



DEPARTMENT OF THE TREASURY

WASHINGTON, D.C.

SECRETARY OF THE TREASURY

January 11, 2007

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 was included in pending welfare reform reauthorization legislation.

Page 2 - The President

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,

A handwritten signature in dark ink, appearing to read "H. M. Paulson, Jr.", written in a cursive style.

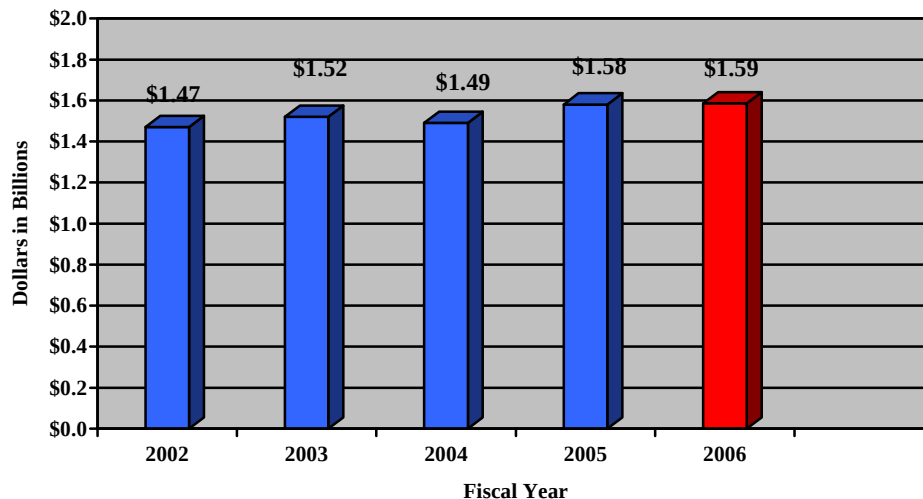
Henry M. Paulson, Jr.

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 for delinquent child support obligations from non-tax payments for fiscal year 2006 totaled \$4.6 million, an increase over the \$3.5 million collected in fiscal year 2005.