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Local Commissioners Memorandum

Section 1

Transmittal:	09-LCM-02
To:	Local District Commissioners
Issuing Division/Office:	Center for Child Well-Being/Division of Child Support Enforcement
Date:	March 13, 2009
Subject:	Child Support Incentives — Federal Fiscal Year 2007 (FFY2007)
Contact Person(s):	Program questions: Kevin Dommer at 800-343-8859, ext. 4-9081, Kevin.Dommer@otda.state.ny.us Fiscal Questions: Regions I-IV - James Carroll at (518) 474-7549, James.Carroll@otda.state.ny.us . Region V - Michael Borenstein at (631) 854-9704, Michael.Borenstein@otda.state.ny.us . Region VI - Marian Borenstein at (212) 961-8250, Marian.Borenstein@otda.state.ny.us .
Attachments:	Attachment #1 Adjustment of Actual to Reported Incentives—FFY 2007 Attachment #2 Estimated Incentives—FFY 2009
Attachments Available Online:	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 provide you with the reconciliation of incentives allocated to incentives claimed for federal fiscal year (FFY) 2007.

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). States' ability to earn federal incentives is based entirely upon a 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 Temporary Assistance for Needy Families (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).

III. Program Implications

ACTUAL INCENTIVE CALCULATION

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 (OCSE), for FFY 2007 was \$25,865,261.

Of the \$25,865,261 statewide incentives received for FFY 2007, OTDA will allocate \$14,539,526 to local districts. Attachment 1, column 6, contains the adjusted incentive amounts for FFY 2007, 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

Attachment 2 is a schedule of estimated incentives for the remainder of FFY 2009. The county-specific allocation is based upon actual FFY 2008 collection figures. Since final incentive figures for FFY 2008 are not expected from federal OCSE until late calendar year 2009, 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 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 Assistance” of the A-1. This amount will automatically be entered as the column 1 “Total.”

As the result of the Deficit Reduction Act of 2005, no federal funds will be paid to a state for amounts expended from incentive payments made to the state effective October 1, 2007. Therefore, states must identify expenditures made with incentive funds as Federally Non-Participating (FNP). The fiscal impact of this action is that states lose federal reimbursement equal to 66% of their incentive funds. Districts must report on *Line 16 of Schedule D-8 (Expenditures funded with Title IV-D Incentives)* the amount of incentives that are reported on Schedule A-1 for the corresponding month. Refer to the Fiscal Reference Manual, Volume 3 (Volume 4 for NYC), Chapter 15 for detailed instructions. (On February 17, 2009, the President signed the American Recovery and Reinvestment Act of 2009, which temporarily restored the ability to receive federal reimbursement as occurred prior to the Deficit Reduction Act of 2005, for the federal fiscal years covering October 1, 2008 through September 30, 2010. As the details become available, claiming instructions will be provided.)

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.

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

OTDA fiscal questions should be directed to:

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