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AFDC Work Incentive Anomaly

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AFDC WORK INCENTIVE ANOMALY

A soundly administered public assistance program should provide aid to poor families without removing their incentive to provide for themselves. The Social Security Act[1] provides administrative guidelines for state programs that grant "Aid to Families with Dependent Children" (AFDC).[2] AFDC is a cooperative federal-state plan[3] designed to assist families with "dependent children."[4] A primary goal of the program is to encourage appropriate family members to find and maintain employment.[5] With this goal in mind, Congress created the "earned income disregard"[6] (EID), which directs state agencies to disregard from a family's income base $30 plus one-third of the monthly earned income of qualified family members.[7]

Welfare agencies apply the EID when calculating the income of "direct recipients"—those individuals whose needs are fully or partially met by the AFDC payments.[8] For example, in a fatherless family with "dependent children," the mother will receive an EID if part of the AFDC grant is for her personal support. Most

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[1] 42 U.S.C. §§ 301-1397f (1976 & Supp. I 1977).

[2] *See* 42 U.S.C. §§ 601-644 (1976 & Supp. I 1977).

[3] State programs that comply with the federal statutes receive AFDC funds. In 1975, the AFDC program had 11,389,000 recipients and a total cost of $9,348,900,000. SOC. SEC. BULL.—ANNUAL STATISTICAL SUPPLEMENT, 1975, Table 175, at 186.

[4] The Act defines "dependent child" as "a needy child . . . who has been deprived of parental support or care by reason of the death, continued absence from the home, or physical or mental incapacity of a parent" and is living with a parent or other relative. 42 U.S.C. § 606(a) (1976). The Act charges state agencies with developing eligibility standards concerning financial need, but gives the states considerable latitude in formulating these standards. *See* 42 U.S.C. § 602(a)(7) (1976). State agencies must consider a family's income and resources in determining eligibility. *See id.;* 45 C.F.R. § 233.20(a)(3)(ii) (1979). Some states also provide allowances for shelter, fuel, and various living expenses. *See, e.g.,* 18 N.Y.C.R.R. § 352.1 (1980).

[5] S. REP. No. 744, 90th Cong., 1st Sess. 157-59, *reprinted in* [1967] U.S. CODE CONG. & AD. NEWS 2834, 2994-96.

[6] *See* 42 U.S.C. § 602(a)(8)(A) (1976). For a discussion of congressional policy, see notes 30-34 and accompanying text *infra*.

[7] 42 U.S.C. § 602(a)(8)(A)(ii) (1976). The EID allows the worker to "keep" some of his earned income because the AFDC grant is only reduced by a portion of the worker's net earned income.

[8] Direct AFDC recipients should be distinguished from other family members whose personal support needs are not met by the AFDC payment. This Note avoids the term "recipient" because its scope is at issue in some cases. *See* note 34 *infra*. Furthermore, the term "recipient" is conceptually imprecise because it fails to distinguish between direct recipients and other members of the AFDC family who may benefit indirectly from the AFDC payments.

states only allow the EID to direct recipients of AFDC.[9] Thus, in the example given, the mother will not receive an EID if her earned income is sufficient to meet her personal support needs[10] or if she is supported by a non-AFDC source, such as a second husband.[11] Most agencies will deny this mother the EID even if they include her earned income as a resource when calculating the AFDC grant for the direct recipient children.

In limiting the EID to direct recipients, state agencies misinterpret the AFDC statutory provisions and undercut the primary goals of the program. Although the issue has not been widely litigated,[12] it involves policy considerations that pervade the welfare program. Agencies would better implement these policies by granting the EID to "legally responsible relative caretakers" (caretakers)[13] who are not direct recipients of AFDC.

State welfare agencies offer three arguments for limiting the EID to direct recipients: (1) an interpretation of section 602(a)(8) of the amended Social Security Act and the relevant federal regulations; (2) an application of the EID disallowance in section 602(a)(8)(D); and (3) a desire to decrease welfare rolls and reduce program costs. Upon close scrutiny, each argument fails.

Section 602(a)(8) of the amended Social Security Act[14] establishes standards for determining whether a working member of an AFDC family is eligible for an EID:

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[9] The *Cornell Law Review* surveyed state welfare agencies' positions on this issue in October-November 1979. Of the 41 states responding, 39 allow the EID only to direct recipients. Two states indicated that they would apply the EID to family members who were not direct recipients if they contributed to the support of direct recipient members. The responses of the agencies and tabulation of the results are on file at the *Cornell Law Review*.

[10] *See, e.g.*, Cirrana v. D'Elia, 96 Misc. 2d 994, 410 N.Y.S.2d 235 (Sup. Ct. 1978) (error for state agency to deny EID to a self-sufficient working mother who is not a direct recipient), *aff'd*, 70 A.D.2d 591, 415 N.Y.S.2d 1014 (2d Dep't 1979). *See* note 34 *infra*.

[11] *See, e.g.*, Percey v. Blum, No. 79-CV-308 (N.D.N.Y. filed May 9, 1979).

[12] None of the 41 states responding to the survey have litigated this issue. *See generally* note 9 *supra*. *But see* note 34 *infra* (discussing Cirrana v. D'Elia, 96 Misc. 2d 994, 410 N.Y.S. 2d 235 (Sup. Ct. 1978), *aff'd*, 70 A.D.2d 591, 415 N.Y.S.2d 1014 (2d Dep't 1979)).

[13] A "legally responsible relative caretaker" is an AFDC family member who is related to direct recipient family members and who is obligated by the state law to support the direct recipients. Complaint, Percey v. Blum, No. 79-CV-308 (N.D.N.Y., filed May 9, 1979). In a family receiving AFDC benefits, the working mother is a legally responsible relative caretaker regardless of whether she is a direct recipient. Other examples include stepfathers, grandparents, or other persons who adopt or otherwise assume legal responsibility for the children. The earned income of a caretaker is attributable as a resource to the direct recipient family members. *See* 45 C.F.R. § 233.20(a)(2)(vi) (1979). Agencies determine the caretaker's expected contribution to support needy family members by subtracting the amount of income necessary to support the caretaker from the caretaker's net income.

[14] 42 U.S.C. § 602(a)(8)(A)(ii) (1976).

> [T]he State agency . . . shall with respect to any month disregard . . . in the case of earned income of a dependent child not included under clause (i), a relative receiving such aid, and any other individual (living in the same home as such relative and child) whose needs are taken into account in making such determination, the first $30 of the total of such earned income for such month plus one-third of the remainder of such income. . . .[15]

Many state welfare agencies claim that this provision and its implementing federal regulation[16] limit the EID to direct recipients of AFDC.[17] The statutory language, however, is ambiguous. The section distinguishes between children or relatives receiving aid, and "any other individual," which suggests that the EID should not be limited to direct recipients. But the provision only refers to other individuals "whose needs are taken into account in making such determination." Most states argue that this qualifying clause limits the EID to direct recipients because the individual's needs must be part of the AFDC grant. This language, however, may encompass any individual whose resources are considered in calculating the family's needs.[18] The provision offers little guidance for determining which interpretation is correct.[19]

A comparison of section 602(a)(7)[20] with section 602(a)(8) suggests that the latter is designed to allow EIDs to working family members who are not direct recipients of AFDC. Employing similar language, section 602(a)(7) describes the method for calculating the financial need of direct AFDC recipients:

> [T]he State agency shall, in determining need, take into consideration any other income and resources of any child or relative claiming aid to families with dependent children, or of any other individual (living in the same home as such child and relative) whose needs the State determines should be considered in determining the need of the child or relative. . . .[21]

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[15] *Id.* Clause (i) provides a full disregard for all earned income of children receiving aid who qualify as full-time or part-time students. *Id.* § 602(a)(8)(A)(i).

[16] *See* 45 C.F.R. § 233.20(a)(11)(ii)(b) (1979) (allowing disregard only to individuals "whose needs are included in the family grant").

[17] *See generally* note 8 *supra*.

[18] Even if a caretaker is not a direct recipient, his income is taken into account in calculating the resources available to sustain the dependent children. *See* 45 C.F.R. § 233.20(a)(3)(ii) (1979).

[19] The implementing regulation, 45 C.F.R. § 233.20(a)(11)(ii)(b) (1979), is similarly ambiguous. It allows the EID only to those "whose needs are included in the family grant." *Id.*

[20] 42 U.S.C. § 602(a)(7) (1976).

[21] *Id.*

Section 602(a)(7) requires state agencies to consider all sources of support when determining a direct recipient's need.[22] The provision achieves this result by including the income and resources of "any other individual . . . whose needs . . . should be considered in determining the need of the child or relative. . . ."[23] This language, which closely parallels section 602(a)(8), must refer to other than direct recipients. Otherwise, when dependent children are the family's only direct recipients, agencies would not have to consider support contributed by working parents. Such a narrow interpretation would cause AFDC rolls to mushroom. The more reasonable interpretation is that the language in section 602(a)(7) refers to others than direct recipients. Agencies should interpret section 602(a)(8) consistently by also allowing the EID to caretakers who are not direct recipients.

Some state agencies also rely on section 602(a)(8)(D)[24] and the relevant federal regulation[25] as a reason for denying the EID to caretakers who are not direct recipients.[26] Section 602(a)(8)(D) provides:

> [T]he State agency shall not disregard any earned income . . . of . . . any of such person specified in clause (ii) of subparagraph (A) if with respect to such month the income of the persons so specified (within the meaning of clause (7)) was in excess of their need as determined by the State agency pursuant to clause (7) (without regard to clause (8)) . . . .[27]

Many agencies conclude from this language that individuals are ineligible for the EID if their income exceeds their need. These agencies maintain that only direct recipients, therefore, may receive an EID.

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[22] *See* Randall v. Goldmark, 495 F.2d 356, 361 (1st Cir.) (allowing state agency to consider third party payments to direct recipient's mortgagee as "currently available resource" to direct recipient), *cert. denied*, 419 U.S. 879 (1974). The regulation implementing § 602(a)(7) echoes the policy of broad inclusion of resources by allowing the state to consider "all . . . income and resources . . . in relation to the State's need standard" except those specifically excluded. 45 C.F.R. § 233.20(a)(3)(ii)(A) (1979).

[23] 42 U.S.C. § 607(a)(7) (1976).

[24] 42 U.S.C. § 602(a)(8)(D) (1976).

[25] 45 C.F.R. § 233.20(a)(11)(ii)(b)(2) (1979).

[26] *See, e.g.*, Answer, Percey v. Blum, No. 79-CV-308 (N.D.N.Y., filed May 9, 1979).

[27] 42 U.S.C. § 602(a)(8)(D) (1976). *See* 45 C.F.R. § 233.20(a)(11)(ii)(b)(2) (1979) (providing that "the State agency will not disregard earned income for a month of the persons in a family . . . if the total income of such persons for such month exceeds their need as determined without application" of the disregard provisions).

This interpretation ignores the limited purpose of section 602(a)(8)(D). Congress created the disallowance to insure that the EID would not increase the number of individuals eligible for direct welfare payments.[28] When an individual applies for AFDC payments for his personal support, section 602(a)(8)(D) prohibits the agency from applying the EID if the individual's resources already exceed his needs. Thus, the provision prevents the EID from lowering a self-sufficient applicant's recognized income into the area of eligibility for direct AFDC payments. The section does not apply to caretakers who are not themselves applicants for aid, but who contribute to direct recipients. Therefore, it does not bar an agency from granting the EID to caretakers who are not direct recipients.[29]

The underlying policy of the AFDC program and the specific goals of the EID provision support this interpretation. The primary purpose of AFDC is to provide for dependent children.[30] The design of the system, however, also emphasizes the important policy considerations regarding family structure.[31] For this

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[28] The House Report accompanying the 1967 amendments to the Act reflects this concern.

> The bill contains provisions which will prevent increasing the number of persons receiving assistance as a result of the earnings exemptions. The [EID] provisions discussed above are to become available only with respect to persons whose income was not in excess of their needs as determined by the State agency without the application of this provision for the disregarding of income. That is, only if a family's total income falls below the standard of need will the earnings exemption be available.

H.R. REP. No. 544, 90th Cong., 1st Sess. 107 (1967).

The secondary purpose of § 602(a)(8)(D) is to allow the EID to self-sufficient applicants who were direct recipients "for any one of the four months preceding such month" of application. 42 U.S.C. § 602(a)(8)(D) (1976). Congress designed this provision, incorporated in 45 C.F.R. § 233.20(a)(11)(ii)(b)(2) (1979), to allow direct recipients to experiment in the job market without sacrificing their AFDC payments. H.R. REP. No. 544, *supra*, at 107.

[29] Congress did not intend for this statutory provision to deny the EID work incentive to caretakers. At best, this analysis shows that Congress did not foresee the particular problem. Therefore, agencies should examine the goals of the program to ascertain the proper policy, rather than rely on a literal interpretation of an arguably inapplicable statutory provision.

[30] In King v. Smith, 392 U.S. 309 (1968), the Supeme Court struck down Alabama's "substitute father" regulation, which denied AFDC payments to the children of mothers who cohabit. The Court held that the state could not discourage the parent's illicit behavior by punishing the children, *id.* at 325, and stated, "the core of any ... plan must be the child." *Id.* at 328 (*quoting* H.R. REP. No. 615, 74th Cong., 1st Sess. 10 (1935)). For a brief explanation of "dependent children," see note 4 *supra*.

[31] The preamble to the AFDC statute states that one program goal is to "help maintain and strengthen family life." 42 U.S.C. § 601 (1976). Moreover, the House Ways and Means Committee Report accompanying the 1967 amendments proposed alternative work programs designed to help "strengthen family life." H.R. REP. No. 544, 90th Cong., Ist Sess. 96 (1967). *See also* Doe v. Gillman, 479 F.2d 646, 648 (8th Cir. 1973) ("The AFDC provisions

reason, the program evaluates financial need by considering the resources of the family as a whole.[32] Similarly, Congress designed the EID to provide work incentives for the entire family.[33] Agencies that limit the EID to direct recipients undercut these goals by eliminating work incentives for many caretakers.[34]

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of the Social Security Act envision aid to strengthen the entire family unit, including the dependent child's parent, so as to encourage the care of the child within his own home."), *cert. denied*, 417 U.S. 947 (1974), *cert. denied*, 421 U.S. 920 (1975).

[32] The House Report accompanying the 1967 amendments emphasized the need to examine the family as a unit and the interchange of support among all family members. *See* H.R. REP. No. 544, 90th Cong., 1st Sess. 107 (1967). The states' restrictive view of the EID provision, however, reflects an excessive concern for the individuals' separate eligibility for direct payments.

[33] The Senate Finance Committee report that accompanied the 1967 amendments adding the EID provisions stated: "The committee believes that this provision will furnish incentives for members of public assistance families to take employment and, in many cases, increase their earnings to the point where they become self-supporting." S. REP. No. 744, 90th Cong., 1st Sess. 158 (1967), *reprinted in* [1967] U.S. CODE CONG. & AD. NEWS 2995. The Finance Committee wanted to encourage "appropriate" family members to work, not just those members receiving direct welfare payments. *Id.* at 3-5, [1967] U.S. CODE CONG. & AD. NEWS at 2837. *See also* H.R. REP. No. 544, 90th Cong., 1st Sess. 106 (1967) (emphasizing a "family plan for employment"); *id.* at 3 ("exempt[ing] a portion of earned income for members of the family who can work so that they will have an incentive to seek employment"). An "appropriate" family member is any member of an AFDC family who contributes earned income to support direct recipients, thereby reducing the family grant. The House Report suggested this broad interpretation in its proposal that states should provide day care services "to make it possible for adult members of the family to take training and employment." *Id.* at 97.

Because the primary goal of AFDC is to provide for dependent children, employment under the work incentive program should not result in a reduction or stagnation of the children's available support. The EID is probably the only way to attain this goal under the present program. *See* notes 35-39 and accompanying text *infra*.

[34] Cirrana v. D'Elia, 96 Misc.2d 994, 410 N.Y.S.2d 235 (Sup. Ct. 1978), *aff'd*, 70 A.D.2d 591, 415 N.Y.S.2d 1014 (2d Dep't 1979), one of the few court decisions on point, directly supports these policy arguments. In *Cirrana*, a state agency had denied a caretaker-mother an EID because she earned enough money to support herself. The agency claimed that the mother was not an AFDC "recipient" as required by the New York welfare regulations. *See* 18 N.Y.C.R.R. § 352.20(2) (1980). The state court invalidated the agency denial, interpreting the New York regulation to avoid non-compliance with the federal AFDC provisions. The court reasoned that since Congress intended AFDC grants to benefit the entire family unit, the state's position that a mother obligated to support her needy children was not a "recipient" was contrary to Congress' legislative purpose. Furthermore, the court noted that the state's narrow definition of "recipient" bore no rational relation to Congress' goal of creating an incentive for AFDC family members to seek work. For these reasons, the court held that the mother, who was not herself a direct AFDC recipient, was nevertheless eligible for the EID. 96 Misc.2d at 995-96, 410 N.Y.S.2d at 236-37.

One state agency also appears to allow the EID to caretakers who are not direct recipients. Using an expansive definition of "recipient," West Virginia allows the EID to a working mother whose needs are being met by a second husband if she chooses "to be included in the AFDC payment" by allowing her assets and income to be considered as a

For example, if the mother of a family with direct recipient children is denied the EID because she is supported by a second husband, she may choose not to work since her additional earnings would reduce, by an equal amount, the grant for the direct recipient children.[35] If the mother chooses not to work, the family income will stagnate and may never reach self-sufficiency levels. The children would suffer from the lack of improvement in the family's standard of living, thus defeating the primary purpose of AFDC.[36] Similarly, the goals of the program are frustrated if the caretaker-mother works without the disregard because the mother's earnings would not boost the family's net income as long as the children remain direct recipients.[37] This result is inequitable to the family[38] and the worker.[39]

Some state agencies argue, however, that granting the EID to caretakers who are not direct recipients will increase the welfare

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resource to the direct recipients. Letter from West Virginia Dep't of Welfare to Cornell Law Review (Oct. 31, 1979) (on file at *Cornell Law Review*). The state agency said that "[i]n this situation, [the caretaker] may be eligible for the earned income disregard since she would be a member of the benefit group." *Id.*

[35] *See* 45 C.F.R. § 233.20(a)(3)(ii)(A) (1979).

[36] This point raises the problem of horizontal equity in administering the disregard. *See* R. TAFT, WELFARE ALTERNATIVES: A REPORT WITH RECOMMENDATIONS BASED UPON THE PUBLIC WELFARE STUDY OF THE SUBCOMMITTEE ON FISCAL POLICY OF THE JOINT ECONOMIC COMMITTEE, CONGRESS OF THE UNITED STATES, AND RELATED MATERIALS, JOINT COMM. PRINT, 94th Cong., 2d Sess. 5 (1976) [hereinafter cited as WELFARE ALTERNATIVES]. Application of the disregard gives the direct recipient caretaker incentive to work and, if the caretaker works, benefits the children. Denial of the EID to caretakers who are not direct recipients denies similarly situated children this potential benefit. *See* note 38 and accompanying text *infra*.

[37] *See* 45 C.F.R. § 233.20(a)(3)(ii)(A) (1979).

[38] The result again presents a horizontal equity problem because the children are denied the benefit of the caretaker's "retained income"—income the caretaker keeps through application of the EID—simply because the caretaker is not a direct recipient. If the caretaker was a direct recipient, the EID would apply and the entire family unit would benefit from the retained income.

[39] The program treats the working mother's entire income as available to the direct recipients because the mother is legally obligated to support her children. Nevertheless, agencies deny the mother the EID simply because she is not herself needy—eligible for direct aid. The only difference between the needy and non-needy caretaker is that the former's income is considered available for personal support and the latter's income is considered available for the support of needy dependent relatives. The earned incomes of both the direct recipient mother and the caretaker-mother in our example reduce the grant to direct recipients. Therefore, distinguishing between the two conflicts with the goal of creating work incentives for "appropriate" family members. *See* note 33 *supra*. If a caretaker's available income and resources exceed the eligibility level for direct AFDC payments, the state agency should respond by terminating the caretaker's direct payments. It should not deny the individual the EID, however, since the caretaker is still obligated to contribute to the support of her needy children.

rolls. For example, one agency reasoned that it should deny the EID because "the intent of Congress in amending the law to provide for the disregard was to provide an incentive to welfare recipients to go to work and 'to get people off AFDC rolls, not put them on.' "[40] This argument misstates the issue. If a state agency allows the EID to a caretaker who is not a direct recipient, the agency does not place the caretaker on the welfare rolls, and he does not become eligible for direct payments. The EID only affects the amount of benefits paid to current direct recipients. Furthermore, the number of direct recipients would remain the same because agencies must determine eligibility for AFDC benefits before applying the disregard.[41] Therefore, the EID would have no immediate impact on welfare rolls.

More important, if welfare agencies allow the EID to caretakers who are not direct recipients, AFDC costs will probably decrease.[42] The fundamental assumption of the EID provision is that it encourages family members to work.[43] If an unemployed

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[40] Letter from Florida Dep't of Health and Rehabilitation Services to Cornell Law Review (Nov. 5, 1979) (*quoting* H.R. REP. No. 544, 90th Cong., 1st Sess. 107 (1967)) (on file at *Cornell Law Review*).

[41] *See* notes 28-29 and accompanying text *supra*.

[42] Indeed, taxpayer concern over the cost of welfare was a primary consideration in the drafting of the 1967 amendments. The House Ways and Means Committee reported:

> Your committee is very deeply concerned that such a large number of families have not achieved independence . . . and is very greatly concerned over the rapidly increasing costs to the taxpayers. Moreover, your committee is aware that the growth in this program has received increasingly critical public attention.
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> . . . .
>
> The committee is recommending the enactment of a series of amendments to carry out its firm intent of reducing the AFDC rolls by restoring more families to employment and self-reliance, thus reducing the Federal financial involvement in the program. These changes are—
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> . . . .
>
> (2) A requirement that all States have an earnings exemption to provide incentives for work by AFDC recipients.

H.R. REP. No. 544, 90th Cong., 1st Sess. 96-97 (1967).

[43] The Joint Subcommittee on Fiscal Policy stated:

> [T]he passage in 1967 of both the AFDC work registration requirement and the partial disregard of earned income for benefit determination purposes apparently did lead to increases in recipients' labor force participation in some States. However, these changes generally were greatest in States where the earnings disregard was liberalized most markedly from prior practice. There is no concrete evidence whether the work registration requirement itself made much of a contribution to these successes.

WELFARE ALTERNATIVES, *supra* note 36, at 12-13. Although critics may argue that the EID will not encourage many unemployed caretakers to work, this cannot justify denying the EID to certain family members when Congress has decided that the incentive is sufficiently effective to justify the provision's existence.

caretaker is allowed the EID and finds employment, the family's AFDC payment would decrease by the amount of the new earned income minus the amount disregarded. Thus, program costs would decrease.[44] On the other hand, if the EID is denied and the caretaker does not work,[45] the family's AFDC payments will remain the same.[46]

No apparent justification exists for denying the EID to caretakers who are not direct recipients of AFDC. Allowance of the EID would not encourage increased cheating,[47] only increased working. It would neither weaken the family structure[48] nor increase long-term program costs. Moreover, granting the EID to

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[44] Short-term costs could arguably increase if the expense of allowing the disregard to presently working caretakers exceeded the amount saved by the additional earned income of newly employed caretakers. Long-term costs would presumably decrease as caretakers' earnings increased family resources towards self-sufficiency levels. The economic and human dignity benefits that would result from the new employment, however, justify the possibility of increased short-term costs. The possibility of increased costs did not deter Congress in 1967 and should not serve as a basis for a restrictive policy today. Furthermore, the suggested policy would not affect program costs if the caretaker decided not to work.

[45] Under these circumstances, many caretakers will choose not to work. *See* note 35 and accompanying text *supra*.

[46] In addition, there is no other incentive available in the program to encourage caretakers who are not direct recipients to work. If a direct recipient caretaker wrongly decides not to work, the state agency can cut his benefits. If the caretaker is not a direct recipient, the state's hands are tied because the agency may not penalize direct recipient children to punish caretakers who "wrongly" remain unemployed. *See* note 30 *supra*.

[47] First, the approach posited by this Note would not provide any incentive for an individual to lie in order to qualify for the EID. The incentive to defraud only exists with respect to qualification for direct payments. Second, application of the EID reduces the incentive for the mother to misuse earned income designated by the welfare agency for support of her children; the disregard allows her to keep some earned income. The argument that the caretaker will probably spend the disregarded income at the racetrack is inapposite. The misallocation of AFDC payments is really a problem concerning the misuse of direct welfare payments and family income designated by the welfare agency for the support of direct recipients. This potential for abuse exists regardless of the application of the EID. The purpose of the EID is to allow the mother to spend the disregarded income for her personal benefit without reducing the funds available for the children's support. Moreover, often the caretaker will spend the retained income on items that benefit the entire family.

[48] The AFDC program already encourages a welfare parent to hide the presence of a paramour in the house and to avoid remarriage. If an AFDC parent remarries, or receives support from a paramour, the state will apply the paramour's income to reduce AFDC payments to the family. *See* note 22 and accompanying text *supra*. Policy dictates this result because AFDC payments should only go to financially "needy" persons. By denying the EID to the caretaker, the state encourages the caretaker to fraudulently hide the paramour to avoid a reduction of family benefits. On the other hand, allowance of the EID discourages this type of fraud because the working parent gets the EID regardless of the paramour's presence.

caretakers who are not direct recipients would give many unemployed caretakers an incentive to work and ultimately reduce the number of individuals requiring direct AFDC support.

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