DEPARTMENT OF SOCIAL SERVICES
744 P Street, Sacramento, CA 95814

January 14, 2002

REASON FOR THIS TRANSMITTAL

[ ] State Law Change
[ ] Federal Law or Regulation Change
[ ] Court Order or Settlement Agreement
[X] Clarification Requested by One or More Counties
[ ] Initiated by CDSS

ALL COUNTY INFORMATION NOTICE I-03-02

TO: ALL COUNTY WELFARE DIRECTORS
ALL FOOD STAMP COORDINATORS

SUBJECT: FOOD STAMP QUESTIONS AND ANSWERS

The purpose of this All-County Information Notice is to provide counties with answers to questions regarding Food Stamp Program policy. These questions were submitted by the County Welfare Directors Association's Technical Review Team (TRT) and the answers submitted to TRT for review and comments before being finalized by the Food Stamp Bureau. As requested by TRT county representatives, questions and answers (Q&As) are separated and categorized for ease of reference.

If you have any questions regarding the enclosed Q&As, please contact the policy analyst assigned that area of the regulations.

Sincerely,

Original document signed by

GARY SWANSON, Chief
Food Stamp Branch

FOSTER CARE WRAPAROUND SERVICES PROGRAM

QUESTION #1:

Are children who participate in the “foster care wraparound services” program considered to be foster care children? How are these wraparound payments treated in the food stamp budget calculation?

ANSWER:

The “foster care wraparound services” program is a program created to permit children who ordinarily would be placed in foster homes or group homes to remain in their own homes. Children who participate in the “foster care wraparound services” program would not be considered foster care children, even though foster care program funds are used to provide services to these children. Services provided to such families are excluded as income under MPP 63-502.2. Also, in instances where the county makes payments to a vendor or a third party on behalf of the household for an expense, such a vendor payment would be excluded as income under this same section. However, any cash paid directly to the food stamp household would be treated as income, as specified in MPP 63-502.1.

SELF-EMPLOYMENT INCOME

QUESTION #1:

Food stamp manual sections 63-502.132, 63-502.143, 63-503.422, and FSQUADS 502.3-10 require some clarification regarding self-employment income. The first issue involves whether to consider 20 hours management per week in determining whether room rental is earned or unearned income. The next one involves what you allow as the cost of doing business and/or shelter expenses.

Scenario #1:

An applicant applies for food stamps for herself as a one-person household. She owns her own home and rents out three of the home's four bedrooms. One bedroom is occupied by a couple and the other two bedrooms by single roommates. Everyone has equal access to the three common rooms. No meals are provided. Each person purchases and prepares his or her own meals.

What percentage of the applicant's mortgage, interest, taxes, and insurance should be allowed as the "cost of doing business?" Would the income on the rentals be considered earned or unearned? The applicant is not engaged 20 hours per week in managing the property. For this example, let's say she rents each room for $200 per month and her shelter costs total $1000 per month ($800 interest, taxes, and insurance and $200 principal).

Scenario #2:

The applicant is self-employed as an acupuncturist and works out of her residence. She is renting a house and shares rent with a roommate. She claims part of her share of the rent and utilities as business expenses.

Can these business expenses be allowed, as well as her full share of rent and utilities as a shelter deduction?

ANSWER:

Scenario #1:

Because room rental is considered self-employment, income received from room rental would be treated as earned income in the food stamp budget as specified in MPP 63-502.132(b). The "20 hours a week management" provision does not apply to a room rental situation; it applies only to management of rental property [MPP 63-502.132(a)].

SELF-EMPLOYMENT INCOME (continued)

In determining the cost of doing business, CWDs have the option to do the calculation either by the square footage of the home or by the number of rooms.

By square footage:

1) Let's assume the square footage of the home is 1000 square feet, of which 300 square feet is rented out. Approximately 1/3 of cost would be allowed from the $600.00 (gross income of 3 x $200.00).
2) Cost per month (her housing* and utility costs) = $1000.00. Take 33% of $1,000 = $333.00.
3) Net self-employment income ($600.00 - $333.00) = $267.00.
4) Or, allow the 40% standard deduction, instead of calculating actual expenses as in steps 1-3, if the household chooses this option.
5) Then, allow the 20% earned income deduction and other deductions, as necessary, after determining the net self-employment income in steps 1-3 or step 4.

By number of rooms:

1) 7 rooms and 3 are rented out.
2) Percentage of cost is 3/7 = .43.
3) Cost per month (her housing* and utility costs) = $1000.00. Take 43% of $1,000 = $430.00.
4) Net self-employment income ($600 gross income - $430.00) = $170.00.
5) Or, allow the 40% standard deduction, instead of calculating actual expenses as in steps 1-4, if the household chooses this option.
6) Then, allow the 20% earned income deduction and other deductions, as necessary, after determining the net self-employment income in steps 1-4 or step 5.

*Housing costs include: mortgage, interest, taxes, and insurance

Please note that the three common rooms will not be considered in this calculation, as the owner of the home is not charging roommates for the usage of these rooms.

Scenario #2:

She cannot claim a portion of her share of rent and utilities as business expenses, as well as claiming her full share of rent and utilities as a shelter deduction. However, she can claim part of her share of rent and utilities as business expenses, and the remainder would be allowed as a shelter deduction. The methods described in scenario #1 can be used to determine her net self-employment income.

HOMELESS CLIENTS

QUESTION #1:

Can a homeless client receive food stamps if they are in a shelter that provides three meals a day?

ANSWER:

Yes, the client is still eligible to participate in the food stamp program. According to MPP 63-503.6, a homeless client shall be permitted to use their food stamp benefits to purchase prepared meals from meal providers who have been authorized by Food and Nutrition Service (FNS) to accept food stamp coupons at the shelter. A meal provider for the homeless is defined as a nonprofit organization, either public or private, which feeds homeless persons, e.g., soup kitchen, or shelter.

SECTION 8 HOUSING

QUESTION #1:

A client is approved for Section 8 housing, but did not report this change to the CWD. Due to being approved for Section 8, the client's rent went from $298 to $117, with HUD paying $181. However, there was no change in residence. CWD was budgeting the client $298, because the client did not report the rent change. The unreported income is $181. Should client report change in rent/housing (Section 8) if no actual move occurred?

ANSWER:

Though the client did not move, and the income paid to a vendor is excluded income, it was still the client's responsibility to report the change when she was approved for Section 8 housing. As stated in section MPP 63-505.41(a), monthly reporting households shall report and provide verification of "the source of excluded income when first reported and when there is a change." The client should have reported her Section 8 approval. Under these circumstances, because the client did not report the change, there is a client caused error.

OVERISSUANCES

BACKGROUND:

63-801.112 states: "The CWD shall not take action on inadvertent household and administrative error claims for which more than three years have elapsed between the month the overissuance occurred and the month the CWD determined by computation that the overissuance occurred irrespective of the date the DFA 842 was complete."

63-801.311(b) states: "The CWD shall calculate the amount of the overissuance which occurred during the six years preceding the date the overissuance was discovered. The CWD shall not include in its calculations any amount of the overissuance which occurred in a month more than six years prior to the date the overissuance was discovered."

QUESTION #1a

Is there a difference between establishing and calculating claims (for overissuances)?

ANSWER:

Yes. Claims for overissuances (OIs) are "established" by documenting the amount of and the reason for the OI and issuing a demand letter to the client. The date of the demand letter is the date that the claim is established [7 CFR 273.18(e)(3)(iii)]. Computing the amount of an overissuance does not constitute the establishment of an OI claim. Counties must compute the amount of the overissuance and issue the demand letter within the three-year timeframe. If the county does not compute the overissuance until the end of the three-year time period, a claim cannot be considered established against the household.

QUESTION #1b:

Why calculate back six years, but act within three?

ANSWER:

The "three years" is the timeframe for the occurrence, the computation, and to inform the household of the OI. This time frame is to ensure that timely action is taken on any OI. The "six years" timeframe applies in determining the total amount of the OI. The counties must go back six years in computing the amount of the OI claim against the household. A claim against the household is equal to the difference between the allotment amount the household received and the allotment amount the household should have received.

OVERISSUANCES (continued)

ANSWER #1b (continued)

The six years allows the county to possibly collect on a larger amount of the OI. Once a claim is established, there is no time limit, with the exception of MPP 63-801.222 (administrative errors claims being recouped pursuant to Lomeli v. Saenz), on collection of overissuances.

QUESTION #1c:

What effect does this (calculating back six years) have on current Food Stamp Program case records retention requirements?

ANSWER:

Food Stamp Program case records retention requirements remain unchanged.

QUESTION #1d:

What is an example of calculating back six years, but acting within three?

ANSWER:

An overissuance occurred in December 2000. The county must establish a claim (compute the amount of the claim and issue a demand letter) for this overissuance within three years, which would be before December 2003. When the county computes the amount of this overissuance, it must go back six years to determine the total amount of the claim. Thus, if the county discovers and calculates the amount of this overissuance in December 2002, it would include in its calculations any amount which occurred during the six years preceding the December 2002 date, which would be back to December 1996.