



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

January 8, 2004

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 2003, 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 2003, Treasury collected \$1.52 billion in delinquent child support debts through offsets. This amount included \$1.4 billion from tax refund offsets, \$121 million from offsets of tax refunds for advance child tax credits, and \$3.1 million from offsets of non-tax payments. Since the issuance of Executive Order 13019, Treasury has collected \$9.6 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 was 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, and the Senate version of this bill, which has been approved by the Senate Finance Committee, includes 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, to assist federal agencies in denying loans and loan guaranties/insurance to those individuals who owe delinquent child support obligations. This system can be used to implement the denial of federal financial assistance to individuals who are delinquent in their child support obligations as provided for in the Executive Order.

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,

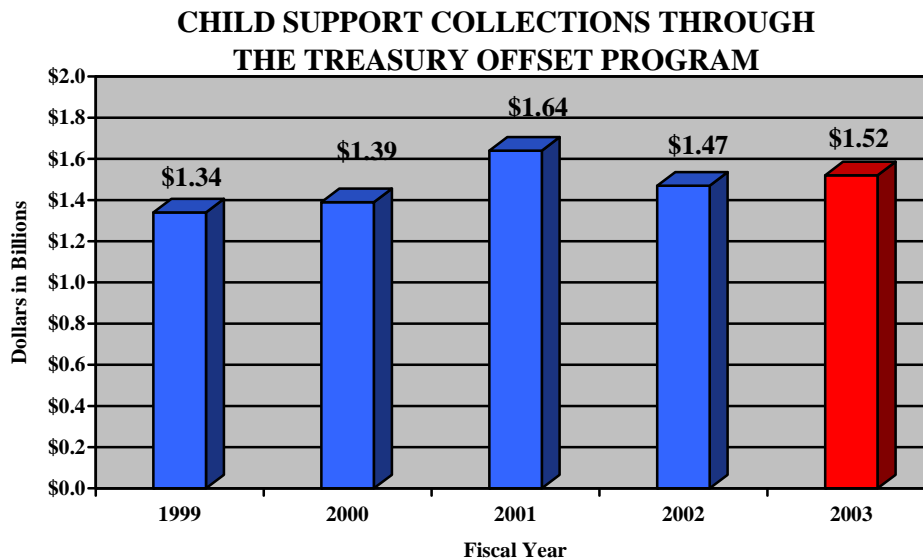
A handwritten signature in cursive script, appearing to read "John W. Snow".

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 2003, total TOP collections for delinquent child support obligations from both tax and non-tax payments were \$1.52 billion. The amount collected by offset since the publication of the Executive Order in September 1996 through fiscal year 2003 totals \$9.6 billion.

The amount collected through offset in fiscal year 2003 was greater than the amount collected in fiscal year 2002 due to the \$121 million collected from the offset of advance child tax credit payments, i.e., tax rebates. It is noted that while there were no tax rebates in fiscal year 2002, in fiscal year 2001 advance refunds of credit payments were made to taxpayers which accounted for \$264 million in additional collections.

Collections from non-tax payments for fiscal year 2003 totaled \$3.1 million, slightly more than the \$3.0 million collected in fiscal year 2002.

State Participation - The dollar amount of delinquent child support debts referred to FMS for collection from non-tax federal payments increased from \$32.8 billion at the end of fiscal year 2002 to \$34.8 billion at the end of fiscal year 2003. The number of cases submitted to FMS for non-tax offset in fiscal year 2003 totaled 3.2 million. This number is only slightly less than the 3.4 million cases that were submitted to FMS for non-tax federal payment offset in fiscal year 2002.