

June 4, 2024

CALIFORNIA DEPARTMENT OF SOCIAL SERVICES

EXECUTIVE SUMMARY

ALL COUNTY WELFARE DIRECTORS LETTER

The purpose of this All County Welfare Directors Letter is to inform County Welfare Directors of California's preliminary Federal Fiscal Year 2023 Payment Error Rate and potential sanctions that may be imposed by the United States Department of Agriculture, Food and Nutrition Service. As well as the potential for submission of a required county Corrective Action Plan.



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GOVERNOR

June 4, 2024

ALL COUNTY WELFARE DIRECTORS LETTER

TO: ALL COUNTY WELFARE DIRECTORS

FROM: ALEXIS FERNÁNDEZ GARCIA, DEPUTY DIRECTOR
FAMILY ENGAGEMENT AND EMPOWERMENT DIVISION

SUBJECT: PRELIMINARY FEDERAL FISCAL YEAR 2023 CALIFORNIA
PAYMENT ERROR RATE

REFERENCE: [TITLE 7 CODE OF FEDERAL REGULATIONS \(CFR\) 275.23\(d\)\(2\);](#)
[7 CFR 275.16\(b\)\(1\);](#) [MANUAL OF POLICIES AND PROCEDURES](#)
[\(MPP\) 15-410; ALL COUNTY WELFARE DIRECTORS LETTER](#)
[OCTOBER 19, 2020](#)

The purpose of this All County Welfare Directors Letter (ACWDL) is to inform County Directors of California's preliminary Federal Fiscal Year (FFY) 2023 payment error rate (PER) and the potential sanction process that may be imposed by the United States Department of Agriculture, Food and Nutrition Service (FNS). As well as the potential for submission of a required county Corrective Action Plan (CAP).

The FNS has released preliminary FFY 2023 Supplemental Nutrition Assistance Program (SNAP) active error rates for all states. California's preliminary FFY 2023 PER is 12.47 percent, and the preliminary national PER is 11.09 percent. Final error rates will not be released until June 30, 2024.

BACKGROUND

The PER is an accuracy measure of each state's SNAP eligibility and benefit determinations, which represents the sum of the underpayment and overpayment of issued benefits. The national PER is determined by calculating the weighted average of each State's PER. Weighting is determined by a State's proportion of the total SNAP issuances nationally for that FFY. Quality Control (QC) reviews are conducted to fulfill the SNAP monitoring requirement, and results are used to calculate the PER. In

conjunction with the 19 Performance Measurement Counties (PMCs), California completes over 1,020 federal active reviews. These are required each fiscal year. The QC sample is random, and each county's number of federally required case reviews is relative to its caseload size.

California has maintained acceptable CalFresh accuracy rates over the past two decades and has not received a fiscal sanction since 2002, which was assessed at \$60.8 million. The FNS did not release accuracy rates for FFYs 2020 and 2021 due to the Public Health Emergency (PHE). The first post-pandemic error rates were released for FFY 2022, where California's rate was above the 6 percent standard (11.10 percent) but remained below the national PER (11.54 percent). This accomplishment was reached despite unprecedented challenges such as the PHE, natural disasters, and federal revisions to the QC Review Handbook (known as the "FNS 310") while focusing on increased program access for all Californians.

However, the FFY 2023 preliminary figures reflect that California's PER and national PER are above the 6 percent standard, 12.47 and 11.09, respectively. FNS will complete a regression to determine if our finalized number is above 105 percent of the final national PER.

The CDSS recognizes that many factors contribute to the challenge of achieving high payment accuracy. These complexities contribute to an increasing federal payment error rate, which remains consistently above the federal error rate standard of 6 percent. High error rates put the state and PMCs at risk for sanctions imposed by FNS and undermine the credibility of the eligibility determination process for delivering benefits to millions of Californians.

REGULATORY REQUIREMENTS

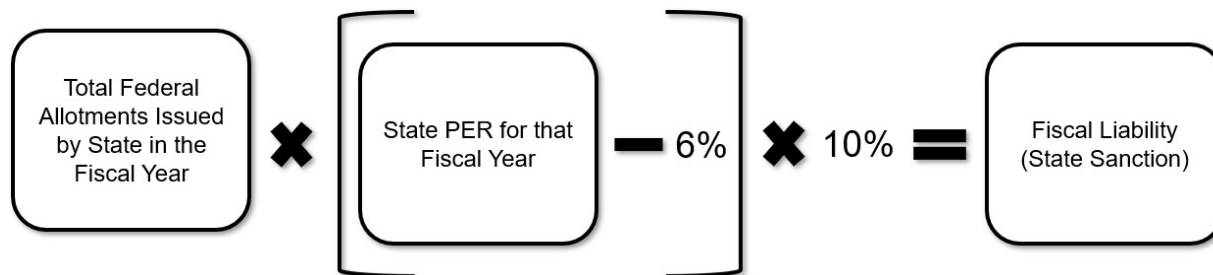
Federal regulations require States to maintain an annual PER below 6 percent. The FNS places those with annual PERs above the 6 percent threshold and 105 percent of the national PER in liability status. Those in liability status for two consecutive FFYs are assessed a fiscal sanction and must pay FNS a portion of incorrectly issued benefits. States remain in liability status until the annual PER returns below 105 percent of the national average.

FNS implements a two-year liability system, meaning no fiscal sanctions are assessed during the first year exceeding 105 percent of the national PER. Potential sanctions begin the second year the state exceeds the 105 percent national PER threshold ([7 CFR 275.23\(d\)\(2\)](#)). A fiscal sanction will only be assessed if the state PER exceeds 105 percent of the national PER with a 95 percent statistical probability for two consecutive years (and each subsequent, consecutive year with an error rate over 105% of the national PER).

FISCAL LIABILITY

The fiscal liability to the State is equal to the product of the value of all federal allotments (CalFresh benefits) issued by the State in the second (or subsequent consecutive) fiscal year, multiplied by the difference between the State agency's payment error rate for that year and 6 percent, multiplied by 10 percent.

Figure 1: Fiscal Liability Calculation



Example: California issues \$11 billion in benefits and has an 11 percent PER for the FFY.

Total CalFresh allotments issued: \$11,000,000,000

Difference between the State PER (11%) and 6% standard = 5%

$\$11,000,000,000 \times .05 \times .10 = \55 Million

*In this example, California would be assessed a sanction totaling **\$55,000,000**.*

PMC LIABILITY SANCTION PASS-ON

The State and PMCs share payment responsibilities for the sanction amount assessed by FNS. The amount of the fiscal sanction subject to PMC pass-on is equal to the percentage of statewide CalFresh issuances attributable to the PMCs. Once the amount subject to pass-on is calculated, that portion of the fiscal sanction is divided amongst PMCs with PERs exceeding the federal tolerance level (i.e., 105% of the national PER).

Figure 2: Sanction Calculation (PMC Portion)

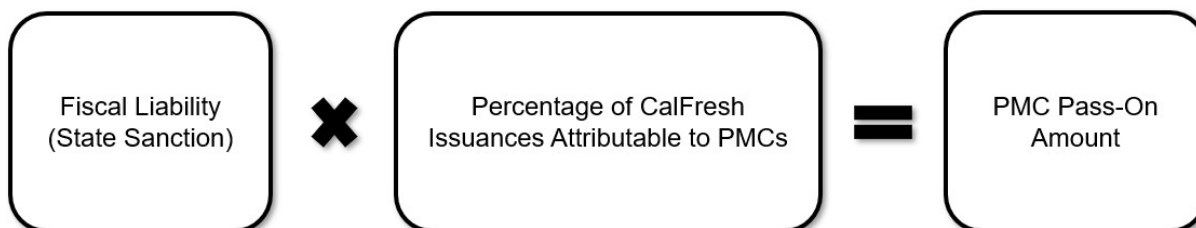
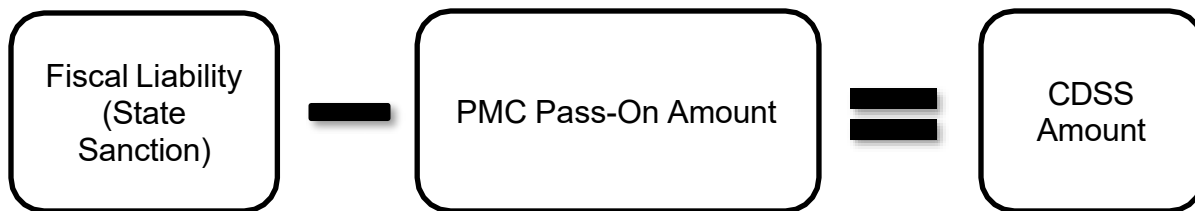


Figure 3: Sanction Calculation (CDSS Portion)



Example: PMC counties accounted for 90 percent of all statewide CalFresh issuances for the FFY calculated above.

California Sanction: \$55 million

PMC Pass-On Amount: $\$55,000,000 \times .90 = \$49,500,000$

CDSS Amount: $\$55,000,000 - \$49,500,000 = \$5,500,000$

In this example, the PMC liability pass-on amount is \$49,500,000

Additionally, regardless of the PMC's error rate performance in FFY 2023, the fiscal sanction, should one be assessed, will be based upon FFY 2024 performance.

Therefore, the PMC with the highest error rate in FFY 2023 could receive no fiscal sanction if its error rate is below the federal threshold in FFY 2024.

During March 2024, CDSS shared the error rate and sanction information in several different forums, including various County Welfare Directors Association (CWDA) Committee Meetings, Bi-monthly CalFresh County QC Meetings, CalFresh County QC Leadership Meetings, and numerous CalFresh Management Evaluations (ME). CDSS will engage in several accuracy initiatives as we enter the critical second half of FFY 2024. The year-end FFY 2023 QC Scorecard has already been distributed, and we encourage all counties to analyze the error trend data. Additionally, CDSS has convened an Accuracy Committee comprised of Policy, ME, QC, and County Technical Assistance representatives. The committee will explore strategic initiatives to improve statewide accuracy and plan a future CalFresh Accuracy Forum for counties to collaborate and share best practices.

CORRECTIVE ACTION PLANS

As per the [ACWDL released on October 19, 2020](#), in accordance with [7 CFR 275.16\(b\)\(1\)](#) and [MPP 15-410](#), and in response to the rising federal payment error rate, CDSS will require PER CAPs from counties with federal PERs above the preliminary national average of 11.09%. Letters requesting a CAP will be sent to PMC directors by the end of this month, and CAPs will be due on July 30, 2024.

To ensure that California remains below the national PER average in FFY 2024, CDSS and counties must respond rapidly. With four months remaining in this FFY, it is

imperative that we all do our part to ensure that California's PER remains under 105 percent of the national PER. This is a collaborative effort to prioritize accuracy so that Californians receive the benefits they are eligible for and so that the state and counties are not subject to a fiscal sanction for FFY 2024 and subsequent years.

The CalFresh and Nutrition Branch looks forward to your continued partnership and open dialogue regarding accuracy efforts across the state. If you have any questions or require assistance addressing your county's error rate, please contact your County Technical Assistance Manager or the CalFresh Operations Chief, Tami Gutierrez, at Tami.Gutierrez@dss.ca.gov.