



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

February 6, 2002

SECRETARY OF THE TREASURY

The President
The White House
Washington, DC 20500

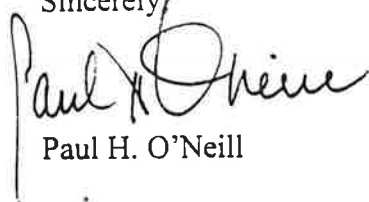
Dear Mr. President:

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.

In fiscal year 2001, Treasury collected \$1.64 billion by offsetting tax and non-tax payments. The \$1.64 billion in child support collections is comprised of \$1.377 billion from offsetting tax refund payments, \$264 million from offsetting advance refunds of credit payments, i.e. – tax rebates, and \$2.45 million from offsetting non-tax payments. The \$1.64 billion represents an increase in collections of \$250 million over fiscal year 2000, and an increase of \$474 million over fiscal year 1998.

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

Sincerely

Paul H. O'Neill

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 2000 – September 2001

Department of the Treasury
January 2002

ANNUAL REPORT TO THE PRESIDENT

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

October 2000 – September 2001

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 2000 through September 2001.

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 facilitate implementation of the Executive Order. With the administrative offset provisions of the Executive Order substantially implemented, the Work Group continues 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. The Work Group meets regularly to define and resolve issues and to evaluate progress in implementing the program.

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

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 2001, total TOP collections for delinquent child support obligations from both tax and non-tax payments were \$1.64 billion, an increase of \$250 million over fiscal year 2000 collections. Included in the \$1.64 billion figure are offsets of advance refunds of credit payments, i.e. - tax rebates, which totaled \$264 million in fiscal year 2001.

Collections from non-tax payments for fiscal year 2001 totaled \$2.45 million, a 44% increase over the \$1.7 million collected in fiscal year 2000. This significant increase in collections can be attributed to the increase in the number of cases and the total dollar amount of delinquent child support obligations submitted by the states for non-tax payment offset.

State Participation – The number and dollar amount of cases submitted for offset significantly increased in fiscal year 2001. A total of 3.6 million cases were submitted to FMS for non-tax federal payment offset, a 50 percent increase over last year. The dollar amount of delinquent child support debts referred to FMS for collection from non-tax federal payments has also increased from \$19.8 billion at the end of fiscal year 2000 to \$29.4 billion at the end of fiscal year 2001.

Treasury and HHS participated in conferences and workshops sponsored by the National Child Support Enforcement Association, Office of Child Support Enforcement, 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 Redesign - In fiscal year 2001, OCSE initiated a redesign of its system that interfaces with states, territories, FMS, the Department of State, and other federal agencies. During the fiscal year, FMS participated in weekly conference calls, providing technical expertise on the Treasury Offset Program.

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. OCSE is working with the states to assess 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 if federal benefit payments were to be offset to collect delinquent child support debts. Collections of delinquent child support obligations are projected to increase \$50 to \$100 million per year if this payment type were offset in TOP. Treasury has determined that the current federal law is an impediment to Treasury's child support collection program. Accordingly, Treasury will recommend that the Administration support legislation that would permit offset of certain federal benefit payments to collect delinquent child support obligations.

Barring Delinquent Debtors – FMS met with federal program agencies, including credit granting agencies, conducted surveys, and began the development of a system that would give 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.

FUTURE PLANS

- FMS will begin offsets of non-Treasury disbursed vendor payments as part of TOP in the next fiscal year. FMS also will work to include in the centralized salary offset process the delinquent child support obligations of those states that are interested in participating. These actions will expand and increase the number of payments from which delinquent child support obligations may be collected by administrative offset.
- Treasury will recommend that the Administration support legislation that would permit offset of certain federal benefit payments to collect delinquent child support obligations. Should this legislation be supported by the Administration and enacted into law, these payments will be offset to collect delinquent child support obligations.

- In the next fiscal year, FMS expects to complete implementation of a process for accessing the TOP database of delinquent debtors, to assist federal credit granting agencies in denying federal financial assistance (loans and loan guaranties/insurance) to those individuals who owe delinquent child support obligations.
- OCSE will continue its system modification efforts, and FMS will continue to provide technical support and guidance to OCSE.

CONCLUSION

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.

