



NC Child Support Services Incentive Funds Guide

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Child Support Incentive Funds Guide
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Introduction

The primary source of federal funding for state child support (IV-D) programs comes through Federal Financial Participation (FFP). The FFP rate is 66% of allowable expenditures for operating the IV-D program. The 66% rate is in effect for federal match of a state's allowable expenditures.

The secondary source of federal funding is provided through annual performance incentive awards based upon performance in meeting federal performance indicators and upon the relationship of this performance to the state's collections base.

Additional federal funds may be available through discretionary grant application approval. Information about grant announcements is available on the OCSE website.

This document is designed to assist in understanding the proper use and management of the secondary source of federal funding for child support, incentive funds.

Overview

Under P.L. 105-200, the Child Support Performance and Incentive Act of 1998 (CSPIA), child support program incentive payments to states are based on state program performance in five service areas. Eligibility for and the amount of incentive payment depends on:

- the total amount of federal funds available for a fiscal year,
- state performance levels in the areas of paternity establishment, support establishment, current support payments, payments toward arrears, and cost effectiveness,
- reliability of the state's data via the annual Data Reliability Audit; and
- success levels of other states.

Federal regulation at 45 CFR 303.52 requires the state IV-D program to develop a standard methodology to determine appropriate shares of incentive funds to be paid to political subdivisions that participate in the administration of the child support program.

Purpose

The purpose of IV-D incentives is to reward child support programs for good performance results in the five different services areas that are closely related to children obtaining child support payments from their noncustodial parents, while holding the programs accountable for poor performance, thereby motivating states to focus their efforts on providing vital child support services. The incentive payment system requires that the incentive payment be reinvested by the state into either the child support program or some other activity which might lead to improving the efficiency or effectiveness of the program.

Calculation of State IV-D Incentive Payments

Each quarter of each federal fiscal year, the State provides to OCSE (Office of Child Support Enforcement) reports which provide expenditure and collection data (OCSE-396 and OCSE-34). For the federal fiscal year (FFY), the State also provides FFY performance data (OCSE 157).

In general terms, from the financial reports (34 and 396), OCSE provides to the State via a quarterly grant, funds which take into consideration federal reimbursement of actual expenditures, estimated expenditures, as well as estimates of incentives. In addition, after the end of the federal fiscal year, the State provides to OCSE performance data as well as an audit trail of all the reports and data. From this, a data reliability audit or review is conducted. Based on this audit, performance is measured for the State. Once all audits for all states have been completed, OCSE calculates total incentives earned for the FFY. OCSE issues an award letter which provides calculations of the audit results for the performance measures ultimately resulting in the calculation of the State's share of the federal incentive pool.

OCSE allows states the option to obtain advances on the State's incentive funds for the period. North Carolina utilizes the option to obtain quarterly advances. After completion of the data reliability audit for all the states, OCSE calculates the net award by using the total award calculated based on performance and data reliability, subtracting the amount of incentive funds advanced, and providing a settlement award. Depending on the audited performance as well as the State's ability to estimate what award it anticipates – the settlement award can be a positive award or negative award. In addition, a significant amount of time can take place between the end of the federal fiscal year and the settlement letter. For example, the settlement award for FFY 2018 was received June 2020. In this case from September 30, 2018 – June 2020 – the time frame was approximately 19 months.

From the State to county perspective, once the State receives quarterly advances, it in turn, advances up to 85% of the total incentive funds from the Federal Office of Child Support Enforcement to counties. The amounts provided to counties are based on each county's most recent FFY performance calculations, as well as past performance by the State.

The chart on the following page provides a quick overview of incentive calculations from both the federal and state perspectives. The methodology is similar but with some differences. There are some federal reports from which incentives are calculated for the State but are unavailable by county. As a result, State XPTR reports for data such as collections and expenditures are obtained as noted.

Comparison Chart of Incentives Federal vs. State

	Federal to State	State to County
Incentive Measures		
%Paternity Establishment % Cases Under Order % Current Collections % Cases Paying to Arrears	OCSE 157 – data is audited and award adjusted pending audited findings and performance thresholds	OCSE 157 data by county.
% Cost Effectiveness	Collections from OCSE 34 and Expenditures OCSE 396 as audited	Collections from Distributed Collections by TANF Indicator, Expenditures from County Administration IVD Expenditure XPTR Reports.
Distribution of Payments		
How money is received/distributed	Quarterly payments advanced to State, Annual award calculated based on audit results of performance measures/data. Over/under payments calculated, and settlement processed.	Counties are advanced incentive funds by taking into consideration previous year’s awards, and payments that have been advanced for the FFY. These funds that have been advanced to counties for the FFY are reviewed against the annual award to the State and a settlement process is applied.

State of NC/County Incentive Calculations

INCENTIVE MEASURES

DATA BY COUNTY

PATERNITY ESTABLISHMENT PERCENTAGE (PEP): IV-D

Number of Children in the Caseload in the FY or as of the End of the FY Who Were Born Out-of-Wedlock with Paternity Established or Acknowledged

OCSE-157, Line 6

divided by

divided by

Number of Children in the Caseload as of the End of the Preceding FY Who Were Born Out-of-Wedlock

OCSE-157, Line 5a

SUPPORT ORDER ESTABLISHMENT

Number of IV-D Cases with Support Orders

OCSE-157, Line 2

divided by

divided by

Number of IV-D Cases

OCSE-157, Line 1

CURRENT COLLECTIONS

Amount Collected for Current Support in IV-D Cases

OCSE-157, Line 25

divided by

divided by

Amount Owed for Current Support in IV-D Cases

OCSE-157, Line 24

ARREARAGE COLLECTIONS

Number of IV-D Cases Paying Toward Arrears

OCSE-157, Line 29

divided by

divided by

Number of IV-D Cases with Arrears Due

OCSE-157, Line 28

COST-EFFECTIVENESS

Total IV-D Dollars Collected

XPTR Report – Distributed Collections
by TANF Indicator

divided by

divided by

Total IV-D Dollars Expended

XPTR Report – County Administration
IVD Expenditures

COUNTY COLLECTION BASE

2 times (Current Assistance + Former Assistance Collections)
+ Never Assistance Collections

XPTR Report – Distributed Collections
by TANF Indicator

Counties are advanced incentive funds by taking into consideration previous year's awards, and payments that have been advanced for the FFY.

Once an audit has been conducted, and the award letter received for the FFY, funds that have been advanced to counties for the FFY are reviewed against the annual award to the State and a settlement process is applied.

Understanding Penalties

States are held accountable for poor performance and inaccurate reporting.

There are five performance measures for which states must achieve certain levels of performance in order to avoid being penalized for performance below standards. These measures are:

- Paternity Establishment Percentage (PEP)
- Support Order Establishment
- Current Collections
- Arrearage Collections
- Cost Effectiveness

A state will be subject to a financial penalty through the loss of a portion of the annual incentive award and/or amount payable to the state under Title IV-A of the Act will be reduced if in consecutive years, the state:

- Fails to meet the performance standards of PEP, support order establishment, or current collections.
- Fails to submit complete and reliable data.

Guidelines for Use of Child Support Incentive Funds

Federal incentive funds must be used for activities conducted under the IV-D State Plan which contribute to the efficiency and effectiveness of the State IV-D program. Federal regulation 45 CFR 305.35 requires that these funds be applied to supplement, rather than supplant, other program funds.

Allowable Uses

Incentive funds may be used for program activities including, but not limited to:

- Parent locator services (Source: 45 CFR 304.20(a))
- Paternity and support services (Source: 45 CFR 304.20(a))
- Privatizing and outsourcing of child support functions (Source: 45 CFR 304.20(a))
- Improving automation (Source: 45 CFR 304.20)
- Costs of cooperative arrangements with courts and law enforcement officials (Source: 45 CFR 304.21)
- Equipment (Source: 45 CFR 304.24)
- Creating public awareness projects for allowable IV-D program activities
- Staff development for allowable IV-D program activities
- Community outreach programs for allowable IV-D program activities.

There may be unallowable activities that funds may be used that can supplement direct IV-D program activities, if an exemption is granted by OCSE. Such activities may include:

- Fatherhood programs (Source: AT-01-04; DCL 14-36)
- Job-search and education programs for non-custodial parents (Source: AT-01-04; DCL 14-36)
- Teen parent programs (Source: AT-01-04; DCL 14-36)
- Incarcerated parent programs (Source: AT-01-04; DCL 14-36)
- Mediation for visitation or other parental issues (Source: AT-01-04; DCL 14-36)

County Annual Incentive Plan and County Annual Incentive Expenditures Reports

County child support services programs must submit an annual plan and report to the State each year describing how federal incentive funds advanced to the county would improve program effectiveness and efficiency. These two reports are sent out to each county via email.

The Annual Incentive Plan Report must include the IV-D service area, amount of incentive funds to be used, and the purpose. This report is sent out mid-August each year.

SFY 2021 - 2022 ANNUAL INCENTIVE PLAN			
<ENTER COUNTY NAME>			
DID THE COUNTY RECEIVE AN EXEMPTION FROM OCSE FOR THE REINVESTMENT OF THE SFY 2022 INCENTIVE FUNDS? NO YES <input checked="" type="radio"/> <input type="radio"/>			
(IF YES, STOP HERE - PLEASE ATTACH WAIVER INFORMATION AND SUBMIT TO CSS STATE OFFICE)			
SPECIFY THE AMOUNT OF ESTIMATED INCENTIVE FUNDS TO BE USED FOR EACH IV-D SERVICE AREA AND COMPLETE EACH COLUMN BELOW.			
IV-D SERVICE AREA	ESTIMATED INCENTIVE EXPENDITURES	PERFORMANCE AREA IMPACTED	
TOTAL	\$0.00		
ADDITIONAL INFORMATION REGARDING THE SFY 2021 - 2022 ANNUAL PLAN FOR INCENTIVE FUND EXPENDITURES			
AUTHORIZED COUNTY OFFICIAL: (PLEASE PRINT): _____ DATE: _____ EMAIL: _____ SIGNATURE: _____	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #4a6984; color: white;">IV-D STRUCTURE</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;"> SELECT ONE ▼ IF PRIVATIZED INDICATE COMPANY BELOW </td> </tr> </tbody> </table>	IV-D STRUCTURE	SELECT ONE ▼ IF PRIVATIZED INDICATE COMPANY BELOW
IV-D STRUCTURE			
SELECT ONE ▼ IF PRIVATIZED INDICATE COMPANY BELOW			

The Annual Incentive Expenditures Report includes the previous year’s goals, outcomes, and deviations from the Plan for the previous SFY. The report is sent out mid-July each year. The following information is provided to the county to assist in completing the report:

1. The estimated funds from the previous SFY Annual Incentive Plan.
2. The actual incentive funds paid in the previous SFY.
3. A summary of your county’s Annual Incentive Plan from the previous SFY, including expected outcomes and IV-D service area.
4. A comparison of the two most recent SFY performance measures for your county.

The county is responsible for providing the following:

1. The amount of the total incentive funds paid in the previous SFY that were reinvested and the total incentive funds, if any, that were retained.
2. Explain any deviations from the previous SFY Annual Incentive Plan and the impact on performance measures.

Sample County ANNUAL REPORT OF EXPENDITURES SFY 2021 - 2022	
TOTAL INCENTIVE FUNDS ESTIMATE ANNUAL REPORT FOR SFY 2021 - 2022:	\$16,238.00
INCENTIVE FUNDS ADVANCED FOR SFY 2021 - 2022 (07.2021 – 06.2022):	\$5,330.00
FINAL SETTLEMENT FOR FFY 2020 DISBURSED 04.2022:	\$2,185.00
<hr/>	
TOTAL INCENTIVE FUNDS DISBURSED TO COUNTY DURING SFY 2021 - 2022:	\$11,943.00
<small>(INCLUDES INCENTIVES ADVANCED FOR SFY/FFY 2022 AND FINAL SETTLEMENT FOR FFY 2020)</small>	
ACTUAL INCENTIVE FUNDS DISBURSED vs. ESTIMATED INCENTIVE FUNDS REPORTED:	\$-4,295.00
ENTER TOTAL INCENTIVE EXPENDITURES REINVESTED DURING SFY 2021 - 2022:	➡ \$0.00
ENTER TOTAL INCENTIVE FUNDS RETAINED BY COUNTY DURING SFY 2021 - 2022:	➡ \$0.00
<hr/> TOTAL must equal: \$11,943.00	
<p>PER YOUR COUNTY’S ANNUAL INCENTIVE PLAN SUBMITTED FOR SFY 2021 - 2022, THE EXPECTED OUTCOMES USING INCENTIVE FUNDS WERE AS FOLLOWS:</p> <p>Increase Total Collections Budgeted IV-D Expenses</p>	
<p>IF THERE WERE ANY CHANGES TO YOUR SFY 2021 - 2022 INCENTIVE ANNUAL INCENTIVE PLAN, PLEASE INDICATE IN THE BOX BELOW: (1) THE CHANGES MADE; AND (2) THE IMPACT ON PERFORMANCE MEASURES.</p> <div style="border: 1px solid black; height: 40px; width: 100%; margin-top: 10px;"></div>	
<p>SFY 2021 versus SFY 2022 Performance Measure Comparisons for Sample County</p>	
<p>SFY 2021 Paternity Establishment: 97.30% SFY 2022 Paternity Establishment: 98.85% Difference: 1.55%</p>	<p>SFY 2021 Cases Under Order: 84.81% SFY 2022 Cases Under Order: 85.89% Difference: 1.08%</p>
<p>SFY 2021 Current Support Collected: 73.56% SFY 2022 Current Support Collected: 75.60% Difference: 2.04%</p>	<p>SFY 2021 Cases with Arrears Payment: 73.83% SFY 2022 Cases with Arrears Payment: 75.60% Difference: 0.62%</p>
<p>SFY 2021 Total Collections: \$726,161.00 SFY 2022 Total Collections: \$671,138.64 Difference: \$-55,022.36</p>	
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Incentive Exemptions

Requesting permission to use incentive payments for other activities.

If a State is interested in using incentive funds for non-traditional IV-D activities, then the State/County is required to submit a formal exemption request to OCSE.

Incentive payments may be used for other activities, if these activities will contribute to improving the effectiveness or efficiency of the state's child support program and approved by OCSE. The requested activity must show a clear connection to and collaboration with the state child support program. Counties wanting to use incentive funds for activities not eligible for reimbursement under the IV-D program must apply to and receive approval from OCSE, through the State IV-D Office, before the funds are actually used for the activities. The State will submit the application on behalf of the County. If the County intends to use incentives to fund the approved activity for more than one year, the County and State must submit an annual request for approval, including the amount to be expended in the upcoming year and the amount expended on the activity in the preceding year. The initial request and renewal request must use the following procedures:

1. Prepare a justification letter on County letterhead requesting the right to use incentive payment for activities not eligible for reimbursement under Title IV-D of the Social Security Act to the State IV-D Office.
2. Complete the NC Incentive Exemption Application and Budget form located in SharePoint, in the Funds/Incentives folder.

The letter must:

- give specific, detailed information on the activity the incentive payment will fund,
- state what portion of the payment will be spent on this activity,
- explain how this activity will improve the effectiveness or efficiency of the County and State's IV-D program,
- show a clear connection to and collaboration with the County and State IV-D program,
- give the time period for this activity (is this a one year or ongoing request), and
- provide the name and telephone number of a contact person who can provide additional information on the request, if needed.

3. Forward the justification letter, application, and budget request to the State IV-D Office.

The application and budget request form, as well as the justification letter will be reviewed by the State IV-D Office. If no modifications are required, the documents are then forwarded to the DHHS Secretary for approval. Once approved, the DHHS Secretary will forward the request to OCSE for approval to reinvest IV-D incentive funds.

Once approved by OCSE, the County must submit a monthly status report and expense report to the State IV-D Office for monitoring.

If circumstances change, or the activity funded by the incentive exemption proves in practice to be less effective or efficient than claimed, the approval for the alternative use of incentives may be revoked by the Commissioner of OCSE.

Examples of other activities in which incentive funds may be used if an exemption application is approved.

The type of non-reimbursable activities that may qualify for funding with incentive payments include, but are not limited to:

- fatherhood programs,
- education and job programs for non-custodial parents,
- programs targeting incarcerated or putative fathers,
- teen pregnancy programs,
- parenting programs,
- mediation or couples counseling, and
- visitation issue resolution when linked to nonpayment of support.

Monitoring

Exemptions will be monitored for compliance with the reinvestment requirement. Non-compliance could result in disallowance of incentive amounts equal to the amount of funds supplanted.

The approval to use incentive funds for non-IV-D activities, as with other exemptions, is subject to review at any time. If circumstances change, or the activity funded by the State/County under the exemption proves in practice to be less effective or efficient than claimed, the approval for the alternative use of incentive funds may be revoked by the Commissioner of OCSE. If the approval is revoked, the State/County must begin using the incentive funds in support of IV-D activities. (Source: OCSE AT-01-04)

Additional information regarding IV-D incentives is posted in SharePoint in the Funds/Incentives folder.

Resources

- NC DS Fiscal Manual, Section III - Developing Cost on the DSS-1571 Report
<http://info.dhhs.state.nc.us/olm/manuals/ooc/fsc/man/FSCs3-01.htm>
- 45 CFR 304.20 – 45 CFR 304.24
- OCSE AT-99-12
- OCSE AT-01-01
- OCSE-AT-01-04
- OCSE PIQ 12-02
- OCSE DCL 14-10