

DEPARTMENT OF SOCIAL SERVICES  
744 P Street, Sacramento, CA 95814



November 26, 1991

ALL COUNTY LETTER NO. 91-120

TO: ALL COUNTY WELFARE DIRECTORS

SUBJECT: Aid to Families with Dependent Children Program (AFDC) - Earned Income Disregards for Sanctioned Individuals

The purpose of this All County Letter (ACL) is to instruct counties to change the current policy regarding the treatment of the earned income of sanctioned individuals. Currently, all of the earned income of a sanctioned person is counted without the benefit of the earned income disregards when determining the amount of income deemed to the assistance unit. Federal Action Transmittal #FSA-AT-91-4 now requires that the States allow the earned income disregards in accordance with Section 44-133.331 (standard work expense and dependent care disregards), when a sanctioned individual has earned income. The same conditions for continued eligibility to the earned income disregards which currently apply to non-sanctioned recipients in accordance with Section 44-113.218 shall also apply to these sanctioned individuals now eligible for the earned income disregards.

The basis for the Federal change is the Simpson et al. vs. Hegstrom et al. court case. On May 4, 1989, the Court of Appeals, 9th Circuit, ruled that Federal policy was inconsistent with Federal law. The Court's decision requires that the net nonexempt income of a sanctioned person be computed using the appropriate earned income disregards. This change does not require that the needs of the sanctioned individual be considered when determining the amount of income deemed to the assistance unit.

The Family Support Administration (FSA) has directed the State to implement this provision. Therefore, CWD's must implement as soon as administratively possible but no later than January 1, 1992 for all AFDC applications. For continuing cases, this provision is effective with the January budget month. Additionally, counties shall evaluate recoupment of overpayments attributable to the application of Section 44-133.32 after March 1, 1991 and cease recoupment as it applies to the receipt of the disregards.

Appropriate corrective underpayments shall be paid either upon request of the recipient, or at redetermination, or when the CWD becomes aware that a review is needed, whichever comes first. Corrective underpayments to eligible recipients are to be provided back to the date of application or March 1, 1991, whichever occurred later. The Department intends to promulgate follow-up regulations in the near future.

If you have any questions, please contact Mary Galaza, AFDC Policy Bureau, (916) 654-1795.

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