WR SPECS - Improv. Govt Asst.

OFFICE OF HUMAN SERVICES POLICY
FAX SHEET

DATE: April 5, 1994

TO: Bruce Reed

ORGANIZATION:

TELEPHONE NO.: 456-6515

FAX NUMBER: 456-7028/7739

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NOTE:

FROM: Wendell Primus

ORGANIZATION: DHHS/OS/ASPE/HSP

TELEPHONE NO.: 202/690-7409

FAX NUMBER: 202/690-6562

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Standard Computer Interfaces and Electronic Data Interchanges

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Computer interface standards to specify the "hand-shake" procedures to ensure communications between computers of different hardware architecture and operating system; and

Standard electronic data interchange (EDI) transaction definitions for: (1) the sharing of assessment of skill levels, service needs and achievement objectives; (2) specific services delivered including the number of hours of training; (3) outcomes of the services rendered; (4) problems or barriers encountered including all events subject to program sanction; and (5) financial transactions associated with budget preparation and expenses accounting.

Information Sharing Between Federal and State Agencies

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Interagency work group including members from ACF, SSA, IRS, USDA and States representatives should be convened to uss and develop legislative specifications which would permit uter matching and information sharing for:

- The Clearinghouse to access the SSA enumeration files to validate all SSNs reported by the State IV-A agency for recipients receiving benefits assistance, IV-D agencies for non-custodial parents, SESAs for all individuals who worked during the previous quarter, and employers for new hires;

- The Clearinghouse to extract employment records from SESAs to maintain its Employment Registry to support wage withholdings for child support, to detect unreported employment for individuals receiving welfare assistance, and to provide data for longitudinal analysis to assess the effectiveness of various training programs on the length of and wage level of employment;

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- State agencies administering benefit assistance programs to obtain from the IRS the earned income data for income verifications; and

- IRS to receive welfare participation data and child support delinquent payment information to detect taxpayers who illegally claimed EITC benefits and other dependent exemptions.

Mike Nelson

Draft- for discussion only

Information Systems

4/6/94

National Clearinghouse

Vision

Ensure efficient location and enforcement for child support, particularly in interstate cases, and to support critical welfare reform initiatives, a National Clearinghouse will be established. At minimum, the Clearinghouse will maintain four data registries: the National Employment Registry, the National Locate Registry, the National Child Support Registry and the National Aid Receipt Registry.

The Receipt Registry will maintain the official two year time clock for the States to operate the time-limited welfare assistance program. States will be required to:

transmit a computer transaction record to the Clearinghouse when:

(1) A case is approved or closed for assistance;
(2) A person's status in JOBS-Prep, JOBS or WORK changes;
(3) An individual is granted an exemption or extension to the 24-month time-limit;
(4) An individual is being sanctioned for non-compliance with the child support, JOBS or WORK requirements; and
(5) An adjustment is made to the time-limit as a result of hearing or State administrative actions.

When processing a new application, access the Clearinghouse to obtain the applicant's previous program participation history and the number of months remaining for the time-limited assistance to determine the eligibility and duration of time for receiving benefits. In addition, if the individual is in a sanction status, the benefit amount should be adjusted accordingly.

Rationale

The time-limit is to be computed on a cumulative basis regardless where the individual resides. Since recipients often move from State-to-State, a central repository of program participation must be maintained to ensure that no one receives assistance benefits exceeding the 24 month limit.

ISSUE 1: *Will the States be able to provide the information after the reform programs become operational?*

A list of minimum data elements required to support the time-limit program has been developed. Based upon our preliminary analysis, we believe that all States should be able to modify their current systems (AFDC or JOBS) to provide the needed data to the Clearinghouse. To be determined is the timeframe in which States will be able to provide the data.

We should begin a dialogue with States to get feedback about the proposed minimum data elements, degree of system impact, and the lead time required for system modification.

ISSUE 2: *What will be the reporting alternative for States which were unable to provide the minimum data elements required for time-limit enforcement?*

We should legislate the requirement for States to report to the Clearinghouse. Should a State be unable to provide the minimum data elements, we will negotiate an alternative reporting mechanism.

ISSUE 3: *Who should assume the responsibility to resolve discrepancies for the number of months remaining for eligibility, if the applicant disagrees with the information supplied by the Clearinghouse?*

Option One

The State handling the application would take the responsibility in resolving the conflicts by contacting other States where the client had previously resided. If the findings were different from the information maintained in the Clearinghouse, the State would send a transaction to the Clearinghouse for adjustment.

Option Two

The ACF will staff the Clearinghouse with personnel dedicated to resolving conflicting data.

ISSUE 4: *In addition to being the official time clock, should the Clearinghouse be designed to be capable of producing critical management information (in lieu of States reporting) to permit assessment on the States performance.*

Clearinghouse could accommodate additional data elements which could provide significant management

information and yet with a minimum operational impact. We have developed a list of desirable data elements based upon preliminary discussions with members of the Performance Measurements Group.

We envision that the ultimate decision on the number of data elements to be carried by the Clearinghouse will be based upon two main factors, costs and privacy concerns.

Most data elements (e.g., JOBS-Prep reason code) in the list can be accommodated with no or a minimum cost impact on the operations of the Clearinghouse or the State systems. A few elements (e.g., dependent data) would have significant cost implication. Some elements (e.g., race code) which have very minor impact on costs may be controversial however, because of the perception of creating a "big-brother" federal system. Following examples are for illustration purposes only:

(a) Capturing the JOBS-Prep reason code (e.g., illness, incapacitation, advance age) would allow the Clearinghouse to compute total number of individuals in the JOBS-Prep program to ensure that the percentage does not exceed the 5% or whatever is specified in the statute.

(b) Capturing the reason code for an individual receiving time-limit extension would allow Clearinghouse to compute number of individuals who are in time-limit extension status as a result of State's inability to provide the services specified in the employability plan. It would also ensure that the percentage of individuals who are in time limit extension status is below the 10% cap.

(c) Capturing the WORK status code to indicate the type of WORK assignments would allow computation of the total number of WORK assignments created by a State to ensure that it meets the minimum standards set by the Secretary; and to ensure that the number of individuals who are on waiting lists and performing voluntary community work, does not exceed the cap set by the Secretary.

We are also aware that not every State will be capable of producing those data elements immediately. Staff analyses on individual States system capabilities are underway.

ISSUE 5: *With whom shall we work with to determine the needs of accommodating desirable data elements to be carried in the Clearinghouse in addition to the minimum data elements required for the time-limit support?*

Option One

Establish a work group including members from policy, operations and program evaluation to work with the Information Systems Group to determine the final list of the data elements to be accommodated by the Clearinghouse.

Option Two

The Performance Measurement Group and the Information Systems Group work jointly to finalize the list.

Option Three

Discuss and finalize the list in the 7:30-9:30 morning specifications meetings.

ISSUE 6: *Would Federal sanction policies be uniformly applied to all States?*

It is envisioned that Federal sanction policies will be uniformly applied to all States. Furthermore, we assume that States cannot enact sanction policies with penalty provisions conflicting with Federal policies.

EXAMPLE:

A person was fired from a WORK assignment for the third time for cause and was therefore not eligible for cash benefits for a period of 12 months. The person moved to a different State two months after being sanctioned. The Clearinghouse will inform the State where the person now resides that she or he is not eligible for benefits for another 10 months.

ISSUE 7: *How should the Clearinghouse treat the State specific sanction provisions?*

Option One

The Clearinghouse would record the information in the registry purely for informational purpose.

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The clearinghouse would not record State specific sanctions.

ISSUE 8: *How should the Clearinghouse determine the amount of eligibility earned back for individuals who have moved from one State to another having a different earn back policy?*

EXAMPLE:

NO

A person exits welfare with 3 months remaining on his 24-month clock from a State where a person can earn back up to 24 months of eligibility. Having worked in that State for five and a half year, he moved to a new State and applies for assistance. If he would continue to stay in the same State, at that point, he would earned back 16.5 months of assistance (66 total months divided by 4), for a total of 19.5 months of eligibility. However, the new State he now resides has opted to limit the number of months a person could earn back to 12 month. If the new State rule applies, he would have only earned back for 12 months, for a total of 15.5 months of eligibility. Is the person entitled to have 19.5 or 15.5 months of eligibility?

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In accordance with the schedules in the Hypothetical Child Support Enforcement Proposal, a contract would be issued to an objective and not-for-profit organization to conduct a detailed study in December, 1994 to determine the most cost-effective and efficient systems and communications environment to support Clearinghouse operations. Specifically, the study will determine:

(a) The most cost-effective and efficient computer and network infrastructure to support needed operations;
(b) The most appropriate organization responsible for the establishment and operation of the Clearinghouse;
(c) The most cost-effective method for the processing of W-4 forms for capturing the new hires data; and
(d) The feasibility and strategy of integrating Government-wide initiatives (including Healthcare Reform) to avoid overlaps and redundancies in systems development and data collections.

The projected costs for the study is about $500,000.

WR SPECS
Impr. Cost Acct.

Draft- for discussion only

Information Systems

4/6/94

→ WR Grant (see p. 8)

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Los Angeles County began its fingerprint identification system for its General Relief program in 1991. It was estimated that 5.54% of approved cases were terminated because of clients' unwillingness to be fingerprinted.

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Representative Lazio (R-NY) introduced a bill (H.R. 3727) in January, 1994 requiring the Secretary of Health and Human Services to conduct a study of the feasibility of using biometric devices to verify the identity of persons applying for AFDC benefits.

We recommend that HHS provide funds for Los Angeles County to follow-up with individuals who are unwilling to provide fingerprints in the forthcoming pilot to determine the impact of fingerprinting and true percentage of multiple enrollments.

In addition, we recommend that HHS support a fingerprint demonstration project for two adjacent cities in two different States to assess the interstate multiple enrollments problem.

3. Standard Computer Interfaces and Electronic Data Interchanges

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4. Information Sharing Between Federal and State Agencies

Vision

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FRAUD

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WR SPECS
Improv. Govt Asst.

IMPROVING GOVERNMENT ASSISTANCE

A. RATIONALIZATION AND SIMPLIFICATION ACROSS ASSISTANCE PROGRAMS

The rationalization and simplification of assistance programs is something of the holy grail of welfare reform--always sought, never realized. The reasons are many: different goals of different programs, varied constituencies, Departmental differences, divergent Congressional committee jurisdictions, and the inevitable creation of winners and losers from changing the status quo. Yet everyone agrees that recipients, administrators, and taxpayers are all losers from the current complexity. Below are several proposals for reform. The proposals do not make substantial changes in program structures. Rather, the proposals achieve simplification by streamlining administrative processes and by conforming program rules between the AFDC and Food Stamp programs. The proposals modify existing rules that create unnecessary complexity and confusion for program administrators and recipients.

1. FILING UNIT

Under current law, the AFDC filing unit must consist of a needy deprived child, its natural or adoptive parent(s), and all natural and adoptive brothers and sisters (including half brothers and sisters) who are living together. The unit's income and resources are used to determine eligibility and the amount of payment. A stepparent is treated the same as a natural or adoptive parent for filing unit purposes in seven States (Nebraska, New Hampshire, Oregon, South Dakota, Utah, Vermont, and Washington). These States have laws of general applicability which hold the stepparent responsible for the children to the same extent as a natural or adoptive parent. In all other States, the stepparent's needs are not included in the unit and his/her income, after certain disregards, are considered available to the unit members.

If there is no parent in the home, then another non-legally responsible relative with whom the child is living may, at his/her option, join the unit and be assisted. Additionally, States may exercise the option of including other individual(s) living in the home as an essential person(s). The essential person's income and resources are used to determine eligibility and amount of payment.

Certain parents and siblings are excluded from the unit: illegal and sponsored aliens, recipients of SSI, foster children, and individuals ineligible due to lump sum income.

(A) UP Provisions

Current Law

The Social Security Act at section 407(a) and 407(b) limits AFDC eligibility for two-parent families to those where the principal wage earner is unemployed, and has worked six of the last 13 quarters. "Unemployed" is defined in regulations as working less than 100 hours in a month.

Drafting Specs

Allow states, at their option, to eliminate the special eligibility requirements for two-parent families (i.e. the 100-hour rule and the work history test). Remove the sunset provision that calls for the termination of AFDC-UP in 1998 and make it a permanent program.

Rationale

Some of the arguments for removing the additional eligibility requirements are that eliminating them would:

- *remove the remaining vestiges of the AFDC marriage penalty in which single-parent families have easier access to benefits than married couples;*
- *improve horizontal equity by treating disadvantaged children the same irrespective of whether they live with one or two parents;*
- *encourage work, as the current rule limiting labor market attachment would be incongruous in a new transitional welfare program that emphasizes work;*
- *eliminating these special rules would also enhance the simplicity of the system; and,*
- *finally, a number of States have sought waivers in this area.*

Cost: Under Development

(B) Essential Person Provision

Current Law

The Social Security Act at section 402(a)(7) and the implementing regulation at 45 CFR 233.20(a)(2)(vi) permit States, at their option, to include in the AFDC grant benefits for essential persons. Such individuals are not eligible for AFDC in their own right, but their needs are taken into account in determining the benefits payable to the AFDC family because they are considered essential to the well-being of an AFDC recipient in the family. Twenty-two States currently include the option as part of their respective State plans.

Drafting Specs

Limit the kinds of individuals that a State may identify as essential to individuals providing at least one of the following benefits or services to the AFDC family: (1) child care which enables a caretaker relative to work full-time outside the home, (2) care for an incapacitated AFDC family member in the home, (3) child care that enables a caretaker relative to attend high school or GED classes on a full-time basis, (4) child care not to exceed two months that enables a caretaker relative to participate in employment search or another work program, and (5) child care that enables a caretaker relative to receive training on a full-time basis.

Total AFDC Savings:	**$21.5 million**
Federal AFDC Savings:	**$11.2 million**
Food Stamp Cost:	**$ 6.2 million**

Rationale

The Social Security Amendments of 1967 provided a specific statutory base for an essential person policy. This policy has two aspects. First, States are permitted to specify those individuals who can be considered essential; second, States must permit the AFDC family to have the final decision as to whether such individuals are in fact essential. Under this policy, States are not required to identify the benefits or services that these essential persons must provide.

In 1989, this policy became contentious. Based in part on an OIG review of certain State practices (most notably in New York), ~~our predecessor organization~~, the Family Support Administration, predecessor to ACF *published final regulations which limited State authority to determine categories of individuals who could be considered as essential to the family. These regulations precluded States from covering individuals who did not provide an essential benefit or service to the family. (The permissible categories are the five ~~shown in option 2~~ above.) However, in 1990 the district court for the Eastern District of Pennsylvania in Vance v. Sullivan and the district court for the District of Maine in McKenney v. Sullivan held that these regulatory limitations conflict with section 402(a)(7)(A) of the Social Security Act. The courts interpreted this section as providing States with the authority to identify in their State plans the categories of individuals who may be recognized as essential persons. These judicial decisions were not appealed. Consequently, the Department revoked the 1989 regulations and reinstated the prior policy. In order to curtail or limit the use of the essential person policy, a statutory amendment to section 402(a)(7)(A) is necessary.*

2. APPLICATION ISSUES

Current Law

The Food Stamp Act requires the use of a simplified, national form or an approved substitute containing specific content requirements, including rights and responsibilities. A combined application for public assistance households and general assistance households is required. Under the AFDC program, States are free to design the application form that will be used and to prescribe how to notify applicants of their rights and obligations.

Vision

To provide applicants with one, simple, easy to read and understand application form for AFDC and food stamps. Expedited processing will be provided for families in emergency need situations. Eligibility will be determined within identical time frames in both programs for both expedited and normal applications: Flexibility will be given to States for scheduling appointments and verifying information. (See B1 for regulatory specifications)

??

Drafting Specs

The Food Stamp statutory and regulatory provisions mandating the use of a national simplified form or approved substitute would be repealed. ?

Cost: Under Development

3. OPTIONAL RETROSPECTIVE BUDGETING

Current Law

For the AFDC program, the Social Security Act permits States to use retrospective budgeting only for the categories of families required to monthly report. The Food Stamp Act permits States to retrospectively budget cases that are not required to monthly report.

Drafting Specs

Amend the Social Security Act at section 402(a)(13) to delete the clause "but only with respect to any one or more categories of families required to report monthly to the State agency pursuant to paragraph (14),". This technical amendment will make retrospective budgeting optional for States without regard to whether families are required to monthly report.

Rationale

Allowing States to use retrospective budgeting without requiring cases to monthly report will foster consistency between the AFDC and Food Stamp programs, and will give States greater flexibility to administer their programs.

Savings: Negligible

4. RESOURCES

(A) General

Current Law

The Social Security Act and implementing regulations set a $1,000 limit (or a lower limit at State option) on the equity value of resources that a family may have and be eligible for AFDC. Excluded from consideration as countable resources are the home owned and occupied by the family; an automobile with a maximum equity value of $1,500 (or a lower limit at State option); bona fide funeral agreements with a maximum equity value of $1,500 for each family member (or lower limit set by the State); one burial plot for each family member; and real property for a period of 6 consecutive months (or 9 consecutive months at State option) which the family is making a good faith effort to sell. Under certain conditions, States may establish rules regarding transfer of resources in order to obtain or retain eligibility.

The Food Stamp Act and implementing regulations set a $2,000 limit (or $3,000 for a household with a member age 60 or over) on the value of resources a household may have and participate in the program. The Act does not specify how the value of resources is to be determined, but provides for uniform national eligibility standards for income and resources. State agencies are prohibited from imposing any other standards of eligibility. Households in which each member receives AFDC, SSI, or general assistance from certain programs do not have to pass the food stamp resource eligibility test. Regulations exclude from resources the value of one burial plot per family member and the cash value of life insurance policies. Also excluded is real property which the household is making a good faith effort to sell at a reasonable price and which has not been sold. There is no specific exclusion for burial plans (funeral agreements). Any amount that can be withdrawn from a funeral contract without an obligation to repay is counted as a resource.

Food Stamp law prohibits the transfer of resources within the 3-month period prior to application. A household that knowingly transfers resources for the purposes of qualifying or attempting to qualify for food stamps shall be ineligible to participate in the program for a period of up to one year from the date of discovery of the transfer.

Vision

Both the AFDC and Food Stamps programs serve similar needy populations. Yet, because the rules for treatment of both the amounts and categories of resources are different in each program, resources that meet one program's requirement can result in ineligibility under the other. Both programs have substantially different rules for evaluating the resources of that needy group, forcing welfare administrators to apply different program rules to the same resources in the same family. The following legislative proposal would reduce the current administrative complexity and confusion for welfare administrators and recipients by providing uniform treatment of assets where appropriate.

Drafting Specs

Require the Secretaries in both Departments to develop uniform resource exclusion policies in the following areas:

(1) Resource Limits:

(a) Option 1: Increase the AFDC resource limit to $2,000 (or $3,000 for a household with a member age 60 or over) to conform to the Food Stamp resource limit.

Regs?

NOTE: Indexing was considered but was eliminated because of the projected high cost to the Food Stamp Program.

Total AFDC Cost: $85.8 million
Federal AFDC Cost: $47.5 million
Food Stamp Savings: $25 million

(b) Option 2: Provide States the option of raising the general resource limit to $2,000(or $3,000 for a household with a member age 60 or over).

Total AFDC Cost: $57.2 million
Federal AFDC Cost: $31.7 million
Food Stamp Savings: $16.7 million

(2) Resource Exclusions:

(a) Burial Plots: Propose legislation to amend the Social Security Act to totally exclude one burial plot per family member to conform to the Food Stamp policy.

Cost: Negligible

(b) Funeral Agreements (Burial Plans): Propose legislation to both the Social Security Act and the Food Stamp Act to totally disregard one funeral agreement per family member.

Cost: Negligible

(c) Real Property: Propose legislation to amend the Social Security Act to exclude real property which the AFDC family is making a good faith effort to sell at a reasonable price and which has not been sold, to conform to the Food Stamp policy.

Cost: Negligible

(d) Cash Surrender Value of Life Insurance Policies: Propose legislation to amend the Social Security Act to totally exclude the cash surrender value of life insurance policies under the AFDC program to conform to the Food Stamp policy.

Cost: Negligible

(e) Transfer of Resources: Propose legislation to provide that a household that knowingly transfers resources for the purposes of qualifying or attempting to qualify for AFDC shall be ineligible for benefits for a period of up to one year from the date of discovery of the transfer. This proposal conforms to the Food Stamp policy.

WR FRAUD

Cost: Negligible

Rationale

The administrative complexity that exists in applying certain resource requirements in the AFDC and Food Stamp programs will be greatly reduced under the proposed changes. Welfare administrators will be able to apply the same rules to the same resources for the same family. These conforming changes achieve simplification by streamlining the administrative processes in both programs.

(B) Asset Accumulation

Current Law

The Social Security Act and implementing regulations set a $1,000 limit (or a lower limit at State option) on the equity value of resources that a family may have and be eligible for AFDC, with only limited exclusions.

The Food Stamp Act and implementing regulations set a $2,000 limit (or $3,000 for a household with a member age 60 or over) on the value of resources a household may have and participate in the Program. Section 13925 of Pub. L. 103-66 of the Omnibus Budget Reconciliation Act provides that the Secretary of Agriculture shall conduct, for a period not to exceed 4 years, projects to test allowing not more than 11,000 households nationwide to accumulate up to $10,000 each in excluded resources. These assets are for later expenditures for a purpose directly related to improving the education, training or employability (including self-employment) of household members, for the purchase of a home for the household, for a change in the household's residence, or for making major repairs to the household's home.

Vision

Welfare reform should include strategies to test the notion that one way out of welfare for some people is through empowering them to start their own businesses and encouraging them to save their earnings to build for the future. During the campaign, the President endorsed the idea of helping welfare recipients help themselves by proposing to increase the number of microenterprises and establish Individual Development Accounts (IDAs). These legislative proposals would promote self-sufficiency by encouraging recipients to accumulate savings, assets and start their own businesses.

An IDA is an optional earnings-bearing, tax-benefitted trust account in the name of one person. An IDA would be held in a licensed, federally-insured financial institution. Withdrawals can be made from the account only for designated purposes. For example, withdrawals could be made for a first home purchase, post-secondary education (college/long-term training), or business development (microenterprises). There would be penalties for non-designated use of the account. Participant eligibility would be determined by the State agency using broad Federal guidelines.

Drafting Specs

The Department of Treasury will amend the tax laws to allow for the development of IDAs. Amend both the Social Security Act and the Food Stamp Act to allow the asset limit to be increased to establish IDAs and demonstration projects which test the effectiveness of different levels of resource accumulations. The resource limit would be increased to $10,000 for purposes of the IDAs. Under both options, funds in an IDA will be disregarded for current recipients and former recipients who reapply within twelve months of leaving the rolls.

ISSUE: **Should IDAs be created and defined in the tax code as a national initiative, or be limited to only the AFDC and Food Stamp populations via changes in the SSA and FSA?** Yes

OPTION 1: Authorize the Treasury Department to implement national IDA programs to encourage low income individuals to save for specific purposes that promote self-sufficiency. Amend the Social Security Act and the Food Stamp Act to exclude from resources up to $10,000 placed in IDAs (and any interest earned).

(a) Lump sum income: Non-recurring lump sum income would not be counted, for AFDC and Food stamp purposes in the month of receipt or the next following month, if put in the IDA.

(b) There would be no limit on the number of IDAs eligible members in a family may have. However, the total exclusion per family would not exceed $10,000.

(c) Penalties for non-designated use of IDA: The penalty would be 10 percent of the amount withdrawn for each non-designated withdrawal. The penalty would be applicable as long as the IDA was in affect.

Total AFDC Cost: $7 million
Federal AFDC Cost: $4 million
Food Stamp Cost: Under Development

OPTION 2: Amend the Social Security Act and the Food Stamp Act to allow States to exclude from resources up to $10,000 placed in IDAs (and any interest earned).

(a) Lump sum income: Non-recurring lump sum income would not be counted, for AFDC and Food stamp purposes in the month of receipt or the next following month, if put in the IDA.

(b) There would be no limit on the number of IDAs eligible members in a family may have. However, the total exclusion per family would not exceed $10,000.

(c) Penalties for non-designated use of IDA: The penalty would be 10 percent of the amount withdrawn for each non-designated withdrawal. The penalty would be applicable as long as the IDA was in affect.

Total AFDC Cost: $5 million
Federal AFDC Cost: $3 million
Food Stamp Cost: Under Development

Rationale

IDAs and other setasides provide welfare recipients the opportunity to be entrepreneurs in the private sector and accumulate savings for specific purposes. This approach promotes self-sufficiency by empowering them to start their own businesses and encouraging them to save money they earn to build for their future.

(C) Microenterprise (Self-Employment)

Current Law

Resource Exclusions

Under Federal AFDC policy, except for real property, States may disregard for AFDC purposes income-producing property (as defined by the State) of self-employed individuals. States may also disregard income-producing property owned by a recipient who is not currently employed, but who the State reasonably expects to return to work. Federal regulations at 45 CFR 233.30(a)(3)(xxi) require that States disregard, for AFDC purposes, bona fide loans from any source for any purpose that meet the criteria set out in the State Plan.

Section 5(g)(2) of the Food Stamp Act and implementing regulations at 7 CFR 273.8(e)(4), (5), (6), (9), (15) and (16) exclude "property which annually produces income consistent with its fair market value; property which is essential to the self-employment of a household member; installment contracts for the sale of lands and buildings, if the contract ... is producing income consistent with fair market value; resources.. of.. self-employed persons, which has been prorated as income;" non-liquid assets with liens resulting from business loans; and real or personal property that is needed for maintenance of certain vehicles.

Drafting Specs

ISSUE 1: Should microenterprises be limited on the basis of their net worth and/or number of employees?

ISSUE 2: AFDC State agencies would determine the timeframes for the resource exclusion on the basis of the recipient's or applicant's approved business plan, which would be developed in accordance with the State criteria. Should this method of monitoring microenterprises apply to Food Stamp only households also?

(1) Require the AFDC and Food Stamp programs to disregard from resources of applicants and recipients any portion of the net profit of the microenterprise necessary to fulfill the business plan. The period of time for the exclusion would be determined by the State agency on the basis of the approved business plan, which would be developed in accordance with criteria established by the State. States may count establishing and participating in a microenterprise as fulfillment of the JOBS requirements.

NOTE: Food Stamps disagrees with the business plan.

Proposed Resource Changes

(2) Amend the Social Security Act to conform to the resource exclusions under the Food Stamp Program. AFDC regulations would be revised to exclude:

(a) property which annually produces income consistent with its fair market value;

(b) property which is essential to the self-employment of a household member;

(c) installment contracts for the sale of lands and buildings, if the contract is producing income consistent with fair market value;

(d) resources of self-employed persons, which has been prorated as income;

(e) non-liquid assets with liens resulting from business loans; and

(f) real or personal property that is needed for maintenance.

(3) Amend the Food Stamp Act to exclude business loans from resources.

Rationale

Current AFDC policy does not permit funds necessary for the operation of a microenterprise to be excluded separately from the general $1,000 resource limit. This restriction discourages recipients from establishing small businesses. By expanding the microenterprise resource exclusions, microenterprise owners will be able to set aside sufficient liquid resources to operate the business.

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Cost: Negligible

5. INCOME ISSUES

Vision

Federal laws or rules frequently disregard a part or the total income of applicants and recipients in determining eligibility and benefits for assistance programs. Often, the same income is treated differently in the AFDC and Food Stamp programs. Such differences are incomprehensible to recipients and difficult to administer.

Our goal is to adopt uniform equitable income disregard policies for the AFDC and Food Stamp programs which are easy to understand, simple to administer and promote work and education.

(A) EARNED INCOME DISREGARDS

Drafting Specs:

(1) Require States to disregard a minimum of $120 in earnings, indexed for inflation in rounded increments of $10.

(2) States will have the option to establish their own disregard policies on income above this amount. Additionally, States will have complete flexibility in establishing fill-the-gap policies (i.e., States will have the flexibility to determine which types of income should be considered

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in developing a fill-the-gap policy, such as child support payments, stipends, etc, in addition to earned income).

(3) The AFDC $50 pass-through of child support payments will also be indexed for inflation in rounded $10 increments. States will have the flexibility to pass-through additional child support payments above this amount.

Phase-in: FY 1997

Total AFDC Cost:	**Under Development**
Federal AFDC Cost:	**Under Development**
Food Stamp Cost:	**Under Development**

(B) Treatment of Lump Sum Income

Current Law

Under Section 402(a)(17) of the Social Security Act, non-recurring lump sum income is considered to be available to meet an AFDC family's current and future needs. If the assistance unit's countable income, because of receipt of lump sum income, exceeds the applicable State need standard, the unit is ineligible for a period determined by dividing the total countable income (including the lump sum) by the need standard.

The Food Stamp Act, at 5(d)(8), excludes from income non-recurring lump sum payments. Such amounts, if not spent in the month received, are treated as resources.

Drafting Specs

For applicants and recipients:

(1) Amend section 402(a)(17) of the Social Security Act (SSA) to exclude non-recurring lump sum payments from income.

(2) Amend both the SSA and FSA to disregard as resources, for one year from the date of receipt, non-recurring lump sum payments that are reimbursements for past, current or future costs or are intended to cover the cost of repairing or replacing assets.

(3) Amend both the SSA and the Food Stamp Act (FSA) to disregard the amount of any Federal or State EITC lump sum payments as resources for one year from receipt.

Rationale

Lump sum payments are treated completely differently in the two programs. Considerable simplification for both the clients and workers can be achieved if the policies are consistent. Also, current AFDC policy can result in hardship for families since they are supposed to conserve the payments to meet future living expenses rather than to cover debts and other costs.

Total AFDC Cost: $2 million
Federal AFDC Cost: $1 million
Food Stamp Savings: Negligible

(C) Treatment of Educational Assistance

Current Law

Several laws address the treatment of educational assistance for AFDC. Any educational assistance provided under programs in title IV of the Higher Education Act or the Bureau of Indian Affairs must be disregarded (P.L. 102-325, sec. 479B). A State must disregard payments made for attendance costs under the Carl D. Perkins Vocational and Applied Technology Education Act (P.L. 101-392, sec. 507(a). Under AFDC rules, the State must disregard educational loans and grants that are obtained and used for direct educational expenses, such as tuition and books (233.20(a)(3)(iv)(B). (Any of the educational assistance covering items in the State's need standard is counted as income.) Also, States may disregard all educational assistance as complementary assistance that is for a different purpose than AFDC (233.20(a)(3)(vii)(a)).

Portions of income received under the Job Training Partnership Act and the Higher Education Act are disregarded in the Food Stamp program. By regulation, such educational assistance provided on behalf of the household for living expenses, food, or clothing to the extent that the funds exceed the costs of tuition and mandatory fees are counted as income. (7 CFR 273.9(c)(1)(v); 273(c)(3); 273(c)(4); 273.9(c)(5)(i)(D); and 373.9((c)(10)(xi).

Drafting Specs

Amend the Social Security Act and Food Stamp Act to totally disregard all educational assistance received by applicants and recipients.

AFDC Cost: Negligible
Food Stamp Cost: $5 million

(D) Earnings of Students

Current Law

For a dependent child receiving AFDC, the earned income of a full-time or part-time student (not employed full-time) attending a school, college, or university, or a course of vocational or technical training designed to fit him for gainful employment is disregarded (402(a)(8)(A) of the Social Security Act). At State option, the earned income of a dependent child applying for AFDC may also generally be disregarded. The earnings of minor parents attending school are not excluded.

Effective September, 1994, the Food Stamp program will exclude the earnings of elementary or high school students age 21 and under (FSA 5(d)(5); 7 CFR 273.9(c)(7).

Drafting Specs

Amend the Social Security and Food Stamp Acts to limit the disregard to elementary and secondary students up to age 19 without regard to their status as parents or dependent children.

Total AFDC Cost: $1 million
Federal AFDC Cost: Negligible
Food Stamp Savings: $4 million

(E) Irregular Income

Current Law

No statutory provisions address irregular income for AFDC. Rules permit States to disregard small, nonrecurring gifts not to exceed $30 per individual per quarter (233.20(a)(3)(iv)(F).

The Food Stamp Act (Sec. 5(d)(2)) requires the exclusion of income of $30 or less in a quarter per household received too infrequently or irregularly to be anticipated. The exclusion does not apply under retrospective budgeting.

Drafting Specs

Amend the Food Stamp Act to conform to AFDC rules to exclude inconsequential income not in excess $30 per individual per quarter.

AFDC Cost: $0
Food Stamp Cost: Negligible

(F) Treatment of JTPA Income

Current Law

For AFDC, the income of a dependent child which is derived from participation in a JTPA program may be disregarded. Earned income may be disregard for a period up to six months per calendar year. Unearned income may be disregarded indefinitely (section 402(a)(8)(A)(v) of the SSA).

Under Food Stamps, training allowances from vocational and rehabilitation programs and JTPA earnings are excluded, except income from on-the-job training programs under section 204(5) of title II. All OJT income of individuals under age 19 and under parental control is excluded. (7 CFR 273.9(b)((1)(iii) and (v); 273.9(c)(10(v)

Drafting Specs

(1) Amend the Social Security and the Food Stamp Acts to disregard as income all training stipends and allowances received by a child or adult from any program, including JTPA.

(2) Eliminate targeted earned income disregards so that the earned income from any on-the-job training programs or from a job will be counted after the general earned income disregards are deducted.

Cost: Negligible

(G) Treatment of Income from Complementary Programs

Current Law

Under AFDC regulations, States may disregard assistance from other agencies and organizations that are for a different purpose (complementary) than AFDC and do not duplicate needs already met in the need standard. (45 CFR 233.20(a)(3)(vii)

With specified exceptions, the Food Stamp program disregards cash donations based on need to the household not to exceed $300 in any one quarter from one or more charitable organizations. (FSA 5(d), (k); 7 CFR 273.9(b), (c)(13).

Drafting Specs

Amend the Social Security Act to adopt the current Food Stamp policy.

AFDC Savings: **Negligible**
Food Stamp Cost: **$0**

(H) Supplemental Payments

Current Law

Section 402(a)(28) of the Social Security Act requires those States that deduct income from the need rather than the payment standard (fill-the-gap) now and in July of 1975 to provide a supplemental payment to families who have less disposable income because child support is paid to the child support agency instead of directly to the family.

Food Stamps - No such provision exists in the Food Stamp program.

Drafting Specs

Amend the Social Security Act to remove this provision.

Total AFDC Savings: **$42 million**
Federal AFDC Savings: **$27 million**

(I) Treatment of In-kind Income

Current Law

AFDC rules require earned in-kind income to be counted. As a matter of policy, States may disregard any unearned in-kind income. If the State elects to count unearned in-kind income, the amount counted is limited to the value of the item in the State's need standard.

Under Food Stamps, in-kind benefits such as food, clothing, housing, produce are excluded. (FSA 5(d)(1); 7 CFR 273.9(c)(1))

Drafting Specs

Amend the Social Security Act to require States to disregard both earned and unearned in-kind income.

Total AFDC Cost: $9 million
Federal AFDC Cost: $5 million
Food Stamp Savings: $3 million

6. UNDERPAYMENTS

Current Law and Policy

Section 402(a)(22) of the Social Security Act requires State agencies to promptly take all necessary steps to correct any underpayment. Regulations at 45 CFR 233.20(a)(13) limit the issuance of underpayments (both agency and client caused) to current recipients and former recipients who would be currently eligible if the error causing the underpayment had not occurred. As a result of litigation, program policy also permits States to issue underpayments to former recipients who would no longer be currently eligible. The amount of the underpayment is not limited by the number of eligible months covered.

Section 11(e)(11) of the Food Stamp Act provides that benefits are to be restored to a household requesting them if the benefits have been "wrongfully denied or terminated." The period for which benefits are restored is limited to one year prior to the date the State agency either receives a request for restoration from the household or otherwise learns that a loss to the household occurred. The Food Stamp rule (7 CFR 273.17) also prohibits the State agency from restoring benefits for a period longer than 12 months. The rule requires that benefits be restored even if the household is currently ineligible.

Vision

To provide clients with a rational and consistent policy in the processing of underpayments.

Drafting Specs

Amend section 402(a)(22) of the Social Security Act to conform to Food Stamp law by requiring the issuance of agency caused underpayments to current and former recipients for a period not in excess of 12 months from the date that the agency learns about the underpayment.

Rationale

Since clients are responsible for reporting changes in circumstances that affect eligibility and benefits, a 12-month limit on restoring lost benefits due to agency error reinforces positive behavior. The change also achieves consistency between the AFDC and Food Stamp underpayment policies. However, because the proposal represents a contraction of AFDC program policy (i.e., the prohibition on underpayments due to client error) client advocacy groups are likely to object.

Total AFDC Savings:	**$24 million**
Federal AFDC Savings:	**$13 million**
Food Stamp Cost:	**$ 7 million**

7. TERRITORIES

Welfare Reform Working Group staff have met with representatives from Puerto Rico and the other territories to discuss recommendations relative to the operation and funding of the territorial welfare programs. These representatives, including staff from the territorial Congressional delegation, recommended that we (1) eliminate the funding cap, and (2) extend SSI to the territories. In addition, the representative from American Samoa believes that the territory should be permitted to operate an Aid to the Aged, Blind, and Disabled (AABD) program and receive appropriate funding. The representatives also asked that funding for JOBS, child care, and the application of the time limit be addressed. For example, Puerto Rico is concerned that the two year time will be difficult to enforce in an economy with 18 percent unemployment.

Current Law

Section 1108 of the Social Security Act permits the territories (i.e., Guam, Puerto Rico, and the Virgin Islands) to operate the AABD and AFDC programs; American Samoa is only authorized to operate an AFDC program. Funding for Child Care and Transitional Child Care is provided for under the JOBS limit of entitlement. If the territory elects to operate these programs, it must also have a title IV-E or Foster Care program. The territory must adhere to the same eligibility and payment requirements as the States. The Federal government matches 75 percent of costs; however, funding for the territories is capped. The caps are $82 million for Puerto Rico, $3.8 million for Guam, and $2.8 million for the Virgin Islands. Between 1979 and the present, the caps were increased once, by roughly 13 percent.

Vision

To create realistic funding levels for the territories that are reflective of the current economy and caseload. A mechanism that will provide occasional adjustments in funding levels will be developed to replace the current burdensome method of petitioning Congress for adjustments.

Drafting Specs

Continue to require the territories to operate the AABD, AFDC (including JOBS supportive services) and Foster Care programs. Amend section 1108 of the Social Security Act to increase the caps by an additional 50 percent and create a mechanism for indexing. The territories would not be required to operate AFDC-UP programs..

Total AFDC Cost: $59 million
Federal AFDC Cost: $44.3 million

Rationale

The number of public assistance programs funded under the current caps, coupled with only one adjustment to these caps in 15 years, has seriously limited the territories' abilities to provide, let alone increase benefits. Benefit payments above the cap are financed 100 percent by the territories, resulting in situations such as Guam's where the Federal share is roughly 40 percent. Puerto Rico reports that, since 1987, AFDC caseloads have nearly doubled from 98,000 units to 183,000 units. Further, beginning October, 1994, Puerto Rico will be required to extend eligibility to two-parent families. Puerto Rico estimates that an additional 40,000 families will be eligible for AFDC due to this provision. If match rates were determined by formula, as they are in the States, the territories would be eligible for higher match rates. Increasing the caps and providing a mechanism for efficient adjustments to those caps will not only continue to give territories the authority to operate public assistance programs but adequate means to do so as well (See Appendix A, Fact Sheet On The Territories).

8. DECLARATION OF CITIZENSHIP AND ALIENAGE

Current Law

Section 1137(d) of the Act requires, as a condition of eligibility for assistance, a declaration in writing by the individual (or, in the case of an individual who is a child, by another on his/her behalf) under penalty of perjury, stating whether or not the individual is a citizen or national of the United States, and, if such individual is not a citizen or national of the United States, whether he/she is in a satisfactory immigration status.

Vision

To bring the AFDC program into alignment with Food Stamps by allowing one adult member of an applicant assistance unit to sign the declaration of citizenship or alien status for all members of the unit.

Drafting Specs

Amend the Social Security Act by revising section 1137(d)(1)(A) as follows:

(1)(A) The State shall require, as a condition of an individual's eligibility for benefits under any program listed in subsection (b), a declaration in writing by the individual (or, in the case of an individual who is a child or a spouse in a two parent unit, by another on the individual's behalf), under penalty of perjury, stating whether or not the individual is a citizen or national of the United States, and, if that individual is not a citizen or national of the United States, that the individual is in satisfactory immigration status.

Rationale

The current requirement is administratively burdensome as it requires each adult in the AFDC unit to sign a separate declaration. This proposal will allow the adult payee or principal earner in an assistance unit to declare on behalf of his/her spouse and children, thereby simplifying the application and redetermination process. This proposal would also provide consistency with Food Stamps.

Savings: $1 million

→ What about reporting to INS?

B. REGULATORY REVISIONS

The effort, compromise and time involved in making statutory revisions and amendments make the identification of reforms that can be implemented with comparative ease through regulatory amendment and revision a must. The following proposals, while few in number, will provide for more timely reforms and allow States to at least begin to simplify and streamline assistance programs while the broader reforms are addressed by Congress.

1. MICROENTERPRISE EXPENSES (SELF-EMPLOYMENT)

Current Requirements

In the AFDC program, the rules (45 CFR 233.20(a)(6)(v)(B)) provide that profit from self-employment (e.g., microenterprises) is derived from subtracting business expenses from gross receipts. All the earned income disregards (Section 402(a)(8)) are applied to the profit the same as income from wages. Allowable business expenses are those directly related to producing goods or services. However, the following expenses are not allowed: depreciation, purchases of capital equipment, payments on the principal of loans for capital assets or durable goods, personal transportation, and personal business or entertainment expenses. A State may designate an objective flat amount or percentage for self-employment business expenses, but must allow higher actual costs.

The Food Stamp program excludes from income the cost of producing self-employment income. The rules (273.11(a)(4)(i)) list the following examples of the specific costs that should be excluded: the identifiable costs of labor, stock, raw material, seed and fertilizer, interest paid to purchase income-producing property, insurance premiums, and taxes paid on income-producing property. The following expenses are not excluded as costs of doing business: payments on the principal of the purchase price of income-producing real estate and capital assets, equipment, machinery, and other durable goods; net losses from previous periods; and depreciation. In addition, Federal, State, and local income taxes, retirement monies, and other work related personal expenses (such as transportation to and from work) are not allowed because these expenses are accounted for by the 20 percent earned income deduction in Section 273.9(d)(2).

Regulatory Specs

(a) Change the Food Stamp and the AFDC regulations to provide a deduction of the amount of depreciation or the actual cost of purchasing the asset as claimed for tax purposes, or if none yet claimed according to State criteria.

(b) Delete current language in AFDC regulations to conform with Food Stamp rules by adding examples of specific costs of producing self-employment income, such as the identifiable costs of labor, stock, raw material, interest paid to purchase income producing property, insurance premiums, and taxes paid on income producing property.

Rationale

A compatible AFDC/Food Stamp exclusion for business expenses, including a deduction for depreciation or actual the actual expenses of necessary assets, would result in greater effectiveness, clarity and efficiency in the administration of both programs. The change would encourage self-employment, self-sufficiency and recognize the legitimate cost of doing business. Allowing the eligibility worker to recognize business deductions as claims by the individual for income tax purposes would simplify such calculations.

Total AFDC Cost: $10 million
Federal AFDC Cost: $ 6 million
Food Stamp Cost: $50 million

2. BOARDER INCOME

Current Requirements

Under the AFDC program, neither the statute or rules address allowable costs of business income received from boarders. Under program policy, a State may designate a flat amount or percentage for self-employment business expenses. However, the State must allow higher documented costs.

The Food Stamp Act is also silent on specific procedures for determining the income of households with self-employment income from boarders. However, the House Report which accompanied the Food Stamp Act of 1977 (H.R. 95-464, page 38) indicates Congressional intent that the cost of doing business for boarder income be calculated "for purposes of administrative ease, at a fixed rate or the value of a monthly coupon allotment for a one-person household" for each boarder. The report also indicates Congressional intent that actual costs be allowed, but the cost exclusions from income cannot exceed the income received.

Section 273.11(b)(1) of the Food Stamp rules provides procedures for calculating the income received from boarders based on the legislative history contained in the Food Stamp Act. Income from boarders includes all direct payments to the household for room and meals, including contributions to the household's shelter expenses. The cost of doing business is either (1) the maximum allotment amount for a household size that is equal to the number of boarders or (2) the actual documented cost of providing room and meals, if that cost exceeds the maximum allotment amount. If actual costs are used, only separate and identifiable costs of providing room and meals to boarders can be excluded. The excluded costs cannot exceed the amount of income received.

Regulatory Specs

Modify AFDC and Food Stamp rules to permit States the option to allow a flat rate, a percentage, or either the maximum allotment for a household of the same size as the number of boarders in the thrifty food plan or the actual documented cost, if it is higher than the allotment. The same procedure would be adopted for each program.

Rationale

A uniform AFDC/Food Stamp policy in calculating boarder income would result in greater effectiveness and efficiency in the administration of both programs.

Cost: Negligible

3. REPORTING AND BUDGETING

One of the major complaints about the differences between the AFDC and Food Stamp programs is that the programs use different periods to determine benefits for the current month and require too much reporting of changes in circumstances. In a transitional program where more recipients may have fluctuating income, the reporting burdens on recipients, the fluctuations in benefit amounts, and the constant need for case worker recalculations of benefits would impose complexity on all parties involved.

Current Requirements

(A) Monthly Reporting and Budgeting Requirements

Both AFDC and Food Stamps permit States to adopt monthly reporting requirements and to use either retrospective or prospective budgeting to determine the benefit amounts for some or all cases. Yet there are some differences in application. For example, the Food Stamp Act permits retrospective budgeting of non-monthly reporting cases, while the Social Security Act does not.

Under a monthly reporting and retrospective budgeting system, families report income and other case circumstances every month, whether or not a change affecting eligibility and payment amounts has occurred since the previous month. This information, as well as any supplementary report of a change in circumstances, is used to determine continued eligibility and to determine the amount of assistance based on a prior month's income.

Under a prospective budgeting system, eligibility and benefit amounts are based on a projection of income and circumstances that will exist in the month for which payment is to be made. The Food Stamp program by regulation and statute is more prescriptive in how the estimates are to be made. The AFDC rules are not contained in statute and provide States more flexibility in making the estimate.

(B) Effective Date of Reported Changes

Both programs require families to report changes in circumstances. In AFDC, States must establish procedures for timely and accurate reporting of changes that affect eligibility and amount of assistance. Any change is effective in the month it occurred. Food Stamp rules allow for a tolerance in which a change of less than $25 per month does not have to be reported and the rules governing the effective date of any change give the recipient and agency time to report and act upon the change.

(C) Earned Income Penalties for Failure to Report

Both programs impose earned income deduction penalties when recipients fail to report timely. Under the AFDC program the penalty is applied whenever a recipient fails to timely report without good cause. In the Food Stamp program, the penalty is applied to any portion of income the recipient willfully failed to report. In AFDC the penalty applies to the $90 work expense disregard, the child care disregard and the $30 and 1/3 earned income disregard provisions. Under the Food Stamp program, the penalty is applied by not disregarding the 20 percent earned income deduction to any portion of the income that the recipient wilfully failed to report.

(D) Recertification Period

In the Food Stamp program, recertification of eligibility is mandatory and must occur every one to twelve months (depending on the characteristics of the household) under specific procedural rules. In AFDC, redetermination of eligibility must occur every six to 12 months according to State established procedures. Unlike AFDC, food stamp benefits automatically terminate when the certification period expires.

Regulatory Specs

Allow States to continue to use retrospective and prospective budgeting. Require recipients to timely report all significant changes in circumstances affecting eligibility or the amount of assistance. Require the State to make timely adjustments to benefits, both up and down, when significant changes in income and other factors are reported by the recipient. Significant changes in income include getting or losing employment, promotion, permanent changes in hours worked, etc. Non-permanent fluctuations in income (overtime, absence) are not considered to be significant. Overpayments would not occur where recipients report timely and the agency makes adjustments no later than the second month after the month in which the change occurred, subject to notice requirements. This option closely conforms to current Food Stamp program policy.

Total AFDC Cost:	**$223 million**
Federal AFDC Cost:	**$124 million**
Food Stamp Cost:	**Minimal Impact**

Rationale

These proposed administrative rules will significantly simplify benefit calculation procedures for joint AFDC/Food Stamp households. By rationalizing the procedures in benefit determination and calculation, workers and recipients will benefit through less paperwork processing and time spent on recalculating benefits because of fluctuations in income. The rules maintain a balance between assuring benefits are accurately determined by reducing the current complexities retaining the appropriate level of responsibilities on recipients to report information.

4. AUTOMOBILE RESOURCE LIMIT

Current Requirements

The Social Security Act provides for the exclusion of so much of a family member's ownership interest in one automobile as prescribed by the Secretary. That exclusion is set by regulation at $1500 equity value (or a lower limit set by the State) in one vehicle with any excess equity value counted toward the $1,000 AFDC resource limit.

The Food Stamp Act provides for the total exclusion of vehicles that are used over 50 percent of the time for income-producing purposes; annually producing income consistent with their FMV; necessary for long distance travel for work (other than daily commute); used as the household's home; or needed to transport a physically disabled household member. For the following vehicles, the amount of the FMV over $4,500 is counted as a resource: one per household (regardless of use); and vehicles used for work, training or education to prepare for work in accordance with food stamp employment and training requirements. For all other vehicles, the FMV over $4,500 or the equity value, whichever is more, is counted as a resource.

Vision

Reliable transportation will be essential to achieving self-sufficiency for many recipients in a time-limited program. Because a dependable vehicle is important to individuals in finding and keeping a job, particularly for those in areas without adequate public transportation, both the AFDC and the Food Stamp programs need a conforming automobile resource policy that supports acquiring reliable vehicles. This proposal would simplify the automobile resource policy by conforming the program rules and reducing the unnecessary complexity and confusion for program administrators in both programs.

Regulatory Specs

Exercise Secretarial authority and amend the regulations to increase the AFDC automobile limit to an equity value that is compatible with the current Food Stamp FMV limit with the goal of assuring that a vehicle will meet the requirements of both programs.

ISSUE: FNS is considering a statutory change to achieve consistency with AFDC by using equity value rather than FMV (See Appendix A for detailed description of the FNS proposal).

Rationale

This proposal attempts to bring a level of conformity between the two programs that would eliminate some of the administrative complexity involved with valuing vehicles under varying criteria and would result in greater effectiveness and efficiency in the administration of both programs.

Total AFDC Cost:	**Under Development**
Federal AFDC Cost:	**Under Development**
Food Stamp Cost:	**Under Development**

5. VERIFICATION

Current Requirements

Food Stamp law and regulations include specific requirements for verification and documentation of information needed for eligibility and benefit determinations. Food Stamp regulations mandate verification of utility and medical expenses (when actual is claimed), identity, residency (address), disability and household composition. In the AFDC program, the Act and regulations do not address how verification is to occur but State procedures have generally conformed to the verification policy outlined in the Federal quality control manual.

Under the Food Stamp Act (FSA) (sections 11(e)(3),(9)) and Social Security Act (Act) (sections 402(a)(25) and 1137), income must be verified through the Income and Eligibility Verification System (IEVS). The State must request wage and benefit information for from the State Wage Information Collection Agency, the Social Security Administration, and the agency administering Unemployment Insurance Benefits. Unearned income information must be requested from the Internal Revenue Service. Both programs are also required by law to verify alien status through the Immigration and Naturalization Service's Systemic Alien Verification for Entitlement system. !!

Both programs review the accuracy of eligibility decisions and benefit amounts through quality control systems, with the intended result that much information is verified at application and at recertification to avoid errors. States may, in both programs, adopt other verification requirements.

Vision

Federal computer matching and verification requirements are often burdensome for both clients and eligibility staff. Even where States have flexibility, the emphasis on payment accuracy and the potential for fiscal quality control penalties have often resulted in unnecessary documentation, delays in benefits and improper denials and terminations. Yet, to assure the public that their taxes are being spent to serve only those in need, verification will continue to be a critical component of the new system for delivering assistance to families. States must be afforded the flexibility to simplify verification procedures, while assuring program integrity through minimum standards.

Regulatory Specs

(a) Exercise current Secretarial waiver authority and amend regulations so that:
- States may choose the verification systems, methods and timeframes for action;
- States may choose the computer matching activities that are most effective provided that the alternative match or verification process is just as effective as those required IEVS and SAVE; and
- States may verify additional factors of eligibility.
- FNS will continue to have authority to verify additional factors that relate to the Food Stamp program only, such as actual medical costs.

(b) Verification methods, systems, and time limits will be included in the State Plan.

Rationale

States will welcome the increased flexibility provided by this proposal and be able to streamline their verification activities, saving time and paperwork. At the same time, the State plan approval process will ensure adequate protection of client rights and program integrity without restricting State flexibility.

AFDC Savings: Less than 1 million
Food Stamp Savings: $3 million

6. Treatment of Governmental Subsidies

Current Requirements

Under Section 402(a)(7)(C)(ii) of the Social Security Act, States may count housing or rent subsidies as income. The amount that may be counted cannot exceed the amount for shelter/utilities included in the State's payment standard (233.20(a)(3)(xii). Few States count the payments as income.

Under Food Stamp regulations (7 CFR 273.9(c)(1)), vendor payments to landlords are excluded as income. Payments to households and vendor payments to utility providers are counted as income. In the Third Circuit, the Court has held that HUD utility payments are excluded as energy assistance.

Regulatory Specs

FNS will amend Food Stamp regulations to exclude HUD utility payments.

Food Stamp Cost: $160 million

Appendix A

FACT SHEET ON THE TERRITORIES

Citizens of the territories are U.S. citizens.
Residents of the Northern Mariana Islands can receive SSI.
American Samoa does not receive any federal assistance for cash assistance programs.

Caps:

Puerto Rico:	$82 million
Guam:	$ 3.8 million
Virgin Is.:	$ 2.8 million

AFDC Caseloads, average monthly figures for 1991:

Puerto Rico:	61,000 units;	194,000 recipients
Guam:	1,200 units;	4,400 recipients
Virgin Is.:	1,500 units;	4,000 recipients

Average AFDC payment, 1991:

Puerto Rico:	$102/family; $ 32/person
Guam:	$368/family; $100/person
Virgin Is.:	$183/family; $ 69/person
U.S. Avg.:	$388/family; $135/person

Costs of Living:

There are no good measures of the cost of living that apply to the states and to the territories. In general, food prices in the territories are higher than in the states (territories have limited agricultural production abilities and have high shipping costs).

Attached is a table that shows Fair Market Rents for the largest metropolitan area in each state. The table shows that housing costs in Guam are exceeded only by those in Honolulu, and that housing costs in the Virgin Islands are well above those in the median state.

Tax Issues:

In the past, some policy makers have opposed enhancing the federal role in providing cash assistance to U.S. citizens in the territories on the grounds that federal taxes collected in the territories are returned to the territories. However, there are two good counter arguments to this: 1) It is inappropriate to hold up one facet of the complex relationship between the federal government and the territories as justification for limiting assistance to the poor; and, 2) Many low-income U.S. citizens in the territories do not pay federal taxes, just like low-income U.S. citizens in the states -- what happens to the taxes of higher income residents may not be relevant.

WR SPECS — REGO

REINVENTING GOVERNMENT ASSISTANCE

The current welfare system is enormously complex. There are multiple programs with differing and often inconsistent rules. The complexity obscures the mission, frustrates people seeking aid, confuses caseworkers, increases administrative costs, leads to program errors and inefficiencies, and abets the perception of widespread waste and abuse.

The proposals discussed below streamline administrative processes by conforming program rules between the AFDC and Food Stamp programs; modify some existing rules that tend to create unnecessary complexity and confusion for program administrators and recipients; and attempt to strike a reasonable balance between and among traditionally competing ends, e.g., targeting benefits on the needy to restrain costs while creating rational incentives to play by society's rules.

Changes are proposed in the following areas: filing units; coordination of program rules, resources and assets, policies toward the territories, and treatment of income.

I. FILING UNIT CHANGES

Several proposals are made to simplify the eligibility determination process for the transitional assistance program by modifying the AFDC *filing unit* -- the group of people to whom assistance is provided based on their collective income, resources, and needs.

Current law: Under current law, the basic AFDC filing unit consists of a needy dependent child, the child's parent(s), and siblings who are living together and otherwise eligible. Others may be included in the unit if the State considers them essential to the well-being of the family. AFDC benefits can be provided to two-parent families. However, there are additional eligibility requirements that must be met.

In general other relatives living in the same household are not in the assistance unit. Further, SSI recipients are excluded from the unit whether they be a parent or a child. Others who are excluded unit include illegal aliens, foster children, and stepparents in most states.

- **Eliminate the additional eligibility rules for two-parent families**

Remove the additional eligibility requirements for two-parent families. The current statute requires that the principal wage earner in a two-parent family have a recent work history (by requiring work in 6 or more quarters in a 13 quarter period, or eligibility for unemployment benefits). At the same time, by regulation, labor force participation is limited by denying eligibility if the wage earner works 100 hours or more in a

month. Eligibility can also be extended if the wage earner is temporarily incapacitated.

These provisions act as a "marriage penalty" because it makes AFDC eligibility for two-parent families much harder than eligibility for single-parent families. By eliminating the arbitrary 100 hour rule, we would better motivate two-parent families toward more significant labor market attachment in keeping with a new transitional welfare program that emphasizes work.

Eliminating the additional eligibility requirements for two-parent families will increase caseloads and costs. However it will enhance the simplicity of the system, removing some administrative complexity; and it reflects and supports the wishes of a number of States who have sought waivers to existing policy in this area.

o Include SSI recipients in the AFDC unit

Currently, individuals who have had a work history and receive social security disability, retirement, or survivor's insurance are included in an AFDC unit and have their incomes and resources counted. However, SSI recipients who do not have such a work history are not. We propose expanding the AFDC filing unit definition to include SSI recipients. This policy would provide uniform treatment among people who are aged or have disabilities regardless of their work history.

The proposed policy eliminates the arbitrary inequity between SSI recipients and people who receive other Social Security benefits. It also limits the disparity in income received by AFDC families who also include an SSI recipient and those families who do not have an SSI recipient.[1] Counting the income of SSI recipients would produce significant savings.

o Reduce the payment standard for Child Only Units

The number of child-only AFDC units has been growing in recent years and currently they comprise about 15 percent of the AFDC caseload. There are a number of reasons that adults in a particular child's family are not included: the parent may be on SSI, sanctioned, an illegal alien, or unable to care for her child and so the child is living with a non-needy relative. In California, where over 25 percent of the State's AFDC cases are child-only, a quarter of the other people reported to be living

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1. Some witnesses testifying at public hearings of the working group noted that AFDC families that also had one or more SSI recipient received substantially more income than families without an SSI recipient, while families with income from DI were often ineligible for any benefits.

in the household of child only cases were identified as illegal aliens.

In most States, child-only cases receive a full 1 person benefit that presumes the child's caretakers in the household provide no support to the needy child. We propose requiring states to reduce the payment to child-only cases because in most cases the child's caretakers would be providing some support to the child. Even if they did not, the child's needs are lessened by sharing living quarters.

AFDC payment standards are structured so that the first person in a case receives a full benefit and payments for additional members are made in smaller increments. We would require States to pay only the incremental amount for each child, not the full benefit. This proposed policy would prevent many households including illegal alien families from "gaming" the AFDC program. It would save money and help offset the costs of other reinventing proposals.

o **Limit the Definition of Essential Persons**

Currently, 22 States have selected the option of including essential persons as part of the AFDC unit. These individuals are not eligible for AFDC in their own right, but they are included because they are considered essential to the well-being of an AFDC recipient in the family. This is a loophole that allows States to bring in relatives like adult siblings into the AFDC unit.

We recommend eliminating this category entirely or limiting eligibility to only those who 1) provide care that would allow the caretaker to pursue work and education or 2) provide care for a disabled person.

II. COORDINATION OF PROGRAM RULES.

The rationalization and simplification of income assistance programs can be achieved by making disparate Food Stamp and AFDC policy rules uniform or complimentary for related policy provisions. Our proposals include:

o **Conforming AFDC and Food Stamp Accounting Periods**

We propose conforming AFDC to Food Stamp's more flexible requirements for reporting and budgeting. Under FSP, States are given the option to use prospective or retrospective budgeting with or without monthly reporting. Currently, the Food Stamp program requires recipients to report all gross income changes above $25 per month. To simplify the reporting process, this threshold would be raised to $75. Recipients would still be required to report changes in other circumstances like source of income and household composition which may affect eligibility.

This proposal would significantly simplify benefit calculation procedures for joint AFDC/food stamp households. By conforming the procedures in benefit determination and calculation, workers and recipients will benefit through less paperwork processing and time spent on recalculating benefits because of fluctuations in income. The proposal maintains a balance between assuring benefits are accurately determined by reducing the current complexities retaining the appropriate level of responsibilities on recipients to report information.

o **Conforming the Application Process**

Applicants will be provided with one, simple, easy to read and understand application form for AFDC and food stamps. Expedited processing will be provided for families in emergency need situations. Eligibility will be determined within identical time frames in both AFDC and FS for both expedited and normal applications. Flexibility will be given to States for scheduling appointments and verifying information. Other administrative functions would be stream-lined.

We also propose conforming and streamlining AFDC and FS policies regarding underpayments and verifications. Payment of underpayments would be limited to 12 months. The new verification policy would require States to verify income, identity, alien status and SSNs. At the same time, States would be given flexibility regarding verification systems, methods, and timeframes.

III. RESOURCE AND ASSETS

The policies proposed under this category liberalize how assets and resources are treated for the purpose of determining eligibility for both AFDC and Food Stamps for the purpose of encouraging work and promoting self-sufficiency. The nominal effect is to increase the caseloads and costs in both programs. Yet the general arguments for the policies described below are persuasive:

* Currently, asset and resource rules are not consistent across programs, creating confusion and administrative complexity; and

* The very restrictive asset rules across Federal assistance programs are perceived as significant barriers to families saving and investing in their futures.

We propose the following changes:

o **Develop Uniform Resource Exclusion Policies in AFDC and FS**

Increase the AFDC resource limit (currently $1,000) to $2,000 (or $3,000 for a household with a member age 60 or over) to conform to the Food Stamp resource limit. Generally, conform AFDC to FS

policy regarding burial plots, funeral agreements, real property, cash surrender value of life insurance and transfer of resources.

The administrative complexities that exist in applying resource requirements in the AFDC and Food Stamp programs will be greatly reduced under these proposed changes. Welfare administrators will be able to apply the same rules to the same resources for the same family. These conforming changes achieve simplification by streamlining the administrative processes in both programs.

o Conform Automobile Exclusion Policies

For AFDC, the permitted equity value for one car in set at $1,500 or a lower value set by the State. In the Food stamp program, the allowable market value of a car is $4,500, although a car of any value can be excluded in limited circumstances. In both programs the automobile limitations can be a substantial barrier to independence. Current AFDC policy would prevent total exclusion of most cars less than eight to ten years old. We propose to AFDC families to keep one automobile of any value and to maintain additional vehicles as long as the net equity value of these vehicles, when combined with other resources, does not exceed the family's resource limit.

Reliable transportation will be essential to achieving self-sufficiency for many recipients in a time-limited program. A dependable vehicle is important to individuals in finding and keeping a job, particularly for those in areas without adequate public transportation. Both the AFDC and the Food Stamp programs need a conforming automobile resource policy that supports acquiring reliable vehicles.

o Asset Demonstrations and Individual Development Accounts

Under AFDC, allowable resources are limited to $1,000 (or a lower amount at state option) not including an automobile. States are permitted to exclude "basic items essential to day to day living," such as clothing and furniture. The treatment of resources and assets in Food Stamps is more liberal: $2,000 per filing unit for liquid assets, $3,000 if the unit is headed by an elderly person.

Recipients should be permitted to accumulate more generous levels of assets and resources if those resources are expended on certain purposes related to becoming self-sufficient. We propose to permit AFDC State agencies to develop demonstration projects similar to the ones established by OBRA of 1993 for Food Stamps, which allow a limited number of AFDC households to accumulate up to $10,000 in assets. These funds could only be used for such things as education, training, to improve the family's employability (including self-employment), for a purchase of a home for the household, for a change in the household's residence, or for major repairs to the home.

A related proposal is to require that resources be kept in an account generally know as the Individual Development Account (IDA). An IDA is an optional earnings-bearing, tax-benefitted trust account in the name of one person. An IDA would be held in a licensed, federally-insured financial institution. Withdrawals can be made from the account only for designated purposes. For example, withdrawals could be made for a first home purchase, post-secondary education (college/long-term training), or business development (microenterprises). There are penalties for non-designated use of the account. Participant eligibility would be determined by the State agency using broad Federal guidelines.

Welfare reform should include strategies to test the notion that one way out of welfare for some people is by empowering them to start their own businesses and encouraging them to save their earnings to build for the future. During the campaign, the President endorsed the idea of helping welfare recipients help themselves by establishing Individual Development Accounts (IDAs). These legislative proposals would promote self-sufficiency by encouraging recipients to accumulate savings, assets and start their own businesses.

Since these proposals allow persons who currently would be made ineligible stay on AFDC, these proposals explicitly recognize that certain activities sanctioned by society as "playing by the rules" cost money. The rules governing welfare should recognize that reality and give recipients the ability to engage in these mainstream activities.

IV. POLICIES TOWARD THE TERRITORIES

The territories operate AFDC, AABD, JOBS, child care and Foster Care programs under the same eligibility and payment requirements as the States. Their funding, however, is capped and the Federal government matches 75 percent of costs. The caps are $82 million for Puerto Rico, $3.8 million for Guam, and $2.8 million for the Virgin Islands. Between 1979 and the present, the caps were increased once, by roughly 13 percent.

We propose that the current caps be doubled and that we include a mechanism for making periodic adjustments based on the rate of inflation, caseload size, and new program requirements. Doubling the caps in the territories would essentially reflect the increase in AFDC expenditures that has occurred in the States since 1980. The proposal would create realistic funding levels for the territories that are reflective of the current economy and caseload. A mechanism that will provide occasional adjustments in funding levels would replace the current burdensome method of petitioning Congress for adjustments.

The number of public assistance programs funded under the current caps, coupled with only one adjustment to these caps in 15 years, has seriously limited the territories' abilities to provide, let alone increase benefits. Benefit payments above the cap are

financed 100 percent by the territories, resulting in situations such as Guam's where the Federal share is roughly 40 percent. Puerto Rico reports that, since 1987, AFDC caseloads have nearly doubled from 98,000 units to 183,000 units. Further, beginning October, 1994, Puerto Rico will be required to extend eligibility to two-parent families. Puerto Rico estimates that an additional 40,000 families will be eligible for AFDC due to this provision.

Doubling the caps and providing a mechanism for efficient adjustments to those caps will not only continue to give territories the authority to operate public assistance programs but adequate means to do so as well.

V. TREATMENT OF INCOME

Federal AFDC law requires that all income received by an AFDC recipient or applicant be counted against the AFDC grant except income that is explicitly excluded by definition or deduction. A number of changes are proposed to bring greater conformity between the AFDC and FS programs, to streamline both programs and/or to reintroduce positive incentives for recipients to work.

There are many ways to meet these objectives, for example:

- Exclude non-recurring lump sum from income, disregard reimbursements and EITC as resources. Lump sum payments, such as EITC or reimbursements, would be disregarded as resources for one year from the date of receipt allowing these families to conserve the payments to meet future living expenses.

- Disregard all education assistance and student income.

- Disregard JTPA stipends and allowances; count OJT and other earned income.

- Exclude all cash or in-kind energy assistance and disregard all housing/utility subsidies.

- In FS, disregard the first $50 of child support.

Together these proposals would make the treatment of income simpler for both recipients and welfare officials to understand. They would make work and education a more attractive, rational option for those who would continue to receive assistance and they would improve the economic well-being of those who need to combine work and welfare.

WR SPECS — REGO

DRAFT

2/22/94

REINVENTING GOVERNMENT ASSISTANCE

The current welfare system is enormously complex. More importantly, current welfare rules often send exactly the wrong messages and provide exactly the wrong incentives about the values of work and responsibility. Navigating the current system is more difficult and demeaning for people who work than for people who do not. Benefits are reduced, often in unpredicatble ways, in response to work and savings. And by providing benefits to one parent families but not to working two-parent families, the system makes a perverse statement about parental responsibility.

Ample opportunities exist for reinventing government assistance. Our legislation will include provisions for shifting the current rules based federal state relationship to a more performance-oriented, flexible system. It will also include provisions for enhancing program integrity, particularly through automated systems tracking and matches.

The major issues, however, arise around proposals for reshaping the system to get the incentives right and about offsetting changes to balance any costs of expansions.

GETTING INCENTIVES RIGHT

Extending Benefits to Two-Parent Families

The current AFDC system provides benefits to two-parent families only when one parent is unemployed, defined as working less that 100 hours per month and having at least six quarters of previous work experience within the last thirteen. Both working families and families with no work experience are excluded, in contrast to single parent families. A number of states have requested and received waivers of the 100 hour and quarters of work rules, in order to make the treatment of one- and two-parent families equitable. We propose to extend equitable eligibility to two-parent families across the board.

Work Incentives

The current AFDC system provides almost no incentives to work, either financial incentives or psychological incentives. The following options are available:

- **Simplify accounting period and reporting requirements.** A possible proposal would ensure stable benefits for a three month period, enabling people who work to plan their finances and decrease their required contacts with the welfare system.

- **Allow state flexibility in establishing procedures for disregarding income.** Currently income disregard amounts are set at the federal level and vary with time on AFDC. One proposal would set a standard disregard for work expenses of $90 per month (?), and state flexibility with regard to additional disregards.

- **Mandate fill-the-gap budgeting.** States currently have wildly different benefit levels, ranging from about $120 per month to over $600 per month. There is little support for standardizing benefits. One could, however, mandate a minimum level of need, and allow earnings, child support and other income to fill the gap between the benefit level and need. This proposal provides a strong earnings incentive in low and medium benefit states.

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Incentives for Savings and Asset Accumulation

Under current law, AFDC recipients are limited to $1000 in assets and to one vehicle whose value is less than $1500. These limits obviously provide a disincentive to save, and seem especially silly as they relate to savings for education or self employment, and to vehivles used to look for or get to work. We propose the following changes.

- **Increase asset and vehicle limits.** The proposal would change AFDC asset and vehicle limits to conform to the more liberal food stamps rules.

- **Permit more substantial asset accumulation in IDAs.** The proposal would allow up to $10,000 in assets to be kept in a special account and used only for education or training; or to start a business or become self-employed.

All of the above proposals to get incentives right result in some caseload expansions and additional costs. To offset these costs, and to bring more rationality into the definitions of householdds and countable income, we propose some options for defining filing units and counting income diferently.

RATIONALIZING HOUSEHOLD DEFINITIONS AND INCOME COUNTING

The most important administrative difference between AFDC and Food Stamps is in the definition of the unit that is eligible to apply for assistance. The Food Stamp filing unit is essentially the household--all the people who live together and prepare meals together. Under AFDC rules, however, sub-units within households can received AFDC benefits, for example a mother and her child can receive benefits irrespective of the income of other people they might be living with. This makes for very complicted administration of the two programs. Moreover, the AFDC rules operate in such a way that AFDC goes to x households in which the

household income is above the poverty line.

The obvious approach might seem to be to use the same filing unit in both programs, and to defined it as the household, so that everyone who lives together is considered part of the unit both in determining need and in computing benefits. This seemingly obvious approach would, however, if taken alone, have the effect of removing large numbrs of poor families from the AFDC rolls in low benefit states, mainly the south. In states where benefits are extremely low, recipients cannot afford to live on their own, and often move in with other family members. Even if the household was quite poor, the combined income of household members would be in many cases high enough to deny AFDC benefits. This would impose substantial hardship on mothers and children.

To alleviate this problem, but still move toward more rational household and income definitions, we are examining three options.

Standardize filing units but mandate fill-the gap-budgeting. This option would redefine the AFDC filing unit to conform to the food stamp definitions, but would mandate a minimum needs standard and fill the gap budgeting. Imagine, for example, a household with a mother and her child living with her family in a low benefit state, where the household income in above the AFDC maximum benefit (say $200) but below the food stamp limit (130 percent of poverty). Under current law the mother and child get the full AFDC benefit. Under standardization, the household would get no AFDC. Under fill the gap, if the needs standard were set at say 85 percent of poverty, only household income over that level would be counted in determining AFDC eligibility.

Cap AFDC eligibility at 130 percent of household income. This is a much more incremental option, which avoids the political controversy that would undoubtedly be raised by proposals to change the filing unit. Instead, it simply says that people living in households with incomes above the Food Stamp eligibility level would no longer be eligible for AFDC.

Primus option. Details to come.

COSTS AND CASELOAD IMPACTS

SUMMARIZE COSTS HERE.

WR SPECS
(REGO)

[DRAFT - December 16, 9:00am]

REINVENT GOVERNMENT ASSISTANCE

A. RATIONALIZATION AND SIMPLIFICATION ACROSS ASSISTANCE PROGRAMS

The rationalization and simplification of assistance programs is something of the holy grail of welfare reform--always sought, never realized. The reasons are many: different goals of different programs, varied constituencies, Departmental differences, divergent Congressional committee jurisdictions, and the inevitable creation of winners and losers from changing the status quo. Yet everyone agrees that recipients, administrators, and taxpayers are all losers from the current complexity. Below are several proposals for reform. The proposals do not make substantial changes in program structures. Rather, the proposals achieve simplification by streamlining administrative processes and by conforming program rules between the AFDC and Food Stamp programs. The proposals modify existing rules that create unnecessary complexity and confusion for program administrators and recipients.

1. Filing Unit

Under current law, the AFDC filing unit must consist of a needy deprived child, its natural or adoptive parent(s), and all natural and adoptive brothers and sisters (including half brothers and sisters) who are living together. The unit's income and resources are used to determine eligibility and the amount of payment. A stepparent is treated the same as a natural or adoptive parent for filing unit purposes in seven States (Nebraska, New Hampshire, Oregon, South Dakota, Utah, Vermont, and Washington). These States have laws of general applicability which hold the stepparent responsible for the children to the same extent as a natural or adoptive parent. In all other States, the stepparent's needs are not included in the unit and his/her income, after certain disregards, are considered available to the unit members.

If there is no parent in the home, then another non-legally responsible relative with whom the child is living may, at his/her option, join the unit and be assisted. Additionally, States may exercise the option of including an other individual(s) living in the home as an essential person(s). The essential person's income and resources are used to determine eligibility and amount of payment.

Certain parents and sibling are excluded from the unit: illegal and sponsored aliens, recipients of SSI, foster children, and individuals ineligible due to lump sum income.

(a) Filing unit options range from making smaller changes to including the entire household, and eliminating the UP/IP test for 2-parent families. Staff have gathered data on several options which can be provided. Additional filing unit options include:

OPTION 1: Define the filing unit as households with a child or children under the age of 18, or age 19 at State option if a full time student, the child's siblings under the age of 22, and the child's natural, adoptive, or step- parents. The income and resources of these members will be used to determine eligibility and benefits.

OPTION 2: Define the filing unit as households with children under the age of 18, or age 19 at State option, if a full time student and all adult members; the income and resources of all members will be used to determine eligibility and benefits.

OPTION 3: Define the filing unit as households with children under the age of 18, or age 19 at State option, if a full time student and all adult members who purchase food and prepare meals together; the income and resources of these members will be used to determine eligibility and benefits.

OPTION 4: Define the filing unit as households with children under the age of 18, or age 19 at State option, if a full-time student and their relatives, including any other individuals in the household who claim the children as dependents for income tax purposes; the income and resources of these members will be used to determine eligibility and benefits.

2. Accounting Periods

One of the major complaints about the differences between the AFDC and Food Stamp programs is that the programs use different periods to determine benefits for the current month and require too much reporting of changes in circumstances. In a transitional program where more recipients may have fluctuating income, the reporting burdens on recipients, the fluctuations in benefit amounts, and the constant need for case worker recalculations of benefits would impose complexity on all parties involved. Further, under retrospective accounting, recipients who lose jobs continue to receive assistance based on income levels during the period of employment for up to two months. This results in considerable hardship among recipients.

Because of the expectation that an increased prevalence of fluctuating earnings under a transitional program will cause complexity for administrators and recipients, monthly benefits will be determined every six months based on the best estimate of income during that period. Benefits would not change during this period, except under circumstances defined in regulation. For purposes of determining monthly income, income received weekly will be multiplied by 4.3 and income received biweekly by 2.15. These conversion factors will apply to both the calculation of the 6-month estimate and monthly income within that period. Also, states must calculate contract and self-employment income using a uniform method for the two programs.

ISSUE: **FNS concerns: Would monthly reporting and retrospective budgeting be eliminated for both programs or would State agencies still have an option? Does the proposal mean that all households with fluctuating income would have 6-month certification periods? Would the proposal apply to food stamp recipients who do not receive AFDC?**

ISSUE: **Is 3 months a more appropriate accounting period?**

3. Treatment of Assets Under the AFDC and Food Stamp Programs

(a) *Resource Limits: Several changes would be made to asset rules so that rules under both AFDC and Food Stamps would be uniform where appropriate. Further, to ensure uniformity, states would not be given the option to establish limits lower than the resource rules that follow.*

OPTION 1: Countable resource limits in the AFDC program would be increased to conform to the countable resource limits in the Food Stamp program. AFDC resource limits would be increased to $2,000, or $3,000 if one member of the assistance unit is age 60 or over. **According to TRIM estimates, this option would increase AFDC benefit costs by .4% (an estimated $93 million in FY 1994).**

OPTION 2: Conform both AFDC and Food Stamp program to resource limits of $5,000 for applicants and $10,000 for recipients. **FNS estimates that increasing assets to $5,000 would cost $1.9 billion to the FSP in 1995. TRIM estimates that increasing the asset limit to $10,000 for applicants and recipients would increase AFDC benefit costs by 2.2% (an estimated $511 million in FY 1994).**

OPTION 3: Demonstration projects whereby Food Stamp and AFDC resource limits are conformed but in varying amounts among individual demonstrations, similar to those in the Micky Leland Act. For example, recipients would be able to save up to $10,000 for the purpose of buying a home or starting a business, etc.

(b) *Automobile Exclusions: Because reliable transportation will be essential to achieving self-sufficiency for many recipients in a time-limited program, the current value limits and automatic exclusions will be changed. Under current law and regulations, the AFDC program allows an automobile to be excluded up to $1,500 in equity value. This allows a recipient family to own an 8 to 10 year old subcompact car. Further, the current limit does not allow exceptions to the limit if the car is needed for employment or training. Also, under present law AFDC limits and Food Stamp limits differ, meaning that a vehicle that meets one program's requirements can lead to ineligibility under another program. Currently, under Food Stamp policy, up to $4,500 in market value of at least 1 vehicle per household is excluded. In limited circumstances, an automobile can be excluded regardless of its value.*

Under this proposal, the AFDC and Food Stamp programs will exclude one automobile, and a second up to the value limits specified in the Leland amendments to the Food Stamp Act ($4,500 in FY 1993, adjusted each fiscal year to reflect changes in the Consumer Price Index). **FNS estimates that excluding one automobile and using equity for a second auto would cost <u>at least</u> $280 million per year. ACF estimates that excluding one automobile would cost $200 million per year in Federal expenditures.**

NOTE: FNS would support a recommendation to totally exclude one vehicle regardless of value and count the equity value of all other vehicles.

NOTE: A second automobile may be covered by asset limit provisions. Provisions for automobile exclusions should be consistent with asset limit provisions.

4. Earned Income Deduction Penalty

The issue is whether recipients who fail to report earned income should be allowed to receive earned income disregards for the months income was not reported when the income is reported or discovered. In AFDC, the $90, $30 and one-third, and dependent care disregards are not allowed if an individual voluntarily quit or failed to accept a job, failed to return a monthly report on time, or requested a case termination to avoid receiving the $30 and one-third disregard for four consecutive months. In Food Stamps, the earned income deduction is not allowed on the portion of earned income a household member willfully failed to report.

Change AFDC and Food Stamp rules to disallow the earned income deduction in any month the income was not reported by the household. Good cause exemptions can be extended if income was reported in the second month and the failure to report in the previous month was unintentional. Households can continue to receive the dependent care deduction for those months.

5. Eligibility of Two-Parent Families

Many of the rules that allow some families to get support while excluding others result from differences across programs. However, some differences exist within the AFDC program regarding the treatment of families depending on whether one or two parents are present. For example, two parent families eligible for AFDC due to unemployment or underemployment of the principal wage earner limits the employment of the principal wage earner to 100 hours per month. This is known as the "100-hour rule". No such rule limiting employment exists for single parent filing units or for Food Stamp households. In addition to the 100-hour rule, for a two parent family to be eligible due to the unemployment or underemployment of the principal wage earner, that wage earner must have a recent work history (known as the quarters of work rule). Further, some states have the option to limit the duration of program eligibility of such families.

Under the AFDC program, there will no employment test for two-parent families. The 100-hour rule and the work history requirement will be eliminated. In addition, States will no longer have the option to limit the duration of program eligibility based on the number of parents in the unit. **TRIM estimates that eliminating the employment test and 100 hour rule would increase expenditures by 8.8% (an estimated $2 billion in FY 1994).**

ISSUE: This provision effectively eliminates the deprivation factors for AFDC eligibility.

6. Administrative Waiver Authority

The Social Security Act provides for demonstration waiver authority, but does not include administrative waiver authority similar to that contained in the Food Stamp Act. Food Stamp regulations allow waivers of regulatory provisions for extraordinary temporary situations, more effective and efficient administration of the program, or unique geographic or climatic conditions. Allowing administrative waivers in the AFDC program would allow states the flexibility to implement

programs based on their unique needs and provide the opportunity for administrative conformity with the Food Stamp program.

Extend administrative waiver authority similar to that in the Food Stamp program to the AFDC program.

7. Treatment of Lump Sum Payments

Under AFDC, if a unit's income after disregards exceeds the need standard because of the receipt of a non-recurring earned or unearned lump sum, the unit is ineligible for a period determined by dividing the lump sum amount plus other household income by the need standard. The Food Stamp Act excluded from income nonrecurring lump sum payments including, but not limited to income tax refunds, rebates or credits, retroactive lump sum social security or railroad retirement pension payments, and insurance settlements.

Amend the Social Security Act and the Food Stamp Act. Lump sum payments are counted as income in the month received. The unexpended portion of lump-sum payments will count as a resource in any subsequent month. Exclusions to this policy may be defined in regulations.

ISSUE: **The position taken on this policy may depend on whether or not recipients will be required to file for an EITC benefit. Recipients who wait until the end of the year to file for an EITC benefit will receive a lump sum which may be advantageous or disadvantageous compared to receiving the benefits throughout the year.**

NOTE: **Treasury is developing provisions for advance payment of EITC.**

ISSUE: **This provision may have cost implications for AFDC.**

ISSUE: **FNS has concerns regarding this recommendation. Existing policy is much easier to administer. The current exclusion for EITC benefits should continue.**

8. Income Issues

(a) *Self-employment Income and Resources: Current policies can be a barrier to self-employment.*

Under this proposal, ACF and FNS will review rules and propose changes that will encourage self-employment.

OPTION 1: Allow depreciation as a cost of doing business. The cost would be between $25 and $75 million for FSP if this would be a new deduction, but higher if excluded from gross income. **ACF estimates that only about 17,000 cases nationwide claim self-employment earnings, so the cost would be negligible.**

(b) *Treatment of Educational Assistance: Under AFDC, virtually all grants and scholarships are not considered income. However, some grants and scholarships are counted as income in the Food Stamp program to the extent that the funds exceed the costs of tuition and mandatory fees.*

The Food Stamp Act will be amended to exclude from income and resources all educational assistance.

(c) *Earnings of 18-year-old High School Students: Both programs currently exclude income of high school students over age 18. Upper limits for AFDC is age 19; upper limit for Food Stamp program is age 21.*

Conform AFDC to upper limit of age 21.

(d) *Earnings of Students Under Age 18: Under AFDC, earnings of dependent students are disregarded for needs and benefit determination. The Food Stamp Program excludes the income if the student is in school at least half time and is under parental control.*

Exclude the earnings of full- or part-time students under age 18, whether dependent or head-of-household, for both eligibility and benefit purposes under both programs.

(e) *Income Excluded by Other Laws: The AFDC and Food Stamp programs both have income that is excluded by other laws. Some of these exclusions are not consistent. For example, exclusions for Indian per capita payments and JTPA income are different between the two programs.*

Identify differences and seek legislation to achieve conformity and amend current law to provide that income and resources excluded by other laws for one program be excluded for both programs.

ISSUE: **We need specificity on what the differences are and how to correct the differences.**

(f) *Treatment of Income of Ineligible Members: Under both AFDC and Food Stamps, the treatment of the income of ineligible members depends on the reason for nonparticipation. For Food Stamp policy, a household with a member disqualified for intentional program violation or failure to comply with work requirements is penalized in 2 ways: all the income and resources of the disqualified member is counted for purposes of determining eligibility and benefits of the household and the disqualified member is not included in the household size. The full earned income deduction and other deductions are allowed.*

Conformity is desirable in this area. Specific policy options will be deferred until filing unit issues are resolved. The income of sanctioned members of the household will be treated as though that person were part of the eligibility unit. Earned income disregards will not be allowed for persons who are disqualified due to breach of program rules.

(g) *Treatment of Irregular Income: Under AFDC, states have the option to disregard small, nonrecurring gifts not to exceed $30 per individual per quarter. The Food Stamp program allows households under prospective budgeting to disregard irregular income up to $30 in a quarter. Irregular income is counted in retrospective accounting.*

Amend the Social Security Act and the Food Stamp Act to establish uniform provisions relating to irregular income. Irregular income that exceeds the thresholds for earned and unearned income as discussed under Accounting Periods above would change the eligibility and benefit amount determinations.

(h) *Treatment of JTPA Earnings from State Training Programs: Under AFDC, at state option JTPA unearned income can be disregarded indefinitely and earned income of a dependent child can be disregarded for up to 6 months. Under Food Stamps, all JTPA income is excluded except income from on-the-job training programs under section 204(5) of Title II. All OJT income of individuals under age 19 under parental control is excluded.*

OPTION: **Conformity is desirable. One option is to treat JTPA income as earned or unearned income in accordance with treatment by the Internal Revenue Service and the Social Security Administration. However, ACF and FNS have yet to review the implications of this proposal.**

NOTE: **FNS suggests that any change to treatment of JTPA earnings should be consistent with how payments from other training or education programs will be treated in other components of welfare reform.**

(i) *Treatment of Income from Complementary Programs: AFDC permits States to disregard the value of assistance payments that are complementary and not duplicative. Food Stamp policy generally counts State-funded assistance.*

Conformity is desirable. We need to identify what would be excluded.

(j) *Treatment of State or Private Energy Assistance: Under AFDC, States have the option to exclude assistance from other providers. Under Food Stamps policy, cash or in-kind assistance is excluded.*

Exclude assistance for both programs.

(k) *Treatment of HUD Utility Payments: Under AFDC, State have the option to disregard utility payments as income. Direct payments to households and vendor payments to utilities are counted in FSP.*

Amend to include as income utility payments to or on behalf of the client for both programs.

9. Resource Issues

(a) *Treatment of Life Insurance: The cash value of life insurance counts as a resource under AFDC, and is excluded as a resource in the Food Stamp program.*

The cash value of life insurance is will be excluded under both programs.

(b) *Treatment of Real Property for Sale: Under AFDC, real property for sale counts as a resource after 6 months (9 months at state option) if it is not sold. The client must agree to make a good faith effort to dispose of the property and repay AFDC received during the sale period. If property is not sold during the established time period, AFDC ends. Overpayments are calculated when the property is sold. The Food Stamp Act excludes real property for sale for an unspecified time period if the household is making a good faith effort to sell the property.*

Amend the AFDC program to conform to the Food Stamp Act.

10. Alien Eligibility Status

AFDC policy allows participation by aliens admitted for permanent residence or permanently residing in the U.S. under color of law (PRUCOL). The Food Stamp Act limits alien participation to those admitted under specified sections of the Immigration and Nationality Act.

HHS is currently developing a policy on alien eligibility. Recommendation is deferred to that effort. Conformity is desirable in this area.

11. Application Process Issues

(a) *Application Forms: The Food Stamp Act contains specific requirements for application content. This language unnecessarily adds to the length and complexity of the application.*

Amend the Food Stamp Act to remove specific requirements for the application form.

ISSUE: FNS does not want to change the Food Stamp rules to remove specific application requirements since many of these relate solely to the Food Stamp program and are needed.

(b) *Application Verification Requirements: (statutory and regulatory change). Under AFDC, states must verify income and alien status through specified systems (IEVS and SAVE). Other verification requirements may be established by states. The Food Stamp program has the same verification requirements as AFDC for income and alien eligibility. However, Food Stamp program rules also specify other items that must be verified.*

Maintain the income and alien eligibility verification requirements. Change Food Stamp rules to remove specific requirements. Make SAVE optional and modify IEVS, such that:

(1) the time frame for action on information obtained through IEVS be obtained by the next redetermination; and

(2) make determinations of IEVS systems, drop those which are not useful to States.

NOTE: **FNS recommends that the following be verified for both programs: identity, address, income, alien status, and social security numbers.**

ISSUE: **The Federal role in technology should be examined in relation to IEVS. For example, if a new database is developed, IEVS may become obsolete.**

(c) *Social Security Numbers: Under AFDC, applicants must provide social security numbers or apply for one. Under Food Stamps, applicants must provide social security numbers or apply for one, but there is much good cause allowance for failure to apply. Food Stamp rules place greater burdens on caseworkers to assist units applying for a social security card.*

Conformity in this area is desirable. ACF and FNS will review existing policies and propose a uniform policy.

12. Administrative Issues

(a) *Recertification Periods and Processes: Under AFDC, eligibility is redetermined at least once every 6 months unless unit reports monthly or is covered by an approved error-prone profiling system. Face to face redeterminations must occur once every 12 months. States may prescribe the forms and procedures to be followed. Under Food Stamps, certification periods of from 1 to 12 months are assigned to non-monthly reporting households, depending on household characteristics. Monthly reporting households must be certified for six or twelve months. Program rules specify the procedures for notices of expiration and reapplication.*

Conformity is desirable in this area. ACF and FNS need to examine this issue further before policy is provided.

ISSUE: **Need to address issue of AFDC benefits being open-ended while Food Stamp benefits are for a fixed period.**

NOTE: **A Food Stamp rule is currently in clearance which would allow alignment of the Food Stamp certification period with the AFDC redetermination.**

ISSUE: **FNS prefers no change in the requirement for a definite certification period.**

(b) *Restored Benefits Underpayments: For AFDC, underpayments resulting from client error or agency errors are corrected to current recipients as long as reporting requirements for changes are satisfied. Under FSP policy, benefits are restored for cases of agency error only, but for not more than 12 months.*

Conform AFDC to food stamp policy.

13. Definitions

Much of the complexity for recipients stems from the different definitions of numerous items. These differences do not necessarily reflect explicit policy choices related to the specific focus of a program. Rather, they result from the fact that programs are administered by different Federal agencies and legislative oversight is the responsibility of different Congressional committees.

Legislation and regulations would provide for common definitions for a range of program rules. For example, the definitions of earned income, unearned income, irregular income, countable resources, loans, educational assistance, and self-employment expenses will be made uniform.

PROVISIONS WHICH REQUIRE ONLY CHANGES IN REGULATIONS

1. Administrative Process Issues

(a) *Application Process - Delay Procedures: Food Stamp regulations specify detailed procedures that agencies must follow if a household's eligibility is not determined within 30 days. There is no corresponding requirement for the AFDC program. The Food Stamp requirements are viewed as onerous to the state agency; they add much paperwork and processing requirements, but those requirements are not seen as integral to the management of the program.*

OPTION: Amend the Food Stamp program regulations to allow State agencies to deny a household's application if the household has failed to appear for a second interview or has not provided verification within 10 days of request.

(b) *Application Processing Standards: The AFDC and Food Stamp programs each have separate standards of time for making decisions regarding an application. Under AFDC, a decision must be reached with state-set standards, not to exceed 45 days. States must provide benefits from the earlier of the date or authorization or 30 days from application. They may provide pro-rated benefits form the date of application. Under Food Stamps, clients must receive benefits retroactive to the date of application within 30 days of the application under normal processing and with five days for expedited service. Further, under AFDC, a state can deny an application after 10 days if verification information is not provided. The Food Stamp program does not include a time frame for submitting verification information. This lack of a time frame causes some problems for program administrators. Note, APWA raised this as issue 5, but did not make a recommendation regarding a standard for making a decision on an application.*

Food Stamp rules regarding standards of time for making application decisions will be implemented. Prorated benefits will be provided from the date of application. States can deny an application after 10 days in both the AFDC and Food Stamp programs; however, a state must have a uniform time limit for the two programs.

(c) *Scheduling of Second Interview: Food Stamp regulations require the agency to reschedule an interview if the client does not appear for the originally scheduled appointment.*

Eliminate the requirement to reschedule missed appointments.

(d) *Effective Date of Changes: Under AFDC, changes that result in overpayments or underpayments are effective in the month of the change. Under Food Stamps, the effective date depends on time frames for reporting and acting on changes.*

Conform AFDC policy regarding effective date of change to the current Food Stamp policy.

(e) *Notice of Adverse Actions: Each program has slightly different procedures for providing advance notice of an adverse action. Neither program's policy is bad; however, conformity in this area makes sense.*

Conform AFDC policy to current Food Stamp policy. Extend AFDC policy regarding mail returned without a forwarding address to the Food Stamp program.

NOTE: **A Food Stamp rule in clearance would add the returned mail policy to Food Stamp program.**

(f) *Reporting Changes: Each program has different rules regarding items that require reporting if a change occurs.*

Recipients will be required to report changes in the source of income, employment status (including a change in the number of hours worked and change in the rate of pay), change of address, change of unit composition, and change of vehicles if such a change will affect eligibility.

(g) *Supplemental Benefits for New Members*

Conformity in this area is desirable. Defer to specific policy recommendations under the Prevention and Parental Responsibility section.

2. Income and Resource Issues

(a) *Treatment of In-kind Income: Under AFDC, earned in-kind income is counted as income. States have the option to disregard in-kind support and maintenance provided by a private, non-profit agency or specified home energy provider. States also have the option to disregard unearned in-kind income. Under Food Stamps, in-kind income is excluded.*

NOTE: **In-kind assistance is counted as income in the SSI program. Removing that exclusion to keep conformance with AFDC and Food Stamps would cost over $600 million.**

Exclude in-kind benefits from both programs.

(b) *Treatment of Burial Plans: AFDC excludes one bona fide funeral agreement per individual up to $1500 in equity value or lower amount at state option and excludes one burial plot per individual. Under Food Stamps, inaccessible funds in burial agreements and one burial plot per member are excluded. Accessible funds are counted.*

Change AFDC and Food Stamps rules to provide that all funds in burial agreements and one burial plot per household member are excluded.

(c) *Resource Transfers: Under AFDC, States have option to prohibit transfer or other disposition of property prior to allocation. Participation in Food Stamps is prohibited if resource is transferred within 3 months prior to application or during certification period in order to meet resource limits.*

States should conform AFDC policy to FSP policy.

3. Eligibility Issues

(a) *Residency Requirement: Under AFDC, the assistance unit must reside in the state. Under Food Stamps, the household must reside in the project area in which it applies.*

NOTE: **A Food Stamp rule in clearance would conform Food Stamp policy to the AFDC program.**

WIL SPECS
ReGo

December 16, 1993

TO: Distribution List

FROM: Steve Bartolomei-Hill
HHS/ASPE

SUBJECT: Material for Discussion of AFDC Filing Units

Attached is material which may be useful for the discussion of filing units at the Reinventing Government meeting that will be held on Friday, Dec. 17 at 7:30 am. The material supplements the legislative specifications document you should have received.

The first five pages show who is and is not in the AFDC filing unit for different household configurations.

The next two pages illustrate living arrangements for AFDC units.

The last four pages summarize data on the impact of various filing unit options. The estimates were calculated by the Urban Institute.

Who is required to be in the AFDC assistance unit?

- A dependent child, the child's natural or adoptive parents, and minor siblings who are living in the same household together.

- In 22 states, "essential persons" may be included in the assistance unit.

- In a few states, stepparents are included in the assistance unit.

In addition, if there is no parent in the home, then another non-legally responsible relative with whom the child is living can choose to join the unit and be assisted.

To be a dependent child, a child must be deprived of parental care or support due to the continued absence, death, or incapacity of the parent, or the unemployment of the principal wage earner. The child must be under the age of 18, or at state option under the age of 19 and a full-time student who is expected to complete school by the age of 19.

Who is not in the AFDC assistance unit?

In general, anyone who is not a dependent child or the child's parent or sibling is not required to be in the assistance unit. This includes:

- Parents and siblings of the caretaker relative;
- Boyfriends and other unrelated individuals living in the same household;
- Adult siblings of the dependent children; and
- Stepparents of the dependent children.

Some individuals are excluded from the assistance unit even if they meet the conditions for eligibility but:

- Are recipients of Supplemental Security Income (SSI) benefits;
- Do not meet the citizenship or alienage requirements; or,
- Have federal foster care payments made on their behalf.

How does the AFDC unit differ from the Food Stamp unit?

In general, the Food Stamp assistance unit includes an individual, or individuals who live together and purchase food and prepare meals together.

- -- Food Stamp benefits are available to a much larger population than AFDC benefits.

- -- AFDC benefits require the presence of a child deprived of parental support. There is no similar requirement in Food Stamp households.

- -- With the exception of household members who do not meet the Food Stamp program's citizenship or alienage requirements, none of the people excluded from the AFDC unit as discussed on the previous page would be prohibited from being part of a Food Stamp unit.

- -- Examples of AFDC units discussed on the following pages may or may not conform to Food Stamp households, depending on whether the people in the household purchase food and prepare meals together.

Examples of AFDC units

1. Mother, and children aged 22, 14, and 11.

   AFDC unit consists of the mother and the 14 and 11 year old. The 22 year old child is too old to be considered a dependent child.

2. Mother, and children aged 14 and 11. The 11 year old has a disability and receives SSI.

   The AFDC unit consists of the mother and the 14 year old. The 11 year old is ineligible due to the receipt of SSI.

3. Grandmother, mother age 17, child age 2.

   AFDC unit could be either of two configurations:

   AFDC unit could include all three members of the household, if the grandmother exercises "care and control" of the mother and child.

   If the grandmother does not exercise care and control, then the assistance unit would consist of the mother and child only. However, the income of the grandmother would be deemed to the AFDC unit because the casehead is a minor child.

4. Grandmother, mother age 22, child age 2.

   AFDC unit could be either of two configurations:

   AFDC unit generally would be the mother and the child. The grandmother's income would <u>not</u> be deemed to the unit because the case head is not a minor child.

   Or, the grandmother could be considered an "essential person" and be included in the unit along with the mother and child.

5. Grandmother, mother age 17 and her child age 2, and mother's sibling age 16.

AFDC unit could be either of two configurations:

The household could consist of two AFDC units -- one would include the grandmother and the 16 year old, and the other would include the 17 year old and her child.

Or, the household could consist of one AFDC unit that includes all four people, if the grandmother exercises care and control of the grandchild.

6. Mother who is an illegal alien, child born in U.S. age 2.

The mother is ineligible for AFDC. The AFDC unit would consist of the child only; however, the mother's income, if any, would be deemed to the child.

7. Mother, stepfather of child, child age 2.

In the seven states with laws of general applicability, the stepfather would be treated as the natural father of the child. In the remaining states, the stepfather would not be considered part of the AFDC unit; however, a portion of his income would be deemed available to the unit and would affect the eligibility and benefits of the AFDC unit consisting of the mother and child.

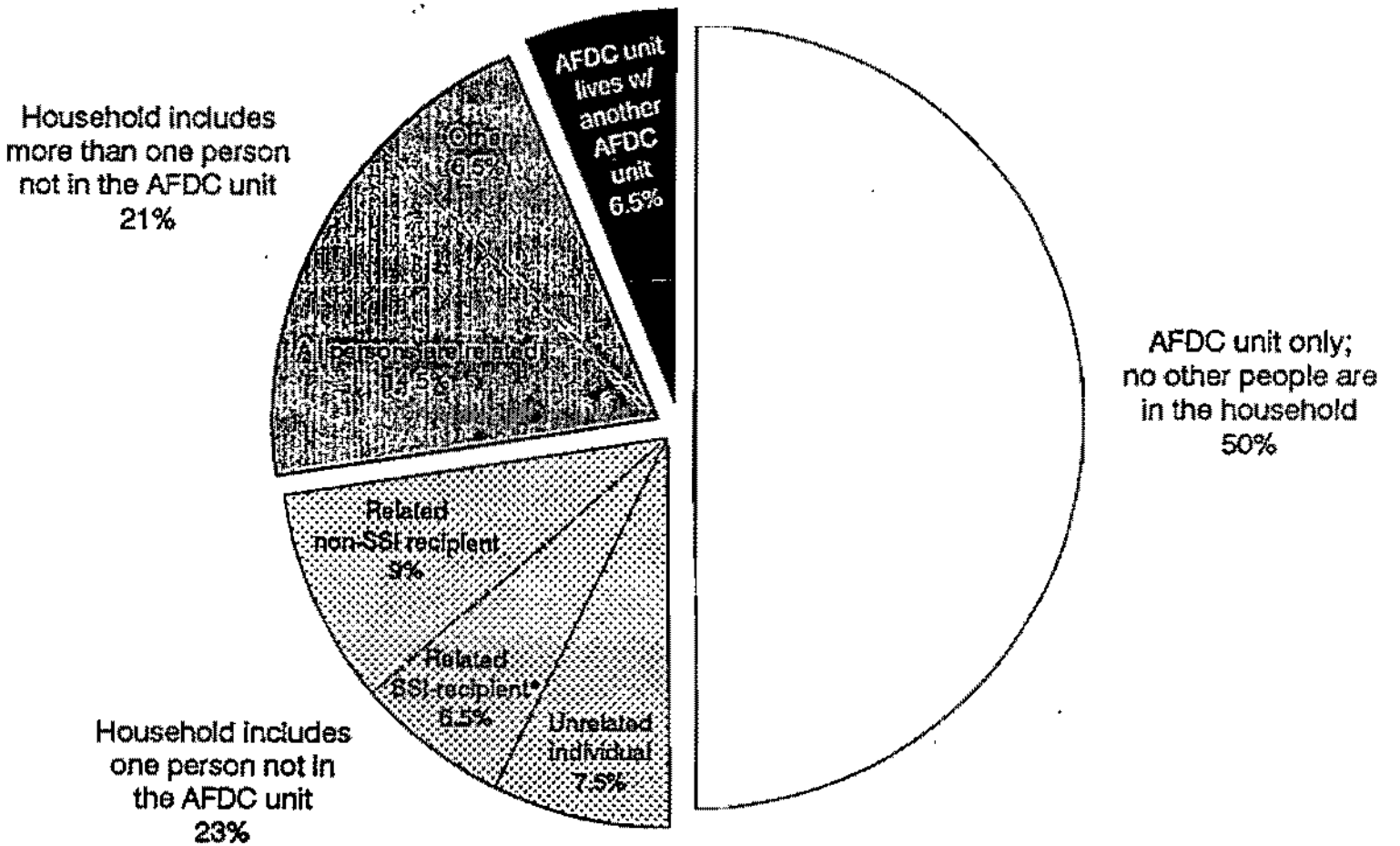
8. Mother, boyfriend of mother, child age 2.

If the boyfriend of the mother is the father of the child <u>and paternity was established</u>, there would be no AFDC unit unless the child is deprived due to the incapacity of a parent or unemployment of the principal wage earner.

If the boyfriend of the mother is not the father of the child (or, if is the father but paternity has not been established), then the AFDC unit would consist of the mother and the child. The boyfriend's income and resources would not be applied to the AFDC unit.

Living Arrangements of AFDC Units

Average Month of CY 1991



* TRIM2 does not identify SSI children; therefore, this number is low.
SOURCE: TRIM2 model N = 4,305,000

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Notes on Living Arrangements of AFDC Units (see the chart on the previous page)

The chart on the previous page illustrates the living arrangements of AFDC filing units. It provides background for understanding the estimated effects of expanding the filing unit to include other persons in the household. Of note:

- TRIM2 estimates that half of AFDC units live with at least one other person outside the AFDC unit. AFDC QC data indicate that 40 percent of AFDC units live with at least one other person. Therefore, the estimates using TRIM may overstate the effects of including other household members in the AFDC unit.

- TRIM2 does not identify children who receive SSI. TRIM2 would include those children in the AFDC unit. Therefore, TRIM2 underestimates the impact of filing unit changes that would include SSI recipients living in the household.

EFFECTS OF CHANGES OF AFDC RULES ON FILING UNITS – AFDC CHANGES ONLY

UNIT DEFINITION/ RULE CHANGE	Alt. 1	Alt. 2	Alt. 3	Alt. 4	Alt. 5	Alt. 6	Alt. 7	Alt. 8	Alt. 9	Alt. 10
	Unit = Cur. law + SSI recip (w/ $350 SSA dis.)	Unit = Whole H'hold	Unit = Alt. 2 + No UP/IP Rules	Unit = Alt. 3 + FS Asset Limit	Unit = Alt. 4 + $350 SSA disregard	Unit = Cur. law + Caretaker Relative	Unit = All Relatives	Unit = Cur. law + GrParents	Unit = Cur. law + Siblings to 21 All Parents	Unit = Cur. law + no UP/I
IMPACT										
Avg. Monthly Units										
Change fr. baseline	2.5%	-33.5%	-29.0%	-28.5%	-21.7%					8.3%
Change fr. prior sim.			6.7%	0.8%						
Units Partic/Year										
Change fr. baseline	2.7%	-30.8%	-25.7	-24.3%	-17.6%					7.0%
Change fr. prior sim.			7.3%	1.5%						
Person Partic/Year										
Change fr. baseline	4.9%	-14.1%	-6.5%	-5.0%	3.1%					
Change fr. prior sim.			8.9%	1.6%						
Annual Benefits										
Change fr. baseline	2.5%	-30.9%	-26.6%	-26.2%	-18.1%					8.6%
Change fr. prior sim.			6.2%	0.5%						

NOTE: Federal savings would be substantially less than the percentage of savings shown for AFDC benefits (for example, under Alt. 2). The federal share of AFDC savings would be roughly half. Further, a reduction in AFDC benefits would be partially offset by increases in Food Stamps and Housing, which are 100 percent federally funded.

Three reasons why the net reduction in participants is less than the reduction in units under Alt. 2:

(1) Households containing multiple AFDC units have combined into one unit (thus, the number of units is reduced, but the number of participants isn't;
(2) AFDC units losing eligibility tend to be smaller units. For example, many of the units losing eligibility are child-only units; and,
(3) The "Person/Partic Year" row is a net figure that reflects people who become newly eligible in existing AFDC units. For example, about 18 percent of participating units will add a new, participating member.

SOURCE: TRIM2, various tables
Steve Bartolomei-Hill c:\qpro\unitsims

IMPACT ON POVERTY STATUS AMONG FAMILIES LOSING ELIGIBILITY
(in option to change the filing unit to be the entire household)

	Family Lost Eligibility	Still Elig., Lower Benefits	Total Families Disadvantaged	
Number of Families (mill.)	1.89	0.97	2.86	-- 3 million eligible families could be disadvantaged by this option (note, though, the table is for ELIGIBLE families, not RECIPIENT families). The numbers for recipient families would be 15 to 20 percent lower
Below Poverty in Baseline	0.588	0.703	1.289	
Total kids in families	1.09	1.661	2.751	
Poverty Gap (bill. 1994 $)	2.729	4.159	6.888	
Below Poverty in Alt.	0.735	0.805	1.54	
Total kids in families	1.38	1.874	3.254	
Poverty Gap (bill. 1994 $)	4.658	6.049	10.707	
Change in Status, Base. to Alt.				
Families Below Poverty	0.149	0.102	0.251	-- Option increases # of eligible families in poverty by 250,000
Total kids in families	0.29	0.213	0.503	-- Option increases # of kids in poverty by 500,000
Poverty Gap (bill. 1994$)	1.929	1.89	3.819	-- Option increases poverty gap by $3.8 billion
SAME DATA AS ABOVE, BUT FS AND HOUSING ARE INCLUDED IN INCOME FOR POVERTY CALCULATIONS				
Below Poverty in Baseline	0.498	0.524	1.022	
Total kids in families	0.928	1.233	2.161	
Poverty Gap (bill. 1994 $)	2.06	2.259	4.319	
Below Poverty in Alt.	0.639	0.624	1.263	
Total kids in families	1.203	1.446	2.649	
Poverty Gap (bill. 1994 $)	3.63	3.389	7.019	
Change in Status, Base. to Alt.				
Families Below Poverty	0.141	0.1	0.241	
Total kids in families	0.275	0.213	0.488	
Poverty Gap (bill. 1994$)	1.57	1.13	2.7	

SOURCE: Table 1, Dec. 9
Steve B-H, Povsim

CHANGE IN INCOME AMONG ELIGIBLE FAMILIES ADVERSELY AFFECTED
(in option to change the filing unit to be the entire household)

	Family Lost Eligibility	Still Elig., Lower Benefits	Total Families Disadvantaged
Number of Families (mill.)	1.89	0.97	2.86

– Note: The table is for ELIGIBLE families, not RECIPIENT families. The numbers for recipient families would be 15 to 20 percent lower.

CHANGE IN INCOME
(Income defined to include FS & Housing)

Lost $500/year or more	1.328	0.709	2.037
Lost $250 to $500/year	0.077	0.095	0.172
Lost $50 to $250/year	0.069	0.071	0.14
No Change	0.416	0.074	0.492
Avg. loss if lost $500+	$3,205	$2,492	

NOTES:
Families with "No Change" had a change of $60 or less in the annual amount of AFDC for which they were eligible.
A family could have no annual change in AFDC, but offsetting AFD changes in different months of the year.

Many families losing eligibility are shown to have "No Change" in income. We have not explored the reason for this. A likely explanation is that these families were eligible for a small benefit and probably only eligible for one or two months of the year. Further, an increase in food stamp and housing benefits probably offset some of the AFDC losses.

SOURCE: Table 3, Dec. 9 memo
Steve Bartolomei-Hill c:\qpro\siminc

IMPACT OF EXPANDING THE FILING UNIT TO INCLUDE THE ENTIRE HOUSEHOLD

Who are the winners and losers under this proposal?

- About half of AFDC units would be affected, indicating the presence of a non-AFDC recipient in the household.

- Among these units with non-recipients in the household:

  63 percent lost eligibility;
  24 percent were eligible for lower benefits; and
  12 percent were eligible for higher benefits.

How much did benefits change?

- Avg. for those losing eligibility: -$2,782/year
- Avg. for those elig. for lower benefits: -$2,621/year
  change is $4,939 to $2,318
- Avg. for those elig. for higher benefits: $874/year
  change is $3,604 to $4,478

Income of household members who were not in the AFDC unit:

Among households losing eligibility:

- 77 percent had earnings averaging $25,803
- 22 percent had SSI income averaging $4,120
- 24 percent had other SSA income averaging $6,162

Among households eligible for lower benefits:

- 50 percent had earnings averaging $9,191
- 33 percent had SSI income averaging $4,050
- 10 percent had other SSA income averaging $3,978

Source: TRIM2 tables, Dec. 8
Steve Bartolomei-Hill c:\word\reform\losers

WR-SPECS (ReGo)

REINVENT GOVERNMENT ASSISTANCE

A. RATIONALIZATION AND SIMPLIFICATION ACROSS ASSISTANCE PROGRAMS

The rationalization and simplification of assistance programs is something of the holy grail of welfare reform--always sought, never realized. The reasons are many: different goals of different programs, varied constituencies, Departmental differences, divergent Congressional committee jurisdictions, and the inevitable creation of winners and losers from changing the status quo. Yet everyone agrees that recipients, administrators, and taxpayers are all losers from the current complexity. Below are several proposals for reform. The proposals do not make substantial changes in program structures. Rather, the proposals achieve simplification by streamlining administrative processes and by conforming program rules between the AFDC and Food Stamp programs. The proposals modify existing rules that create unnecessary complexity and confusion for program administrators and recipients.

1. Filing Unit

NOTE: Filing unit options will be discussed at a separate meeting.

Under current law, the AFDC filing unit must consist of a needy deprived child, its natural or adoptive parent(s), and all natural and adoptive brothers and sisters (including half brothers and sisters) who are living together. The unit's income and resources are used to determine eligibility and the amount of payment. A stepparent is treated the same as a natural or adoptive parent for filing unit purposes in seven States (Nebraska, New Hampshire, Oregon, South Dakota, Utah, Vermont, and Washington). These States have laws of general applicability which hold the stepparent responsible for the children to the same extent as a natural or adoptive parent. In all other States, the stepparent's needs are not included in the unit and his/her income, after certain disregards, are considered available to the unit members.

If there is no parent in the home, then another non-legally responsible relative with whom the child is living may, at his/her option, join the unit and be assisted. Additionally, States may exercise the option of including an other individual(s) living in the home as an essential person(s). The essential person's income and resources are used to determine eligibility and amount of payment.

Certain parents and sibling are excluded from the unit: illegal and sponsored aliens, recipients of SSI, foster children, and individuals ineligible due to lump sum income.

(a) Filing unit options range from making smaller changes to including the entire household, and eliminating the UP/IP test for 2-parent families. Staff have gathered data on several options which can be provided. Additional filing unit options include:

OPTION 1: Define the filing unit as households with a child or children under the age of 18, or age 19 at State option if a full time student, the child's siblings under the age of 22, and the child's natural, adoptive, or step- parents. The income and resources of these members will be used to determine eligibility and benefits.

OPTION 2: Define the filing unit as households with children under the age of 18, or age 19 at State option, if a full time student and all adult members; the income and resources of all members will be used to determine eligibility and benefits.

OPTION 3: Define the filing unit as households with children under the age of 18, or age 19 at State option, if a full time student and all adult members who purchase food and prepare meals together; the income and resources of these members will be used to determine eligibility and benefits.

OPTION 4: Define the filing unit as households with children under the age of 18, or age 19 at State option, if a full-time student and their relatives, including any other individuals in the household who claim the children as dependents for income tax purposes; the income and resources of these members will be used to determine eligibility and benefits.

2. APPLICATION PROCESS ISSUES

(a) Application Forms

Current Law:

The Food Stamp Act requires the use of a simplified, national form or an approved substitute containing specific content requirements, including rights and responsibilities. A combined application for public assistance households and general assistance households is required. Under the AFDC program, States are free to design the application form that will be used and to prescribe how to notify applicants of their rights and obligations.

(b) Processing Standards

Current Law:

In AFDC, a decision on the application must be reached by the State within State established standards, not to exceed 45 days. Benefits may be provided from the date of application or not later than the date of authorization or 30 days from application. As a matter of practice, requested documentation must be provided by the applicant within a state specified time frame (usually 10 days) or the application may be denied.

The Food Stamp Act requires payment of benefits retroactive to the date of application within 30 days of application under normal processing or within 5 days for expedited service for clients in emergency situations. Regulations provide detailed procedures about scheduling appointments, including a second appointment if an applicant misses the first one, and other rules if a determination of eligibility is not made within 30 days.

Vision:

To provide applicants with one, simple, easy to read and understand application form for AFDC and food stamps. Expedited processing will be provided for families in emergency need situations. Eligibility will be determined within identical time frames in both programs for both expedited and normal applications. Flexibility will be given to States for scheduling appointments and verifying information.

Drafting Specs:

(a) The Food Stamp statutory and regulatory provisions mandating the use of a national simplified form or approved substitute would be repealed.

(b) New Food Stamp and AFDC provisions would require States to use a generic application for both programs to obtain basic household, income and resource information. The application would have to be *easy to read* and would *contain consistent information to notify the applicant of rights and responsibilities* for both programs.

(c) AFDC rules would be revised to conform to the Food Stamp, 30 day standard for normal case processing with benefits retroactive to the date of application. A new, 10 day expedited processing standard would be set for both programs for applicants in extreme need situations, replacing the current 5 day food stamp requirement.

(d) Food Stamps requirements to schedule a second appointment would be replaced with requirements for both programs to inform applicants of rescheduling procedures.

(e) States would be allowed to deny an application for AFDC and Food Stamps as early as 10 days after requesting verification which has not been provided.

Rationale:

Uniform application requirements and processing standards will be less confusing for both applicants and workers and improve capacity for integrated processing. These proposals will streamline procedures which impede the delivery of timely assistance to those in need. A new 10 day expedited service standard for both programs will benefit AFDC applicants, offset the slight delay of the current 5 day level of service provided to food stamp applicants. States will gain needed flexibility and eliminate the need for postponing verification.

Cost: $273 Million Federal AFDC share

3. THREE-MONTH ACCOUNTING PERIOD

One of the major complaints about the differences between the AFDC and Food Stamp programs is that the programs use different periods to determine benefits for the current month and require too much reporting of changes in circumstances. In a transitional program where more recipients may have fluctuating income, the reporting burdens on recipients, the fluctuations in benefit amounts, and the constant need for case worker recalculations of benefits would impose complexity on all parties

involved. Further, under retrospective accounting, recipients who lose jobs continue to receive assistance based on income levels during the period of unemployment for up to two months. This results in considerable hardship among recipients.

(a) budgeting and reporting requirements

Current Law

Both AFDC and Food Stamps permit States to adopt either retrospective and prospective budgeting rules to determine the benefit amounts for some or all cases as well as monthly reporting requirements. Yet, there are some differences in application. For example, the Food Stamp Act permits retrospective budgeting of non-monthly reporting cases, while the Social Security Act does not.

Under monthly reporting and retrospective budgeting system, families report income and other case circumstances every month, whether or not a change affecting eligibity and payment amounts has occurred since the previous month. This information, as well as any supplementary report of a change in circumstances, is used to determine continued eligibility and to determine the amount of the the amount of assistance based on prior month's income.

Under a prospective budgeting system, eligibility and benefit amounts are based on a projection of income and circumstances that will exist in the month for which payment is to be made. The Food Stamp program by regulation and statute is more prescriptive in how the estimates are to be made. The AFDC rules are not contained in statute and provide States more flexibility in making the estimate.

(b) effective date of reported changes

Both programs require families to report changes in circumstances. In AFDC, States must establish procedures for timely and accurate reporting of changes that affect eligibility and amount of assistance Any change is effective in the month it occurred and will result in an overpayment is an not reported timely and adjustment is made. Food Stamp rules, allow for a tolerance in which a change of less than $25 per month does not have to be reported and the rules governing the effective date of any change give the recipient and agency time to report and act upon the change.

(c) earned income penalties for failure to report

Both programs impose earned income deduction penalties when recipients fail to report timely. Under the AFDC program the penalty is applied whenever a recipient **fails to timely report without good cause.** In the Food Stamp program, the penalty is applied to any portion of income the recipient **willfully failed to report.** In AFDC the penalty applies to $90 work expense, child care and the $30 and 1/3 earned income disregard provisions. The Food Stamp program, the penalty is applied by not disregarding the 20 percent earned income deduction to any portion of the income that the recipient wifflfully failed to report.

(d) <u>recertification period</u>

In the Food Stamp program, recertification of eligibility is mandatory and must occur every one to twelve months (depending on the characteristics of the household) under specific procedural rules. In AFDC, redetermination of eligibility must occur every six to 12 months according to State established procedures. Unlike AFDC, food stamp benefits automatically terminate when the certification period expires.

<u>Drafting Specs</u>

For the joint AFDC/Food Stamp population, amend the Social Security Act and the Food Stamp Act and regulations as necessary to:

(a) Repeal current monthly reporting and retrospective budgeting provisions. Replace with a requirement for prospective budgeting based on a fixed three-month accounting period. Adjustments to benefit levels resulting from changes in income during the current three-month period would be made in the next accounting period. States would be permitted the option to immediately recalculate benefits in cases where recipients report hardship circumstances due to a loss employment.

(b) Require recipients to make timely, accurate and complete reports of all income received on a three-month (quarterly) based on State prescribed time frames. Other circumstance changes must be reported no later than 10 days after the change occurs. Changes in circumstances other than income would be made effective prospectively in accordance with time frames established in federal regulations. Overpayments would not occur where recipients report timely and adjustments are made no later than two months after the month of change subject to notice requirements.

(c) Specify that earned income disregards are not allowed if all income is not timely, accurately and fully reported as required. This penalty will apply to the period for which the income was to be reported and any resulting overpayments are to be recovered or recouped.

(d) Provide that all joint AFDC/Food Stamp assistance units would be certified to receive benefits for a 12-month period. A redetermination of eligibility must occur for benefits to continue beyond that period. If an assistance unit fails to comply with requirements for redetermination, benefits are to be terminated at the end of the twelfth month after proper notification.

<u>Rationale</u>

This set of proposed administrative rules will significantly simplify benefit calculation procedures for joint AFDC/food stamp households. By rationalizing the procedures in benefit determination and calculation, workers and recipients will benefit through less paperwork processing and time spent on recalulating benefits because of fluctations in income. The rules maintain a balance between assuring

benefits are accurately determined by reducing the current complexities retaining the appropriate level of responsibilities on recipients to report information.

Cost: $510 Million -- Federal AFDC share

4. RESOURCES

Current Law

AFDC Provisions: *The Social Security Act and implementing regulations set a $1,000 limit (or a lower limit at State option) on the equity value of resources that a family may have and be eligible for AFDC. Excluded from consideration as countable resources are the home owned and occupied by the family; an automobile with a maximum equity value of $1,500 (or a lower limit at State option); bona fide funeral agreements with a maximum equity value of $1,500 for each family member (or lower limit set by the State); one burial plot for each family member; and real property for a period of 6 consecutive months (or 9 consecutive months at State option) which the family is making a good faith effort to sell. Under certain conditions, States may established rules regarding transfer of resources at less than fair market value.*

Food Stamp Provisions: *The Food Stamp Act and implementing regulations set a $2,000 limit (or $3,000 for a household with a member age 60 or over) on the value of resources a household may have and participate in the Program. The Act does not specify how the value of resources is to be determined, but provides for uniform national eligibility standards for income and resources. State agencies are prohibited from imposing any other standards of eligibility. Households in which each member receives AFDC, SSI, or general assistance from certain programs do not have to pass the food stamp resource eligibility test. Regulations exclude from resources the value of one burial plot per family member and the cash value of life insurance policies. Also excluded is real property which the household is making a good faith effort to sell at a reasonable price and which has not been sold. There is no specific exclusion for burial plans (funeral agreements). Any amount that can be withdrawn from a funeral contract without an obligation to repay is counted as a resource. Food Stamp law prohibit the transfer of resources within the 3-month period prior to application. A household that knowingly transfers resources for the purposes of qualifying or attempting to qualify for food stamps shall be ineligible to participate in the program for a period of up to one year from the date of discovery of the transfer.*

Vision

Both the AFDC and Food Stamps programs serve similar needy populations. Yet, because the rules for treatment of both the amounts and categories of resources are different in each program, resources that meet one program's requirement can result in ineligibility under the other. programs have substantially different rules for evaluating resources of that needy group, forcing welfare administrators to apply different program rules to the same resources in the same family. The following legislative proposal would reduce the current administrative complexity and confusion for welfare administrators and recipients by providing uniform treatment of assets where appropriate.

Drafting Specs

Require the Secretaries in both Departments to develop uniform resource exclusion policies in the following areas:

(a) Resource Limits:

(1) Increase the AFDC resource limit to $2,000 (or $3,000 for a household with a member age 60 or over) to conform to the Food Stamp resource limit.

NOTE: Indexing was considered but was eliminated because of the projected high cost to the Food Stamp Program.

(2) Permit demonstration projects to test varying resource limit amounts to determine the best resource limit for specific geographic areas and economic conditions.

(3) Permit a limited number of demonstration projects to allow States to evaluate a variety of incentives for recipients to accumulate savings for specific purposes as determined by each Department.

(4) Burial Plots: Amend AFDC regulations to totally exclude one burial plot per family member to conform to the Food Stamp policy.

(5) Funeral Agreements (Burial Plans): Amend regulations in both programs to totally disregard one funeral agreement per family member.

(6) Real Property: Amend AFDC regulations to exclude real property which the family is making a good faith effort to sell at a reasonable price and which has not been sold, to conform to the Food Stamp policy.

(7) Cash Surrender Value of Life Insurance Policies: Amend AFDC regulations to totally exclude the cash surrender value of life insurance policies to conform to the Food Stamp policy.

(8) Transfer of Resources: Develop AFDC regulations to provide that a household that knowingly transfers resources for the purposes of qualifying or attempting to qualify for aid shall be ineligible for benefits for a period of up to one year from the date of discovery of the transfer. This revision conforms to the Food Stamp policy.

Rationale

The administrative complexity that exist in applying certain resource requirements in the AFDC and Food Stamp programs will be greatly reduced under the proposed changes. Welfare administrators will be able to apply the same rules to the same resources for the same family. These conforming changes achieve simplification by streamlining the administrative processes in both programs.

Cost: $ 475 million -- Federal AFDC share

(b) Automobile resource limit

Current Law

The Social Security Act provides for the exclusion of so much of a family member's ownership interest in one automobile as prescribed by the Secretary. That exclusion is set at $1500 equity value (or a lower limit set by the State) in one vehicle with any excess equity value counted toward the $1,000 AFDC resource limit.

The Food Stamp Act provides for the exclusion of vehicles in certain situations e.g., when used as a home, needed to produce income or to transport a physically disabled household member. The countable value of most licensed vehicles is the fair market value over $4500 of one vehicle per household regardless of use and any vehicles used for employment, training or education in prepartion for employmentnd provides for counting the greater of FMV over $4500 or equity value for others.

Vision

Reliable transportation will be essential to achieving self-sufficiency for many recipients in a time-limited program. Because a dependable vehicle is important to individuals in finding and keeping a job, particularly for those in areas without adequate transportation, both the AFDC and the Food Stamp programs need a conforming automobile resource policy that supports recipients acquiring reliable vehicles. This proposal would simplify the automobile resource policy by conforming the program rules and reducing the unnecessary complexity and confusion for program administrators in both programs.

Drafting Specs

(a) Repeal the Food Stamp Act automobile exclusion rules.

(b) Amend the Social Security and the Food Stamp statutes to totally exclude one automobile, and count the equity value of all other automobile(s) toward the resource limit.

Rationale

This conforming proposed method is consistent with the recommendation from the American Public Welfare Association. In addition, it eliminates the administrative complexity involved with valuing vehicles under varying criteria and results in greater effectiveness and efficiency in the administration of both programs.

Cost: $500 million -- AFDC federal share
$292 million -- Food Stamps

5. INCOME ISSUES

Vision

Federal laws or rules frequently disregard a part or the total income of applicants and recipients in determining eligibility and benefits for assistance programs. Often, the same income is treated differently in the AFDC and Food Stamp programs. Such differences are incomprehensible to recipients and difficult to administer.

Our goal is to adopt uniform income disregard policies for the AFDC and Food Stamp programs which are easy to understand, simple to administer and promote work and education.

(a) TREATMENT OF LUMP SUM INCOME

Current Law

Under Section 402(a)(17) of the Social Security Act, non-recurring lump sum income is considered to be available to meet an AFDC family's current and future needs. If the assistance unit's countable income, because of receipt of lump sum income, exceeds the applicable State need standard, the unit is ineligible for a period determined by dividing the total countable income (including the lump sum) by the need standard.

The Food Stamp Act, at 5(d)(8), excludes from income non-recurring lump sum payments. Such amounts, if not spent in the month received, are treated as resources.

Drafting Specs

(a) Amend section 402(a)(17) of the Social Security Act (SSA) to exclude non-recurring lump sum payments from income.

(b) Amend both the SSA and FSA to disregard as resources, for one year from the date of receipt, non-recurring lump sum payments that are reimbursements for past, current or future costs or are intended to cover the cost of repairing or replacing assets.

(c) Amend both the SSA and the Food Stamp Act (FSA) to disregard the amount of any Federal or State EITC lump sum payments as resources for one year from receipt.

Rationale

Lump sum payments are treated completely differently in the two programs. Considerable simplification for both the clients and workers can be achieved if the policies are consistent. Also, current AFDC policy can result in hardship for families since they are supposed to conserve the payments to meet future living expenses rather than to cover debts and other costs.

Cost: $6 Million -- Federal AFDC share

(b) SELF-EMPLOYMENT EXPENSES

Current Law

In the AFDC program, the Social Security Act is silent concerning exclusions from income to recognize the cost of producing self-employment income. The rules (45 CFR 233.20(a)(6)(v)(B)) provide that profit from self-employment is derived from subtracting business expenses from gross receipts. All the earned income disregards (Section 402(a)(8)) are applied to the profit the same as income from wages. Allowable business expenses are those directly related to producing goods or services. However, the following expenses are not allowed: depreciation, purchases of capital equipment, payments on the principal of loans for capital assets or durable goods, personal transportation, and personal business or entertainment expenses. A State may designate an objective flat amount or percentage for self-employment business expenses, but must allow higher actual costs.

Section 5(d)(9) of the Food Stamp Act excludes from income the cost of producing self-employment income. The rules (273.11(a)(4)(i)) list the following examples of the specific costs that should be excluded: the identifiable costs of labor, stock, raw material, seed and fertilizer, interest paid to purchase income-producing property, insurance premiums, and taxes paid on income-producing property. The following expenses are not excluded as costs of doing business: payments on the principal of the purchase price of income-producing real estate and capital assets, equipment, machinery, and other durable goods; net losses from previous periods; and depreciation. In addition, Federal, State, and local income taxes, retirement monies, and other work related personal expenses (such as transportation to and from work) are not allowed because these expenses are accounted for by the 20 percent earned income deduction in Section 273.9(d)(2).

Drafting Specs

(a) No statutory change would be required.

(b) Change the Food Stamp and the AFDC regulations to provide a deduction of the amount of depreciation or the actual cost of purchasing the asset, whichever is claimed for tax purposes.

(c) Delete current language in AFDC regulations to conform with Food Stamp rules by adding examples of specific costs of producing self-employment income, such as the identifiable costs of labor, stock, raw material, interest paid to purchase income producing property, insurance premiums, and taxes paid on income producing property.

Rationale

A compatible AFDC/Food Stamp exclusion for business expenses, including a deduction for depreciation or actual the actual expenses of necessary assets, would result in greater effectiveness, clarity and efficiency in the administration of both programs. The change would encourage self-employment, self-sufficiency and recognize the legitimate cost of doing business. Allowing the eligibility worker to recognize business deductions as claims by the individual for income tax purposes would simplify such calculations.

Cost $25-$75 Million -- Food Stamp
Under $1 Million --Federal AFDC share

(c) BOARDER INCOME

Current Law

Under the AFDC program, neither the statute or rules address allowable costs of business income received from boarders. Under program policy, a State may designate a flat amount or percentage for self-employment business expenses. However, the State must allow higher documented costs.

The Food Stamp Act is also silent on specific procedures for determining the income of households with self-employment income from boarders. However, the House Report which accompanied the Food Stamp Act of 1977 (H.R. 95-464, page 38) indicates Congressional intent that the cost of doing business for boarder income be calculated "for purposes of administrative ease, at a fixed rate or the value of a monthly coupon allotment for a one-person household" for each boarder. The report also indicates Congressional intent that actual costs be allowed, but the cost exclusions from income cannot exceed the income received.

Section 273.11(b)(1) of the Food Stamp rules provides procedures for calculating the income received from boarders based on the legislative history contained in the Food Stamp Act. Income from boarders includes all direct payments to the household for room and meals, including contributions to the household's shelter expenses. The cost of doing business is either (1) the maximum allotment amount for a household size that is equal to the number of boarders or (2) the actual documented cost of providing room and meals, if that cost exceeds the maximum allotment amount. If actual costs are used, only separate and identifiable costs of providing room and meals to boarders can be excluded. The excluded costs cannot exceed the amount of income received.

Drafting Specs

(a) No statutory change would be required.

(b) Modify AFDC and Food Stamp rules to permit States the option to allow a flat rate, a percentage, or either the maximum allotment for a household of the same size as the number of boarders in the thrifty food plan or the actual documented cost, if it is higher than the allotment. The same procedure would be adopted for each program.

Rationale

A uniform AFDC/Food Stamp policy in calculating boarder income would result in greater effectiveness and efficiency in the administration of both programs.

Cost: Minimal

(d) Treatment of Educational Assistance

Current Law

Several laws address the treatment of educational assistance for AFDC. Any educational assistance provided under programs in title IV of the Higher Education Act or the Bureau of Indian Affairs must be disregarded (P.L. 102-325, sec. 479B). A State must disregard payments made for attendance costs under the Carl D. Perkins Vocational and Applied Technology Education Act (P.L. 101-392, sec. 507(a). Under AFDC rules, the State must disregard educational loans and grants that are obtained and used for direct educational expenses, such as tuition and books (233.20(a)(3)(iv)(B). (Any of the educational assistance covering items in the State's need standard is counted as income.) Also, States may disregard all educational assistance as complementary assistance that is for a different purpose than AFDC (233.20(a)(3)(vii)(a)).

Portions of income received under the Job Training Partnership Act and the Higher Education Act are disregarded in the Food Stamp program. By regulation, such educational assistance provided on behalf of the household for living expenses, food, or clothing to the extent that the funds exceed the costs of tuition and mandatory fees are counted as income. (7 CFR 273.9(c)(1)(v); 273(c)(3); 273(c)(4); 273.9(c)(5)(i)(D); and 373.9((c)(10)(xi).

Drafting Specs

Amend the Social Security Act and Food Stamp Act to totally disregard all educational assistance received by applicants and recipients.

Cost: $5 million – Food Stamps
Under $1 million – Federal AFDC share

(e) Earnings of Students

Current Law

For a dependent child receiving AFDC, the earned income of a full-time or part-time student (not employed full-time) attending a school, college, or university, or a course of vocational or technical training designed to fit him for gainful employment is disregarded (402(a)(8)(A) of the Social Security Act). At State option, the earned income of a dependent child applying for AFDC may also generally be disregarded. The earnings of minor parents attending school are not excluded.

Effective September, 1994, the Food Stamp program will exclude the earnings of elementary or high school students age 21 and under (FSA 5(d)(5); 7 CFR 273.9(c)(7).

Drafting Specs

ISSUE 1: With a new, more generous earned income disregard to encourage work, should student income also be disregarded to encourage school attendance?

ISSUE 2: If disregarded, should it apply to elementary and secondary school attendance or also college and vocational? To what age?

(f) Irregular Income

Current Law

No statutory provisions address irregular income for AFDC. Rules permit States to disregard small, nonrecurring gifts not to exceed $30 per individual per quarter (233.20(a)(3)(iv)(F).

The Food Stamp Act (Sec. 5(d)(2)) requires the exclusion of income of $30 or less in a quarter per household received too infrequently or irregularly to be anticipated. The exclusion does not apply under retrospective budgeting.

Drafting Specs

Amend the Food Stamp Act to conform to AFDC rules to exclude inconsequential income not in excess $30 per individual per quarter.

Cost: Inconsequential

(g) Treatment of JTPA Income

Current Law

For AFDC, the income of a dependent child which is derived from participation in a JTPA program may be disregarded. Earned income may be disregard for a period up to six months per calendar year. Unearned income may be disregarded indefinitely (section 402(a)(8)(A)(v) of the SSA).

Under Food Stamps, training allowances from vocational and rehabilitation programs and JTPA earnings are excluded, except income from on-the-job training programs under section 204(5) of title II. All OJT income of individuals under age 19 and under parental control is excluded. (7 CFR 273.9(b)((1)(iii) and (v); 273.9(c)(10(v)

Drafting Specs

(a) Amend the Social Security and the Food Stamp Acts to disregard as income all training stipends and allowances received by a child or adult from any program, including JTPA.

(b) Eliminate targeted earned income disregards so that the earned income from any on-the-job training programs or from a job will be counted after the general earned income disregards are deducted.

Cost: Savings to be determined.

(h) Treatment of Income from Complementary Programs

Current Law

Under AFDC regulations, States may disregard assistance from other agencies and organizations that are for a different purpose (complementary) than AFDC and do not duplicate needs already met in the need standard. (45 CFR 233.20(a)(3)(vii)

With specified exceptions, the Food Stamp program disregards cash donations based on need to the household not to exceed $300 in any one quarter from one or more charitable organizations. (FSA 5(d), (k); 7 CFR 273.9(b), (c)(13).

Drafting Specs

Amend the Social Security Act to adopt the current Food Stamp policy.

Cost: AFDC savings to be determined

(i) Treatment of State or Private Energy Assistance

Current Law

In AFDC, Low Income Home Energy Assistance is totally disregarded. Support and maintenance assistance based on need, including energy assistance, may be disregarded as income. (SSA 402(a)(36); 45 CFR 233.20(a)(3)(xix)

Under Food Stamps, cash or in-kind energy assistance provided under any Federal law and under certain State and local programs is excluded as income. (FSA 5(d)(11); 7 273.9(c)(1) and (11))

Drafting Specs

Amend the Social Security Act to incorporate the current Food Stamp policy.

Cost: Undetermined

(j) Treatment of Governmental Subsidies

Current Law

Under Section 402(a)(7)(C)(ii) of the Social Security Act, States may count housing or rent subsidies as income. The amount that may be counted cannot exceed the amount for shelter/utilities included in the State's payment standard (233.20(a)(3)(xii). Few States count the payments as income.

Under Food Stamp regulations (7 CFR 273.9(c)(1)), vendor payments to landlords are excluded as income. Payments to households and vendor payments to utility providers are counted as income. The amount the household owes the landlord, after HUD subsidies, is allowed as a rent expense. In the Third Circuit, the Court has held that HUD utility payments are excluded as energy assistance.

Drafting Specs

Amend the Social Security Act to require that States disregard all governmental housing/utilities subsidies.

ISSUE: **Should the significant fiscal advantage afforded the few AFDC recipients who receive subsidized housing be continued?**

Cost: Minimal

(k) Child Support $50 Pass-Through

Current Law

In AFDC, the first $50 of any child support collected and passed on to families is disregarded in determining the amount of AFDC assistance. (SSA 402(a)(8)(vi); 45 CFR 233.20(a)(3)(v))

Section 5(d)(13) of the Food Stamp Act permits States to disregard the first $50, but if States opt to disregard such amounts, it must reimburse the Federal government its share of the Food Stamp benefit. (FSA 5(d)(13); 5(a); 7 CFR 276.2(e)

Drafting Specs

Amend the Food Stamp Act to require States to disregard the first $50 of child support collections in determining needs and benefits.

Cost: $181 million for Food Stamps

(l) Supplemental Payments

Current Law

Section 402(a)(28) of the Social Security Act requires those States that deduct income from the need rather than the payment standard (fill-the-gap) now and in July of 1975 to provide a supplemental payment to families who have less disposable income because child support is paid to the child support agency instead of directly to the family.

Food Stamps - No such provision exists in the Food Stamp program.

Drafting Specs

Amend the Social Security Act to remove this provision.

Cost: Savings to be determined.

(m) Treatment of In-kind Income

Current Law

AFDC rules require earned in-kind income to be counted. As a matter of policy, States may disregard any unearned in-kind income. If the State elects to count unearned in-kind income, the amount counted is limited to the value of the item in the State's need standard.

Under Food Stamps, in-kind benefits such as food, clothing, housing, produce are excluded. (FSA 5(d)(1); 7 CFR 273.9(c)(1))

Drafting Specs

Amend the Social Security Act to require States to disregard both earned and unearned in-kind income.

Cost: $9 million for AFDC

6. Verification

Current Law and Policy

Food Stamp law and regulations include specific requirements for verification and documentation of information needed for eligibility and benefit determinations. Food Stamp regulations mandate verification of utility and medical expenses (when actual is claimed), identity, residency (address), disability and household composition. In the AFDC program, the Act and regulations do not address how verification is to occur but State procedures have generally conformed to the verification policy outlined in the Federal quality control manual.

Under the Food Stamp Act (FSA) (sections 11(e)(3),(9)) and Social Security Act (Act) (sections 402(a)(25) and 1137), income must be verified through the Income and Eligibility Verification System (IEVS). The State must request wage and benefit information for from the State Wage Information Collection Agency, the Social Security Administration, and the agency administering Unemployment Insurance Benefits. Unearned income information must be requested from the Internal Revenue Service. Both programs are also required by law to verify alien status through the Immigration and Naturalization Service's Systemic Alien Verification for Entitlement system.

Both programs review the accuracy of eligibility decisions and benefit amounts through quality control systems, with the intended result that much information is verified at application and at recertification to avoid errors. States may in both programs adopt other verification requirements.

Vision

Federal computer matching and verification requirements are often burdensome for both clients and eligibility staff. Even where States have flexibility, the emphasis on payment accuracy and the potential for fiscal quality control penalties have often resulted in unnecessary documentation, delays in benefits and improper denials and terminations. Yet, to assure the public that their taxes are being spent to serve only those in need, verification will continue to be a critical component of the new

system for delivering assistance to families. States must be afforded the flexibility to simplify verification procedures, while assuring program integrity through minimal standards.

Drafting Specs

(a) Amend the Social Security Act and the Food Stamp Act, for the joint AFDC/Food Stamp population, to:
- require States to verify income, identity, alien status and the SSN;
- States may choose the verification systems, methods and timeframes for action;
- States may choose the computer matching activites that are most effective, including IEVS and SAVE; and
- States may verify additional factors of eligibility.

(b) Verification methods, systems, and time limits will be included in the State Plan.

Rationale

States will welcome the increased flexibility provided by this proposal and be able to streamline their verification activities, saving time and paperwork. At the same time, the State plan approval process will ensure adequate protection of client rights and program integrity without restricting State flexibility.

Cost: Savings of $3 million in Food Stamps and less than $1 million in AFDC.

7. UNDERPAYMENTS

Current Law and Policy

Section 402(a)(22) of the Social Security Act requires State agencies to promptly take all necessary steps to correct any underpayment. Regulations at 45 CFR 233.20(a)(13) limit the issuance of underpayments (both agency and client caused) to current recipients and former recipients who would be currently eligible if the error causing the underpayment had not occurred. As a result of litigation, program policy also permits States to issue underpayments to former recipients who would no longer be currently eligible. The amount of the underpayment is not limited by the number of eligible months covered.

Section 11(e)(11) of the Food Stamp Act provides that benefits are to be restored to a household requesting them if the benefits have been "wrongfully denied or terminated." The period for which benefits are restored is limited to one year prior to the date the State agency either receives a request for restoration from the household or otherwise learns that a loss to the household occurred. The Food Stamp rule (7 CFR 273.17) also prohibits the State agency from restoring benefits for a period longer than 12 months. The rule requires that benefits be restored even if the household is currently ineligible.

Vision

To provide clients with a rational and consistent policy in the processing of underpayments.

Drafting Specs

Amend section 402(a)(22) of the Social Security Act to conform to Food Stamp law by requiring the issuance of agency caused underpayments to current and former recipients for a period not in excess of 12 months from the date that the agency learns about the underpayment.

Rationale

Since clients are responsible for reporting changes in circumstances that affect eligibility and benefits, a 12-month limit on restoring lost benefits due to agency error reinforces positive behavior. The change also achieves consistency between the AFDC and Food Stamp underpayment policies. However, because the proposal represents a contraction of AFDC program policy (i.e., the prohibition on underpayments due to client error) client advocacy groups are likely to object.

Cost: $6 million Federal AFDC savings

WR Specs (Rebo)

REINVENTING GOVERNMENT ASSITANCE - Attachment for January 31, 1994

Income Excluded by Other Laws

The AFDC and Food Stamp programs both exclude payments authorized and excluded under laws other than the Food Stamp Act and the Social Security Act. Based on a prior, tentative working group decision, we developed the attached listing of these exclusions for their review. No recommendations are proposed pending further discussion.

Some exclusions under these laws apply to both AFDC and Food Stamps, others are specific to only one program. The list of these exclusions follows.

Common Exclusions Under AFDC and Food Stamp Programs

Major Disaster Assistance: Any Federal major disaster and emergency assistance provided under the Disaster Relief Act of 1974, as amended by the Disaster Relief and Emergency Assistance Amendments of 1988 and comparable disaster assistance provided by States, local governments and disaster assistance organizations (P.L. 100-707, Section 105).

Uniform Relocation Assistance: Payments received under the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (Pub. L. 91-646, Section 216).

Domestic Volunteer Services Programs: Payment for supportive services or reimbursement of out-of-pocket expenses to participants in the Volunteers in Service to America (VISTA) programs under the Domestic Volunteer Services Act of 1973 (P.L. 92-113). Examples of VISTA programs: University Year for Action, Urban Crime Prevention Program, SCORE, ACE, foster grandparents, senior health aid volunteers.

Low-Income Home Energy: Benefits paid to eligible household under the Low-Income Home Energy Act of 1981. (For AFDC P.L. 97-35, title XXVI, Section 2605(f); for Food Stamp: P.L. 99-425, Section (e)).

Student Financial Assistance: Assistance received under the programs in title IV of the Higher Education Act or under Bureau of Indian Affairs programs and under the Carl D. Perkins Vocational and Applied Technology Education Act must be disregarded. (Pub. L. 102-325, Section 479B; P.L. 100-50, Section 14(27); P.L. 101-392, Section 507(a)).

Civil Liberties Act: Any payments made as restitution to an individual under titles I of P.L. 100-383, the Civil Liberties Act of 1988, or under title II of P.L. 100-383, the Aleutian and Pribilof Islands Restitution Act, are excluded. Payments are made to US citizens of Japanese ancestry, permanent resident Japanese aliens or their survivors and the Aleut residents of Pribilof Islands and the Aleutian Islands West of Unimak Islands.

Agent Orange: Payments made pursuant to the settlement in the In Re Agent Orange Product Liability Litigation. (P.L. 101-201, Section I and P.L. 101-239, Section 10405).

Federal Earned Income Tax Credit (EITC): Exclusion of Federal EITC payments as income. Exclusion of EITC payments as resources in the month received and the following month. (P.L. 101-508, title XI)

Radiation Exposure Compensation: Payments made pursuant to the Radiation Exposure Compensation Act. (P.L. 100-426, Section 6(h)(2))

Payments to American Indians including Alaska Natives as follows:

- Any funds distributed per capita to or held in trust for members of any Indian tribe under P.L. 92-254, Section 4,(Grand River Band of Ottawa Indians) or P.L. 94-540.

- Any of the following distributions from a Native Corporation established pursuant to the Alaska Native Claims Settlement Act (ANCSA): (1) Cash (including, cash dividends on stock received from a Native Corporation is disregarded to the extent that it does not, in the aggregate, exceed $2,000 per individual each year; (2) Stock (including stock issued or distributed by a Native Corporation as a dividend or distribution on stock); (3) A partnership interest; (4) Land or an interest in land (including land or an interest in land received from a Native Corporation as a dividend or distribution on stock; and (5) An interest in a settlement trust. (P.L. 92-203 as amended by P.L. 100-241)

- Receipts distributed to members of certain Indian tribes which are referred to in Section 5 of P.L. 94-114 (89 Stat. 577, 25 U.S.C. 459(d), Section 5).

- Indian judgment funds that are held in trust by the Secretary of the Interior (including interest and investment income accrued while such funds are so held in trust), or distributed per capita to a household or member of an Indian tribe pursuant to a plan prepared by the Secretary of the Interior and not disapproved by a joint resolution of the Congress, and initial purchases made with such funds. (P.L. 93-134, Section 7 as amended by Section 4 of P.L. 97-458)

- Interests of individual Indians in trust or restricted. Indian lands is disregarded as resources and up to $2,000 per year of income derived from such interests. (P.L. 93-134, Section 8 as amended by P.L. 97-458 and amended by 103-66)

- All funds held in trust by the Secretary of the Interior for an Indian tribe (including interest and investment income accrued while such funds are so held in trust) and distributed per capita to a household or member of an Indian tribe, and initial purchases made with such funds. (P.L. 98-64, Section 2)

- Payments under the Maine Indian Claims Settlement Act of 1980. (P.L. 96-420, Section 9(c)(2))

Food Stamp Only Exclusions

Job Training and Partnership ACT (JTPA): This provision requires counting as income on the job training payments provided under Section 204(5) of title II of JTPA except for dependents under age 19. (P.L. 99-198)

Educational Assistance: Food, Agriculture, Conservation and Trade Act of 1990 title XVIII, Mickey Leland Memorial Domestic Hunger Relief Act and P.L. 102-337, Food, Agriculture, Conservation and Trade Act of 1991 disregard educational monies received from recognized institutions of post-secondary education, schools for the handicapped, and vocational education programs. (P.L. 101-624)

Veterans' Benefits: Benefits received from the Veterans' Benefits Improvement and Health Care Authorization (P.L. 99-576)

Senior Community Services: Funds received by persons 55 and older under the Senior Community Services Employment program under title V of the Older Americans Act. (P.L. 100-175)

Payments under HUD Demonstrations: Excludes most increases in the earned income of families residing in housing projects participating in HUD demonstrations authorized by Section 126 of the Housing and Community Development Act of 1987 and Cranston-Gonzales National Affordable Housing Act (P.L. 100-242, Section 126(c)(5)(A) and P.L. 101-625, Section 522(i)(4))

Payments under WIC Demonstrations: Under WIC demonstration projects, coupons that may be exchanged for food. P.L. 100-435, Section 501 which amended the Child Nutrition Act.

Child Care Payments: Value of child care payments made under title IV-A of the Social Security Act, including transitional child care payments. (P.L. 100-485 and P.L. 102-586)

At-risk Child Care Payments: At-risk block grant child care payments made under P.L. 101-508, Section 5801 which amends Section 402(i) of the Social Security Act.

Payments to American Indians:

- Relocation assistance payments to members of the Navajo and Hopi Tribes are excluded from income and resources. (P. L. 93-531, Section 22)
- Funds distributed per capita to the Sac and Fox Indians or held in trust are excluded from income and resources. (P. L. 94-189, Section 6)
- Indian Claims Commission payments made pursuant to this Public Law to the Confederated Tribes and Bands of the Yakima Indian Nation and the Apache Tribe of the Mescalero Reservation are excluded from income and resources. (P. L. 95-433, Section 2)
- 25 USCS 1931 Indian Child Welfare, subparagraph (b) provides that assistance under 25 USCS 1901 et seq. shall not be a basis for the denial or reduction of any assistance otherwise authorized under any federally assisted programs. (P. L. 95-608).
- Payments to the Turtle Mountain Band of Chippewas, Arizona are excluded from income and resources. (P. L. 97-403)
- Payments to the Blackfeet, Grosventre, and Assiniboine tribes, Montana, and the Papago, Arizona, are excluded from income and resources. (P. L. 97-408)

- Funds distributed under this Act to members of the Red Lake Band of Chippewa Indians are excluded from income and resources. (P. L. 98-123, Section 3)

- Per capita and interest payments made to members of the Assiniboine Tribe of the Fort Belknap Indian Community, Montana, and the Assiniboine Tribe of the Fort Peck Indian Reservation, Montana, under this Act are excluded from income and resources. Funds were awarded in docket 10-81L. (P. L. 98-124, Section 5)

- Old Age Assistance Claims Settlement Act, provides that funds made to heirs of deceased Indians under this Act shall not be considered as income or resources nor otherwise used to reduce or deny food stamp benefits except for per capita shares in excess of $2,000. (P. L. 98-500, Section 8)

- Funds distributed per capita or held in trust for members of the Chippewas of Lake Superior are excluded from income and resources. Judgements were awarded in Dockets Numbered 18-S, 18-U, 18-C, and 18-T. Dockets 18-S and 18-U are divided among the following reservations. (P. L. 99-146, Section 6(b))

- White Earth Reservation Land Settlement Act of 1985, 3/24/86, Section 16 excludes moneys paid under this Act from income and resources. This Act involves members of the White Earth Band of Chippewa Indians in Minnesota. (P. L. 99-264)

- Payments to the Saginaw Chippewa Indian Tribe of Michigan are excluded from income and resources. (P. L. 99-346, Section 6(b)(2))

- Funds distributed per capita to the Chippewas of the Mississippi or held in trust under this Act are excluded from income and resources. The judgments were awarded in Docket Number 18-S. The funds are divided by reservation affiliation for the Mille Lac Reservation, Minnesota; White Earth Reservation, Minnesota; and Leech Lake Reservation, Minnesota. (P. L. 99-377, Section 4(b))

- The Puyallup Tribe of Indians Settlement Act of 1989, Section 10 (b) provides that nothing in this Act shall affect the eligibility of the Tribe or any of its members for any Federal program. Section 10(c) provides that none of the funds, assets, or income from the trust fund established in Section 6(b) shall at any time be used as a basis for denying or reducing funds to the Tribe or its members under any Federal, State, or local program. (P. L. 101-41)

- Funds appropriated in satisfaction of judgments awarded to the Seminole Indians in dockets 73, 151, and 73-A of the Indian Claims Commission are excluded from income and resources except for per capita payments in excess of $2,000. Payments were allocated to the Seminole Nation of Oklahoma, the Seminole Tribe of Florida, the Miccosukee Tribe of Indians of Florida, and the independent Seminole Indians of Florida. (P. L. 101-277)

- Seneca Nation Settlement Act of 1990, dated November 3, 1990, provides that none of the payments, funds or distributions authorized, established, or directed by this Act, and none of the income derived therefrom, shall affect the eligibility of the Seneca Nation or its members for, or be used as a basis for denying or reducing funds under, any Federal program. (P. L. 101-503, Section 8(b))

AFDC Only Exclusions

Nutrition Program for the Elderly: Benefits received under title VII, Nutrition Program for the Elderly of the Older Americans Act of 1965. (P.L. 92-258, Section 709)

Statutorily-established State Programs: Any amount paid by a State IV-A agency from State-only funds to meet needs of children receiving AFDC, if payments are made under statutorily-established State program which has been continuously in effect since before January 1, 1979. (P.L. 97-248, Section 159)

Benefits from State-only Funds: Any amounts determined to have been paid by a State from State-only funds to supplement or otherwise increase the amount of aid paid to an AFDC family as computed under Section 233.35 for the current or anticipated needs for the same month. (P.L. 97-248, Section 157)

USDA Donated Foods: Value of USDA donated foods (surplus commodities) (Pub. L. 83-480, Section 416)

School Lunch Programs: The value of supplemental food assistance under Child Nutrition Act of 1966 and the special food services program for children under the National School Lunch Act. (P.L. 89-642, Section 11(b) as amended by P.L. 92-433 and P.L. 150)

Payments to American Indians

- Payments from the State of Maine, by the Aroostook Band of Micmac Indians or any of its members under the Aroostook Band of Micmac Settlement Act. (P.L. 102-171, Section 9(b))