SNAP Cost-Shifts Will Increase Hunger, Strain State Budgets, and Deepen Economic Risk

The Supplemental Nutrition Assistance Program (SNAP) is one of the most effective federal programs for reducing hunger, stabilizing household finances, and supporting state and local economies. Every $1 in SNAP benefits generates up to $1.80 in regional economic activity during an economic downturn, supporting grocery stores, farmers, distributors, and rural retailers.[1] Historically, SNAP benefits have been 100 percent federally funded and have never been included in state budgets. That structure is intentional: SNAP expands during economic downturns, delivering federal dollars to communities precisely when state revenues fall.

H.R. 1 FORCES SNAP INTO STATE BUDGETS FOR THE FIRST TIME

The budget reconciliation law (H.R. 1/OBBBA) fundamentally reshapes SNAP financing by shifting benefit costs and increasing administrative expenses to states. This unprecedented change comes as state budgets are already tightening due to slower revenue growth, rising Medicaid costs, and reduced overall federal fiscal support.[2]

For the first time in SNAP's history, states must plan for SNAP as a recurring general-fund obligation, which will undermine long-term fiscal planning and budget stability.

ADMINISTRATIVE COST-SHIFT WILL RAISE ERROR RISK

H.R. 1 also reduces the federal share of SNAP administrative costs from 50 percent to 25 percent, requiring states to cover 75 percent of administrative costs starting in fiscal year (FY) 2027.

This directly undermines SNAP payment accuracy by:

- limiting staffing, training, and caseworker capacity
- delaying IT modernization and system upgrades
- increasing churn, backlogs, and paperwork errors

Congress cannot demand higher accuracy while simultaneously removing the resources required to achieve it.

NEW SNAP BENEFIT COST-SHARING CREATES UNFUNDED AND VOLATILE LIABILITIES

Beginning in FY 2028, states must pay a share of SNAP food benefits based on payment error rates:

- below 6 percent: 0 percent match
- 6–8 percent: 5 percent match
- 8–10 percent: 10 percent match
- over 10 percent: 15 percent match

Based on FY 2024 data, more than 40 states would face new costs, and even states currently below 6 percent remain at risk over time.[3] Error rates reflect administrative and technical issues — such as timing of paperwork, income changes, complex household circumstances, system transitions, and shifts in federal guidance — not intentional wrongdoing.[4] Quality control reviews apply far greater scrutiny than front-line case processing and do not net out underpayments against overpayments, which can inflate reported error rates. In addition, error rates can rise quickly following system or policy disruptions, but it typically takes years and sustained investment in staff, training, technology, and federal technical assistance to reduce rates responsibly.

Penalizing states while cutting funding will undermine benefit program accuracy rather than improve it.

STATES ARE PENALIZED FOR FEDERAL IMPLEMENTATION FAILURES

SNAP error rates have been declining,[5] but progress depends on clear guidance and sustained federal technical assistance, which has not been consistently provided. H.R. 1 was implemented amid:

- inconsistent guidance from the U.S. Department of Agriculture (USDA), sometimes issued within days of each other
- a federal government shutdown and reduced staffing
- cuts to USDA's technical assistance capacity

States are now being penalized for administrative instability caused by federal decisions beyond their control.

STATE BUDGETS CANNOT ABSORB THESE COSTS

States cannot run deficits. When federal SNAP costs shift to states, lawmakers will face only a narrow set of options:

- raise taxes or fees
- cut funds for education, health care, transportation, or public safety
- reduce SNAP access or eligibility
- freeze hiring and delay modernization[6]

Many states are already drawing down reserves and facing structural deficits.[2] Some have begun opting out of nutrition programs, such as the Summer EBT Program, citing concerns about future SNAP liabilities. With more than 20 states at high risk of recession, these cost-shifts are especially dangerous.[7]

Reduced federal SNAP funding acts as "a stimulus in reverse"— weakening local economies, shrinking tax bases, and increasing health care costs as hunger rises.

CARVE-OUT DELAYS COSTS FOR SOME STATES, UNDERMINES FAIRNESS AND ACCOUNTABILITY

The new law includes a carve-out that allows only certain states with very high error rates to delay cost-sharing for benefits, whereas other states that make good-faith investments to improve accuracy must pay sooner.

- States may delay cost-sharing until FY 2029 or FY 2030 if:
  - FY 2025 error rate × 1.5 ≥ 20 percent, or
  - FY 2026 error rate × 1.5 ≥ 20 percent.
- The delay may be used only once, based on data from either FY 2025 or FY 2026.

Based on FY 2024 data, states likely to benefit include Alaska, Florida, Georgia, Maryland, Massachusetts, New Jersey, New Mexico, New York, Oregon, and the District of Columbia.

PARITY MATTERS, CONGRESS MUST ACT

If Congress believes states need time to adjust, all states should receive the same delay, not just a subset. States working to improve accuracy cannot sustain those investments while also planning for higher administrative costs and new benefit obligations.

Congress should eliminate SNAP benefit cost-sharing and restore 50 percent federal responsibility for administration — or, at a minimum, apply any delay equitably across all states. Without corrective action, states will be forced to raise taxes, cut core services, scale back SNAP, or leave the program.[8]

Endnotes

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