

ACTION MEMORANDUM FOR SECRETARY HENRY M. PAULSON

THRU KENNETH E. CARFINE
 FISCAL ASSISTANT SECRETARY

FROM: JUDITH R. TILLMAN

SUBJECT: Report to the President: Implementation of Executive Order
 13019 (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

Executive Order 13019 requires Treasury to report annually to the President on the collection of delinquent child support obligations.

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 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 and accomplishments of Treasury and HHS in implementing the Order.

Attachment

The President
The White House
Washington, DC 20500

Dear Mr. President:

Enclosed is 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 2007, 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 2007, Treasury collected \$1.7 billion in delinquent child support debts through offsets. This amount included \$1.696 billion from tax refund offsets and \$4.2 million from offsets of non-tax payments. Since the issuance of Executive Order 13019, Treasury has collected \$15.634 billion in delinquent child support obligations from offsetting federal payments, of which \$15.607 billion resulted from tax refund payments and \$27 million resulted from non-tax payments. A more detailed summary of Treasury's child support collection activity is enclosed with this letter.

While certain federal benefit payments (e.g., Social Security) are offset to collect debts owed to the United States, currently federal law does not permit the offset of these benefit payments to collect delinquent child support. The increase in child support collections could be significant, i.e., \$131 million per year, if this payment type were to be offset to collect delinquent child support debts. In the 109th Congress, a provision authorizing the offset was included in pending welfare reform reauthorization legislation.

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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,

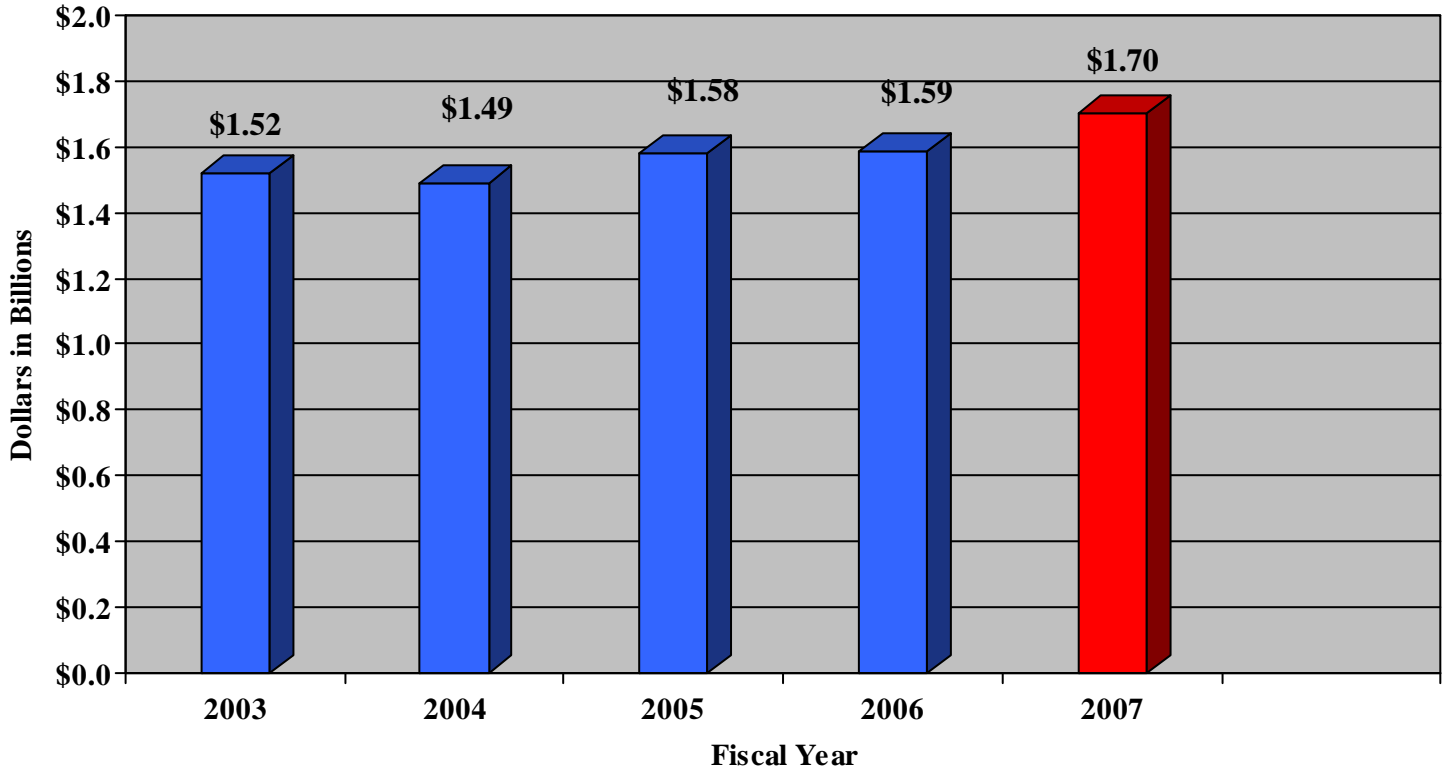
Henry M. Paulson, Jr.

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 2007, total TOP collections for delinquent child support obligations from both tax and non-tax payments were \$1.700 billion, \$114.0 million more than the \$1.586 billion collected in fiscal year 2006. The amount collected by offset since the publication of the Executive Order in September 1996 through fiscal year 2007 totals \$15.6 billion.