160-1
Underpayments occur when a CalWORKs (formerly AFDC) recipient has received a lesser amount of aid than that to which he or she is entitled. Underpayments are to be corrected by balancing them against outstanding overpayments or through retroactive payments. (§44-340)

160-1A ADDED 8/04
Under prospective budgeting an underpayment occurs when the AU receives less cash aid than the AU was entitled to receive and would be based on regulations in effect at the time the underpayment occurred. The county shall not reconcile actual verified income against prospectively budgeted reasonably anticipated income that was used in the grant calculation. (§44-340.32 and .321 effective July 1, 2004)

160-2
Any underpayment which is due to the erroneous denial of an application for aid shall be corrected even though the applicant failed to perform an act constituting a condition of eligibility when such failure was caused by the denial. (§44-340.131)

160-3
When the county discovers that a person required to be in the AU is in the home, it shall notify the AU by mail that the discovered person is required to be included on the Statement of Facts. The county shall then redetermine the AU's eligibility from the date the person was required to be in the AU until the date the notice was mailed. In recomputing the grant, include the person's income, resources and needs. (§44-315.411-.414) Correct an underpayment by determining the underpayment, and issue payment for those months in which all technical conditions of eligibility (per §44-317.112(a)) are met. Technical conditions are met as of the date the person required to be in the AU cooperates in meeting those conditions, and the caretaker/relative has fulfilled the reporting responsibilities required by §40-105.14 in relation to AU composition. (§44-355.16)

160-4
For purposes of determining continued eligibility and amount of assistance, retroactive payments to correct underpayments shall not be considered as income or as a resource in the month paid, nor in the following month. (§44-340.6)

160-5
When the individual whose needs were previously excluded is restored to the grant effective the first of the month that requirements of the immunization or school attendance provisions are met, the additional payment is a supplemental payment. Thus it is not subject to adjustment for any overpayment. (All-County Letter No. 97-70, Attachments 8 and 9, October 28, 1997)

160-5A ADDED
5/16A mid-period supplemental payment resulting from a voluntary mid-period report which was correctly computed based on a recalculation of reasonably anticipated income and/or other changed AU circumstances shall not be considered an underpayment and is not subject to an overpayment offset. (§44-340.14)

160-6 ADDED 2/04
If the county determines that the assistance unit/household received an underpayment/underissuance due to county error, the county must take action to restore those benefits. Restoration is based on prospective budgeting rules. The county may not use actual verified income to reconcile against prospectively budgeted income that was used in the benefit calculation as income that was “reasonably anticipated” at the time benefits were calculated.

As an example, in CalWORKs an underpayment should be provided for an assistance unit for any pregnant/parenting teen who had previously been aided as a dependent child and who had a break in aid between being aided in their parent/caretaker relative’s assistance unit and establishing her own assistance unit. (All-County Letter No. 03-18, April 29, 2003, p.73)

160-7 ADDED
7/15In the CalWORKs program, an underpayment occurs when the assistance unit receives fewer benefits than it was entitled to receive. In CalFresh, if a household receives fewer benefits than it was entitled to receive, they are considered to have lost benefits, which the County Welfare Department is required to provide (restore) to the household (an underissuance). If the County Welfare Department determines that an underpayment or an underissuance has occurred due to an administrative error, and the recipient is entitled to restoration of those benefits, the County Welfare Department must immediately take action to restore any benefits that were lost. Restoration of benefits under these circumstances would be based on SAR rules, and actual verified income shall not be used to reconcile against prospectively budgeted income that was used in the benefit calculation. Only income that was “reasonably anticipated” at the time benefits were initially calculated can be used. (ACL No. 12-25, May 17, 2012)

161-2A ADDED 8/04
Under prospective budgeting, a mid-payment period supplemental payment resulting from a voluntary mid-payment period report which was correctly computed based on a recalculation of reasonably anticipated income and/or other changed AU circumstances shall not be considered an underpayment and is not subject to overpayment offset. (§44-340.14 effective July 1, 2004)

161-3 ADDED 2/04
No overpayment/overissuance or underpayment/underissuance shall be assessed when actual income received during the payment period differs from the amount of income reasonably anticipated, as long as the recipient met his/her reporting responsibilities. No reconciling based on actual income is done if reporting requirements are met accurately and completely and the county averaged and issued benefits based on reasonably anticipated income.

Reconciling beginning months of CalWORKs to determine the correct grant amount does not apply in prospective budgeting rules. (All-County Letter No. 03-18, April 29, 2003, p.74)

161-3A ADDED 8/04

No underpayment shall be established when a change in circumstances occurs or actual income received is less than what was reasonably anticipated during the payment period and the recipient did not voluntarily report the change during the payment period in accordance with §44-316.31. (§44-340.33 effective July 1, 2004)

163-10 ADDED 2/04
The Reduced Income Supplemental Payment (RISP) is not available in the prospective budgeting system. The provisions of *Jones* v. *Yeutter* are no longer applicable under prospective budgeting rules. Both RISPs and *Jones* were based on retrospective budgeting. (All-County Letter No. 03-18, April 29, 2003, pp.46-47)

164-1
The Court of Appeal determined that Administrative Law Judges (ALJs) had the authority to award interest in conjunction with the issuance of retroactive benefits. (*Knight* v. *McMahon* (1994) 26 Cal.App. 4th 747)

On August 29, 1996 the California Supreme Court held that Unemployment Insurance ALJs did not have the authority to award interest. The Court held that those ALJs had no such authority. The Court specifically disapproved the *Knight* case, to the extent that it allowed CDSS ALJs to award interest. Thus, CDSS ALJs may no longer authorize interest payments when retroactive aid is ordered, effective September 29, 1996. (*AFL and CIO* v. *Unemployment Insurance App. Bd.* (1996) 13 Cal. 4th 1017, 56 Cal. Rptr. 2d 109; All-County Information Notice No. I-52-96, September 25, 1996)