



## LEGISLATION NEEDED TO MODERNIZE THE CHILD SUPPORT PROGRAM

The Title IV-D Child Support Program (Title IV-D of the Social Security Act) serves more than one out of five children under the age of 18 and has become an outsized component of the safety net for children without two parents in the home. However, the current legislative framework for the program is based on the welfare reform legislation of 1996 (Personal Responsibility and Work Opportunity Act P.L. 104-193) and is now 29 years old. New legislation is needed to provide the foundation for the program's continued effectiveness in supporting children based on the bedrock principle of parental accountability.

To modernize the program and further improve its effectiveness, the National Child Support Engagement Association (NCSEA)<sup>1</sup> recommends the following new legislation:

- Enhance self-sufficiency of single parents and streamline program administration by ending government retention/recoupment of child support to repay Temporary Assistance for Needy Families (TANF) grants – both for current and former TANF recipients
- Strengthen enforcement tools in response to changes in the economy and lessons learned from program experience
- Increase state incentives to achieve improved program outcomes by updating federal performance measures
- Provide limited funding for employment and other supportive services to assist non-custodial parents in improving their living standards and ability to pay child support; also provide limited funding for establishing parenting time orders to help non-custodial parents play an active role in their children's lives
- Increase the pool for state performance incentives to reinforce the performance orientation of the program and to prevent harm to the program from funding losses resulting from eliminating retention/recoupment of TANF benefits

By ensuring that children receive financial and medical support from both parents, the Child Support Program will continue to reduce dependency on other programs such as TANF, Supplemental Nutrition Assistance Program (SNAP), Medicaid, and housing subsidies.

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<sup>1</sup> NCSEA is a broad-based educational and advocacy organization composed of national, state, local, and tribal child support professionals as well as experts from private sector partners providing services to the child support program.

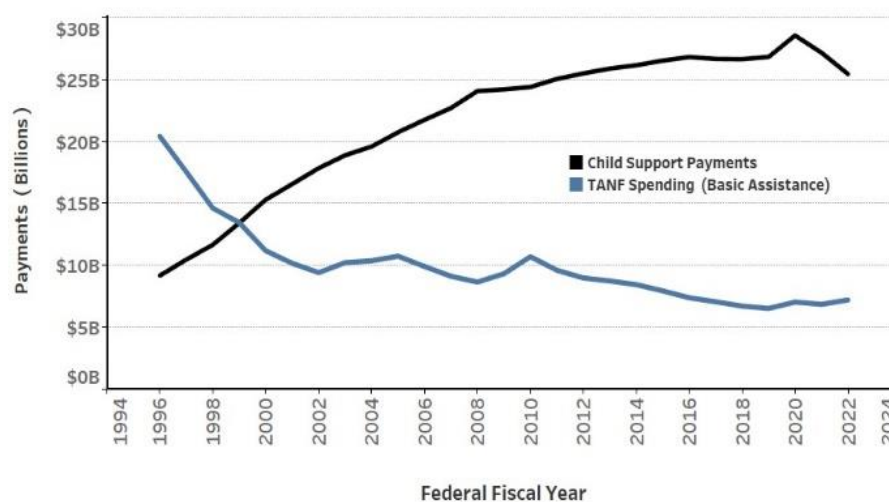


## I. Reinforce Child Support's Outsized Role in the Safety Net and Increase Self-Sufficiency of Single Parent Families by Eliminating Government Retention/Recoupment of Child Support Collections to Repay TANF Benefits

### A. Child Support pays more than three times as much support to families as TANF, having become a major component of the safety net

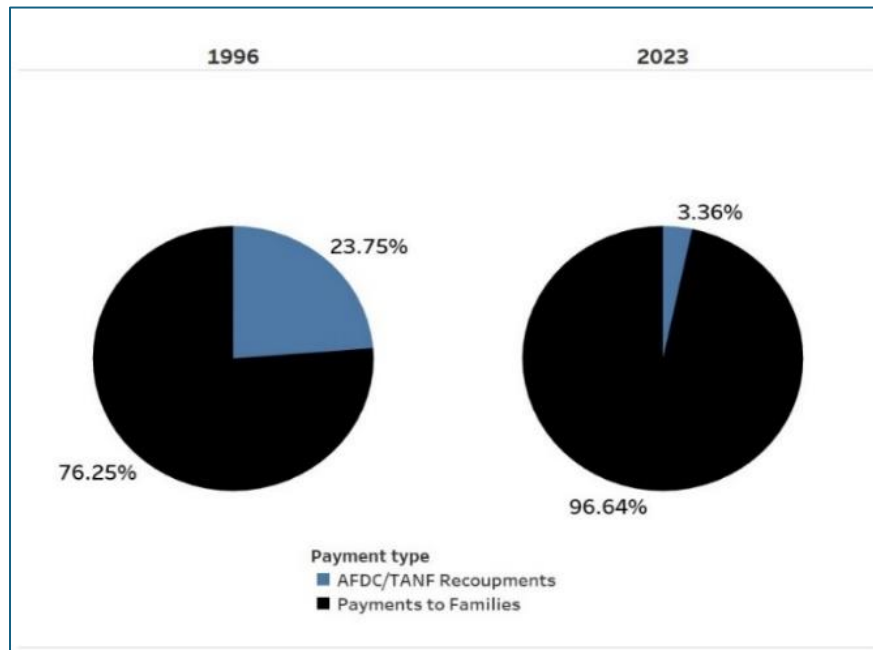
TANF caseloads have declined by 80 percent since enactment of welfare reform in 1996, but during the same time period the child support program has steadily increased its reach. As a result, child support has assumed an outsized role in the safety net for single parent families. Child support payments received by families *exceeded* TANF benefits received by families as early as 1999, and in FFY 2023, child support collections distributed to families were more than three times as great as TANF cash assistance benefits. (Figure 1).

Figure 1



Historically, the child support program has been responsible for reducing the cost of TANF payments by retaining child support collections for current TANF cases (although states can allow recipients to keep some portion). State and federal governments also use some child support collections to recoup past payment of TANF benefits from former TANF recipients. This recovery role has become an anachronism as the program's mission has evolved to providing family support for single-parent households as a critical part of the safety net. When welfare reform was enacted in 1996, almost 25 percent of child support collections were used to offset or recoup TANF benefits. By FFY 2023, due to the sharp drop in the TANF rolls, that proportion had plummeted to little more than 3 percent (Figure 2).

Figure 2



### B. Ending retained/recouped collections for current and former TANF recipients will encourage the payment of child support and increase self-sufficiency

Colorado eliminated retained collections for *current* TANF recipients in 2016 with the result that *the number of* child support payments increased by 10.2 percent and the *amount of total child support collected* increased by 39.4 percent.

Recoupment of prior TANF benefits from *former* TANF recipients takes away money from primarily single-parent families at the very time they most need it to become financially stable and avoid returning to the TANF rolls. This is counter-productive since helping prevent such families from re-entering the TANF rolls should be an important objective of the child support program.

### C. Ending recouped collections for former TANF recipients will streamline the Child Support Program

The function of recovering funds from former TANF recipients is extremely complex and needlessly inflates administrative and system-development costs. Once states make the investment to eliminate such recoupments, program administration will be streamlined and future systems development costs will be reduced by an estimated 5 to 7 percent.



## D. Child Support saves money for other benefit programs

Families' receipt of child support results in savings in TANF, SNAP, Medicaid, Children's Health Insurance Program, Supplemental Security Income, and public/subsidized housing. Child support payments reduce the need for these programs and lower their cost in two ways: 1) some families become ineligible for such benefits due to income from child support; and 2) even if eligible, child support income reduces the amounts of benefits received. The latest research available estimated such reduced public assistance costs to be \$5.2 billion in 2012, which almost paid for the \$5.66 billion in child support administrative costs in that year. In that way, the child support program almost pays for itself with these savings in public benefit programs.

## II. Stronger Enforcement Tools Will Provide More Parental Support to Children in Single-Parent Families

### A. Increase income withholding effectiveness with changes to new hire reporting and income withholding for independent contractors

Income withholding is the leading enforcement tool, accounting for 71 percent of child support collections (FFY 2023). Given the expansion of nontraditional employment through gig and other independent contractors, NCSEA recommends expanding income withholding to this group — as some states have effectively done. This will increase collections from parents owing support who have income from these sources not currently tapped through the existing income withholding process.

### B. Authorize employers to report new hires and lump-sum payments to the federal Office of Child Support Services (OCSS) using a standard national process

This will make it easier for employers to comply with their reporting responsibilities rather than having to report to each state where they operate. It will also speed identification and distribution of funds to families owed support.

### C. Other enforcement measures

**Gambling Proceeds – Report and Intercept.** States should be required to enact laws requiring the reporting and intercept of gambling proceeds in excess of thresholds specified by OCSS. This will enable states to tap into sports betting proceeds in excess of \$11 billion (2023), as well as other gambling proceeds.

**Interstate Income Withholding Orders for Unemployment Insurance.** States should be required to mandate their unemployment insurance agencies to honor income withholding orders issued



by any other state. This will significantly increase collections, especially during economic downturns.

**Liens – Other State.** Legislation should require that states offer full faith and credit for lien and levy notices from other states. It should also require OCSS to send lien and levy notices to banks at state request. Banks frequently do not honor such notices when issued by another state.

**Insurance Claims.** States should be required to enact laws requiring insurance companies to report pending insurance claims so they can be tapped to pay overdue child support.

**Motor Vehicle Registration.** States should be required to enact laws mandating that motorists provide a Social Security Number or other identifier when they register a motor vehicle. This would potentially support a suspension process that may be even more effective than driver's license suspension.

**Internal Revenue Service (IRS) – Fraudulent Tax Refunds.** The IRS should be prohibited from holding states liable for fraudulent tax returns and refunds that the IRS later reverses. This would eliminate an inequity under which states now have to assume liability for fraudulent returns and refunds even if they have done nothing to cause the error.

### III. Update Child Support Performance Standards to Reflect Past Increases and Further Improve Performance

An essential element of the child support program is a set of five performance standards that are used to evaluate performance at each level of the program's administration. Embodied in the 1998 Child Support Performance and Incentive Act, these performance measures have been instrumental to the program's dramatic performance improvements.

These performance standards have been unchanged since 1998 and now need updating to: 1) take into account past performance increases; 2) correct technical issues that have become apparent in their use; and 3) lay the foundation for future improvement in program outcomes.

- The standard for *paternity establishment percentage (PEP)* needs a technical correction to prevent illogical results in which it currently indicates paternity establishment levels exceeding 100 percent in some states. In addition, the PEP penalty for failing to meet a 90 percent standard should be eliminated or, alternatively, aligned with the lower threshold for allowable incentives. Finally, the minimum and maximum threshold for incentives needs to be updated to account for states' increased performance in past years.
- The standard for *proportion of cases with child support orders* needs to have updated minimum and maximum performance levels to account for states' increased performance.
- The standard for the *proportion of collections made for current support obligations due in a given month* needs to have the minimum threshold for earning incentives increased to reflect increased performance by states.



- The standard for *collections of arrearages* needs to be revised. Instead of counting the number of cases with any collections on arrears (as little as one cent), the new standard should provide incentives based on the total arrears collected relative to the amount of new arrears accrued by the state in any given year.
- The standard for *cost-effectiveness* needs to be adjusted to account for increases in past performance, with the minimum and maximum cost-effectiveness levels raised for earning incentives on this measure.

NCSEA's proposal for updated incentive measures is intricately tied to other elements of this child support modernization proposal. The child support community is willing to raise the bar on required performance as its contribution to improved program outcomes resulting from the other legislative changes proposed in this modernization package.

#### IV. Bolster Child Support's Safety Net Role and Improve Services with Modest Funding Increases

##### A. Increase incentive pool by 150 percent to avoid harmful loss of administrative resources

Ending retained/recouped collections is needed to increase self-sufficiency for current and former TANF recipients. This change will put more money in the hands of families to reduce dependency, and it will also make future program administration significantly more efficient. However, while retained/recouped collections currently constitute only 3.4 percent of the child support program's total collections, such collections still play a significant role in helping to fund child support programs in many states.

Specifically, the state share of retained/recouped collections in FFY 2023 was equivalent to 15.6 percent of the state share of total administrative program costs. Elimination of such collections would be beneficial to the program and its participants, but loss of more than 15 percent of administrative support for the program would cause unacceptable harm unless alternative funding is provided from another source.

NCSEA proposes that the source of offsetting funding should be an increase in the incentive pool of 150 percent. Increased funding from this source would approximately offset the loss in funding from ending retained/recouped collections and would prevent states from being harmed by the otherwise beneficial policy change. Along with the proposed updating of performance standards, it would further incentivize states and their local partners to continue improving key outcomes for the child support program.

*Because it is critical to offset the loss of state revenue from elimination of retained/recouped collections, NCSEA's recommendation to make that change is contingent on the provision of adequate offsetting program revenue.*



## B. Allow program funds with three percent cap to be used to provide employment and other supportive services to non-custodial parents

NCSEA recommends that the allowable activities for which federal financial participation is available continue to include employment and other supportive services for non-custodial parents. This enables unemployed and under-employed parents to improve their capabilities to support themselves and their children. The financial impact of such services would be limited by capping expenditures at three percent of a state's total IV-D administrative costs.

To improve coordination with — and effective use of — current workforce programs, NCSEA recommends that Congress improve access to Workforce Innovation and Opportunity Act employment services by parents owing child support by: 1) requiring Workforce Development Boards to recognize unemployed and underemployed non-custodial parents as a priority population; and 2) explicitly including child support agencies as permissible members on Workforce Development Boards.

## C. Allow program funds with one percent cap to be used to develop parenting-time agreements

Similarly, NCSEA recommends expanding the allowable activities for which federal financial participation is available to include establishment of parenting time orders ancillary to the financial child support obligation, where appropriate. Such funding would include a requirement for domestic violence training, screening, and assessment. Support for parenting time agreements would encourage involvement of both parents in their children's lives and would likely lead to better child support compliance. The financial impact of such services would be limited by capping expenditures at one percent of a state's total IV-D administrative costs.

## D. Level up funding for access and visitation grants and improve coordination with healthy marriage grants

The welfare reform legislation in 1996 provided \$10 million annually for grants to states for the improvement of access and visitation when parents are separated, divorced, or unmarried. NCSEA recommends that this amount be increased to \$20 million annually because inflation has doubled in the intervening 29 years. NCSEA further recommends that each state's Title IV-D agency be empowered to administer the funding and program maintenance for these grants. This will ensure that services can be more effectively delivered to parents and their children.

NCSEA recommends that Healthy Marriage and Responsible Fatherhood (HMRF) grantees be required to partner with the IV-D program in their respective states to further support initiatives to promote marriage and enhance father's participation in the children's lives. The HMRF programs provide \$150 million per year in discretionary grants and contracts to strengthen families, promote responsible parenting, and improve family economic stability.



### E. Make collection of service fees optional

NCSEA recommends that mandatory child support services fees be made optional. These are \$35 per year annual fees for child support cases that have never received assistance. Eliminating the requirement that these fees be mandatory allows states to develop fee policies appropriate to their circumstances. States that find positive results from charging such fees would continue to collect them and remit the federal share to the federal government.