County of Orange Social Services Agency
Family Self-Sufficiency

Program/Area: CalWORKs/Welfare-To-Work
Title: Income Reporting Threshold for SAR
Number: 100-B14 **Status:** *Signature of file*
Effective Date: 08/13 **Revision Date:**
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PURPOSE

Assembly Bill (AB) 6 (Chapter 501, Statutes of 2011) establishes the Semi-Annual Reporting (SAR) system for the CalWORKs, RCA and Cal Fresh programs, and replaces Quarterly Reporting/Prospective Budgeting (QR/PB) system. The purpose of this policy is to outline the rules for the Income Reporting Threshold (IRT) for the SAR process that is effective October 1, 2013 in Orange County.

DEFINING THE CALWORKS IRT

The IRT is an income threshold that informs the Assistance Unit (AU)/Household when they are mandated to make a mid-period report of an increase in income. The IRT mandates when the AU is required to make a mid-period report of an increase in income, but the result of such a report is not necessarily discontinuance. Depending on how much income is reported, a report of income over the IRT could result either in a decrease in aid <u>or</u> discontinuance.
There are two tiers of the CalWORKs IRT and is subject to change when the AU's income changes.

If any member of the AU or any member of the Family Maximum Aid Payment (MAP) has earned income, the CalWORKs AU is required to report when the total combined gross monthly income, earned and unearned, of all persons included in the Family MAP <u>exceeds the lesser</u> of the following two amounts:

<u>Tier 1</u> - Income that <u>increases</u> by 55 percent of the monthly income of a family of three at the Federal Poverty Level (FPL) over the last amount of income used to calculate their grant; or

Note: Tier 1 will be different for each AU depending on their current income. AUs with no current income will have 55 percent of the FPL as their current IRT.

<u>Tier 2</u> - The level likely to render them ineligible for

CalWORKs benefits (recipient earned income limits).

This IRT requirement means that if anyone in the AU or anyone in the Family MAP has earned income or begins receiving earned income, the AU must report to the worker when the household’s total combined income, earned and unearned, exceeds the IRT at any time during the SAR Payment Period.

Income that must be reported for IRT purposes includes income that is required to be reported for penalized, excluded, and timed-out individuals, as well as the income of persons not in the AU who were included in the determination of income eligibility and grant amounts.

CalWORKs: Because each family will have different amounts of earned versus unearned income, the exact amount of income that will make each family ineligible for CalWORKs will vary; however, Tier 2 of the IRT will be based on the CalWORKs recipient earned income limits.

In situations where an AU reports income over Tier 2 of the CalWORKs IRT and remains eligible, their IRT will become the CalFresh IRT of 130 percent of the FPL (refer to the Informing Recipients of Their IRTsection).

The rule applies as follows:
AUs that have earnings only or a combination of earned and unearned income will be required to report within 10 days when the household’s total income exceeds the IRT.

AUs that have no income or have unearned income only will be required to report within 10 days if they receive new earnings that, once combined with other household income, exceeds the IRT.

AUs with unearned income only (including disability-based unearned income) are not required to report when that income by itself exceeds the IRT mid-period.

Note: Recipients may report nonrecurring lump sum income when it exceeds the IRT by itself or in combination with other family income; however, recipients are not required to report nonrecurring lump sum income mid-period, as nonrecurring lump sum income is to be treated as property in the month received and any subsequent months.

INFORMING

The informing notice (SAR 2) that explains the IRT limit must

RECIPIENTS OF THEIR IRT

be individualized for each CalWORKs case.

There are two tiers of the CalWORKs IRT and one tier for CalFresh, the lowest of which will be the AU's current IRT:

CalWORKs Tier 1:
An increase in income of 55 percent of the FPL for a family of three. Though the amount of the increase is a fixed number based on the current FPL for a family of three, this tier of the IRT is an increase in family income by that amount, requiring that the current income be added to the figure representing 55 percent of the FPL. This means that this IRT level will be different for each AU/household depending on their current income.

The only AU/households that will have 55 percent of the FPL as their current IRT are households with no current income. For all other AU/households, the 55 percent of FPL figure will be added to the amount of income last used to calculate the family's grant to determine the IRT level; or

CalWORKs Tier 2:
The amount that is likely to make a family ineligible for CalWORKs. This tier is a set amount for each family size based on the MAP levels (exempt or non-exempt) and the earned income disregards.

This tier is based on the earned income limits for each family size, regardless of whether or not the individual AU has a combination of earned and unearned income.

CalFresh IRT (Tier 3):
The CalFresh IRT is the amount likely to make a family ineligible for CalFresh (130 percent of the FPL) for each household size. **This tier will be the IRT for a CalWORKs AU only in those rare situations where the AU reports income over Tier 2 of the IRT, but remains eligible to aid.**

Example: Non-Exempt, AU of 2, with an IRT (Tier 2) of $1144. The AU reports they have $225 in disability-based unearned income (DBI) and $950 in earned income. The total income is $1175, rendering them over the Tier 2 IRT. The AU budget is $225 (DBI) minus $225 (disregard), leaving the earned income of $950 divided by 2, or $475. The MAP is $516, so the AU is eligible for a $41 CalWORKs grant. The AU now has a new IRT. While Tier 2 continues to be the lesser of the three IRTs, it cannot be assigned to the AU because it is already lower than the AU's income. That leaves

Tier 1 ($875 + $1175) or Tier Three ($1640). Tier 3 is the lesser amount, so that is the AU's new IRT.

CalFresh Note: Although the only IRT for CalFresh is 130 percent of the FPL, for Public Assistance CalFresh (PACF) households, workers are required to act on changes resulting from any reported IRT changes affecting the CalWORKs case, whether the result is an increase, decrease or termination of benefits mid-period. See the Report of Income Exceeding the IRT section for more information about what actions will be taken in the CalFresh program when income over the CalWORKs IRT is reported.

The worker shall inform each household at least once per SAR Payment Period of:

1. The requirement for families that have earnings to report the receipt of gross monthly income that exceeds the IRT;
2. The consequences for failing to report; and
3. The dollar amount of gross monthly income that exceeds the IRT.

Informing shall also occur:

- When the CalWORKs Family MAP size changes;
- Whenever the amount of income used to calculate the grant changes;
- At redetermination/recertification;
- When the FPL figures are updated;
- Upon recipient request; and
- Any other time the AU/household's IRT changes.

Because Tier 1 of the IRT level is based on the amount of income that was last used to calculate the grant, whenever the AU has reported a change in income that results in the worker recalculating their grant amount, the worker shall recalculate the AU's IRT and send a new SAR 2 notice with this information to them within 10 days of the reported change.

Example 1: A non-exempt AU/household of two is in the January through June SAR Payment Period and has no income. Their IRT is $875 (55 percent of $1,591 – the current FPL for a family of three). On the SAR 7 submitted in June, Mom reports that she got a new part-time job in May that pays $500 a month. Her CalWORKs and CalFresh benefits for the July through December SAR Payment Period are recalculated using the $500 monthly anticipated income. The AU's IRT must be recalculated based on this new income. Tier 1 IRT is calculated as follows: $500 + $875 = $1,375. Tier 2 IRT is $1144. Because Tier 2 IRT level is the lower of the two tiers, the AU's new IRT is $1,144.

On November 15, Mom reports to the worker that her job just ended, she anticipates receiving $300 in November and she anticipates no income for the rest of the SAR Payment Period. The $300 is used to recalculate her November benefits and a supplement shall be provided. Her December benefits are calculated based on no income. The AU's new IRT level will be Tier 1 $875 (55 percent of FPL [$875] plus the income of $0 last used to calculate the family's grant [i.e. $875 + $0 = $875]) since Tier 1 IRT Level of $875 is less than Tier 2 IRT Level $1144.

If the AU still anticipates no income for the SAR Payment Period of January through June when the December RRR forms are submitted, the AU's IRT for the upcoming SAR Payment Period will remain $875.

Example 2: A non-exempt AU/household of three is in the January through June SAR Payment Period and has no income. The family's CalWORKs IRT is Tier 1 $875 (55 percent of the current FPL for a family of three). In February, Mom reports to the worker that she has started receiving unemployment benefits in the amount of $900 a month. However, since income over the IRT only has to be reported if the family has earnings, and this family has unearned income only, this report of income over the IRT will be considered a voluntary mid-period report, no action will be taken, and the AU's IRT will remain $875.

Example 3: A non-exempt AU/household of three is in the January through June SAR Payment Period and has no income. The family's CalWORKs IRT is Tier 1 $875 (55 percent of the current FPL for a family of three). In March, Mom reports that she has started a part-time job and is earning $500 a month and that each child has started receiving $200 a month in disability insurance from their absent Dad. The total combined earned and unearned income is $900 (i.e.: $500 + $200 + $200 = $900), which is over the family's IRT of $875. The worker recalculates the CalWORKs and CalFresh benefit amount for the remaining three months (April through June) of the SAR Payment Period and recalculates the family's IRT based on the new income of $900 a month. This Family's Tier 1 IRT level would now be $1,775 ($900 + $875) so their new IRT will be Tier 2 $1,388 (the CalWORKs recipient earned income limit for a non-exempt AU of three), the lesser of the two tiers.

In April, Mom reports that her earnings have increased to $1,000 a month, so the total household income is $1,400. The worker determines that this income makes the family ineligible for CalWORKs and discontinues the family effective the end of April, with timely and adequate notice. Transitional CalFresh benefits would begin effective May 1.

Recipients will be informed of the IRT requirements:

1. On the SAR 7;

2. On the Notice of Action used to add a new household member; or

3. On a separate informing notice to the AU/household

IRT Chart for SAR and AR/CO Worker Tool 12 and IRT Level Worker Tool 35.

REPORT OF INCOME EXCEEDING THE IRT

The mid-period requirement to report income in excess of the CalWORKs IRT applies to the CalWORKs program only. If CalWORKs benefits are decreased or discontinued due to the CalWORKs IRT, workers must also act to determine the impact on the household's CalFresh benefits (if the AU has a companion PACF case).

When income in excess of the CalWORKs IRT is reported, the worker must determine if the AU remains financially eligible for CalWORKs benefits and if so, recalculate the CalWORKs and CalFresh benefits for the remainder of the SAR Payment Period using the new amount of reasonably anticipated income.

If a recipient reports receipt of income that exceeds the IRT, the worker must determine if income will continue at that level. If the income is only expected to last for one month and will not continue at that level, the worker shall not take action to discontinue or decrease benefits.

If an AU/household makes a mid-period report of increased income that is not over the IRT, that report shall be treated as voluntary, and shall not result in any decrease in benefits.

Example: AU/household of three is in the October through March SAR Payment Period with no income. The AU's IRT is $875. Mom gets a holiday job for December only that will pay $1,000. Mom reports in December when her income exceeds her IRT. She informs the worker that this job will end in December and she expects no income beginning in January. Because this income is not expected to continue, it will not be used to redetermine eligibility or grant amount.

If the income over the IRT will continue, but is not at a level that will result in ineligibility for benefits, the worker must use the new reasonably anticipated income to recalculate the CalWORKs and CalFresh benefits for the remaining months of the SAR Payment Period. Income over Tier 1 of the CalWORKs IRT will generally not result in the family losing eligibility for aid, but will instead only result in a decrease to benefit amounts.

If the income over the IRT will continue at that level, the worker must determine if the AU/household is eligible for continued benefits. If the recipient is determined to be financially ineligible based on the new income that the AU/household will continue to receive, the worker shall discontinue the recipient at the end of the month in which timely and adequate notice can be provided. The recipient will not be eligible unless the anticipated income changes prior to the date of discontinuance.

If the AU/household reports that the anticipated income will no longer continue at the reported level prior to the effective date of the discontinuance, and the worker determines this is a reasonable estimate, the worker must rescind the discontinuance.

In order to avoid creating an OP/OI, the worker shall take action to terminate benefits based on the reported change prior to receiving verification of the increased income.

Example 1: Mom in a non-exempt AU/household of three has gross earned income of $1,200 per month. The SAR Payment Period is January through June, and benefits for that period have been determined using $1,200 as the income amount for each month. On February 15, Mom reports that her monthly earnings increased to $1,800, which is greater than her CalWORKs IRT of Tier 2 $1,388 (the CalWORKs earned income limit for a non-exempt AU of three), and that she anticipates this income will continue at that level.

After applying the appropriate income disregards, the worker determines that the AU is financially ineligible for continuing cash aid, and must take action (without waiting for verification of the new income) to discontinue benefits effective February 28.

In CalFresh, this family would no longer be categorically eligible once cash aid is discontinued due to financial ineligibility. The worker would discontinue the CalFresh benefits effective February 28. The five-month transitional Cal Fresh period would begin March 1.

Example 2: Non-exempt AU of two consists of Mom, one cash-aided child, and one SSI child in the July through December SAR Payment Period. Benefits are based on Mom's monthly income of $200. The IRT for this family is Tier 1 $1,075 (i.e.: $875 [55 percent of the FPL for a family of three] + $200 income). On August 31 Mom calls her worker and reports that she believes her income increased in July to a level where she is mandated to report. Mom reports she received two paychecks from her job totaling $898 and the child receiving SSI got one SSI check for $643. Because SSI income is excluded, Mom did not need to report this income. The worker would send a "No Change NOA" to the AU reminding them to report this new income on their next SAR 7 or RRR forms. The family's IRT would remain $1,075 until the grant amount is recalculated based on the new income.

Example 3: A non-exempt AU of three with no income is in the July through December SAR Payment Period. Their grant amount is $638 and their IRT is Tier 1 $875. On September 25 Mom reports that she got a new job in August and will be paid twice a month. She received her first two paychecks of $475 each on August 15 and 31. The AU's grant and allotment amount shall be recalculated based on this new income. Because the AU exceeded their IRT on August 31 and Mom did not report the income over IRT timely (by September 10, within 10 days of receipt) and there is no time to decrease the grant amount of October, her grant will be recalculated effective November 1, and she will have an OP in CalWORKs for the months of September and October. The CalFresh allotment amount will also be recalculated effective November 1; however, an OI will not be assessed because report of income over the CalWORKs IRT is not a mandatory report for CalFresh.

Example 4: A non-exempt AU of three with no income is in the July through December SAR Payment Period. Their grant amount is $638 and their IRT is Tier 1 $875. On July 25 Mom reports that she got a part time job and will receive $900 in July. Mom expects this income to continue. The worker recalculates the AU's grant and allotment amount using the new reasonably anticipated monthly income $900 and determines that the grant amount should be changed effective August 1. However there is no time to issue 10-day notice to decrease the grant effective August 1, so the change will be effective September 1. The August grant will be issued at $638, and an OP will be assessed for August. (There would be no OI in CalFresh for the month of August because a report of income over the CalWORKs Tier 1 or 2 of the IRT is not a mandatory report in CalFresh.)

Example 5: A non-exempt AU/household of three is in the January through June SAR Payment Period. Mom is working part-time earning $600 a month and each child is receiving $100 a month in disability insurance from their absent Dad. The total combined earned and unearned income is $800. The family's Tier 1 IRT would be $1,675 ($800 + $875) so their current IRT is Tier 2 $1,388 (the CalWORKs recipient earned income limit for a non-exempt AU of three), the lesser of the two tiers. In April, mom reports that her hours increased and she is now earning $1,200 a month. The total household income is $1,400, which is over the IRT. Due to the disability income disregard of $225, the worker determines that this family is still eligible for a $51 monthly grant. Their CalFresh benefits will also be recalculated. This family's IRT will now be $2,069 (CalFresh IRT Tier 3, 130 percent of FPL).

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ATTACHMENTS

1. IRT Chart for SAR and AR/CO Worker Tool 12
2. IRT Level Worker Tool 35
3. SAR 2 (Reporting Changes for Cash Aid and CalFresh)

REFERENCES

1. ACL 12- 25