

# EXHIBIT B

Section 1931 Draft Regulations

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**50508. Net Income From Property.**

(a) Net income from the person's property shall be considered in determining the person's share of cost and shall be computed as follows:

(1) If the income is from the rental of real property, subtract the following expenses, as limited by (b) from the gross income:

(A) Taxes and assessments.

(B) Interest on encumbrance payments. The principal portion of the payments shall not be deducted.

(C) Insurance.

(D) Utilities.

(E) Upkeep and repairs. The amount of this item shall be the greater of the following:

1. The actual amount expended for upkeep and repairs during the month.
2. Fifteen percent of the gross monthly rental plus \$4.17 per month.

(2) In determining whether utilization requirements are met in accordance with Section 50416(a)(1) only the amount specified in (a)(1)(E)1. shall be deducted rather than the amount specified in (a)(1)(E)2.

~~(3) If the income is from the rental of rooms or the provision of board and room or board and care which does not require a business license, the net income shall be 10 percent of the gross amount received.~~

~~(4) If the income is from the provision of board and room or board and care which requires a business license or from self-employment, the net income is the net profit from self-employment as determined in accordance with Section 50505.~~

~~(5) (3) If the income is from a deed of trust or a mortgage, the net income is the amount specified in Section 50441(c).~~

~~(6) (4) If the income is from property in which the person holds a life estate, the net income is the amount actually received gross revenue from the property.~~

~~(7) (5) If the income is from personal property, the net income is the amount actually received gross revenue from the property.~~

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(b) If the income is (i) from the rental of rooms in a house or other dwelling, or (ii) from the rental of 2 or less attached or unattached dwelling units, either of which are of unit(s) of a multiple unit dwelling or other dwellings on property that is exempt as the person's principal residence, and the applicant or beneficiary person is living in a portion of the property, the expenses specified in (a) which are common to the property as a whole shall be prorated as follows:

(1) Determine the number of rooms in the building. If there is more than one building, determine the number of rooms in all of the buildings together. For the purpose of this section, rooms include any room other than the following:

- (A) Bathroom.
- (B) Hallway.
- (C) Closet.
- (D) Unfinished basement, loft or attic.

(2) Determine the number of rooms which are producing the rental income.

(3) Based upon the number of rooms, determine the percentage of the property which is producing the rental income.

(4) Apply the percentage determined in accordance with (3) to the expenses specified in (a) which are common to the property as a whole. This is the amount which shall be subtracted from the gross income.

(c) If the income is from the rental of 3 or more unit(s) of a multiple unit dwelling, such as an apartment complex, that is exempt because the person is residing in one of the units as his/her principal residence, only those expenses specified in (a) which are common to the property as a whole and which arise from that portion of the multiple unit dwelling which is not exempt as the person's principal residence, shall be allowed for purposes of determining net income from property. The allowable expenses will be computed by multiplying expenses common to the property as a whole by the ratio produced by dividing the number of non-exempt dwelling units in the complex by the number of total units in the complex.

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**50509. Income in Kind.**

(a) Income in kind is any support or maintenance received in kind from a person other than a responsible relative for:

- (1) Housing.
- (2) Utilities.
- (3) Food.
- (4) Clothing.

(b) Income in kind shall be considered as income only if the entire item of need is provided.

(c) Any income in kind, whether a full or partial item of need, provided and funded on the basis of need, by a private, nonprofit organization, as part of a program of general applicability for needy persons administered by such organization, shall neither be counted as income under this Chapter, nor as income in-kind under this section. Assistance provided by Voluntary Resettlement agencies (VOLAG) as part of their resettlement responsibilities is considered in-kind income if the assistance is provided in-kind.

~~(e)~~ (d) The value of free board and lodging received during a temporary absence from the home shall be considered as follows:

(1) If the absence is for one month or less, the income in kind value shall not be considered income.

(2) If the absence is for more than one month, the income in kind value shall be considered income to the extent that it exceeds the actual costs of maintaining the home to which the beneficiary will return.

~~(e)~~ (e) Income in kind which is received as earned income shall be subject to earned income exemptions and deductions.

~~(e)~~ (f) Income in kind which is received as unearned income shall be subject to unearned income exemptions and deductions.

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(f) (g) Income in kind from a parent shall not be considered in determining the eligibility of a child when any of the following conditions exist:

(1) The child's application is being processed for minor consent services in accordance with Section 50147.1(a)(3)(D).

(2) The child is an unmarried minor parent and the share of cost is being determined for the MFBU that includes the child's children.

(3) The child is an unborn, except that if the mother is receiving income in kind, there is income in kind to the unborn.

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**Section 50523.5. California Franchise Tax Board Payments.**

**(a) The following payments or funds received from the California Franchise Tax Board shall be exempt:**

**(1) Renters Credits payments:**

**(2) payments under the Senior Citizens Homeowners and Renters Property Assistance Program (for persons who are blind, disabled, or 62 years of age or older):**

**(3) payments under the Senior Citizens Tax Postponement Program (for persons who are 62 years of age or older).**

Note: Authority cited: Section 10725 and 14125.5, Welfare and Institutions Code;  
Reference: Section 11008.4, Welfare and Institutions Code.

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**50527. Social Services.**

(a) Payments received for social services provided in accordance with Title XX of the Social Security Act shall be exempt to the extent actually utilized for the purpose which qualifies the payment for exemption, whether provided in kind or as a direct payment to the individual for purchase of designated services. Such services include, but are not limited to:

- (1) In-Home Supportive Services.
- (2) Child care.
- (3) Training and rehabilitation services, including payment for training expenses.

(b) Payments for social services not exempt under subsection (a) are exempt under this subsection to the extent actually utilized for the purpose which qualifies the payment for exemption, if they are paid for social services recognized by the Medi-Cal Program and if such payments address a recognized, verified substantial need of the individual. The exemption does not apply to any portion of such payment which, when added to the person's other income, is in excess of the need standard used by the payor in determining the payment. Payments for services recognized by the Medi-Cal Program, in addition to the payments for social service made under Title XX of the Social Security Act, include:

- (1) social service payments made under Title IV-B and Title V of the Social Security Act, and
- (2) social service payments made under the Rehabilitation Act of 1973;
- (3) rent supplements paid under the Federal Housing Act of 1965.

(c) Payments for educational, training, or income maintenance purposes are not social services for purposes of this section. Payments to provide subsistence needs or social amenities are not social services for purposes of this section.

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**Section 50527.5 DSS Advisory Group Member Payments**

**(a) Payments made to an AFDC-MN or MI person to cover out-of-pocket expenses of such a person who is serving on an advisory group set up by the Department of Social Services (DSS) or the Health and Welfare Agency are exempt.**

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**Section 50535.2 Energy Assistance Payments**

(a) The following shall be exempt:

(1) Payments received by eligible households under the Energy Crisis Assistance Program; and

(2) Home energy assistance payments or allowances paid under authority of 42 USC § 8624(f), pertaining to the federal Low-Income Home Energy Assistance Program.

Authority cited: Sections 10725 and 14124.5, Welfare and Institutions Code.  
Reference cited: 45 CFR 233.20(a)(4)(ii)(I), 42 USC § 8624(f), and the Low Income Home Energy Assistance Act of 1981.

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**50533. Exempt Loans, Grants, Scholarships and Fellowships.**

(a) The following loans, grants, scholarships and fellowships are exempt to the extent they are used for their intended purpose:

(1) Loans made under Title III of the Federal Economic Opportunity Act, Special Program to Combat Poverty in Rural Areas;

(2) Loans or grants made under Title IV of the Higher Education Act;

~~(2) (3) Loans or grants to an undergraduate student for educational purposes made or insured by the Federal Commissioner of Education; These include, but are not limited to:~~

~~(A) Supplemental Education Opportunity Grant;~~

~~(B) National Direct Student loans;~~

~~(C) College Work Study;~~

~~(D) Basic Educational Opportunity grants;~~

~~(E) Federal insured student loans;~~

(4) Loans or grants made under the Bureau of Indian Affairs student assistance program;

(5) Educational loans or grants to undergraduate students when it is verified that they are awarded on the basis of the student's need; ~~These include, but are not limited to:~~

~~(A) Extended Opportunity Program loans and grants;~~

~~(B) Bureau of Indian Affairs loans and grants;~~

~~(C) California State scholarships (Cal Grant A)~~

~~(D) College Opportunity grants (Cal Grant B)~~

~~(E) Occupational, Educational Training grants (Cal Grant C);~~

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(6) Funds for readers, or educational scholarships, which are all of the following:

(A) Provided to an aged, blind or disabled person enrolled in a California public school or institution of higher learning.

(B) Awarded by an educational institutional.

(C) Not available to meet basic needs;

(7) Other loans, grants, scholarships or fellowships, or portions thereof, to undergraduate or graduate students, if the following conditions are met:

(A) The loan, grant, scholarship or fellowship document specifically limits the use of the funds for purposes other than current living costs.

(B) The loan, grant, scholarship or fellowship would not be available if used for any purpose other than the one specified.

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## **50538.3 Independent Living Program Payments**

Payments earned by a person 16 years of age or older due to participation in the Independent Living Program (ILP) are exempt when received as part of the ILP written transitional independent living plan.

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**Section 50536.3 Radiation Exposure Payments**

Payments made under section 6(h)(2) of Public Law 101-426, the Radiation Exposure Compensation Act, to persons with injuries or impairments arising from their exposure to radiation are exempt.

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**50536.2 Agent Orange Payments**

The following are exempted from income: payments made on or after January 1, 1989 from the Agent Orange Settlement Fund or any other fund established pursuant to the settlement in the In Re Agent Orange product liability litigation, M.D.L. No. 381 (E.D.N.Y.), Public Law 101-201, and section 10405 of Public Law 101-239.

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**Section 50536.1 Federal Payments To Persons of Japanese Ancestry**

**(a) Payments made by the United States government under Public Law 100-383 to citizens or permanent resident aliens of the United States with Japanese ancestry are exempt.**

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**50539. Job Training Partnership Act (JTPA) Payments.**

(a) All earnings of a ~~child~~ person 18 years of age or younger which are derived from participation in JTPA programs shall be exempt for up to six months per calendar year. Other JTPA payments made to a ~~child~~ such a person shall be exempt at all times.

(b) Payments, other than earnings, to an ~~adult~~ a person 19 years of age or older which are derived from participation in JTPA programs shall be exempt to the extent that the payment reimbursements do not exceed ~~the adult's~~ that person's actual training expenses.

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## 50543. Student Exemption.

(a) All earned income, including earnings from JTPA after the six months' exemption pursuant to Section 50539 has expired, of an AFDC MN or MI child person shall be exempt if the child person is not more than 19 years old and is either of the following:

(1) A full-time student.

(2) A part-time student with a school schedule that is equal to at least one-half of a full-time curriculum, and the child is not employed full-time.

(b) For purposes of this exemption the following definitions apply:

(1) School attendance means enrollment and attendance in a school, college, university or in a course of vocational or technical training designed to fit the child for gainful employment and includes participation in the Job Corps program under the Economic Opportunity Act.

(2) Full-time student means a student who has a school schedule equal to a full-time curriculum, as defined by the school attended.

(3) Part-time employment means employment for less than 173 hours per month.

(c) The student exemption shall also apply to full or part-time earnings between school terms or during vacation periods, if the child plans to continue school attendance during the next term or when the vacation period ends.