



North Carolina Department of Health and Human Services
Division of Social Services

Child Support Enforcement

100 E. Six Forks Road, Raleigh, NC 27609-7750 Courier # 55-41-12
Telephone (919) 571-4120

Michael F. Easley, Governor
Carmen Hooker Buell, Secretary

E. C. Modlin, ACSW, Director

April 30, 2001

Dear County Director of Social Services,

Attention: Child Support Supervisors

The Federal Office of Child Support Enforcement (OCSE) has issued a final ruling on the Reinvestment of Child Support Incentive Payments. The final ruling says that states must reinvest the full amount of incentives earned under the new incentive system in the state's child support enforcement program. Likewise, counties must reinvest their portion of incentives into local CSE programs. States are required to assure that counties abide by this incentive reinvestment ruling.

The only exception to this rule is that a state or county may use the funds for other activities that will improve the state or county CSE programs upon approval from the Secretary of the Department of Health and Human Services. Examples of "other activities" include education and job programs for noncustodial parents, programs targeting incarcerated or putative fathers, teen pregnancy programs, mediation or couples counseling, fatherhood programs, and visitation issue resolution when linked to nonpayment of support. These activities must show a clear connection to and collaboration with the state CSE program.

When a state desires to use the incentive funds for other activities, the state must submit a letter to Washington requesting the right to use incentive payments for other activities and await approval. If the duration of the approved activity is more than one year, the State must submit its request for approval annually.

The ruling also requires a phased-in approach for the incentive reinvestment. Therefore, the reinvestment requirement will apply to one-third of the incentives earned for federal fiscal year 2000, two-thirds of the incentives earned for federal fiscal year 2001, and all of the incentives earned for federal fiscal year 2002 and thereafter.

OCSE authorizes states to select one of two methods in determining a base year for program expenditures. In the first method, base year program expenditures may be calculated by subtracting the total incentive funds received for federal fiscal year 1998 from the state's total CSE program

expenditures for the same period. States may choose to use the second method instead, taking an average of the previous three fiscal year expenditures, 1996, 1997, 1998, minus incentive funds received for the same period to determine a base year amount.

North Carolina has chosen to utilize federal fiscal year 1998 to determine its base year because this is the most advantageous for our state.

The final ruling in its' entirety is located on the OCSE web page (www.acf.dhhs.gov) under the Action Transmittal section (AT-01-01). Action Transmittal AT-01-04 provides a synopsis of the final ruling. To discuss any concerns over the reinvestment of incentive funds, please contact Elbert Keith or myself at (919) 571-4114.

Sincerely,

Barry A. Miller, Chief
Child Support Enforcement

CSE-3-2001