

MEMORANDUM FOR SECRETARY JOHN W. SNOW

THROUGH: DONALD V. HAMMOND  
FISCAL ASSISTANT SECRETARY

BRIAN C. ROSEBORO  
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)

SUMMARY:

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 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 to the President details the accomplishments of Treasury and HHS in implementing the Order. The Financial Management Service has consulted and coordinated with HHS staff concerning the content of the letter.

Attachment

The President  
The White House  
Washington, DC 20500

Dear Mr. President:

I am pleased to present the Department of the Treasury's (Treasury's) annual report concerning the implementation of Executive Order 13019 – *Supporting Families: Collecting Delinquent Child Support Obligations*. In fiscal year 2004, 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 2004, Treasury collected \$1.49 billion in delinquent child support debts through offsets. This amount included \$1.487 billion from tax refund offsets and \$2.6 million from offsets of non-tax payments. Since the issuance of Executive Order 13019, Treasury has collected \$11.1 billion in delinquent child support obligations from offsetting tax and 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. A provision permitting offset of certain benefit payments was included in the Welfare Reform legislation passed by the House of Representatives in the 108th Congress. The Senate version of this bill, which has been approved by the Senate Finance Committee, included similar language.

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. The initial 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. In Fiscal Year 2004, a number of States agreed to participate in *Debt Check*, beginning in Fiscal Year 2005, in order to implement the denial of federal financial assistance to individuals who are delinquent in their child support obligations. As of this date, six States are already 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.

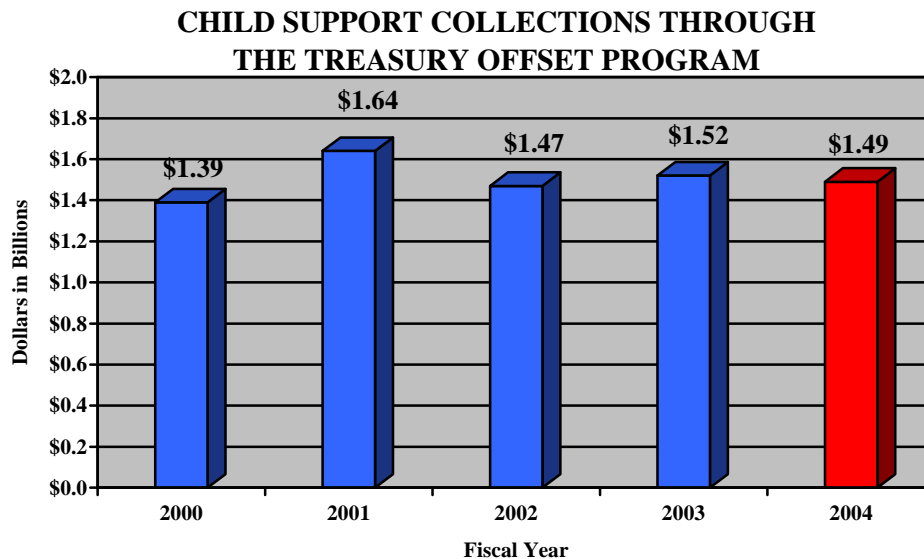
Sincerely,

John W. Snow

Enclosure

cc: The Honorable Tommy G. Thompson

## SUMMARY OF TREASURY OFFSET PROGRAM CHILD SUPPORT COLLECTION ACTIVITY



**Collections** - 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 2004, total TOP collections for delinquent child support obligations from both tax and non-tax payments were \$1.49 billion, slightly less than the \$1.52 billion collected in fiscal year 2003. The amount collected by offset since the publication of the Executive Order in September 1996 through fiscal year 2004 totals \$11.1 billion.

Collections from non-tax payments for fiscal year 2004 totaled \$2.6 million, slightly less than the \$3.1 million collected in fiscal year 2003.

**State Participation** - The dollar amount of delinquent child support debts referred to FMS for collection from non-tax federal payments increased from \$34.8 billion at the end of fiscal year 2003 to \$39.4 billion at the end of fiscal year 2004. The number of cases submitted to FMS for non-tax offset in fiscal year 2004 totaled 3.2 million, the same number of cases submitted to FMS for this purpose in fiscal year 2003.