

INITIAL STATEMENT OF REASONS

a) Specific Purpose of the Regulations and Factual Basis for Determination that Regulations Are Necessary

The proposed regulations implement changes consistent with the objectives of Assembly Bill (AB) 1078 (Chapter 622, Statutes of 2007) and AB 2466 (Chapter 781, Statutes of 2006) and reorganize legal and regulatory requirements under which the CalWORKs program is operated. In some instances, amending cross-references is also necessary.

Section 40-107(f)(3) through Handbook Section 40-107(f)(3)(B)3.

Specific Purpose:

These sections are adopted to inform counties of their responsibility to ask CalWORKs recipients at annual redetermination if they are taking advantage of the federal Earned Income Tax Credit (EITC) and if they are not using it, the counties shall give them the EITC form and encourage and assist them to use it. Handbook Section 40-107(f)(3)(B) is being added to inform CWDs of ways they can encourage CalWORKs recipients to maximize the use of the EITC.

Factual Basis:

These amendments are necessary to include the additional county responsibility mandated in Welfare and Institutions Code Section 11322.5 as adopted by AB 1078 (Chapter 622, Statutes of 2007) which requires counties to encourage CalWORKs recipients to maximize their receipt of the EITC.

Sections 42-213.2 through .231

Specific Purpose:

These sections are adopted to include additional property exclusions for CalWORKs recipients.

Factual Basis:

These amendments are necessary to comply with Welfare and Institutions Code Sections 11155.2 and 11155.6 as amended by AB 1078 (Chapter 622, Statutes of 2007), which provides that there shall be no limit to the amount of money that can be saved in a restricted account. This amendment is also necessary to include the additional property exclusions granted in Welfare and Institutions Code Section 11155.6 as added by AB 2466 (Chapter 781, Statutes of 2006). AB 1078 excludes the principal and interest in 401(k), 403(b) and 457 plan accounts from consideration as property for both CalWORKs applicants and

recipients. AB 1078 also removes the \$5,000 limit on the amount that recipients may retain in a restricted account. AB 2466 additionally excludes Individual Retirement Accounts (IRAs), 529 college savings plans, and Coverdell Educational Savings Accounts (ESAs) from consideration as property for CalWORKs recipients only.

Section 89-130 (Renumbered to Section 42-213.231(a) et seq.)

Specific Purpose:

This section is no longer in operation, and thus should be properly placed under Section 42-213, Property Items to Be Excluded in Evaluating Property Which May Be Retained. Further, amendments are made for clarity and consistency.

Factual Basis:

Welfare and Institutions Code Section 11155.2 as amended by AB 1078 (Chapter 622, Statutes of 2007) removed the \$5,000 limit on restricted accounts. This section needed to be moved from Division 89 Demonstration Projects, Chapter 89-100 Assistance Payments Demonstration Project (APDP) and California Work Pays Demonstration Project (CWDP), as restricted accounts initially came under the CWDP.

b) Identification of Documents Upon Which Department Is Relying

- Assembly Bill 2466 (Chapter 781, Statutes of 2006)
- Assembly Bill 1078 (Chapter 622, Statutes of 2007)

c) Local Mandate Statement

These regulations do impose a mandate on local agencies, but not on school districts. If the Commission on State Mandates determines that these regulations contain reimbursable costs mandated by the state, reimbursement to local agencies for those costs shall be made pursuant to Part 7 (commencing with Section 17500) of Division 4 of Title 2 of the Government code.

d) Statement of Alternatives Considered

CDSS must determine that no reasonable alternative considered or that has otherwise been identified and brought to the attention of CDSS would be more effective in carrying out the purpose for which the regulations are proposed or would be as effective and less burdensome to affected private persons than the proposed action.

e) Statement of Significant Adverse Economic Impact On Business

CDSS has made an initial determination that the proposed action will not have a significant, statewide adverse economic impact directly affecting businesses, including the ability of California businesses to compete with businesses in other states.