



THE DEPUTY SECRETARY OF THE TREASURY
WASHINGTON

February 3, 2003

The President
The White House
Washington, DC 20500

Dear Mr. President:

Enclosed is the Department of the Treasury's (Treasury's) annual report concerning the implementation of Executive Order 13019 – *Supporting Families: Collecting Delinquent Child Support Obligations*. I am pleased to report that Treasury continues to collect substantial amounts of delinquent child support debts through its Treasury Offset Program.

The Treasury Offset Program collects delinquent child support debts by intercepting federal payments, a process known as "offset." Treasury has been offsetting federal income tax refunds to collect delinquent child support debts since the early 1980s. A key objective of the Executive Order, issued on September 28, 1996, is to collect delinquent child support obligations through the offset of non-tax federal payments. The Departments of the Treasury and Health and Human Services work jointly and with states and territories to further this goal.

Since the issuance of Executive Order 13019, Treasury has collected \$8.1 billion in delinquent child support obligations from offsetting tax and non-tax payments. Fiscal year 2002 collections exceeded fiscal year 2001 collections by \$89 million when collections from the offset of advance refunds of credit payments (i.e., tax rebates) are excluded. In fiscal year 2002, Treasury collected \$1.47 billion through offsets compared to the \$1.64 billion collected in fiscal year 2001, which includes \$264 million from offsetting tax rebates.

As these figures indicate, Treasury remains strongly committed to collecting delinquent child support obligations through the use of offset of both federal tax refunds and non-tax payments. Treasury will continue to support the worthy goal of collecting these past-due obligations.

Sincerely,



Kenneth W. Dam

Enclosure

cc: The Honorable Tommy G. Thompson

ANNUAL REPORT TO THE PRESIDENT

**IMPLEMENTATION OF
EXECUTIVE ORDER 13019**

**SUPPORTING FAMILIES:
COLLECTING DELINQUENT
CHILD SUPPORT OBLIGATIONS**

October 2001 – September 2002

**Department of the Treasury
December 2002**

ANNUAL REPORT TO THE PRESIDENT

IMPLEMENTATION OF EXECUTIVE ORDER 13019 – SUPPORTING FAMILIES: COLLECTING DELINQUENT CHILD SUPPORT OBLIGATIONS

October 2001 – September 2002

PURPOSE

This report details the progress in implementing Executive Order 13019 (September 28, 1996) - *Supporting Families: Collecting Delinquent Child Support Obligations* during the period October 2001 through September 2002.

BACKGROUND

Since the early 1980's, the Department of the Treasury (Treasury) has been offsetting federal tax refund payments to collect delinquent child support obligations, as well as debts owed to the federal government.

The Debt Collection Improvement Act of 1996 (DCIA), Public Law 104-134 (110 Stat. 1321-358), enacted into law on April 26, 1996, as part of the Omnibus Consolidated Rescissions and Appropriations Act of 1996, authorizes Treasury to offset certain non-tax federal payments to collect delinquent child support debts being enforced by states and territories.

Executive Order 13019 requires the Secretary of the Treasury (Secretary), in consultation with the Secretary of Health and Human Services (HHS), to develop and implement procedures necessary for the Secretary to collect past-due child support debts through offset of federal non-tax payments. Executive Order 13019 also establishes a federal policy to deny federal financial assistance to individuals whose payments are subject to offset as a result of delinquent child support obligations.

After the issuance of Executive Order 13019, HHS and Treasury established a Child Support Work Group to improve interagency cooperation and to facilitate implementation of the Executive Order. With the administrative offset provisions of the Executive Order substantially implemented, HHS and Treasury continue to coordinate the activities and implement the provisions of Executive Order 13019. Treasury and HHS work together extensively at all levels – management, legal, program, technical, and operational - and in conjunction with federal and state staffs. Efforts include contacting states to review individual states' abilities to participate in the program and participating in regional and national conferences on child support enforcement.

KEY RESPONSIBILITIES UNDER THE EXECUTIVE ORDER

Treasury – Treasury’s Financial Management Service (FMS) is responsible for developing and managing a centralized offset process to match federal payments against debts owed to the federal government, states, and territories. This centralized process, known as the Treasury Offset Program (TOP), provides for the offset of federal tax refund payments and non-tax federal payments to collect delinquent child support obligations.

Department of Health and Human Services (HHS) – The Office of Child Support Enforcement (OCSE) manages the Child Support Enforcement Program authorized under Title IV-D of the Social Security Act (Title IV-D). OCSE is responsible for implementing the procedures necessary to report to the Secretary information on past-due child support claims referred to HHS by the states.

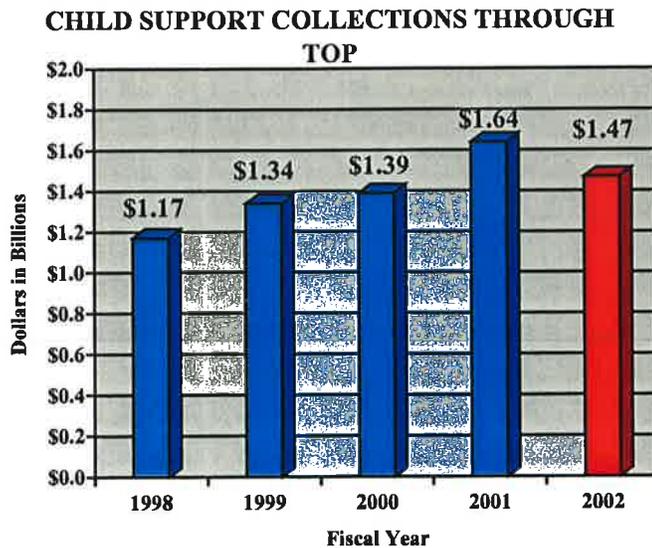
Department of Justice (Justice) – Justice issued guidance to federal agencies concerning the minimum due process standards to be followed when federal agencies deny federal financial assistance to delinquent child support debtors.

States – Child support programs are managed in each of the 50 states, Puerto Rico, the Virgin Islands, Guam, and the District of Columbia. States and territories (hereafter referred to as “states”) are responsible for collecting delinquent child support claims under federal and state laws and regulations. States may, but are not required to, participate in Treasury’s non-tax federal payment offset program to collect past-due child support. By contrast, states are required to participate in Treasury’s federal tax refund offset program in order to receive federal funding under Title IV-D.

ACCOMPLISHMENTS DURING THIS REPORTING PERIOD

OFFSETS -

Collections - FMS offsets federal tax refund payments and certain non-tax payments to collect past due child support obligations under its TOP program. In fiscal year 2002, total TOP collections for delinquent child support obligations from both tax and non-tax payments were \$1.47 billion. The amount collected by offset since the publication of the Executive Order in September 1996 through fiscal year 2002 totals \$8.1 billion.



The amount collected through offset in fiscal year 2002 was less than the \$1.64 billion collected in fiscal year 2001. However, in fiscal year 2001 advance refunds of credit payments, i.e. - tax rebates, were made to taxpayers. Offsets of tax rebates accounted for \$264 million in additional collections in fiscal year 2001. Excluding the additional revenue from tax rebate offset in 2001, the \$1.47 billion collected in fiscal year 2002 exceeded fiscal year 2001 collections by \$89 million.

Collections from non-tax payments for fiscal year 2002 totaled \$3.0 million, a 22% increase over the \$2.45 million collected in fiscal year 2001.

State Participation – The dollar amount of delinquent child support debts referred to FMS for collection from non-tax federal payments increased from \$29.4 billion at the end of fiscal year 2001 to \$32.8 billion at the end of fiscal year 2002. The number of cases submitted to FMS for non-tax offset in fiscal year 2002 totaled 3.4 million. This number is substantially similar to the 3.6 million cases that were submitted to FMS for non-tax federal payment offset in fiscal year 2001.

Treasury and HHS participated in conferences and workshops sponsored by the National Child Support Enforcement Association, OCSE, and FMS' Debt Management Services. The various conferences and workshops provided a forum for educating states on the benefits of the program, encouraging state participation, and discussing processing and program issues. Treasury and HHS also met regularly to discuss policy and technical issues. FMS and OCSE continue to work with the states to promote greater participation in administrative offset.

OCSE Systems Enhancement - In fiscal year 2002, FMS continued to participate in weekly conference calls, and provide technical expertise on the Treasury Offset Program to support OCSE's enhancement of its system that interfaces with states, territories, FMS, the Department of State, and other federal agencies. The OCSE enhancement effort was initiated in fiscal year 2001.

Additional Payment Types Available for Offset - Delinquent child support obligations are currently matched against tax refund payments, Treasury-disbursed vendor payments, and Office of Personnel Management civil service retirement payments. FMS has initiated a phased-in centralized federal salary offset program as part of TOP, and federal salary payments are now available for collection of delinquent child support obligations through TOP. Federal salary payments that are subject to centralized offset include those processed by the Department of Agriculture's National Finance Center and those disbursed by the Department of Interior. Additionally, salary payments disbursed by the Department of Defense and the United States Postal Service will be brought into the centralized offset process in fiscal year 2003. OCSE is working with the states to explore potential state participation in the centralized salary offset program.

Currently, federal law does not permit the offset of certain federal benefit payments (e.g., Social Security) to collect delinquent child support obligations. The increase in child support collections could be significant, i.e., \$50 to \$100 million per year, if this payment type was to be offset to collect delinquent child support debts. Progress has been made this year toward effecting the necessary legislative change to authorize such offsets. In the 107th Congress, a provision

permitting offset of certain benefit payments was included in the Welfare Reform legislation passed by the House of Representatives, and the Senate is expected to follow suit in the 108th Congress. Treasury will continue to work to incorporate this provision in future legislation.

BARRING DELINQUENT DEBTORS –

FMS has developed a system known as *Debt Check* that provides federal credit granting agencies access to information on delinquent debtors submitted to the TOP database of delinquent debtors, to assist federal agencies in denying loans and loan guaranties/insurance to those individuals who owe delinquent child support obligations. This web-based system will be rolled out to federal agencies on a phased basis later this fiscal year. OCSE is in discussions with the states to determine the appropriate method to implement barring delinquent debtors through the *Debt Check* system.

CONCLUSION

Since Executive Order 13019 was promulgated, \$8.1 billion in delinquent child support obligations has been collected through offset. Offset has been and will continue to be a valuable tool for the collection of past due child support. Adding payment types to the offset process and encouraging states' participation remain critical to improving on the success of Executive Order 13019. Treasury and HHS have been and remain committed to improving and enhancing systems and procedures to ensure that the administrative offset program continues to be an effective tool for collecting delinquent child support debts that complements the array of enforcement tools already available to state child support enforcement agencies.