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Opportunities to Deliver Critical Child Support Reforms

Testimony of Nick Gwyn, Senior Fellow for Government Affairs, Center on Budget and Policy Priorities, Before the House Ways and Means' Subcommittee on Work and Welfare

Thank you, Chairman LaHood and Ranking Member Davis, and members of the Subcommittee. My name is Nick Gwyn, and I am a Senior Fellow for Government Affairs at the Center on Budget and Policy Priorities (CBPP). CBPP is a nonpartisan research and policy institute that advances federal and state policies to help build a nation where everyone has the resources they need to thrive and share in the nation's prosperity. I previously served as the Democratic staff director for this subcommittee.

Our national child support program was established just over 50 years ago and has been expanded and improved many times over the decades to better provide for the well-being of children. This committee has a long and proud tradition of leading many of those reforms on a bipartisan basis. On a personal note, I remember working as a young staffer nearly 30 years ago for a former member of this committee – Barbara Kennelly – as she worked with members on both sides of the aisle to improve the child support system.

The nation's child support system is both efficient and effective. For every dollar spent on child support enforcement, over \$4 is collected, with nearly \$30 billion overall collected in fiscal year 2024.¹ Nationwide, almost two-thirds of families where one parent is not in the home, known as "custodial families," receive services from the federal child support program – nearly 8 million custodial parents and 13 million children.²

Child support can be a significant source of income for families struggling to make ends meet, helping them pay for their children's basic needs, like housing, food, school supplies, and clothing. Most custodial families who participate in the child support program have low or moderate incomes. Among those with incomes below the federal poverty line, child support represents 41 percent of their income when received, on average.³

Research shows that receiving child support payments supports positive child developmental outcomes, including stronger school performance. Children who live with one parent and receive child support are

more likely to receive higher grades, finish high school, and attend college than similar children who do not receive child support.⁴

Beyond improving a child's financial situation, research indicates that another reason for this connection to better outcomes is that non-custodial parents who pay child support appear more likely to stay engaged in their children's lives than those who do not contribute financially.⁵ This increased contact has been linked with improvement in children's emotional well-being, social and behavioral adjustment, and academic achievement. Connections between non-custodial parents and their children can be further improved by parenting-time arrangements – agreements between the non-custodial and custodial parents about how parenting is shared and visits are maintained. These arrangements and the process for establishing them must, of course, include safeguards to protect adults and children alike from domestic violence. (Determining parenting time agreements is an allowable use of federal child support funds if a state applies for a waiver that specifies, among other issues, how it will ensure safety-related safeguards are in place and effective.)

But for all of its success, the child support system still needs reform in critical areas, including ensuring child support reaches very low-income children receiving cash assistance through the Temporary Assistance for Needy Families (TANF) program, or who have formerly received TANF; not charging parents child support for a child's foster care; and better helping low-income non-custodial parents support their children.

Ensuring That Child Support Reaches Very Low-Income Children Receiving TANF

The most significant problem needing further action is the fact that families who receive or have received TANF cash assistance, who make up nearly half (46 percent) of participants in the child support program, often do not receive child support payments made on their behalf. Instead, those payments are kept by the state and split with the federal government as repayment for the family's TANF cash payments, a policy known as "cost recovery." In 2023, state and federal governments kept \$896 million in child support payments – payments that, had they been directed to children, would have allowed their custodial parents to better meet their children's needs.⁶

Cost recovery policies also disproportionately impact custodial parents who are Black and Latina women given their higher poverty rates due to long standing structural racism and sexism in the labor market that have limited their employment prospects and depressed their wages, and the related composition of the TANF caseload. According to 2022 data from the Office of Family Assistance, among all adult TANF participants, 84 percent are women, 31 percent are Black, and 33 percent are Hispanic. Passing through child support to these families will provide for them the benefits discussed further in this testimony, including those related to children's school performance and connections to non-custodial parents.

Only a little over half of states and the District of Columbia currently pass through some amount of monthly support payments to families currently receiving TANF (see Appendix). Withholding child

support from families receiving TANF assistance is particularly concerning given the very meager TANF benefits paid by most states, with those benefits leaving a family of three at or below 60 percent of the poverty line in every state, and below 20 percent in 17 states.⁷

By ensuring children are aided by the child support paid on their behalf, pass-through policies have many benefits. First and most obviously, these payments help families with low incomes meet their children's basic needs, including paying the rent and utilities. In addition, research shows that non-custodial parents are more likely to both pay child support and make higher payments when their payments are passed through to their children.⁸ For example, in its first year after implementing a policy to pass through all current monthly support and excluding those payments when determining families' TANF eligibility and benefits (also known as providing a "disregard"), Colorado found that total current collections for TANF families rose 76 percent based on an analysis of its administrative data.⁹

Furthermore, passing through all child support payments to families can reduce the risk of child protective services involvement. One study found that increasing the child support income that the state passes through to families can reduce reports of maltreatment or neglect, estimating that mothers who received a full pass-through were about 10 percent less likely to receive a "screened-in report" (a report to child protective services alleging child neglect or maltreatment that met state criteria for further assessment) than mothers who received only a partial pass-through.¹⁰

Colorado, Michigan, and Washington have either implemented a full pass-through of monthly support to TANF families or have enacted legislation to do so with a delayed implementation date. And in 2024, Illinois became the first state to implement a policy that passes through and disregards all monthly *and* arrears payments to current and former TANF families. Using a phased-in approach, Maryland recently became the second state to enact legislation that will pass through and disregard all support.

In terms of federal policy, eliminating TANF cost recovery entirely is the best policy option. That would mean all child support would always be passed through to families. But Congress could take other, more incremental steps to drive more states to improve the lives of children by passing through child support paid on their behalf.

Under federal law, when child support is collected for a family currently receiving TANF, the state generally must split that collected support with the federal government. However, if a state passes through to the family up to \$100 for one child or \$200 for two or more children and disregards the passed-through support when determining the family's TANF assistance, the federal government waives its share of the passed-through amount.¹¹ Eliminating this cap on how much child support a state can pass through and disregard with the federal government waiving its share would encourage more states to maximize the amount of child support going to children.

Another reform worthy of consideration is requiring all states to pass through at least some amount of current support to children in families receiving TANF, a modest step that close to half the states have still failed to adopt even with the federal government waiving its share up to \$100/\$200. With the median

monthly TANF benefit equaling just \$549 in 2023, passing through and disregarding even \$100 a month could provide nearly a 20 percent increase in very low-income families' cash incomes.

Past-Due Support Collected Through the Federal Tax System Should Go to Families First

Additionally, Congress should consider requiring all states to adopt family-first distribution rules for families who previously received TANF with regard to all *past-due* child support payments, including payments that come through the tax intercept process. Under current federal rules, families no longer receiving TANF payments are first in line to be paid child support arrears owed to them, before any state debts are paid. However, there is an exception to this family-first rule, at state option, for arrears collected from a non-custodial parent's federal tax refund. Only ten states have elected to ensure that former TANF families are first in line to receive arrears owed to them and collected from non-custodial parents' tax refunds under this option. (The Appendix lists states adopting the so-called "DRA" option, which provides for family-first distribution rules for arrears collected through the federal tax refund.)

Charging Families Child Support When Children Are in Foster Care is Deeply Counter-Productive

Congress should also address the harmful policy of charging parents child support to reimburse the state and federal governments for the cost of their children's foster care. Most children placed in foster care are there due at least in part to their parents' economic hardships, and charging for such care only increases those families' financial insecurity, delaying family reunification when that is the best outcome for the child.

Guidance issued in 2022 makes it easier for states to stop this harmful practice, but fewer than half of states have changed their laws or regulations in response to the guidance.¹² Congress could use legislation to make the policies in the guidance mandatory so that all states only refer foster care cases to child support enforcement when it's determined to be in the best interest of the child.

Helping Low-Income, Non-Custodial Parents Support their Children

The child support enforcement program was established to hold non-custodial parents accountable for providing financial support for their children – a goal we must continue to strenuously pursue. But at the same time, our policies need to recognize that one of the primary reasons for non-payment of child support is the non-custodial parent's inability to pay the full amount ordered.

About 25 percent of non-custodial parents themselves have incomes below the poverty line due to high incarceration rates, unemployment, unstable and part-time jobs, and low wages.¹³ Our current system of

economic and health security programs does very little to help these individuals. For example, while economic security programs reduced the number of non-elderly adults with minor children in poverty by 40 percent in 2017, these programs reduced poverty by only 8 percent for non-elderly adults without, or not living with, minor children.¹⁴

A range of policy options would help low-income, non-custodial parents to better contribute to their children's financial well-being. One very useful step was taken a decade ago through a rule that among other things prevented incarceration from being treated as "voluntary unemployment" for the purposes of child support debt. This means incarcerated individuals must be allowed an opportunity to modify their child support order to prevent huge debts from accruing for payments they were unable to meet. More recently, there have been regulatory proposals to let states use child support funding to provide employment-related services to this population, but none has ever been finalized.

Going beyond the child support system, improving and expanding the Earned Income Tax Credit (EITC) for so-called "childless workers," which includes non-custodial parents, would help boost income and the ability to pay child support for those with low wages. In 2024, 6 million workers whose income was either below or just above the poverty line were pushed below, or further below, the poverty line largely because their EITC was not even enough to offset payroll taxes as well as any federal income tax liability.¹⁵ The temporary expansion of this credit in 2021 was a successful model that Congress should adopt on a permanent basis.¹⁶

Thank you again for the opportunity to testify today and I would be happy to respond to any questions.

Appendix

States have two key decisions to consider regarding how they direct, or do not direct, child support to families. The first is whether to enact “pass-through” policies that ensure child support payments are directed to families. States may pass through any amount of child support collections, whether current monthly support or arrears, to families participating in TANF. Cost recovery efforts can continue even after families leave TANF. States keep some support in former assistance cases primarily from federal tax offsets – to repay arrears owed during the assistance period. Instead of keeping these payments, states have the option to pass through the arrears to formerly assisted families.

The second decision is whether to adopt family-first distribution of child support collected through the federal tax system, a state option known as “DRA distribution” under the Deficit Reduction Act of 2005 (DRA). PRWORA created a special rule for collections that the IRS deducts, or offsets, from tax refunds owed to non-custodial parents. Under this rule, those payments are applied to arrears only, not to current support, and any child support debt owed to the state is paid off first. The DRA gives states the option to eliminate this special rule, which allows them to give custodial families, rather than the state, first priority for child support collected by the IRS. Under the DRA, tax offsets and other collections are distributed first to current support and then to arrears.

Delaware, Georgia, Maine, South Carolina, and Tennessee elected to carry over fill-the-gap budgeting into their TANF programs that was in effect before PRWORA under a grandfather clause contained in 42 U.S.C. § 657(d). Additional states may not adopt fill-the-gap distribution in current assistance cases. In fill-the-gap budgeting, states set a TANF standard of need but a lower TANF benefit payment level. The state then fills the resulting “gap” between need and payment levels with child support or other income such as earnings. In fill-the-gap states, child support is distributed, rather than passed through, to families currently receiving TANF. In addition, two states (Delaware and Maine) pass through up to an additional \$50 per month to TANF families.

APPENDIX TABLE 1

State TANF Pass-Through and Distribution Policies

State	Pass through and disregard for families who receive TANF (current assistance cases)	Pass through to families who used to receive TANF (former assistance cases)	PRWORA or DRA distribution for past-due support collected through the tax system (current and former assistance cases)
Alabama	No	No	PRWORA
Alaska	\$50 passed through and disregarded	No	DRA
Arizona	No	No	PRWORA
Arkansas	No	No	PRWORA
California	First \$100/\$200 passed through and disregarded	In 2022, the legislature enacted a pass-through of all assigned arrears. The pass-through became operative on May 1, 2024.	DRA

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Colorado	All current support passed through and disregarded	No	PRWORA
Connecticut	First \$50 from current support passed through and disregarded	No	PRWORA
Delaware	Fill-the-gap budgeting; in addition, first \$50 passed through and disregarded	No	PRWORA
District of Columbia	First \$200 from current support passed through and disregarded	No	PRWORA
Florida	No	No	PRWORA
Georgia	Fill-the-gap	No	PRWORA
Hawai'i	No	No	PRWORA
Idaho	No	No	PRWORA
Illinois	As of Jan. 1, 2024, all current support and arrears are passed through and disregarded	All assigned arrears collected on or after Jan. 1, 2024 are passed through	PRWORA
Indiana	No	No	PRWORA
Iowa	No	No	PRWORA
Kansas	No	No	PRWORA
Kentucky	No	No	PRWORA
Louisiana	No	No	PRWORA
Maine	Fill-the-gap budgeting; in addition, first \$50 of current support passed through and disregarded	No	PRWORA
Maryland	First \$100/\$200 of current support passed through and disregarded; starting in 2018, current support passed through began to increase in annual phased-in amounts and by 2031, all current support will be passed through and disregarded	No	DRA
Massachusetts	First \$50 of current support passed through and disregarded	Full 100% distribution to former TANF families to start in early 2026.	DRA
Michigan	All current support passed through and disregarded	No	PRWORA

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Minnesota	All current support and arrears passed through; \$100/\$200 disregarded	No	PRWORA
Mississippi	\$100 passed through and disregarded	No	PRWORA
Missouri	No	No	PRWORA
Montana	\$100 supplemental payment paid from TANF funds when support is collected	No	PRWORA
Nebraska	No. \$100/\$200 of current support will be passed through and disregarded beginning July 1, 2027.	No	PRWORA
Nevada	No	No	PRWORA
New Hampshire	No	No	PRWORA
New Jersey	\$100/\$200 of current support passed through and disregarded	No	PRWORA
New Mexico	\$100/\$200 of current support and arrears passed through and disregarded effective Jan. 2023	All assigned arrears passed through effective Jan. 2023	DRA
New York	First \$100/\$200 of current support passed through and disregarded	No	PRWORA
North Carolina	No	No	PRWORA
North Dakota	No	No	PRWORA
Ohio	No	No	PRWORA
Oklahoma	No	No	PRWORA
Oregon	\$50 per child up to \$200 of current support passed through and disregarded.	No	PRWORA
Pennsylvania	First \$100/\$200 from current support passed through and disregarded	No	DRA
Puerto Rico	\$50	No	DRA
Rhode Island	\$50	No	PRWORA
South Carolina	Fill-the-gap	No	PRWORA
South Dakota	No	No	PRWORA
Tennessee	Fill-the-gap	No	PRWORA
Texas	\$75	No	PRWORA
Utah	No	No	PRWORA

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Vermont	First \$50 passed through and disregarded; effective Jan. 1, 2024, pass-through and disregard increases to \$100	No	DRA
Virginia	\$100 passed through and disregarded; in addition, up to \$100 supplemental TANF payment for 2 or more children when additional support is collected	No	PRWORA
Washington	\$50/\$100 passed through and disregarded; full pass-through of current support enacted July 2029	No	PRWORA
West Virginia	\$100/\$200 of current support passed through and disregarded; an additional \$25 supplemental payment when support is collected	No	DRA
Wisconsin	75% of all current support and arrears passed through and disregarded	100% of assigned collections passed through	PRWORA
Wyoming	\$100/\$200 of current support passed through and disregarded	Pass-through of all assigned collections implemented January 1, 2024	DRA

¹ Department of Health & Human Services, Administration for Children and Families, "2024 Child Support: More Money for Families," <https://acf.gov/sites/default/files/documents/ocse/2024-infographic-national.pdf>.

² According to Census data (CPS-CSS), there were 83.4 million children under age 21 living in the United States in 2018. Of them, 22 million children lived apart from a parent, making them eligible for child support; 13 million of these children received services from the child support program. Sorensen, 2021; Timothy Grall, "Custodial Mothers and Fathers and Their Child Support," Current Population Reports, P60-262, U.S. Census Bureau, May 2020, <https://www.census.gov/content/dam/Census/library/publications/2020/demo/p60-269.pdf>.

³ Elaine Sorensen, "The Child Support Program is a Good Investment," OCSS, 2016, https://www.acf.hhs.gov/sites/default/files/documents/ocse/sbtn_csp_is_a_good_investment.pdf.

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- ⁴ Sorensen, 2016; Gerry L. White, Leon Banks, and Harold E. Briggs, "The Effects of Child Support Payment Factors on Satisfaction with Levels of Parental Involvement by Non-custodial Fathers," *Research on Social Work Practice*, Vol. 31, No. 8, April 26, 2021, <https://doi.org/10.1177/10497315211004744>; L. M. Argys *et al.*, "The Impact of Child Support on Cognitive Outcomes of Young Children," *Demography*, Vol. 35, No. 2, June 1998, https://www.researchgate.net/publication/13661295_The_Impact_of_Child_Support_on_Cognitive_Outcomes_of_Young_Children; Virginia Knox, "The Effects of Child Support Payments on Development Outcomes for Elementary School-Age Children," *Journal of Human Resources*, Vol. 31, No. 4, Autumn 1996, <https://doi.org/10.2307/146148>; Irwin Garfinkel, Sara S. McLanahan, and Philip K. Robins, ed., *Child Support and Child Well-Being*, Urban Institute Press, 1994; Quentin H. Riser *et al.*, "Non-custodial Parents, Instrumental Networks, and Child Support Compliance," *Social Science Research*, vol. 110, Feb. 2023, <https://www.sciencedirect.com/science/article/abs/pii/S0049089X23000054>.
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- ⁶ Office of Child Support Services (OCSS), "Preliminary Report FY 2023," Table P-1, https://www.acf.hhs.gov/sites/default/files/documents/ocse/fy_2023_preliminary_report.pdf.
- ⁷ Diana Azevedo-McCaffrey and Tonanziht Aguas, "Continued Increases in TANF Benefit Levels Are Critical to Helping Families Meet Their Needs and Thrive," CBPP, updated May 29, 2024, <https://www.cbpp.org/research/income-security/continued-increases-in-tanf-benefit-levels-are-critical-to-helping>.
- ⁸ Maria Cancian, Daniel R. Meyer, and Emma Caspar, "Welfare and Child Support: Complements, Not Substitutes," *Journal of Policy Analysis and Management*, Vol. 27, No. 2, 354-375, 2008, [https://users.ssc.wisc.edu/~qwallace/Papers/Cancian,%20Meyer,%20and%20Caspar%20\(2008\).pdf](https://users.ssc.wisc.edu/~qwallace/Papers/Cancian,%20Meyer,%20and%20Caspar%20(2008).pdf).
- ⁹ Michael Martinez-Schiferi, Tom Zolot, and Larry Desbien, "Poster Paper: Effects of Child Support Pass through on Colorado Families in Need," Colorado Department of Human Services, November 7, 2019, <https://appam.confex.com/appam/2019/webprogram/Paper30963.html>.
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- ¹³ Sorensen, 2016.
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¹⁵ Kiran Rachamalla, "About 14 Million Low-Income Adults Not Raising Children at Home Would Benefit From Permanently Expanded EITC," CBPP, September 19, 2024, <https://www.cbpp.org/blog/about-14-million-low-income-adults-not-raising-children-at-home-would-benefit-from-permanently>.

¹⁶ Margot Crandall-Hollick, Nikhita Airi, and Richard Auxie, "How the American Rescue Plan's Temporary EITC Expansion Impacted Workers without Children," Urban Institute and Brookings Institute, Tax Policy Center, September 6, 2024, https://taxpolicycenter.org/sites/default/files/2024-10/Final_2021_expanded_EITC_brief%20reformatted%2009052024.pdf.