



State of New Jersey

Department of Community Affairs

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PROGRAM POLICY BULLETIN #08-04

DATE: December 10, 2008

TO: NJ Community Action Agency (CAA) Executive Directors

AFFECTED PROGRAMS: All Programs That Utilize Community Services Block Grant Funds

SUPERSEDES: None

SUBJECT: **State Policy for the Definitions of Income for CSBG Funded Programs**

POLICY SUMMARY: In accordance with the Office of Management and Budget's (OMB) Statistical Policy Directive 14. Since poverty is an income-based measure, one of the purposes of this policy bulletin is to examine methodological differences in the collection of income data in the Current Population Survey (CPS) – Definitions and Explanations issued by the Census Bureau.

This policy is effective with the fiscal year 2009/2010 application for FY'09 funds.

DISCUSSION: To determine whether someone is in poverty, their total family income is compared with the poverty threshold appropriate for that person's family size and composition as specified by the Office of Management and Budget. If the total income of the family is less than the threshold, then the person and every member of the family is considered to be in poverty. If a person is not related to the householder; or the person is a householder who is not related to anyone in the household by birth, marriage, or adoption; or the person does not live in a household, then the person's own income is compared with his or her poverty threshold. Thus, the total number of people below the poverty level is the sum of people in families and the number of unrelated individuals with incomes below the poverty thresholds.



The term "size of household" includes all the people occupying a housing unit. "Size of family" includes the family householder and all other people in the living quarters who are related to the householder by birth, marriage, or adoption. "Size of related subfamily" includes the husband and wife or the lone parent and their never-married sons and daughters under 18 years of age. "Size of unrelated subfamily" includes the reference person and all other members related to the reference person. If a family has a related subfamily among its members, the size of the family includes the members of the related subfamily.

Income Measurement:

Income collected covers money income received (exclusive of certain money receipts such as capital gains) before payments for personal income taxes, social security, union dues, Medicare deductions, etc. Therefore, money income does not reflect the fact that some families receive part of their income in the form of noncash benefits, such as food stamps, health benefits, rent-free housing, and goods produced and consumed on the farm. In addition, money income does not reflect the fact that noncash benefits are also received by some nonfarm residents which often take the form of the use of business transportation and facilities, full or partial payments by business for retirement programs, medical and educational expenses, etc. These elements should be considered when comparing income levels.

- I. **Earnings.** The Census Bureau CPS classifies earnings from longest job (or self-employment) and other employment earnings into three types:
 - a. Money wage or salary income is the total income people receive for work performed as an employee during the income year. This category includes wages, salary, armed forces pay, commissions, tips, piece-rate payments, and cash bonuses earned, before deductions are made for items such as taxes, bonds, pensions, and union dues.
 - b. Net income from nonfarm self-employment is the net money income (gross receipts minus expenses) from one's own business, professional enterprise, or partnership. Gross receipts include the value of all goods sold and services rendered. Expenses include items such as costs of goods purchased, rent, heat, power, depreciation charges, wages and salaries paid, and business taxes (not personal income taxes). In general, the Census Bureau CPS considers inventory changes in determining net income from nonfarm self-employment; income tax returns or other official records do reflect inventory changes. However, when values of inventory changes are not reported, net income figures exclusive of inventory changes will be accepted. The Census Bureau CPS does not include the value of saleable merchandise consumed by the proprietors of retail stores as part of net income.
 - c. Net income from farm self-employment is the net money income (gross receipts minus operating expenses) from the operation of a farm by a person on their own account, as an owner, renter, or sharecropper. Gross receipts include the value of all products sold, payments from government farm programs, money received from the rental of farm equipment to others, rent received from farm property if payment is made based on a percent of crops produced, and incidental receipts from the sale of items such as wood, sand, and gravel. Operating expenses include items such as cost of feed, fertilizer, seed, and other farming


supplies; cash wages paid to farmhands; depreciation charges; cash rent; interest on farm mortgages; farm building repairs; and farm taxes (not state and federal personal income taxes). The Census Bureau CPS does not include the value of fuel, food, or other farm products used for family living as part of net income. In determining farm self-employment income, the Census Bureau CPS considers inventory changes in determining net income only when they are accounted for in income tax returns or other official records which reflect inventory changes; otherwise, the Census Bureau CPS does not take inventory changes into account.

2. **Unemployment Compensation** includes payments received from government unemployment agencies or private companies during periods of unemployment and any strike benefits received from union funds.
3. **Workers' Compensation** includes payments received periodically from public or private insurance companies for injuries received at work.
4. **Social Security** includes social security pensions and survivors' benefits and permanent disability insurance payments made by the Social Security Administration prior to deductions for medical insurance. The Census Bureau CPS does not include Medicare reimbursements for health services as social security benefits.
5. **Supplemental Security Income** includes federal, state, and local welfare agency payments to low-income people who are 65 years old and over or people of any age who are blind or disabled.
6. **Public Assistance** includes cash public assistance payments low-income people receive, such as Aid to Families with Dependent Children (AFDC, ADC), Temporary Assistance to Needy Families (TANF), general assistance, and emergency assistance.
7. **Veterans' Payments** include payments disabled members of the armed forces or survivors of deceased veterans receive periodically from the Department of Veterans Affairs for education and on-the-job training, and means-tested assistance to veterans.
8. **Survivor Benefits** include payments people receive from survivors' or widows' pensions, estates, trusts, annuities, or any other types of survivor benefits. People can report payments from ten different sources: private companies or unions; federal government (Civil Service); military; state or local governments; railroad retirement; workers' compensation; Black lung payments; estates and trusts; annuities or paid-up insurance policies; and other survivor payments.
9. **Disability Benefits** include payments people receive as a result of a health problem or disability (other than those from social security). People can report payments from ten sources: workers' compensation; companies or unions; federal government (Civil Service); military; state or local governments; railroad retirement; accident or disability insurance; Black lung payments; state temporary sickness; or other disability payments.
10. **Pension or Retirement Income** includes payments people receive from eight sources: companies or unions; federal government (Civil Service); military; state or local governments; railroad retirement; annuities or paid-up insurance policies; individual retirement accounts (IRAs), Keogh, or 401(k) payments; or other retirement income.

11. **Interest Income** includes payments people receive (or have credited to accounts) from bonds, treasury notes, IRAs, certificates of deposit, interest-bearing savings and checking accounts, and all other investments that pay interest.
12. **Dividends** include income people receive from stock holdings and mutual fund shares. The Census Bureau CPS does not include capital gains from the sale of stock holdings as income.
13. **Rents, Royalties, and Estates and Trusts** include net income people receive from the rental of a house, store, or other property, receipts from boarders or lodgers, net royalty income, and periodic payments from estate or trust funds.
14. **Educational Assistance** includes Pell Grants; other government educational assistance; any scholarships or grants; or financial assistance students receive from employers, friends, or relatives not residing in the student's household.
15. **Alimony** includes all periodic payments people receive from ex-spouses. Alimony excludes one-time property settlements.
16. **Child Support** includes all periodic payments a parent receives from an absent parent for the support of children, even if these payments are made through a state or local government office.
17. **Financial Assistance from Outside of the Household** includes periodic payments people receive from non-household members. This type of assistance excludes gifts or sporadic assistance.
18. **Other Income** includes all other payments people receive regularly that are not included elsewhere on this document. Some examples are state programs such as foster child payments, military family allotments, and income received from foreign government pensions.

The Census Bureau CPS does not count the following receipts as income: (1) capital gains people received (or losses they incur) from the sale of property, including stocks, bonds, a house, or a car (unless the person was engaged in the business of selling such property, in which case the Census Bureau CPS counts the net proceeds as income from self-employment); (2) withdrawals of bank deposits; (3) money borrowed; (4) tax refunds; (5) gifts; (6) noncash benefits (food stamps, Medicaid and housing subsidies); and (7) lump-sum inheritances or insurance payments.

This policy is an attempt to effectuate that recommendation. Please contact your assigned NJDCA/DH&CR Regional Representative should you have any questions regarding this issue.

SIGNED 
Mary Ann Barkus, Manager
Community Services Element

c. Richard Osworth, Division Director
CSBG Related State Staff