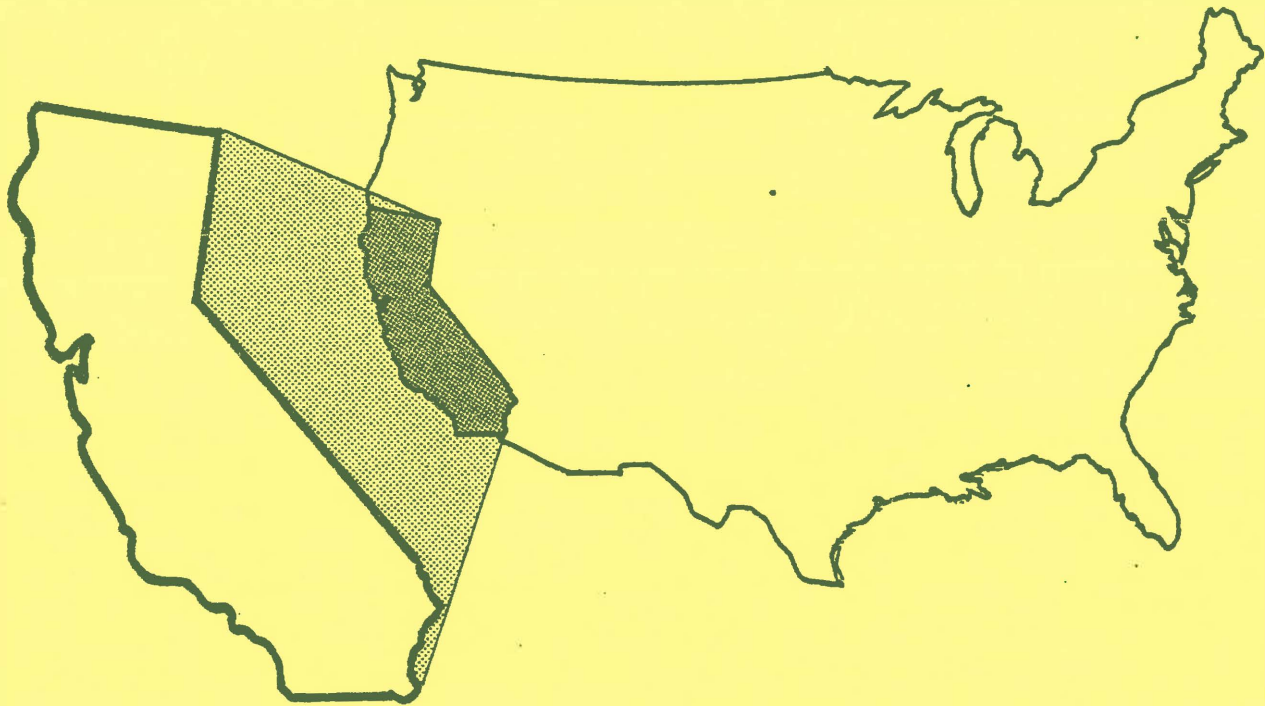


**IMPACT OF THE  
OMNIBUS BUDGET RECONCILIATION ACT  
OF 1981 ON THE CASELOAD OF  
AID TO FAMILIES WITH DEPENDENT CHILDREN  
IN CALIFORNIA**



**DECEMBER 1982**



**STATE OF CALIFORNIA  
HEALTH AND WELFARE AGENCY  
DEPARTMENT OF SOCIAL SERVICES  
STATISTICAL SERVICES BRANCH**

IMPACT OF THE  
OMNIBUS BUDGET RECONCILIATION ACT OF 1981  
ON THE CASELOAD OF  
AID TO FAMILIES WITH DEPENDENT CHILDREN  
IN CALIFORNIA

DECEMBER 1982

Department of Social Services  
Statistical Services Branch

## EXECUTIVE SUMMARY

### PURPOSE

As required in Section 4 of Statutes 1982 First Extraordinary Session, Chapter 3 (AB-2X), this report, prepared by the Department of Social Services, "evaluates the impact of the income disregard provisions of the federal Omnibus Budget Reconciliation Act (OBRA) of 1981 on the caseload of the Aid to Families with Dependent Children (AFDC) program, including the impact on the length of time recipients are on aid."

Background information is provided regarding the implementation of OBRA in California that lead to changes in the AFDC caseload, the impact on AFDC families that had earned income, and changes in the length of time AFDC families receive assistance.

### HIGHLIGHTS

#### AFDC-FAMILY GROUP

- A total of 31,320 AFDC-FG cases were reported discontinued due to the OBRA regulations implemented November 10, 1981.
- Nearly 15 percent (14.6%) of the AFDC-FG families had earned income in October 1981. The percent of earned income cases dropped to 8.8 percent in February 1982 and rose slightly to 9.3 percent in April 1982.
- For AFDC-FG families, the average amount of earned income dropped from \$539 in October 1981 to \$313 in April 1982.
- Although AFDC-FG families had less earned income in April 1982 than in October 1981, the average grant amount for cases with earned income dropped from \$341 in October to \$315 in April.
- Due to the new treatment of earned income, the total average amount of income disregarded in the AFDC budget dropped from \$392 in October 1981 to \$141 in April 1982.
- Of the AFDC-FG families that had earned income in April 1981, in nearly half (46.1%) of the cases, the four-month limitation for \$30+1/3 had expired.
- The median length of total time on aid, to date, of AFDC-FG families that had earned income dropped from 46.7 months in July 1981 to 33.5 months in April 1982.

#### AFDC-UNEMPLOYED

- A total of 3,068 AFDC-U cases were reported discontinued due to the OBRA provisions implemented November 10, 1981.
- Over 11 percent (11.2%) of the AFDC-U families had earned income in October 1981. In February 1982, the percentage of AFDC-U families with earned income dropped to 8.7 percent, but rose slightly again in April 1982 to 10.3 percent of the AFDC-U population.

- The average monthly amount of earned income dropped \$58 from October 1981 to April 1982.
- The average grant amount of these AFDC-U families dropped from \$469 in October 1981 to \$412 in April 1982.
- The average monthly amount of income disregarded in the AFDC budget of U-families dropped by \$98 from October 1981 to April 1982.
- In nearly one-third (31.9%) of the AFDC-U families that had earned income, the \$30+1/3 exemption had expired by April 1982.
- The median months of total time on aid of AFDC-U families increased by 3.4 months when comparing July 1981 with April 1982.

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## INTRODUCTION

This report focuses on the following specific changes to the Aid to Families with Dependent Children implemented November 10, 1981, which tightened the eligibility and income disregard requirements:

- 150 Percent Income Limit for Eligibility - A family is ineligible for aid in any month in which the total reported or anticipated gross income of the family for that month exceeds 150 percent of the combined Minimum Basic Standard of Adequate Care (MBSAC) and the value of special needs.
- Earned Income Disregards - Work-related expenses are standardized at \$75 for each recipient who has worked at least 100 hours and at least 13 days in a month (\$50 for less); dependent care costs are limited to \$160 per child or incapacitated individual if the recipient is employed or self-employed at least 100 hours and at least 13 days in a month; and the \$30+1/3 disregard is computed after the standard work-related expense and dependent care disregards. The \$30+1/3 exemption is limited to four consecutive months. Income disregards are not allowed for late and/or incomplete monthly reporting nor when recipients reduce earnings or terminate employment without good cause.

As a result of the implementation of these AFDC Program provisions, fewer families were eligible for assistance and the grant levels of working recipients were reduced.

It is the intent of this report to provide statistical information for use in evaluating the impact of these program changes on the AFDC population in terms of the effects on: 1) the caseload levels; 2) the economic characteristics of AFDC families; and 3) the length of time on aid.

Information is presented separately for Family Group (FG) and Unemployed Parent (U) segments of the AFDC Program because of the distinct differences between the two.

## BACKGROUND

### IMPLEMENTATION OF THE OMNIBUS BUDGET RECONCILIATION ACT OF 1981 IN CALIFORNIA

A substantial number of significant changes were made to the AFDC Program as a result of the enactment of the Federal Omnibus Budget Reconciliation Act (OBRA) of 1981 (PL 97-35). To comply with federal law, modifications were made to existing state law through the passage of two bills by the Legislature: 1) Senate Bill No. 1X (Chapter I, Statutes of 1981) which was signed by the Governor November 9, 1981; and 2) Assembly Bill No. 2X (Chapter 3, Statutes of 1982) which was signed on February 17, 1982.

Regulations of the Department of Social Services implementing SB-1X and AB-2X went into effect November 10, 1981, and April 2, 1982, respectively. The new income limit (150%) considered for eligibility purposes and the new treatment of the income disregards were part of the SB-1X package.

In November, eligibility for new cases was determined under the regulations in place at the date the application was signed when authorizing action took place in November. If authorizing action took place in December, new cases were processed under the new regulations regardless of when the application was signed. Eligibility determination and the grant computation were made in accordance with the new regulations if the application was dated after the effective date of the regulations.

For the continuing cases, the financial eligibility determination and the grant computation were made for the December grant under the new regulations. The computation of the four-month limitation on the \$30+1/3 exemption began with the December aid payment.

#### TURNER v. WOODS

The United States District Court for San Francisco issued a temporary restraining order in the case Turner v. Woods regarding the notice of action sent to continuing recipients implementing the November 10, 1981 regulations. The judge ruled that the notices were inadequate in that recipients were not informed of their right to a state hearing. As a result of this order, the impact of OBRA regulations implemented in November was delayed by one month.

Affected cases were issued corrective payments using the regulations in effect prior to November 10, 1981, for the December aid payment. An adequate notice of action was sent along with the corrective payment notifying recipients that they would either be discontinued effective December 31, 1981, or that the January grant would be reduced.

#### AB-2X

Effective April 2, 1982, the remainder of the OBRA provisions were implemented. The major features of these regulation changes are included in the Appendix.

## DATA SOURCES AND LIMITATIONS

Two types of information were used to prepare this report: summary reports and AFDC characteristics surveys, both of which are discussed below.

### SUMMARY REPORTS

The status and trends of the AFDC Program are monitored through a series of summary reports submitted by each county. Summary statistical data is collected at regular intervals on caseload activity. For purposes of this report, data collected from two of these summary reports were primarily used:

- o The Caseload Movement and Expenditures Report for the AFDC Program (CA-237) provides monthly data on the movement of cases, the number of individuals and families receiving a cash grant and a rough accounting of the net amount of all cash grant assistance paid during the report month.
- o The AFDC-Family Group and Unemployed Report on Reasons for Discontinuance of Cash Grant (ABCD-253) collects monthly data on cash grant cases terminated from the AFDC-FG and U segments of the AFDC Program by primary reason for discontinuance.

The counties were instructed to report cases discontinued due to the provisions of the Omnibus Budget Reconciliation Act of 1981 on the ABCD-253 report beginning November 1981. The discontinued cases were classified in two groups: those terminated due to regulations implemented November 10, 1981 (SB-1X) and those terminated due to regulations implemented April 2, 1982 (AB-2X). These cases were not further separated into categories according to the specific provisions of the regulation changes that resulted in the discontinuance.

### AFDC CHARACTERISTIC SURVEYS

Since 1975, statistical surveys have been conducted on a regular on-going (usually quarterly) basis to obtain data on the socio-economic characteristics of families receiving assistance under the Aid to Families with Dependent Children Program. A statewide random sample of about 1,200 AFDC families is drawn for each survey which is split approximately in half between Family Group and Unemployed cases rather than in proportion to the actual caseload of each. A proportionate sample would result in the selection of too few cases for a separate analysis of AFDC-U data.

Data collected in these surveys is considered to be representative of the AFDC-FG and AFDC-U population as a whole. Comparison of the results from survey to survey with other available population data and with that from comparable studies show the data for most items to be reasonably consistent.

In each survey, the basic need and income information that is used to compute the AFDC grant is collected. Additionally, specific data elements are included depending on the data needs of the Department of Social Services, relative to court cases, legislation and regulation changes.

In order to assess the impact of the income disregard provisions of the Omnibus Budget Reconciliation Act of 1981, specific AFDC characteristic data was collected before and after implementation of the AFDC Program changes that resulted

from OBRA. Because these provisions affected small portions of the AFDC population; i.e., families with earned income, characteristic data presented in this report is also based on a relatively small number of cases. It should only be used as an indicator and the results may differ somewhat from that obtained if a complete census had been taken.

AID TO FAMILIES WITH DEPENDENT CHILDREN  
CASELOAD

## AID TO FAMILIES WITH DEPENDENT CHILDREN CASELOAD

### AFDC-FAMILY GROUP

#### CASELOAD TREND

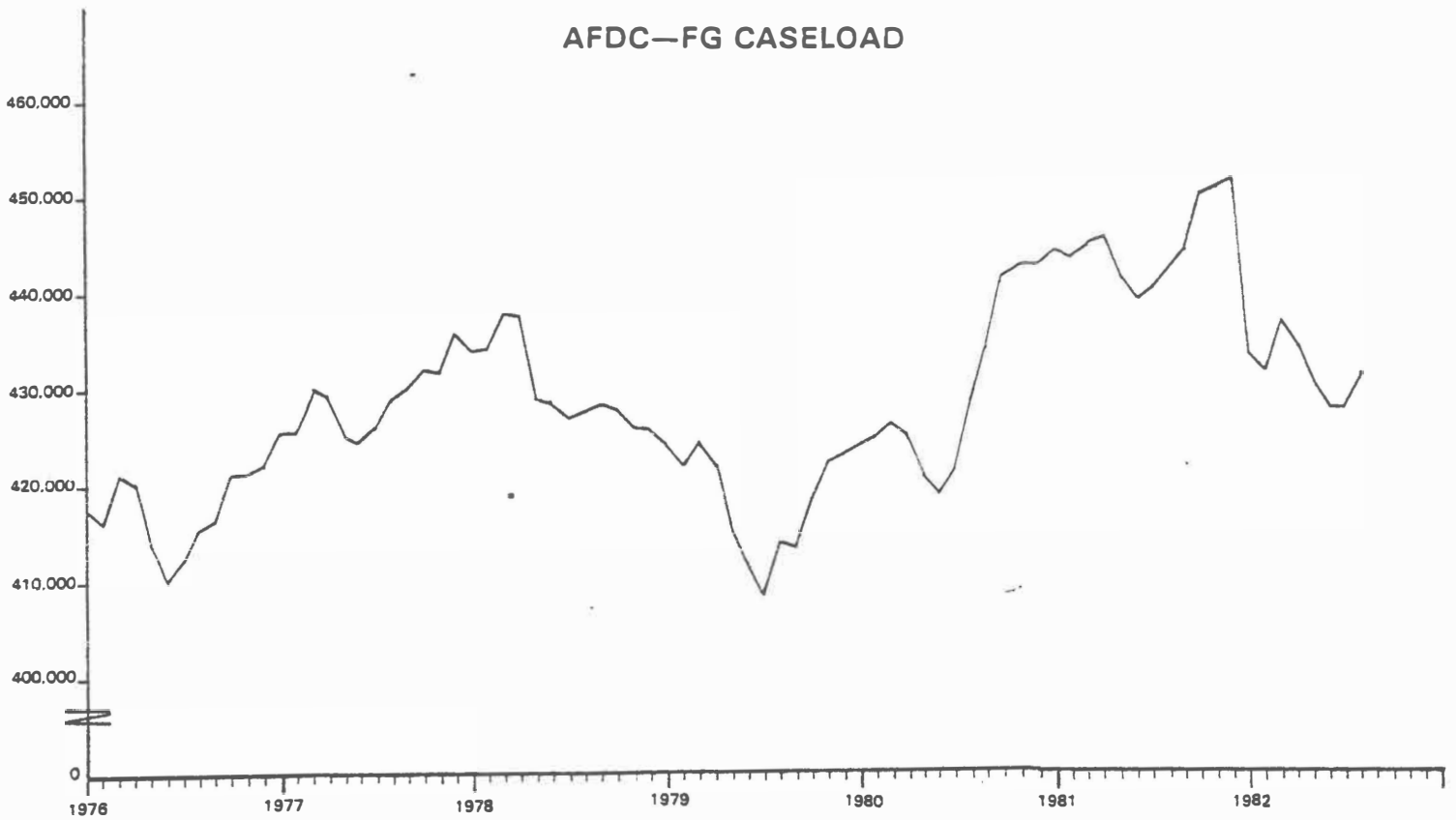
During a year, the AFDC-FG caseload has historically peaked in March or April, decreased until June or July and then continued to rise until March or April of the following year as can be seen from the following chart. Although some month-to-month decreases occur, from year-to-year the FG caseload has continued to rise.

The effect regulation changes often have on the FG caseload is to either slow or increase the growth rate. However, most have a relatively small impact on the caseload as a whole. Usually when program changes are made, the gross number of cases affected may be impressive but when a particular change is evaluated with respect to the entire AFDC-FG caseload, the overall impact is usually dwarfed by the large caseload size and the continuing number of families eligible to receive assistance.

Although the state of the economy influences the AFDC-FG caseload, from the following chart it can be seen that it does not appear to be particularly sensitive to fluctuations in the Unemployment Rate. The number of unemployed persons cannot entirely be disregarded in the assessment of caseload changes, however, a direct correlation between the two cannot necessarily be drawn due to the composition of AFDC-FG families. The dependent children in these cases are deprived of parental support or care by reason of the death, continued absence from the home, or physical or mental incapacity of a parent. Deprivation is not based on the unemployment of a parent. More appropriately, the Unemployment Rate has more of an indirect effect in that one parent may leave the home because of a job loss and the inability to provide for the support of the children.

# AFDC — FAMILY GROUP CASELOAD AND UNEMPLOYMENT RATE\* IN CALIFORNIA

## 1976 - 1982



## IMPACT OF OBRA ON THE AFDC-FG CASELOAD

The eligibility requirements for AFDC under OBRA had an immediate effect on the rate of growth of the AFDC-FG caseload. In both November and December 1981 the caseload increased by only 425 and 526 cases, respectively, over the prior month compared to 3,589 and 1,334 the previous year. The growth rate was less than two percent over the prior year.

The impact on the continuing cases was seen beginning in January 1982. In that month, the AFDC-FG caseload decreased by 16,507 (3.7%) over December 1981. In February 1982, the caseload declined again by 2,197 (0.5%) cases from January. Not only were these decreases unusual, given that the caseload historically rises during this period, but available records extending back to 1951 do not show a larger month-to-month decrease than January 1982 over December 1981.

In March 1982, the caseload increased by 6,055 (1.4%) cases over February 1982. The majority of the continuing cases affected by OBRA were discontinued in the prior months. Although the AFDC-FG caseload usually peaks in March or April, the month-to-month increase from February to March 1982 was the largest since the July to August 1980 period. In July 1980, the largest ever increase in the Minimum Basic Standard of Adequate Care (MBSAC) was approved which allowed the then borderline recipients to become eligible to receive aid.

After experiencing an increase in March, the April 1981 AFDC-FG caseload once again declined by 2,752 (0.6%) cases from the previous month. Although it is not unusual for the caseload to begin declining in April, this month is the first month that a decrease in the caseload could reflect those cases discontinued due to the four-month limitation on the \$30+1/3 exemption.

The following table summarizes the changes in the caseload from October 1981 through June 1982. From this table it can be seen that the AFDC-FG caseload continued to decrease in May and June 1982 following the usual caseload trend. Part of this reduction is due to the second set of OBRA regulations implemented effective April 2, 1982. However, the second set of regulations are beyond the scope of this study.

<u>Month/Year</u>	<u>Caseload</u>	<u>Change From Previous Month</u>	<u>% Change From Previous Month</u>
October 1981	450,322	5,019	1.1
November 1981	450,747	425	0.1
December 1981	451,060	526	0.1
January 1982	434,553	-16,507	-3.7
February 1982	432,356	- 2,197	-0.5
March 1982	438,411	6,055	1.4
April 1982	435,659	- 2,752	-0.6
May 1982	430,191	- 5,468	-1.3
June 1982	428,301	- 1,890	-0.4

The following table displays by month the number of cases actually discontinued due to regulation changes implemented in November 1981. The total number of cases added and discontinued are also shown for comparison.

<u>Month/Year</u>	<u>Cases Added</u>	<u>Cases Terminated</u>	<u>Cases Terminated Due to SB-1X</u>	<u>% Cases Terminated Due to SB-1X</u>
October 1981	26,333	24,200	NA	--
November 1981	23,395	37,388 <u>1/</u>	NA	--
December 1981	39,055 <u>1/</u>	42,400	19,530	46.1
January 1982	23,870	25,136	3,616	14.4
February 1982	23,654	22,455	1,723	7.7
March 1982	27,092	25,945	2,805	10.8
April 1982	22,629	25,385	1,524	6.0
May 1982	21,770	25,404	1,139	4.5
June 1982	<u>24,388</u>	<u>26,002</u>	<u>983</u>	3.8
TOTAL	232,186	254,315	31,320	

The impact of the regulation changes in November on the FG caseload is very evident. A major decrease was seen in a period when the caseload is usually rising. As mentioned before, the month-to-month decrease in the AFDC-FG caseload from December 1981 to January 1982 was the largest in over 30 years. A total of 31,320 cases were reported discontinued from December 1981 through June 1982 due to these regulations. However, probably due to the state of the economy, over this same period an average of 26,065 cases per month were added to the caseload. Without the implementation of these regulations which imposed additional eligibility requirements, it appears the FG caseload would have grown at a much faster rate than previously experienced.

1/ The increase in these figures was due, in part, to the Turner v. Woods court case which involved adequate notice to recipients. Cases that were discontinued in November had to be added back into the caseload for the month.

## AFDC-UNEMPLOYED

### CASELOAD TREND

The objective of the Unemployed segment of the AFDC Program is to aid families in which the child is deprived because of the unemployment of a parent living in the home. It follows that the AFDC-U caseload rises and falls according to the availability of seasonal jobs and to changes in the Unemployment Rate. Since April 1980, the usual seasonal patterns of the caseload have been overshadowed by growth associated with the rise in the Unemployment Rate and the major regulation change of U-mother eligibility mandated by the Westcott v. Califano decision (unemployed deprivation could be switched to the mother when the father's employment exceeded 100 hours) which was effective April 1, 1980. With the implementation of Chapter 69/1981 (SB 633) effective July 1, 1981, which limited the State-only program to families in which neither parent is employed and required parents to apply for and accept unemployment benefits, the AFDC-U caseload decreased in July, August and September 1981, but began to rise again in October 1981.

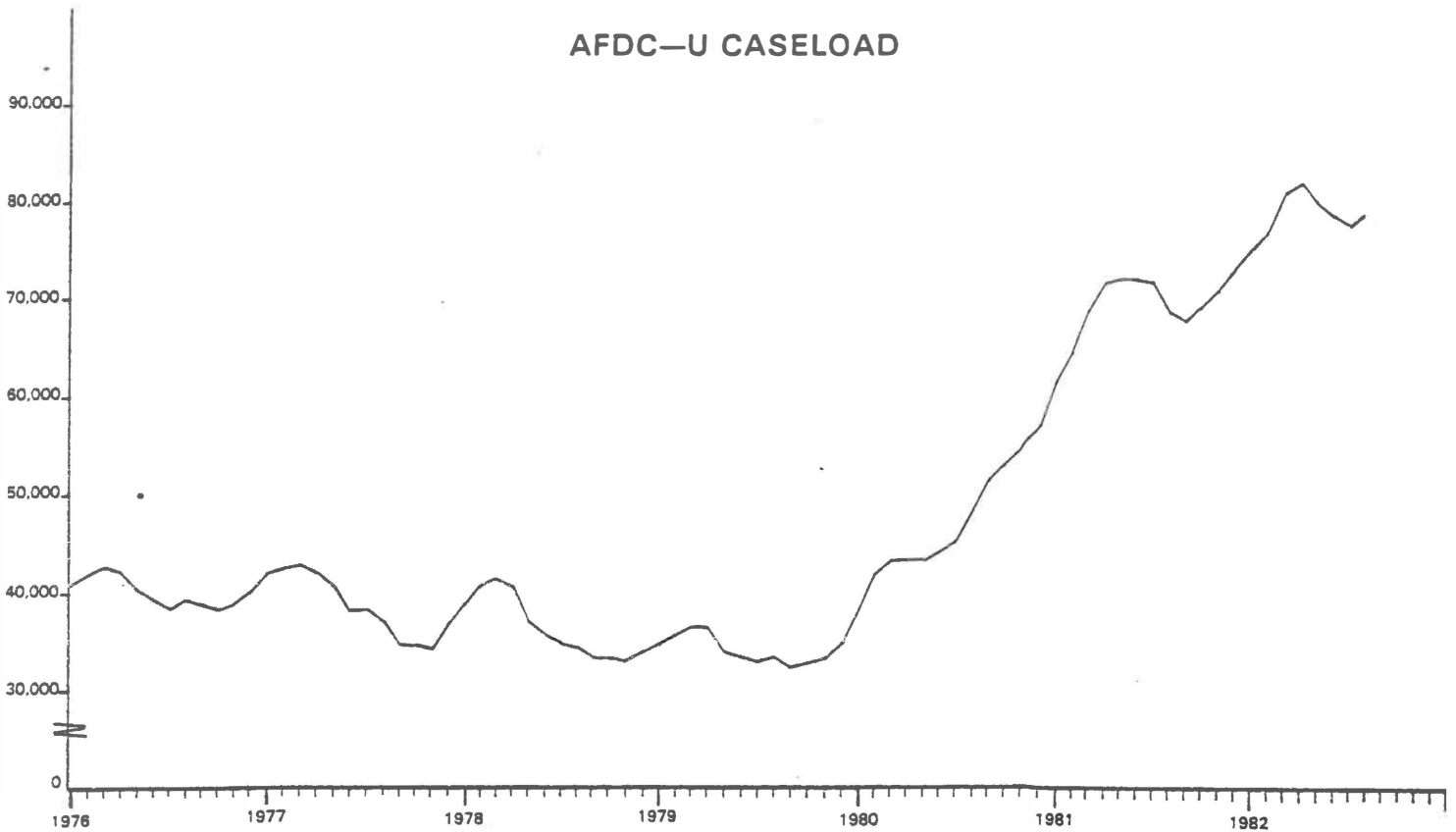
Refugee families make up a significant portion of the AFDC-U caseload. Because they are usually intact families, i.e., both parents are in the home, the impact that refugees have had on the AFDC caseload has fallen primarily on the AFDC-U segment of the program. Prior to April 1981, only those refugee families who met the federal eligibility criteria for AFDC could be aided under AFDC. Other families in need of economic support received assistance under either the Refugee Cash Assistance (RCA) or Entrant Cash Assistance (ECA) program. Beginning in April 1981, however, the families that could meet the eligibility requirements for State-only AFDC-U were transferred to that program. In October 1981, 18.2 percent of the AFDC-U caseload were refugee families.

The following chart shows the high growth rate of the AFDC-U caseload since April 1980 and also its relationship to the Unemployment Rate. It should be noted that a change in the caseload may take at least a month or two to react to a change in the Unemployment Rate.

# AFDC — UNEMPLOYED CASELOAD AND UNEMPLOYMENT RATE\* IN CALIFORNIA

1976 - 1982

## AFDC-U CASELOAD



## UNEMPLOYMENT RATE\*



## IMPACT OF OBRA ON THE AFDC-U CASELOAD

The impact of OBRA on the AFDC-U caseload was not as noticeable as it was in AFDC-FG. When the OBRA provisions were implemented in November 1981, the AFDC-U caseload had not yet reestablished its usual seasonal trend and the caseload continued to be at historical highs even though the rate of growth was beginning to show signs of slowing down. It was not until May 1982 that the caseload actually began to decrease on a month-to-month basis.

The May 1982 caseload decreased by 2,038 (2.5%) cases over April 1982. There has not been a larger month-to-month decrease since the July-August 1981 period when the caseload decreased by 3,154 (4.3%) cases. At that point in time, the caseload decrease was due to the implementation of the SB 633 provisions regarding state-only AFDC-U eligibility.

Implementation of the remaining OBRA provisions in April 1982 also contributed to the decrease in the caseload in May 1982.

The following table shows the changes in the caseload from October 1981 through June 1982. Percent changes from the previous month and year are shown.

<u>Month/Year</u>	<u>Caseload</u>	<u>Change in Caseload From Previous Month</u>	<u>Percent Change From</u>	
			<u>Last Month</u>	<u>Last Year</u>
October 1981	69,982	1,341	2.0	30.7
November 1981	71,004	1,022	1.5	27.9
December 1981	74,064	3,060	4.3	25.6
January 1982	76,059	1,995	2.7	20.9
February 1982	78,675	2,616	3.4	19.0
March 1982	81,846	3,171	4.0	17.4
April 1982	82,361	515	0.6	13.6
May 1982	80,323	-2,038	-2.5	10.3
June 1982	79,043	-1,280	-1.6	8.3

The number of cases discontinued due to regulations implemented in November is displayed in the following table by month. Also shown are the total number of cases added and terminated for each month for comparison purposes. Note that it was not until April that the number of cases discontinued began to offset the number of cases added.

<u>Month/Year</u>	<u>Cases Added</u>	<u>Cases Terminated</u>	<u>Cases Terminated Due to SB-1X</u>	<u>% Cases Terminated Due to SB-1X</u>
October 1981	7,837	6,497	NA	--
November 1981	7,413	6,952 <u>1/</u>	NA	--
December 1981	10,575 <u>1/</u>	7,266	1,282	17.6
January 1982	9,017	5,881	495	8.4
February 1982	8,884	5,673	225	4.0
March 1982	9,422	7,051	343	4.9
April 1982	8,159	8,726	283	3.2
May 1982	6,930	8,125	259	3.2
June 1982	<u>7,082</u>	<u>8,075</u>	<u>181</u>	2.2
TOTAL	75,319	64,246	3,068	

The new financial eligibility requirements along with the standardization and resequencing of the income disregards had an impact on the U-caseload which is indicated in the slower growth rate of the caseload. This is particularly important given the sensitivity of the U-caseload to the Unemployment Rate which has shown no sign of slowing down.

1/ The increase in these figures was due, in part, to the Turner v. Woods court case which involved adequate notice to recipients. Cases that were discontinued in November had to be added back into the caseload for the month.

SELECTED ECONOMIC CHARACTERISTICS OF AFDC FAMILIES  
WITH EARNED INCOME

## SELECTED ECONOMIC CHARACTERISTICS OF FAMILIES WITH EARNED INCOME

In the determination of initial and continuing eligibility for AFDC, the welfare agency considers the income and resources of the children's parents or other persons requesting assistance. All types of income must be counted. This includes the earnings of the parents and others in the assistance group, certain nontaxable income such as Social Security and Unemployment Insurance Benefits, as well as noncash income to which a monetary value is assigned (in-kind income).

Most of the families who receive AFDC do not have earned income. Of the families that do, earned income is the only source of income, other than the AFDC grant, in more than 90 percent of such cases.

To determine the amount of the AFDC payment, the county welfare agency prepares a budget for the family. The major elements of the budget are: 1) the Minimum Basic Standard of Adequate Care (MBSAC), 2) nonassistance income, 3) the amount of income disregards, and 4) the AFDC payment.

The following series of tables present a comparison of selected characteristics of AFDC families that had earned income at points in time before and after implementation of the additional financial eligibility requirements and the new treatment of disregarded income. From these tables, it can be seen that there were major changes over the period of time covered. Overall, it appears that those families that had relatively high amounts of earned income were no longer financially eligible once the new restrictions on earned income were imposed. However, there also may have been seasonal variations with regard to the changes in the proportion of families that had earned income and the monthly amount of earned income.

Included in the Appendix are the regulations of the Department of Social Services that define what types of payments are considered as income to the family and how the determination of financial eligibility, net nonexempt income, and the amount of the grant are made.

## AFDC-FG

### Monthly Amount of Earned Income

In October 1981, about one in seven (14.6%) AFDC-FG families had earned income. In slightly less than half (45.0%) of these families, the monthly amount of earned income was \$600 or more. The average monthly amount was \$539.

By February 1982, only one in eleven (8.8%) families had earned income. The proportion of families that had earned income decreased from October 1981 as well as the average monthly amount. The average monthly amount decreased from \$539 in October 1981 to \$363 in February 1982, a difference of \$176 a month. In the history of the AFDC characteristic surveys, the percent of families that had earned income has not, until February 1982, been below 10 percent.

The percent of families that had earned income in April 1982 rose slightly over February 1982, but the average monthly amount dropped by \$50 to \$313 a month. In only one in sixteen (6.1%) cases was the total amount of earned income greater than \$600.

From October 1981 to April 1982, the average monthly amount of earned income, for those families that had earned income, dropped by \$226.

AFDC-FG

Monthly Amount of Earned Income <sup>1/</sup>

Monthly Amount of Earned Income	Percent of Families		
	October 1981	February 1982	April 1982
Total .....	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
No earned income .....	85.4	91.2	90.7
Earned income .....	14.6	8.8	9.3
\$ 1-49 .....	4.4	8.1	6.2
50-99 .....	4.4	4.8	7.7
100-149 .....	1.1	4.8	6.2
150-199 .....	4.4	12.8	7.7
200-249 .....	4.4	6.5	10.8
250-299 .....	2.2	3.2	7.7
300-349 .....	6.6	8.1	12.2
350-399 .....	2.2	11.3	7.7
400-449 .....	8.8	8.1	9.2
450-499 .....	5.5	8.1	10.8
500-599 .....	11.0	8.1	7.7
600-699 .....	15.3	6.5	4.6
700-799 .....	11.0	4.8	1.5
800-899 .....	8.8	4.8	--
900-999 .....	4.4	--	--
1,000 or more .....	5.5	--	--
Average amount .....	\$539	\$363	\$313

<sup>1/</sup> Includes earnings of mother, father, children 14 years and older, other adults and WIN earnings.

## AFDC-FG

### Income Disregarded in the AFDC Budget

An average total amount of \$392 was disregarded in the October 1981 AFDC budget. The \$30+1/3 exemption, averaging \$200, accounted for the largest portion of the disregarded income.

With the drop in the monthly amount of earned income; the resequencing of the disregarded income; and the elimination of allowances for mandatory deductions, transportation, and other work-related expenses except for a \$75 or \$50 standard work expense, the total average amount of income disregarded dropped to \$211 in February 1982. About one in nine (11.3%) of the families that had earned income were not allowed income disregards. This is due to the penalties imposed for late and/or incomplete monthly reporting (CA-7). Of those families that had disregarded income, about one in fourteen (7.3%) had a zero base for net nonexempt income after the standard work expense and dependent care were allowed and consequently were not allowed the \$30+1/3 exemption.

In April 1982, available data indicates the average total amount of income disregarded was \$141. About one in eleven (9.2%) families did not receive any income disregards. More than one-half (54.2%) of the families did not receive the \$30+1/3 exemption that had disregarded income. Of these families, in 90 percent of the cases the four-month limitation of the \$30+1/3 had expired.

During August 1982, in the Turner v. Woods court case, a ruling was made that mandatory payroll deductions do not constitute earned income. Beginning with the September 1982 grant, mandatory payroll deductions plus the standard work expense were deducted from gross earnings. However, this report does not cover the impact of this ruling.

AFDC-FG

Reason and Average Amount of Nonassistance Income  
Disregarded in the AFDC Budget

October 1981

Reason for Disregard	Percent of Families		Average Amount of Disregard
TOTAL .....	<u>100.0</u>		
No disregarded income .....	--		
Disregarded income:			
Total disregarded .....	100.0	<u>100.0</u> <sup>1/</sup>	\$392
\$30 + 1/3 exemption .....		100.0	200
Child care .....		49.5	153
Mandatory deductions .....		95.6	92
Transportation .....		90.1	31
Other work-related expenses		4.4	11

February 1982

Reason for Disregard	Percent of Families		Average Amount of Disregard
TOTAL .....	<u>100.0</u>		
No disregarded income .....	11.3		
Disregarded income:			
Total disregarded .....	88.7	<u>100.0</u> <sup>1/</sup>	\$211
Standard work expense .....		100.0	60
Dependent care .....		43.6	102
\$30 + 1/3 exemption .....		92.7	114

April 1982

Reason for Disregard	Percent of Families		Average Disregarded Income
TOTAL .....	<u>100.0</u>		
No disregarded income .....	9.2		
Disregarded income:			
Total disregarded .....	90.8	<u>100.0</u> <sup>1/</sup>	\$141
Standard work expense .....		100.0	58
Dependent care .....		30.5	129
\$30 + 1/3 exemption .....		45.8	97

<sup>1/</sup> Since families had more than one type of income disregard, percentage of families with disregarded income do not add to totals.

## AFDC-FG

### Amount of Grant of Families with Earned Income

The grant represents the Maximum Aid Payment (MAP) minus the amount of net nonexempt income (gross earnings minus allowable disregards). In October 1981, the average grant amount for AFDC-FG families that had earned income was \$341. The average grant amount dropped to \$320 in February 1982 and to \$315 in April 1982.

Families had less income over the same period. However, due to the new treatment of income disregards, the amount of income disregarded was less; consequently the amount of earned income that was not exempt was more which subsequently decreased the average grant amount even more.

AFDC-FG

Amount of Grant of Families with Earned Income <sup>1/</sup>

Monthly Amount of Grant	Percent of Families		
	October 1981	February 1982	April 1982
TOTAL .....	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Less than \$50 .....	--	3.2	3.1
50-99 .....	4.4	8.1	7.7
100-149 .....	4.4	6.5	9.2
150-199 .....	9.9	8.1	4.6
200-249 .....	12.0	3.2	13.8
250-299 .....	5.5	14.5	12.3
300-349 .....	15.4	8.1	6.2
350-399 .....	15.4	16.0	10.8
400-449 .....	8.8	8.1	13.8
450-499 .....	5.5	8.1	3.1
500-549 .....	11.0	11.3	4.6
550-599 .....	1.1	1.6	3.1
600-649 .....	6.6	1.6	3.1
650-699 .....	--	1.6	3.1
700-749 .....	--	--	1.5
750-799 .....	--	--	--
800 or more .....	--	--	--
Average grant .....	\$341	\$320	\$315

<sup>1/</sup> Allowances for special needs and adjustments for absent parent contributions paid to county agencies are not included in the amount of grant.

## AFDC-U

### Monthly Amount of Earned Income

About one in nine (11.2%) of the AFDC-U cases had earned income in October 1981. In nearly one-third (32.7%) of these cases the amount of earned income was \$500 a month or more. The average monthly amount for all U-cases that had earned income was \$377 a month before any deductions.

In February 1982, about one in eleven families (8.7%) had earned income. Of those families that had earned income, the monthly amount, overall, was slightly less than in October 1981. The monthly average amount dropped by \$34 to \$343.

As in FG, the percentage of U-families that had earned income in April 1982 increased slightly over February but the average monthly amount decreased. In about one in five (22.2%) cases, the monthly amount of earned income was more than \$500.

## AFDC-U

Monthly Amount of Earned Income <sup>1/</sup>

Monthly Amount of Earned Income	Percent of Families		
	October 1981	February 1982	April 1982
TOTAL .....	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
No earned income .....	88.8	91.3	89.7
Earned income .....	11.2	8.7	10.3
\$ 1-49 .....	8.6	5.5	2.8
50-99 .....	8.6	5.5	11.1
100-149 .....	12.2	14.5	16.6
150-199 .....	8.6	1.8	5.6
200-249 .....	5.2	9.1	11.1
250-299 .....	3.4	12.7	2.8
300-349 .....	8.6	5.5	9.7
350-399 .....	6.9	3.6	4.2
400-449 .....	5.2	3.6	8.3
450-499 .....	--	9.1	5.6
500-599 .....	15.6	18.2	11.1
600-699 .....	3.4	7.3	8.3
700-799 .....	3.4	1.8	--
800-899 .....	3.4	1.8	2.8
900-999 .....	--	--	--
1,000 or more .....	6.9	--	--
Average amount .....	\$377	\$343	\$319

<sup>1/</sup> Includes earnings of the mother, father, children 14 years and older, other adults and WIN earnings.

## AFDC-U

### Income Disregarded in the AFDC Budget

The total average amount of earned income disregarded in the AFDC-U budget in October 1981 was \$232. Most of the disregarded amount pertained to the \$30+1/3 exemption, which averaged \$146. Because two parents are usually in the home and in only 6.9 percent of the cases were both working, only about one in twelve (8.6%) of the families had deductions for child care.

In February 1982, about one in fourteen (7.3%) of the families that had earned income did not receive any income disregards because the monthly eligibility report (CA-7) was late and/or incomplete. Of those families that did have income disregards, the average monthly amount was \$180, a decrease of \$52 a month from October 1981.

Of the families that had earned income in April 1982, about one in ten (9.7%) did not receive any income disregards. Of the families that had income disregarded, more than one-third (35.4%) did not receive a \$30+1/3 exemption because the four-month limit had expired which accounted for most of the decrease of \$46 in the total amount of income disregarded from February 1982.

AFDC-U

Reason and Average Amount of Earned  
Income Disregarded in the AFDC Budget

October 1981

Reason for Disregard	Percent of Families		Average Amount of Disregard
TOTAL .....	<u>100.0</u>		
No disregarded income .....	--		
Disregarded income:			
Total disregarded .....	100.0	<u>100.0</u> <sup>1/</sup>	\$232
\$30 + 1/3 exemption .....		<u>100.0</u>	146
Child care .....		8.6	138
Mandatory deductions .....		75.9	58
Transportation .....		69.0	41
Other work-related expenses ..		5.2	54

February 1982

Reason for Disregard	Percent of Families		Average Amount of Disregard
TOTAL .....	<u>100.0</u>		
No disregarded income .....	7.3		
Disregarded income:			
Total disregarded .....	92.7	<u>100.0</u> <sup>1/</sup>	\$180
Standard work expense .....		<u>100.0</u>	59
Dependent care .....		9.8	89
\$30 + 1/3 exemption .....		94.1	119

April 1982

Reason for Disregard	Percent of Families		Average Disregarded Income
TOTAL .....	<u>100.0</u>		
No disregarded income .....	9.7		
Disregarded income:			
Total disregarded .....	90.3	<u>100.0</u> <sup>1/</sup>	\$134
Standard work expense .....		<u>100.0</u>	59
Dependent care .....		1.5	40
\$30 + 1/3 exemption .....		64.6	114

<sup>1/</sup> Since families had more than one type of income disregard, percentage of families with disregarded income do not add to total.

## AFDC-U

### Amount of Grant of Families with Earned Income

The average grant amount of AFDC-U families that had earned income dropped from \$469 in October 1981 to \$418 in February and again in April 1982 to \$412. As in AFDC-FG, because the amount disregarded was less, there was more net nonexempt income to offset the grant amount even though the monthly amount of earned income also decreased.

AFDC-U

Amount of Grant of Families with Earned Income <sup>1/</sup>

Monthly Amount of Grant	Percent of Families		
	October 1981	February 1982	April 1982
TOTAL .....	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Less than \$50 .....	1.7	--	1.4
50-99 .....	--	1.8	5.6
100-149 .....	1.7	1.8	2.8
150-199 .....	1.7	3.6	2.8
200-249 .....	3.4	10.9	6.9
250-299 .....	6.9	3.6	8.3
300-349 .....	5.2	9.1	8.3
350-399 .....	6.9	14.5	8.3
400-449 .....	13.9	12.8	8.3
450-499 .....	20.8	12.8	15.3
500-549 .....	10.3	9.1	11.1
550-599 .....	6.9	9.1	6.9
600-649 .....	6.9	5.5	4.2
650-699 .....	6.9	1.8	5.6
700-749 .....	3.4	--	1.4
750-799 .....	1.7	--	1.4
800 or more .....	1.7	3.6	1.4
Average grant .....	\$469	\$418	\$412

<sup>1/</sup> Allowances for special needs and adjustments for absent parent contributions paid to county agencies are not included in the amount of grant.

LENGTH OF TIME AFDC FAMILIES WITH EARNED INCOME  
RECEIVE ASSISTANCE

## LENGTH OF TIME AFDC FAMILIES WITH EARNED INCOME RECEIVE ASSISTANCE

The following series of tables display length of time on aid since the most recent case opening and total time on aid with the number of case openings. In addition, cross-tabulations of the median length of time on aid by families grouped according to the amounts of earned income are included. These tables are based on information collected for two points in time, July 1981 and April 1982. Two separate sets of sample cases were selected for each.

A note about length of time on aid: AFDC cases do not necessarily come on aid and stay on aid, nor do they stay off aid once they are discontinued. Circumstances of the families change for one reason or another. The AFDC population, taken as a whole, is a rather volatile group. Given the recent state of the economy, it is difficult to singularly point to reasons why changes occur in the length of time AFDC families receive assistance.

AFDC-FG

Time on Aid Most Recent Case Opening

In comparing July 1981 to April 1982, the proportion of AFDC-FG cases on aid less than six months increased by about five percent, but the overall distribution of the cases in relation to length of time on aid remained about the same. The average median months of aid dropped by about one month. 1/

1/ The median or midpoint is used rather than the mean (average), because it is not influenced by a few extremely large or extremely small values that may occur.

AFDC-FG

Time on Aid Since Most Recent  
Case Opening of Families that had Earned Income

Time on Aid Since Most Recent Case Opening	Percent of Families	
	July 1981	April 1982
TOTAL .....	<u>100.0</u>	<u>100.0</u>
Less than 6 months .....	10.6	15.4
6 months less than 1 year .....	16.8	15.4
1 year less than 2 years .....	23.9	21.5
2 years less than 3 years .....	8.0	10.8
3 years less than 4 years .....	10.6	4.6
4 years less than 5 years .....	8.0	6.2
5 years less than 6 years .....	4.4	9.2
6 years less than 7 years .....	3.5	--
7 years less than 8 years .....	0.9	1.5
8 years less than 9 years .....	1.8	3.1
9 years less than 10 years .....	0.9	--
10 years less than 11 years .....	1.8	4.6
11 years less than 12 years .....	4.4	1.5
12 years or more .....	4.4	6.2
Unknown .....	--	--
Median months of aid .....	23.0	22.3

## AFDC-FG

### Number of Prior Case Openings

Slightly fewer AFDC-FG families with earned income had a prior case opening in April 1982 than in July 1981 indicating that more people were coming on aid for the first time.

AFDC-FG

Number of Prior Case Openings of  
Families That Had Earned Income 1/

Number of Prior Case Openings	Percent of Families	
	July 1981	April 1982
TOTAL .....	<u>100.0</u>	
No prior case openings .....	61.1	64.6
Prior case openings .....	38.9	35.4
1 .....	<u>38.6</u>	<u>52.3</u>
2 .....	27.3	39.1
3 .....	15.9	4.3
4 or more .....	18.2	4.3
Average known number of case openings .....	2.4	1.6

1/ Number of prior case openings for the payee of this FBU. Does not include most recent case opening.

## AFDC-FG

### Total Time on Aid

Generally, this table shows that in April 1982 the length of time AFDC-FG families had been receiving assistance was shorter than for those on aid in July 1981. The percentage distribution of families in April is more concentrated in groups of shorter lengths of time on aid than in July. Also, the median time on aid dropped by more than one year.

## AFDC-FG

Total Time on Aid of  
Families That Had Earned Income <sup>1/</sup>

Total Time on Aid	Percent of Families	
	July 1981	April 1982
TOTAL .....	<u>100.0</u>	<u>100.0</u>
Less than 6 months .....	4.4	7.7
6 months less than 1 year .....	11.5	13.9
1 year less than 2 years .....	16.9	16.9
2 years less than 3 years .....	5.3	13.9
3 years less than 4 years .....	12.4	9.2
4 years less than 5 years .....	8.0	1.5
5 years less than 6 years .....	8.8	9.2
6 years less than 7 years .....	6.2	1.5
7 years less than 8 years .....	0.9	1.5
8 years less than 9 years .....	3.5	3.1
9 years less than 10 years .....	1.8	3.1
10 years less than 11 years .....	3.5	4.6
11 years less than 12 years .....	6.2	3.1
12 years or more .....	7.1	6.2
Unknown .....	3.5	4.6
Median months of aid .....	46.7	33.5

<sup>1/</sup> Includes prior case openings.

## AFDC-FG

### Median Time on Aid Since Most Recent Case Opening by Amounts of Earned Income

In July, nearly two in five (38.1%) AFDC-FG families had earned income of \$600 or more. This group of families had been on aid considerably longer than groups of families with less income.

Although the length of time on aid remained high for the comparative group in April 1982, only one in sixteen (6.2%) had earned income of more than \$600.

These tables do not take the family size into account or the amount of earned income that was disregarded in the budget computation.

## AFDC-FG

Median Time on Aid Since Most Recent Case Opening  
by Amounts of Earned Income

July 1981

Monthly Amount of Earned Income	Percent of Families	Median Months on Aid
\$ 1-99	19.5	23.5
200-399	23.0	14.5
400-599	19.5	18.0
600 and more	38.0	42.0

April 1982

Monthly Amount of Earned Income	Percent of Families	Median Months on Aid
\$ 1-99	27.7	18.5
200-399	38.4	23.0
400-599	27.7	19.5
600 and more	6.2	78.5

## AFDC-U

### Time on Aid Since Most Recent Case Opening

The median length of time on aid since the most recent case opening was the same in July 1981 as in April 1982. However, the distribution of the AFDC-U families according to length of time on aid changed somewhat. For example, more families came on aid within the previous six months in April 1982 than in July 1981, but there were fewer cases that had been on aid at least one year but less than two years. This could be attributed in part to the rising Unemployment Rate.

## AFDC-U

Time on Aid Since Most Recent  
Case Opening of Families That Had Earned Income

Prior Time on Aid Since Most Recent Case Opening	Percent of Families	
	July 1981	April 1982
TOTAL .....	<u>100.0</u>	<u>100.0</u>
Less than 6 months .....	14.8	23.6
6 months less than 1 year .....	27.8	20.8
1 year less than 2 years .....	32.4	29.1
2 years less than 3 years .....	11.1	12.5
3 years less than 4 years .....	6.5	1.4
4 years less than 5 years .....	0.9	4.2
5 years less than 6 years .....	1.9	4.2
6 years less than 7 years .....	1.9	2.8
7 years less than 8 years .....	0.9	--
8 years less than 9 years .....	--	--
9 years less than 10 years .....	--	1.4
10 years less than 11 years .....	0.9	--
11 years less than 12 years .....	0.9	--
12 years or more .....	--	--
Unknown .....	--	--
Median months of aid .....	13.2	13.2

## AFDC-U

### Number of Prior Case Openings

Considerably more AFDC-U families had a prior case opening in April 1982 compared to July 1981 indicating that more of the families receiving assistance in April had been on aid previously. The rise in the Unemployment Rate from 7.3 percent in July 1981 to 9.3 percent in April 1982 may have contributed to the increase in the percentage of cases that had been on aid prior to the most recent case opening.

AFDC-U

Number of Prior Case Openings  
of Families That Had Earned Income 1/

Number of Prior Case Openings	Percent of Families	
	July 1981	April 1982
TOTAL .....	<u>100.0</u>	<u>100.0</u>
No prior case openings .....	68.5	47.2
Prior case openings .....	31.5 <u>100.0</u>	52.8 <u>100.0</u>
1 .....	44.1	44.7
2 .....	20.6	23.7
3 .....	20.6	15.8
4 or more .....	14.7	15.8
Average known number of case openings	2.5	2.3

1/ Number of prior case openings for the payee of this FBU. Does not include most recent case opening.

## AFDC-U

### Total Time on Aid

Generally, the total length of time on aid increased between July 1981 and April 1982. Because the number of AFDC-U cases that had been on aid previously (see "Number of Prior Case Openings") increased, the total number of months on aid also increased.

## AFDC-U

Total Time on Aid of Families  
That Had Earned Income 1/

Total Time on Aid	Percent of Families	
	July 1981	April 1982
TOTAL .....	<u>100.0</u>	<u>100.0</u>
Less than 6 months .....	12.0	6.9
6 months less than 1 year .....	19.4	11.1
1 year less than 2 years .....	26.9	31.9
2 years less than 3 years .....	17.6	12.5
3 years less than 4 years .....	9.3	9.7
4 years less than 5 years .....	0.9	2.8
5 years less than 6 years .....	2.8	8.3
6 years less than 7 years .....	4.6	4.2
7 years less than 8 years .....	--	--
8 years less than 9 years .....	2.8	1.4
9 years less than 10 years .....	--	4.2
10 years less than 11 years .....	--	1.4
11 years less than 12 years .....	0.9	1.4
12 years or more .....	0.9	1.4
Unknown .....	1.9	2.8
Median months of aid .....	19.8	23.2

1/ Includes prior case openings.

AFDC-U

Median Time on Aid Since Most Recent Case  
Opening by Amount of Earned Income

More than one-third (35.2%) of the AFDC-U families had earned income of \$600 or more a month in July 1981. The median length of time on aid for this group of families was higher than those with less income.

In April 1982, one in nine (11.1%) families had earnings of \$500 or more. The median length of time on aid for this group was 6.5 months, less than for those with relatively small earnings. Again, the median is the midpoint of the values considered. The length of time on aid for this group actually ranged from four months to 52 months.

AFDC-U

Median Time on Aid Since Most Recent Case Opening  
by Amount of Earned Income

July 1981

Monthly Amount of Earned Income	Percent of Families	Median Months on Aid
\$ 1-199	25.0	12.8
200-399	19.4	12.8
400-599	20.4	11.5
600 and more	35.2	15.5

April 1982

Monthly Amount of Earned Income	Percent of Families	Median Months on Aid
\$ 1-199	36.1	13.0
200-399	27.8	14.5
400-599	25.0	13.5
600 and more	11.1	6.5

## APPENDIX

## Glossary of Selected Terms

Aid to Families with Dependent Children (AFDC) - The basic program purpose of AFDC is to provide financial aid for children who lack financial support and care to protect and preserve the family unit as the key to sound growth and development of children.

AFDC-Family Group (FG) is Aid to Families with Dependent Children in a family group in which the child is deprived because of the absence, incapacity or death of either parent.

AFDC-Unemployed (U) is Aid to Families with Dependent Children in a family group in which the child is deprived because of the unemployment of a parent living in the home.

Eligible Child - An eligible child is a child who is deprived of parental support or care and is under 18 years old or 18 and a student regularly attending school in grade twelve or below.

Caretaker Relative - A caretaker relative is the person in the home responsible for care and control of an eligible child.

Family Budget Unit (FBU) - All of the eligible children and the caretaker relative(s) whose needs are considered when determining the amount of the AFDC payment are included in the Family Budget Unit. Every FBU must include at least one eligible child.

## OMNIBUS BUDGET RECONCILIATION ACT

To implement this Act in California, the State Legislature created two bills, SB-1X and AB-2X, in a special or extraordinary session. SB-1X was signed by the Governor on November 9, 1981, and DSS regulations implementing the bill were effective November 10, 1981. AB-2X was signed on February 17, 1982, and those regulations were effective April 2, 1982.

### SB-1X

1. Monthly Reporting - CA 7

Defines late reporting and establishes penalties for late/incomplete monthly reporting.

2. Unemployed Parent

Requires that the principal earner be unemployed as a condition of eligibility for federal FG/U programs.

3. Personal Property

Exempts one motor vehicle whose equity value does not exceed \$1,500; the excess is applied to property limit. Repealed exclusion of child's savings for educational purposes.

4. Treatment of Earned Income

Establishes a standard disregard for work expenses. Sets a maximum limit on dependent care. Deducts  $\$30 + \frac{1}{3}$  after the standard disregard and dependent care and limits  $\$30 + \frac{1}{3}$  to four consecutive months.

5. Earned Income Credit

Requires immediate assumption of advance Earned Income Credit (EIC) for AFDC recipients.

6. 150% Income Rule

The case is discontinued or ineligible if the gross income exceeds 150 percent of the combined need standard and special needs.

7. Retrospective Budgeting

Eliminates supplemental payments when income is lower than anticipated and does not count income in the month of application in computing the third month's grant if the income is not expected to continue.

### AB-2X

1. Age Requirements

Makes all 19 and 20 year olds and all 18 year olds not attending school full time ineligible.

2. Property Limits

Net market value of real and personal property combined is limited to \$1,000. Dwellings used as a home are exempt.

3. Eligible Alien Status

Aid may not be authorized prior to receiving evidence of alien's eligible status.

4. Stepparent's Income

Revises provisions for counting income of stepparent.

5. Child and Spousal Support

DAs are required to enforce child support obligations and court-ordered spousal support when in conjunction with child support obligations. Collections are used as an offset of the grant.

6. Sponsored Alien's Income and Resources

The sponsor's and sponsor's spouse's income and resources after certain specified deductions are considered in determining the eligibility and grant of sponsored aliens.

7. Pregnant Women and Unborn Children

Unborn children are not eligible. Specifies circumstances in which the pregnant woman is eligible and creates a special need allowance for pregnancy.

8. Elimination of Aid to Strikers

Makes strikers and families ineligible under specified circumstances.

9. \$10 Minimum Payment

A family will not be eligible for an aid payment when the total grant amount before overpayment adjustments is less than \$10.

10. Lump-Sum Payments

Lump-sum payments of income received by AFDC recipients will be considered income in the month received. The family will be ineligible for aid for the number of months that equals the sum of all income received during that month, less applicable disregards, divided by the need standard for the family.

11. Underpayments and Overpayments

All underpayments will be paid to current recipients or former recipients who would have been eligible if the error had not occurred. All overpayments will be recovered. Time periods for adjustment have been removed.

**44-111 PAYMENTS EXCLUDED OR EXEMPT FROM CONSIDERATION AS INCOME 44-111****AFDC 1 The Exclusions and Exemptions and the Applicable Programs are Discussed Below**

Federal and state statutes exclude or exempt certain types of payments or benefits in whole or in part from consideration as income. These exclusions and exemptions vary widely between programs. However, the federal statutes also provide that any income to an individual which is disregarded in determining his eligibility under the provisions of one categorical aid program shall not be taken into consideration in determining the eligibility and/or the amount of assistance paid to a recipient receiving aid under another categorical aid program.

**AFDC 2 Exemption of Earned Income — AFDC**

(See Section 44-101.5 for the definition of earned income.)

.21 Repealed by Manual Letter No. 81-65 (11/10/81).

.22 Student Exemption

.221 All earned income of a child under 19 years old is exempt if:

- a. He/she is a full-time student, or
- b. He/she has a school schedule that is equal to at least one-half of a full-time curriculum, and he/she is not employed full time.

.222 For purposes of this exemption the following definitions apply:

- a. School attendance is defined as attendance in a school, college, university, or in a course of vocational or technical training designed to fit the child for gainful employment and includes a participant in the Job Corps program under the Economic Opportunity Act.
- b. Part-time employment is defined as less than 173 hours per month.

.223 The student exemption applies to full- or part-time earnings between school terms or during vacation periods, if the child plans to continue to be a student next term or when the vacation period ends.

.224 This exemption is applied for purposes of financial eligibility (see Section 44-207.3) and for purposes of grant determination whether or not the student has received aid previously. It is not applied when determining the 150 percent income limit under Section 44-207.2

.23 30 and 1/3

.231 Except as provided in .232 below, children who are in the FBU but are not qualified for the exemptions in .22 above and adults who are in the FBU shall have \$30 of their earned income plus 1/3 of the remainder disregarded subject to the method and limitations outlined in Section 44-113.2.

.232 The \$30 and 1/3 disregard shall not be applied when:

- (a) The 150 percent income limit is being determined as outlined in Section 44-207.2.
- (b) The person who earned the income received the \$30 and 1/3 disregard in any FBU for four consecutive months without an intervening twelve consecutive month period when he/she was not an AFDC recipient; or
- (c) The recipient failed without good cause to make a timely report of earned income as required by Section 40-181.22. The \$30 and 1/3 disregard is considered to have been applied for purposes of computing the four consecutive months in .232 (b) above.

**44-111 PAYMENTS EXCLUDED OR EXEMPT FROM CONSIDERATION  
AS INCOME (Continued)**

44-111

**.2 Exemption of Earned Income - AFDC (Continued)**

- (d) The recipient voluntarily requests a discontinuance for the primary purpose of avoiding the four (4) consecutive month limitation on receipt of the \$30 and 1/3 disregard in (b) above. The \$30 and 1/3 disregard is considered to have been applied for purposes of computing the four consecutive months in .232 (b) above.
- (e) The recipient terminated employment, reduced earned income or refused employment without good cause within the budget period or the 30 days immediately prior to the budget period. Good cause shall be evaluated using the standards defined in Section 41-442.113. The \$30 and 1/3 disregard is considered to have been applied for purposes of computing the four consecutive months in .232 (b) above.

.233 If aid is suspended (see Section 44-315.65) or discontinued because of a periodic extra paycheck from a recurring income source, the month of suspension or discontinuance shall not count as one of the four consecutive months but shall not interrupt the accumulation of the four consecutive months for purposes of Section .232(b) above.

**.24 College Work Study Program**

Earned income from the College Work Study Program is exempt. This exemption is applied for both eligibility and grant determination whether or not the student has received aid previously.

**AFDC .3 Exemption of Payments from Public Sources**

- a. A relocation assistance benefit, paid by a public agency to a public assistance recipient who has been relocated as a result of a program of area redevelopment, urban renewal, freeway construction or any other public development, involving demolition or condemnation of existing housing, is exempt income.
- b. Federal Payments to Indians
  - (1) Payments received from the Federal Government under Public Law 90-507 are considered personal property rather than income. (See Section 42-213.2(e) for treatment.)
  - (2) Per capita payments made to Indians under Section 6 of Public Law 87-775 and Public Law 92-254 are exempt from consideration as either income or resources of the recipient.
  - (3) Per capita payments distributed pursuant to any judgment of the Indian Claims Commission or the Court of Claims in favor of any Indian Tribe are exempt. (Public Law 93-134.) (This exemption applies to anyone whose income is taken into account to determine the eligibility or grant of a recipient.)
  - (4) Shares of stock and money payments made to Alaskan Natives under the Alaskan Native Claims Settlement Act are exempt. Income resulting directly from stock investments under the Act are not exempt.
  - (5) Pursuant to Section 6 of Public Law 94-114, receipts derived from their lands held in trust and distributed by the federal government to members of the following Indian tribes:
    - Tribe, Reservation, and State
    - (a) Bad River Band of the Lake Superior Tribe of Chippewa Indians of Wisconsin.
    - (b) Blackfeet Tribe, Blackfeet, Montana.
    - (c) Cherokee Nation of Oklahoma, Oklahoma.
    - (d) Cheyenne River Sioux Tribe, Cheyenne River, South Dakota.
    - (e) Crow Creek Sioux Tribe, Crow Creek, South Dakota.
    - (f) Lower Brule Sioux Tribe, Lower Brule, South Dakota.
    - (g) Devil's Lake Sioux Tribe, Fort Totten, North Dakota.
    - (h) Fort Belknap Indian Community, Fort Belknap, Montana.

<b>44-111</b> PAYMENTS EXCLUDED OR EXEMPT FROM CONSIDERATION AS INCOME (Continued)	<b>44-111</b>
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- (i) Assiniboine and Sioux Tribes, Fort Peck, Montana.
- (j) Lac Courte Oreilles Band of Lake Superior Chippewa Indians, Lac Courte and Oreilles, Wisconsin.
- (k) Keweenaw Bay Indian Community, L'Anse, Michigan.
- (l) Minnesota Chippewa Tribe, White Earth, Minnesota.
- (m) Navajo Tribe, Navajo, New Mexico.
- (n) Oglala Sioux Tribe, Pine Ridge, South Dakota.
- (o) Rosebud Sioux Tribe, Rosebud, South Dakota.
- (p) Shoshone-Bannock Tribe, Fort Hall, Idaho.
- (q) Standing Rock Sioux Tribe, Standing Rock, North and South Dakota.
- (r) Seminole Indians, Florida.
- (s) Pueblos of Zia and Jemez, New Mexico.
- (t) Stockbridge Munsee Indian Community, Wisconsin.
- (u) Burns Indian Colony, Oregon.

**44-111 PAYMENTS EXCLUDED OR EXEMPT FROM CONSIDERATION  
AS INCOME (Continued)**

44-111

- c. Comprehensive Employment and Training Act
- (1) Up to \$30 per week of the incentive allowances made to trainees under the Comprehensive Employment and Training Act for classroom training; services, such as but not limited to counseling, job development, job search assistance, transportation and child care; or other activities, as these terms are defined in the CETA Program, are exempt. This exemption applies to any CETA trainee whose needs or income are taken into account in determining the amount of public assistance payments to himself or others. This exemption does not apply to wages or other training allowances under the Act.
  - (2) Payments received under Part A - Youth Employment Demonstration Programs of Title IV of the Comprehensive Employment and Training Act of 1978:
    - (a) The Youth Incentive Entitlement Pilot Projects.
    - (b) The Youth Community Conservation and Improvement Projects.
    - (c) The Youth Employment and Training Programs.
- d. Compensation received by recipients 60 years old, or older, for volunteer services performed under the Retired Senior Volunteer Program, the Foster Grandparents Program or the Older Americans Community Service Program of the National Older Americans Act, is exempt.
- e. Forty percent of the first \$50 of a collection made by the county on the required support obligation which is distributed to the recipient by the county is exempt (PL 93-647). This section applies only to distributions of child support in September 1976 and prior months.
- f. The incentive payments and the reimbursement for training related expenses made by WIN are exempt from consideration as income.
- g. Payments made under the Domestic Volunteer Services Act of 1973 to welfare recipients who are Vista Volunteers are exempt.
- h. The value of supplemental food assistance received under the Child Nutrition Act (WIC) and the National School Lunch Act (Public Laws 92-433 and 93-150) is exempt.
- i. Payments for supportive services or reimbursement of out-of-pocket expenses made to persons serving in the Service Corps of Retired Executives (SCORE) and the Active Corps of Executives (ACE) pursuant to Section 418 of Public Law 93-113 are exempt. This exemption applies to all persons whose income is taken into account in determining the amount of an aid payment.)
- j. Payments made for out-of-pocket expenses of persons serving on advisory group(s) set up by the Department of Social Services and/or the Health and Welfare Agency are exempt.
- k. Exempt the following payments or funds received from the California Franchise Tax Board:
- (1) Renters Credits
  - (2) Senior Citizens Homeowners and Renters Property Tax Assistance Program (applies to persons who are disabled, blind or 62 years of age or older)
  - (3) Senior Citizens Property Tax Postponement Program (applies to persons 62 years of age and older)
- See Section 42-213.2(x) for exemption of these payments as property.

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**44-111 PAYMENTS EXCLUDED OR EXEMPT FROM CONSIDERATION  
AS INCOME (Continued)****44-111****I. Special Tax Rebates and Credits**

Tax rebates, credits or similar temporary tax relief measures which state law for APSB or federal law for AFDC specifically exclude from consideration as income are exempt.

- (1) 1974 Income Tax Rebate (Public Law 94-12).
- (2) \$50 Lump Sum Cash Payment (Public Law 94-12).
- (3) Federal earned income tax credit (Public Law 95-600). This exemption is effective until January 1, 1980.

The county welfare department shall retroactively reimburse the recipient when he/she notifies the county of an earned income credit received after July 1, 1976, for the taxable year 1975, if he/she either became ineligible or had his/her grant reduced as a result of receiving such payment. DSS will be notifying recipients of their possible eligibility for this reimbursement through an informational Medi-Cal staffer.

The state shall promptly advise county welfare departments on the exempt status of other tax rebates and credits in each program and shall prescribe the method of notifying recipients. Recipients must cooperate with county personnel by providing necessary information or documentation such as Form W-2 and Form 1040 to compute the correct grant amount. This section does not apply to annual refunds of income tax which are net nonexempt income in the month received (see Section 44-113.8).

- m. Payments received under the California Victims of Crimes Program are exempt.
- n. The allowance for training expenses paid to recipients participating in Department of Rehabilitation training programs.
- o. Payments received under the Energy Crisis Assistance Program or the Low Income Energy Assistance Program.
- p. Earned income which results from a recipient/applicant's temporary employment related to the conduct of the 1980 Census. This includes those employed as census takers and support staff who are hired on a temporary basis. This exemption does not apply to permanent employees of the Census Bureau.

**.4 Exclusions or Exemptions of Other Payments and Income**

- .41 Has been deleted.

**44-111 PAYMENTS EXCLUDED OR EXEMPT FROM CONSIDERATION  
AS INCOME (Continued)****44-111****AFDC** .42 County Supplementation and Voluntary Contributions

.421 County supplementation and/or voluntary contributions from persons or organizations having no liability for the support of the recipient, are not considered income when:

- a. The service to be provided is designated as a need by the State Department of Social Services, and
- b. The contribution would not be available for expenditure unless used in accord with conditions imposed by the donor, and
- c. The recipient's grant and other income are not sufficient to meet his total need within the limitations specified in the Need chapter for the particular program, or the designated need is one, all or a portion of, which is not included in the assistance standard for the particular program and thus cannot be met from the recipient's grant and income.

.422 Designated needs within the meaning of this section include:

- a. Housing Approved for Federal Rent Supplements Under the Housing Act of 1965

When the recipient qualifies for a rent supplement under the Federal Housing Act of 1965, the rent supplement payment made by the federal agency, on behalf of the recipient, to the landlord or sponsor, is disregarded as income.

**.43 Loans and Grants**

The following loans and grants are not considered as income:  
(See Section 42-213.2 c for treatment as property.)

.431 Loans made under Title III of the Federal Economic Opportunity Act (Special Program to Combat Poverty in Rural Areas).

.432 Any grant or loan to any undergraduate student for educational purposes made or insured under any program administered by the Federal Secretary of Education. (See Section 44-111.24, College Work Study Program.)

Programs which are exempt under this section include but are not limited to the following:

- a. Supplemental Educational Opportunity Grant Program (SEOG)
- b. National Direct Student Loan Program (NDSL)
- c. (Has been deleted.)
- d. Basic Educational Opportunity Grant Program (BEOG)
- e. Federal Insured Student Loan Program (FISL)
- f. Guaranteed Student Loans
- g. State Student Incentive Grant Program (SSIG)

**44-111 PAYMENTS EXCLUDED OR EXEMPT FROM CONSIDERATION  
AS INCOME (Continued)****44-111****AFDC**

- .433 Educational loans or grants to undergraduate students are exempt from consideration as income when they are awarded on the basis of the student's need.

The following are examples of programs that come within this class:

- a. Extended Opportunity Programs (EOPS)
- b. Bureau of Indian Affairs (BIA) grants and loans
- c. California State Scholarship Program (Cal Grant A)
- d. College Opportunity Grant Program (Cal Grant B)
- e. Occupational, Educational and Training Grant Program (Cal Grant C)

- .434 Educational loans and grants other than those excluded in .432 and .433 above are exempt from consideration as income only to the extent that the proceeds are used to meet educational expenses, such as fees, equipment, special clothing needs, transportation to and from school, child care services necessary for school attendance, etc.

An example of a program that comes within this category is the Veterans Educational Assistance Program (G.I. Bill).

The necessary costs of transportation to and from school shall be allowed based on the mode most economically available and feasible in the particular circumstances. If it is determined that personal car usage meets the criteria above, all actual transportation costs will be prorated based on the percentage of miles driven to and from school to total miles driven. Allowable transportation costs include, but are not limited to, car payments, car insurance and registration and gasoline.

- .435 In the instance where a recipient receives more than one educational loan or grant, the recipient's educational expenses will first be applied to the totally exempt loans or grants such as those administered by the Federal Secretary of Education (see Section .432 above).

Any remaining educational expenses will then be applied to those loans or grants that do not contain conditions precluding their use for current living costs.

- .436 County welfare departments must secure a certification from an official at the student's school (preferably from the Financial Aid Office) concerning the student's eligibility for income exemption if the loan or grant is wholly exempt under .433 above.

The certification, under .433, must state that the award is based on need and that the Public Assistance grant was considered in making the award.

In the case of loans or grants that are wholly or partially exempt under .434, the student must appropriately document his/her educational expenses for the county welfare department in order to receive the exemption from consideration as income.

**44-111 PAYMENTS EXCLUDED OR EXEMPT FROM CONSIDERATION AS INCOME (Continued) 44-111**

- .437 Any other loans, regardless of their availability to meet current needs, when it is verified that the following conditions are met:
- a. The terms of the loan are stated in a written agreement between the lender and the borrower; and
  - b. The agreement clearly specifies (1) the obligation of the borrower to repay the loan, and (2) a repayment plan which provides for installments of specified amounts to begin within 90 days of the receipt of the loan and continue thereafter on a regular basis until the loan is fully repaid.

As part of the verification process, the recipient is required to submit loan contract papers or a written agreement setting forth the terms of the loan regarding its amount and the repayment plan. The agreement must be signed by the lender and the recipient as parties to the agreement.

- .438 Any other grants to the extent that the proceeds are not available to meet current needs.

**AFDC .44 Casual Income and Income from An Inconsequential Resource**

- .441 The first Sixty Dollars (\$60) per quarter of casual income and income from an inconsequential resource which is received infrequently or irregularly is considered exempt from consideration as income. (See Section 44-101.4.) A quarter is three consecutive calendar months commencing with the first day of the first month and ending with the last day of the third month. The first month for each of the four quarters shall be January, April, July and October.

**.45 Income In Kind**

**.451 Home Produce**

Home produce such as from garden, orchard, livestock and poultry utilized by a recipient and his household for their own consumption is not income.

**.452 Partial Items of Need**

Income in kind for partial items of need is exempt.

**.453 Offer of a Free Home**

Except as provided in W&IC 11264, aid shall not be denied or discontinued for an otherwise eligible child who is offered a free home.

**.46 Funds Received as a Result of the Settlement in the Underwood v. Harris Court Case**

Retroactive subsidy payments received from the Department of Housing and Urban Development (HUD) which represent a reimbursement of increased tax and utility costs which were incurred in 1975 through 1977 (see Section 42-211.258(d) and 42-213.2(y) for treatment as property).

**.5 Nonexempt Income**

Payments which do not fall within the limitations specified in the foregoing subsections, represent nonexempt income to be considered in determining the recipient's grant.



**AFDC** | .1 Property

Net income from property (including that from property in which a life estate is held), produce or business enterprises is determined by deducting from gross income all normal items of expenses incident to its receipt. Principal payments on encumbrances are not considered a necessary item of expense. If property is sold, the interest portion of any payment received is income.

Interpretation – Net income from property, crops and livestock is computed as follows:

<u>Source</u>	<u>Computation</u>
<p>a. <i>Rental of real property including that in which life estate held.</i></p>	<p><i>Deduct from gross rental the following expenses incident to receipt:</i></p> <ol style="list-style-type: none"> <li>1. <i>Taxes and assessments.</i></li> <li>2. <i>Interest on encumbrance payments (do not deduct principal payments).</i></li> <li>3. <i>Insurance</i></li> <li>4. <i>Utilities</i></li> <li>5. <i>Upkeep and major repairs.</i>  <i>If a complete dwelling unit is rented the county after consultation with the recipient (a) deducts the amount actually expended each month for upkeep and repairs; or (b) deducts 15% of the gross monthly rental plus \$4.17 a month.</i></li> </ol>

Note: *The above expenses are prorated on the same periodic basis as the periodic basis on which the rental is received (i.e., annually, quarterly, monthly, etc.). Multiply rental income received weekly by 4-1/3 to get monthly income.*

Note: *Under the ordinary life estate agreement, the life tenant is entitled to the use and/or income from the property and is responsible for the usual costs of ownership such as taxes, insurance, upkeep, etc. However, if the life estate agreement stipulates the remainderman is responsible for certain expenses, such payments do not represent income to the life tenant.*

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<p>b. <i>Rental of rooms.</i></p>	<p><u>In AFDC net income is 10% of gross.</u></p>
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44-113 NET INCOME (Continued) 44-113

AFDC

c. *Sale of real property under contract of sale, title not passing.* *The interest received is net income (principal payments represent conversion of property from real to personal property). Deduct any interest payments on prior encumbrances in determining net income from interest received from sale of real property under contract of sale.*

d. *Personal property (rental of trucks, equipment, etc.)* *Deduct from gross rental all expense necessary to maintenance, etc.*

e. *Personal property (interest on money, stocks, bonds, etc.)* *All interest received is net income.*

f. *Sale of crops* *Deduct from gross income the following expenses which are incurred:*

1. *Taxes and assessments.*
2. *Interest on encumbrance payments (do not deduct principal payments).*
3. *Water cost.*
4. *Necessary repair and minor replacement of buildings and equipment.*
5. *Fertilizer, seed, insecticides, pruning, cultivation and harvesting costs.*
6. *Rental of equipment.*
7. *Wages.*
8. *Losses on crops from the previous period.*
9. *Other necessary expenses.*

*Prorate the annual expenses such as taxes, assessments, etc., according to the intervals at which the gross income was received. If other expenses cannot be identified with a particular period, determine the method which assures that the expenses are allocated as closely as possible to the period of crop income, and that on a continuing basis all necessary expenses are deducted from gross income.*

g. *Sale of Livestock* *Proceeds from the sale of the increase of livestock (i.e., that portion which represents a capital gain) is gross income. Deduct expenses incident to raising the livestock (such as feed, pasture rent, prorated personal property tax) in computing net income.*

*Since such income is usually received at intervals of more than one month, the same principles that apply to determining the periods of expense for the sale of crops, apply to the sale of livestock.*

Note: *Proceeds from the sale of an entire holding of livestock are not income but conversion of property.*

**44-113 NET INCOME (Continued)****44-113****.2 Earnings****.21 Computation of Net Nonexempt Earned Income for Aid to Families with Dependent Children**

To determine the amount of Net Nonexempt Earned Income for the month, the following steps shall be taken:

- .211** Determine the total amount of commissions, wages or salary earned as an employee during or applicable to the month (i.e., total income irrespective of expenses, voluntary or involuntary deductions). Include any assumed or actual EIC payments. See Section 44-101.32. To determine total earnings for the month some earnings may have to be allocated to the month pursuant to Section 44-102. Also, the monetary value of any in-kind earned income per Section 44-115 must be included. Do not include earnings exempted in entirety under Section 44-111.22.
- .212** Determine the total profit earned from self-employment by a recipient whose earnings are not exempted under Section 44-111.22 by offsetting the business expenses against the gross income from self-employment.
- (a) Personal expenses such as income tax payments, lunches, entertainment and transportation to and from work are not classified as business expenses and shall not be deducted from gross income in determining total profit earned from self-employment. Other expenses such as depreciation, purchase of capital equipment and payments on the principal of loans for capital assets or durable goods shall not be deducted.
- (b) Expenses which are directly related to the production of goods or services by a self-employed person, and without which the goods or services could not be produced, shall be allowed. The recipient must bear the full burden of proof for justifying the existence of and need for any expense allowed under this classification. (See Section 44-113.1 for limitation on principal and interest payments.)
- (c) If the computation of total profit earned from self-employment disclosed that a loss has occurred, earned income from self-employment shall be zero.
- .213** For each recipient, combine any total earnings determined in .211 above with any total profit determined in .212.
- .214** Apply a standard work expense disregard to the amount in .213 for each recipient employed or self-employed as follows:
- (a) Disregard \$75 for each recipient who worked at least 100 hours and at least 13 days in the month to which the earnings are attributable.
- (b) Disregard \$50 for each recipient employed less than 100 hours or less than 13 days in the month to which the earnings are attributable.

STANDARDS OF ASSISTANCE  
INCOME

44-113 (Cont.)

Regulations

44-113 NET INCOME (Continued)

44-113

.215 For each employed recipient apply a disregard as determined below for the reasonable and necessary costs of obtaining child care for a child in the FBU or care for an incapacitated individual in the FBU when the county determines that adequate dependent care cannot be provided during his/her working hours by a person in the recipient's family budget unit.

For each child or incapacitated individual the amount of the dependent care disregard is the least of:

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- (a) \$160 per child or incapacitated individual if the recipient is employed or self-employed at least 100 hours and at least 13 days of the month, or
- (b) The amount paid for such dependent care; or
- (c) For child care the cost of securing such child care through a child care facility meeting the standards outlined in Chapter 30-350 (Child Care Services) when the county determines that such a facility is currently available to the recipient and could be reasonably used by the recipient. It should be noted, in accordance with Section 30-156, child care expenses related to training are paid from administrative funds and not deducted from income.

The county is required to verify the amount of the expenditure and that the care was actually provided. As part of the verification process, the recipient is required to write on the CA 7 the amount of the expenditure and to provide a signed receipt. If the county determines that a signed receipt is not available, other acceptable evidence may be used. Such evidence may include but is not limited to: statements received by the county welfare departments by phone from the care provider, canceled checks, statements from neighbors or other persons with a reasonable knowledge that services were provided (i.e., they take their child to the same facility), or an affidavit from the recipient, separate from the CA 7, which includes an explanation as to why a receipt from the provider was not available.

## 44-113 NET INCOME (Continued)

44-113

.216 For each recipient who is eligible to receive the \$30 and 1/3 disregard subtract \$30 from the amount remaining after application of .214 and .215, then subtract 1/3 of the remainder. See Section 44-111.23.

.217 The disregards in .214, .215 and .216 shall not be allowed if the recipient: (1) failed without good cause to make a timely report of earned income that month as required by Section 40-181.22; or (2) terminated employment, reduced earnings or refused employment without good cause within the budget period or the 30 days immediately prior to the budget period. (Good cause shall be evaluated using the standards defined in Section 41-442.113); or (3) voluntarily requests a discontinuance for the primary purpose of avoiding the 4 consecutive month limitation on receipt of the \$30 and 1/3 disregard.

.218 Add together the amounts remaining after application of the above sections for each recipient. This total is net nonexempt earned income for the FBU.

.22 Example. An FBU consists of a mother, two preschool children and two teenage sons, ages 15 and 16. The 15 and 16-year olds are not in school.

The mother is employed for 20 days, works over 100 hours, and earns \$600. The 15 year old son earns \$170 and the 16 year old earns \$140. Both sons work fewer than 100 hours in the month. Child care expenses are \$160 for the first pre-school child and \$130 for the second. The mother is not eligible for the \$30 and 1/3 exemption, but her teenage sons are. Net nonexempt earned income for the month is computed as follows:

Step (1) Compute remainders for each recipient.

(a) For the mother:

\$600 gross wages  
 - 75 Amount allowable under 44-113.214  
 - 160 child care for first preschooler  
 - 130 child care for second preschooler  
 \$235 remainder for mother

(b) For the 15-year-old:

\$170 gross wages  
 - 50 Amount allowable under 44-113.214  
 - 60 \$30 plus 1/3 deduction  
 \$ 60 remainder for 15-year-old

(c) For the 16-year-old:

\$140 gross wages  
 - 50 Amount allowable under 44-113.214  
 - 50 \$30 plus 1/3 deduction  
 \$ 40 remainder for 16-year-old

Step (2) Combine remainders for each recipient

(a) \$235 mother  
 (b) \$ 60 15-year-old  
 (c) +\$ 40 16-year-old  
 (d) \$335 net nonexempt earned income of the household.

.24 Repealed by Manual Letter No. 81-65 (11/10/81).

STANDARDS OF ASSISTANCE  
INCOME

44-113 (Cont.)

Regulations

44-113 NET INCOME (Continued)

44-113

**AFDC** .3 Income from Social Security, Railroad Retirement Benefits and Other Pensions

Net income from Social Security or from Railroad Retirement Benefits is the actual amount paid to or on behalf of the recipient from these sources.

Net income from other types of pensions and similar sources is the amount received or, if the individual is required to pay income tax on such income or has other required expenses in receiving such income, net income is the amount received less these expenses.

.4 Board and Room

Net income from board and/or room is 10 percent of the actual payment received.

.5 Unrelated Adults, Including Unrelated Adult Males, Living in the Home

Net income to the Family Budget Unit (FBU) from an unrelated adult living in the home including an Unrelated Adult Male (UAM) is the sum of:

- (a) cash given to the FBU which is available to meet the needs of the FBU and;
- (b) the value of full items of need provided in-kind to the FBU. An item is not considered to be provided in-kind to the FBU if the FBU is receiving this full item of need in exchange for the FBU providing the UAM with a different item. For example, if a UAM and AFDC mother agree that he will pay the rent if she pays their food and utilities, the FBU is not receiving in-kind income for housing.

.51 Cash given to the FBU which is available to meet the needs of the FBU does not include.

.511 Cash which is conditioned on its use for nonneed items for the FBU, unrelated adult, or any other person.

.512 Cash designated by the unrelated adult to meet (1) his/her needs and expenses, including work-related expenses defined in Section 44-113, and/or (2) the needs and expenses of the unrelated adult's child(ren) or other unaided persons in the home the UAM is supporting.

**44-113 NET INCOME (Continued)****44-113**

- .513 Cash which the AFDC mother and unrelated adult have specifically agreed constitutes the unrelated adult's share of the cost-of-living arrangement. For example, assume a UAM is required to make a financial contribution of \$182 to the FBU. (See Section 43-109.1 and .2.) If the UAM and AFDC mother agree that the UAM's share of the cost-of-living is \$200 and the UAM gives the mother his \$200 share, no part of this \$200 is available to meet the needs of the FBU.
- .514 Any other amounts which the unrelated adult designates as not available to the FBU.
- .52 When the unrelated adult's income is pooled with those of the FBU, the pooled income is treated as if cash were given to the FBU.
- .53 The value of full items of need provided to the FBU is determined according to EAS Section 44-115.8. For example, assume that an UAM and his child live with an AFDC mother and her two children. If the UAM pays the entire \$300 rent to the landlord, the value of the full item of need to the FBU is the lesser of (1) the in-kind income table amount for housing for three; or (2)  $\frac{3}{5}$  of \$300 (\$180). If the in-kind income table amount were \$163.00, the amount of in-kind income for housing to the FBU would be \$163.
- .6 Unexpended Income has been repealed per Manual Letter No. 112.**
- .7 Child support which is paid to the recipient by the absent parent and not forwarded to the county or which is collected by the county and paid to the recipient pursuant to Section 43-203.13 and .15 shall be considered available income when received.**
- .8 Refunds of Income Taxes and Retirement Contributions**
- Refunds of income taxes or retirement contributions are to be considered net nonexempt income in the month received. Such refunds are not to be considered earned income for the month in which they are received, and the earned income exemption of 44-111.23 shall not be applied to them.
- .9 Deduction of Court-Ordered Support Payments in Determining Net Income**
- Deduction for actual payments made in support of a child or spouse not in the home, paid pursuant to a court order, shall be made not to exceed three months if the parent requests review of the order. If, upon review, the court orders continued support payments, the amount of the actual payment pursuant to the court order shall be deducted until the order is changed. In no instance shall the deduction allowed exceed the amount of the payment required by the court order.

## 44-113 NET INCOME (Continued)

44-113

AFDC .10 Income from Public Service Employment (PSE)

.101 Net income from WIN/PSE is the amount remaining after the deduction of work-related expenses and dependent care found under Section 44-113.2. The Earned Income Exemptions found under Section 44-111.23 do not apply to WIN/PSE income.

.102 Income from PSE under a program other than WIN (such as CETA/PSE) is treated as regular employment earnings (see Section 44-113.21) and the earned income exemption is allowed.

.103 Individuals in suspense from WIN to another PSE program (such as in suspense from WIN to CETA/PSE) are not considered to be in WIN/PSE.

## .11 Death Benefits

Net income from death benefits is the amount remaining after deducting the actual expenses of the funeral, cremation, or burial of the insured. Such expenses must be verified by the recipient with acceptable evidence.

## .12 Income from Payments Which Include Compensation for Converted Property (see Section 44-105)

That portion of a payment defined in Section 44-105.3 which exceeds the value of the converted property is income and shall be considered in the lump sum income computation. (See Section 44-207.4)

Net income is that income which remains after deducting the following expenses if the recipient shows the expenses were paid by the recipient while he was a recipient and were directly related to the receipt of the payment.

- a. Attorney's fees
- b. Litigation expenses
- c. Medical expenses
- d. Other necessary and required expenses.



44-207 INCOME ELIGIBILITY

44-207

This chapter shall be applied to new cases as well as continuing cases each month.

.1 General

.11 Minimum Basic Standard of Adequate Care (MBSAC)

.111 The MBSAC is the amount of money which is necessary to provide an FBU with the following:

- a. Housing.
- b. Clothing.
- c. Food.
- d. Utilities.
- e. Items for household operation, education and incidentals, recreation, personal needs, and insurance.
- f. Essential medical, dental, or other remedial care not otherwise provided at public expense.

.112 The amount of the MBSAC is as follows:

Size of FBU	Minimum Basic Standard of Adequate Care
1	\$ 248
2	408
3	506
4	601
5	686
6	771
7	846
8	922
9	1,000
10	1,087

plus \$9 for each additional needy person.

.113 The amount of 150% of the MBSAC is as follows:

Size of FBU	150% of Minimum Basic Standard of Adequate Care
1	\$ 372
2	612
3	759
4	902
5	1,029
6	1,157
7	1,269
8	1,383
9	1,500
10	1,631

## 44-207 INCOME ELIGIBILITY (Continued)

44-207

## .1 General (Continued)

## .12 Determination of Income Source

To determine income eligibility it is necessary to categorize the income according to its frequency and source.

.121 If the income is received from a recurring income source, apply the 150 percent income limit (See .2 below). If income does not exceed 150 percent, determine financial eligibility (See .3 below).

.122 If the source and/or amount of the income is nonrecurring, apply the lump sum computation (See .4 below).

.13 When estimating income for eligibility, all relevant information available to the county and the recipient shall be taken into consideration.

## .2 150 Percent Income Limit for Eligibility

## .21 Description of 150 Percent Income Limit

The FBU is ineligible any month in which the total reported or anticipated gross income of the family for that month exceeds 150 percent of the combined Minimum Basic Standard of Adequate Care (MBSAC) and the value of any special needs. When the gross income includes the income of a parent living in the home but not included in the FBU, the MBSAC shall be increased by one (1) for such individual.

.211 After application of the appropriate exemptions and exclusions not otherwise precluded by this section, income considered in the 150 percent income limit is the total of gross income as defined in Chapter 44-100. For purpose of the 150 percent income limit, the following exceptions shall apply:

- (a) The standard work expense, dependent care expense and the \$30 and 1/3 disregards shall not be applied to earned income. See Section 44-127.
- (b) The child support collected by the county shall be included in gross income. See Section 43-201.32.
- (c) The total gross income of excluded parents, without the disregards and exemptions in Section 44-133.3 shall be included in gross income. Only actual EIC received is counted in the gross income of excluded parents.
- (d) The gross earnings of children who are students shall be included if these children are included in the FBU. See Section 44-111.22.
- (e) The gross income from self-employment shall be adjusted for expenses directly related to production of goods and services before it is counted as gross income. See Section 44-133.212.

## 44-207 INCOME ELIGIBILITY (Continued)

44-207

## .2 150 Percent Income Limit for Eligibility (Continued)

## .22 Applying the 150 Percent Income Limit

The 150 percent income limit shall be applied to reported income and anticipated income.

## .221 Reported Income

- (a) When the income for the budget month reported on the Monthly Eligibility Report (CA 7) exceeds the 150 percent income limit for that month, the FBU shall be ineligible.
- (b) When the income results in ineligibility for the FBU and it appears that this level of income will continue, aid shall be discontinued as soon as administratively possible. Any aid payments received for the month the excess income was received and for the subsequent month are overpayments.
- (c) When the income results in ineligibility for the FBU and it appears this level of income will not continue, the FBU's aid payment shall be suspended for the payment month. (See Section 44-315.65)
- (d) When the income received in the first or second month of aid exceeds the 150 percent income limit and it appears this level of income will not continue, any aid payment received by the FBU in the month the excess income was received is an overpayment. See Section 44-315.6.

## .222 Anticipated Income

- (a) The 150 percent income limit shall be applied to the county's estimate of total gross income expected to be received in the payment month.
- (b) When the estimated income exceeds the 150 percent income limit, the FBU shall be ineligible for the payment month and aid shall be discontinued.
- (c) When aid is discontinued because the estimated total income is expected to result in ineligibility and the recipient reports this amount of income is not actually received, the county shall rescind the discontinuance and issue the correct grant.

## 44-207 INCOME ELIGIBILITY (Continued)

44-207

**.3 Financial Eligibility**

- .31 The FBU is financially eligible for any month in which on the first of the month the combined actual or estimated net nonexempt income for the month of members of the FBU is less than the Minimum Basic Standard of Adequate Care (MBSAC) plus the value of any special need(s).

**Example:**

A family consisting of a parent and one child has a net income of \$420. They have a nonrecurring special need of \$50. Assume the MBSAC for two is \$408. Since the net income of \$420 is less than \$458 (\$408 MBSAC plus \$50 nonrecurring special need), the family is financially eligible.

**.32 Net Nonexempt Income**

- .321 Net Nonexempt Income is gross income (including current child support payments collected by the county), minus all applicable income exemptions (listed in 44-111) and income deductions (listed in 44-113).
- .322 For purposes of determining financial eligibility, the earned income exemption (\$30 and 1/3) shall be applied subject to the limitations of 44-111.23 and only if the person who earned the income was eligible for and received an AFDC payment from any state during at least one of the immediately preceding four months and is currently included in the FBU.
- (a) A person is considered to have received an AFDC payment when:
1. The grant for the FBU is reduced to zero to adjust or offset a prior overpayment.
- (b) A person is not considered to have received an AFDC payment if the FBU was on other noncash grant status including:
1. Zero Basic Grants (44-315.422) where no payment is made for recurring special needs.
  2. Refused Cash Grant or other Medi-Cal Only cases under Title 22 of the California Administrative Code.
- .33 Financial eligibility shall be determined on the basis of actual net nonexempt income or a reasonable estimate of net nonexempt income expected to be received during the month. Such an estimate must be based on all relevant information available to the county and the recipient. An FBU which received aid for a month based on a reasonable estimate of net nonexempt income shall not later be considered financially ineligible if actual net nonexempt income exceeds the estimate.
- .34 If aid is discontinued because estimated net nonexempt income is expected to result in financial ineligibility and this amount of income is not actually received, the county shall rescind the discontinuance and issue the correct grant.

44-315 AMOUNT OF AID (Continued)

44-315

.3 Reporting Time of Change of Needs and Circumstances (Repealed — Manual Letter No 88)

AFDC 4 Determining Amount of Grant — AFDC — FG/U

.41 Basic Grant: The amount of the basic grant shall be calculated as follows:

.411 Based on the size of the FBU (see Chapter 44-200) find the Maximum Aid Payment (MAP) in the following table:

Size of FBU	(MAP)
1	\$ 248
2	408
3	506
4	601
5	686
6	771
7	846
8	922
9	996
10 or more	1,071

.412 Round to the nearer dollar the net nonexempt income (Section 44-100), including in-kind income, with amounts of 50 cents or more rounded to the next higher dollar figure.

.413 Compare net nonexempt income determined in .412 with the MAP in 411.

.414 If the MAP is greater than the net nonexempt income, the difference is the basic grant.

.415 If the net nonexempt income is greater than the MAP, then no payment shall be made and the case is a zero basic grant. Such eligible cases may be entitled to benefits other than the basic grant including payment of special needs

AFDC 44-315 AMOUNT OF AID (Continued)

44-315

.42 Special Needs: The amount of the Special Needs shall be calculated as follows:

- .421 Round to the nearer dollar the amount of recurring special needs (see Section 44-211.3) the FBU is eligible to receive. Amounts ending in 50 cents should be rounded to the next higher dollar figure.
- .422 The allowance available for each FBU per month for recurring special needs shall not exceed the amount resulting from multiplying \$10 by the number of persons in the FBU. Zero Basic Grant Cases - The actual amount an FBU is to receive for special needs is reduced by the amount of net nonexempt income above the MAP see Section 44-315.411.
- .423 The amount determined in .421, up to limitation determined in .422, shall be paid in addition to the basic grant.
- .424 Round to the nearer dollar the amount of nonrecurring special needs (Section 44-211.3) the FBU is eligible to receive. Amounts ending in 50 cents should be rounded to the next higher dollar figure.
- .425 Payment for nonrecurring special needs shall be added to that determined payable as the basic grant and for recurring special needs, provided that any remaining excess of net nonexempt income above the maximum aid payment not utilized to meet recurring special needs is applied to meet the cost of nonrecurring special needs.
- .426 Payment for a pregnancy special need shall be added to the amount determined payable as the basic grant, provided that the pregnant woman has been determined to be eligible for such special need in accordance with Section 44-211.4. However, any remaining excess of net nonexempt income above the maximum aid payment not utilized to meet recurring or nonrecurring special needs shall be applied to meet the cost of the pregnancy special need.

## 44-315 AMOUNT OF AID (Continued)

44-315

## 4 Determining Amount of Grant — AFDC-FG/U

.43 Total Grant: The amount of the total grant shall be calculated as follows:

.431 Add the amounts determined in 44-315.41 and 44-315.42.

.432 If the amount determined in .431 is less than ten dollars (\$10), no payment shall be paid for that month. If the beginning date of aid is after the first of the month and the amount of aid determined in .431 is to be prorated, and the prorated amount is less than ten dollars (\$10), no payment shall be paid for that month. Such cases shall be considered to have received a payment for all other purposes.

.433 If the amount determined in .431 is ten dollars (\$10) or more, that amount is the total grant and, if there are no overpayment adjustments shall be authorized as the aid payment.

.44 Payment in Installments

Aid need not be paid in equal installments.

## 5 Repealed by Manual Letter No. 81-62 (11/10/81).

## 6 Budget Period for AFDC FG-U Cases

.61 The budget period in counties without an approved alternate payment system:

.611 The budget period shall be the second prior calendar month before the first installment of the corresponding payment period. (See Section 44-305.221.)

.612 The grant for the initial and second payment period (calendar months) shall be computed on the basis of known or estimated income in each of those two months (concurrent budgeting).

.613 The grant for the third and subsequent payment periods shall be based on actual income received in the budget period as defined in Section 44-315.611 (prior month budgeting) except as outlined in Section 44-315.614 below.

.614 For the third and fourth payment periods, the income already used to compute the grant for the first and second payment periods which is not of a continuous nature shall not be counted.

.62 The budget period in counties with approved alternate payment systems: (See Section 44-305.3.)

.621 The budget period shall be a 28 to 31-day period ending not more than 31 days nor less than 28 days before the first installment of the corresponding payment period. The budget period is not limited to a calendar month.

.622 The grant for the initial and second payment period shall be computed on the basis of known or estimated income in each of those payment periods (concurrent budgeting).

.623 The grant for the third and subsequent payment periods shall be based on actual income received in the budget period as defined in Section 44-315.621 (prior month budgeting).

For example: If a recipient's payment period is from January 10 through February 9th (31 days). For a payment period of April 10 through May 9th the budget period is February 10 through March 9th (28- or 29-day period) (44-315.621).

If this recipient is eligible for aid granted effective January 10th the grant for the first payment period (January 10 through February 9) is based on his known estimated income for this payment period (January 10 through February 9). Beginning with the third payment period, (March 10 through April 9) prior month budgeting begins and the grant is based on actual income received in the corresponding budget period (January 10 through February 9).

## 44-315 AMOUNT OF AID (Continued)

44-315

## .6 Budget Period (Continued)

## .62 (Continued)

.624 For the third and fourth payment periods, income already used to compute the grant for the first and second payment periods which is not of a continuous nature shall not be counted.

## .64 Budget Period for Indochinese or Cuban Refugee Cases Transferred from Refugee Aid to AFDC-FG and AFDC-U

The budget period for the month of conversion from the Indochinese or Cuban Refugee Assistance Program to AFDC-FG or AFDC-U shall be the second prior calendar month (prior month budgeting) unless the family did not receive a refugee cash assistance in the second prior calendar month.

If the family did not receive cash assistance in the second prior calendar month, but did in the prior calendar month, the budget period for the month of conversion will be the concurrent month. The budget period for the following month will be the corresponding second prior calendar month.

## .65 Suspension

.651 The county shall suspend, not discontinue, aid in the payment month when income or other circumstances in the corresponding budget month appear to result in ineligibility for only one payment month. The recipient need not reapply for aid for the month following the suspension, however, the recipient is required to complete a monthly report for the month of suspension. If it appears that the income or other circumstances from the budget month will result in ineligibility for more than one payment month, aid is discontinued.

.652 Aid payments for the month following a suspension shall be computed using prior month budgeting if the family's circumstances have not changed significantly from the corresponding budget period.

.653 Aid payments for the two months following a suspension shall be computed using concurrent budgeting if the family's circumstances have changed significantly from the corresponding budget period, e.g., loss of a job.

## .7 Required Reporting of All Changes Affecting Eligibility and Grant Determination

.71 All recipients are required to promptly report to the county any changes in eligibility or grant determination factors.

.72 Additionally, prior to the end of each budget period the county shall request updated information from recipient families concerning all changes affecting eligibility and grant in that budget period or expected changes in subsequent budget periods. For all AFDC recipients except AFDC-BHI, such information shall be reported on the CA 7. If the recipient fails to provide the report requested by the county by the deadline provided by Section 40-181.22, then the recipient's grant will be terminated in accordance with Section 22-022. Though the CA 7 is not applicable to AFDC-BHI, every effort should be made by the county to insure that foster parents and children are aware of the necessity to report any change in need or income for the child.

8 & 9 Have been repealed per Manual Letter No. 79-36.

44-3161 Repealed by Manual Letter No. 81-65 (11/10/81).

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