



CDSS

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DIRECTOR

STATE OF CALIFORNIA—HEALTH AND HUMAN SERVICES AGENCY  
**DEPARTMENT OF SOCIAL SERVICES**

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EDMUND G. BROWN JR.  
GOVERNOR

December 16, 2013

ALL COUNTY LETTER NO. 13-101

TO: ALL COUNTY WELFARE DIRECTORS  
ALL CALWORKS PROGRAM SPECIALISTS  
ALL WELFARE-TO-WORK COORDINATORS  
ALL COUNTY REFUGEE COORDINATORS  
ALL COUNTY CALFRESH SPECIALISTS  
ALL CONSORTIA REPRESENTATIVES  
ALL TRIBAL TANF ADMINISTRATORS

SUBJECT: CALIFORNIA WORK OPPORTUNITY AND RESPONSIBILITY TO  
KIDS (CalWORKs): REVISED ASSEMBLY BILL (AB) 98  
SUBSIDIZED EMPLOYMENT SUBSIDY CALCULATION DUE TO  
INCREASED EARNED INCOME DISREGARD (EID),  
CATEGORIES FOR AB 98 CLAIMING, AND MONTHLY DATA  
REPORTING BASED ON THE SAR 7 OR SAWS 2

REFERENCE: WELFARE AND INSTITUTIONS CODE (WIC) SECTIONS 11322.6  
AND 11322.63, ALL COUNTY LETTERS (ACL) 11-32, 11-58,  
12-01, 12-25, 12-29, and 13-42; COUNTY FISCAL LETTERS  
(CFLs) 10/11-65, 10/11-65E and 13/14-11; TITLE 45 CODE OF  
FEDERAL REGULATIONS (CFR) PART 261

Starting October 1, 2013, County Welfare Departments (CWDs) will need to use a revised calculation for recipients entering the AB 98 Subsidized Employment Program (AB 98 Program). This revised calculation is required because the EID for recipients of CalWORKs aid payments has changed due to Senate Bill (SB) 1041 (Chapter 47, Statutes of 2012).

Prior to October 1, 2013, \$112 and 50 percent of earned income was disregarded when calculating the CalWORKs aid payment for recipients. Effective October 1, 2013, \$225 and 50 percent of earned income is disregarded when calculating the CalWORKs aid payment. Details regarding the EID change are in ACL 13-42. The AB 98 subsidy calculation is aligned with the EID calculation in order to be cost neutral to the state budget by offsetting the cost of the subsidy with an equivalent reduction to the

REASON FOR THIS TRANSMITTAL

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

CalWORKs cash grant. The following table provides the pre-October 1, 2013, calculations and the calculations that are effective October 1, 2013:

<b>Pre-October 1, 2013 EID and AB 98 Subsidy Calculations</b>
EID: $(\text{Monthly gross wage} - \$112) \times 50\% = \text{Remaining earnings that reduce grant.}$
AB 98: $[(\text{Monthly gross wage} \times 50\%) - \$56 \leq 100\% \text{ of grant}] = \text{Maximum AB 98 subsidy.}$
<b>Effective October 1, 2013 EID and AB 98 Subsidy Calculations</b>
EID: $(\text{Monthly gross wage} - \$225) \times 50\% = \text{Remaining earnings that reduce grant.}$
AB 98: $[(\text{Monthly gross wage} \times 50\%) - \$113 \leq 100\% \text{ of grant}] = \text{Maximum AB 98 subsidy.}$

#### Maximum State Funding Outside of the CalWORKs Single Allocation

The CWD will claim AB 98 Program costs outside of the Single Allocation using the revised calculation for recipients who enter the program on or after October 1, 2013. The claims for each recipient may be for an amount up to 50 percent, less \$113, of the “total wage costs” (defined below) of an employee for whom a wage subsidy is paid. This amount must not exceed 100 percent of the computed grant for the assistance unit (AU) in the month prior to participation in the AB 98 Program.

#### Definition of Total Wage Costs

“Total wage costs” means the amount of the actual gross wage paid directly to the recipient by the CWD (as the employer), the employer, or a third party (e.g., an employment placement agency). For purposes of establishing the state’s contribution outside of the Single Allocation, total wage costs do not include other non-wage employment related costs, such as unemployment insurance, employee benefits, worker’s compensation insurance, etc.

#### State Contribution for AB 98 Programs

Although CWDs cannot include non-wage costs in the calculation of the AB 98 subsidy, CWDs can claim AB 98 funding outside of the Single Allocation, up to the limit identified above, for both wage and non-wage costs of the CWD’s AB 98 Program. Non-wage costs include CWD-paid subsidized employment related costs, such as unemployment insurance, employee benefits, and worker’s compensation insurance costs associated with the subsidized employment positions. Non-wage costs must also comply with the appropriate rules regarding the allowable use of Temporary Assistance for Needy Families (TANF) funds; for example, payment for health benefits is not an allowable use of TANF funds. An AB 98 claiming example is included in this letter to help guide CWDs (see Attachment).

### Subsidies for Recipients Who Entered the AB 98 Program before October 1, 2013

Due to the change in the EID calculation and the AB 98 subsidy calculation, the amount of the AB 98 subsidies will be \$57 lower starting on October 1, 2013. This reduction is the result of subtracting \$113 from 50 percent of the gross monthly wages when calculating the subsidies rather than subtracting \$56 from 50 percent of the wages in the formula before October 1, 2013. In order for CWDs to continue in existing contracts with employers for ongoing recipients who started in the AB 98 Program prior to October 1, 2013, funding for the \$57 difference is being provided through the Single Allocation. CWDs will subtract \$57 from the established AB 98 subsidy for those recipients in slots prior to October 1, 2013, and claim it to the Single Allocation subsidized employment expense codes. For the remaining AB 98 expenses, CWDs are instructed to follow the claiming procedures in CFLs 10/11-65 and 10/11-65E, which provide information on claiming codes for the AB 98 Program. Additional information regarding funding for the \$57 difference between the original and new AB 98 subsidy calculations are provided in CFL 13/14-11.

### Categories that May Be Claimed to the AB 98 Program

SB 1041 made a technical change to the AB 98 Program regarding the reference to subsidized employment. The change, however, did not make any substantive change to the types of subsidized employment that may be claimed to the AB 98 Program. SB 1041 amended AB 98 by changing WIC Section 11322.63 references to private sector and public sector subsidized employment. Prior to SB 1041, WIC Section 11322.63 specified that the AB 98 Program could be used only with private sector and public sector subsidized employment as defined in WIC Sections 11322.6(b) and (c). The language was revised in order to remove state-specific WIC sections in order to align it with federal language for subsidized employment in 45 CFR Parts 261.2(c) and (d). The AB 98 Program is a federally allowable activity that can be counted toward the work participation rate and, as such, the state-only reference in WIC was revised to accommodate both the state and federal terminology.

However, claims to the AB 98 Program may still only be made for private sector and public sector employment as indicated in WIC Sections 11322.6(b) and (c). Other forms of subsidized employment cannot be claimed to the AB 98 Program due to their funding structures: grant-based on-the-job training, supported work or transitional employment, and work study, which are WIC Sections 11322.6(f), (g), and (h) respectively. On-the-Job Training, WIC Section 11322.6(e), may be an allowable form of subsidized employment to claim to the AB 98 Program if the county has designed their program so that it is not a form of subsidized employment described in WIC Sections 11322.6(f), (g), and (h). See ACLs 11-32, 11-58, and 12-29 for additional information regarding allowable subsidized employment expenditures for the AB 98 Program.

Data Reporting for the AB 98 Program Using the SAR 7 or SAWS 2

Please continue to use the most current data available in the case file when reporting monthly for the AB 98 Program. In Attachment 1 of ACL 12-01, CDSS described how the Quarterly Reporting (QR) 7 form could be used to report AB 98 Program data. The QR system has been discontinued effective October 1, 2013, and replaced by the Semi-Annual Reporting (SAR) system, which requires one Eligibility Status Report (SAR 7) and one Statement of Facts (SAWS 2) annually. AB 98 Program data can be derived from the most recent SAR 7, SAWS 2, or from any mid-period reports that have been received.

Under SAR rules, recipients do not have to report changes in income unless they exceed their income reporting threshold (IRT), and recipients are not required to report any changes in household composition mid-period. Therefore, unless there has been a voluntary report of a change mid-period, the “most current data available” could be from the last SAR 7 or SAWS 2 and be up to six months old. For example, if an AB 98 participant has increased earnings due to subsidized employment in the SAR 7 submittal month of November 2013, unless the income is over the IRT, the AB 98 participant will not be required to report this income until the SAWS 2 is due in May 2014. In this situation, for the monthly AB 98 data reporting, it is acceptable to report data based on the November 2013 SAR 7 in December 2013 through May 2014. See ACL 12-25 for details on SAR.

As a reminder, CWDs must not send AB 98 Program Data via email. CWDs are to upload data files using an internet browser at the following secure web address:

<https://sft.ca.gov/>

If you have questions about the AB 98 Program, please contact your county’s Employment Bureau consultant or call the Employment Bureau at (916) 654 2137. If you have fiscal questions, please direct them to the Fiscal Systems Bureau electronic mailbox at [fiscal.systems@dss.ca.gov](mailto:fiscal.systems@dss.ca.gov).

Sincerely,

***Original Document Signed By:***

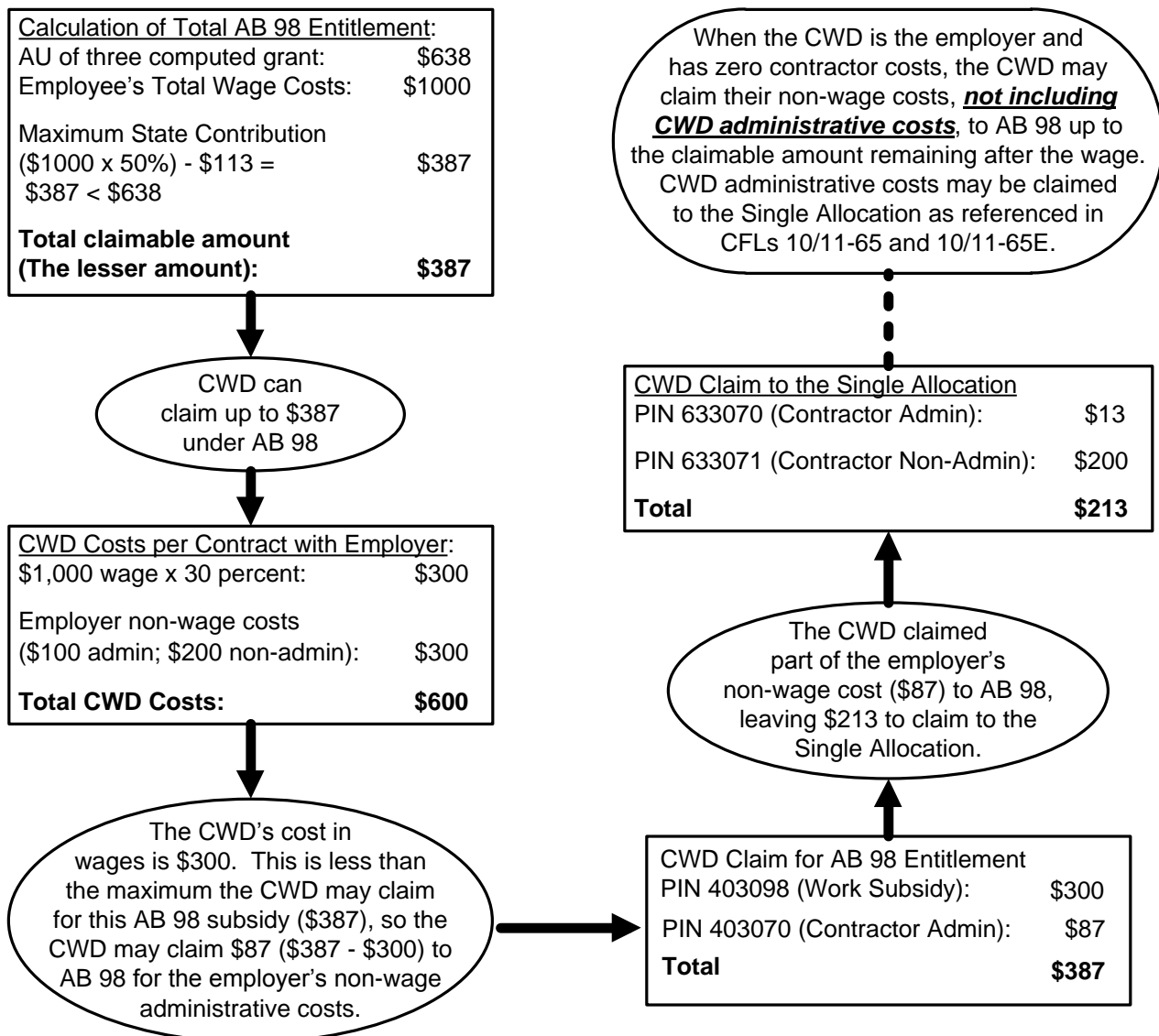
TODD R. BLAND  
Deputy Director  
Welfare to Work Division

Attachment

### AB 98 CLAIMING EXAMPLE

The state's contribution outside of the Single Allocation is calculated by multiplying the recipient's gross monthly total wage by 50 percent less \$113, not to exceed 100 percent of the assistance unit's (AU) computed grant in the month prior to the recipient entering the AB 98 Program. Costs that can be claimed to the AB 98 codes are the County Welfare Department's (CWD) wage and non-wage costs as described in County Fiscal Letter (CFL) 10/11-65. The remaining costs of subsidized employment (that cannot be claimed to the AB 98 Program) can be claimed to the Single Allocation codes consistent with CFLs 10/11-65 and 10/11-65E.

**Example:** A CWD and employer have a contract in place for the CWD to pay 30 percent of the employee's wages and the employer to pay the remaining 70 percent. The CWD will also pay the employer (contractor) for 100 percent of the non-wage costs necessary to operate a subsidized employment program. The subsidized employee is a federally eligible CalWORKs recipient in an AU of three.



**Note:** For purposes of this example, only the employer's administrative costs were claimed to the AB 98 codes, but counties have the flexibility in claiming either or both of the employer's administrative and non-administrative costs, not to exceed the wage subsidy.