



State of New Jersey

PHILIP D. MURPHY
Governor

DEPARTMENT OF HUMAN SERVICES
DIVISION OF FAMILY DEVELOPMENT
PO BOX 716
TRENTON, NJ 08625-0716

SARAH ADELMAN
Acting Commissioner

SHEILA Y. OLIVER
Lt. Governor

NATASHA JOHNSON
Assistant Commissioner

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STATE OF NEW JERSEY
DEPARTMENT OF HUMAN SERVICES

FINAL DECISION

OAL DKT. NO. HPW 20-035398 A.R.

AGENCY DKT. NO. R1573203 (THE CHILDREN'S HOME SOCIETY OF NJ)

On or about September 16, 2020, the Bureau of Administrative Review and Appeals ("BARA") received Petitioner's request for an Administrative Review. The Respondent Agency ("Agency") terminated Petitioner's New Jersey Cares for Kids/Child Care Assistance Program ("NJCK/CCAP") child care subsidy.

As Assistant Commissioner, Division of Family Development ("DFD"), Department of Human Services, I have reviewed this matter and I hereby AFFIRM the Agency's action.

It is well-established that parents receiving subsidized child care services are in need of child care services in order to remain employed or accept full-time employment, or to attend full-time educational and/or work/training programs. See N.J.A.C. 10:15-5.2(b), -5.3(a). In order to be eligible for subsidized child care services at redetermination, an applicant's maximum annual gross income must not exceed 250% of the Federal Poverty Level ("FPL") Guidelines. Ibid.; see also DFD Instruction ("DFDI") No. 21-03-02.

In the child care program, income is defined as the current gross income earned by all members of the family unit. See Child Care Operations Manual, III, General Provisions, Section (c), "Definitions," p. 10. It includes all earned and unearned income, and includes wages from salaries, overtime, tips, bonuses, commissions, winnings, and any other income required for federal and state tax reporting purposes. Ibid.

For child care purposes, self-employment income is earned income, received directly from one's own business, trade, or profession, instead of receiving a specified wage from an employer. See DFDI No. 16-12-01. In instances where the applicant is self-employed, the applicant must file a Schedule C with their 1040, and the Agency is required to utilize a standard deduction of 51%, in order to calculate the applicant's income and hours worked each week. Ibid. When broken down, the income/profit reflected on line 7 of the IRS Schedule C (Form 1040), must be equal to, or greater than, the hourly Federal minimum wage. Ibid. Income and wages are calculated as follows:



- a. A standard calculation deduction method is used by multiplying the gross income (noted on line 7 of IRS Schedule C (Form 1040)), by 51 percent to determine the amount of the deduction.
- b. Next, the gross income (noted on line 7 of IRS Schedule C (Form 1040)), is reduced by the amount of the deduction as calculated above to come up with the adjusted annual income.
- c. Further, the adjusted annual income, as determined in (b), is divided by 52 weeks, to determine the adjusted weekly income amount.
- d. Then, the adjusted weekly income amount will be divided by the minimum required hours to determine the hourly wage.
- e. Finally, the adjusted hour wage is compared to the Federal minimum wage to determine the number of hours worked per week. The Federal minimum wage can be found on the Federal Department of Labor website.

On October 8, 2020, BARA sent letters to Petitioner and the Agency requesting additional information necessary to conduct an Administrative Review. Both parties responded, providing the documentation which comprises the record for this Administrative Review.

A review of the documentation establishes that Petitioner and the co-applicant spouse, completed a redetermination application for a NJCK/CCAP subsidy on March 25, 2020. In support of their application, they provided, among other items, copies of Petitioner's paystubs, a copy of a residential lease agreement indicating Petitioner and co-applicant as landlords, and copies of checks indicating Petitioner's spouse as the recipient of a bi-weekly scholarship. Petitioner and co-applicant updated their redetermination application to include their 2019 Federal Income Tax return, which included a Schedule C form, because Petitioner's spouse, the co-applicant, is self-employed. After reviewing Petitioner's submissions, the Agency determined that Petitioner's gross income from employment totaled \$61,288.11; that Petitioner and co-applicant received \$8,700 (\$725 x 12 months) in rental income; that Petitioner and co-applicant received \$3,550 in dividend income from investments; that the co-applicant received \$4,472 (\$86 x 52 weeks) in scholarship income; and that income from the spouse's self-employment totaled \$91,942.13. The total amount of Petitioner and co-applicant's annual gross income was \$169,952.24 (\$61,288.11 + \$4,472 + \$8,700 + \$3,550 + 91,942.13). In 2020, the maximum allowable annual gross family income at redetermination for a family of 8 was \$110,300. See 2020-2021 Income Eligibility Schedules, effective March 1, 2020. The Agency further determined that Petitioner and co-applicant spouse's total household income from all sources exceeded the maximum allowed for continued eligibility. Also, because their family income was determined to be over the 85% of the 2020 NJ State Median Income, the Agency immediately terminated Petitioner's NJCK/CCAP subsidy, by notice dated September 10, 2020. Ibid.

In February, 2021, the Agency revised its calculation of Petitioner and the co-applicant's total household income. Specifically, the dividend income from investments was reduced to \$1,781, which reflects the actual amount received. Next, Petitioner's total gross employment income was increased to \$63,685.31, as the Agency previously used Petitioner's net income figures, instead of using gross figures. Lastly, the Agency calculated the household's annual gross income from self-employment using the figure from Line 7 of the Schedule C Form (\$144,163). The Agency previously calculated the self-employment income using the figure from Line 1 of the Schedule C Form (\$187,637).

Petitioner's self-employment income, utilizing the gross receipts listed on line 7 of the Schedule C form, totaled \$144,163. Next, the gross income is multiplied by the 51% standard deduction, $\$144,163 \times .51 = \$73,523.13$. This deduction is subtracted from the gross income to calculate Petitioner's adjusted annual income, $\$144,136 - \$73,523.13 = \$70,639.87$.



Therefore, according to the Agency's revised calculations, Petitioner and the co-applicant's total household income, comprised of Petitioner's revised income from employment (\$63,685.31), the household's revised income from dividends (\$1,781), the co-applicant's revised adjusted annual income from self-employment (\$70,639.87), the rental income (\$8,700), and the income from the scholarship (\$4,472), totaled \$149,278.18 ($\$63,685.31 + \$1,781 + \$70,639.87 + \$8,700 + \$4,472$).

Based on the foregoing, I find that Petitioner would still be ineligible for a child care subsidy, as the total household income totals \$149,278.18. As noted above, the maximum allowable annual gross family income at redetermination for a family of 8, was \$110,300. See 2020-2021 Income Eligibility Schedules, effective March 1, 2020. Therefore, I hereby AFFIRM the Agency's termination of Petitioner's child care subsidy.

By way of comment, Petitioner is without prejudice to reapply for a child care subsidy should her circumstances change.

Accordingly, the Agency's decision in this matter is hereby AFFIRMED.

Officially approved final version.

JUN - 3 2021

Natasha Johnson
Assistant Commissioner

