CODE for AMERICA

Common Missteps on the Road to Lower SNAP Payment Error Rates

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State legislatures routinely consider bills that set rules for SNAP administration in their state. Some of those options are nearly certain to increase a state's SNAP Payment Error Rates. Because OBBBA introduced new state cost-sharing requirements based on Payment Error Rates, these policies could have substantial costs. This resource explains which state options are most likely to increase SNAP Errors, and thereby increase costs to the state.

Overview

The One Big Beautiful Bill Act (OBBBA) included new cost-sharing provisions that make states responsible for a portion of benefit costs for the Supplemental Nutrition Assistance Program (SNAP) that were previously fully funded by the federal government. These new costs can total hundreds-of-millions to billions of dollars per year.

Under the rules passed by Congress, the amount of a state's cost-share is tied directly to states' Payment Error Rates (PER). Payment Error Rate is a measure that assesses the accuracy of state benefit determinations by reviewing a selection of a state's SNAP cases and looking for errors on the part of the state agency and SNAP participants. Because eligibility rules and processes in SNAP are complex, a wide variety of issues, from challenging worker interfaces to unclear questions or communication with clients, can lead to case errors. States with very low error rates can avoid a cost share for benefits altogether, but based on error rates from **FY 2024**, the vast majority of states stand to face millions to billions of dollars of additional costs.

Faced with this new policy, state legislatures should carefully consider how proposals relating to SNAP program rules could affect their Payment Error Rate, and thus their state's liability for a larger or smaller share of the cost of benefits. While some proposals are likely to improve payment accuracy, others are highly likely to have the opposite effect: raising Payment Error Rates and state exposure to higher program costs.

The **SNAP quality control process**, which involves state review, corrections, federal re-review, and analysis, takes up to two years. As a result, the costs of proposals state lawmakers are considering today may not be evident until after they are irreversible. Now is the time for state legislatures to consider the full fiscal impact of changes in SNAP policy.

In this paper, we provide guidance on policy choices that are highly likely to increase a state's SNAP Payment Error Rate. Costs related to higher Payment Error Rates are substantial, but are often left out of legislative discussions of bills that would mandate changes to state SNAP rules or operations. While the fiscal notes that legislators use to estimate the cost of legislative proposals may account for the operational costs of implementing changes in policy, they are unlikely to account for the precise impact of program changes on a state's Error Rate. Some changes, however, are virtually certain to increase Payment Errors in SNAP, and thereby to increase costs. Legislators charged with being good stewards of state dollars should be aware of these hidden costs when considering bills that mandate changes in SNAP policy.

Some state options increase the SNAP Payment Error Rate

Options that INCREASE Payment Errors	Options that DECREASE Payment Errors
Requiring "change reporting," rather than "simplified reporting"	Using "simplified reporting" to minimize exposure to errors related to small variations in income
Imposing an asset test by eliminating or not taking up Broad Based Categorical Eligibility	Using Broad Based Categorical Eligibility to minimize errors related to asset counting
Prohibiting or declining to use limited "discretionary exemptions" that states are given by SNAP statute	Using "discretionary exemptions" to minimize errors related to particularly vulnerable populations
Requiring monthly reporting for Medicaid Community Eligibility (in states where SNAP and Medicaid systems are integrated)	Using one-month lookback periods for Medicaid Community Eligibility compliance to minimize reassessments of SNAP benefit amounts

Assigning participants to "change reporting" raises error rates

People are certified for SNAP based on their income and other circumstances at the time they apply. Because work in the low-wage labor market often comes with uncertain schedules and because people often work multiple jobs to make ends meet, participants' income may change after they are certified, even when they remain eligible for benefits.[1] In all states, SNAP participants are required to report if their income rises above the basic eligibility threshold for the program in a given month. For changes that don't take a household over the eligibility threshold, however, states can choose whether to require participants to report most small changes in their circumstances (an option called "change reporting") or only to report certain changes likely to impact their eligibility (an option called "simplified reporting").[2]

The quality control process that underpins SNAP's Payment Error Rate looks at a participant's circumstances in the month their case is pulled for review. In that process, a change between a household's income at the time they were certified and their income at the time they were reviewed is only counted as an error when the client was required to report it to the agency. As the USDA Food and Nutrition Service acknowledged in their "Keys to Payment Accuracy," **states that choose to assign clients to change reporting expose themselves to additional error risk by creating many more reportable changes.**

Under change reporting, when clients fail to report these small changes in their circumstances and their cases are reviewed in the quality control process, the state is assessed a payment error. Under simplified reporting, many small changes are not required to be reported, so no error exists when they are not reported.

Change reporting also generates substantially more documentation for workers to process than simplified reporting. Caseworkers, already stretched thin, are often not able to keep up with existing document backlogs. Many reports of changes in income require action within as few as 10 days from when the agency receives them.[3] Changes *not* acted upon within the required timeframe cause case errors. As a result, **adding more documents to workers' backlogs often increases the number of reported changes that don't receive timely action, leading to payment errors.**

Imposing asset tests create significant new risks for costly errors

SNAP rules allow states to choose whether to impose asset tests on SNAP participants, limiting access for people who have liquid resources over a state-established threshold, including vehicles over a certain value.[4] Most SNAP participants have very limited savings, but SNAP asset thresholds can be as low as $2,000 for cash on hand, and as low as $4,650 for the value of vehicles. Asset values for vehicles in particular, which can increase when cars become more valuable on the used car market, can be very difficult for states to track accurately. Similarly, in states that elect to impose asset tests on the program, saving a small amount of

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1 Ganong, Peter, et al. "Earnings Instability" (September 8, 2025). University of Chicago, Becker Friedman Institute for Economics Working Paper No. 2025-114, Available at SSRN: https://ssrn.com/abstract=5458014 or http://dx.doi.org/10.2139/ssrn.5458014; Bauer, Lauren, et al. "Low-income workers experience—by far—the most earnings and work hours instability" (January 9, 2025). Brookings, https://www.brookings.edu/articles/low-income-workers-experience-by-far-the-most-earnings-and-work-hours-instability/
2 7 CFR 273.12
3 7 CFR 273.12(c)
4 7 CFR 273.8

money—for example, toward a security deposit and initial months' rent on a better apartment, or toward a needed car repair—can cause a household to become ineligible for SNAP benefits, while that same household would remain eligible if no asset test were applied.

When a SNAP household is found to fail an asset test during a quality control review, **the entire value of the household's benefit is counted as an error**. Because error rates are based on the dollar amount of an error, errors that make an entire household ineligible for benefits disproportionately increase error rates.

Limiting the use of "discretionary exemptions" takes away options for states to correct mistakes

Certain adults are limited to 3 years of SNAP benefits out of every 36 months, unless they qualify for an exemption under program rules or are able to demonstrate 80 hours a month of work, volunteering or job training. This policy affects adults up to 64 years old who don't have dependents younger than 14 and who aren't caring for people with disabilities. Congress significantly expanded the number of participants subject to these rules—known as the Able-Bodied Adults Without Dependents (ABAWD) time limit—in OBBBA.

This policy presents particular challenges for program administration. A 2021 Urban Institute study found that this policy is "complex and challenging, [which] creates confusion among people subject to the ABAWD time limit as well as among the State (and regional) staff who provide them with services and benefits." This complexity makes ABAWD policy a significant source of potential errors.

SNAP rules generally allow states to use a small number of "discretionary exemptions" to provide additional months of access to people subject to the rules. States use these exemptions for a variety of reasons, including to serve particularly vulnerable participants, such as those facing homelessness, to provide a small grace period to participants who are making good faith efforts to meet the rules' requirements but have been unable to succeed. Critically, discretionary exemptions provide the state agency with an additional buffer in periods of significant administrative change, such as changes in policy and operations, or during disruptions such as government shutdowns or natural disasters.

For states, these exemptions limit exposure to penalties for errors resulting from the administrative complexity of ABAWD rules. Some state legislatures are considering proposals to limit or prohibit SNAP agencies from using these exemptions. Those proposals expose states to greater error risk by removing an important tool for managing complex policy in times of significant administrative change.

Requiring more frequent income reporting for Medicaid can create new errors in states where SNAP and Medicaid eligibility systems are integrated

OBBBA introduced new "community engagement" requirements for many Medicaid participants, which participants can meet through work and other activities. To administer these requirements, states can check

Medicaid enrollees' work history when they are scheduled to renew their coverage. Some states, however, are considering proposals to continuously monitor enrollees' work participation through back-end data sources.

When SNAP and Medicaid are integrated into the same eligibility, continuously monitoring work hours and earnings in this way can create significant new error liabilities in SNAP. This is because information processed by a state Medicaid agency through the same eligibility system as SNAP is considered "known to SNAP,"[5] and must be acted upon by SNAP workers, even if participants weren't required to report it — a situation that is particularly likely when states use the error-reducing simplified reporting option, discussed above.

Monthly income checks create substantially more work for SNAP eligibility workers, contributing to verification backlogs. When workers are unable to act on information soon after it is reported, states can incur payment errors. As a result, when states that operate integrated SNAP and Medicaid agencies choose to continuously verify income through back-end sources, their SNAP agencies face new error risks when they are unable to keep up with a significantly increased flow of new information—regardless of whether that information was required to be reported under program rules. To reduce error risk, states with integrated SNAP and Medicaid processing should conduct Medicaid verifications only at renewal, when it is relevant for Medicaid redeterminations, and not continuously.

Conclusion

OBBBA's SNAP cost sharing provisions created significant new penalties for slight variations in state error rates. The new law introduced three thresholds for cost-sharing liabilities based on states' Payment Error Rates. For states near a cutoff for one of those thresholds, small differences in program errors can create hundreds of millions of dollars or more in new costs for state budgets. In this context, state policy choices that are virtually guaranteed to increase errors may have a price-tag par in excess of their implementation costs. Avoiding these policies can help state lawmakers avoid costly new state fiscal liabilities.

[5] "Use of Information Received from Other Public Assistance Programs" (June 21, 2023). US Department of Agriculture, https://www.fns.usda.gov/snap/use-information-received-other-public