

DEPARTMENT OF SOCIAL SERVICES

744 P Street, Sacramento, CA 95814



March 12, 1987

ALL-COUNTY LETTER NO. 87-37

TO: ALL COUNTY GAIN COORDINATORS
ALL COUNTY WELFARE DIRECTORS

SUBJECT: GRANT DIVERSION POLICIES

Over the past several months, the State Department of Social Services (SDSS) has been in the process of developing policies and guidelines for grant diversion plan development and implementation. Toward that end, SDSS staff held meetings with grant diversion experts from three other states, the Federal Department of Health and Human Services (DHHS), various county welfare departments (CWD), and the State Department of Health Services. Several policy decisions were contingent upon clarification of the position of DHHS in this area. Written confirmation of DHHS policy on these issues was received in early January, 1987. In order to transmit this information and to respond to several issues concerning the grant diversion funding mechanism which have been raised by CWDs, this letter has been prepared using a question and answer format. Please keep in mind that grant diversion introduces several new concepts to Aid to Families with Dependent Children (AFDC) eligibility and grant determinations. Communication among eligibility, employment services, and fiscal staff within the CWD is essential if the operation is to run smoothly.

Regulations are being prepared which will incorporate those policies not currently addressed in the GAIN regulations. We will keep the CWDs informed regarding the status of this project. In addition, we have attached a copy of the Grant Diversion Plan Guidelines which have been developed to assist counties in preparing plans for submittal to SDSS.

QUESTION 1:

What is grant diversion?

ANSWER:

As specified in Manual of Policies and Procedures (MPP) Section 42-730.41, grant diversion is a funding mechanism for subsidized employment in which the participant's cash grant, or a portion thereof, is diverted to the employer or intermediary service provider as a wage subsidy.

QUESTION 2:

What training components can be funded by grant diversion?

ANSWER:

Under Welfare and Institutions Code (WIC) Section 11320.3 (d) (6), (7), and (8) and MPP Section 42-730.41, the training components which must be funded by grant diversion are supported work and transitional employment. On the job training may be funded this way as well. Although grant diversion need not be the exclusive funding source for supported work and transitional employment, it must be one of the funding sources used.

QUESTION 3:

What is a wage subsidy?

ANSWER:

A wage subsidy is the amount paid to participating employers to reimburse them for a portion of the wages paid to GAIN participants.

QUESTION 4:

How is an affordable subsidy rate calculated?

ANSWER:

To determine an affordable subsidy rate, the CWD must anticipate the characteristics of the caseload entering the grant diversion funded components, grants, and wages to be paid. The total monthly grant funds diverted, divided by the total monthly wages earned, equals the approximate affordable subsidy rate. Examples of this calculation are provided in the March, 1986 Manpower Demonstration Research Corporation (MDRC) report, WELFARE GRANT DIVERSION LESSONS AND PROSPECTS. Counties were provided with copies of this report in August, 1986 along with the Update on GAIN Activities #3. If you need a copy, please contact your GAIN county analyst.

QUESTION 5:

What is the maximum subsidy level allowable under grant diversion?

ANSWER:

Counties have the option of paying flat rate subsidies, or a percentage of the wage. Generally speaking, studies have shown that subsidy rates should not exceed 50 percent of the wage. However circumstances may arise in which the affordable rate is above 50 percent.

QUESTION 6:

What is a wage pool?

ANSWER:

A wage pool is a separate account into which diverted grants are deposited for payment to employers.

QUESTION 7

What is "seed money"?

ANSWER:

As discussed in the answer to Question 13, there will be a number of grant diversion cases in which retrospective budgeting is used. Because of this, grants will not be available for diversion to the wage pool until the second month following entrance into a grant diversion assignment. Seed money is a funding source external to the grant diversion funding mechanism that is used to make initial wage subsidy payments to employers before sufficient funds are available in the wage pool from AFDC grant diversions.

QUESTION 8:

Will the SDSS provide funding for seed money?

ANSWER:

No. The CWDs should design their grant diversion projects so that seed money is not needed. For example, CWDs should consider:

- o Limiting submission of employer invoices to once a month, following the completion of each month.
- o Marketing grant diversion to employers to emphasize the positive aspects of the program including the fact that employers will receive wage subsidies as promptly as possible, generally within 31 days after receipt of invoices from employers.

The CWD may also look for alternative funding sources for seed money, such as JTPA.

QUESTION 9:

Who is eligible for grant diversion?

ANSWER:

Individuals who are recipients of AFDC immediately prior to placement in a grant diversion assignment are eligible to participate in an assignment funded by grant diversion. AFDC applicants shall not be considered for grant diversion funded assignments until eligibility has been established.

QUESTION 10:

What earned income disregards are available to grant diversion participants?

ANSWER:

MPP Section 42-730.411(a) specifies that the \$30 and one third disregard shall apply for the duration of the assignment for those participants who are eligible for the disregard at the time they enter the assignment. The disregards for child care (MPP Section 44-113.215) and work related expenses (MPP Section 44-113.214) shall not be allowed for grant diversion participants. Instead, the costs for child care and transportation must be paid through vendor payments to the providers of the services, or by using two-party checks.

QUESTION 11:

What disregards are available for grant diversion participants following transition into regular employment?

ANSWER:

The application of the child care and standard work expense disregards resume following a grant diversion assignment. The application of the \$30 and one third disregard for the duration of the assignment (assuming the assignment is at least four months) makes individuals ineligible for the \$30 and one third disregard again until they have been off AFDC for 12 consecutive months, and begins the eight calendar-month period during which the \$30 disregard is available. Thus, even though the full \$30 and one third disregard is extended under grant diversion, the eight calendar-month period of the \$30 disregard begins following the first four consecutive months of the \$30 and one third disregard application.

EXAMPLE:

The participant is employed under grant diversion for a period of six months and then makes a transition into regular employment.

The participant would still be eligible for a \$30 disregard during the six months following grant diversion participation. (i.e., The fifth and sixth months of receipt of the full \$30 and one third apply toward the eight month period of eligibility for the \$30 disregard, and only six months of eligibility for the \$30 disregard remain.)

QUESTION 12:

What type of AFDC eligibility determinations are used for grant diversion cases?

ANSWER:

Eligibility for AFDC will be determined on a prospective basis for all grant diversion cases. However, AFDC eligibility is "frozen" during grant diversion participation. In other words, once an individual begins a grant diversion assignment, changes in income, property, or family circumstances which would otherwise render the case ineligible to receive an aid payment will not affect eligibility for continuation in the grant diversion assignment.

QUESTION 13:

How are grants calculated for grant diversion participants who are prospectively eligible?

ANSWER:

Grants for prospectively eligible cases will be computed using retrospective budgeting unless the grant diversion assignment begins during the first two months of aid when prospective budgeting is used. (See MPP Section 44-313).

EXAMPLE:

The assistance unit consists of one parent and two eligible children. The gross wages from the assignment are \$800 per month. The participant is eligible to receive the \$30 and one third disregard at the time he/she enters the assignment. The assignment begins January 1. The assistance unit received no other income in the two months prior to the beginning of the assignment.

January/February Grant Calculation

A) Maximum Aid Payment	\$617
B) Nov/Dec Nonexempt Income	0
C) January/February Aid Payment	\$617

March Grant Calculation

A) Maximum Aid Payment	\$617
B) Gross Wage	800
C) \$30 + 1/3	287
D) Net Nonexempt Income (B)-(C)	513
E) Aid Payment (A)-(D)	104

QUESTION 14:

What is a residual grant?

ANSWER:

A residual grant is the difference between the maximum aid payment (MAP) and the amount diverted to the wage pool. In the example of the March grant calculation in the answer to Question 13, the Net Nonexempt Income (\$513) shown on line (D) is available for diversion to the wage pool. The aid payment shown on line (E) is the residual grant.

QUESTION 15:

How are cases treated in which the assistance unit is income ineligible?

ANSWER:

There are special considerations if the case is prospectively ineligible due to income from the assignment. An assistance payment continues to be made on behalf of the case, however, no direct aid payments may be made to the participant. The MAP for the payment month will be deposited directly into the wage pool.

EXAMPLE:

Case 1: The assistance unit consists of one adult and two children. Gross wages are \$1400 per month. In this case, the participant would be income ineligible, since the gross wages exceed 185 percent of Minimum Basic Standard of Adequate Care (MBSAC). No residual grant payment could be made. The entire MAP would be diverted to the wage pool.

Case 2: The assistance unit consists of one adult and two children. Gross wages are \$800 per month. The participant is eligible for the \$30 and one third disregard at the time he/she enters the assignment. The assistance unit receives \$150 monthly unearned income.

A) MBSAC	\$617
B) Gross Wages	800
C) \$30 + 1/3	287
D) Net Earned Income (B)-(C)	513
E) Unearned Income	150
F) Net Nonexempt (D)+(E)	663

In this case the participant would not be eligible for a residual grant because the net nonexempt income exceeds the MBSAC. The entire MAP would be diverted to the wage pool.

QUESTION 16:

What happens if the composition of the family changes during the assignment, but the assistance unit remains eligible for an aid payment?

ANSWER:

The residual grant would be calculated based on the new MAP for which the assistance unit is eligible.

EXAMPLE:

At the beginning of the grant diversion assignment the assistance unit consists of one parent and three eligible children. The assignment began in January, and in April, one eligible child left the home. The gross wages from the assignment were \$800 per month, and the participant was eligible for the \$30 and one third disregard.

March Grant Calculation

A) MAP	\$734
B) Gross Wages	800
C) \$30 + 1/3	287
D) Net Nonexempt Income (B)-(C)	513
E) Residual Grant (A)-(D)	\$221

April Grant Calculation

A) MAP	\$617
B) Gross Wages	800
C) \$30 + 1/3	287
D) Net Nonexempt Income (B)-(C)	513
E) Residual Grant (A)-(D)	\$104

QUESTION 17:

What happens if a case becomes ineligible due to family circumstances during a grant diversion assignment?

ANSWER:

As described in the answer to Question 12 above, AFDC eligibility is "frozen" during a grant diversion assignment. However, no direct aid payment can be made to individuals who are not eligible for AFDC. In addition, the MAP must be adjusted to reflect the changed family circumstances.

EXAMPLE:

The assistance unit consists of one parent and two children. The parent accepts an OJT position funded by grant diversion. After beginning the assignment, the children move out of the home, making the parent ineligible for a direct aid payment. In this case, the parent would continue in the OJT assignment, and the MAP would be reduced to reflect an assistance unit of one even though no eligibility would exist under normal AFDC circumstances. The adjusted MAP would then be diverted to the wage pool.

QUESTION 18:

Are grant diversion participants required to submit monthly reporting documents (CA 7)? If so, what happens if a participant fails to do so?

ANSWER:

Yes. Grant diversion participants are still required to submit the CA 7. The CWD must follow existing procedures for attempting to secure the required information from the participant. If the participant fails to meet these requirements, he/she shall be discontinued from AFDC and participation in the grant diversion assignment.

CWDs must cross-check and investigate any inconsistencies between CA 7s and employer invoices before reimbursements are made to employers.

QUESTION 19:

Once a participant leaves a grant diversion assignment, can the grant continue to be diverted?

ANSWER:

Yes. It is very important to ensure that grants are diverted for the amount of time equal to that which the participant spent in

the grant diversion assignment in order to maintain solvency of the wage pool. For example, in the case described in the example of the March grant calculation in the answer to Question 13, the assignment begins on January 1, but due to retrospective budgeting the grant is not diverted until March 1. Therefore, if the assignment ends in June, the diversion will continue through August.

For participants who remain eligible for aid once the assignment ends, the amount diverted in the following months remains the same as during grant diversion participation (assuming no other changes in eligibility occur). For participants who terminate AFDC dependency following the assignment, the entire MAP shall be diverted to the wage pool.

QUESTION 20:

Are there special considerations for AFDC-Unemployed parent cases in grant diversion?

ANSWER:

Yes. As specified in MPP Section 42-730.412, a grant diversion assignment which exceeds 100 hours per month, but does not provide sufficient income to divert the participant's entire aid payment, shall not be considered an appropriate work assignment for an AFDC-U parent.

EXAMPLE:

An OJT assignment is available in which gross wages are anticipated to be \$800 per month for full-time work. The participant is eligible for the \$30 and one third disregard. There are three people in the assistance unit. The participant is an AFDC-U parent. In this case, due to the wages from the assignment the participant would be eligible to receive a residual grant. (See calculation in the answer to Question 13). However, because of the participant's unemployed status and the number of hours worked, no direct aid payment can be made. Therefore, this would not be an appropriate assignment and should not be offered to this participant.

QUESTION 21:

In order to use grant diversion as a funding mechanism, must an individual agree to have his/her grant diverted?

ANSWER:

Yes, the participant must agree with the decision to use the AFDC grant as a wage subsidy through grant diversion. There is a provision for this on the participant contract. However, it should be noted that a mandatory GAIN registrant who agrees to diversion of his/her grant is still considered a mandatory registrant for all other purposes.

QUESTION 22:

How long can grant diversion be used as a funding mechanism?

ANSWER:

MPP Section 42-730.413 specifies that the duration of a grant diversion funded assignment shall be a maximum of nine months.

QUESTION 23:

How often may an individual participate in a grant diversion assignment?

ANSWER:

There is no limit on the number of times an individual may participate in a grant diversion funded assignment. However, federal statute places an overall limit on grant diversion participation of nine months. Time spent in any grant diversion assignment accumulates toward this limit. The nine-month limit applies separately to each individual. It is not a per case limit.

QUESTION 24:

How should overpayments be recovered from grant diversion participants?

ANSWER:

CWDs must take all reasonable steps necessary to promptly collect overpayments to grant diversion participants made during or prior to participation in grant diversion. Subject to the limits in MPP Section 44-351 and 44-352, overpayments made during or prior to grant diversion assignments should be recovered from residual grants. If no residual grant exists, overpayments would be recovered directly from the participant or from direct AFDC benefit payments in the period following grant diversion participation.

QUESTION 25:

What happens to child support payments collected by the IV-D agency on behalf of grant diversion participants and their families?

ANSWER:

Grant diversion participants must assign child support rights and cooperate in establishing paternity. Child support collected in grant diversion cases is treated the same as that collected for other AFDC recipients.

If you have any questions regarding this information, please contact your GAIN county operations analyst.

Carl B. Williams

CARL B. WILLIAMS
Deputy Director
Employment and Community
Services Division

cc: CWDA

GRANT DIVERSION PLAN GUIDELINES

I. GENERAL INSTRUCTIONS

The grant diversion plan (GDP) proposal will provide a narrative description of the county's grant diversion system/procedures and components. No grant diversion component can be implemented until the GDP is approved by the State Department of Social Services (SDSS).

A. Submission Requirements

Prior to February 1, 1987:

For those counties who submitted their initial GAIN County Plan to SDSS prior to February 1, 1987, the counties must submit their GDP to SDSS by April 1, 1987 or 45 days prior to the intended start-up of their Grant Diversion Program, whichever is first.

Prior to April 1, 1987:

For those counties submitting their initial GAIN County Plan to SDSS between February 1 and April 1, 1987, the SDSS encourages the submittal of the GDP at the same time. However, to allow counties more time in planning and developing their Grant Diversion Program, the SDSS will allow these counties to submit their GDP at a later date (no longer than two months after submission of the GAIN County Plan).

On or after April 1, 1987:

The GDP must be submitted as a part of the GAIN County Plan for those counties submitting their GAIN County Plan after April 1, 1987. The SDSS will not accept a GAIN County Plan as being complete if the GDP is required, but not included.

B. Board of Supervisors' Approval

Grant diversion plans submitted separately from GAIN County Plans, as well as those which are submitted as part of a GAIN plan, must have the approval of the Board of Supervisors and are subject to public hearing requirements. If two or more counties submit a joint GDP, the GDP must have the approval of the Board of Supervisors of all counties participating in the consortium.

C. Standard Grant Diversion Plan Format

Each GDP submitted to SDSS for approval should include the subject headings and information as described in Section II (Grant Diversion Plan Contents). Counties submitting their GDP separate from the GAIN plan must provide 5 copies of the GDP to:

GAIN Implementation Bureau
Department of Social Services
744 P Street, M.S. 12-36
Sacramento, CA 95814

II. GRANT DIVERSION PLAN CONTENTS

A GDP proposal must describe the proposed services and program delivery design for each grant diversion funded component. Each plan must provide a description of the administrative structure to operate the grant diversion funded components. The GDP must delineate the roles and responsibilities of the county welfare department's administrative units, intermediary service providers and employers. The GDP must also include the following information:

A. Population to be Served

1. Identify the target population to be served. The plan should include information related to a participant's education, skill level, AFDC and employment history as well as the reasons for determining that these characteristics were suitable for a grant diversion funded component.
2. Provide a caseload estimate including the methodology for determining the caseload and the assumptions used to develop caseload estimates.

B. Component Description (by component)

1. Provide a detailed description of the planned services and their delivery system. This description should provide the reader with a basic understanding of the client's flow through the component and the relative responsibilities of all agencies involved in the delivery of services.
2. Describe what activities the CWD and intermediary service provider will be doing to develop job slots. This description should include initial and ongoing job identification and development activities.

3. Describe the types of job/training slots to be targeted for development and the activities that will be performed to "match" participants with appropriate job slots.
4. Describe the responsibilities of the intermediary service provider as they relate to interfacing with the CWD, participant and employer. Describe the process which will occur to ensure that participants are meeting program/component requirements, the employer is fulfilling the expectations outlined in the employer contract and that appropriate expenditures/wages are being reported.
5. Provide the wage subsidy rate for employer reimbursement. Describe your methodology for determining the rate and the rationale for using this subsidy rate.
6. Describe the communication system developed for employers to inform the CWD of daily unexcused no-shows and/or non-participation.
7. Describe the anticipated outcomes including the number of participants to be placed, the average starting wage and the projected number of participants to be off-aid as a result of employment.
8. Provide information on how contracts/agreements with employers or intermediary service providers will meet the requirements of MPP Section 42-742. The contract/agreement with the employer/intermediary service provider shall include but not be limited to:
 - o Assurances that the employer/intermediary service provider will meet all reporting requirements, i.e., daily contact with CWD for no-shows and non-participation.
 - o Assurances that the employer will treat the participant as any other employee.
 - o Assurances that the participants shall be employed or retained upon successful completion of the OJT, supported work, or transitional employment period.

C. Administrative Procedures

1. Provide an overall description of the grant diversion fiscal system that the county has established including the roles and responsibilities of the CWD, intermediary service provider, participant and employer.

2. Describe the accounting activities which will occur to ensure wage pool solvency. This description should include specific monitoring tasks and the units responsible for the task(s).
3. Describe the process for reimbursing employers. This description should include those procedures, e.g., voucher system, for obtaining the amount to be reimbursed to the employer as well as the accounting procedures for issuing the reimbursement. Counties should also describe the system for tracking funds paid to employers.
4. Describe the process for payment of residual grants to participants. Counties should also describe the system for tracking residual grants paid to participants.