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Local Commissioners Memorandum

Section 1

Transmittal:	14-LCM-05
To:	Local District Commissioners
Issuing Division/Office :	Division of Child Support Enforcement Center for Child Well-Being (CCWB)
Date:	May 2, 2014
Subject:	Child Support Incentives - Federal Fiscal Years 2012 and 2014
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Attachments:	Attachment 1 - Adjustment of Actual to Reported Incentives – FFY 2012 Attachment 2 – Estimated Incentives – FFY 2014
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 social services district (SSD) child support incentives, reconcile the federal fiscal year (FFY) 2012 incentive payments and provide the estimated incentive allocations for the remainder of FFY 2014.

II. Background

Pursuant to Section 458 of Title IV-D of the Social Security Act (Title 42 of the United States Code § 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;
- Cases Paying Towards Arrears; and
- Cost Effectiveness.

Performance measures in each of the five areas are provided an applicable percentage rate as defined by a federal matrix, are weighted and are applied against a state's collection base. The collection base is determined by doubling the state's total collections for current and former TANF, Medicaid assistance and Title IV-E foster care cases then adding this figure to the state's total collections for never assistance cases. 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.

A state's ability to obtain its incentive payment is subject to data reliability audits of its reported performance measures. Failure to meet the data reliability audit criteria for one or more performance measures has the potential to significantly reduce a state's individual incentive allocation when compared to other states. In addition, failure to meet the minimum performance measure threshold and/or data reliability audit criteria in the categories of paternity establishment, support order establishment and/or current support payments for two consecutive years can result in a reduction of the Temporary Assistance to Needy Families (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., SSDs. 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 2012 Actual Incentive Calculation

For FFY 2012, \$526 million in federal incentive funding was made available nationwide. New York State's performance in the five key child support areas resulted in an incentive payment of \$28,166,791.

Of the \$28,166,791 in statewide incentives received for FFY 2012, OTDA will allocate \$17,984,618 to SSDs. Incentive allocations to SSDs are 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. *Adjustment of Actual to Reported Incentives – FFY 2012* (Attachment 1), column 6, contains the final adjusted incentive amounts for FFY 2012, 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 *Schedule A-1* claim for these adjustments.**

FFY 2014 Estimated Incentive Calculation

Estimated Incentives – FFY 2014 (Attachment 2), is a schedule of estimated incentives for the remainder of FFY 2014. The county specific allocation is based upon actual FFY 2013 shares of total support collection figures. Since final incentive figures for FFY 2013 are not expected from the federal Office of Child Support Enforcement (OCSE) until late calendar year 2014 or early calendar year 2015, New York State is continuing to provide a conservative claiming figure (\$10 million in the aggregate) to avoid the potential for future negative adjustments. SSDs should report the monthly estimated incentives consistent with Attachment 2, column 5. 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, SSDs must enter the monthly estimated 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, SSDs must submit claims for federal reimbursement within 22 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 (ACS) between November 2, 2011 and November 1, 2012 for inclusion in the Federal Quarterly Expenditure Reports for FFY 2012.

SSDs must identify a Federally Non-Participating (FNP) component of their administrative expenditures equal to the amount of incentives received and reinvested in the Child Support program; this includes the amount received as an adjustment from estimated incentives to actual incentives. Therefore, the amount on *Schedule A-1*, Line 19, *Estimated Incentive Payments* should be reported on the *Schedule D-8*, Line 16, *Expenditures Funded with Title IV-D Incentives*. ACS will automatically transfer the *Schedule A-1*, Line 19 estimated incentive total to the *Schedule D-8*, Line 16. However, upon receiving the 2012 estimated to actual payment as a bottom line adjustment in FFY 2013, SSDs must also manually include this additional amount on the *Schedule D-8*, Line 16 during FFY 2014.

Relationship between Incentives and Federal Performance Measures

Although the incentive allocation calculated for each SSD 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 financial penalty for poor program performance which could negatively impact the TANF block grant; and
- Maximizes the statewide incentive payment, thereby maximizing the amount available for local SSDs.

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