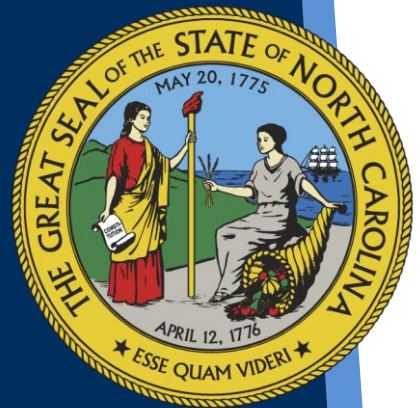


# Impact of H.R. 1 on SNAP Changes in North Carolina & Our Plan for Implementation

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October 24, 2025

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and Family Well-Being



# Briefing Agenda

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- Impact of H.R. 1 SNAP Changes in North Carolina
- What Do We Know?
- What's Our Plan?
- What Have We Done?
- How Can We Work Together Moving Forward?

# **Impact of H.R. 1 SNAP Changes in North Carolina**

# Over 1.4 Million North Carolinians Rely on SNAP

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- **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
- Food Lion and other retailers have **11%-18% of sales from SNAP** – with bigger impacts in rural communities.



# Background on HR1

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- H.R.1 was signed into law on July 4, 2025.
- There are significant impacts to many federal government programs including FNS/SNAP and Medicaid.
- Summary of SNAP Impacts
  - FNS Eligibility – effective immediately
    - Redefined ABAWDs
    - Eliminated Exemptions
    - Limits the SNAP-LIHEAP connection
    - Limits SNAP non-citizen eligibility
  - Funding:
    - Beginning in FY28, establishes a SNAP benefit cost-share for those with PERs above 6%.
    - Beginning in FY27, reduces the federal administrative match to 25%.
    - Beginning in FY26, eliminates all federal funding for SNAP-Ed

# H.R. 1 Changes to SNAP - Eligibility

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## Work Requirements

SNAP work requirements will apply to able-bodied adults without dependents ages 18-64 and parents of children over age 14

Eliminates previous exemptions for youth who were in the foster system until age 24, veterans, and individuals experiencing homelessness.

## Implementation Challenges and Key Decisions:

- Estimated additional 173,000 adults would be subject to work requirements to receive SNAP benefits, including the following populations:
  - Adults 54-64
  - Parents of children over age 14
  - Veterans
  - Foster youth under 24
  - Individuals experiencing homelessness
- Loss of benefits to North Carolinians
- Adds complexity, could increase likelihood of errors

# H.R. 1 Changes to SNAP - Eligibility

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## Standard Utility Allowance

*Instead of requiring households to report actual heating, cooling, water, trash, and phone bills every month, states use standard allowances: preset amounts that approximate average utility expenses.*

*The HCSUA is the largest deduction available to households.*

Prior to H.R. 1, if a household received a qualifying LIHEAP or similar payment in the past year, the state agencies had to make the *Heating and Cooling Standard Utility Allowance* (HCSUA) available.

After H.R. 1, only households with an **elderly or disabled member** are automatically conferred the HCSUA when they receive a qualifying energy payment. Households without such members no longer get automatic HCSUA just because of energy assistance receipt.

After H.R. 1, third-party energy payments are excluded from income for households with an elderly or disabled member, and the expenses can count for shelter. However, if no elderly/disabled member, third-party payments count as income, and the expenses cannot be used for shelter deductions.

## Implementation Challenges and Key Decisions:

- Loss of benefits to North Carolinians
  - Disproportionately impacts working families with children (younger households) or those with high heating costs but no disabled/elderly members.
- Adds complexity, could increase likelihood of errors
  - Requires system changes, policy updates, and staff training.

# H.R. 1 Changes to SNAP - Eligibility

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## Non-citizen eligibility

Eliminates SNAP eligibility for certain immigrants who are legally present in the United States, including those who have qualified for conditional entry under the asylum and refugee laws or based on urgent humanitarian reasons (e.g., a survivor of domestic violence or human trafficking).

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.

## Implementation Challenges and Key Decisions:

- USDA has not issued written implementation guidance for this provision as of 7 October 2025, creating uncertainty regarding proper State Agency implementation.
- Adds complexity and increases likelihood of errors

# H.R. 1 Changes to SNAP - Funding

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## Benefit Cost Share

Starting October 2027, states are required to pay a portion of benefit costs each year based on SNAP payment error rates.

Error rate is the percentage of SNAP benefit payments that were made incorrectly – either too much (overpayment) or too little (underpayment)

| Cost Share                | Error Rate         | Current 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%           | 11 states; <b>NC rate is 10.21%</b><br>National rate is 10.93% |
| 0% Cost Share for 2 years | Over 13.33%        | 9 states                                                       |

# H.R. 1 Changes to SNAP - Funding

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## Benefit Cost Share

### Implementation Challenges and Key Decisions:

- Payment error rate is the percentage of SNAP benefit payments that were made incorrectly – either too much (overpayment) or too little (underpayment).
- Any overpayments are already required to be recouped and repaid to the federal government.
- NC cost share would be \$420+ million per year based on FFY24 payment error rate (10.21%) and benefit amount (over \$2.8 billion)
- Payment error rates are driven by unintentional mistakes made by:
  - county workers, or
  - families receiving benefits who forget to report changes such as income - the state has limited ability to control/influence families
- Payment error rates increase when new policy is implemented

# H.R. 1 Changes to SNAP - Funding

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## **Administrative Cost Share**

Federal government pays 25% of administrative costs of SNAP

State and counties will pay 75% of administrative costs for SNAP

## **Implementation Challenges and Key Decisions:**

- NC state administrative costs likely to increase by \$16M.
- NC county administrative costs likely to increase by \$67M.
- NC General Assembly and counties must allocate additional funds to cover increased costs.

# Two Paths Forward

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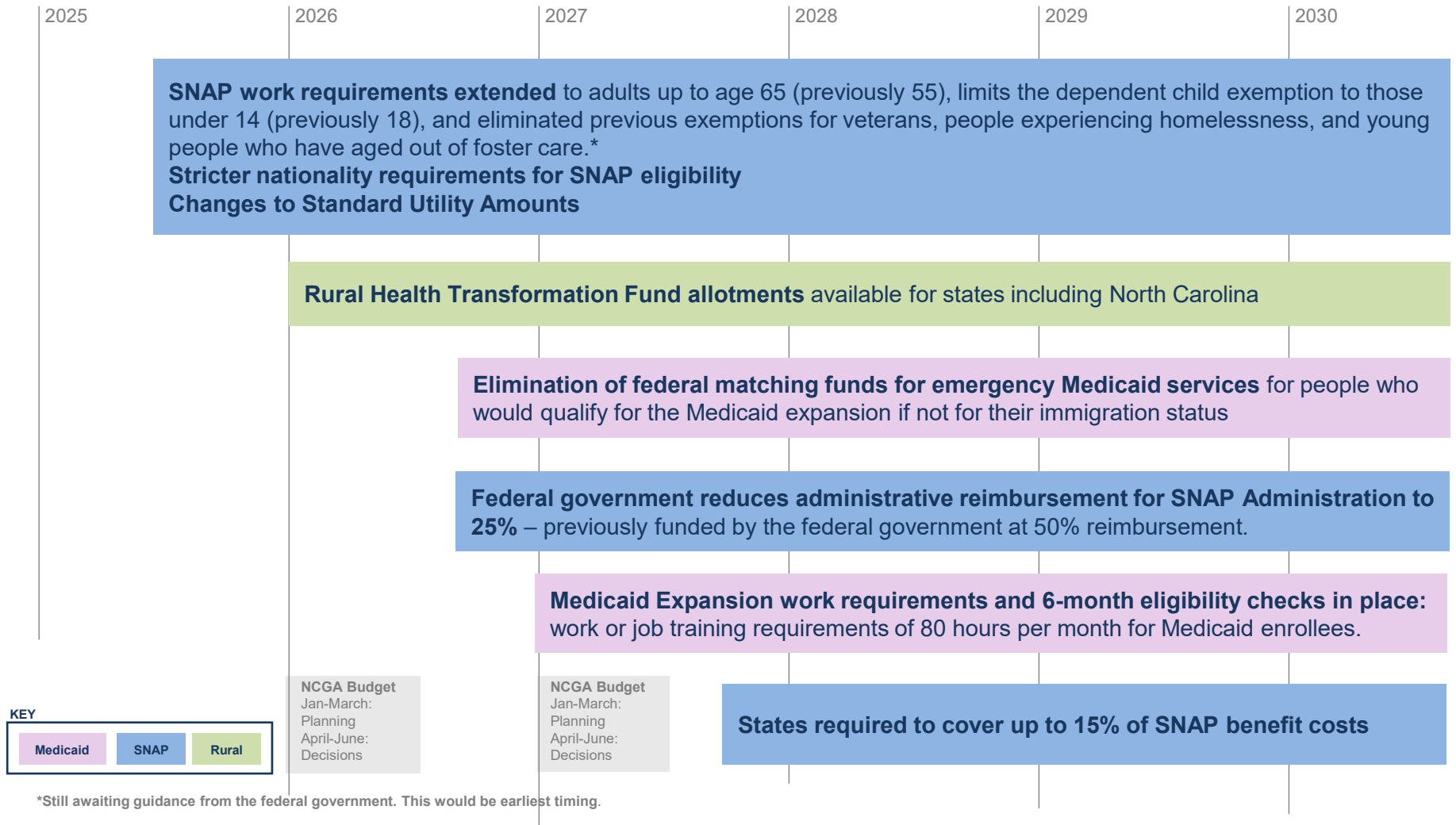
## **Option 1: NC pays the increased state benefit cost share**

- Cost share could be up to \$420+M per year based on current enrollment
- NC would have to pay cost share based on the 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.

## **Option 2: If NC cannot pay for increased state benefit cost share, NC will have to stop offering the SNAP program completely**

- Over 1.4 million North Carolinians lose benefits
- NC would lose \$2.8B in annual federal funds (which generate \$4.2B in economic impact)
- Rural grocery stores that depend on SNAP revenue at risk of closure
- Over 7,000 jobs in NC across grocery, agriculture, manufacturing, transportation, and other industries created by SNAP at risk
- Over 500,000 children no longer automatically qualify for school meals because of SNAP

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



**What Do We Know?**

# Key Considerations for Implementing HR 1

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- USDA indicated effective implementation was the statute's enactment date, before written guidance was issued.
- Payment error rates have historically increased when new policy is implemented.
- Administrative costs are on the rise (50% federal reimbursement -> 25% reimbursement).
- States are seeking additional guidance in implementing these policy changes.
- Vermont reported full implementation of HR1 for FNS on 9/23. Many states report they cannot update their systems for many months.

**Despite these challenges, NCDHHS is focused on implementing HR 1 in a way that best serves the 1.4 million North Carolinians that rely on SNAP while working to drive down our payment error rate.**

# What is a Payment Error?

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## *Payment Error:*

An incorrect benefit determination, resulting in an overpayment or underpayment

- Typically occurs from inaccuracies in how eligibility is determined or benefit amounts are calculated
- Only payment errors +/- \$57 count towards the Payment Error Rate

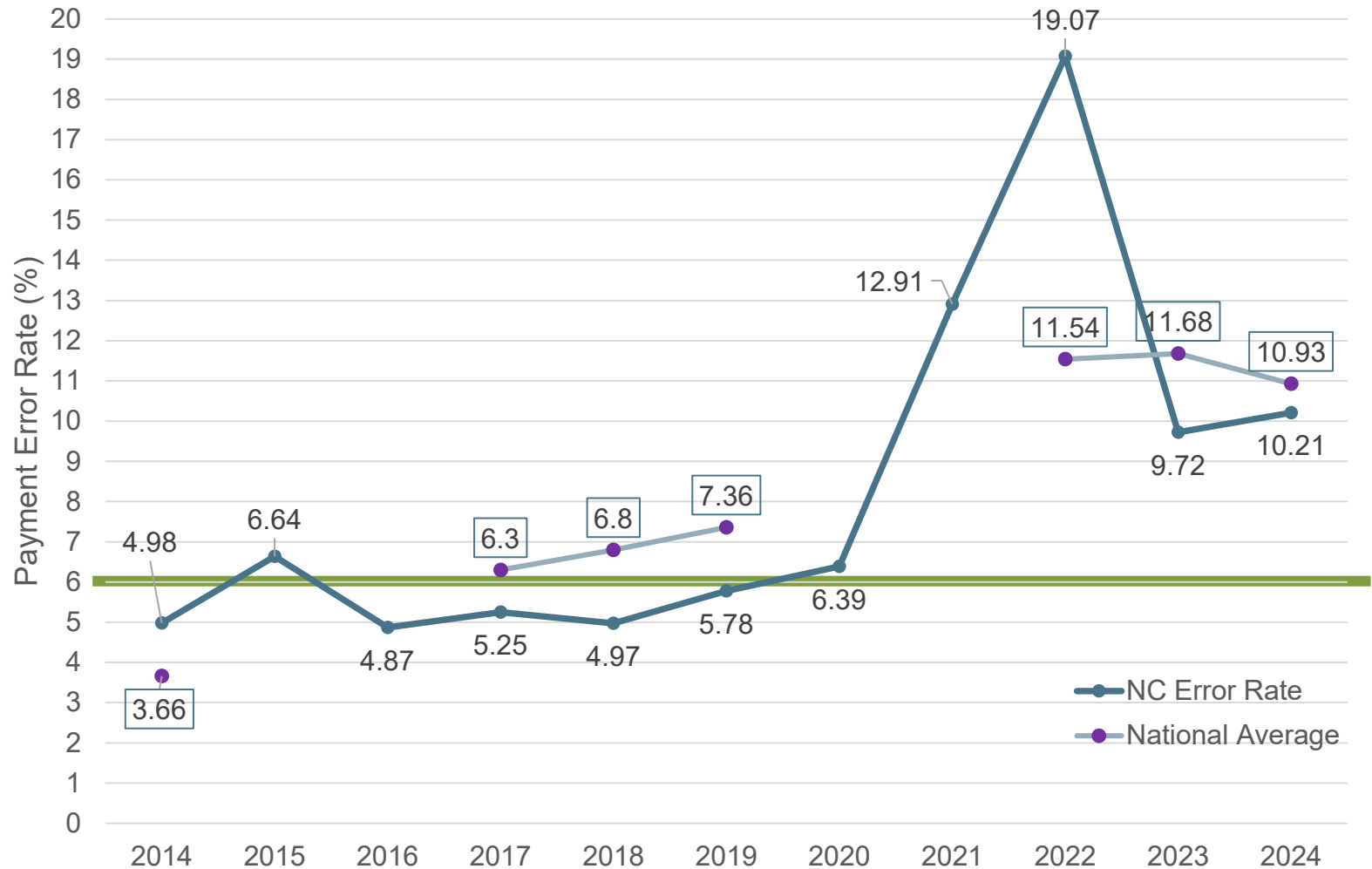
# OUR GOAL: UNDER 6% IN 2026!



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**We can do it! As of May 2025, our payment error rate is 7.63%.**

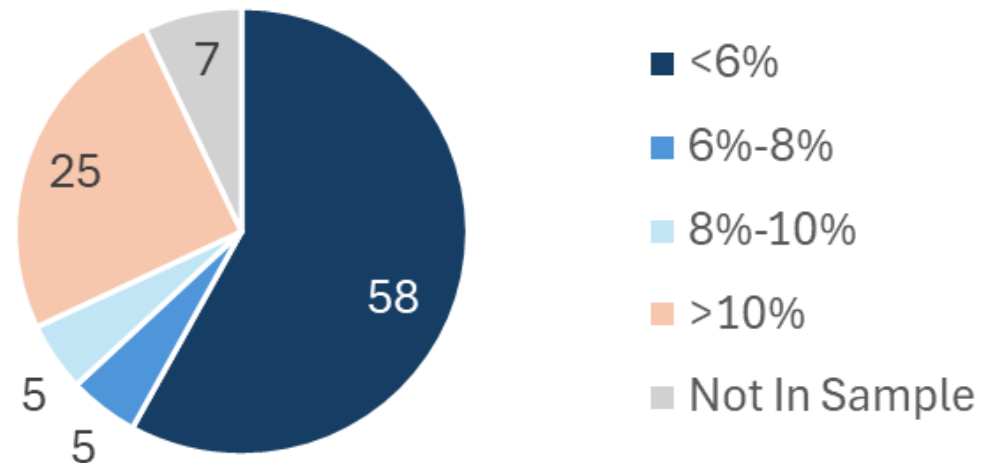
## NC Payment Error Rate vs National Average Over Last 10 Years



## How Did We Do in FFY24?

| FFY24<br>Payment<br>Error Rate | # Counties |
|--------------------------------|------------|
| <6%                            | 58         |
| 6%-8%                          | 5          |
| 8%-10%                         | 5          |
| >10%                           | 25         |
| Not in<br>the Sample           | 7          |

58 Counties had a PER of less than 6% in FFY24



# Who was under 6% in FFY2024?

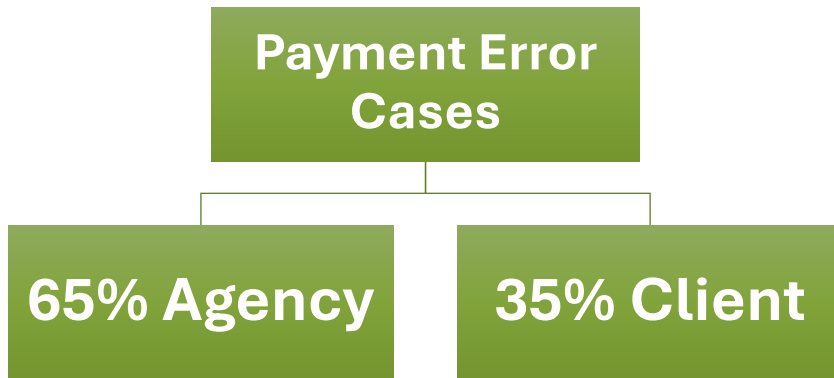
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|           |           |             |            |            |
|-----------|-----------|-------------|------------|------------|
| ALAMANCE  | CRAVEN    | IREDELL     | ONSLOW     | STOKES     |
| ALLEGHANY | CURRITUCK | JACKSON     | PAMLICO    | SURRY      |
| ANSON     | DARE      | JOHNSTON    | PERQUIMANS | TYRRELL    |
| ASHE      | DAVIE     | LEE         | PERSON     | VANCE      |
| BEAUFORT  | DUPLIN    | LENOIR      | POLK       | WARREN     |
| BERTIE    | FRANKLIN  | LINCOLN     | RANDOLPH   | WASHINGTON |
| BLADEN    | GATES     | MARTIN      | RICHMOND   | WATAUGA    |
| BRUNSWICK | GRAHAM    | MCDOWELL    | ROBESON    | WILKES     |
| BURKE     | GRANVILLE | MITCHELL    | RUTHERFORD | YADKIN     |
| CALDWELL  | GREENE    | MONTGOMERY  | SAMPSON    | YANCEY     |
| CHATHAM   | HALIFAX   | MOORE       | SCOTLAND   |            |
| CHOWAN    | HOKE      | NORTHAMPTON | STANLY     |            |

ALEXANDER, AVERY, CAMDEN, CLAY, HYDE, SWAIN, and TRANSYLVANIA did not have any cases pulled in the FFY24 sample.

# Origins of Payment Error

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## Types of NC Payment Errors

- **50% Wages & Salaries**
- **9% Shelter Deductions**
- **7% Household Composition**
- **36% Other Errors**



**Most errors happen at the point of application and recertification**

**What's Our Plan?**

# HR1 Implementation Goals

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## Short

Make immediate changes to support workers in implementing new and existing FNS eligibility requirements in accordance with federal policy while reducing the number of common errors being made.

## Medium

Provide technical assistance and upfit the system to reduce the likelihood that common eligibility determination errors are made by eligibility determination workers.

## Long

Support eligibility determination workers in reducing errors through improved system development and performance to ensure a sustainable, low PER

# NCDHHS Workstreams

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## Policy & Training

- Update NCDHHS FNS policy with HR1 changes
- Train staff on changes to policy
- Simplify and clarify NCDHHS FNS policy manuals with Quality Control manual and NC FAST

## Technical Assistance & Continuous Quality Improvement

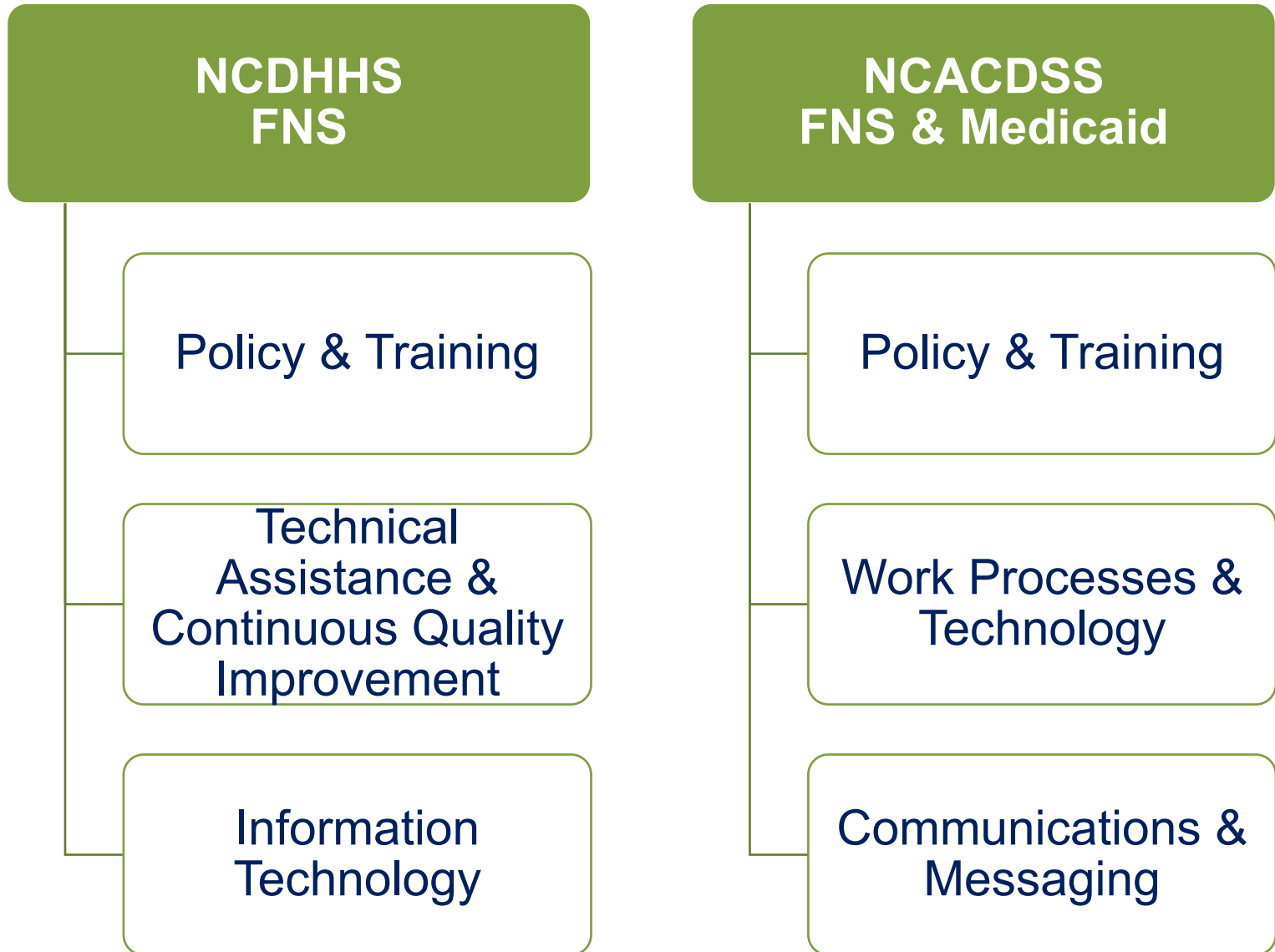
- Collect and publicize lessons learned and what is working for high performing counties.
- Provide tailored technical assistance to reduce errors especially with counties that are the largest contributors to the payment error rate
- Provide continuous quality improvement support to improve processes

## Information Technology

- Update NC FAST with HR1 policy changes
- Upfit NC FAST to support county workers in mitigating common determination errors.
- Identify and implement new technology solutions to decrease workforce burden and prevent errors from being made

# NCDHHS and NCACDSS Workgroups are in Alignment

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**What Have We Done?**

# What Are We Doing

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## Policy & Training

- Analyzing USDA guidance on HR1 changes to apply to NC context
- Updating NCDHHS FNS policy with HR1 changes
- Identified need for support to improve policy development and training

## Technical Assistance & Continuous Quality Improvement

- Met with highest and lowest performing counties to collect and share lessons learned
- Implementing 1:1 meetings to discuss payment errors and tailor technical assistance for the counties that are the largest contributors to the payment error rate

## Information Technology

- Updating NC FAST to align with HR1 policy changes
- Consulting with counties to identify how NCFAST can warn county workers about common errors that may apply to their case and upfitting the system with flags
- Evaluating technology solutions for reducing the error rate

# Working Together With You

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## We Are Prioritizing Your Stated Needs

- Improvements to NC FAST
- Improving and aligning policy
- Training in key areas like interviewing skills for frontline workers

## Lessons Learned from Successful Counties

- Consistent income calculations
  - ✓ Verify math manually or through 2<sup>nd</sup> party reviews
- Strong case ownership and workload balance
  - ✓ Assign cases to a single “alpha worker” helps maintain timeliness and accuracy
- Cross-training improves flexibility
  - ✓ High volume periods are more successful
- Targeted training and communication
  - ✓ Refresher trainings are based on trends and data through tools like “Tip of the Week”
- Peer learning
  - ✓ Sharing best practices across counties
- Overall= There is no one size fits all.

# Utilizing External Resources and Partners

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## APHSA

- HR1 is key area of focus for member support including TA and advocacy
- County-administered states affinity group
- Advocacy

## US Digital Response

- Pro bono assistance to select state governments to do a root cause analysis of their payment error rate and report on improvement options. Findings will be aggregated up to a national report.
- 4-6 week sprint that includes quantitative analysis and online interviews with staff in Wake, Gaston, and Robeson counties and state staff

## Philanthropic support

- Improving policy
- Systems change, training and technical assistance
- Supporting quality control
- Information technology solutions

# Communicating with Partners

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## County DSS

- SSI, NCACDSS Regular Meetings, HR1 Workgroup
- Individual county engagements

## County Commissioners

- Briefings before and after HR 1 passage, ongoing engagement with NCACC leadership

## NCGA and federal delegation

- Briefings before and after HR 1 passage
- Highlighted potential mitigation strategies:
  - Extend time to reduce SNAP error rate before cost share takes effect
  - Provide additional resources to support states in reducing error rate
  - Address the current “all-or-nothing” cost share implications
  - Provide reprieve on financial penalties in other areas (e.g., timeliness) while states are focusing on payment error rates

# Communicating with Beneficiaries

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Objective for reaching SNAP Beneficiaries: Alert participants of changes to work requirements and guide them on next steps.

## Key Messages:

- Overview of H.R.1 and how it affects SNAP eligibility.
- Work requirement details and who they apply to.
- Required actions to maintain benefits.
- Where to get help.

## Outreach for Participants:

- NCDHHS social media, website updates, YouTube videos, direct mail, ePASS messages, SMS/text alerts, robocalls

**How Can We Work Together  
Moving Forward?**