



October 14, 1997

ALL COUNTY LETTER NO. 97-59

TO: ALL COUNTY WELFARE DIRECTORS  
ALL COUNTY AFDC PROGRAM  
MANAGERS

REASON FOR THIS TRANSMITTAL

- State Law Change
- Federal Law or Regulation Change
- Court Order
- Clarification Requested by One or More Counties
- Initiated by CDSS

SUBJECT: IMPLEMENTATION OF GRANT STRUCTURE AND AID PAYMENT PROVISIONS - CALIFORNIA WORK OPPORTUNITY AND RESPONSIBILITY TO KIDS (CalWORKs) PROGRAM

REFERENCE: ASSEMBLY BILL (AB) 1542, Chapter 270, Statutes of 1997, ACIN I-51-97

The purpose of this letter is to provide counties with the instructions they requested for implementing the new grant structure and aid payment provisions of AB 1542, Chapter 270, Statutes of 1997. This letter includes information on: the treatment of income from family members living in the home, self-employment income, lump sum income and inconsequential and small nonrecurring cash gifts income. In addition, the letter addresses the changes in the income disregards, including the dependent care disregard, and provides instructions on the change in determining an applicant or recipient's financial eligibility.

These implementation instructions are effective January 1, 1998 and apply to the January payment month. AB 1542 authorizes the California Department of Social Services (CDSS) to implement the statute initially through the All County Letter (ACL) process in order to meet the January 1, 1998 implementation date. The CDSS will adopt emergency regulations implementing the grant structure and aid payment provisions no later than July 1, 1998. The CDSS will issue additional ACLs to provide instructions for implementing other provisions of this law.

**IMPLEMENTATION INSTRUCTIONS**

Below is a description of the AB 1542 requirements. Also provided is the clarification of rules and terms necessary to ensure equal treatment of applicants and recipients, and as requested by counties.

- (1) ***Definition of Whose Needs and Income are Considered in Determining Eligibility and Grant Amount (WIC Sections 11450.04 and 11451.5)***

## **Family**

For purposes of computing the eligibility and grant amount in CalWORKs, family income is to be used. "Family" includes all members of the Assistance Unit (AU) plus certain Non-AU members living in the home specified in WIC Section 11008.14. The spouse of an aided child is also treated as a family member per Eligibility and Assistance Standards (EAS) Section 44-133.9. In addition, the individuals described in EAS Section 44-133.5 are also treated as a family member per ACL 97-57 which implements the Ortega court order. Persons receiving SSI/SSP are not included as a family member for purposes of calculating the AU's grant. Existing rules allow a stepparent or senior parent who is otherwise eligible the option to be included in the AU. This option continues under CalWORKs.

### **(2) *Definition of Income*** (WIC Sections 11451.5)

AB 1542 establishes a new category of income "disability-based unearned income", and amends the definition of earned income. Unearned income still encompasses all income not defined as disability-based unearned income or earned income.

## **Disability-Based Income**

Disability-based unearned income is defined as State Disability Insurance (SDI) benefits, private disability insurance benefits, Temporary Workers' Compensation (TWC) benefits, Temporary Disability Indemnity (TDI) benefits, and Social Security Disability Insurance (SSDI) benefits. This amends, as appropriate, EAS Section 44-101.5.

## **Earned Income**

Earned income is defined as gross income received as wages, salary, employer provided sick leave benefits, commissions, or profits from activities such as business enterprise or farming in which the recipient is engaged as a self-employed individual or as an employee.

### **(3) *Financial Eligibility*** (WIC Sections 11267 and 11450.12)

The method for determining the financial eligibility of an Assistance Unit (AU) is being modified. Although AB 1542 does not eliminate the 185 Percent of the Minimum Basic Standard of Adequate Care (MBSAC) gross income test (EAS Section 44-207.2), the Department believes that anyone who would fail the 185 percent gross income test would also fail the new net income test so that no separate gross income test is necessary. AB 1542 establishes separate net income Financial Eligibility tests for applicants and recipients.

Effective January 1, 1998, separate net income eligibility tests for applicants and recipients are established. The existing net income tests for both applicants and recipients are based on deeming income from Non-AU family members to the AU. The new net income tests are based on the total nonexempt income from all family members which is compared to the MBSAC or MAP for that family. For purposes of computing financial eligibility and grant amount, the family includes all members of the AU and those family members referenced in WIC Section 11008.14 who are excluded from the AU (Non-AU family members).

An applicant family's gross nonexempt income, excluding the first \$90 of earned income for each employed person, cannot exceed the MBSAC for the family. An applicant family who meets the applicant net income test and is determined to be otherwise eligible for CalWORKs is subject to the "recipient" net nonexempt income test prior to the authorization of aid.

A recipient family's net nonexempt income cannot exceed the MAP for the family. The recipient's eligibility, including the application of the net income test and the AU composition, is determined prospectively as done currently. When adding a new person to an existing AU, the AU is subject to the "recipient" net income test for determining the Financial Eligibility of the reconfigured AU. See Attachment 1 for examples of the new method of determining financial eligibility for both applicants and recipients.

(4) ***Treatment of Income*** (WIC Sections 11008, 11155.3, 11157 and 11451.5)

The existing income definitions and treatment of income are retained except for the changes noted below.

**Income Disregard**

Effective January 1, 1998, AB 1542 amends the method of determining net nonexempt income (NNI) in the grant computation by eliminating the existing income disregards and replacing them with new income disregards. The following existing income disregards are eliminated: (1) \$30 and 1/3 earned income disregards, (2) \$90 standard work expense, (3) dependent/child care costs, (4) court-ordered child/spousal support paid by family members to persons outside the home, and (5) support paid by Non-AU members to others not living in the home who are claimed as federal tax dependents (EAS Sections 44-113.214, .215, and .216, .217, .9 and 44-133.53, 63 and .75). See Dependent Care Disregard below for instructions on how recipients will be reimbursed for child care beginning January 1, 1998.

The new income disregard exempts the first \$225 of any disability-based unearned income and/or earned income plus 50 percent of any remaining earned income. The \$225 income disregard is deducted from the total of the family's disability-based unearned income first. If the total disability-based unearned income is less than \$225, the remainder of the \$225 income disregard is applied to any earned income received by family members before disregarding 50 percent of the remaining earned income. If the disability-based unearned income exceeds \$225, only \$225 is disregarded and then 50 percent of any earned income is disregarded. Any remaining disability-based unearned income is treated as part of the family's net nonexempt income. See Attachment 3 for examples of how the new income disregards are used in the new grant computation.

**Dependent Care Disregard**

The dependent care disregard, which provided a maximum deduction of up to \$175 per dependent (\$200 per child under age two) to working recipients for necessary child care and adult care costs (EAS Section 44-113.217) is eliminated from the grant computation on January 1, 1998. It is being replaced with a child care payment system which provides direct payments to the child care provider. While payment systems are being modified to issue

child care payments directly to providers, counties are allowed to reimburse recipients directly for their child care costs for a six month period beginning January 1, 1998.

Due to the elimination of the child care disregard on January 1, 1998, recipients who incur child care costs in November and December 1997 will not receive the disregard for that expense for their January and February 1998 aid payments. Counties are to reimburse recipients for their November and December child care costs. Counties may choose to continue to use the system that was available under the Supplemental Child Care (SCC) program even though the SCC program will no longer be in effect or may use any other payment system. Payment will be based on expenses documented on the November and December monthly reports. Counties may refer to ACL 95-22 for instructions on issuing such payment to families for unreimbursed child care expenses when they are discontinued from aid. In addition, an ACL providing additional instructions for implementing the child care provisions of AB 1542 will be issued.

### **Self-Employment Income**

AB 1542 gives self-employed recipients the choice of establishing their business expenses based on a standard deduction of 40 percent of gross income or using actual verified expenses based on Food Stamp Program rules (Food Stamp Manual Section 63-503.4). These rules also allow for averaging income and expenses in certain situations. Once the self-employed recipient chooses a method of determining his/her self-employed net income, the recipient cannot alter that methodology until redetermination or every six months, whichever occurs sooner.

### **Inconsequential/Small Nonrecurring Cash Gifts Income**

AB 1542 eliminates the \$30 per person per quarter exemption for small nonrecurring cash gifts referred to in EAS Section 44-111.44. It establishes an exemption for income received too infrequently to be reasonably anticipated as allowed by the federal Food Stamp regulations. Refer to Food Stamp Manual Section 63-502.2(d) for the treatment of this income.

### **Lump Sum Income**

AB 1542 eliminates the lump sum rule (EAS Section 44-207.4) which required an automatic Period of Ineligibility (POI) for families receiving lump sum income. Thus, all POIs are terminated effective December 31, 1997. To the extent the individuals with an existing POI can be identified, counties should notify the affected households of the change and that they may reapply for assistance on or after January 1, 1998. A lump sum is treated as standard income in the month received and any remaining income becomes property on the first of the next month. However, AB 1542 requires that recipients who transfer assets, including income and resources, for less than fair market value will get a POI. Instructions on the POI transfer of assets will be provided in another ACL.

With the elimination of the lump sum rule, the extensive noticing requirements that resulted from the Rutan v. McMahan court order can be discontinued. The Rights, Responsibilities and Other Important Information form (SAWS 2A) will be modified and will be available by December 1, 1997. In addition, counties should discontinue any use of the

lump sum rule notices, the TEMP 2110 and TEMP 2110A. Counties should also revise the language on the notices of action (NOAs) sent to families that are beginning a POI resulting from lump sum income to state that they may reapply for aid again on or after January 1, 1998, with the implementation of CalWORKs.

(5) ***Grant Computation/Aid Payment*** (WIC Sections 11254, 11450(a), 11451.5, 11451.6 and 11453.1)

Effective January 1, 1998, the AU net nonexempt income (NNI) is applied against the MAP. The amount of aid is determined by subtracting the family's net nonexempt income from the MAP for that family.

For recipients whose January 1998 grant will be retrospectively budgeted, new rules will apply to the income from the budget month of November 1997 for purposes of computing the January 1, 1998 grant amount. For applicants and recipients whose January 1998 grant is prospectively budgeted, the January 1998 grant is based on the January 1998 budget month income using the new rules. Attachment 2 provides several examples of the revised grant computation method.

The total gross income, less applicable exemptions and deductions, of all family members living in the home is used to determine both the financial eligibility and the grant amount of the AU. With the exception of family members receiving SSI/SSP, the income of both AU and Non-AU members as defined in WIC Section 11008.14 is counted. The income disregards are applied to the total disability-based unearned income and earned income received by all family members when calculating the net nonexempt income. The net nonexempt income is subtracted from the MAP for the entire family, including AU and Non-AU members, resulting in the potential grant. The actual grant amount is the lower of the potential grant or the MAP amount for the AU members. See Attachment 2 for examples of the new method of deeming income from Non-AU members. The treatment of income for ineligible aliens as required under the Ortega v. Anderson court order effective December 1, 1997 is handled in ACL 97-57.

**MAP Levels**

Those MAP levels in effect as of July 1, 1997 will continue to be used October 31, 1998. MBSAC levels in effect as of July 1, 1997 will continue to be used through June 30, 1998, and then will be adjusted on July 1, 1998 for the cost of living increase by the Legislature. In addition, AB 1542 retains the authorization for the use of two MAP levels for Exempt and Nonexempt status. AUs eligible to receive an Exempt MAP are limited to families where each of the adult relative caretakers in the AU meet one of the following conditions: the individual is disabled and receiving Supplemental Security Income/State Supplementary Payment (SSI/SSP) benefits or In-Home Supportive Services (IHSS) benefits; or the individual is disabled and receiving State Disability Insurance (SDI) benefits or Temporary Workers' Compensation (TWC) benefit; or the individual is a non-needy non-parent caretaker relative who is not included in the AU.

Because of the termination of certain federal waivers a number of existing categories are no longer eligible for the higher Exempt MAP. The following exemptions (EAS Section 89-110.2) have been eliminated for purposes of establishing eligibility for Exempt MAP status: (1) the receipt of Social Security Disability Insurance (SSDI, Retirement and Survivors Disability Insurance, Old Age Survivors Disability Insurance), (2) cases that have "incapacity" as the basis of deprivation; (3) cases which are exempt from GAIN due to incapacity; (4) cases which are GAIN exempt due to the caretaker's need to care for another individual in the household; and (5) students under age 19 who are enrolled in a program that will lead to a high school diploma or its equivalent. Counties must identify those cases that are currently eligible for an Exempt MAP and determine whether the case meets the new exemption criteria. If the case is no longer eligible for "exempt" status, the recipient's January 1998 grant must be calculated using the Nonexempt MAP. See Attachment 3 for a comparison of exemptions eligible for the higher MAP and the exemptions which have been eliminated as a basis for the higher MAP.

Special Needs, pursuant to EAS Section 44-211, for all members of the family should be added to the MAP for the family when calculating the potential grant. Special Needs for AU members only should be added to the MAP for AU members when comparing the potential grant with MAP for purposes of calculating the aid payment.

### **FORMS/NOTICES OF ACTION (NOA) Messages/NA FORM**

The CDSS has developed a revised budget worksheet, the CW 30, CalWORKs Budget Worksheet, as a recommended form (Attachment 4). NOA language has been amended to conform with the change in the grant computation and the change in the treatment of income provisions required by AB 1542 (Attachment 5). In addition, NA forms have been revised (Attachment 6).

### **INFORMING REQUIREMENT**

The CDSS has developed language for an informing notice which can be reformatted at the county's discretion. This informing language contains information regarding the changes which affect the recipient's financial eligibility and aid payment (Attachment 7).

### **TRANSLATIONS**

Counties should call the Forms Management Bureau for camera-ready copies of any form, NA form, NOA message or suggested informing language in any language. However, counties that have provided Language Services Bureau with a county contact and the specific languages needed in their county (Spanish, Chinese, Cambodian, and Vietnamese) will automatically be sent those languages as soon as the document (form/NA form/NOA messages) is translated.

### **FISCAL CLAIMING**

The Department is working closely with the California Welfare Directors Association Fiscal Committee to revise, as appropriate, the Cost Allocation Plan and claiming systems. Until counties are notified of changes, the CDSS's current reimbursement and advancing systems and the administrative and assistance claiming instructions will remain in effect.

**DATA REPORTING**

The CDSS is currently assessing reporting requirements and management information needs relative to CalWORKs. Information will be provided regarding new or revised reporting requirements on a flow basis via ACL.

If you have any questions regarding this letter or need additional information, please contact the following staff:

<b>Subject</b>	<b>Contact Person</b>	<b>Phone</b>
Treatment of Income	Julie Lopes	(916) 654-1786 or CALNET 464-1786
Grant Computation or Aid Payment	Dennis Ragasa	(916) 654-1063 or CALNET 464-1063
CA 30	Elizabeth Allred	(916) 657-3350 or CALNET 437-3350
Informing Language	Donna Morgan	(916) 657-2314 or CALNET 437-2314
Data Reporting	Information Services Bureau	(916) 653-3850 or CALNET 453-3850
Fiscal Claiming	Fiscal Policy Bureau	(916) 657-3440 or CALNET 437-3440
Spanish and Asian Translations	Forms Management Unit	(916) 657-1984 or CALNET 437-1984 FAX (916) 653-7395/ CALNET 453-7395
Camera-ready English/Spanish Versions	Forms Management Unit	(916) 657-1984 or CALNET 437-1984

Sincerely,

BRUCE WAGSTAFF  
Deputy Director  
Welfare to Work Division

Attachments

<p align="center"><b>GRANT COMPUTATION</b> Disability Based Unearned Income Eligible to \$225 Disregard</p>	<p align="center"><b>EXEMPT MAPS</b> Effective 1/1/98: Exemptions Eligible For Higher (Exempt) MAP</p>	<p align="center"><b>NONEXEMPT MAPS</b> Exemptions No Longer Eligible For Higher (Exempt) MAP</p>
<p>AB 1542 defines Disability-Based Unearned Income in Section 138 as:</p> <ul style="list-style-type: none"> <li>- State Disability Insurance (SDI) benefits</li> <li>- Social Security Disability Insurance (SSDI) benefits</li> <li>- Temporary Workers' Compensation (TWC) benefits</li> <li>- Temporary Disability Indemnity (TDI) benefits</li> <li>- Private Disability Insurance benefits</li> </ul>	<p>WIC Section 11450.019 lists the exemptions to aid reductions to:</p> <ul style="list-style-type: none"> <li>- Individual is disabled and receiving:                             <ul style="list-style-type: none"> <li>- SSI/SSP, or</li> <li>- IHSS, or</li> <li>- State Disability Insurance (SDI) benefits, or</li> <li>- Temporary Worker's Compensation (TWC) benefits, or</li> <li>- Temporary Disability Indemnity (TDI) benefits, or</li> </ul> </li> <li>- Individual is a non-parent caretaker not included in the Assistance Unit</li> </ul>	<p>The following exemptions have been eliminated for purposes of establishing eligibility for Exempt MAP status under CalWORKs:</p> <ul style="list-style-type: none"> <li>- Social Security Disability Insurance (SSDI, Retirement and Survivors Disability Insurance, Old Age Survivors Disability Insurance) benefits</li> <li>- Cases who have Incapacity as the basis of deprivation.</li> <li>- Cases which are exempt from GAIN due to incapacity.</li> <li>- Cases which are GAIN exempt due to the caretaker's need to care for another individual in the household.</li> <li>- Students under age 19 who are enrolled in a program that will lead to a high school diploma or its equivalent.</li> </ul>

October 14, 1997