

NOTICE OF PROPOSED CHANGES IN REGULATIONS OF THE
CALIFORNIA DEPARTMENT OF SOCIAL SERVICES (CDSS)

ITEM #1 Annual Reporting/Child Only (AR/CO) in the CalWORKs Program

The CDSS hereby gives notice of the proposed regulatory action(s) described below. Any person interested may present statements or arguments orally or in writing relevant to the proposed regulations at a public hearing to be held September 3, 2014, as follows:

Office Building # 8
744 P St. Room 103
Sacramento, California

The public hearing will convene at 10:00 a.m. and will remain open only as long as attendees are presenting testimony. The purpose of the hearing is to receive public testimony, not to engage in debate or discussion. The Department will adjourn the hearing immediately following the completion of testimony presentations. The above-referenced facility is accessible to persons with disabilities. If you are in need of a language interpreter at the hearing (including sign language), please notify the Department at least two weeks prior to the hearing.

Statements or arguments relating to the proposals may also be submitted in writing, e-mail or by facsimile to the address/number listed below. All comments must be received by 5:00 p.m. on September 3, 2014.

Following the public hearing CDSS may thereafter adopt the proposals substantially as described below or may modify the proposals if the modifications are sufficiently related to the original text. With the exception of nonsubstantive, technical or grammatical changes, the full text of any modified proposal will be available for 15 days prior to its adoption to all persons who testify or submit written comments during the public comment period and all persons who request notification. Please address requests for regulations as modified to the agency representative identified below.

Copies of the express terms of the proposed regulations and the Initial Statement of Reasons are available from the office listed below. This notice, the Initial Statement of Reasons and the text of the proposed regulations are available on the internet at <http://www.dss.cahwnet.gov/ord>. Additionally, all the information which the Department considered as the basis for these proposed regulations (i.e., rulemaking file) is available for public reading/perusal at the address listed below.

Following the public hearing, copies of the Final Statement of Reasons will be available from the office listed below:

CONTACT: Office of Regulations Development
California Department of Social Services
744 P Street, MS 8-4-192
Sacramento, California 95814
TELEPHONE: (916) 657-2586 FACSIMILE: (916) 654-3286
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CHAPTERS

Manual of Policies and Procedures (MPP), Chapter 22-000, Sections 22-071 (Adequate Notice) and 22-072 (Timely Notice – Aid Pending Hearing); Chapter 22-300, Section 22-305 (General Provisions); Chapter 40-000, Sections 40-039 (Implementation of Annual Reporting Child Only for CalWORKs Recipients); Chapter 40-100, Sections 40-103 (Definitions and Designations – General), 40-105 (Applicant and Recipient Responsibility), 40-107 (County Responsibility), 40-119 (How and Where Application is Made), 40-125 (Reapplications, Restorations, and County of Responsibility), 40-128 (Applicant's Statement of Facts), 40-173 (County Department Responsibility for Notifying Applicants and Recipients), 40-181 (Continuing Activities and Determination of Eligibility), 40-188 (Transfer Procedure), and 40-190 (County Responsibility); Chapter 41-400, Section 41-405 (Termination of Deprivation); Chapter 42-200, Sections 42-209 (Differentiation of Property and Income), 42-213 (Property Items to be Excluded in Evaluating Property Which May be Retained), and 42-221 (Transfer of Property or Income); Chapter 42-400, Sections 42-406 (County Welfare Department Responsibility) and 42-407 (Evidence of Residence Intention); Chapter 42-700, Sections 42-716 (Welfare-to-Work Activities), 42-721 (Noncompliance with Program Requirements), 42-751 (Underpayments and Overpayments for Transportation and Ancillary Support Services, and 42-769 (Application of Bonuses and Sanctions); Chapter 44-100, Sections 44-101 (Income Definitions), 44-102 (Availability of Income), 44-111 (Payments Excluded or Exempt from Consideration as Income), 44-113 (Net Income), 44-115 (Evaluation of Income In-Kind), and 44-133 (Treatment of Income – CalWORKs); Chapter 44-200, Sections 44-205 (Establishing the AU), 44-207 (Income Eligibility), and 44-211 (Special Needs in CalWORKs); Chapter 44-300, Sections 44-304 (Aid Payment Schedules), 44-305 (Aid Payments – Payee and Delivery), 44-313 (Budgeting Methods for AFDC-FG/U), 44-315 (Amount of Aid), 44-316 (Reporting Changes Affecting Eligibility and Grant Determinations and County Actions), 44-318 (Beginning Date of Aid (BDA) for Persons Being Added to the AU), 44-325 (Changes in Amount of Payment), 44-327 (Delayed Payment), 44-340 (Underpayments), 44-350 (Overpayments – General), and 44-352 (Overpayment Recoupment); Chapter 48-000, Section 48-001 (County Department Responsibility for Records); Chapter 80-300, Sections 80-301 (Definitions) and 80-310 (Definitions – Forms); Chapter 82-600, Section 82-612 (Unemployment Insurance Benefits (UIB)); Chapter 82-800, Sections 82-812 (Temporary Absence), 82-820 (Included Persons), 82-824 (Assistance Units that Shall be Combined), and 82-832 (Excluded Persons); Chapter 89-100, Section 89-110 (Maximum Aid Payment (MAP) Level and MAP Restriction); and Chapter 89-200, Section 89-201 (Minor Parent Requirement).

INFORMATIVE DIGEST/POLICY STATEMENT OVERVIEW

Senate Bill (SB) 1041 (Chapter 47, Statutes of 2012) replaces the Quarterly Reporting/Prospecting Budgeting (QR/PB) system with an Annual Reporting system in the California Work Opportunity and Responsibility to Kids (CalWORKs) program for certain CalWORKs child-only cases. These cases are those in which there is no eligible adult in the Assistance Unit (AU) and are referred to as Annual Reporting/Child Only (AR/CO) cases. CalWORKs is California's version of the federal Temporary Assistance for Needy Families (TANF) Program. The bill mandated that AR/CO be implemented October 1, 2012. This change reduces the reporting burden on recipients and reduces the administrative burden on county workers by only requiring one report per year during the annual redetermination.

The AR/CO provisions within this regulation package include a tandem format for the operation of Semi-Annual Reporting (SAR) and AR/CO. This is because the systems are parallel reporting systems and recipients may transition between SAR and AR/CO. Regulations that are operative

under Semi-Annual Reporting are labeled (SAR). Regulations that are operative under Annual Reporting Child Only are labeled (AR/CO). Regulations not labeled are applicable to both reporting systems and therefore remain unchanged.

In addition to the AR/CO provisions of SB 1041, this regulation package also includes the increase of the Earned Income Disregard (EID) from up to \$112 to up to \$225 of any unused amount of the \$225 Disability-Based Unearned Income (DBI) disregard plus 50 percent of the remaining earned income. SB 1041 mandated that the increase to the EID be implemented by October 1, 2013. The change allows CalWORKs recipients to retain an increased amount of earned income.

Assembly Bill (AB) 1094 (Chapter 554, Statutes of 2013) expands the definition of DBI to include Veterans Disability Compensation benefits as a new category. DBI is exempt from the calculation of the income of the AU not to exceed \$225. If DBI exceeds \$225, the additional amount will be counted dollar for dollar.

This regulation package also contains numerous clean-up and technical changes, including repealing outdated QR regulations, correcting outdated terms and references, and updating the Minimum Basic Standard of Adequate Care levels as of July 1, 2013 and Maximum Aid Payment levels as of March 1, 2014.

The benefits anticipated from this regulatory action include simplifying the reporting responsibilities for both CalWORKs recipients and county eligibility workers. In addition, this regulatory action will benefit families receiving CalWORKs by allowing them to utilize more of their income to better meet basic needs while becoming self-sufficient.

The Department considered other possible related regulations in this area, and we find that these are the only regulations dealing in this subject area (of CalWORKs reporting systems) and therefore, the Department finds that these proposed regulations are compatible and consistent with the intent of the Legislature in adopting SB 1041, AB 1094 and AB 85, as well as with existing state regulations.

The following forms are incorporated by reference. These forms are not printed in the CDSS Manual of Policies and Procedures because it would be cumbersome and impractical; however, they are readily available from CDSS:

AR 2 (11/13) – Reporting Changes for CalWORKs and CalFresh

AR 2 SAR (11/13) – Reporting Changes for CalWORKs and CalFresh

AR 3 (12/12) – Mid-Year Status Report for CalWORKs and CalFresh

CW 2211 (9/13) – Your CalWORKs Reporting Rules Have Changed

CW 2212 (9/13) – The Rules for Your CalWORKs Case Have Changed

TEMP AR 1 (2/13) – New Reporting Requirements for CalWORKs and CalFresh

COST ESTIMATE

1. Costs or Savings to State Agencies: There is approximately \$173,328,000 in costs for fiscal year (FY) 2014-15 that is already reflected in the 2014 May Revision Estimate.
2. Costs to Local Agencies or School Districts Which Must Be Reimbursed in Accordance With Government Code Sections 17500 - 17630: None.

3. Nondiscretionary Costs or Savings to Local Agencies: There is approximately \$1,210,000 in costs for FY 2014-15 that is already reflected in the 2014 May Revision Estimate.
4. Federal Funding to State Agencies: There is approximately \$40,493,000 in costs for FY 2014-15 that is already reflected in the 2014 May Revision Estimate.

LOCAL MANDATE STATEMENT

These regulations do impose a mandate upon local agencies, but not on school districts. There are no "state-mandated local costs" in these regulations which require state reimbursement under Section 17500 et seq. of the Government Code because any costs associated with the implementation of these regulations are costs mandated by the federal government within the meaning of Section 17513 of the Government Code.

STATEMENT OF SIGNIFICANT ADVERSE ECONOMIC IMPACT ON BUSINESS

The CDSS has made an initial determination that the proposed action will not have a significant, statewide adverse economic impact directly affecting businesses, including the ability of California businesses to compete with businesses in other states. This determination was made because the action taken in regarding the implementing the annual reporting system pertains to simplifying the reporting requirements for CalWORKs recipients and lessening their reporting burden from five times a year to once a year. In addition, this regulatory action will affect CalWORKs recipients who qualify for Earned Income Disregards and who receive Veteran's Disability Compensation benefits. These changes will actually allow these individuals to retain more of their income and grant amount giving them more liquid resources to put back into the economy.

STATEMENT OF POTENTIAL COST IMPACT ON PRIVATE PERSONS OR BUSINESSES

The CDSS is not aware of any cost impacts that a representative private person or business would necessarily incur in reasonable compliance with the proposed action.

SMALL BUSINESS IMPACT STATEMENT

The CDSS has determined that there is no impact on small businesses as a result of filing these regulations because these regulations are only applicable to state and county agencies.

STATEMENT OF RESULTS OF ECONOMIC IMPACT ASSESSMENT

The adoption of the proposed amendments will neither create nor eliminate jobs in the State of California nor result in the elimination of existing businesses or create or expand businesses in the State of California. This regulatory action will not have an effect on the health and welfare of California residents, worker safety, or the state's environment. The benefits anticipated from this regulatory action include simplifying the reporting responsibilities for both CalWORKs recipients and county eligibility workers.

STATEMENT OF EFFECT ON HOUSING COSTS

The proposed regulatory action will have no effect on housing costs.

STATEMENT OF ALTERNATIVES CONSIDERED

SB 1041 mandates that CDSS implement the policy change regarding AR/CO and the change in the EID through the regulatory process. In developing the regulatory action, the CDSS did not consider any other alternatives than the one proposed because there were no other alternatives proposed.

The CDSS must determine that no reasonable alternative considered or that has otherwise been identified and brought to the attention of CDSS would be more effective in carrying out the purpose for which the regulations are proposed or would be as effective as and less burdensome to affected private persons than the proposed action, or would be more cost-effective to affected private persons and equally effective in implementing the statutory policy or other provision of law.

AUTHORITY AND REFERENCE CITATIONS

The CDSS adopts these regulations under the authority granted in Sections 10553 and 10554 of the Welfare and Institutions Code. Subject regulations implement and make specific sections 11450.025, 11265.45, 11265.46, 11265.47 and 11265.48, Welfare and Institutions Code.

CDSS REPRESENTATIVE REGARDING THE RULEMAKING PROCESS OF THE PROPOSED REGULATION

Contact Person: Everardo Vaca (916) 657-2586
Backup: Zaid Dominguez (916) 657-2586

EMERGENCY STATEMENT

These regulations are to be adopted on an emergency basis. In order to allow interested persons an opportunity to submit statements or arguments concerning these regulations, they will be considered at public hearing in accordance with Government Code section 11346.4.