

## ISSUE

The issue is whether MDHHS established against Petitioner a claim caused by agency error stemming from an alleged over-issuance (OI) of Food Assistance Program (FAP) benefits.

## FINDINGS OF FACT

The administrative law judge, based on the competent, material, and substantial evidence on the whole record, finds as material fact:

1. On **REDACTED**, 2023, Petitioner applied for FAP benefits and reported a household that included her living-together partner, Ryan Mcallister (hereinafter, "LTP"). Petitioner also reported that LTP buys and prepares food with her and that LTP worked full-time for Precision Vehicle Solutions (hereinafter, "Employer").
2. As of October 4, 2023, LTP received ongoing wages from Employer through at least March 2024.
3. From November 2023 through March 2024, Petitioner received FAP issuances totaling \$3,830 based on **\$REDACTED** wages for LTP.
4. On January 31, 2024, Petitioner's case was referred to MDHHS's overpayment establishment unit (OEU).
5. On September 24, 2025, MDHHS calculated that Petitioner received an OI of \$3,568 in FAP benefits from November 2023 through March 2024 after factoring LTP's wages from Employer.
6. On September 24, 2025, MDHHS sent Petitioner a Notice of Overissuance stating that Petitioner received an OI of \$3,568 in FAP benefits from November 2023 through March 2024 due to MDHHS's error.
7. On October 31, 2025, Petitioner requested a hearing to dispute the alleged OI of \$3,568.

## CONCLUSIONS OF LAW

The FAP (formerly known as the Food Stamp program) is established by the Food and Nutrition Act of 2008, as amended, 7 USC 2011 to 2036a and is implemented by the federal regulations contained in 7 CFR 273. MDHHS administers the FAP pursuant to MCL 400.10, the Social Welfare Act, MCL 400.1-.119b, and Mich Admin Code, R 400.3001-.3011. FAP policies are contained in the Bridges Administrative Manual (BAM), Bridges Eligibility Manual (BEM), and Reference Tables Manual (RFT).

Petitioner requested a hearing to dispute MDHHS's efforts to establish a claim. Exhibit A, pp. 3-4. A Notice of Overissuance dated September 24, 2025, alleged that Petitioner received an OI of \$3,568 in FAP benefits from November 2023 through March 2024 due to agency error. Exhibit A, pp. 8-13. MDHHS alleged that the OI was caused by its failure to budget LTP's wages from Employer.

An OI (also known as an overpayment) is the benefits issued to the client group in excess of what it was eligible to receive. BAM 700 (June 2024) pp. 1-2. When a client group receives more benefits than it is entitled to receive, MDHHS must attempt to recoup the OI. *Id.* Recoupment is an MDHHS action to identify and recover a benefit OI. *Id.* A claim is the resulting debt created by an OI (or from benefit trafficking). 7 CFR 273.18(a)(1).

Federal regulations refer to FAP benefit OIs as "recipient claims" and mandate states to collect them. 7 CFR 273.18(a). Recipient claims not caused by trafficking are calculated by subtracting the correct benefit amount from the actual issuance. 7 CFR 273.18(c)(1). Additionally, expunged benefits (i.e., unused benefits which eventually expire from non-use) are to be subtracted from the OI.<sup>1</sup> Recipient claims may be caused by agency error, unintentional client error, and intentional program violations. 7 CFR 273.18(b).

If a household receives benefits, and MDHHS makes an error, the adult(s) in the household must repay the extra benefits they were not eligible to receive. BAM 705 (June 2024) p. 1. The benefits must be repaid even if there was no fraud. *Id.*

Agency-related OIs are restricted in how far MDHHS may go back to establish an OI. The overpayment period for agency errors can be for no more than the latest 12 months from the date of referral to the OEU. BAM 705 (June 2024) p. 3. In the present case, an OI referral was made to the OEU on January 31, 2024.<sup>2</sup> Exhibit A, p. 72. Going back 12 months from January 2024 allows MDHHS to pursue an OI caused by agency error beginning February 2023. Thus, MDHHS is not barred in the present case from pursuing an OI against Petitioner beginning November 2023.

Petitioner applied for FAP benefits on **REDACTED**, 2023, and reported a household that included LTP. Exhibit A, pp. 43-50. Petitioner also reported that LTP buys and prepares food with her. Thus, LTP would be in the same FAP benefit group as Petitioner. BEM 212 (April 2025) p. 1.

On her application, Petitioner also reported that LTP was employed. Exhibit A, p. 47. Petitioner reported the same during an application interview. Exhibit A, pp. 51-57. Despite Petitioner's accurate and timely reporting, MDHHS failed to factor LTP's wages in Petitioner's FAP eligibility. The failure was verified by Notices of Case Action dated October 16, 2023, and October 28, 2023, approving Petitioner for FAP benefits beginning

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<sup>1</sup> There was no evidence that FAP benefits issued to Petitioner during the alleged OI period were expunged.

<sup>2</sup> The referral wrongly alleged that an OI occurred because of Petitioner's failure to report wages. However, an incorrect basis for an OI referral does not alter the analysis because MDHHS later acknowledged the OI was caused by its own error.

October 2023. Exhibit A, pp. 58-70. Each notice included a budget summary listing no employment income for the household. *Id.*

MDHHS alleged an OI period beginning November 2023 despite its error affecting Petitioner's FAP eligibility beginning the application month of October 2023. MDHHS testified its practice is to start OI periods one month later for agency errors. MDHHS credibly testified that it corrected its error to affect Petitioner's FAP eligibility beginning April 2024; thus, the final month of the OI period was March 2024.

MDHHS presented FAP-OI budgets from November 2023 through March 2024 demonstrating how an OI was calculated.<sup>3</sup> Exhibit A, pp. 16-37. Actual FAP issuances totaling \$3,830 from November 2023 through March 2024 were taken from documentation of Petitioner's FAP issuance history. Exhibit A, p. 15. The OEA credibly testified that the same group size, income, and expenses from original budgets were used other than the inclusion of LTP's actual gross wages from Employer.<sup>4</sup> Experian documents listed wages for LTP from Employer as of Petitioner's date of application through at least March 2024. Exhibit A, pp. 39-42. The budgets properly factored LTP's wages as timely reported resulting in a 20% credit for timely reported wages. Errors in the budgets were neither alleged nor apparent. Using the budget procedures set forth in BEM 556 for calculating FAP eligibility, an OI of \$3,568 was calculated.

During the hearing, Petitioner expressed that repaying the OI would be a financial hardship. MDHHS can compromise recipient claims when the OI cannot be paid within three years due to economic hardship. BAM 725 (January 2021) p. 1. Requests for hardship must be made from the OEA to the Overpayment, Research and Verification Section office outlining the facts of the situation and client's financial hardship. *Id.* The manager of the MDHHS Overpayment, Research and Verification Section has final authorization on the determination for all compromised claims.<sup>5</sup> *Id.*

The evidence established that Petitioner received an OI of \$3,568 in FAP benefits from November 2023 through March 2024 due to agency-error. Thus, MDHHS established a recipient claim of \$3,568 against Petitioner due to agency error.

### **DECISION AND ORDER**

The administrative law judge, based upon the above findings of fact and conclusions of law, finds that MDHHS properly established against Petitioner a recipient claim of \$3,568

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<sup>3</sup> MDHHS documented that earlier FAP-OI budgets incorrectly factored LTP's wages to Petitioner. Exhibit A, pp. 6-7.

<sup>4</sup> Factoring gross income is compliant with employment income policy (see BEM 501) and factoring actual income is compliant with policy directing how to calculate an OI based on client error (see BAM 715) or an IPV (see BAM 720).

<sup>5</sup> MDHHS limits jurisdiction to determining hardships to its own agency. Thus, administrative hearing jurisdiction cannot be extended to consider whether Petitioner is eligible for a hardship. Petitioner is encouraged to pursue a hardship if needed.

for FAP benefits over-issued from November 2023 through March 2024 due to agency-error. The actions taken by MDHHS are **AFFIRMED**.