
FISCAL UPDATE Article

Fiscal Services Division

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FOOD ASSISTANCE PAYMENT ERROR RATE PENALTY

Payment Error Rate. The United States Department of Agriculture (USDA) notified the Iowa Department of Human Services (DHS) on July 30, 2019, that the Department was not in compliance with the payment error rate for the Supplemental Nutrition Assistance Program (SNAP). The DHS payment error rate for FFY 2018 was 10.0%. This is 3.2% higher than the national average of 6.8% and 0.4% higher than the FFY 2017 payment error rate for Iowa of 9.6%. The letter identified the causes of the errors by the DHS as failure to verify required information and incorrect and inconsistent application of policies. Errors on the client side resulted from information not being reported.

Penalty. States are assessed a penalty if it is determined that there is a 95.0% statistical probability that a state's payment error rate exceeds 105.0% of the national performance measures for payment error rates. The USDA determined that the Iowa error rate of 10.0% exceeds 105.0% of the national performance measures and assessed a liability amount of \$1.8 million.

State Options. The State may choose to appeal this decision, settle with the USDA by paying the whole liability amount in full, or agree to a settlement agreement, which would involve designating 50.0% of the liability amount for new investments in approved activities to improve SNAP administration and designating the remaining 50.0% of the liability amount as at risk for repayment if a liability amount for an excessive payment error rate is established for FFY 2019. The DHS is in the process of gathering additional information from the USDA and has not yet decided which course of action it will pursue.

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