TANF 601-1
Prospective Budgeting

Supersedes: TANF 601-1 (1/1/09)

Reference: ARM 37.78.402 and .420

Overview: Financial eligibility and benefit amount for a current or future month must be established using prospective budgeting. Best estimates of income, resources, household composition and other circumstances that will occur during the benefit month are used to prospectively determine eligibility.

All prospective budgeting methods can be used with earned and unearned income. However, some specific types of income and situations require certain methods to be applied.

GATHERING INFORMATION:

Information needed to prospect the individual's circumstances:

1. May be elicited during discussions with the applicant /client, or from contact with the employer/source of income:
    a. type of job;
    b. nature of job;
    c. rate of pay;
    d. how often paid;
    e. number of hours worked per week; and
    f. whether hours fluctuate.
2. Must include information from the application form and/or reported changes about past, present and future circumstances.
3. Must be reevaluated upon receipt of more complete information or change report up to the point of the final eligibility determination.

Information provided by the applicant/client must be verified with corroborative documents and/or statements from third parties. If requested, OPA must assist in gathering verification. Client statement is never sufficient documentation for income.

PROSPECTING INCOME:

To prospect countable monthly income, use one or a combination of the following budgeting methods for income that is reasonably certain to be received. The method selected will depend on the income source and the household circumstances.

1. Actual
2. Anticipating - consists of several options:
   a. Averaging
   b. Prorating over period intended to cover
   c. Rate/Unit/Frequency

<u>FACTORING INCOME:</u>

Income must be factored for cases when received weekly or bi-weekly (every two weeks). If there is a reliable history of income and it is expected to continue, average and then factor.

If weekly or biweekly pay checks are provided for month of application, the checks must be averaged and factored even if the applicant did not receive a 3^{rd} or 5^{th} check in the month of application.

Child support income and legally-obligated child support payments/deductions can only be factored if truly received/paid on a weekly or biweekly basis.

1. To factor weekly income, the weekly income amount (actual or average) will be multiplied by 4.3 to determine a monthly amount; or
2. To factor biweekly income, the biweekly income amount will be multiplied by 2.15 to determine a monthly amount.

<u>ACTUAL INCOME:</u>

Actual income is used when determining eligibility for past months and when all pay in the current benefit month has already been received.

<u>AVERAGING INCOME METHOD:</u>

When there is a reliable history of receipt of income from an income source and the amount of income fluctuates from month to month (or pay period to pay period), past income amounts may be averaged to anticipate future income. It may be necessary to average regular wages and overtime pay separately. If income is received weekly or bi-weekly, the average amount may also need to be factored.

OPA and the applicant/client must agree upon:

1. a representative period of time;
2. the number of pay periods to be used; and
3. the pay dates.

Payments which are agreed to be unusually high or low should be disregarded unless the trend is anticipated to continue into the prospective period.

If rate of pay is the same and will continue, divide the total income received during the representative period by the number of pay dates in the period to determine an average amount per pay date.

Multiply the average pay date amount by the number of pay dates in the benefit month to arrive at the anticipated income for that benefit month.

PRORATING OVER PERIOD INTENDED TO COVER:

Prorating over the period intended to cover is applied to contractual, self-employment, or other income expected to cover a period longer than one (1) month, or received regularly, but less often than monthly. Prorating over the period intended to cover involves dividing a total yearly income by the number of months the applicant/client states the income is intended to cover, or dividing a regular periodic payment by the number of months until the next payment is received:

1. Divide a payment received bi-monthly (every second month) by two (2).
2. Divide a payment received quarterly (four times a year) by three (3).
3. Divide a payment received semi-annually (twice a year) by six (6).
4. Divide a payment received annually (once a year) by 12 (this is also referred to as "annualizing").

Self-Employment income is always prorated over the period intended to cover. Contractual income is always divided by the period of the contract.

RATE/UNIT/FREQUENCY METHOD:

Anticipating based on rate/unit/frequency is used when none of the other methods are allowed or appropriate, or when significant income changes are expected in the prospective period.

To anticipate income based on rate/unit/frequency:

1. Determine rate of pay (rate).
2. Determine the unit for rate of pay (unit).
3. Determine how often the person is paid (frequency).
4. Determine the number of units per frequency using the table.
5. Multiply the rate times the number of units in the frequency. This results in the anticipated amount of income per pay period.
6. Multiply the anticipated amount of income 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.
7. Multiply the average number of days per pay period from table by average number of hours worked per day to determine the number of units per frequency (if pay is by the hour).
8. Then multiply this figure by rate of pay to determine income per pay period.
9. Multiply the income per pay period by the number of paydays in the month to determine the monthly income.

↓ ***Average # of days per pay period*** ↓ (frequency) when pay is received:	→ **# days/week worked *** → This is the number of days in a calendar week that a person works, regardless of the pay schedule.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
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 dates within the month, such as the 1st and 16th, (but not if paid on set day of the week, such as paid every other Tuesday)		2	4.5	6.6	8.5	11	13	15
BI-WEEKLY – Use only when paid every other week on a set day of the week, such as when paid every other Friday		2	4	6	8	10	12	14
WEEKLY – Use only when paid every week on a set day of the week, such as when paid each Wednesday		1	2	3	4	5	6	7

FLUCTUATION IN PAY SCHEDULE:

When a scheduled pay date is moved forward or delayed, either employer or employee caused, the pay is treated as if it were (or will be) received on the normally scheduled pay date for both actual and anticipated income.

Effective Date: January 01, 2018