

MEMORANDUM FOR SECRETARY PAUL H. O'NEILL

THROUGH: DONALD V. HAMMOND  
ACTING UNDER SECRETARY FOR DOMESTIC FINANCE

FROM: RICHARD L. GREGG

SUBJECT: Report to the President: Implementation of Executive Order 13019  
(Supporting Families: Collecting Delinquent Child Support  
Obligations)

ACTION FORCING EVENT:

You are required to report annually to the President on the implementation of Executive Order 13019 (September 26, 1996), Supporting Families: Collecting Delinquent Child Support Obligations.

RECOMMENDATION:

That you sign the attached letter forwarding the report to the President.

\_\_\_\_\_ Approve                      \_\_\_\_\_ Disapprove                      \_\_\_\_\_ Let's Discuss

BACKGROUND:

As authorized by the Omnibus Budget Reconciliation Act of 1981, Treasury has been intercepting Federal tax refund payments to collect delinquent child support since 1982. The Debt Collection Improvement Act of 1996 (DCIA) authorizes Treasury to intercept certain Federal non-tax payments to collect delinquent child support obligations, a process known as administrative offset.

Executive Order 13019 (Order) requires Treasury, in consultation with the Department of Health and Human Services (HHS), to implement the DCIA provisions related to child support collection. In addition, the Order requires the Attorney General to issue due process guidelines for Federal agencies to deny direct and indirect loan assistance to delinquent child support debtors whose payments are subject to administrative offset.

The attached letter and report to the President detail the efforts, accomplishments, and future plans of Treasury, HHS, and the Department of Justice, in implementing the Order. The Financial Management Service has consulted and coordinated with HHS staff concerning the content of the report.

Attachments

The Honorable George W. Bush  
President of the United States  
1600 Pennsylvania Avenue  
Washington, DC 20500-0001

Dear Mr. President:

Enclosed is the third annual report, Implementation of Executive Order 13019 – *Supporting Families: Collecting Delinquent Child Support Obligations*. I am pleased to report that significant progress has been made in implementing the Executive Order.

A key objective of the Executive Order, issued on September 28, 1996, is to collect delinquent child support obligations through the interception of non-tax federal payments, a process known as “offset.” The Departments of the Treasury and Health and Human Services established an interagency working group that works with states and territories to provide information about procedures and guidelines in referring child support debts to the Treasury Offset Program (TOP), to encourage their participation in the program, and to assist them in referring delinquent child support obligations for offset. Furthermore, the group aids states and territories in resolving system and programmatic issues related to making referrals.

Treasury is strongly committed to collecting delinquent child support obligations through the use of offset of both federal tax refunds and non-tax payments. In fiscal year 2000, \$1.39 billion was collected by offsetting tax and non-tax payments. This represents an increase of \$47 million over fiscal year 1999 collections, and an increase of \$224 million over fiscal year 1998 collections. In fiscal year 2000, \$1.7 million was collected by offsetting non-tax payments, a 70 percent increase over fiscal year 1999 collections.

Collections from non-tax payment offsets are expected to increase further as Executive Order 13019 is implemented fully, through increased state participation and the incorporation of additional payment streams into TOP. State participation in tax refund offset is mandatory, and, as of September 2000, \$52.7 billion in delinquent child support debts have been referred to TOP for tax refund offset. State participation in non-tax payment offset is voluntary. As of September 2000, 38 states, 3 territories, and the District of Columbia are participating and have referred \$19.8 billion in delinquent child support debts. This is an increase of

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12 entities and \$10.5 billion in delinquent debt referrals for collection by offset of non-tax payments over 1999. In the coming year, Treasury will continue to work toward full implementation of Executive Order 13019 in support of 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 1999 – September 2000**

#### 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 1999 through September 2000. This is the third report provided under the Executive Order.

#### 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, 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 non-tax payments are subject to offset as a result of delinquent child support obligations.

#### 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. 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 issues 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.

#### INTERAGENCY COOPERATION

The HHS-Treasury Child Support 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 conducting regional and national conferences. The Work Group meets regularly to define and resolve issues and to evaluate progress in implementing the program.

Treasury, HHS, and Justice participate in an interagency task force led by the Domestic Policy Council to address child support enforcement issues. This group, which was formed in October 1998, provides a forum to increase coordination among some of the various agencies involved in child support enforcement and to explore ideas for improving child support enforcement efforts.

#### KEY ACCOMPLISHMENTS INCLUDED IN PRIOR REPORTS

***Issuance of Final Rules*** – On August 28, 1998, FMS issued a final rule governing the collection of past due support debts through the offset of non-tax payments. On December 30, 1998, FMS issued a final rule governing the collection of past due support debts through the offset of tax refunds under TOP.

***Merger of Tax Refund Offset into TOP*** – Effective January 1999, FMS and IRS successfully merged the Tax Refund Offset Program into TOP. This merger created a single system for the offset of all Treasury disbursed payments. As a result of this merger, HHS now refers past due child support debts to a single Treasury bureau (FMS) for collection by offset from all eligible federal payments.

***Denial of Federal Financial Assistance*** – Justice, in consultation with Treasury and HHS, has issued final guidance for agencies concerning the minimum due process standards to be followed when denying federal financial assistance. This guidance was distributed to federal agencies on April 26, 1999.

## ACCOMPLISHMENTS DURING THIS REPORTING PERIOD

Treasury submitted the second report on July 3, 2000, detailing progress in the implementation of Executive Order 13019, covering the period of October 1998 through September 1999. In that report, four future plans were discussed: (1) FMS and OCSE would work cooperatively to resolve identified issues, and to increase state participation and the number of delinquent child support debts submitted for offset; (2) FMS would continue to work with OCSE and states in adding enhancements to TOP to increase systems compatibility and flexibility; (3) OCSE, in consultation with FMS, would issue updated guidance to states concerning procedures for submitting past due child support into TOP for offsets of federal tax refund payments and non-tax federal payments; and (4) FMS will incorporate additional payment streams into the TOP program to increase the collection of delinquent child support debt through the offset of non-tax federal payments. Each of these four plans was developed to increase collections of delinquent child support obligations.

The following accomplishments were achieved during this reporting period:

***Increased 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 2000, total TOP collections for delinquent child support obligations from both tax and non-tax payments were \$1.39 billion. This represents an increase of \$47 million over fiscal year 1999 collections, and an increase of \$224 million over fiscal year 1998 collections. Collections from non-tax payments for fiscal year 2000 totaled \$1.7 million, a 70% increase over fiscal year 1999 collections. The substantial increase in collections in fiscal years 1999 and 2000 over fiscal year 1998 collections is due to several factors including enhancements to TOP systems, such as being able to match against both payees' social security numbers on joint payments, and increased state participation through debt referrals.

***Increased State Participation*** – Interagency cooperation between Treasury and HHS has resulted in increased state participation in the non-tax federal payments offset program.

During fiscal year 2000, 42 entities participated in the administrative offset program, an increase of 12 new entities over last year. Participating entities included Alabama, Alaska, Arkansas, Arizona, California, Connecticut, District of Columbia, Delaware, Florida, Georgia, Guam, Hawaii, Iowa, Idaho, Illinois, Indiana, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Mississippi, Missouri, Montana, Nebraska, New Hampshire, New Jersey, New Mexico, Ohio, Oklahoma, Oregon, Puerto Rico, Rhode Island, South Carolina, South Dakota, Tennessee, Vermont, Virgin Islands, Washington, and Wyoming.

As a result of expanded state participation, a total of 2.4 million cases were submitted to FMS for non-tax federal payment offset an increase of 1.3 million 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 \$9.25 billion at the end of fiscal year 1999 to \$19.8 billion at the end of fiscal year 2000.

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 programmatic issues. Treasury and HHS also met monthly to discuss policy and technical issues. FMS and OCSE continue to work with the states to promote full participation in administrative offset.

***Enhancements to TOP Systems and Updated Guidance*** - In fiscal year 2000, FMS made technical enhancements to its TOP systems to facilitate state participation in the offset of non-tax payments to collect delinquent child support obligations. In consultation with FMS, OCSE issued "Action Transmittals" and "Technical User Guides" to states that provided policy and technical information for submitting delinquent child support obligations into TOP.

***Additional Payment Types Available for Offset*** – Delinquent child support obligations are currently matched against tax refund payments, vendor payments and Office of Personnel Management civil service retirement payments. FMS plans to phase in a federal salary offset program as part of TOP beginning in fiscal year 2001 and federal salary payments would be available for collection of delinquent child support obligations through TOP for states wishing to use the program.

Currently, federal law does not permit the offset of certain federal benefit payments (Social Security, Black Lung, and Railroad Retirement) to collect delinquent child support obligations. Legislation (H.R. 436) proposed in the 106<sup>th</sup> Congress included a provision that would permit the offset of these payments to collect delinquent child support obligations. Treasury supported this provision; however, H.R. 436 was not enacted by the 106<sup>th</sup> Congress.

The increase in child support collections could be significant if delinquent child support debts are offset against federal benefit payments. Collections of delinquent child support obligations are projected to increase \$50 to \$100 million per year if this payment type is offset in TOP.

## FUTURE PLANS

- FMS and OCSE will continue to work cooperatively to resolve issues, modernize systems, and provide guidance to states. This cooperative effort is expected to facilitate additional state participation in the non-tax federal payment offset program, and increase the number of delinquent child support debts submitted for offset and increase collections.
- Should legislation be enacted, Social Security, Black Lung, and Railroad Retirement payments will also be included for collection of delinquent child support obligations.

- FMS will work with federal program agencies, especially credit granting agencies such as the Small Business Administration and the United States Department of Agriculture, to develop a process for accessing the TOP database of delinquent debtors. Access to the debtor database will assist federal agencies in denying federal financial assistance (loans and loan guaranties/insurance) to those individuals who owe delinquent child support obligations.

## CONCLUSION

Adding payment streams to the offset process and encouraging states' participation are critical to the success of Executive Order 13019. These steps will result in additional opportunities to collect delinquent child support obligations through offset. Treasury and HHS are 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, as well as one that will complement the array of enforcement tools already available to state child support enforcement agencies.

