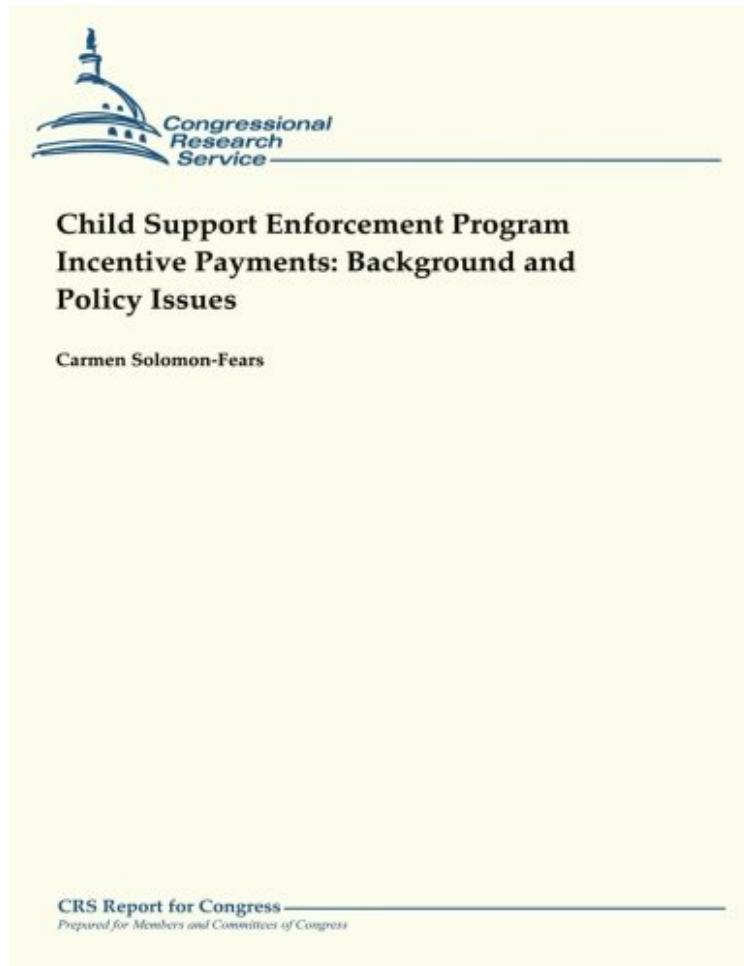


Child Support Enforcement Program Incentive Payments: Background and Policy Issues

Carmen Solomon-Fears

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The Child Support Enforcement (CSE) program, enacted in 1975, to help strengthen families by securing financial support from noncustodial parents, is funded with both state and federal dollars. The federal government bears the majority of CSE program expenditures and provides incentive payments to the states (which include Washington, DC,

and the territories of Guam, Puerto Rico, and the Virgin Islands) for success in meeting CSE program goals. In FY2011, total CSE program expenditures amounted to \$5.7 billion. The aggregate incentive payment amount to states was \$513 million in FY2011. P.L. 105-200, the Child Support Performance and Incentive Act of 1998, established a revised incentive payment system that provides incentive payments to states based on a percentage of the states CSE collections and incorporates five performance measures related to establishment of paternity and child support orders, collections of current and past-due support payments, and cost-effectiveness. P.L. 105-200 set specific annual caps on total federal incentive payments and required states to reinvest incentive payments back into the CSE program. The exact amount of a states incentive payment depends on its level of performance (or the rate of improvement over the previous year) when compared with other states. In addition, states are required to meet data quality standards. If states do not meet specified performance measures and data quality standards, they face federal financial penalties. P.L. 109-171 (the Deficit Reduction Act of 2005) prohibited federal matching (effective October 1, 2007, i.e., FY2008) of state expenditure of federal CSE incentive payments. However, in 2009 P.L. 111-5 (the American Recovery and Reinvestment Act of 2009) required the Department of Health and Human Services (HHS) to temporarily provide federal matching funds (in FY2009 and FY2010) on CSE incentive payments that states reinvested back into the CSE program. Thus (since FY2011), CSE incentive payments that are received by states and reinvested in the CSE program are no longer eligible for federal reimbursement. The FY2008 repeal of federal reimbursement for incentive payments reinvested in the CSE program garnered much concern over its fiscal impact on the states and renewed interest in the incentive payment system per se. A comparison of FY2002 incentive payment performance score data to FY2011 performance score data shows that CSE program performance has improved with respect to all five performance measures. Although CSE incentive payments were awarded to all 54 jurisdictions in FY2002, FY2005, FY2010, and FY2011 (the years covered in this report), some jurisdictions performed poorly on one or more of the five performance measures. Even so, on the basis of the unaudited FY2011 performance incentive scores of the 54 jurisdictions, 53 jurisdictions received an incentive for all five performance measures, and 1 jurisdiction (the Virgin Islands) received an incentive for four performance measures. Despite a general consensus that the CSE program is doing well, questions still arise about whether the program is effectively meeting its mission and concerns exist over whether the program will be able to meet future expectations. Several factors may cause a state not to receive an incentive payment that is commensurate with its relative performance on individual measures. These factors include static or declining CSE collections; sliding scale performance scores that financially benefit states at the upper end (but not the top) of the artificial threshold and financially disadvantaged states at the lower end of the artificial threshold; a limited number of performance indicators that do not encompass all of the components critical to a successful CSE program; and a statutory maximum on the aggregate amount of incentive payments that can be paid to states.