Farmer                      | 6                      |
| Farmer's Market                              | 9                      |
| Internet Retailer                            | 2                      |
| Large Grocery Store                          | 35                     |
| Medium Grocery Store                         | 48                     |
| Military Commissary                          | 1                      |
| Small Grocery Store                          | 26                     |
| Specialty Food Store - Bakery/Bread          | 15                     |
| Specialty Food Store - Meat/Poultry Products | 17                     |
| Supermarket                                  | 55                     |
| Super Store/Chain Store                      | 58                     |
| Meal Service Merchants                       | Number of SD Merchants |
| Drug and/or Alcohol Treatment                | 3                      |
| Communal Dining Facility                     | 8                      |
| Group Living Arrangement                     | 16                     |
| Meal Delivery Service                        | 3                      |
| <b>Total</b>                                 | <b>804</b>             |

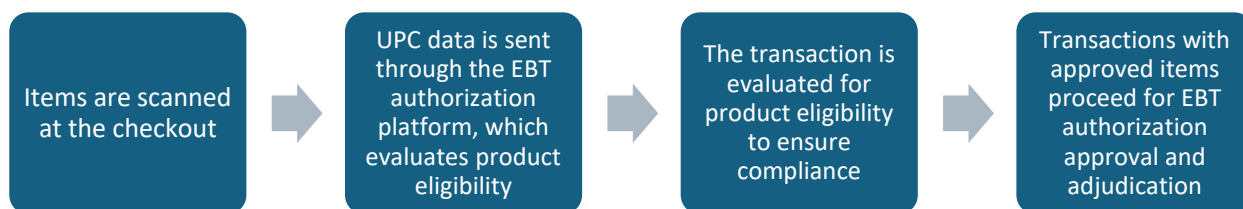
\* Based on USDA's definition for retailer categories. <https://www.fna.usda.gov/snap/store-definitions>

South Dakota SNAP retailers processed 4,715,051 transactions in FY26 for a total of \$175,925,023.98.

### The Process for Retailers with Split-Tender Capabilities (typically large grocery stores):



### The Process for those without Split-Tender Capabilities (typically smaller retailers/convenience stores):



### Retailer Next Steps

Retailers should contact their terminal provider to determine if their POS devices support split-tender transactions and to update their terminal capture process to include UPC data in the EBT basket.

Terminal providers will be able to explain any anticipated costs, timelines, and other necessary steps to conform to the updated requirements.

### Additional Considerations

Smaller retailers that are unable to make the necessary technological changes and retailers utilizing manual voucher processing will be independently responsible for maintaining compliance with South Dakota's banned product listing.