



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

February 16, 1999

SECRETARY OF THE TREASURY

MEMORANDUM FOR THE PRESIDENT

FROM: Robert E. Rubin *RE*

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

Attached is the report, *Implementation of the Provisions 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 provisions of the Executive Order.

The key objective of the Executive Order is to collect delinquent child support obligations through the interception of Federal nontax payments, a process known as "administrative offset." Secretary Shalala and I have established an inter-agency work group, led by senior officials, to oversee and guide the program. This group has worked closely with the states and territories to provide information, encourage voluntary participation, resolve system and programmatic issues, and assist them in referring delinquent child support obligations for offset.

Treasury has been committed to the collection of delinquent child support obligations for many years. Since 1982, Treasury has collected \$9.2 billion in delinquent child support obligations, including over \$1.1 billion in 1998, through the offset of Federal tax refund payments. Since June 1997, when Treasury started offsetting nontax Federal payments to collect delinquent child support, the administrative offset program has experienced steady growth. As of September 1998, collections of child support obligations totaled over \$682,000, and 15 states and territories have referred over \$6.8 billion in delinquent child support debts to Treasury for collection under this program. We expect state participation and collections to grow significantly in 1999.

The Executive Order was issued to protect the health, education, and well-being of the children whose parents fail to meet their child support obligations. We will continue our efforts to work toward full implementation of the provisions of Executive Order 13019 in support of this worthy goal.

Attachment

cc: Honorable Donna E. Shalala

REPORT TO THE PRESIDENT

**IMPLEMENTATION OF
EXECUTIVE ORDER 13019**

***SUPPORTING FAMILIES:
COLLECTING DELINQUENT
CHILD SUPPORT OBLIGATIONS***

September 1996 - September 1998

**Department of the Treasury
November 1998**

REPORT TO THE PRESIDENT

IMPLEMENTATION OF THE PROVISIONS OF EXECUTIVE ORDER 13019 - SUPPORTING FAMILIES: COLLECTING DELINQUENT CHILD SUPPORT OBLIGATIONS

September 1996 - September 1998

PURPOSE

This report details the progress in implementing the provisions of Executive Order 13019 (September 28, 1996), Supporting Families: Collecting Delinquent Child Support Obligations, as required under Section 3(b) of the Executive Order.

BACKGROUND

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, included a provision that permitted the offset of certain Federal payments to collect delinquent child support debts being enforced by States and Territories. The Department of the Treasury has been offsetting Federal tax refund payments to collect delinquent child support obligations since 1982.

Executive Order 13019 (September 28, 1996), *Supporting Families: Collecting Delinquent Child Support Obligations*, requires the Secretary of the Treasury (Secretary), in consultation with the Secretary of Health and Human Services, to promptly develop and implement procedures necessary for the Secretary to collect past-due child support debts by administrative offset. Executive Order 13019 also established a Federal policy to deny Federal financial assistance to individuals whose payments are subject to administrative offset because of delinquent child support obligation.

KEY RESPONSIBILITIES UNDER THE EXECUTIVE ORDER

Department of the Treasury (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. When a match occurs and a payment recipient who owes a delinquent child support debt is identified, the payment is withheld or reduced (offset) by the amount of the debt (with some restrictions). This centralized process is referred to as administrative offset. Delinquent child support obligations currently are

matched against vendor/miscellaneous payments, and OPM retirement payments, and will be matched against Federal salary payments in the future. The offset of these payments may build upon existing processes already in operation at State Child Support Enforcement agencies. Treasury also matches delinquent child support obligations against Federal tax refund payments under the Treasury Tax Refund Offset Program.

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 procedures necessary to report to the Secretary of the Treasury 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 obligors.

States - Child support programs are managed in each of the 50 states, Puerto Rico, the Virgin Islands, Guam, and Washington D.C. Though not specifically mentioned in the Executive Order, States and Territories generally 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 administrative offset to collect past due child support. By contrast, States are required to participate in Federal tax refund offset.

IMPLEMENTATION STRATEGY AND METHODOLOGY

Implementation of the Treasury Offset Program - The DCIA included provisions for centralizing administrative offset of Federal payments within the Department of the Treasury to collect debts owed to the Federal Government. FMS established the Treasury Offset Program (TOP) to implement the centralized program. The DCIA also authorized the offset of certain Federal payments to collect delinquent child support debts being enforced by States. Delinquent child support obligations are now collected as part of TOP. The inclusion of additional payment streams into TOP in 1999 may increase the potential for recovery of delinquent child support obligations.

Merger of Tax Refund Offset into TOP - Since the 1980's, HHS has referred delinquent child support debt, on behalf of the States, to the Treasury's Internal Revenue Service (IRS) for collection by offset of tax refund payments. Since the program's inception, \$9.2 billion of past due child support has been collected through the offset of tax refund payments. FMS and IRS have entered into an agreement to merge the Tax Refund Offset Program into TOP, effective January 1, 1999. This merger will result in HHS referring past due child support debts to a single Treasury bureau (FMS) for collection by offset from all eligible Federal payments.

Encouraging State Participation - State participation in the administrative offset process under the Executive Order is voluntary. Currently, 15 entities are participating, and have submitted \$6.8 billion in delinquent child support debts. FMS and OCSE have held meetings and discussions with States, and are working cooperatively to encourage States to participate in the program. Through these discussions and meetings, issues that would facilitate State participation have been identified, and desired features are being built into the TOP system. FMS and OCSE will continue to work with the States to promote full participation.

Addition of Payment Streams Available for Offset - A key factor in the decision of States to participate in TOP is the types of payments from which offsets can be taken. Currently, payment streams being offset include Federal civil service retirement, vendor/miscellaneous payments, and some Federal salary payments. FMS expects to incorporate additional payments, including all Federal salary payments and payments by non-Treasury Disbursing Officials, into TOP in the near future. FMS is building the flexibility into TOP that will facilitate additional State participation.

Denial of Federal Financial Assistance - FMS is developing a strategy for ensuring that information concerning individuals whose payments are subject to administrative offset because of delinquent child support obligations is made available to Federal agencies that provide loans (other than disaster loans), loan insurance, or loan guarantees. After the issuance of final guidance by Justice concerning the necessary due process standards for Federal agencies that provide Federal financial assistance, and the increased submission of delinquent child support debts for administrative offset by States, FMS will issue any additional guidance necessary to meet its responsibilities in this area.

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, chaired by the Treasury Fiscal Assistant Secretary meets monthly to define and resolve issues and to evaluate progress in implementing the program.

Treasury and OCSE work together extensively at all levels -- management, legal, program, technical, and operational, and in conjunction with Federal, regional office, and State staffs. Efforts include visiting States to understand individual States' abilities to participate in the program, obtaining comments on proposed regulations, and conducting regional and national conferences.

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

State Participation - As of September 1998, there were 15 entities participating in the administrative offset program, and a total of 761,369 cases submitted, representing \$6.8 billion in delinquent child support debts nationwide. Participating entities are Alaska, Arizona, Connecticut, Illinois, Iowa, Kansas, Massachusetts, Montana, Nebraska, Oklahoma, Oregon, South Dakota, Vermont, the County of Los Angeles (California), and the District of Columbia.

Offsets Taken During the Reporting Period - FMS began offsetting payments to collect past due child support debts in June 1997. For the period June 10, 1997 - September 30, 1998, child support administrative offsets totaled \$682,000.

Guidance for State Participation - OCSE has issued on-going guidance to the states for participation in administrative offset as of February 1997.

Regulations - The interim rule governing the collection of past due support debts by administrative offset was published in the Federal Register on July 7, 1997, and a final rule was published on August 28, 1998. FMS also published, on August 3, 1998, a Notice of Proposed Rulemaking governing the collection of past due support debts through the offset of tax refunds under the TOP. FMS has consulted with, and when applicable, obtained the approval of, IRS and HHS in preparing these rules.

Denial of Federal Financial Assistance - Justice has drafted guidance for agencies concerning the minimum due process standards to be followed when denying Federal financial assistance. Once finalized, this guidance will be distributed to all Federal agencies.

FUTURE PLANS

- FMS and OCSE will continue to work cooperatively to resolve identified issues. This should facilitate additional State participation in the administrative offset program and increasing the number of delinquent child support debts submitted for offset.
- FMS will add additional payment streams into the TOP program, thus increasing collection of delinquent child support debt through administrative offset.
- FMS and IRS will merge the Tax Refund Offset Program and TOP effective January 1, 1999. This, in conjunction with systems enhancements, should result in greater participation by States in TOP and make participation in both programs easier.
- FMS will issue a final rule governing the offset of tax refunds by FMS to collect past due support.
- Justice will issue its guidance to Federal agencies concerning the minimum due process

standards to be followed when denying Federal financial assistance. This will permit establishment of an operational program to deny Federal financial assistance to individuals delinquent on their child support obligations.

CONCLUSION

The keys to success in implementing the administrative offset provision of Executive Order 13019 are the inclusion of additional payment streams into the offset process and the increased participation of States in the program, which will result in additional opportunities to collect delinquent child support obligations through offset. Treasury and HHS are committed to establishing this program as an effective tool to secure payment of delinquent child support debt, one that will complement the array of enforcement tools otherwise available to State child support enforcement agencies, and are concentrating their efforts toward achieving these key objectives.