Worker Guide
Prospective Income Calculations

Every program except OHP uses prospective budgeting for cases not in the Monthly Reporting System (MRS). This worker guide covers how to use prospective budgeting, various methods for calculating income and examples for each method.

Keys to an accurate calculation: Prospective budgeting requires using all available information (verification of past income, collateral contacts and conversations with the client) to project future income. To do this, consider:

- Who is in the financial group for each program; whose income counts?
- The reporting system;
- Is it an initial or ongoing month? If initial month, will anticipated income be different next month?
- The type of income;
- How often the income is received;
- Whether the income can be converted, averaged or annualized.

Income in prospective budgeting: Prospective budgeting is less work-intensive than MRS, because there is no need to calculate and issue benefits monthly. The intent is to keep benefits stable, so it is important to work with the client to arrive at a reasonable anticipation of income. If benefits are reduced based on circumstances or projected income that do not occur, no supplement is issued. Likewise, there are no overpayments unless clients give false information, fail to report required changes or DHS incorrectly anticipates income given the information available.

To make prospective budgeting work best for you and your clients:

- Spend time up front talking with the client about anticipating income;
- Be sure to use representative income so you are basing your estimate on valid figures;
- Make sure the client understands what changes must be reported;
- Emphasize with your clients the importance of reporting changes; then place responsibility with them;
- Accept that we are not concerned with every penny of income for each month's benefits;
- Narrate the income calculation and available verification CLEARLY!

- Tell clients that they will be asked to repay any overpayments whether they are caused by the client or the worker.

Calculation methods: Depending on how often income is paid and the type of income, there are different methods for anticipating how much to count each month.

For *stable income* received in the same amount *once a month*, use that monthly amount.

For *stable income* that is received in the same amount:

- *Once a week*, convert it to a monthly amount by multiplying by 4.3;
- *Twice a month,* convert to a monthly amount by multiplying by 2;
- *Every other week*, convert it to a monthly amount by multiplying by 2.15.

Many clients have income that varies. If the client receives an hourly wage, determine with the client the predicted number of work hours. If their weekly hours in the past do not represent the future, use the hours that the client will work in the months of the eligibility period. Document the reason for the change in hours. Compare the stated hours to the verification.

There is more than one way to calculate *variable income*.

- The easiest way, particularly if there are variable hours or rates of pay, is to total gross pay of wage stubs for at least a 30-day period. Divide the total gross by the number of pay periods represented. Then convert the income using 4.3, 2.15 or 2, depending on how often paid. Remember to address overtime, tips, vacation pay, holiday pay or commissions, if applicable:
- Calculate the monthly income by multiplying the hourly wage by the average number of hours per week, plus tips or commissions, if any, that the client may receive, and multiply the amount by 4.3.

For programs other than OHP, self-employment or contracted income that is not received on an hourly or piecework basis is *annualized* when it is:

- Received in less than 12 months but is intended as a full year's income (such as school system employees, farmers and fishermen); **or**
- From a business that has operated for a full year and the previous year is representative of what income is expected for the next year.

Annualized means the income for a year is divided by 12 to arrive at a monthly amount. If past income is not representative of the income expected for the current year, anticipate the current yearly amount and divide it by 12.

Countable educational income from work study, fellowships and doing teaching assistant work is treated like earned income. Other countable educational income is considered unearned and is prorated over the months it is intended to cover. Always subtract excluded educational income and educational expenses first using the *Educational Income Calculation for ERDC and Food Stamps* (DHS 7351).

After calculating the income, it is recommended to send the client a *Notice of Income and Benefit Calculation* (DHS 7294), particularly if the income or copay will change in future months or multiple sources of income are being counted.

Income Type/Frequency	Treatment
Stable monthly income: $200/month child support	$200/month
Stable income: $80 received weekly	$80 x 4.3 = $344/month
Stable income: $247 received every other week	$247 x 2.15 = $531.05/month
Stable income: $325 received twice a month	$325 x 2 = $650/month
Stable income: Hourly wage and weekly hours known. Client works 28 hours a week @ $9.50/hr.	$9.50 x 28 x 4.3 = $1143.80 monthly
Variable income: Weekly hours or hourly wage vary or receives overtime, differential pay, etc. Past is representative. Arrive at an averaged pay per pay period using income received in the most recent 30 to 90 days. Convert to monthly income using 4.3, 2.15, 2 or 1.	$295 + $235 + $325 + $175 + $250 = $1280 ÷ 5 pay periods = $256 per pay period x 4.3 (paid weekly) $1100.80/month.
Variable income: past work hours are representative but rate of pay changed. Can use past work hours x rate of pay and convert.	15 + 24 + 18 + 22 + 16 + 28 hours per pay period = 123 ÷ 6 pay periods = 20.5 hours. $9.00 x 20.5 x 4.3 = $793.35.
Variable income: past is not representative	$525 and $550 last 2 months, was laid off and expects $200 this month. Count $200 only this month and 0 thereafter.
Variable income: changing monthly. Client just hired for Christmas season, expects $300 this month, will work full time @ $900 for 2 months, then half time	Over 6 months count: $300, $900, $900, $450, $450, $450. (Change the income amount monthly using a tickler.)
Annualize: Contracted or self-employment is a full year's income received in less than 12 months; e.g., a farmer getting $10,700 over 3 months, a teacher getting $32,500 in 10 months. See note for ERDC below.	$10,700 ÷ 12 = $891.67/month; or $32,500 ÷ 12 = $2,708.33/month
Annualize: A self-employed person is expected to make about $24,000 a year and he has costs. Last tax year income is representative.	Divide $24,000 by 12 = $2,000/month. For SNAP, code as SEC to get the 50% deduction for costs. If there are no costs,

Income Type/Frequency	Treatment
Note: For ERDC, allow 50% deduction of the total gross amount, actual cost or no cost. See CC-F.5.	code as SEN. For ERDC, code the net amount as SLF.

Calculation examples:

Stable income
Ailana turns in her *Interim Change Report* in June. She receives SNAP and OHP. Ailana was laid off from the Ford dealership and now gets $312 UC weekly. For SNAP, remove the EML and anticipate UC of $1341.60 ($312 x 4.3 weeks). No change for OHP.

Esteban gets SSI of $647 monthly. His family is applying for SNAP and TANF. Count $647 SSI for SNAP and $0 for TANF: Esteban is excluded from the TANF financial group.

Tracy applies for ERDC and SNAP on April 1. She started a new job with the State of Oregon on April 1. Her first paycheck will be on May 1 for $2,128 (salary). She anticipates the income to remain the same for ongoing months.

April	$0
May	$ 2128
June	$ 2128
July	$ 2128
August	$ 2128
September	$ 2128
October	$ 2128
November	$ 2128
December	$ 2128
January	$ 2128
February	$ 2128
March	$ 2128
	$23,408

ERDC: Income is budgeted so the anticipated amount is the same for each month of the eligibility period. Calculate Tracy's EML using an average of the 12 months ($23,408 ÷ 12 months = $1950.66).
SNAP: Use $0 income for April and $2128 for ongoing months.

Variable income
Ben applies for ERDC and SNAP on April 12. He is paid each Friday for the previous week. Ben has already been paid on the second and ninth. He can predict the pay for 4/16 as he worked those hours last week and for 4/23 because he has the work schedule already. He makes a reasonable estimate of the hours he will work for the 4/30 check.

April 2	$288 (32 hrs x $9.00)
April 9	$274.50 (30.5 x $9.00)
April 16	$306 (34 x $9.00)

April 23	$288 (32 x $9.00)
April 30	$306 (34 x $9.00 est.)

ERDC: Calculate Ben's EML using an average of his paychecks multiplied by 4.3 weeks to get the monthly amount. $288 + $274.50 + $306 + $288 + $306 = $1,462.50 ÷ 5 paychecks = $292.50 x 4.3 weeks = $1,257.75 EML
SNAP: Count actual income (all five paychecks) for this first month of benefits ($288 + $274.50 + $306 + $288 + $306 = $1,462.50 EML). Convert Ben's income to a monthly figure using 4.3 for ongoing months as done for ERDC.

Alexa and her son, David (age 4), apply for cash, food and medical help on June 6. She lost her job in April due to the market downturn: her severance pay of $1,230 was received May 10. Alexa is not eligible for UC because she does not have enough quarters. Her only other income in the past few months has been sporadic child support, which she cannot predict:

Feb	$210
March	$380
April	$ 0
May	$ 0
June	$115

SNAP: Average the child support by totaling the amount received and dividing by the number of months represented ($210 + $380 + $0 + $0 + $115 = $705; ÷ 5 months = $141 SUP). Continue using this average until Alexa reports a change or she is approved for TANF (SUP will be assigned to the state).
MAA: Use the budget month child support of $115, then apply a $50 disregard for a total of $65 SUP. Continue using this amount until Alexa reports a change or she is approved for TANF (SUP will be assigned to the state).
Pre-TANF/TANF: Same as MAA.

<u>*Variable income: unpredictable*</u>
Dan applies for ERDC, SNAP and medical for himself and one child on September 5. His paychecks as a telephone solicitor vary. The base pay is $9.50 an hour, but he can earn more based on sales. Dan says he cannot predict what he would make in any given month. Dan provided verification of his pay for the last three months. He states on his application that his income will not stay the same, but just scrawled big question marks over the area that asks for an estimate of future income. His pay stubs for three full months verify:

September pay (anticipated):	$1360	Hours (est.):	120
August pay:	$ 928	Hours:	80
July pay:	$1106	Hours:	90

ERDC and SNAP: Use pay history because you have no better way to indicate future income. $1360 + $928 + $1106 = $3394 ÷ 3 = $1131.33. Narrate that you are using the past as representative because the client cannot predict future changes. This method works for prospective budgeting in all programs.

For Medical: Dan is over income for MAA using budget month income ($1,360). He is not eligible for MAF. For OHP, pend him for June's income to calculate an average.

Past not representative

Julie applies for ERDC and SNAP on September 15; she started a new job on Sept 9, so past income is no longer representative. She expects to earn about $750/month, except for September, in which she will be paid only $600. Worker verifies this with the employer.

ERDC: Average by including September's ($600 + $8,250 ($750 x 11 months) = $8,850 ÷ 12 months = $737.50). If this were a re-application for October for ongoing ERDC, you would use the expected monthly income of $750.

SNAP: Use actual income ($600) for September. For ongoing months, use her expected monthly income of $750.

Annualizing

Michelina works in the lunch room at Tigard Elementary, earning $17,500. Her contract allows her to be paid over either nine or 12 months. She has chosen to receive nine paychecks. Michelina is applying for ERDC, SNAP and MAA. For all these programs, divide her yearly salary by 12 to annualize her income ($17,500 ÷ 12 = $1,458.33).