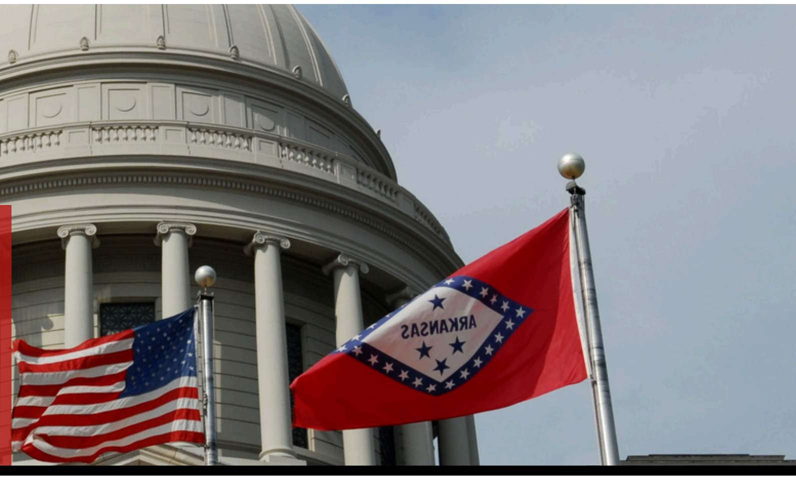


HOW ARKANSAS NEEDS TO RESPOND TO NEW SNAP COST SHIFTS

ARKANSAS ADVOCATES FOR CHILDREN & FAMILIES

The Supplemental Nutrition Assistance Program (SNAP) helps fight hunger for about 240,000 Arkansans. Historically SNAP benefits have been funded entirely by the federal government and the cost of administering the program has been shared equally by the states and federal government. The One Big Beautiful Bill Act (H.R. 1), changes SNAP financing by shifting SNAP administrative and benefit costs to the states.

SNAP Administrative Cost Share

Arkansas will need to allocate at least an additional **$18 million** in SFY27 to support SNAP administration. That cost will increase to $25 million annually thereafter.

SNAP administrative costs cover program operations such as staffing, training, quality control, and technology that supports application processing and distribution of SNAP benefits. Before H.R. 1, SNAP administrative costs were split 50/50 by the federal government and the state. But now states will be responsible for 75% of SNAP administrative costs beginning in October 1, 2026.

In addition, H.R. 1 will require states to pay a portion of the actual SNAP benefit costs paid to participants depending on the payment error rate beginning October 1, 2027. The payment error rate measures administrative inaccuracies, specifically, any over- and underpayments a state makes when issuing SNAP benefits.

SNAP Benefit Cost Share

Arkansas will need to plan for allocating roughly **$55 million** to absorb SNAP benefit costs based on the most recent, USDA-issued SNAP payment error rate.

Payment Error Rate	H.R. 1 State Match	Arkansas's Cost Per Year
Below 6%	0%	$0
6%-8%	5%	$27.5M
8%-10%	**10%**	**$55M**
Over 10%	15%	$82.5M

Arkansas's most recent, USDA-issued payment error rate was 9.56% (FFY24). Using this rate to budget for upcoming SNAP benefit cost shifts, Arkansas would have a 10% cost share. The Arkansas Department of Human Services (DHS) is working diligently to reduce its payment error rate, but there is no way to guarantee a payment error rate below 6% for the initial cost shift in 2027.

What is the SNAP Payment Error Rate?

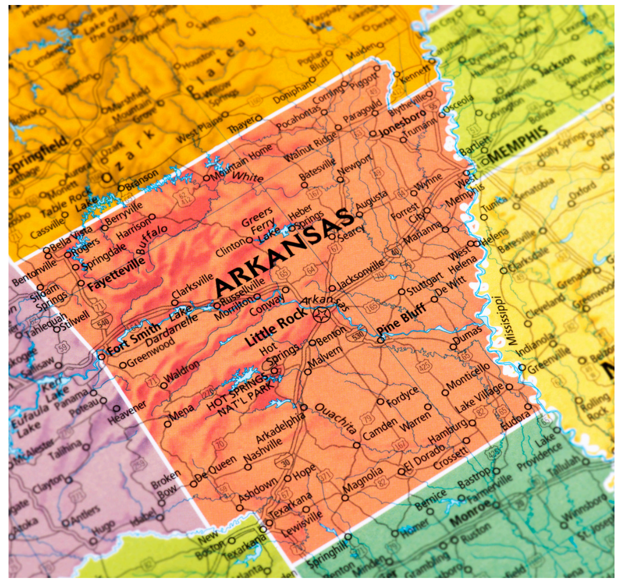
- A statistical measurement of the accuracy of the SNAP benefit calculation, not a measure of fraud.
- Measurement of total dollar errors, not the number of cases with errors.
- For most errors, the family was eligible for SNAP but received an incorrect amount of SNAP benefits based on their circumstances.

How is the Payment Error Rate calculated?

Payment error rate is determined by a sample of active cases each month. DHS rechecks documentation, re-interviews households, and recalculates benefits when necessary. DHS reviews about 1,000 SNAP cases each year. The federal government then reviews about half of those to determine the annual payment error rate.

Payment Error Rate Challenges

The payment error rate is calculated annually, making budgeting for the associated state match for SNAP benefits difficult. The payment error rate for the initial cost benefit shift in October 2027 is particularly problematic. For this shift, states can use either the FFY25 or FFY26 payment error rate.



Challenges with FFY25 error rate (data drawn from 10/01/24-09/30/25):

- H.R. 1 became law in July 2025, two months before FFY25 ended, so much of the payment error rate data for this period was already determined. The state had little time to make any changes that might improve the FFY 25 payment error rate.
- Payment error ratewill be calculated by the USDA in June 2026.

Challenges with FFY26 error rate (data drawn from 10/01/25-09/30/26):

- This period includes the 2025 federal government shutdown and the start of new H.R. 1 SNAP work requirements. Both increase the likelihood for payment errors.
- Payment error rate will be calculated by USDA in June 2027 – essentially giving the state three months to plan for an October 2027 benefit cost shift.

What else should I know about SNAP Payment Error Rates?

- For any overpayments, families are required to pay the overage back to the state. Likewise, the state must make up the difference to families for any underpayments.
- SNAP households must cooperate with the quality control review or lose benefits.
- Even before H.R.1, payment error rates over 6% triggered corrective action. Two consecutive years of high error rates resulted in financial penalties for states.

Conclusion

States can reduce SNAP payment error rates through a variety of strategies including technology advancements, practice improvements (like simplified client reporting), and ensuring sufficient staffing supported with quality training and supervision. However, if we don't set aside $18 million for SFY27 administrative costs to make up for what H.R. 1 shifted to Arkansas, we could risk losing the staff and other resources needed to reduce our payment error rate. A higher payment error rate would result in Arkansas paying for a larger portion of SNAP benefit costs down the road. We need to make upfront investments now to protect the future of SNAP in Arkansas.

Sources

"SNAP Payment Error Rates 101: Understanding SNAP Changes in HR 1." Center on Budget and Policy Priorities and Rachel Cahill Consulting, LLC. 22 October 2025. 10.22.2025_101 SNAP Payment Error Rates_Shared-Final

"New SNAP Cost Share & Its Impact on Texas." Jamie Olson. Feeding Texas 2026.