

	INDIANA DEPARTMENT OF CHILD SERVICES TITLE IV-D POLICY MANUAL	
	Chapter 2: Funding	Effective Date: 09/08/2020
	Section 3: Incentive Funding	Version: 1.1 Revision Date: 09/01/2020

BACKGROUND

The Office of Child Support Enforcement (OCSE) maintains a national incentive payment pool each year which is allocated on a competitive basis to the individual states based on their performance on five child support measures and their collections base. States risk losing incentive funding if they do not pass data reliability audits.¹ Indiana and each other state earn their child support incentive funding based on the state’s performance as a whole in comparison to the other states.

The incentive pool for all states was set at \$483,000,000.00 for federal fiscal year (FFY) 2008 with provision for annual increase based upon the Consumer Price Index. Currently the incentive pool hovers around \$500,000,000.00, and changes each year when OCSE publishes the preliminary report for each federal fiscal year. Each state’s share will be calculated using a weighted score based upon its volume of collections and its effectiveness performance in five (5) areas as compared with the scores of other states. Basing it partly upon collections assures that, in general, states with large caseloads will get a proportionally greater share than states with smaller caseloads. Also, basing it upon performance measures assures that states that are efficient and productive will enhance their share while states that are not performing will see their share diminished.

In calculating the volume of collections for the collection base, three (3) rules apply:

1. Collections made on intergovernmental cases may be claimed by both states;
2. Collections on current and former Temporary Assistance for Needy Families (TANF), current and former foster care and Medicaid cases count double; and
3. Collections on other never assistance cases count only once.

The performance measures used in this incentive calculation are:

1. Paternity establishment (PER) - The total number of children in the Title IV-D caseload at end of FFY who were born out of wedlock, but now have paternity established, **divided by** the total number of children in the Title IV-D caseload at end of the last FFY who were born out of wedlock;
2. Support order establishment (SOR) - The total number of Title IV-D cases at the end of FFY with support orders established, **divided by** the total number of Title IV-D cases at the end of FFY;
3. Collections on current support (SCR) - The total amount collected for Title IV-D cases as current child support during FFY, **divided by** the total amount owed for Title IV-D cases as current child support during FFY;
4. Collections on arrears (CPAR) - The total number of Title IV-D cases with arrears **divided by** the total number of open Title IV-D cases at end of FFY with an arrears balance. If

¹ 42 U.S.C. § 609(a)(8)

“any” arrears are due to the family, a case is counted as receiving an arrearage collection payment only if a payment is made to the family (not a tax payment). If the only arrears due on the case are state owed arrears, then an arrears collection that was paid to the state is counted; and

5. Cost effectiveness (CER) - Total amount collected on open Title IV-D cases with activities **divided by** total amount spent on child support enforcement activities.

Under Indiana law, the incentive funds received from OCSE are to be distributed as follows:

1. 22.2% to the Child Support Bureau (CSB);²
2. 22.2% to counties (into a separate Title IV-D incentive fund and may only be used for child support enforcement purposes and may not revert to any other fund);³
3. 33.4% to Title IV-D Prosecutors’ Offices; and
4. 22.2% to Clerks of Court.

Specific amounts for each county are calculated using a formula similar to what OCSE uses. Beginning in 2011, CSB implemented prospective distribution for incentive payments. Incentive amounts are advanced to the counties in four (4) equal quarterly payments. These are based upon 80% of the average of the prior three (3) years incentives. Upon receiving the federal notice of actual incentives received by the state, CSB then reconciles the incentive funding to the counties in the corrected amount.

Distribution from incentive accounts shall be made without the necessity of first obtaining an appropriation from the county fiscal body (except to increase the salary of an elected official which needs approval of the county fiscal body).

Federal incentive funds must be reinvested in the Title IV-D program, and may not be used to take the place of existing funding. Both federal and State law require that the state, and any political subdivision to whom incentive funds are passed, shall expend the full amount of incentive payments to “*supplement*” and “*not supplant*” other funds, and are to be spent to improve the effectiveness or efficiency of the child support program.⁴ Incentive funds are for expenses outside of the child support budget, used to enhance the program’s effectiveness, not as replacement for budgeted funds necessary to effectuate the child support office’s statutory and contractual duties.

POLICY

N/A

REFERENCES

- [IC 31-25-4-23](#): Title IV-D agency; incentive payments; distribution from county treasury
- [IC 31-25-4-23.5](#): Title IV-D incentive fund; use of money
- [42 U.S.C. § 658a](#): Incentive payments to States
- [45 C.F.R. § 303.52](#): Pass-through of incentives to political subdivisions

PROCEDURE

² IC 31-25-4-23(a)

³ IC 31-25-4-23.5

⁴ IC 31-25-4-23(c); 42 U.S.C. § 658a(f); 45 C.F.R. § 303.52(a)

The Federal Calculation Method is used to determine each state's incentive amount and is tied to the Collection Base.

1. The **State Collections Base** is equal to:
 - a. 2 X (current assistance + former assistance + Medicaid assistance collections)
 - b. + never assistance collections
2. Convert the **actual performance percentage** for each measure into the **applicable percentage** using OCSE tables
3. Performance of 80% or above is required for maximum incentive in first four (4) measures
4. Performance at 5.00 or above is required for maximum incentive in cost effectiveness
5. The **State Maximum Incentive Base** is determined by:
 - a. Applicable % for PER X State Collections Base X 100%
 - b. Applicable % for SOR X State Collections Base X 100%
 - c. Applicable % for SCR X State Collections Base X 100%
 - d. Applicable % for CPAR X State Collections Base X 75%
 - e. Applicable % for CER X State Collections Base X 75%⁵
6. The individual **State's Incentive Amount** is equal to State Maximum Incentive Base **divided by** sum of all States Maximum Income Base X National Incentive Pool

Indiana's Calculation Method is used for determining each county's incentive amount:

1. The method is similar to the federal calculation (above) except the **collections base** is determined differently. It is equal to 2 X (TANF distributed collections) + Non-TANF distributed collections
2. The **Indiana Incentive Amount** calculated above is used as the **Applicable Incentive Pool** when determining the **County Incentive Amount**.

FORMS AND TOOLS

1. [IV-D Expense Reporting and Reimbursement Complete Guide](#)

FREQUENTLY ASKED QUESTIONS

N/A

RELATED INFORMATION

⁵ 75% and 100% determined in 42 U.S.C. § 658a

N/A

REVISION HISTORY

Version	Date	Description of Revision
Version 1	05/29/2015	Final Approved Version
Version 1.1	09/08/2020	Updated for consistent formatting and language, updated hyperlinks.