NEW YORK STATE
OFFICE OF TEMPORARY AND DISABILITY ASSISTANCE
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Acting Commissioner

Local Commissioners Memorandum

Section 1

Transmittal:	03 LCM 10
To:	Local District Commissioners
Issuing Division/Office:	Division of Child Support Enforcement
Date:	December 31, 2003
Subject:	Child Support Incentives--Federal Fiscal Year 2002 (FFY 2002)
Contact Person(s):	Kevin J. Boyle (518) 474-0766 Kevin.Boyle@dfa.state.ny.us
Attachments:	Attachment #1 Adjustment of Actual to Reported Incentives -- FFY 2002 Attachment #2 Estimated Incentives -- FFY 2004
Attachment Available On – Line:	Yes

Section 2

I. Purpose

The purpose of this Local Commissioners Memorandum is to provide additional 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) 2002.

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 benefit ratio. 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 now 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 now 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 years in a row can result in a reduction of the TANF block grant.

- States are now 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 new 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

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 2002 was $30,176,739.

Of the $30,176,739 statewide incentives received for FFY 2002, OTDA will allocate $17,500,000 to local districts. Attachment #1, column 6, contains the adjusted incentive amounts for FFY 2002, 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 2004. The county specific allocation is based upon actual FFY 2003 collection figures. Since, final incentive figures for FFY 2003 are not expected from federal OCSE for another year, we are providing a conservative claiming figure ($10 million in the aggregate) to avoid the potential for future negative adjustments. **Local districts should report the new monthly estimated incentives beginning with any claim**

submitted on or after January 15, 2004. Until schedule A -1 is modified to accept only a total figure, local districts can enter any amounts in the TANF and Non TANF fields on line 16 of Schedule A -1, provided that the total amount does not exceed the monthly claiming amount in column 5 of attachment # 2. These amounts should be reported each month through September 2004.

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.

DCSE program questions should be directed to Kevin Boyle, at (800) 343-8859, extension 40766 or (518) 474-0766. His e-mail address is Kevin.Boyle@dfa.state.ny.us.

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