STATE OF CALIFORNIA – HEALTH AND WELFARE AGENCY

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

December 5, 1984

ALL-COUNTY LETTER NO. 84-125

TO: ALL COUNTY WELFARE DIRECTORS

SUBJECT: STEPHENS V. McMAHON

REFERENCE: ACIN I-106-84
ACL 84-109

On November 8, 1984 a judgment was issued by the Superior Court of San Diego in the case of Stephens v. McMahon. ACIN I-106-84 informed you of that judgment.

The judgment required the Department to define one-time "windfall" payments such as personal injury payments, workers compensation (except those that represent back wages), gifts, inheritances, lottery winnings, damage claim settlements, and insurance death benefits as resources in the month received and, thereafter, to the extent they are retained. Cases with these types of payments will not have the lump sum period of ineligibility applied (EAS 44-207.4) and may remain eligible for aid if their resources are below the resource limit on the first of the month following receipt of the lump sum payment. Lump sums of money still subject to the lump sum income regulation include only those lump sums representing current earned or unearned income that has accrued and would otherwise have been paid on a regular recurring basis but for some delay (e.g., back wages, Social Security benefits, or retroactive unemployment insurance benefits).

The purpose of this letter is to provide you with instructions to implement the judgment for adverse actions taken on "windfall" lump sum cases from October 1, 1984 forward and for prospective determinations of eligibility. ACL 84-109 directed you to flag or otherwise identify all cases in which application of the lump sum income regulation (EAS 44-207.4) resulted in denials, terminations, grant reductions, or suspensions.

You must now locate these cases and recompute AFDC eligibility and benefits from October 1, 1984 forward based on the new definition of lump sum payments. If the lump sum payment is determined to be a "windfall" payment then, such CA 7's as are necessary to determine current eligibility shall be taken and, for those months that the case is otherwise eligible for AFDC, an aid payment shall be issued. If the lump sum payment is determined not to be a "windfall" payment, then the adverse action shall remain in effect. For purposes of determining continuing eligibility and amount of assistance, these payments shall not be considered as income or as a resource in the month paid nor in the next following month per EAS 44-340.6.

You are also to begin immediate application of the treatment of "windfall" payments required by the judgment on a prospective basis (i.e. actions on applications and continuing cases taken from this date forward).

With respect to windfall lump sum actions taken prior to October 1, 1984, but resulting in periods of ineligibility or grant reductions continuing after September 1984, you will be required to redetermine eligibility and benefits only in response to applications. The Department intends to notify potentially eligible persons through a Medi-Cal stuffer to be issued on March 1, 1985. A future All County Letter will provide you the procedures you will need to follow when you receive such applications.

In addition, because the Shaw v. McMahon (ACL 84-109) court case has not been finally settled, you must continue to flag or otherwise identify all AFDC - FG and U cases and applications which are adversely impacted by the lump sum regulation (EAS 44-207.4). In addition, we have determined that all RCA/ECA cases impacted by the lump sum rule must also be flagged.

If you have any questions, please contact Bob Stipe, AFDC Program Development Bureau at (916) 324-2012.

ROBERT A. HOREL
Deputy Director