



JOINT LEGISLATIVE OVERSIGHT COMMITTEE
ON HEALTH AND HUMAN SERVICES

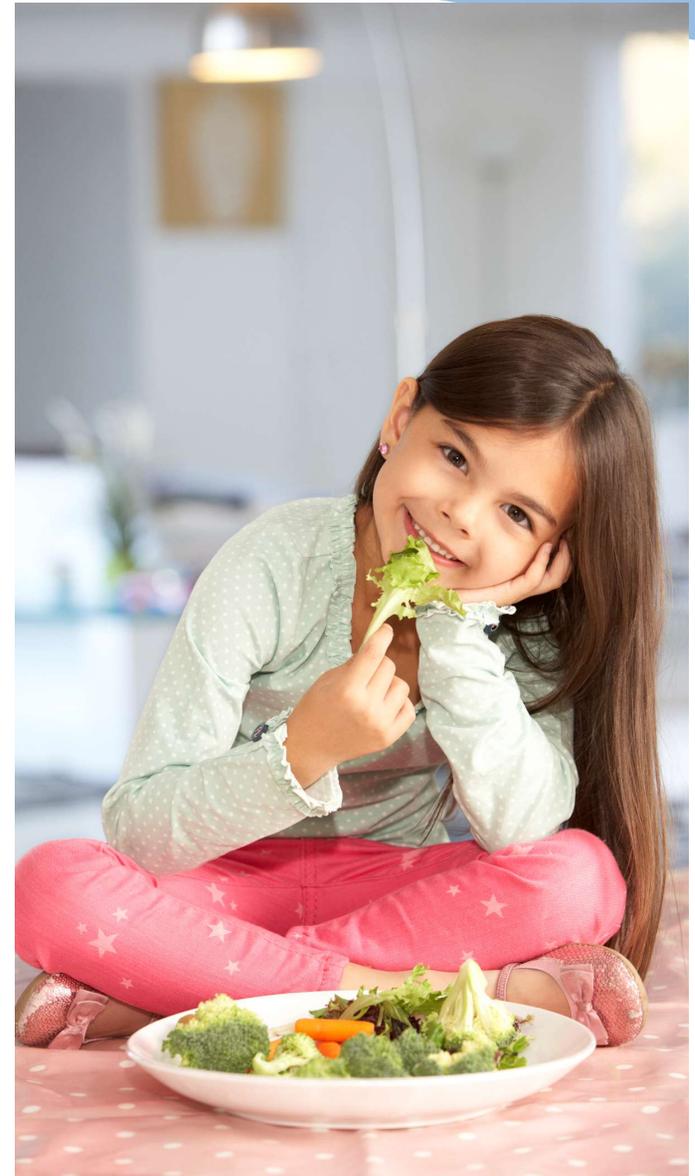
Impact of H.R. 1 on SNAP in North Carolina & Implementation Update

Michael Leighs
Deputy Secretary for Opportunity & Well-Being,
NC DHHS

January 13, 2026

Over 1.4 Million North Carolinians Rely on SNAP

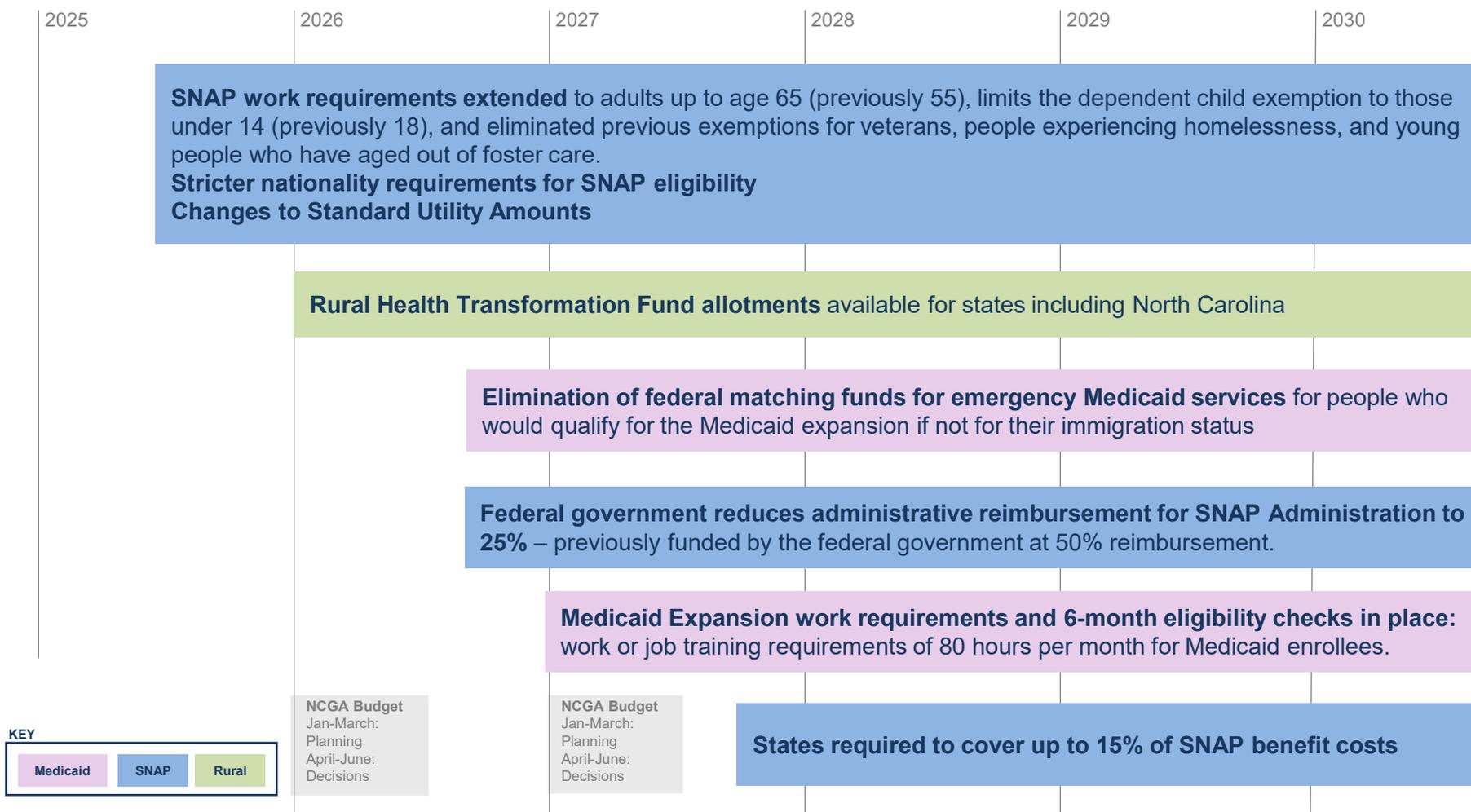
- **More than a million North Carolinians are food insecure**, including 1 in 6 children
- **600,000+ children** under 18 and 159,000+ older adults over 65 benefit from SNAP
- **4 in 5 families** participating in SNAP in NC have either a child, a senior, or an adult with a disability
- **46,000+ NC veterans** benefit from SNAP
- SNAP is a critical economic driver and can account for **40-50% of sales for retailers in rural North Carolina**
- SNAP beneficiaries in NC receive about \$2.8B in annual federal funds (which generate \$4.2B in economic impact)



Background on H.R. 1

- H.R. 1 was signed into law on July 4, 2025.
- Summary of SNAP Changes:
 - Eligibility
 - Expansion of work requirements to additional groups
 - Eliminated certain exemptions
 - Limits the SNAP-Low Income Home Energy Assistance Program (LIHEAP) connection
 - Limits SNAP non-citizen eligibility
 - Funding
 - Eliminates future funding for SNAP-Ed
 - Beginning in October 2026, reduces the federal administrative match from 50% to 25%
 - Beginning in October 2027, establishes benefit cost-share for states with Payment Error Rates (PER) above 6%

Some H.R. 1 policies are effective immediately while others will come later



H.R. 1 Changes to SNAP – Eligibility

Work Requirements	SNAP work requirements will apply to able-bodied adults without dependents (ABAWD) ages 18-64 and parents of children over age 14. Eliminates certain exemptions.
Standard Utility Allowance	Only households with an elderly or disabled member who receive a qualifying LIHEAP or energy payment will automatically qualify for the Heating and Cooling Standard Utility Allowance (HCSUA).
Non-citizen eligibility	Limits SNAP eligibility to individuals who reside in the United States and are (1) U.S. citizens or U.S. nationals; (2) lawful permanent residents, with exceptions; (3) aliens who are Cuban or Haitian entrants; or (4) individuals who are lawfully residing in the United States in accordance with the Compacts of Free Association between the United States and Micronesia, the Marshall Islands, and Palau.

H.R. 1 Changes to SNAP – Funding

Administrative Cost Share	<p>Starting October 2026, Federal government pays 25% of administrative costs of SNAP. State and counties will pay 75% of administrative costs for SNAP.</p> <p><i>Additional costs estimated at \$16M for the state and \$69M for counties annually.</i></p>
Benefit Cost Share	<p>Starting October 2027, states may be required to pay a portion of benefit costs each year based on SNAP payment error rates.</p> <p><i>This could be as much as \$420M based on FFY24 payment error rate and benefit cost amount.</i></p>

Benefit Cost Share	Payment Error Rate	State & National Error Rates for FFY24
0% Cost Share	Less than 6%	8 states
5% Cost Share	Between 6% and 8%	6 states
10% Cost Share	Between 8% and 10%	16 states
15% Cost Share	Over 10%*	20 states; NC rate is 10.21% (National average is 10.93%)

**For the first two years of implementation, states with a PER of greater than 13.3% will have 0% benefit cost share.*

Key Considerations for Implementing H.R. 1

NC administrative cost share will increase by an estimated \$16 million for the state and \$69 million for counties annually beginning Oct 2026.

NC benefit cost share would be an estimated \$420+ million per year based on FFY24 payment error rate (10.21%) and benefit amount (over \$2.8 billion).

- Benefit cost share is based on the payment error rate from 3 years prior.
- States don't control most SNAP rules; Congress decides who can get benefits and how much they receive.
- States can't control how many people enroll in SNAP. During a recession or tough economy, more people may need help, and states could have to pay more than expected.
- Since COVID, states have seen large swings in payment error rate
- Payment error rates have historically increased when new policy is implemented.
- If NC cannot pay for increased state benefit cost share, NC will have to stop offering the SNAP program completely

What is a Payment Error?

- A payment error is an incorrect benefit determination, resulting in an overpayment or underpayment.
- The payment error rate (PER) is the total value of the overpayments and underpayments divided by the total value of payments distributed for a sample of FNS cases in a given federal fiscal year.
- Only payment errors greater than +/- \$57 count towards the payment error rate.
- Payment error rates are driven by unintentional mistakes made at the county or client level.

OUR GOAL: UNDER 6% IN 2026



NC's preliminary payment error rate through August 2025 is 7.05%

Note: NC's official rate for FY25 will not be issued until June 30, 2026 and will include the period of October 1, 2024 through September 30, 2025.

NCDHHS Workstreams



Policy and Training

Update NCDHHS policy with HR1 changes	Jul 2025 – Dec 2025
Work requirements and exemption changes	Completed
Standard Utility Allowance	Completed
Non-citizen eligibility	Completing Feb 2026

Train county DSS staff on changes to policy and common errors	Nov 2025 – Apr 2026
Training on work requirements and exemption changes	Completed
Training on Standard Utility Allowance changes	Completed
Training on non-citizen eligibility changes	Completing Feb 2026
Training on enhancements to NC FAST to decrease common payment errors	Completing Apr 2026
Training on root causes and solutions of common payment error rates	Completing Jun 2026

Streamline policy to aid eligibility workers	Jan 2026 – Dec 2026
Review existing policy and identify opportunities for simplification	In progress
Use root cause analysis to identify common policy errors	In progress
Rewrite sections of NCDHHS policy manual	Completing Dec 2026

Technical Assistance & Continuous Quality Improvement

Collect and disseminate best practices	Jul 2025 – Dec 2025
Engage with the 10 highest performing counties to collect lessons learned	Completed
Engage with highest and lowest performing counties to share lessons learned and establish points of contact for mentorship	Completed
Conduct a 6-week assessment in 3 counties to help identify root causes of county caused payment errors.	Completed
Provide tailored technical assistance counties that have higher error rates	Oct 2025 – Aug 2026
Implementing 1:1 meetings to discuss payment errors and tailor technical assistance for the 11 counties that have largest impact on PER	Completed
Support counties on decreasing their payment errors through workflow redesign, specific TA, and quality assurance improvements	Completing Aug 2026
Provide Continuous Quality Improvement (CQI) Support	Jan 2026 – Dec 2026
CQI team revised ongoing engagement plan with counties to emphasize PER focus	Completed
Trained county DSS on CQI process as it relates to payment errors	In progress
Execute CQI processes with counties to systematize the reduction of payment errors	Completing Dec 2026

Information Technology

Update NC FAST with HR1 policy changes	Jul 2025 – Dec 2025
Work requirements and exemption changes	Completed
Standard Utility Allowance	Completed
Non-citizen eligibility	Completing Feb 2026
Enhance NC FAST to support county workers in mitigating errors	Dec 2025 – Apr 2026
Implement NC FAST enhancements based on county DSS feedback to prevent county eligibility workers from making common payment errors	In progress
Evaluate how NC FAST can be adjusted to address other root causes of payment errors and implement identified changes	Completing Apr 2026
Identify and implement new technology solutions to decrease workforce burden and prevent errors	Oct 2025 – Dec 2026
Engage counties and other partners on potential technological solutions for PER	In progress
Prioritize and implement IT solutions that will reduce PER and are feasible within NC FAST	Completing Dec 2026

Key Goal: Engaging with Counties, States, & Participants

County Departments of Social Services

- Regular communication and engagement with Directors and staff through the NC Association of County DSS Directors recurring meetings and workgroups, trainings and office hours, the Social Services Institute, and individual county engagements

County Commissioners and Managers

- Briefings before and after HR 1 passage, ongoing engagement with NC Association of County Commissioners leadership and County Managers

Engaging with States & American Public Human Services Association

- NCDHHS is a member of multiple working groups on HR1 including a workgroup of only state supervised, county administered states

SNAP Participants

- Providing outreach through multiple communications channels and external partners on H.R.1 changes affecting SNAP eligibility