



Funding Model — Exemption to Reinvest Child Support Incentive Payments

State child support agencies may request to use incentive payments to fund child support-led employment programs for noncustodial parents. The federal government provides incentive payments to reward states for strong performance on a range of measures. Section 458(f) of the Social Security Act allows states to use their incentive payments for any activity approved by the secretary. These activities can include cost-effective contracts with local agencies, provided they may contribute to improving the effectiveness or efficiency of the state child support program, regardless of whether the expenditures for the activity are reimbursable under the Act. Approved requests for incentive exemptions are not eligible for federal financial participation. When pursuing this funding model, the requesting state must adhere to the procedures listed in OCSE-[AT-20-01](#) and demonstrate how their use of funds will improve the state's program. To request approval to use incentive payments for these activities not currently eligible for funding, the agency submits a letter to the Office of Child Support Enforcement (OCSE) commissioner. The letter gives specific, detailed information on the activity. Research evidence of employment programs for noncustodial parents shows that they contribute to the effectiveness of the child support program. To maximize the effectiveness, efficiency, and cost effectiveness, OCSE provides technical assistance for the assessment, design, development, or transfer of best practices from model state programs.

Key elements include:

- Child support agency opts to submit a request, gives specific information on the activity the incentive payment will fund, states what portion of the incentive payment will be spent, explains how it will improve the effectiveness or efficiency of the state's child support program, shows a clear connection and collaboration with the state's program, gives the time period for the activity as one year or ongoing, and provides a point of contact for any needed follow up.
- OCSE evaluates the request, follows up with the agency as needed, and notifies agency of decision.

Things to consider about this model include:

- State expenditures may not be reduced as a result of receipt and reinvestment of incentive payments.
- Incentive exemptions are not eligible for federal financial participation.
- States must apply before the funds are spent and must submit an annual request.
- The number of annual requests is currently unlimited.
- States determine the amount of incentive award to invest.
- Formal evaluation of outcomes is not required.
- Approval to use incentive funds is subject to review at any time.
- Expenditures will be considered when calculating cost effectiveness.

Read OCSE-[IM-18-02](#) and [AT-20-01](#) for official policy guidance on the use of IV-D incentive funds for noncustodial parents work activities and reinvestment of child support incentive payments.