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Quick Facts: Incentive Funding of State Child Support Programs

Introduction

The Child Support Program¹ is a successful federal-state-tribal partnership that seeks to promote economic stability for children whose parents live apart. The program collects \$5.27 for every \$1 in public funds invested. In FY 2021, \$34 billion was collected in 12.7 million cases for 13.2 million children.² This paper focuses on how states earn incentive funds from the federal government as one of five funding streams³ associated with the program.⁴

The Personal Responsibility Work Opportunity Reconciliation Act of 1996 mandated the development of performance measures to support a performance-based incentive payment structure to states for the child support program. The purpose of the incentive structure is threefold: encourage states to operate an effective and efficient child support program, reward states for results, and hold them accountable for poor performance. Federal law requires states to reinvest incentive payments into the program or related activities.

States receive incentive payments based on their performance on five performance measures: paternity establishment, order establishment, current support collections, collections on arrearages, and cost-effectiveness.⁵ The first three measures are weighted at 100% and the last two measures are valued at 75% of the base collections.

How much is available

The incentive formula is based on recommendations of the Incentive Funding Workgroup⁶ formed by OCSE, which were later codified in the Child Support Performance and Incentives Act of 1998 (CSPIA). Each year, the incentive payment pool is divided among states through the CSPIA methodology. The annual incentive pool is the amount of the preceding annual incentive payment pool multiplied by the difference in the Consumer Price Index for the two preceding fiscal years.⁷ One-fifth of the total incentive pool is allocated for distribution based on each measure. For FY 2019, incentive payments of

¹ Created by Title IV-D of the Social Security Act.

² [Office of Child Support Enforcement \(OCSE\) FY2021 Preliminary Report](#)

³ In addition to receiving incentive payments, states receive funding through state and federal matching funds; retained collections to reimburse the state for Title IV-A Temporary Assistance for Needy Families (TANF) and Title IV-E foster care expenditures; and fees and costs recovered from non-TANF families.

⁴ Tribes are authorized to operate child support programs under Title IV-D but have a different funding structure and requirements.

⁵ See 42 U.S.C. § 658a.

⁶ [Incentive Funding Workgroup | The Administration for Children and Families \(hhs.gov\)](#)

⁷ Prior to the Deficit Reduction Act of 2005, incentives were eligible for Federal Financial Participation.



\$496 million constitute about eight percent of the total funding available to the program.⁸

Formula for calculating incentive payments for each state

The exact amount of a state’s incentive payment depends on its level of performance on the five performance measurements (or the rate of improvement over the previous year) when compared with other states, and its “collection base.” A state’s collection base is calculated by doubling the amount a state collected for TANF and former TANF cases, plus non-TANF collections.

Measure	Range
Paternity Establishment	50-80% ⁹
Percentage of cases under order	50-80%
Percentage of current support collected	40-80%
Percentage of arrears collected	40-80%
Cost-effectiveness	\$2.00-\$5.00

In general, the better a state performs on a measure, the higher its incentive payment on that measure until it reaches the upper threshold. States that achieve these upper thresholds are entitled to the maximum possible incentive for that performance measure. States earn incentives for their performance on each measure — states can earn incentives for one measure or all five. Because the amount of incentives earned by each state is tied to the state’s collection base, each state’s total is roughly proportionate to its overall collections. However, a state can draw a larger portion of the incentive pool through higher performance.

To summarize the incentive formula, a state’s share of the incentive pool can change based on a change in performance or a change in the state’s child support collections.

States that perform at or below the minimum threshold do not receive an incentive for that performance measure. A state’s eligibility for an incentive payment is also subject to satisfactory data reliability audits of its reported performance measures. Failure to meet the data reliability audit criteria for one or more performance measure has the potential to significantly reduce a state’s individual incentive allocation when compared to other states.

Effect of the Incentive Payments

After two decades of the incentives, states’ performance has substantially improved in all five categories.¹⁰ The objective nature of the performance standards support and preserve funding for the child support program, which OMB rated in the ‘most effective’ category for federal programs.

⁸ [Office of Child Support Enforcement FY 2019 Annual Report to Congress](#)

⁹ While incentives are calculated based on this range, under a separate statutory provision, states are subject to potential penalties of 1 – 5% of their TANF block grant if their paternity establishment measure falls below 90 percent. <https://www.law.cornell.edu/cfr/text/45/305.33>

¹⁰ Derived from Office of Child Support Enforcement FY 2010 Annual Report to Congress, FY 2010 Report: Performance-Based Incentives and Penalties and Office of Child Support Enforcement FY 2019