

MEMORANDUM FOR SECRETARY HENRY M. PAULSON

THRU: ROBERT K. STEEL
 UNDER SECRETARY FOR DOMESTIC FINANCE

 DONALD V. HAMMOND
 FISCAL ASSISTANT SECRETARY

FROM: KENNETH R. PAPAJ

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

SUMMARY:

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.

_____ 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. The attached letter and report to the President detail the efforts and accomplishments of Treasury and HHS in implementing the Order.

Attachment

The President
The White House
Washington, DC 20500

Dear Mr. President:

I am pleased to present the annual report of the Department of the Treasury (Treasury) concerning the implementation of Executive Order 13019 – *Supporting Families: Collecting Delinquent Child Support Obligations*. In fiscal year 2006, Treasury continued to collect substantial amounts of delinquent child support debts through its Treasury Offset Program (TOP).

TOP 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 2006, Treasury collected \$1.586 billion in delinquent child support debts through offsets. This amount included \$1.582 billion from tax refund offsets and \$4.6 million from offsets of non-tax payments. Since the issuance of Executive Order 13019, Treasury has collected \$13.934 billion in delinquent child support obligations from offsetting federal payments, of which \$13.911 billion resulted from tax refund payments and \$23 million resulted from non-tax payments. A more detailed summary of Treasury's child support collection activity is enclosed with this letter.

Currently, federal law does not permit the offset of certain federal benefit payments (e.g., Social Security) to collect delinquent child support. The increase in child support collections could be significant, i.e., \$50 to \$100 million per year, if this payment type were to be offset to collect delinquent child support debts. In the 109th Congress, a provision authorizing this offset is included in pending welfare reform reauthorization legislation.

Executive Order 13019 also established a federal policy to deny federal financial assistance to individuals whose payments are subject to offset as a result of delinquent child support obligations. Treasury's Financial Management Service 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. One purpose of *Debt Check* is to assist federal agencies in denying loans and loan guaranties/insurance to those individuals who owe delinquent federal debts; however, the system can include delinquent child support debts as well. A number of states agreed to include their child support debts in *Debt Check*, beginning in fiscal year 2005. As of this date, ten states are participating in the *Debt Check* program.

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 important goal of implementing the provisions of Executive Order 13019.

Sincerely,

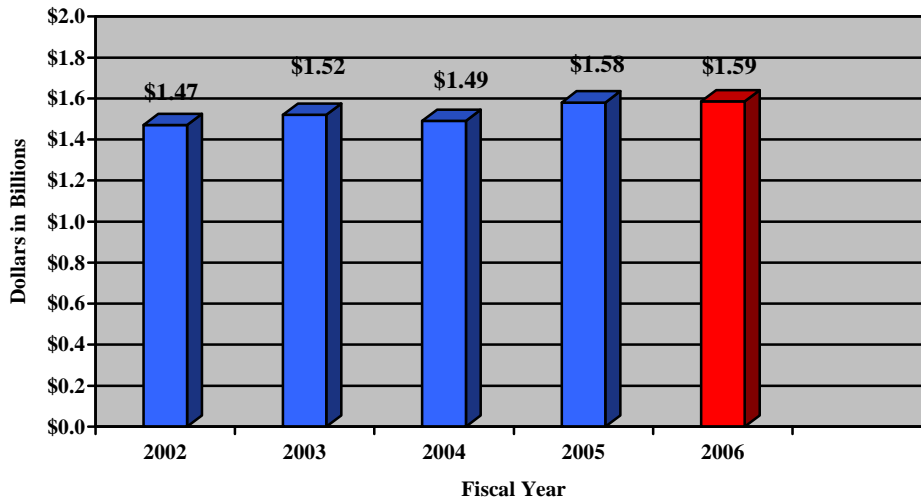
Henry M. Paulson, Jr.

Enclosure

cc: The Honorable Michael O. Leavitt

SUMMARY OF TREASURY OFFSET PROGRAM CHILD
SUPPORT COLLECTION ACTIVITY

**CHILD SUPPORT COLLECTIONS THROUGH
THE TREASURY OFFSET PROGRAM**



Financial Management Service (FMS) offsets federal tax refund payments and certain non-tax payments to collect past due child support obligations under its Treasury Offset Program (TOP). In fiscal year 2006, total TOP collections for delinquent child support obligations from both tax and non-tax payments were \$1.586 billion, \$2.6 million more than the \$1.583 billion collected in fiscal year 2005. The amount collected by offset since the publication of the Executive Order in September 1996 through fiscal year 2005 totals \$13.9 billion.

Collections from non-tax payments for fiscal year 2006 totaled \$4.6 million, slightly more than the \$3.5 million collected in fiscal year 2005.