Treatment of Lump Sum Income Number: 45-201.16

Date: 12/1/2008

PURPOSE The purpose of this policy is to provide direction on how to evaluate Aid to Families with Dependent Children-Foster Care (AFDC-FC) lump sum income, determine a period of ineligibility (POI), and notification requirements for Non-Related Legal Guardian (NRLG) cases with no court dependency.

APPROVED This policy was approved by Mike Ryan, Director of CFS, on 2/19/2010. *Signature on file.*

POLICY Lump sum income is income that is not recurring and/or regular in regards to amount or source. Lump sum income can be both earned and unearned. Lump sum income indicates how the income is treated.

- Lump sum income includes retroactive payments from Social Security Retirement Survivors Disability Insurance (RSDI), State Disability Insurance Benefits (DIB), and cash gifts.
- Exceptions to lump sum rules and not treated as lump sum income are: tax refunds, Earned Income Credit (EIC), and retroactive Supplemental Security Income (SSI).

When lump sum income exceeds the minimum basic standard of adequate care (MBSAC), the child would be ineligible for one or more months. This would create a POI. Income remaining the first of the following month is considered income.

Steps to determine lump sum calculations and POI:

1. Determine the AFDC-FC payment.
2. Determine the net lump sum income for the child.
3. Divide the net income by the monthly AFDC-FC payment for the child.
4. Resulting whole number is the number of months the child is ineligible. The remaining amount is income in the month following the POI.

Timely and adequate written explanation of the lump sum rule must be provided at application and redetermination.

Example 1:
Child receives $200.00 monthly RSDI payment. Received lump sum of $5,000.00 in retroactive RSDI. Receives monthly AFDC-FC of $859.00

AFDC-FC payment		$859.00
Less RSDI payment	-	$200.00
Net AFDC-FC payment		$659.00
Add RSDI lump sum income		$5,000.00
Divided by AFDC-FC payment		$ 659.00
POI		7 months, 5 days

Month 8 payment

AFDC-FC payment		$ 659.00
Remaining RSDI amount - 5 days	-	$ 387.00
AFDC-FC payment		$ 272.00

In this example, the Eligibility Technician (ET) will discontinue the case for the next seven (7) months. A Notice of Action (NOA) will be sent to the NRLG stating the date when the NRLG can reapply for AFDC-FC payments. The child will be eligible beginning in the 8th month.

Example 2:
Child receives $200.00 RSDI payment. Received lump sum of $800.00 in retroactive RSDI payment. Receives $659.00 AFDC-FC payment.

AFDC-FC payment		$659.00
Less RSDI payment	-	$200.00
Net AFDC-FC payment		$ 459.00
Add RSDI lump sum income		$800.00
Divided by AFDC-FC payment	-	$459.00
POI		1 month
Month 2 payment		
AFDC-FC payment		$459.00
Remaining RSDI amount	-	$341.00
AFDC-FC payment		$118.00

In this example, the ET will suspend payment for one (1) month. A NOA will be sent to the NRLG stating the month of the suspended benefit and the adjusted AFDC-FC payment for month two.

REDUCTION OF LUMP SUM POI

The period of ineligibility may be reduced when one of the following situations occur:

• The standard of need increases.
• The family incurs and pays for medical expenses that are not covered by Medi-Cal or private health insurance for the child.
• Expenses incurred as a result of reasonable and necessary funeral expenses for any person with a degree of relatedness as specified in MPP 82-808.11 who resided with the assistance unit within 90 days of such person's death.
• Situations where the lump sum becomes unavailable due to sudden and unusual circumstances beyond the control of the assistance unit which are not necessarily of a life threatening nature. Examples include loss, theft, or similar occurrence.

Once the lump sum becomes unavailable the ET will need to recalculate the lump sum to determine if there will be a reduced POI.

REFERENCES HYPERLINKS

1996 Eligibility and Assistance Standards Manual Section 44-207.4
Eligibility and Assistance Standards (EAS) Manual Section 45-201.16

REQUIRED FORMS HYPERLINKS

Form Name	Form Number
Foster Care Denial Lump Sum	CSC 05
Foster Care Discontinuance Over Income Lump Sum	CSC 08
Important Notice – Foster Care Cash Aid Lump Sum Income Rule	F063-29-93
Lump Sum Budget Worksheet	F063-29-94

PROCEDURE

REQUIRED ACTION

The following actions must be completed when a lump sum is received on behalf of a non-dependent Foster Care child by a NRLG.

Responsibility	Step	Required Action
Assigned ET	1.	At the initial application and at every reinvestigation sends the Important Notice – Foster Care Cash Aid Lump Sum Income Rule to NRLG.
	1.	If lump sum income is received and reported requests income verification from the NRLG within 10 days.
	1.	When income verification is received, completes Lump Sum Budget Worksheet and determines if there will be a POI.

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	1.	If the payment causes the case to be over income for one month, suspends the benefits for that month and sends NOA.
	1.	If the payment causes the case to be over income for two months, terminates the benefits and sends NOA CSC 08.
	1.	Documents lump sum POI in CalWIN and the date the child will be eligible again for AFDC-FC payments.
	1.	Once the POI has been exhausted, child is potentially eligible to AFDC-FC payments if all other eligibility requirements are met.
	1.	If the case is discontinued, completes a Continuous Eligibility for Children (CEC) packet to continue Medi-Cal eligibility.

REQUIRED ACTION

The following actions must be completed when a NRLG requests POI to be reduced.

Responsibility	Step	Required Action
Foster Care ET	1.	Receives a call from NRLG identifying the need to have POI reduced.
	1.	Requests verification from NRLG.
	1.	Once verification is received, completes the following: • Identify the original lump sum amount • From the total, subtract the amount of the unavailable lump sum amount • Use the remainder as the lump sum total and calculate the revised POI. This will begin in the same month as originally calculated.
	1.	If the revised payment causes the case to be over income for one month, suspends the benefits for that month and sends NOA.
	1.	If the revised payment causes the case to be over income for two months, terminates the benefits and sends NOA CSC 08.
	1.	Documents the revised lump sum POI in CalWIN and the date the child will be eligible again for AFDC-FC payments.

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