



DEPARTMENT OF THE TREASURY  
FINANCIAL MANAGEMENT SERVICE  
WASHINGTON, D.C. 20227  
June 22, 2000

**ACTION**

MEMORANDUM FOR *✓* SECRETARY LAWRENCE H. SUMMERS

THRU: GARY GENSLER *Gen*  
UNDER SECRETARY FOR DOMESTIC FINANCE

DONALD V. HAMMOND *DH*  
FISCAL ASSISTANT SECRETARY

FROM: RICHARD L. GREGG *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 28, 1996), Supporting Families: Collecting Delinquent Child Support Obligations.

RECOMMENDATION:

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

*US OK to auto open per US 6/30/00 per NCC*  
\_\_\_\_ 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.

Attachments

**EXECUTIVE SECRETARIAT**

## MEMORANDUM FOR THE PRESIDENT

**FROM:** Lawrence H. Summers

**SUBJECT:** Implementation of Executive Order 13019 - Supporting Families:  
Collecting Delinquent Child Support Obligations

Attached is the second 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, which was 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 which 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. Collections against non-tax payments remain modest compared to collections against federal tax refunds, however, due to differences in the size and nature of the non-tax payment streams that currently are subject to offset and the fact that participation in the offset of non-tax payments is voluntary for the states. For fiscal year 1999, \$1 million was collected by offsetting non-tax payments. In comparison, \$1.31 billion was collected in 1999 by offsetting tax refund payments.

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. As of September 1999, 28 states, 1 territory, and the District of Columbia have referred more than \$9.25 billion in delinquent child support debts. This is an increase of 15 entities and \$2.4 billion in delinquent debt referrals over 1998. 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.

Attachment

cc: Honorable Donna E. Shalala

## ANNUAL REPORT TO THE PRESIDENT

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

**October 1998 – September 1999**

#### 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 1998 through September 1999.

#### 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 is responsible for issuing 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 are responsible for collecting delinquent child support claims under federal and state laws and regulations. States and territories (hereafter referred to as “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

Treasury and HHS established the Joint HHS-Treasury Child Support Work Group to coordinate the activities and implement the provisions of Executive Order 13019. The Work Group meets monthly to define and resolve issues and to evaluate progress in implementing the program.

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, obtaining comments on proposed regulations, and conducting regional and national conferences. In the past year, a series of regional conferences was held in Ft. Lauderdale, Phoenix, St. Louis, and the District of Columbia, which focused on educating states on the benefits of the program, encouraging their participation, and discussing processing and programmatic issues.

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.

Justice worked with Treasury and HHS to develop guidance for federal agencies concerning the minimum due process standards to be followed when denying federal financial assistance.

### ACCOMPLISHMENTS DURING THIS REPORTING PERIOD

Treasury submitted the first report on February 16, 1999, detailing progress in the implementation of Executive Order 13019, covering the period of September 1996 through September 1998. In that report, five future plans were discussed: (1) FMS would issue a final rule governing the offset of tax refunds by FMS to collect past due support; (2) FMS and IRS would merge the Tax Refund Offset Program into the Treasury Offset Program (TOP); (3) 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; (4) Justice

would issue its guidance to federal agencies concerning the minimum due process; and (5) FMS would add additional payment streams into TOP.

The following accomplishments represent the progress in achieving those plans:

***Issuance of Final Rule*** – 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.

***Increased State Participation*** – State participation in the non-tax federal payments offset program substantially increased from last year, as a result of FMS and OCSE working together to resolve identified issues and the successful merger of the Tax Refund Offset Program into TOP.

As of September 1999, there were 30 entities participating in the administrative offset program, an increase of 15 new entities over last year. Participating entities now include Alabama, Arkansas, Arizona, California, Connecticut, District of Columbia, Delaware, Florida, Georgia, Hawaii, Iowa, Idaho, Illinois, Louisiana, Massachusetts, Michigan, Montana, Nebraska, New Hampshire, New Jersey, Ohio, Oklahoma, Oregon, Puerto Rico, Rhode Island, South Dakota, Tennessee, Vermont, Washington, and Wyoming.

Consequently, a total of 1,165,015 cases have been submitted to FMS for non-tax federal payment offset, an increase of 403,646 over last year. The amount of delinquent child support debts referred to FMS for collection from non-tax federal payments has also increased from \$6.8 billion to \$9.25 billion. FMS and OCSE continue to work with the states to promote full participation.

***Offsets Taken*** – In June 1997, FMS began offsetting non-tax federal payments to collect past due child support obligations. Since the merger of the Tax Refund Offset Program into TOP in January 1999, FMS has also been offsetting federal tax refund payments to collect past due child support obligations. The amount of offsets collected under TOP for 1999 totaled \$1.31 billion from tax refund payments and \$1 million from non-tax payments, a total increase of more than \$176.4 million over 1998. Of this increase, the offsets of non-tax federal payments increased by \$318,000 and the offsets of federal tax refund payments increased by \$176.1 million.

***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.

***Additional Payment Streams*** – Delinquent child support obligations are currently matched against two types of non-tax payments: vendor payments and OPM retirement payments. FMS is also conducting a pilot to incorporate federal salary payments into TOP. Another potential

payment stream is federal benefit payments (Social Security, Black Lung, and Railroad Retirement). Currently, federal law does not permit the offset of these benefit payments to collect delinquent child support obligations. However, legislation pending in the 106<sup>th</sup> Congress (H.R. 436) contains a provision that would permit the offset of these payments to collect delinquent child support obligations. Treasury supports this provision in H.R. 436.

While the impact on non-tax collections is expected to be meaningful if both potential payment streams are incorporated into the process, we do not expect that the magnitude of collections through offsets of non-tax payments will approach the amounts collected from the offset of federal tax refunds.

### FUTURE PLANS

- FMS and OCSE will continue to work cooperatively to resolve identified issues. 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.
- 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. Federal salary payments will be added as federal salary paying agencies are converted to the offset process. Should pending legislation be enacted, Social Security, Black Lung, and Railroad Retirement payments will also be added to TOP.
- OCSE, in consultation with FMS, will 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.
- FMS will continue to work with OCSE and states in adding enhancements to TOP to increase systems' compatibility and flexibility.

### 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.