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Local Commissioners Memorandum

Section 1

Transmittal:	12-LCM-04
To:	Local District Commissioners
Issuing Division/Office:	Center for Child Well Being (CCWB) Division of Child Support Enforcement (DCSE)
Date:	June 4, 2012
Subject:	Child Support Incentives—Federal Fiscal Years 2010 and 2012
Contact Person(s):	Child Support Questions: Karen Sicurelli, (800) 343-8859, Extension 30574 or via email at Karen.Sicurelli@otda.state.ny.us Claiming Questions (Regions I – V): Edward Conway, (518) 474-7549 or via e-mail at Edward.Conway@otda.state.ny.us . Claiming Questions (Region VI): Michael Simon, (212) 961-8250 or via e-mail at Michael.Simon@otda.state.ny.us .
Attachments:	Attachment 1 Adjustment of Actual to Reported Incentives—FFY 2010 Attachment 2 Estimated Incentives—FFY 2012
Attachments Available Online:	Yes

Section 2

I. Purpose

The purpose of this Local Commissioners Memorandum is to provide information about the method for allocating local district child support incentives; reconcile the federal fiscal year (FFY) 2010 incentive payments; and provide the estimated incentive allocations for the remainder of FFY 2012.

II. Background

Pursuant to Section 458 of Title IV-D of the Social Security Act (42 USC § 658a), a state's ability to earn federal child support incentives is based entirely upon a formula that takes into consideration the state's performance in five key child support areas:

- Paternity Establishment;
- Support Order Establishment;

- Current Support Payments;
- Arrearage Payments; and
- Cost-Effectiveness.

Performance level percentages in each of the five areas are applied against a state's collection base (which is determined by doubling the state's total collections for current and former public assistance recipients and adding this figure to the state's total collection for those households that were never on public assistance), and are then summed to determine a state's incentive base. States receive incentives based upon their respective percentage of the incentive base for all states, as applied against the total "capped" incentive payment pool available to all states.

For FFY 2010, New York State's performance in the five key child support areas resulted in an incentive payment of \$27,395,346.

A state's ability to retain its incentive payment is subject to data reliability audits of their reported performance measures. Failure to meet the data reliability audit criteria for one or more performance measure has the potential for significantly reducing a state's individual allocation when compared to other states. In addition, failure to meet the data reliability audit criteria in a specific category for two consecutive years can result in a reduction of the TANF block grant.

States are required to reinvest an amount equal to the amount of incentive funds received. States must expend the incentive payments to supplement, and not supplant, other funds used by states to carry out IV-D program activities or other approved activities that may contribute to improving the effectiveness or efficiency of a state's IV-D program. This reinvestment requirement also applies to political subdivisions, i.e., local social service districts. In meeting the reinvestment requirement, those entities receiving incentives must expend an amount of funds equal to its incentive amount received over and above a base expenditure level (FFY 1998 state and/or local expenditures or the average of FFYs 1996-1998 state and/or local share expenditures).

III. Program Implications

FFY 2010 ACTUAL INCENTIVE CALCULATION

Of the \$27,395,346 statewide incentives received for FFY 2010, OTDA will allocate \$ 17,013,173 to social services districts, based on the overall percentage of local IV-D program administrative costs as compared against the combined total of State and local IV-D program administrative costs. Attachment 1, column 6 contains the final adjusted incentive amounts for FFY 2010, which is the difference between claimed incentives reported on Schedule A-1 and actual incentives allocated. These amounts will be processed on an upcoming settlement for each district. **Please do not submit a supplemental claim for these adjustments.**

FFY 2012 ESTIMATED INCENTIVE CALCULATION

Attachment 2 is a schedule of estimated incentives for the remainder of FFY 2012. The county specific allocation is based upon actual FFY 2011 support collection figures. Since final incentive figures for FFY 2011 are not expected from federal OCSE until late calendar year 2012, we are continuing to provide a conservative claiming figure (\$10 million in the aggregate)

to avoid the potential for future negative adjustments. Local districts should report the monthly estimated incentives consistent with Attachment 2. These amounts should be reported each month beginning with the next original claim after this LCM is issued. In accordance with the Schedule A-1 instructions found in the Fiscal Reference Manual, Volume 2, Chapter 3, local districts must enter the estimated monthly incentive amount on line 19, column 2 “Current IV-A Assistance” of the Schedule A-1. This amount will automatically be entered as the line 19, column 1 “Total.”

CLAIMING INSTRUCTIONS

Consistent with the instructions found in the Fiscal Reference Manual, Volume 1, Chapter 5, local districts must submit claims for federal reimbursement within twenty-two months after the end of the quarter in which the expenditures were made to meet the two-year Federal time limit. Claims used to determine the final adjusted incentive amounts are those that were final accepted in the Automated Claiming System between November 4, 2009 and December 6, 2010 for inclusion in the Federal Quarterly Expenditure Reports for FFY 2010.

As a result of the Deficit Reduction Act of 2005 (DRA 2005), no federal funds were to be paid to a state for amounts expended from incentive payments made to the state effective October 1, 2007. From October 2007 through September 2008, states identified expenditures made with incentive funds as Federally Non-Participating (FNP). The fiscal impact of this action was that states lost federal reimbursement equal to 66% of their incentive funds. For this period, districts reported on Line 16 of Schedule D-8 (*Expenditures funded with Title IV-D Incentives*) the amount of incentives that were reported on Schedule A-1 for the corresponding month.

While the American Recovery and Reinvestment Act temporarily restored Federal Participation to incentives as existed prior to the DRA 2005 incentive changes, effective October 1, 2010 incentives may no longer be used as a match for federal funding. Beginning with October 2010 Schedule D-8 claims, the local districts must resume identification of an FNP component of their administrative expenditures equal to the amount of incentives received and reinvested in the Child Support program. Therefore, the amount on Schedule A-1, Line 19 (*Incentive Payments*) should be identified as the FNP component on the Schedule D-8, Line 16 (*Expenditures Funded with Title IV-D Incentives*). In addition, the adjustment to the actual amount for 2010 must also be reported as an FNP component with the estimated incentive amount reported on the Schedule D-8, line 16 during FFY 2012.

RELATIONSHIP BETWEEN INCENTIVES AND FEDERAL PERFORMANCE MEASURES

Although the incentive allocation calculated for each local district is based on collections, attaining and maintaining high standards for each of the five federal performance measures is extremely important to ensure that New York State:

- Provides full services to its entire child support caseload;
- Maintains a consistent level of incentive revenue;
- Avoids a federal program penalty for poor performance; and
- Maximizes the statewide incentive payment, thereby maximizing the amount available for local districts.

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