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STATE OF ALASKA DEPARTMENT OF HEALTH AND SOCIAL SERVICES OFFICE OF HEARINGS AND APPEALS

In the Matter of)
)
)
,)
) OHA Case No. 09-FH-543
Claimants.) Division Case No.
)

FAIR HEARING DECISION

STATEMENT OF THE CASE

Mr (Claimant¹) sought re-certification of his family's eligibility for Child Care Assistance by filing a renewal application² on May 22, 2009.³ (Exs. 3a-3i) Claimant submitted his re-certification application to the Municipality of Anchorage Department of Health and Human Services, Child Care Assistance Program (Municipality).⁴ (Ex. 4) On June 22, 2009, the Municipality made a determination and notified Claimant his family was not eligible for assistance. (Ex. 11)

¹ This case is captioned as because they both applied. However, only Mr participated during the hearing. For purposes of administrative convenience, in this case, "Claimant" means Mr. However, this decision applies to both Mr. and Mrs.

 2 The Municipality denoted Claimant's application a re-certification application. (Ex. 3a) However, the regulations pertaining to child care assistance, 7 AAC 41.300-370, do not differentiate between initial applications and renewal applications: each application is governed by the same regulations. Thus, a recertification application, in fact, is a renewal application under these regulations.

³ Claimant's re-certification application was signed on April 30, 2009. (Ex. 3d) The Municipality received the recertification application on May 22, 2009, as shown by the faint date stamp. (Ex. 3a) The parties accepted the date of application as May 22, 2009 without discussion and therefore this date is adopted as the date of application.

⁴ The Department of Health and Social Services (Department) is authorized to delegate the administration of child care assistance program services to certain designated entities. 7 AAC 41.015(a). The Municipality of Anchorage Child Care Assistance Program (herein, Municipality) is such a designee and functions as the Department's agent. (The Municipality)

On August 21, 2009, Claimant requested an administrative review. (Ex. 12a) On September 10, 2009, Claimant was notified the administrative review conducted by the Division of Public Assistance Child Care Program Office (Division) upheld the Municipality's determination of ineligibility. (Exs. 13a-b) On September 23, 2009, Claimant requested a Fair Hearing. (Ex. 14a-d)

The Office of Hearings and Appeals (Office) has jurisdiction under authority of 7 AAC 49.010 *et. seq.*

Claimant's Fair Hearing was begun on November 24, 2009. Claimant appeared in person and testified on his own behalf. Ms. **Program Coordinator for the Child Care** Program Office (CCPO) of the Division of Public Assistance (Division), appeared in person representing the Division and testified on behalf of the Division. Ms. **Claimant's** authorized representative, appeared telephonically solely to participate in the scheduling of the continued hearing.

The Hearing was continued on December 29, 2009. Claimant again appeared in person and testified on his own behalf. In addition, Alaska State Representative **Control** and his Aide, Mr. **Control**, appeared in person and testified on behalf of Claimant. Also, Mr. **Control** appeared in person and testified on behalf of Claimant and <u>not</u> as a representative of the Anchorage School District.⁵

ISSUE

Was the Municipality correct to deny Claimant's May 22, 2009 application for Child Care Assistance because his family's income exceeded the maximum allowable family income for a household of four persons?

FINDINGS OF FACT

The following facts have been proved by a preponderance of the evidence:

1. Claimant applied for child care assistance on May 22, 2009 for his family of four. (Ex. 3) He applied through the Municipality, a designee of the State Division of Public Assistance Child Care Program (Division).⁶ (Ex. 4) The Claimant submitted all his application information to the Municipality. (Ex. 5)

⁵ Claimant had supplied a "To Whom It May Concern" letter dated April 23, 2009 written by Mr. Anchorage School District stationary as supporting documentation for his May 22, 2009 re-certification application. Mr. Claimant submitted another letter from Mr. Claimant submitted another letter from Mr. Claimant as Exhibit A, page 1.

⁶ In this decision, for clarity and convenience, the Alaska State Division of Public Assistance Child Care Program (Division) is termed "Division." The Division's designee, the Municipality of Anchorage Child Care Assistance Program (Municipality), is termed "Municipality."

2. Claimant and his wife participated in an eligibility determination interview with the Municipality on June 18, 2009. (Ex. 5) They supplied information concerning each of their jobs and the family's Supplemental Security Income. (Ex. 6; Ex. 7; Ex. 8)

3. The Municipality calculated Claimant's family's average monthly income using "Method Three", that is, it *projected average earned income for two months forward*, here June and July, following the month in which the family applied.⁷ (Position Statement, p. 3; Exs. 7a-d; 8a-f)

4. The Municipality determined Claimant's family's income was \$4,400.22 per month. (Ex. 4; Ex. 5; Ex. 9) The family's total average monthly income was calculated as follows:

a. Claimant's wife's income: Pay periods March 13, 2009 through May 22, 2009.

The Division averaged the actual income as reported on Claimant's wife's earnings statements during pay periods March 13, 2009 through May 22, 2009. (Exs. 7a-d) It attributed an hourly wage rate of \$15.50 to an average number of hours worked (and received as holiday/vacation pay) of 75 hours per pay period. This resulted in an average monthly income of \$2,499.38. (Ex. 5d; Exs. 7a-d) Claimant does not dispute this average monthly income amount. (Claimant testimony)

b. Claimant's income: Pay periods February 28, 2009 through April 15, 2009.

The Municipality did not average Claimant's actual wage rate of \$5.38 per hour as reported on Claimant's earnings statements during pay periods February 28, 2009 through April 15, 2009. (Exs. 8b-e) Instead, it used the hourly wage of \$6.28 which was reported to it by a "collateral contact" on June 22, 2009. (Ex. 8f)

The Municipality averaged the number of hours worked as reported on Claimant's earnings statements covering pay periods of February 28, 2009 through April 15, 2009. (Exs. 8b-e) The Eligibility Technician calculated Claimant worked an average of 39 hours per pay period, including holiday/vacation hours. (Ex. 8a) As a result of its calculation of 39 hours worked per pay period at \$6.28 per hour, the Division calculated Claimant's earned monthly income was \$489.84. (Ex. 5d; Ex. 8a)

Claimant's <u>average</u> actual wage rate as shown on his earnings statements covering pay periods of February 28, 2009 through April 15, 2009 is \$5.38. (Exs. 8b-e) During this period, Claimant's actual wage rate fluctuated between \$4.77 and \$5.59. (Exs. 8b-e) Claimant's work is paid by a special program grant from called "Ability I." (Claimant's testimony; Ex. 8f "percentages 'jump' in pay each month") Claimant's wages vary according to the duties he is assigned and how fast he completes them. (Claimant's testimony) The number of hours

⁷ However, the Division's Child Care Program Office sent a letter to Claimant stating it reviewed the Municipality's eligibility calculations using the "Average Monthly Income" method. (Ex. 13a) This methodology is discussed further in this decision.

Claimant works fluctuates, but he generally works between 18 and 21 hours per week. (Claimant's testimony) The earnings statements he provided in support of his re-certification application showed 39 hours worked over a period of two weeks. (Interface testimony; Ex. 8b)

c. Unearned income: The Total Family Supplemental Security Income.

The Municipality added the family's unearned monthly SSI income of \$1,411.00 to the family's total monthly income. (Ex. 5d; Exs. 6a-6i) Each family member receives Supplemental Security Income (SSI) each month based on Claimant's disability. (Ex. 6a-i)

d. Exclusions and Deductions From Total Family Income.

Claimant did not identify any exclusions or deductions from income allowed by the Program rules. (Ex. 5d; testimony)

5. The Municipality applied the *Family Income and Contribution Schedule (Schedule)* to determine the maximum family monthly income amount for a family of four. (Ex. 10) The *Schedule* provided a family of four could not have more than \$4,190.00 average monthly income to be eligible for child care assistance. (Ex. 10)

6. The Municipality determined Claimant's family was not eligible for child care assistance because the family's monthly income of \$4,400.22 exceeded the maximum family monthly income of \$4,190.00 allowed for a four-person family. Claimant's family's monthly income was \$210.22 in excess of the maximum monthly income allowed. (Ex. 11)

7. The Municipality notified Claimant his family was not eligible because their average monthly income was excessive and denied his application. (Ex. 11)

8. Claimant requested administrative review on August 21, 2009 by the State Division of Public Assistance (Division). (Ex. 12a) On September 10, 2009, the Division's Child Care Program administrative review upheld the Municipality's determination of ineligibility. (Ex. 13a-b)

9. In performing its administrative review, the Division used the "Average Monthly Income" method to calculate its review of the family's average income.⁸ (Ex. 13a-b)

10. At the Fair Hearing, Claimant, through his representatives Alaska State Representative and his Aide **Claimant**, contested the calculation of Claimant's wage income at the rate of \$6.28 per hour. (**Claimant**, **contested** testimony) This objection was based upon the fluctuation in Claimant's income. (Claimant's testimony; Ex. 8f)

⁸ In contrast, the Municipality applied "Method Three" to calculate the average income. 7 AAC 41.325(b)(3). The "Average Monthly Income" method is "Method One" in regulation 7 AAC 41.325(b)(1).

11. Averaging the fluctuations in Claimant's wage income based on the hourly wages for the pay periods Claimant provided (February 28, 2009 to April 15, 2009) did not change the family's income sufficiently to result in eligibility. (**Constant**)

12. During the hearing, the Division's representative calculated the change in the family's average monthly income if Claimant's wage had been \$4.00 per hour for 39 hours. (testimony) The Division's representative determined that even if Claimant's hourly wage was \$4.00, the decrease in his monthly income would be only \$197.00 less, which still would be insufficient to reduce the family's average monthly income enough that the family would be eligible for child care assistance. (testimony)

13. The Division representative did not know of any regulation providing a method of calculating average family monthly income which would result in Claimant's average family monthly income being low enough to qualify for child care assistance under the *Schedule*.

14. During the hearing Claimant asserted:

a. That his Supplemental Security Income (SSI) was not taxed federally and therefore should be excluded from countable income for purposes of eligibility for child care assistance;

b. The maximum family monthly income allowing eligibility for child care assistance was too low;

c. The maximum family monthly income allowed for eligibility should be greater than its present percentage above poverty level; and

d. His purpose in requesting a Fair Hearing was to establish a record from which he could then appeal, either judicially or legislatively, or both, in an effort to increase the maximum family monthly income permitting eligibility for child care assistance. (Claimant's testimony)

15. Claimant's family has experienced substantial hardship as a consequence of being not eligible for child care, including foreclosure of the family home and other financial hardships. (Claimant's testimony; Ex. 3g; Ex. A,p. 1)

16. Claimant also suggested methods whereby the State could effectuate administrative cost savings which could then be used to fund additional child care assistance. (Claimant's testimony; Exs. A pps.1-5)

PRINCIPLES OF LAW

I. Burden of Proof

Ordinarily the party seeking a change in the status quo has the burden of proof." *State, Alcohol Beverage Control Board v. Decker*, 700 P.2d 483, 485 (Alaska 1985).

II. Standard of Proof

The regulations applicable to this case do not specify any particular standard of proof. A preponderance of the evidence is the normal standard of proof in an administrative proceeding. *Amerada Hess Pipeline v. Alaska Public Utilities Comm'n*, 711 P.2d 1170, n. 14 at 1179 (Alaska 1986). Therefore, the standard of proof is the preponderance of the evidence.

Preponderance of the evidence is defined as follows:

Evidence which is of greater weight or more convincing than the evidence which is offered in opposition to it; that is, evidence which as a whole shows that the fact sought to be proved is more probable than not.

Black's Law Dictionary 1064 (5th Ed. 1979)

B. Child Care Assistance Program (CCAP)

Alaska Statute 47.25.001 enables the Department of Health and Social Services to adopt regulations necessary for the performance of its duties to provide child care assistance.

Child Care Assistance is a program that assists in paying day care costs for qualifying individuals and households. AS 47.25.001 *et. seq.* Administration of the program may be designated to a municipal government or other entity. 7 AAC 41.015(a).

An individual who is aggrieved by a written determination of the Division, or its designee, may request an administrative review of the action. 7 AAC 41.435(a). The decision on administrative review is final, unless the aggrieved party appeals the decision by requesting a fair hearing provided by the regulations 7 AAC 49.010 *et. seq.*

All applications and renewal applications must be submitted on the form prescribed by the department as provided by 7 AAC 41.315.

The eligibility of a family for day care assistance is determined on the basis of the family's income, the number of children in the family, and whether there is one parent or guardian solely responsible for the care of the family. AS 47.25.031; 7 AAC 41.300; 7 AAC 305.

A family consists of all parents living together in one household and their children under 18 years of age. 7 AAC 41.013.

Regulation 7 AAC 41.325 governs the determination of family income. This regulation provides that family income is a total of all monthly gross income in cash or in kind received by each parent, plus all monthly unearned income of the family, including Social Security payments, public assistance and veteran's payments, etc. 7 AAC 41.325(a)(1).

The total family income may be subject to exclusions as provided in 7 AAC 41.325(a)(2). These exclusions include the Alaska Permanent Fund Dividend, federal noncash benefits including

Medicare, Medicaid, food stamps, and supplements provided by 42 U.S.C. 1786 (WIC Program), certain income tax credits, income tax refunds, and income that is a loan. 7 AAC 41.325(a)(2).

Finally, the total family income may be reduced by deducting certain payments made for child support and catastrophic medical or dental costs. 7 AAC 41.325(a)(3). *See also*, 7 AAC 41.325(d).

Family income for purposes of eligibility for child care assistance is determined by applying one of four methods to achieve the "best estimate" of the average monthly income for a family. 7 AAC 41.325(b).

The four methods which may be applied to establish a family's monthly income for purposes of determining eligibility are:

1) averaging the income for the *two months preceding the month of application*;

2) projecting the income for the current month;

3) calculating a projected average for *two months forward following the month of application*, re-determination or new authorization; or

4) averaging irregular income and irregular authorized deductions for a period not to exceed 12 months. 7 AAC 41.325(b) (Emphasis added.)

After determining the maximum family monthly income for purposes of eligibility, the income is compared with the maximum allowable family income which allows participation in the Child Care Program, as established by the *Family Income and Contribution Schedule (Schedule)* of the Department of Health and Social Services (Department). 7 AAC 41.335(b). This *Schedule* is established by a formula comprised of factors the Department determines is fair, equitable, and consistent with the law and available appropriations. 7 AAC 41.325(b)(6).

ANALYSIS

I. Issue

Was the Child Care Assistance Program correct to deny Claimant's May 22, 2009 application for assistance because his family's income exceeded the maximum allowable monthly income for a household size of four persons?

II. Burden of Proof and Standard of Proof

"The party seeking a change in the status quo has the burden of proof." *State, Alcohol Beverage Control Board v. Decker*, 700 P.2d 483, 485 (Alaska 1985). Claimant is seeking to change the status quo by seeking child care assistance eligibility. Therefore, Claimant has the burden of proving by a preponderance of the evidence that Claimant is eligible.

III. Determination of Average Monthly Income.

Claimant did not dispute any of the material facts of this case except the amount of hourly wage on which basis his average monthly income was determined. However, Claimant challenged the

method of calculation used by both the Municipality and the Division to arrive at his income. Claimant, through his representatives, also challenged the Division's application of the \$6.28 hourly wage by the Municipality.⁹

A. Method of calculation used to determine the family's income.

Regulation 7 AAC 41.325(b) requires the Division to make a "best estimate of the average monthly income a family receives or is expected to receive during the month for which eligibility is being determined." The Municipality and the Division (in its administrative review) used different methods (Method Three and Method One, respectively) in the calculation of Claimant's family's earned income.

The Municipality applied "Method Three" to anticipate monthly income. (Ex. 7a; Ex. 8a) *See also*, Ex. 16c; 7 AAC 41.325(b)(3). "Method Three" requires "a *projected average for two months forward* following the month in which the family submits an application or requests a redetermination and new authorization."

The Division, in its administrative review, calculated using a different method, the "Average Monthly Income" method, provided by regulation 7 AAC 41.325(b)(1), [also called, Method One]. This method provides another method of calculating income by "*averaging the income for the two months preceding* the month in which the family submits an application..." 7 AAC 41.325(b)(1). *See*, Ex. 16a.

Claimant filed his application on May 22, 2009. He supplied earnings statements for himself for pay periods of February 28, 2009 to April 15, 2009 but not for the latter part of April 2009. Therefore, neither the Municipality nor the Division had verification of his *actual* income for the *entire* two months (March and April) preceding his May 2009 application.

A review of regulation 7 AAC 41.325(b) clearly indicates that applying "Method One," that is, averaging income, is applicable when the actual income for the two prior months is available for calculation. This is because "Method One" requires calculating *actual income* for the two months preceding the application. 7 AAC 41.325(b). Neither the Municipality nor the Division had all the *actual* family income for the two months preceding the application (March and April) for both Claimant and his wife.¹⁰ Therefore, the facts of this case do not permit the use of

⁹ The Municipality Eligibility Technician was told that Claimant was receiving \$6.28 per hour on June 22, 2009 but Claimant's actual average hourly wage during the months of March and half of April was \$5.32. The parties discussed the subject of Claimant's average hourly wage extensively because his hourly wage varies unpredictably based on his performance and other factors. During the discussion, the Division calculated the family's income based on an average hourly wage of \$4.00 for Claimant. (**Control** testimony) The calculation disclosed that even such a reduction of hourly wage would not result in an average family monthly income sufficiently low that Claimant would be eligible for child care assistance. (**Control** testimony)

¹⁰ Claimant and his wife signed the application on April 30, 2009 but the Division did not date stamp it received until May 22, 2009. (Finding of Fact 1; Footnote 3) Claimant provided earnings statements from February 28, 2009 through April 15, 2009 but not for the last pay period in April, 2009. (Finding of Fact 4b) Claimant's wife provided her earning statements from March 13, 2009 through May 22, 2009, but not for the first part of March. (Finding of Fact 4a)

Method One - "Average Monthly Income." Nonetheless, applying "Method One" in this case does not affect the outcome in this decision.

The Municipality was correct to apply the projected average calculation of "Method Three" because it could project the Claimant's earnings and to do so did not need to know the Claimant's *actual* earnings for the full two months preceding his application.

B. Hourly Wage Rate used to Determine Family Income.

Claimant challenged the Municipality's application of \$6.28 as his average hourly wage rate. Claimant's earnings statements provided in support of his application disclosed an average hourly wage rate of \$5.32, whereas the Municipality obtained information of a \$6.28 wage rate from a collateral contact on June 22, 2009, after he had submitted his application.

Claimant asserted that his hourly wage rate fluctuates and that the true average rate immediately preceding the month of his application was \$5.32. Notwithstanding the method used, even if the Division calculated Claimant's average monthly income using his actual average hourly wage of \$5.32 instead of the \$6.28 rate it used, the resulting decrease in average family monthly income still would have been insufficient to make his family eligible for child care assistance.

For example, Claimant's an hourly wage of \$5.32 multiplied by 39 hours yields a bi-weekly gross income for Claimant of \$207.48. When \$207.48 is doubled to represent both pay periods in a month, Claimant's average monthly income is \$414.96. In contrast, applying a wage rate of \$6.28 resulted in an average monthly wage of \$489.84. The difference results in gross monthly income of only \$74.88 less.

The Municipality determined Claimant's four member family income averages \$4,400.00 per month. Applying the *Schedule*, families of 4 are eligible for child care assistance only when their monthly income does not exceed the maximum allowable monthly income of \$4,190.00.

Claimant's family monthly income was determined to exceed the maximum family monthly income for a family of four as provided in the *Schedule* by \$210.00. Thus, a decrease of \$75.00 (rounding) still leaves the family over the income limit for eligibility by \$135.00. This decrease is not sufficient to place the family's income below the maximum family monthly income allowed for eligibility.

Therefore, Claimant's family does not qualify for child care assistance because it exceeds the maximum family monthly income of \$4,190.00 allowed for a family of four. Claimant has failed to meet his burden of proving by a preponderance of the evidence that his family qualifies for child care assistance.

IV. The Income Amounts of the Family Income and Contribution Schedule.

Claimant asserts the denial of his family for Child Care Assistance was erroneous for two reasons. First, he asserts that the calculation of his family's gross income included unearned income (Supplemental Security Income [SSI]) which is not taxed federally and therefore should not be included when calculating the monthly income for his family.

However, regulation 7 AAC 41.325 expressly requires the inclusion of all earned and unearned income, specifically listing "Social Security payments," when calculating the family's monthly income. Therefore, the Municipality and the Division (in its administrative review) were correct to include the Claimant's family's Supplemental Security Income (SSI) of \$1,411.00 it the family's total monthly income.

Second, Claimant asserts that the maximum allowable monthly family income in the *Family Income and Contribution Schedule* is too low for his family of four and results in hardship and perpetuation of low standard of living for families striving to improve their circumstances.

Regulation 7 AAC 41.335(b) requires the Division to determine eligibility by comparing the family's average monthly income with the maximum family monthly income allowed for eligibility as established in the *Family Income and Contribution Schedule* (*Schedule*) of the Department of Health and Social Services (Department). 7 AAC 41.335(b). The *Schedule*, adopted by express reference in regulation 7 AAC 41.335, therefore, is part of the regulation itself.

The *Schedule* is established by a formula comprised of factors the Department determines is fair, equitable, and consistent with the law and available appropriations. 7 AAC 41.325(b)(6). The Municipality and the Division each properly applied the *Schedule* to the facts of this case.

Alaska Statute 47.25.001 enables the Department of Health and Social Services to adopt regulations necessary for the performance of its duties to provide child care assistance. This is a delegation of legislative duties to the Department of Health and Social Services for the express purpose of carrying out the legislated mandate of AS 47.25.001-095.

The jurisdiction of this Office (Office of Hearings and Appeals) is limited and it is not authorized to invalidate or change the regulations adopted by the Department of Health and Social Services. *See*, 7 AAC 49.010-900. Regulation 7 AAC 49.170, titled "[l]imits of the hearing authority" provides "[e]xcept as otherwise specified in applicable federal regulations and 7 AAC 49.160, the role of the hearing authority is limited to the ascertainment of whether the laws, regulations, and policies have been properly applied in the case and whether the computation of the benefit amount, if in dispute, is in accordance with them." ¹¹

CONCLUSIONS OF LAW

1. Claimant has not met his burden of proof by a preponderance of the evidence that either the Municipality or the Division (in its administrative review) erred in calculating his family's average monthly income when determining eligibility on the facts provided with his May 22, 2009 application for child care assistance.

¹¹ "[I]t is hornbook administrative law that an agency need not - indeed should not - entertain a challenge to a regulation, adopted pursuant to notice and comment, in an adjudication or licensing proceeding." *Tribune Company v. Federal Communications Commission*, 133 F.3d 61,68 (D.C. Cir. 1998), *citing* P. Strauss, et. al, *Gellhorn and Byse's Administrative Law* 657 (9th Edition 1995).

2. Claimant has not met his burden of proof by a preponderance of the evidence that the Division of Public Assistance Child Care Program Office erred in conducting its administrative review and upholding the Municipality's denial of Claimant's May 22, 2009 application for child care assistance.

3. The Municipality was correct when it denied Claimant's May 22, 2009 application for child care assistance.

DECISION

The Municipality and the Division (through its administrative review) each were correct to deny Claimant's Child Care Assistance application of May 22, 2009 because his family's monthly income exceeded the maximum monthly income permitted for eligibility.

APPEAL RIGHTS

If for any reason the Claimant is not satisfied with this decision, the Claimant has the right to appeal by requesting a review by the Director. To do this, send a written request directly to:

Director of the Division of Public Assistance Department of Health and Social Services PO Box 110640 Juneau, AK 99811-0640

If the Claimant appeals, the request must be sent within 15 days from the date of receipt of this Decision. Filing an appeal with the Director could result in the reversal of this Decision.

DATED this 29th day of January 2010.

___/signed/__

Claire Steffens Hearing Authority

CERTIFICATE OF SERVICE I certify that on this 29th day of January 2010, true and correct copies of the foregoing were sent to:

Claimant by U.S.P.S., by Certified Mail, Return Receipt Requested and to other listed persons by e-mail:

, Director , Policy & Program Development , Staff Development & Training , Administrative Assistant II , Eligibility Technician I , CCPO Program Manager , CCAP Program Coordinator

, Program Coordinator, Child Care Program Office

J. Albert Levitre, Jr., Law Office Assistant I