

STATE OF MICHIGAN  
STATE OFFICE OF ADMINISTRATIVE HEARINGS AND RULES  
ADMINISTRATIVE HEARINGS FOR THE  
DEPARTMENT OF HUMAN SERVICES

**IN THE MATTER OF:**

[REDACTED]

Reg. No: 201036758  
Issue No: 3015; 2014  
Case No: [REDACTED]  
Load No: [REDACTED]  
Hearing Date:  
July 29, 2010  
Wayne County DHS

**ADMINISTRATIVE LAW JUDGE:** Robert J. Chavez

HEARING DECISION

This matter is before the undersigned Administrative Law Judge pursuant to MCL 400.9 and MCL 400.37 upon claimant's request for a hearing. After due notice, a hearing was held on July 29, 2010.

ISSUE

Was a lump sum payment properly budgeted as contractual income?

FINDINGS OF FACT

The Administrative Law Judge, based upon the competent, material and substantial evidence on the whole record, finds as material fact:

- (1) Claimant applied for FAP benefits in Wayne County on March 25, 2010.
- (2) Claimant was a MA recipient in Wayne County.
- (3) In May 2009, claimant received a lump sum payment from the [REDACTED] [REDACTED] in the amount of \$75,000, in return for her voluntary separation from the company.
- (4) Upon claimant's application for FAP benefits, the Department considered this lump sum payment to be contractual income.

- (5) Using a 19 month allocation period found in the contract, claimant's payment was spread out over the 19 months, in order to determine claimant's monthly income.
- (6) As a result of this calculation, claimant's income was determined to be too high for FAP benefits.
- (7) Claimant's MA case was changed to a deductible case.
- (8) Claimant filed for hearing on May 20, 2010, alleging that DHS incorrectly computed her budget.

#### CONCLUSIONS OF LAW

The Food Assistance Program (FAP) (formerly known as the Food Stamp (FS) program) is established by the Food Stamp Act of 1977, as amended, and is implemented by the federal regulations contained in Title 7 of the Code of Federal Regulations (CFR). The Department of Human Services (DHS or Department) administers the FAP program pursuant to MCL 400.10, *et seq.*, and MAC R 400.3001-3015. Department policies are found in the Bridges Administrative Manual (BAM), the Bridges Eligibility Manual (BEM) and the Bridges Reference Manual (BRM).

The Medical Assistance (MA) program is established by Title XIX of the Social Security Act and is implemented by Title 42 of the Code of Federal Regulations (CFR). The Department of Human Services (DHS or Department) administers the MA program pursuant to MCL 400.10, *et seq.*, and MCL 400.105. Department policies are found in the Bridges Administrative Manual (BAM), the Bridges Eligibility Manual (BEM) and the Bridges Reference Manual (BRM) and Reference Tables (RFT).

When determining eligibility for FAP benefits, the household's total income must be evaluated. All earned and unearned income of each household member must be

included unless specifically excluded. BEM, Item 500. A standard deduction from income of \$132 is allowed for certain households. Certain non-reimbursable medical expenses above \$35 a month may be deducted for senior/disabled/veteran group members. Another deduction from income is provided if monthly shelter costs are in excess of 50% of the household's income after all of the other deductions have been allowed, up to a maximum of \$459 for non-senior/disabled/veteran households. BEM, Items 500 and 554; RFT 255; 7 CFR 273.2. Only heat, electricity, sewer, trash and telephone are allowed deductions. BEM 554. Any other expenses are considered non-critical, and thus, not allowed to be deducted from gross income. Furthermore, RFT 255 states exactly how much is allowed to be claimed for each deduction.

For the purposes of the FAP program, lump sum payments are counted as assets starting the month they are received. BEM 500. For the purposes of the MA program, lump sum payments are considered income the month they are received, and then assets during the following months. BEM 500.

Contractual income is income that is received in one month that is intended to cover more than one month. BEM 505.

In February 2009, the [REDACTED] offered a lump sum payment of \$75,000 to any employee (subject to corporate approval) who agreed to separate voluntarily from the company. This amount was offered to any employee with at least one year of service; the amount was the same regardless of how many years an employee had been with the company. According to the contract presented, Department Exhibit 2, the payment was intended to be an inducement to terminate

employment; no indication is given that this payment was meant to be a payment in lieu of wages or other sorts of earned income.

On the first page of the contract there is a reference to an allocation period:

“An employee eligible for an immediate employee option pension benefit...at the time of his/her break in service due to participation in the 1<sup>st</sup> Quarter 2009 EVTEP, shall upon completion of the Allocation Period and application for a pension benefit...then become eligible for monthly pension benefits.”

The next page then lists claimant’s allocation period as 19 months. Interestingly, the allocation period is shorter for those with the least seniority with the Chrysler Corporation.

The Department argued that the usage of the term “allocation period” in the contract meant that the claimant’s lump sum payment of \$75,000 should be considered contractual income; the allocation in question meant the \$75,000, and the period meant the amount of time this income was meant to cover. As such, the income had to be considered contractual income over a period of 19 months, and claimant was necessarily income ineligible for FAP benefits.

The undersigned is not convinced by this argument, and finds very little support for this proposition in the contract itself.

Black’s Law Dictionary, 7<sup>th</sup> Ed. 1999, defines the word “allocation” thusly:

**Allocation**, *n.* A designation or apportionment for a specific purpose.

Inherent in this definition is the fact that an allocation does not necessarily refer to income or monies; an allocation is only a designation or apportionment, and the purpose is left to be defined by the person doing the allocating. The undersigned feels this definition is important; nowhere in the contract is there a reference that the

allocation period is the period for which the lump sum was disbursed. In fact, there is no connection in the contract between the allocation period and the lump sum. While the Department may be correct when it states that an allocation period is how one might commonly refer to the time contractual income is meant to cover, this is by no means the only definition of an allocation period.

A plain reading of the contract does not give any support to the argument that the allocation period listed in any way refers to the lump sum payment; the undersigned feels that the Department quickly jumped to an unwarranted conclusion when it assumed this was the case. If anything, the allocation period in question only refers to the period of time a person opting for pension benefits must wait before they become eligible for said benefits. No other conclusions may be drawn.

Other items in the contract argue against the allocation period being a period intended for contractual income. The undersigned notices that the allocation period in question becomes shorter with lower years of seniority; an employee with 1 year of service only has an allocation period of 6 months, while an employee with 25 years of service has a period of 29 months. If this were indeed meant to refer to a period of contractual income, an employee with 1 year of service would actually be receiving income in the amount of \$150,000 per year, while an employee of 25 years would have contractual income amounting to roughly \$31,000 per year. This is a highly unlikely result, and thus, speaks against the allocation period having anything to do with the lump sum as contractual income.

Furthermore, all employees received the same \$75,000 payment—this payment is explicitly stated in the contract to be an inducement to voluntarily separate from the

company. Had this payment been intended to be contractual income, one would expect that this payment would have been higher for those who had higher salaries, and vice versa. At the very least, one would expect that the company would explicitly state somewhere in the contract that this payment was intended to be contractual income—it does not. Instead, the contract refers to the payment as a lump sum, and does not state that this payment is given in lieu of wages.

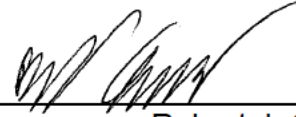
Thus, after a thorough review of the contract, the undersigned holds that the lump sum payment is exactly what it was stated to be: a lump sum payment designed to encourage the workers of [REDACTED] to voluntarily resign from the company. There is no indication that the payment was ever intended to be contractual income, and the use of the term “allocation period” was simply legal shorthand intended to express the time period in which certain members could apply for pension benefits. At no time was this term stated to be a time period for which the lump sum payment was intended to cover. As there is no evidence that this payment meets the definition of contractual income, the undersigned holds that it is not contractual income, and should be treated as a lump sum payment. Claimant’s FAP and MA benefits should be recalculated accordingly.

#### DECISION AND ORDER

The Administrative Law Judge, based upon the above findings of fact and conclusions of law, decides that the Department’s decision to consider claimant’s lump sum payment from the [REDACTED] as contractual income was incorrect.

Accordingly, the Department’s decision is REVERSED.

The Department is ORDERED to recalculate claimant's FAP and MA budget, removing claimant's contractual income amounts, and award to the claimant any supplemental benefits to which she is otherwise entitled.



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Robert J. Chavez  
Administrative Law Judge  
for Maura Corrigan, Director  
Department of Human Services

Date Signed: 01/21/11

Date Mailed: 01/21/11

**NOTICE:** Administrative Hearings may order a rehearing or reconsideration on either its own motion or at the request of a party within 30 days of the mailing date of this Decision and Order. Administrative Hearings will not order a rehearing or reconsideration on the Department's motion where the final decision cannot be implemented within 90 days of the filing of the original request.

The Claimant may appeal the Decision and Order to Circuit Court within 30 days of the mailing of the Decision and Order or, if a timely request for rehearing was made, within 30 days of the receipt date of the rehearing decision.

RJC/dj

cc:

