# SNAP 601-1
# ELIGIBILITY AND BENEFIT DETERMINATION
## Prospective Budgeting

**Supersedes:** SNAP 601-1 (10/01/09), Bulletin 94 (10/24/12)

**Reference:** 7 CFR 273.10 (c)

**Overview:** Reasonable expectations and knowledge of the household's anticipated financial and non-financial circumstances are used to determine eligibility prospectively for SNAP.

**EARNED INCOME:**

Earned income received during the most recent 30 days is used to prospect income that is and will be available to the household during the certification period. However, do not use past income for the certification period if changes in income have occurred or if changes can be anticipated. The past 30 days of earned income will be requested at application, recertification and simplified report unless a change has occurred or can be anticipated. If income cannot be accurately prospected based on the most recent 30 days of income, additional verification can be requested. Document in case notes the reason for requesting additional verification.

**CASE NOTE DOCUMENTATION:**

The eligibility staff member must document sufficient detail in case notes so individuals reviewing the case (Hearing Officers, Management Evaluation Reviewers, Program Compliance Auditors, Claims and Investigations Financial Investigators, Quality Assurance Reviewers, Supervisors, federal audits, etc.) can determine the reasonableness and accuracy of the prospectively budgeted income determination. The case note must list the dates paid, the gross amount of income per pay period, the number of hours worked, and the prospective budgeting method used for the income calculation. If a pay check is unusually high or unusually low, the eligibility staff member must document the reason the check was unusually high or low by asking the household or the employer (unpaid sick days, unpaid vacation, worked extra because short staffed, etc.). The case note includes the reason the check was or was not included in the income calculation based on either the household or the employer anticipating or not anticipating it to occur again for the prospectively budgeted period.

**PROSPECTIVELY BUDGETING INCOME:**

Monthly income anticipated to be received is determined on a case by case basis using one or a combination of methods to budget income prospectively. Verification cannot be limited to one specific type or source. Actual income is used in the month of application when all pay dates occur prior to the date of application. A combination of actual and anticipated methods is used for the same income source for the month of application when one pay date has occurred, but there is additional pay date(s) after the date of application. Actual income will be used for the pay date(s) that occurred prior to the date of application and anticipating method is used for the additional pay date(s). When a household receives income on a recurring monthly or semi- monthly basis, the household should not have its monthly income varied because of changes in mailing cycles or pay dates or because weekends or holidays cause additional checks to be received in a month. Methods include:

1. **Anticipating method** is used to prospectively budget income when:
    a. a full month's income is not expected because the individual will not work a full pay period during the month (e.g., new employment, unpaid extended sick leave, or unpaid vacation);
    b. income is from a terminated source (e.g., lay-off or other job termination).
    **NOTE:** If a full month's income is not expected, the income is not factored.
2. **Factoring method** is used to prospectively budget income when:
    a. paid weekly or bi-weekly (paid every two weeks); and,
    b. there is a reliable history of income and the history of the income is reflective of what is anticipated in the future by household and/or employer.

    If weekly or bi-weekly pay checks are available for the month of application, the checks must be averaged and factored even if they did not receive a third or fifth check in the month of application. The calculation for the factoring method is: gross weekly income (actual or averaged) x 4.3 = total prospectively budgeted gross monthly income; or gross bi-weekly income (actual or averaged) x 2.15 = total prospectively budgeted gross monthly income. EXCEPTION: Income is not factored if an individual will not receive a full month's pay (e.g., individual will not be paid for hours normally worked such as unpaid sick leave or unpaid vacation, etc.). Anticipating income budgeting method of counting actual days is used taking days off and paid holidays into consideration.
3. **Averaging method** is used to prospectively budget income when there is a reliable income history and the history of the income is reflective of what is anticipated in the future by the household and/or employer.
    Income is averaged when a significant income change is expected in the future (e.g., promotion, part-time to full-time or vice versa, additional job, transfer, etc.) and a full month's pay is expected.
    Any source of income that fluctuates from month to month is averaged including wages, irregular child support, interest income paid quarterly, and quarterly bonuses.
    Patterns of income fluctuations such as overtime and quarterly bonuses are considered when anticipated to continue to be received. Paychecks agreed on as unusually high or low by the eligibility staff member, the household, and/or employer should be disregarded unless the unusually high or low paychecks are anticipated to continue into the prospective period.

**NOTE:** When an individual is paid twice a month, the number of days in a pay period usually varies. Some checks may appear to be higher or lower but it could depend on the number of days in a pay period. For this reason, caution should be used when disregarding unusually high or low pay checks when someone is paid twice a month. Generally, it is best to average an even number of pay checks.

The total gross income or hours worked multiplied by rate of pay are used to average income. The averaging calculation is used when paid:

- monthly - add the total gross income or hours worked per month during the representative period and divide by the number of months in the representative period to determine the prospectively budgeted amount of income per month;
- semi-monthly - add the total gross income or hours worked for the pay dates during the representative period and divide by the number of pay dates in the representative period to determine the gross average income per pay date. The average gross income per pay date x 2 = total prospectively budgeted gross monthly income;
- weekly - add the total gross income or hours worked for dates paid in the representative period and divide by the number of pay dates in the representative period to determine the gross average income per pay date. The average gross income per pay date x 4.3 (weekly) = total prospectively budgeted gross monthly income;
- bi-weekly - add the total gross income or hours worked for dates paid in the representative period and divide by the number of pay dates in the representative period to determine the gross average income per pay date. The average gross income per pay date x 2.15 (bi-weekly) = total prospectively budgeted gross monthly income.

4. **Rate/Unit/Frequency method** is used when:
    a. paid monthly or semi-monthly (paid twice a month with set pay dates such as 5th and 20th); and,
    b. there is not a reliable income history to average; or,
    c. a significant income change is expected in the future (e.g., a promotion, part-time to full-time or vice versa, additional job duties, a raise in pay, a transfer, etc.).

       To prospectively budget income on rate/unit/frequency:
        a. determine rate of pay;
        b. determine the unit for rate of pay;
        c. determine how often the person is paid (frequency);
        d. determine the number of units per frequency using the table below;
        e. multiply the rate times the number of units in the frequency. This results in the anticipated amount of income per pay period;
        f. multiply the anticipated amount of pay per pay period by the number of pay dates expected in the benefit month to determine the total amount of income anticipated for the benefit month.

| *→ **# days/week worked** → | **1** | **2** | **3** | **4** | **5** | **6** | **7** |
|---|---|---|---|---|---|---|---|
| ↓ *Average # of days per pay* ↓ *period (frequency) when pay is received:* | | | | | | | |
| ***Monthly*** – Use only when paid once each month | 4 | 9 | 13 | 17 | 22 | 26 | # of days in specific month |
| ***Semi-monthly*** – Use only when paid twice each month on set <u>dates</u> within the month, such as the 1st and 16th, (but <u>not</u> if paid on set days of the month, such as paid every other Tuesday) | 2 | 4.5 | 6.6 | 8.5 | 11 | 13 | 15 |

***# days/week worked**: This is the number of days in a calendar week that a person works, regardless of the pay schedule.

- Multiply average number of days per pay period by average number of hours worked per day to determine the number of units per frequency (if pay is by the hour).
- Then multiply this figure by rate of pay to determine income per pay period.
- Multiply the income per pay period by the number of paydays in the month to determine the monthly income.

5. **Prorating over the period intended to cover method** is used for contractual, self-employment, or other income expected to cover a period longer than one month, or received regularly but less often than monthly. Prorating over the period intended to cover involves dividing a total yearly income by 12 months (for self-employment), or dividing a regular periodic payment by the number of months until the next payment is received (income other than self-employment).
    a. Divide a payment received bi-monthly (every second month) by two
    b. Divide a payment received quarterly (four times a year) by three (there are three months in a quarter).

c. Divide a payment received semi-annually (twice a year) by six.
d. Divide a payment received annually (once a year) by 12 (this is also referred to as "annualizing").

6. **Annualizing income** is used to prospectively budget income for contractual or self-employment. The contract for contract income must be evaluated on a case by case basis. A key factor in determining whether income is contractual is whether the contract is for a set dollar amount even if an hourly rate is indicated. If the household receives its annual income in a period of time shorter than a year by contract or self-employment, the income is averaged over a 12 month period provided the income from the contract is not received hourly or on a piecework basis. If the contract work is not the household's annual income, the income is prorated over the period it is intended to cover.

**Effective Date:** November 01, 2015