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NEW YORK STATE
OFFICE OF TEMPORARY AND DISABILITY ASSISTANCE
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Local Commissioners Memorandum

Section 1

Transmittal:	07-LCM-01
To:	Local District Commissioners
Issuing Division/Office:	Division of Child Support Enforcement
Date:	January 16, 2007
Subject:	Child Support Incentives—Federal Fiscal Year 2005 (FFY2005)
Contact Person(s):	Kevin J. Boyle Kevin.Boyle@otda.state.ny.us
Attachments:	Attachment #1: Adjustment of Actual to Reported Incentives—FFY 2005 Attachment #2: Estimated Incentives—FFY 2007
Attachment Available On – Line:	Yes

Section 2

I. Purpose

The purpose of this Local Commissioners Memorandum (LCM) is to provide information about the method for allocating local district child support incentives and about the reconciliation of incentives allocated to incentives claimed for federal fiscal year (FFY) 2005.

II. Background

Beginning with FFY 2000, federal child support regulations at 45 CFR 305, Performance Measures, Standards, Financial Incentives and Penalties, significantly changed the method for allocating incentive payments to states. These changes were phased in over FFY 2000 (October 1, 1999 through September 30, 2000) and FFY 2001 (October 1, 2000 through September 30, 2001). During this two-year period, federal incentives were allocated to states using a combination of the old and the new incentive methodologies. Effective with FFY 2002, states' ability to earn federal incentives are based entirely upon the new federal method, a complex formula that takes into consideration several factors including:

- States' performances in the five key child support areas of paternity establishment, support order establishment, current collection percentage, percentage of cases with arrears collections and cost effectiveness. Percentages in each of the five areas are applied against a collection figure (determined by doubling the current and former assistance collections and adding never assistance collections), which is then summed to determine a state's collection base. States receive incentives based upon their respective percentage of the national collection base as applied against the total "capped" amount of incentives available to all states.

- States' ability to earn incentives are limited or "capped" at the federal level, which has the potential for reducing a state's individual allocation when compared to the previous incentive methodology.

- States are 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 this amount 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).

Prior to these changes, incentives were distributed to states using a relatively predictable, cost benefit methodology that facilitated estimating incentives. This allowed local district planners to be reasonably confident about the estimated incentives claimed each month on the "Summary of Title IV-D Collections and Distributions" (Schedule A-1). Given the complex formula and inherent uncertainties of the revised federal allocation methodology, there is insufficient information to accurately estimate the amount of incentives that New York State will receive. We published an allocation methodology in November 2000 that was based entirely on a local district's percentage of statewide collections. The estimated claiming amounts were intended to be conservative to ensure that local districts did not over-claim estimated incentives, which could potentially result in a negative adjustment.

III. Program Implications

ACTUAL INCENTIVE CALCULATION – FFY 2005

The Office of Temporary and Disability Assistance (OTDA) has been notified that the actual IV-D child support incentives earned by New York State from the U. S. Department of Health and Human Services, Office of Child Support Enforcement, for FFY 2005 was $26,242,919.

Of the $26,242,919 statewide incentives received for FFY 2005, OTDA will allocate $15,247,136 to local districts. Attachment #1, column 6, contains the adjusted incentive amounts for FFY 2005, which is the difference between estimated 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.

ESTIMATED INCENTIVE CALCULATION – FFY 2007

Attachment #2 is a schedule of estimated incentives for the remainder of FFY 2007. The county-specific allocation is based upon actual FFY 2006 collection figures. Since final incentive figures for FFY 2006 are not expected from federal OCSE for another year, 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 continue to report the monthly estimated incentives consistent with Attachment #2.** In accordance with the A-1 instructions found in the Fiscal Reference Manual, Volume 2, Chapter 3, local districts must enter the estimated monthly incentive amount in column 2 "Current IV-A Assistance" of the A-1. This amount will automatically be entered as the column 1 "Total." This amount should be reported each month until new estimates are provided, beginning with the next original claim after this LCM is issued.

The Deficit Reduction Act of 2005 eliminated Federal match on incentive funding. States have been advised that they will not receive Federal reimbursement on incentive amounts beginning October 1, 2007. The fiscal impact of this action is that states will lose Federal reimbursement equal to 66% of their incentive funds. While a final determination has not yet been made on how this reduction will be implemented in New York State, we anticipate the reduction will be applied in the same proportion as the state and local districts' share of incentives. The agency will advise the districts at a later time on how the claiming adjustment to account for lost Federal reimbursement will be implemented.

Although the incentive allocation to 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.
- Does not incur a federal program penalty for poor performance.
- Maximizes the statewide incentive amount, thereby maximizing the amount available for local districts.

Division of Child Support Enforcement (DCSE) program questions should be directed to Kevin Boyle, at (800) 343-8859, extension 49081 or (518) 474-9081. His e-mail address is Kevin.Boyle@otda.state.ny.us.

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