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### RESTRICTION CODES

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- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
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- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

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- b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
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- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

Susan Hasman  
upjohn



**Bureau of Labor Statistics  
Office of the Commissioner  
Facsimile Cover Sheet**

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**To: Eric Gould**  
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**Date: 2/15/00**

**Pages including this 13  
cover page:**

**COMMENTS: The information in this report principally is on "contingent workers," but, as I indicated, there is material on people working under "alternative work arrangements," including independent contractors. Table 13 shows usual median weekly earnings for both full- and part-time independent contractors.**

**From our monthly household survey (the CPS) we will have data already tabulated on self-employed workers, but I don't know off-hand if we capture earnings figures for those workers (I suspect not). Tom or Howard will be able to readily answer that question tomorrow.**

# News

United States  
Department  
of Labor



Bureau of Labor Statistics

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## CONTINGENT AND ALTERNATIVE EMPLOYMENT ARRANGEMENTS, FEBRUARY 1999

The proportion of U.S. workers holding contingent jobs was about unchanged between February 1997 and February 1999, the Bureau of Labor Statistics of the U.S. Department of Labor reported today. Contingent workers are persons who hold jobs that are temporary or not expected to last. Using three alternative measures, contingent workers comprised 1.9 to 4.3 percent of total employment in February 1999. (See table A.) In February 1997, the estimates were not much different, ranging from 1.9 to 4.4 percent; in February 1995, the first year the survey was conducted, the estimates ranged from 2.2 to 4.9 percent. The period between February 1995 and February 1999 was one of strong employment growth and falling unemployment.

The analysis in this release focuses on the broadest estimate of contingent workers—all those who do not expect their current job to last.

The February 1999 survey also identified workers with alternative employment arrangements. There were 8.2 million workers (6.3 percent of the total employed) who were identified as independent contractors, 2.0 million (1.5 percent) who worked on-call, 1.2 million (0.9 percent) who worked for temporary help agencies, and 769,000 (0.6 percent) who worked for contract firms. Between February 1997 and February 1999, the proportion of workers employed as independent contractors declined, while the proportions employed in the other three alternative work arrangements were little changed. From February 1995 to February 1997, the proportions in all four categories were little changed.

A worker's employment arrangement could be both contingent and alternative, since contingent work is defined separately from the four alternative employment arrangements. The proportion of workers in alternative employment arrangements who also are classified as contingent (under estimate 3 in table A) ranged from 3 percent for independent contractors to 56 percent for workers employed by temporary help agencies.

The results of the February 1999 survey showed that the characteristics of workers with contingent jobs and in alternative employment arrangements were similar to those in the prior two surveys. These surveys have been conducted as supplements to the Current Population Survey, a monthly survey of about 50,000 households that is the primary source of information on the nation's labor force. A description of the concepts and definitions in the supplement is shown in the Technical Note beginning on page 7. Results of the February 1999 survey included the following highlights:

- Under the broadest estimate, a total of 5.6 million workers held contingent jobs. These workers were more than twice as likely as noncontingent workers to be under the age of 25. Contingent workers also were somewhat more likely to be female; more than half (51 percent) of all contingent workers were women, compared with 47 percent of noncontingent workers.
- Young contingent workers were more likely to be students than their noncontingent counterparts. Among 16- to 24-year-olds, 66 percent of contingent workers were enrolled in school, compared with about 40 percent of noncontingent workers.

**Table A. Contingent workers and workers in alternative arrangements as a percent of total employment, February 1999**

Definition and alternative estimates of contingent workers	Percent of total employed
<p><i>Contingent workers</i> are those who do not have an implicit or explicit contract for ongoing employment. Persons who do not expect to continue in their jobs for personal reasons such as retirement or returning to school are not considered contingent workers, provided that they would have the option of continuing in the job were it not for these personal reasons.</p>	
<p><b>Estimate 1</b> Wage and salary workers who expect their jobs will last for an additional year or less and who had worked at their jobs for 1 year or less. Self-employed workers and independent contractors are excluded from the estimate. For temporary help and contract workers, contingency is based on the expected duration and tenure of their employment with the temporary help or contract firm, <u>not</u> with the specific client to whom they were assigned.</p>	1.9
<p><b>Estimate 2</b> Workers including the self-employed and independent contractors who expect their employment to last for an additional year or less and who had worked at their jobs (or been self-employed) for 1 year or less. For temporary help and contract workers, contingency is determined on the basis of the expected duration and tenure with the client to whom they are assigned, instead of their tenure with the temporary help or contract firm.</p>	2.3
<p><b>Estimate 3</b> Workers who do not expect their jobs to last. Wage and salary workers are included even if they already had held the job for more than 1 year and expect to hold the job for at least an additional year. The self-employed and independent contractors are included if they expect their employment to last for an additional year or less and they had been self-employed or independent contractors for 1 year or less.</p>	4.3
<p style="text-align: center;"><b>Type of alternative arrangement</b></p>	
<p><b>Independent contractors</b> Workers who were identified as independent contractors, independent consultants, or freelance workers, whether they were self-employed or wage and salary workers.</p>	6.3
<p><b>On-call workers</b> Workers who are called to work only as needed, although they can be scheduled to work for several days or weeks in a row.</p>	1.5
<p><b>Temporary help agency workers</b> Workers who were paid by a temporary help agency, whether or not their job was temporary.</p>	.9
<p><b>Workers provided by contract firms</b> Workers who are employed by a company that provides them or their services to others under contract, and who are usually assigned to only one customer and usually work at the customer's worksite.</p>	.6

- Contingent workers were found at both ends of the education spectrum. Among 25- to 64-year olds, 12 percent of contingent workers had less than a high school diploma, compared with 9 percent of noncontingent workers. The proportion of contingent workers who were college graduates (39 percent) also was higher than that for noncontingent workers (31 percent).
- Although a large proportion of contingent workers were employed part time (44 percent), the vast majority of part-time workers (90 percent) were not holding a contingent job.
- There was wide variation in the characteristics of workers with alternative employment arrangements. For example, compared with workers in a traditional arrangement, independent contractors tended to be older, white, and male, while temporary help agency workers tended to be younger, female, black, and Hispanic.
- A majority (53 percent) of contingent workers would have preferred a job that was permanent.
- There was wide variation in the job satisfaction of workers with alternative employment arrangements. The vast majority (84 percent) of independent contractors were satisfied with their current arrangement. In contrast, 57 percent of temporary help agency workers and 47 percent of on-call workers would have preferred to be in a traditional work arrangement.
- Median weekly earnings of full-time wage and salary workers with contingent jobs were 77 percent of the earnings of noncontingent workers. Contingent workers were much less likely than noncontingent workers to receive employer-provided health insurance and to participate in employer-provided pension plans.
- There was wide variation in the earnings of workers with alternative employment arrangements. Independent contractors and contract company workers earned more than traditional workers, while temporary help agency workers and on-call workers earned less.
- Between February 1997 and February 1999, earnings for contract company workers and independent contractors increased by about 22 percent, nearly three times the rate of growth for all workers (7.8 percent).

#### Demographic characteristics of contingent workers

In February 1999, 5.6 million workers were classified as contingent (using the broadest estimate). As was the case in prior surveys, contingent workers were more than twice as likely as noncontingent workers to be young, that is, between the ages of 16 and 24. (See tables 1 and 2.) Many of these young contingent workers were enrolled in school at the time of the survey; two-thirds of young contingent workers were in school, compared with about two-fifths of noncontingent workers. The large proportion of contingent workers enrolled in school suggests that the flexibility of a temporary job is compatible with school attendance. Compared with noncontingent workers, contingent workers age 25 to 64 were found disproportionately in both lower and higher educational attainment categories. (See table 3.)

The proportion of contingent workers who were women (51 percent) was slightly higher than that for noncontingent workers (47 percent). Contingent and noncontingent workers were about equally likely to be black; about 1 in 10 of both contingent and noncontingent workers was black. (See table 2.)

### Occupation and industry of contingent workers

As was the case in previous surveys, workers with contingent jobs were found in a wide range of occupations. Contingent workers were overrepresented in professional specialty, administrative support, and service occupations. They were more likely than noncontingent workers to hold jobs in the construction and services industries. (See table 4.)

### Job preferences of contingent workers

Although the majority of contingent workers (53 percent) would have preferred to have permanent rather than temporary jobs, 39 percent of contingent workers preferred their arrangement, slightly higher than the proportion from the February 1997 survey (36 percent). (See table 10.)

### Compensation of contingent workers

As in the prior surveys, contingent workers earned less than their noncontingent counterparts in February 1999. Among full-time workers, median weekly earnings for contingent workers (\$415) were 77 percent of those of noncontingent workers (\$542). (See table 13.) The disparity in earnings is due in part to the many differences in the characteristics of contingent and noncontingent workers.

Contingent workers continued to be less likely to receive employer-provided health insurance. In February 1999, only about 1 in 5 contingent workers had coverage from their employer, in contrast to over one-half of noncontingent workers. (See table 9.) Although most contingent workers did not receive health insurance from their jobs, a substantial share—nearly two-thirds—had health insurance from some source, including coverage from another family member's policy or by purchasing it on their own.

Contingent workers were much less likely than noncontingent workers to be eligible for employer-provided pensions; only one-fifth of contingent workers were eligible, compared with over one-half of their noncontingent counterparts. (See table 9.) Additionally, the proportion of contingent workers who actually participated in employer-provided pension plans (14 percent) was much lower than that for noncontingent workers (46 percent).

### Alternative employment arrangements

The February 1999 survey also collected information on the number and characteristics of workers in four alternative employment arrangements—*independent contractors, on-call workers, temporary help agency workers, and workers employed by contract companies*. Compared with the February 1997 survey, the proportion of the employed comprised of independent contractors fell, while the proportions employed in the other three alternative arrangements were about unchanged. The characteristics of workers in the four alternative employment arrangements in February 1999 changed little from those of the two prior surveys. Workers in the four groups continued to differ significantly from each other as well as from workers in a traditional arrangement.

### Independent contractors

In February 1999, 8.2 million workers were identified as independent contractors, independent consultants, and freelance workers. This group was the largest of the alternative arrangements, comprising 6.3 percent of total employment. Compared with traditional workers, independent

contractors were more likely to be men, white, and at least 35 years old. They also were more likely than traditional workers to have at least a bachelor's degree. (See tables 5, 6, and 7.)

Independent contractors were more likely than traditional workers to work part time. Twenty-five percent of independent contractors worked part time, compared with 17 percent of traditional workers. Independent contractors were concentrated in managerial, professional, sales, and precision production occupations and in the construction and services industries. They had a stronger preference for their employment arrangement than did workers in the other three alternative arrangements. Eighty-four percent preferred working as an independent contractor over a traditional job. (See tables 6, 8, and 11.)

#### On-call workers

On-call workers are defined as those who report to work only when called, although they can be scheduled to work for several days or weeks in a row. In February 1999, there were 2.0 million on-call workers, the second largest alternative arrangement. The demographics of on-call workers were similar to those of traditional workers, but on-call workers were somewhat younger. About half of the on-call workers were employed part time, the highest proportion of any employment arrangement. On-call workers were more likely than traditional workers to hold professional, service, and operator, fabricator, and laborer jobs and to be employed in the construction and services industries. Forty-seven percent of on-call workers would have preferred not to work on call. (See tables 5, 6, 8, and 11.)

#### Temporary help agency workers

In February 1999, an estimated 1.2 million workers said they were employed by temporary help agencies. They were more likely than traditional workers to be women, under the age of 25, black, and Hispanic. They were slightly more likely to be employed part time. A higher proportion of temporary help agency workers than traditional workers had dropped out of high school, although over one-half had at least 1 year of college. Temporary help agency workers were heavily concentrated in administrative support and operator, fabricator, and laborer occupations and in the manufacturing and services industries. Nearly three-fifths would have preferred not to work for temporary help agencies. (See tables 5, 6, 7, 8, and 11.)

#### Workers provided by contract firms

The smallest of the alternative work arrangements was contract company employment (769,000). These individuals work for companies that provide workers or their services to other organizations under contract and usually were assigned to one customer at a time and worked at the customer's worksite. They were considerably more likely than traditional workers to be men, and nearly two-fifths had a college degree. Eighty-seven percent worked full time. Contract company workers were more likely to hold professional, service, and precision production, craft, and repair jobs. The largest share was assigned to the services industry, although substantial proportions worked in manufacturing, transportation and public utilities, and public administration. (See tables 5, 6, 7, and 8.)

#### Compensation of workers in alternative arrangements

Among full-time workers, there was wide variation in the median earnings of those in alternative employment arrangements relative to one another and to workers in a traditional arrangement. In February 1999, median weekly earnings for men working full time as contract workers (\$770) and independent contractors (\$689) were higher than earnings for men in traditional arrangements (\$613), while earnings for male on-call workers (\$507) and temporary help agency workers (\$367) were lower.

Women in a traditional arrangement earned more than women in alternative arrangements, with the exception of contract company workers. (See table 13.)

The differences in earnings between the four alternative work arrangements reflect in part the occupational concentration of each arrangement. For instance, contract company workers were more likely to hold high-paying professional specialty jobs. In contrast, workers employed by temporary help agencies were more likely to be in administrative support and laborer occupations, which tend to pay below-average wages.

Workers in alternative arrangements were less likely than workers in a traditional arrangement to have health insurance coverage from any source in February 1999, although coverage rates among the alternative arrangements varied widely. At 80 percent, workers employed by contract companies had the highest rate of health insurance coverage, while employees of temporary help agencies, at 41 percent, had the lowest rate of coverage. Among workers in a traditional arrangement, 83 percent had health insurance coverage. (See table 9.)

Workers employed by contract companies were more likely to receive health insurance coverage from their employers than temporary help agency workers and on-call workers. (Independent contractors are not considered because they do not have an employer in the same sense.) Among temporary help agency workers in February 1999, fewer than 1 in 10 received health insurance from their employer. Nearly three-fifths of workers in a traditional arrangement had employer-provided health insurance.

Compared with workers in traditional arrangements, workers in alternative arrangements (except those employed by contract companies) were less likely to be eligible for employer-provided pension plans; however, as with health insurance coverage, there was considerable variation among the arrangements. For example, only about 1 in 10 temporary help agency workers was eligible for their employer's pension plan. In contrast, the eligibility rate for contract company workers, 54 percent, was equal to that for workers in traditional arrangements. (See table 9.)

Of the four alternative work arrangements, the proportion of workers who actually participated in an employer-provided pension plan was highest for contract company workers (40 percent). In comparison, 23 percent of on-call workers and only 6 percent of those employed by temporary help agencies participated in their employer's pension plan.

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Estimate 2 expands the measure of the contingent work force by including the self-employed—both the incorporated and the unincorporated—and independent contractors who expect to be, and had been, in such employment arrangements for 1 year or less. In addition, temporary help and contract company workers are classified as contingent under estimate 2 if they had worked and expected to work for the customers to whom they were assigned for 1 year or less. For example, a “temp” secretary who is sent to a different customer each week but has worked for the same temporary help firm for more than 1 year and expects to be able to continue with that firm indefinitely is contingent under estimate 2, but not under estimate 1. In contrast, a “temp” who is assigned to a single client for more than a year and expects to be able to stay with that client for more than a year is not counted as contingent under either estimate.

Estimate 3 expands the count of contingency by removing the 1-year requirement on both expected duration of the job and current tenure for wage and salary workers. Thus, the estimate effectively includes all the wage and salary workers who do not expect their employment to last, except for those who, for personal reasons, expect to leave jobs that they would otherwise be able to keep. Thus, a worker who had held a job for 5 years could be considered contingent if he or she now viewed the job as temporary. These conditions on expected and current tenure are not relaxed for the self-employed and independent contractors, because they were asked a different set of questions from wage and salary workers.

*Defining alternative employment arrangements.* The February supplements included questions about four alternative arrangements. Definitions of each category, as well as the main questions used to identify workers in each category, follow.

**Independent contractors** are all those who were identified as independent contractors, consultants, and freelance workers in the supplement, regardless of whether they were identified as wage and salary workers or self-employed in the responses to basic CPS labor force status questions. Workers identified as self-employed (incorporated and unincorporated) in the basic CPS were asked, “Are you self-employed as an independent contractor, independent consultant, freelance worker, or something else (such as a shop or restaurant owner)?” in order to distinguish those who consider themselves to be independent contractors, consultants, or freelance workers from those who were business operators such as shop owners or restaurateurs. Those identified as wage and salary workers in the basic CPS were asked, “Last week, were you working as an independent contractor, an independent consultant, or a freelance worker? That is, someone who obtains customers on their own to provide a product or service.” About 88 percent of independent contractors were identified as self-employed in the main questionnaire, while 12 percent were identified as wage and salary workers. Conversely, about half of the self-employed were identified as independent contractors.

**On-call workers** are persons who are called into work *only* when they are needed. This category includes workers who answered affirmatively to the question, “Some people are in a pool of workers who are **ONLY** called to work as needed, although they can be scheduled to work for several days or weeks in a row, for example, substitute teachers and construction workers supplied by a union hiring hall. These people are sometimes referred to as **ON-CALL** workers. Were you an **ON-CALL** worker last week?” Persons with regularly scheduled work which might include periods of being “on call” to perform work at unusual hours, such as medical residents, were not included in this category.

**Temporary help agency workers** were all those who were paid by a temporary help agency. To the extent that permanent staff of temporary help agencies indicate that they are paid by their agencies, the estimate of the number of workers whose employment was mediated by temporary help agencies is overstated. This category includes workers who said their job was temporary and answered affirmatively to the question, “Are you paid by a temporary help agency?” Also included are workers who said their job was not temporary and answered affirmatively to the question, “Even though you told me your job is not temporary, are you paid by a temporary help agency?”

**Workers provided by contract firms** are those individuals identified as working for a contract company, and who usually work for only one customer and usually work at the customer's worksite. The last two requirements were imposed to focus on workers whose employment appeared to be very closely tied to the firm for which they are performing the work, rather than include all workers employed by firms that provide services. This category included workers who answered affirmatively to the question, “Some companies provide employees or their services to others under contract. A few examples of services that can be contracted out include security, landscaping, or computer programming. Did you work for a company that contracts out you or your services last week?” These workers also had to respond negatively to the question, “Are you usually assigned to more than one customer?” In addition, these workers had to respond affirmatively to the question, “Do you usually work at the customer's worksite?”

**Additional Information**

Persons interested in additional information about this release or the February supplements should contact (202) 691-6378 (email: CPSINFO@bls.gov). Further information on the concepts used in this release can be found in “Contingent and alternative work arrangements, defined,” in the October 1996 issue of the *Monthly Labor Review*.

Information in this release is made available to sensory impaired individuals upon request. Voice phone: (202) 606-5886; TDD message referral phone: 1-800-877-8339.

Table 5. Employed workers with alternative and traditional work arrangements by selected characteristics, February 1999

(In thousands)

Characteristic	Total employed	Workers with alternative arrangements				Workers with traditional arrangements
		Independent contractors	On-call workers	Temporary help agency workers	Workers provided by contract firms	
<b>Age and sex</b>						
Total, 16 years and over .....	131,494	8,247	2,032	1,188	769	119,109
16 to 19 years .....	6,662	76	179	68	37	6,265
20 to 24 years .....	12,462	252	202	249	87	11,637
25 to 34 years .....	30,968	1,479	470	348	235	28,410
35 to 44 years .....	36,415	2,491	507	231	216	32,960
45 to 54 years .....	28,144	2,177	303	182	132	25,332
55 to 64 years .....	13,062	1,212	205	77	47	11,505
65 years and over .....	3,781	561	167	33	14	3,000
<b>Men, 16 years and over</b>						
16 to 19 years .....	70,040	5,459	993	501	542	62,464
20 to 24 years .....	3,339	47	93	38	29	3,116
25 to 34 years .....	6,489	158	120	114	71	6,005
35 to 44 years .....	16,617	901	203	145	168	15,179
45 to 54 years .....	19,603	1,705	235	84	155	17,422
55 to 64 years .....	14,684	1,406	155	75	72	12,966
65 years and over .....	7,186	814	102	27	35	6,203
65 years and over .....	2,122	427	84	18	12	1,575
<b>Women, 16 years and over</b>						
16 to 19 years .....	61,454	2,788	1,040	687	227	56,645
20 to 24 years .....	3,323	29	86	30	8	3,149
25 to 34 years .....	5,973	93	81	134	16	5,632
35 to 44 years .....	14,351	578	266	203	67	13,231
45 to 54 years .....	16,812	786	272	147	61	15,538
55 to 64 years .....	13,459	772	149	107	60	12,367
65 years and over .....	5,876	397	103	50	12	5,302
65 years and over .....	1,659	133	83	15	2	1,426
<b>Race and Hispanic origin</b>						
White .....	110,887	7,471	1,711	883	609	100,063
Black .....	14,620	476	258	252	97	13,542
Hispanic origin .....	13,356	506	237	161	46	12,355
<b>Full- or part-time status</b>						
Full-time workers .....	107,630	6,195	1,003	933	668	98,766
Part-time workers .....	23,864	2,053	1,029	255	101	20,343

NOTE: Workers with traditional arrangements are those who do not fall into any of the "alternative arrangements" categories. Detail may not add to totals because the total employed includes day laborers, an alternative arrangement, not shown separately, and a small number of workers were both "on call" and "provided by contract firms." Detail for the above race

and Hispanic-origin groups will not sum to totals because data for the "other races" group are not presented and Hispanics are included in both the white and black population groups. Detail for other characteristics may not sum to totals due to rounding.

**Table 6. Employed workers with alternative and traditional work arrangements by selected characteristics, February 1999**

(Percent distribution)

Characteristic	Workers with alternative arrangements				Workers with traditional arrangements
	Independent contractors	On-call workers	Temporary help agency workers	Workers provided by contract firms	
<b>Age and sex</b>					
Total, 16 years and over .....	100.0	100.0	100.0	100.0	100.0
16 to 19 years .....	.9	8.8	5.8	4.8	5.3
20 to 24 years .....	3.1	9.9	20.9	11.3	9.8
25 to 34 years .....	17.9	23.1	29.3	30.5	23.9
35 to 44 years .....	30.2	24.9	19.4	28.1	27.7
45 to 54 years .....	26.4	14.9	15.4	17.2	21.3
55 to 64 years .....	14.7	10.1	6.5	6.1	9.7
65 years and over .....	6.8	8.2	2.8	1.9	2.5
<b>Men, 16 years and over</b>					
16 to 19 years .....	66.2	48.8	42.2	70.5	52.4
16 to 19 years .....	.6	4.6	3.2	3.8	2.6
20 to 24 years .....	1.9	5.9	9.6	9.2	5.0
25 to 34 years .....	10.9	10.0	12.2	21.8	12.7
35 to 44 years .....	20.7	11.6	7.0	20.1	14.6
45 to 54 years .....	17.0	7.6	6.3	9.4	10.9
55 to 64 years .....	9.9	5.0	2.2	4.6	5.2
65 years and over .....	5.2	4.2	1.6	1.6	1.3
<b>Women, 16 years and over</b>					
16 to 19 years .....	33.8	51.2	57.8	29.5	47.6
16 to 19 years .....	.4	4.2	2.5	1.0	2.6
20 to 24 years .....	1.1	4.0	11.3	2.0	4.7
25 to 34 years .....	7.0	13.1	17.1	8.8	11.1
35 to 44 years .....	9.5	13.4	12.4	8.0	13.0
45 to 54 years .....	9.4	7.3	9.0	7.8	10.4
55 to 64 years .....	4.8	5.1	4.2	1.6	4.5
65 years and over .....	1.6	4.1	1.3	.3	1.2
<b>Race and Hispanic origin</b>					
White .....	90.6	84.2	74.3	79.2	84.0
Black .....	5.8	12.7	21.2	12.6	11.4
Hispanic origin .....	6.1	11.6	13.6	6.0	10.4
<b>Full- or part-time status</b>					
Full-time workers .....	75.1	49.3	78.5	86.8	82.9
Part-time workers .....	24.9	50.7	21.5	13.2	17.1

NOTE: Workers with traditional arrangements are those who do not fall into any of the "alternative arrangements" categories. Detail for the above race and Hispanic-origin groups will not sum to totals because data for the

"other races" group are not presented and Hispanics are included in both the white and black population groups. Detail for other characteristics may not sum to totals due to rounding.

**Table 7. Employed workers with alternative and traditional work arrangements by school enrollment and educational attainment, February 1999**

(Percent distribution)

Characteristic	Workers with alternative arrangements				Workers with traditional arrangements
	Independent contractors	On-call workers	Temporary help agency workers	Workers provided by contract firms	
<b>School enrollment</b>					
Total, 16 to 24 years (thousands) .....	328	380	317	124	17,901
Percent .....	100.0	100.0	100.0	100.0	100.0
Enrolled .....	39.3	56.4	22.7	35.8	44.0
Not enrolled .....	60.7	43.6	77.3	64.2	56.0
Less than a high school diploma .....	10.0	13.2	16.3	10.3	8.9
High school graduates, no college .....	27.9	20.2	31.8	13.9	25.8
Less than a bachelor's degree .....	11.4	7.1	26.2	23.9	13.9
College graduates .....	11.5	3.1	3.0	16.2	7.4
<b>Educational attainment</b>					
Total, 25 to 64 years (thousands) .....	7,359	1,485	838	631	98,207
Percent .....	100.0	100.0	100.0	100.0	100.0
Less than a high school diploma .....	7.5	13.4	14.6	6.4	9.2
High school graduates, no college .....	29.7	29.6	30.5	22.7	31.4
Less than a bachelor's degree .....	28.5	29.1	33.7	31.9	28.3
College graduates .....	34.3	27.9	21.2	38.9	31.1

NOTE: Workers with traditional arrangements are those who do not fall into any of the "alternative arrangements" categories. Detail may not sum to totals due to rounding.

**Table 8. Employed workers with alternative and traditional work arrangements by occupation and industry, February 1999**

(Percent distribution)

Characteristic	Workers with alternative arrangements				Workers with traditional arrangements
	Independent contractors	On-call workers	Temporary help agency workers	Workers provided by contract firms	
<b>Occupation</b>					
Total, 16 years and over (thousands) .....	8,247	2,032	1,188	769	119,109
Percent .....	100.0	100.0	100.0	100.0	100.0
Executive, administrative, and managerial .....	20.5	5.3	4.3	12.0	14.6
Professional specialty .....	18.5	24.3	6.8	28.8	15.5
Technicians and related support .....	1.1	4.1	4.1	6.7	3.3
Sales occupations .....	17.3	5.7	1.8	1.5	12.0
Administrative support, including clerical .....	3.4	8.2	36.1	3.4	15.0
Services .....	8.8	23.5	8.1	18.8	13.7
Precision production, craft, and repair .....	18.9	10.1	8.7	16.0	10.5
Operators, fabricators, and laborers .....	7.0	16.0	29.2	10.7	13.6
Farming, forestry, and fishing .....	4.4	2.9	.9	2.2	2.0
<b>Industry</b>					
Total, 16 years and over (thousands) .....	8,247	2,032	1,188	769	119,109
Percent .....	100.0	100.0	100.0	100.0	100.0
Agriculture .....	4.9	2.2	.4	.4	2.0
Mining .....	.2	.4	.1	2.7	.4
Construction .....	19.9	9.6	2.5	9.0	5.1
Manufacturing .....	4.6	4.5	28.7	18.0	16.5
Transportation and public utilities .....	5.7	9.5	6.1	14.0	7.4
Wholesale trade .....	3.5	1.8	4.2	.8	4.0
Retail trade .....	10.2	14.6	3.9	4.6	17.6
Finance, insurance, and real estate .....	8.8	2.7	7.0	8.9	6.7
Services .....	42.1	52.0	38.7	27.1	35.2
Public administration .....	.2	2.6	( <sup>1</sup> )	10.7	5.1
Not reported or ascertained .....	-	.1	6.3	3.8	-

<sup>1</sup> Less than 0.05 percent.

NOTE: Workers with traditional arrangements are those who do not fall into any of the "alternative arrangements" categories. Detail may not sum

to totals due to rounding. For temporary help agency workers and workers provided by contract firms, the industry classification is that of the place to which they were assigned. Dash represents zero.

**Table 13. Median usual weekly earnings of full- and part-time contingent and noncontingent wage and salary workers and those with alternative and traditional work arrangements by sex, age, race, and Hispanic origin, February 1999**

Characteristic	Contingent workers			Noncontingent workers	Workers with alternative arrangements				Workers with traditional arrangements
	Estimate 1	Estimate 2	Estimate 3		Independent contractors	On-call workers	Temporary help agency workers	Workers provided by contract firms	
<b>Full-time workers</b>									
Total, 16 years and over	\$360	\$374	\$415	\$542	\$640	\$472	\$342	\$756	\$540
Men .....	413	434	494	614	689	507	367	770	613
Women .....	306	314	340	476	441	348	331	690	474
White .....	378	384	420	564	662	478	338	734	562
Black .....	265	297	350	447	414	393	354	719	445
Hispanic origin .....	278	286	313	397	504	308	296	( <sup>1</sup> )	396
<b>Part-time workers</b>									
Total, 16 years and over	111	112	114	160	209	119	187	\$171	157
Men .....	116	117	119	150	319	133	192	( <sup>1</sup> )	146
Women .....	108	109	112	166	169	114	185	( <sup>1</sup> )	163
White .....	111	111	113	161	220	119	183	\$197	158
Black .....	115	119	122	150	142	130	( <sup>1</sup> )	( <sup>1</sup> )	146
Hispanic origin .....	116	117	116	159	240	102	( <sup>1</sup> )	( <sup>1</sup> )	156

<sup>1</sup> Data not shown where base is less than 75,000.

NOTE: Noncontingent workers are those who do not fall into any estimate of "contingent" workers. Workers with traditional arrangements are those who do not fall into any of the "alternative arrangements" categories. Earnings data for

contingent and noncontingent workers exclude the incorporated self-employed and independent contractors. Data for independent contractors include the incorporated and unincorporated self-employed; these groups, however, are excluded from the data for workers with other arrangements.



● Eugenia Chough

02/04/2000 04:28:42 PM

Record Type: Record

To: Cynthia A. Rice/OPD/EOP@EOP, J. Eric Gould/OPD/EOP@EOP, Andrea Kane/OPD/EOP@EOP

cc:

Subject: final CS proposal numbers

Michelle emailed these today, but i neglected to forward.



CS offsets.xls

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>01-05</u>	<u>01-10</u>
Child Support												
Initiatives:												
State option on simplified distribution	0	49	102	124	121	127	132	140	147	154	396	1096
Federal match on pass-through	5	23	23	23	23	24	26	26	28	28	97	229
Initiatives	5	72	125	147	144	151	158	166	175	182	493	1325
Offsets:												
Reduce paternity match rate	-8	-8	-8	-8	-9	-9	-9	-10	-10	-11	-41	-90
Mandatory review and adjustment	24	-19	-64	-86	-91	-96	-101	-106	-111	-111	-236	-761
Gambling intercept	-10	-50	-50	-50	-49	-52	-51	-54	-57	-59	-209	-482
SSA benefit match	-11	-14	-14	-14	-14	-14	-14	-14	-14	-14	-67	-137
Reduce threshold for passport denial	-1	-2	-2	-2	-2	-2	-2	-2	-2	-2	-9	-19
Vehicle booting	-3	-25	-26	-26	-26	-26	-26	-26	-26	-26	-106	-236
Reduction in savings due to child support initiatives	1	8	8	8	8	8	8	8	7	7	33	71
Offsets	-8	-110	-156	-178	-183	-191	-195	-204	-213	-216	-635	-1654
Net Impact	-3	-38	-31	-31	-39	-40	-37	-38	-38	-34	-142	-329
Food Stamps Impact	-7	-34	-42	-44	-43	-46	-48	-50	-52	-55	-170	-421
Medicaid Impact	-10	-25	-40	-45	-50	-55	-60	-65	-70	-70	-170	-490
<b>Overall Net Impact - Child Support Only</b>	<b>14</b>	<b>21</b>	<b>51</b>	<b>58</b>	<b>54</b>	<b>61</b>	<b>71</b>	<b>77</b>	<b>84</b>	<b>91</b>	<b>198</b>	<b>582</b>
Interactions												
Review and adjust	0	1	1	1	1	1	1	1	1	1	4	9
Gambling	0	5	5	5	5	5	5	5	5	5	20	45
Vehicles	0	2	2	3	3	3	3	3	3	3	10	25
FPLS	1	0	0	-1	-1	-1	-1	-1	-2	-2	-1	-8
	1	8	8	8	8	8	8	8	7	7		

To: CR, AK, EG  
& FR: GC

Here's HHS-ACF mandatory section of  
HHS press release on budget.

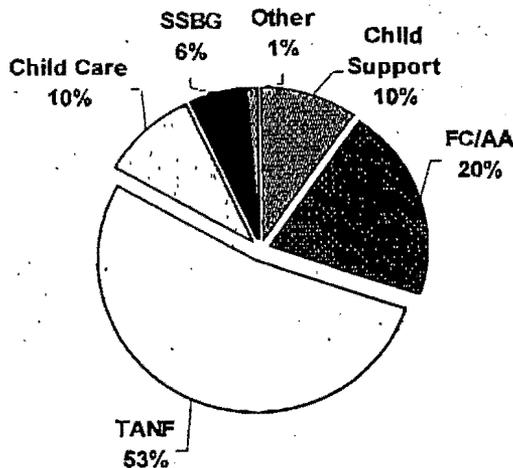
They'll send ACF discretionary  
& HCFA later.

Internal only - DO NOT SHARE

# ENTITLEMENT PROGRAM SUMMARY

## SUMMARY

The Department's FY 2001 ACF Budget includes \$31 billion in outlays for entitlement programs. This total includes pre-appropriated funding for the Temporary Assistance for Needy Families (TANF) program and the Child Care Entitlement to States. The ACF entitlement budget also requests funding for increases in Child Care, Child Support Enforcement, Foster Care, Adoption Assistance, and Independent Living, and Promoting Safe and Stable Families. The figure below illustrates the distribution of entitlement funds across various ACF programs, including legislative proposals. The Other category includes Promoting Safe and Stable Families, Repatriation, and Children's Research and Technical Assistance.



In FY 2001, ACF continues its efforts at moving families from welfare to self-sufficiency. Important initiatives will expand child care and improve child support and child welfare efforts. The Child Care Initiative will help to support working families by improving the quality of early learning programs and making child care more affordable and accessible. New Child Support legislation will increase payments to families by streamlining the program to make it work better for families and children

and creating new, important enforcement mechanisms. The Budget also includes a proposal to improve child welfare programs for tribal families.

## CHILD CARE ENTITLEMENT TO STATES

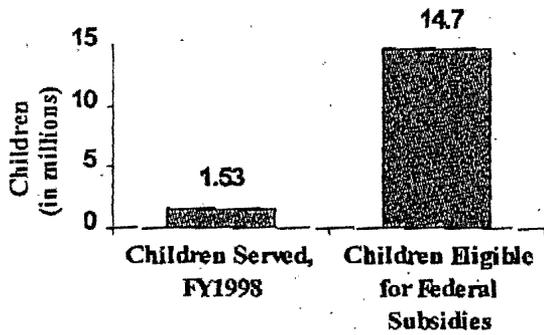
The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (referred to as welfare reform) amended the Child Care and Development Block Grant Act (CCDBG) by consolidating four former child care programs. Currently, all States receive discretionary funds, mandatory funds and matching funds. These funds help States provide subsidies to working families and require States to spend a minimum of 4 percent of the funds to improve the quality and availability of healthy and safe child care for all families. Additional amounts of the discretionary funds are also set-aside for quality improvements and research and referral activities.

For FY 2001, welfare reform authorized and pre-appropriated entitlement funds (matching and mandatory) of \$2.6 billion for child care programs and allowed States maximum flexibility in developing child care programs. These funds, combined with the requested \$2.0 billion in discretionary child care funding, will further the Administration's commitment to supporting working families and moving families from welfare to work. (Additional information on discretionary funding, including the requested \$817 million increase, can be found in the ACF discretionary section).

The Child Care Entitlement portions of the fund currently include the following: 1) Mandatory Child Care, 2) Matching Child Care, and funds for 3) Training and Technical Assistance.

### CHILD CARE INITIATIVE

Studies indicate that working families across the country are struggling to find safe, affordable, and high quality child care for their children. As the figure below indicates, the combined mandatory and discretionary child care funds allow us to serve a small percentage of children eligible for these funds under the maximum Federal eligibility criteria.



The overwhelming majority of children today are in child care before entering school. However, the children of these working parents often spend their days in settings that do not promote healthy child development, and the quality of care is often quite poor.

The FY2001 Budget funds the critical need for additional child care that is safe, healthy and promotes early learning. The Administration tackles the problem in many way. In HHS, the President's Child Care Initiative includes a discretionary increase to the Child Care Development Block Grant of \$817 million and a \$600 million Early Learning Fund to improve the quality of early learning environments and promote school readiness. In the Department of Treasury, in addition to increased tax credits for businesses that invest in child care facilities, the Initiative expands the Dependent Care Tax Credit and makes it

refundable. The Budget also significantly increases funding for after school care through the 21<sup>st</sup> Century Learning Fund in the Department of Education.

### CHILD CARE ENTITLEMENT LEGISLATIVE PROPOSAL

In addition to the discretionary increase request discussed previously, a key component of the President's Child Care Initiative is funding for a new Early Learning Fund.

#### EARLY LEARNING FUND:

The budget includes \$3 billion over five years in entitlement funds for an Early Learning Fund to foster early childhood development, emergent literacy, and school readiness and to improve child care safety and quality. Recent research found that almost half of the infants and toddlers in child care centers were in care that lacked basic sanitary and safety conditions. Other studies indicate that children in higher quality child care programs develop stronger language, reading and math skills and fewer behavior problems than children in mediocre or poor quality programs. The better the child care program, the more likely the child is to enter school ready to learn. The Fund will provide States with dollars for community level challenge grants to support programs that improve early learning and the quality and safety of child care for children up to age five.

### TEMPORARY ASSISTANCE TO NEEDY FAMILIES

The TANF block grant, a single capped entitlement of approximately \$17 billion annually, provides funds to States to design creative programs to help families transition from welfare to self-sufficiency. Under TANF, recipients must engage in work activities to receive time-limited assistance. Over the past five years, the number of

families on welfare has dropped by over 40 percent, to under 2.5 million families—more than 1.3 million adults on welfare went to work between 1997 to 1998. Not only are these adults working, their income is rising as time goes on, a critical component of staying off of welfare. Our most recent data indicate an average earnings increase of 23 percent for former welfare recipients from their first quarter of employment to their third quarter.

Welfare reform authorizes and pre-appropriates about \$17 billion annually to States for the following activities:

- Family Assistance Grants to States, Tribes and Territories;
- Matching Grants to Territories;
- Bonus to Reward Decrease in Out-of-Wedlock Births;
- Supplemental Grants for Population Increases;
- Bonus to Reward High Performance States;
- Tribal Work Programs; and,
- Loans for State Welfare Programs.

Up to a combined 30 percent of TANF funds may be transferred to either the Child Care and Development Block Grant or the Social Services Block Grant (SSBG). Starting in FY2001, transfers to SSBG are limited to 4.25 percent of TANF funds. States are transferring large amounts of their TANF funds to the Child Care and Development Block Grant, in response to the increased needs in this program.

#### **TANF LEGISLATIVE PROPOSALS**

The FY 2001 President's Budget includes the following TANF legislative proposal.

#### **SUPPLEMENTAL GRANTS FOR POPULATION INCREASES:**

With the rapid decline in welfare caseloads, the budget proposes to limit the Supplemental Grants for Population Increases at the FY 1998 level. Seventeen States are eligible for this grant, based on population growth and/or lower than average State welfare spending per low-income person. This proposal will save \$240 million in Budget Authority in FY2001.

#### **CHILDREN'S RESEARCH AND TECHNICAL ASSISTANCE (CRTA)**

Welfare reform authorizes and appropriates funds for welfare research and technical assistance for States. The FY 2001 total is \$58.6 million.

Included in this total is \$21 million in pre-appropriated mandatory funds for the following activities: \$15 million for welfare research, and \$6 million for a longitudinal child welfare study. These funds will also support welfare research on the effects of welfare reform and on ways to improve the welfare system.

The remaining \$38 million in this fund includes two child support set-asides: one for training and technical assistance and the other to assist in operating the Federal Parent Locator Service (FPLS). The funds appropriated for these activities are equal to one and 2 percent respectively of the amount paid to the Federal government for its share of child support collections during the preceding fiscal year.

#### **CHILD SUPPORT ENFORCEMENT**

The Child Support Enforcement (CSE) program is a joint Federal, State and Local partnership that seeks to ensure financial and emotional support for children from both parents by locating non-custodial parents, establishing paternity, and establishing and

enforcing child support orders. The program provides critical support for working families and assists in the transition to self-sufficiency. In FY 2001, an estimated total of \$4.7 billion in Federal and State dollars will be spent in order to collect \$19 billion in payments. This represents a 9 percent gain in collections over FY 2000 and a total return of more than \$4 for every \$1 invested in the administration of the program. Since the inception of the program in FY 1975, over \$100 billion has been collected. Success in the program also includes a new record amount of \$1.3 billion collected in overdue child support from Federal income tax refunds. In addition, the National Directory of New Hires has helped locate more than 2.8 million delinquent parents and paternity establishment rose to 1.45 million in 1998, a more than three-fold increase from 516,000 in 1992.

The Federal government shares in the financing of this program by providing incentive payments, a 66 percent match rate for general State administrative costs, and an enhanced match rate for paternity testing and specified automated systems requirements. The CSE program also includes a capped entitlement of \$10 million annually for grants to States to facilitate non-custodial parents' access to and visitation of their children.

The CSE program strengthens families by helping children get the support they are owed from non-custodial parents. In non-TANF cases, child support collections are forwarded to the custodial family. By securing support on a consistent and continuing basis, families may avoid the need for public assistance, thus potentially reducing future welfare, Food Stamp, and Medicaid spending. Applicants for TANF assign their rights to support payments to the State as a condition of receipt of assistance.

Child support collections on behalf of families receiving TANF and some collections on behalf of former TANF recipients are shared between the State and Federal government.

As noted above, a portion of the Federal share of child support collections is paid to the States as incentive payments. Previously, Federal incentive payments to States were based on the State's cost effectiveness in operating the program and the amount of payments collected. Following passage of the Child Support Performance and Incentive Act of 1998, a new incentives structure was put into place using five key measures: paternity establishment, support order establishment, collections on current support, collections on past-due support, and cost effectiveness. This new system is being phased in starting in FY 2000.

#### **CHILD SUPPORT LEGISLATIVE PROPOSALS**

The Federal government has a strong interest in seeing that a nation-wide child support system is effective. Over the last two years, the Administration took the lead in bringing stakeholders together to examine the current financing structure of the Child Support program. In addition to holding discussion meetings across the country, we conducted research and analysis on the funding of the program. Many of the proposals in this year's budget were an outgrowth of our consultations over the past two years.

The budget proposes Child Support legislation with various changes that focus on increasing payments to families and making the child support system work better.

### PROGRAMMATIC CHANGES TO GET MORE MONEY TO FAMILIES:

The budget includes four proposals to simplify the child support system and/or get more money to families.

- **Optional Pass-through & Disregard:** The proposal provides Federal matching funds for new State policies that pass-through child support collections to families and disregard these funds when determining assistance levels for TANF families. Under this proposal, the Federal government would share in the cost of amounts above a State's current pass-through and disregard policy distributed to TANF families and disregarded, up to the greater of \$100 per month or \$50 over current State efforts. Increased collections to families: \$388 million over five years. Federal cost: \$97 million over five years.
- **Optional Simplified Distribution:** This proposal allows States to adopt simplified rules for distributing child support collections. Under the simplified formula, collections received on behalf of families receiving TANF benefits would be retained by the Federal and State governments as reimbursement for assistance (as under current law) and child support collected on behalf of families who no longer receive assistance would be paid to the families. The policy would be implemented starting in FY2002. Increased collections to families: \$815 million over five years. Federal cost: \$396 million over five years.

- **Technical fix to remove national cap from incentives:** This proposal is a revenue neutral technical improvement to the incentive system enacted in the Child Support Performance and Incentives Act of 1998. The technical change improves the methodology for awarding incentive payments to States by creating a per State maximum level of incentives, eliminating State to State competition for nationally capped funds.
- **Review and Adjustment of Child Support Orders:** This proposal, previously proposed in the FY2000 Budget, requires States to review and adjust child support orders for TANF families every three years. Benefits include increasing the number of children with private health insurance and increasing collections to families, thereby reducing families reliance on public benefit programs. Federal savings: \$232 million over five years.

### BETTER ENFORCEMENT TO GET MORE MONEY TO FAMILIES

The budget includes four new measures to increase child support collections from parents who owe past-due child support.

- **Automated Data Match and Attachment of Gambling Proceeds:** This proposal provides for the intercept of large gambling winnings of non-custodial parents with child support arrears. Increased collections to families: \$348 million over five years. Federal savings: \$189 million over five years.

- **Reduction of Threshold for Passport Denial to \$2,500:** The proposal denies passports to delinquent non-custodial parents with more than \$2,500 in child support arrears, lowering the threshold from \$5,000 under current law. Increased collections to families: \$36 million over five years. Federal savings: \$9 million over five years.
- **SSA Benefit Match:** In order to collect past due support, this proposal offsets Old Age, Survivor, and Disability Social Security benefits. Increased collections to families: \$102 million over five years. Federal savings: \$67 million over five years.
- **Booting Vehicles of Non-Custodial Parents Owing at Least \$1,000 in Child Support:** Adds vehicle booting to the set of enforcement tools available to States to encourage non-custodial parents to enter into payment of child support arrears. Increased collections to families: \$183 million over five years. Federal savings: \$96 million over five years.

Two additional important proposals are included: 1) a proposal to provide Secretarial discretion to exclude doctors with child support arrearages from participation in Medicare and 2) a proposed State requirement to have procedures in place to require individuals who owe overdue child support to pay or engage in work activities. The budget also re-proposes to eliminate the enhanced match for paternity establishment, conforming the Federal match rate for paternity testing to the lower overall child support

administrative match rate (a shift from 90 percent to 66 percent). A summary chart can be found at the end of this section detailing costs and savings associated with each legislative proposal.

#### **FOSTER CARE, ADOPTION ASSISTANCE AND INDEPENDENT LIVING PROGRAM**

The FY 2001 budget requests \$6.4 billion in Budget Authority for the Foster Care, Adoption Assistance and Independent Living programs. This request represents an increase of \$739 million over the FY 2001 appropriation.

Of the total request, \$5.1 billion will provide Foster Care payments on behalf of about 341,700 children each month. This request will also fund State administration, including child welfare information systems, training, and State data systems.

For the Adoption Assistance program, about \$1.2 billion will provide payments for families who adopt special needs children. Monthly payments are made on behalf of adopted children until their 18<sup>th</sup> birthday. The proposed level of funding will support approximately 256,400 children each month.

The budget includes \$140 million to fund the Independent Living Program.

#### **THE FOSTER CARE INDEPENDENCE ACT OF 1999**

This act, enacted in November 1999, increased the Independent Living Program level from \$70 million to \$140 million. Several provisions from the FY 2000 President's Budget were included, such as: increasing funding, allowing States to use funds to pay for room and board for former foster youths, and allowing States to expand Medicaid eligibility to youths up to age 21 who were eligible for foster care at age 18.

## **FOSTER CARE-RELATED LEGISLATIVE PROPOSALS**

### ***INDEPENDENT LIVING PROGRAM (ILP) SUPPLEMENTAL APPROPRIATION FOR FY 2000:***

On the same day the Foster Care Independence Act of 1999 was passed, Congress appropriated \$105 million for ILP for FY 2000, as was originally requested in the FY 2000 President's Budget. The FY 2001 budget includes a supplemental request for \$35 million for FY 2000 to bring the appropriation up to the level States are entitled to under this new statute.

### ***TRIBAL CHILD WELFARE***

The budget will include \$5 million in Foster Care and Adoption Assistance for a two-tiered approach to looking at Tribal child welfare programs. HHS plans to conduct a comprehensive assessment of Indian child welfare programs, focusing on their strengths and the challenges they face in providing the services, protections and procedural requirements associated with the Federal foster care program. In addition, we propose to make grants to a limited number of tribes to enable them to strengthen the capacity of their tribal child welfare programs by addressing issues such as staff training and retention, licensing of foster care homes, conducting criminal background checks of prospective foster and adoptive parents, operating case review systems, and developing automated data collection systems. We believe that these efforts will enable us to develop improved technical assistance to tribes, better assess future policy directions, and develop models for strengthening tribal child welfare programs on a larger scale.

## **PROMOTING SAFE AND STABLE FAMILIES**

The Adoption and Safe Families Act of 1997 reauthorized and expanded the Promoting Safe and Stable Families program (formerly known as the Family Preservation and Support program). The FY 2001 request includes \$305 million, a \$10 million increase over FY 2000, for States and eligible Indian tribes.

The Promoting Safe and Stable Families program supports State child welfare agencies and tribes in providing: family preservation services, family support services, time-limited family reunification services, and adoption promotion and support services.

## **SOCIAL SERVICES BLOCK GRANT**

The Social Services Block Grant (SSBG) allows States the flexibility to provide or supplement social services at the State and Local levels. SSBG funding provides direct social services and resources that link human service delivery systems together. Programs or services most frequently supported by SSBG include child care, child welfare (foster care, adoption and protective services), elder care, drug abuse prevention and treatment activities, home based services, employment services, prevention and intervention programs, and services for the disabled.

## **SSBG LEGISLATIVE PROPOSAL**

The FY 2001 President's Budget requests funding at \$75 million above the authorization level set in the Transportation Equity Act for the 21<sup>st</sup> Century of \$1.7 billion for this program. This increase would maintain SSBG at the FY2000 level of \$1.775 billion stabilizing funding for these critically important programs. Of this amount, \$25 million will be available to support second-chance homes for teen parents and their children who cannot live at home or with other relatives.

**AFDC AND RELATED PROGRAMS**

Welfare reform replaced the Aid to Families with Dependent Children (AFDC) Benefits, State and Local Administration, Emergency Assistance, AFDC Child Care, and Job Opportunities and Basic Skills Training (JOBS) programs with TANF and the Child Care Entitlement programs.

During FY 2001, we expect to completely phase out funding for the repealed programs. Estimates for FYs 1999 and 2000 represent claims for expenditures incurred before these programs were repealed. These claims will be funded by carry over balances from prior years.

# FY 2001 PROPOSED ACF LEGISLATION

(dollars in millions /1)

	<u>FY2001</u>	<u>FY01-05</u>
<b>CHILD SUPPORT ENFORCEMENT:</b>		
Optional \$100 (or \$50 above) Pass-through & Disregard /2:	+5	+97
Optional Simplified Distribution /2 /3:	0	+396
Remove Cap from Incentives:	0	0
Automated Data Match and Attachment of Gambling Proceeds:	-8	-189
Reduce Threshold for Passport Denial to \$2,500:	-1	-9
SSA Benefit Match (OASDI):	-11	-67
Booting Vehicles for Non-custodial Parents Owing at Least \$1,000:	-3	-96
Reduce Match for Paternity Laboratory Tests from 90 to 66 Percent:	-8	-41
Mandatory Review of Child Support Orders /4:	<u>+24</u>	<u>-232</u>
<b>Subtotal, Child Support Enforcement /5.....</b>	<b>-2</b>	<b>-141</b>
<b>CHILD CARE:</b>		
Early Learning Fund:	<u>+600</u>	<u>+3,000</u>
<b>Subtotal, Child Care.....</b>	<b>+600</b>	<b>+3,000</b>
<b>TANF:</b>		
Freeze Supplemental Grants at FY 1998 Level:	-240	-240
Allow TANF to Offset Reduction to Medicaid Administrative Payment	<u>+208</u>	<u>+353</u>
<b>Subtotal, TANF.....</b>	<b>-32</b>	<b>+113</b>
<b>SSBG:</b>		
Increase Authorization Level by \$75 million in FY2001:	<u>+75</u>	<u>+75</u>
<b>Subtotal, SSBG.....</b>	<b>+75</b>	<b>+75</b>
<b>Foster Care/Adoption Assistance:</b>		
Tribal Child Welfare:	<u>+5</u>	<u>+5</u>
<b>Subtotal, FC/AA.....</b>	<b>+5</b>	<b>+5</b>
<b>TOTAL ACF PROPOSED LAW IMPACT.....</b>	<b>\$646</b>	<b>\$3,052</b>

/1 Negative numbers are savings, positive numbers are costs. Except where noted, all figures represent Budget Authority.

/2 Includes savings from reductions in Food Stamps.

/3 This proposal begins in FY 2002.

/4 The savings from this proposal include savings to the Medicaid program totaling \$170 million by FY 2005. Child support totals combine increased administrative costs and savings due to increased collections.

/5 The budget also includes two additional child support proposals on work requirements for non-custodial parents and exclusion of doctors with child support arrearages from Medicare. These proposals are discussed in the chapter.

/6 This proposal has outlay effects, but no impact on budget authority.

# CHILD SUPPORT ENFORCEMENT OVERVIEW: Collections and Costs

(dollars in millions) /1

	1999 Actual	2000 Enacted	2001 Request /2	Request +/- Enacted
<b>Total Collections Distributed:</b>				
Non-TANF Families .....	\$12,984	\$14,687	\$16,153	+\$1,466
TANF/FC families.....	106	90	109	+19
TANF program.....	2,337	2,238	2,335	+97
FC program.....	35	37	38	+1
<b>Total.....</b>	<b>\$15,462</b>	<b>\$17,052</b>	<b>\$18,635</b>	<b>+\$1,583</b>
<b>Distributed to TANF Program:</b>				
Net Federal Share .....	\$868	\$851	\$872	\$21
State Share (includes incentives and hold- harmless payments).....	1469	1387	1463	+76
<b>Total.....</b>	<b>\$2,337</b>	<b>\$2,238</b>	<b>\$2,335</b>	<b>+\$97</b>
<b>Administrative Costs (Outlays):</b>				
Federal Share .....	\$2,635	\$2,832	\$3,051	\$219
State Share.....	1392	1568	1680	+112
<b>Costs.....</b>	<b>\$4,027</b>	<b>\$4,400</b>	<b>\$4,731</b>	<b>+\$331</b>
<b>Program Saving and Costs (Collections: minus Costs):</b>				
Federal Costs .....	\$1,767	\$1,981	\$2,179	+\$198
State Savings/Costs.....	(\$77)	\$181	\$217	+36
<b>Net Costs.....</b>	<b>\$1,690</b>	<b>\$2,162</b>	<b>\$2,396</b>	<b>+\$234</b>

/1 Numbers may not add due to rounding. Costs are positive, savings are (negative).

/2 Numbers reflect legislative proposals.

# ACF OVERVIEW: ENTITLEMENT SPENDING

(dollars in millions) /1

PROGRAM	1999	2000	2001	Request
	Actual	Enacted	Request /2	+/- Enacted
TANF /3/4.....	\$17,693	\$16,689	\$16,439	-\$250
Child Care Entitlement /3/5.....	2,167	2,367	3,167	+800
Child Support Enforcement(obligations) .....	2,523	2,828	3,100	+272
Foster Care/Adoption Assistance .....	4,922	5,662	6,401	+739
Children's Research & Technical Assist (net BA) /3...	52	39	59	+20
Promoting Safe and Stable Families.....	275	295	305	+10
Social Service Block Grant.....	1,909	1,775	1,775	0
Repatriation/Territories.....	16	24	24	0
<b>Total, Program Level/BA .....</b>	<b>\$29,667</b>	<b>\$27,895</b>	<b>\$31,275</b>	<b>+\$3,380</b>

/1 Numbers do not add due to rounding and the effect of AFDC/EA/JOBS/Related programs having excess prior year BA as the account was closed out.

/2 Numbers include legislative proposals.

/3 Majority of funding is preappropriated.

/4 FY1999 actuals include funding for supplemental grants and High Performance Bonus.

/5 The \$800 million increase includes \$200 million in funds pre-appropriated in PRWORA and the \$600 million Early Learning Fund.

THE WHITE HOUSE  
WASHINGTON

John Spatillo

Independent Contractors now have  
choice of whether to give  
Business ID # (Some are SS ID #)

→ Additional amt of disclosure  
for independent contractor  
if SS I

---

Sylvia

→ present this out more fully

---

→ get data from ISS Teams  
on how many independent  
contractors are  
paid above \$2500

→ Figure out budget

HHS = ~~all~~ all firms paying over  
\$2,500 net employees have  
to report

THE WHITE HOUSE  
WASHINGTON

Independent Contractors

Jack's concern  
(maybe small business)

→ intruding into home @  
→ plumber } no

→ Would it only apply  
to companies ??  
that do new hires

→ get info to Jack

~~Len Berman~~  
Len Berman

Liz Askey - Tax Policy Fine

THE WHITE HOUSE  
WASHINGTON

~~Paythrough 10/1/2000~~

~~Simplified distribution  
11/2002~~

~~No incentives cut~~

~~\$70 mil Savings to federal govt~~

increase in TMM related  
collections

(5) increase in collections  
from 1.01 in '02  
rising to 1.59 in '05

(2/1)

# Independent Contractors

- few non companies have no employees but have to contractors
- how large are employers that use independent contractors
- how many employers use independent contractors
  - how many use 1

→ few non independent contractors that report to IRS for year 1099

1-10
20-30

→ chrome -

~~scribble~~

→ Do independent contractors can they avoid using SSN now? what portion of 1099s have SS #s

WPost article cited BLS #s

→ Comptrols and states already doing this

ASK DOZ ? / BLS

MP

ChA support 12/17

NAME	ORGANIZATION	PHONE NUMBER	FAX NUMBER	EMAIL ADDRESS
Paul Feyler	OCSE	401-5373	260-4668	pfeyler@acf.dhhs.gov
Liz Askey	Treasury-Tax Policy	622-0224	622-9260	Elizabeth.Askey@do.treas.gov
Lexa Edsall	Treasury - beyond sunset	622-2744	622-2882	Alexandra.Edsall@do.treas.gov
Ellen Neubauer	Treasury - Financial Management SVC.	874-0778	874-6627	ellen.neubauer@fms.sprint.gov
Lily Matheson	OCSE	401-9384	401-3444	lmatheson@acf.dhhs.gov
Dave Lebryk	Treasury - Fiscal	622-0175	622-0962	dave.lebryk@do.treas.gov
Emil Parker	ACF	401-6947	401-5770	eparker@acf.dhhs.gov
Michele Aliern	OMB	395-7771	39	michele.aliern@omb.eop.gov
Neal Wolin	Treasury	622-0283	622-2882	neal.wolin@do.treas.gov
Eric Gaud	DPC	456-7871	456-7431	T.eric.gaud@dpc.eop.gov
Cynthia Rice	WH DPC	456-2846	456-7431	Cynthia.Rice@opd.eop.gov



cc EG  
CR  
AK

**Office of the Secretary  
Washington, D.C.**

DATE: Mon Jan 24 18:39:13 2000  
 FAX TO: Genie Chough, Michele Ahern  
 FROM: Audrey  
 SUBJECT:

FAXED FROM THE OS NETWORK!

If you need this fax to be retransmitted, please call the originator above.

----- MESSAGE -----

# SUMMARY: IMPACT OF FY2001 CHILD SUPPORT PROPOSALS

\$ in Millions

	<b>5-Year FY2001-2005 Total</b>		
	Increased Collections To Families	State Costs(+)/Savings(-)	Federal Costs(+)/Savings(-) (Inc. Food Stamps/Medicaid)
<b>Opt \$100 (or \$50 above) Pass-Through Disregard Above Current Effort</b>	388	174	97
<b>Optional Simplified Distribution</b>	815	366	396
<b>Remove Cap from Incentives</b>	0	0	0
<b>Automated Data Match and Attachment of Gambling Proceeds</b>	348	-167	-183 -189
<b>Review and Adjustment of Child Support Orders</b>	?	-114	-232
<b>Reduction of Enhanced Match for Paternity Testing</b>	0	41	-41
<b>Reduce Threshold for Passport Denial to \$2,500</b>	36	-9	-9
<b>SSA Benefit Match (OASDI)</b>	102	-57	-67
<b>Booting Vehicles for Non-Custodial Parents Owing at Least \$1000</b>	183	-79	-96
<b>Disallow enrollment into Medicare for Doctors with Arrears*</b>			
<b>Encourage States to require more NCPs with Arrears to Work*</b>			
<b>TOTAL IMPACT</b>	<b>1872</b>	<b>155</b>	<b>-135</b>

\* Has not been scored.



FACSIMILE TRANSMISSION

DATE: 14 JAN 2000

FAX TO : Genie Chough

ADDRESS:

PHONE :

FAX : 456-7431

FROM : BUDGET OFFICE (Audrey Smolkin)  
ADDRESS: Room 503-H  
Hubert H. Humphrey Building  
200 Independence Avenue, S.W.  
Washington, DC 20201

PHONE :

FAX : (202) 690-6896

PAGES FOLLOWING COVER PAGE:

SUBJECT: Summary: Impact of FY 2001 Child Support Proposal

MESSAGE:

EG, CR-

here are latest #'s for  
CS proposals. We incorporate  
into CS 2-pagers & send to  
you.

-GC

# SUMMARY: IMPACT OF FY2001 CHILD SUPPORT PROPOSALS

\$ in Millions

	<u>5-Year FY2001-2005 Total</u>	
	Increased Collections To Families	Federal Costs(+)/Savings(-) (Inc Food Stamps/Medicaid)
Opt \$100 (or \$50 above) Pass-Through Disregard Above Current Effort	388	97
Optional Simplified Distribution	815	396
Remove Cap from Incentives	0	0
Automated Data Match and Attachment of Gambling Proceeds	348	-183
Review and Adjustment of Child Support Orders	?	-232
Reduction of Enhanced Match for Paternity Testing	0	-41
Reduce Threshold for Passport Denial to \$2,500	36	-9
SSA Benefit Match (OASDI)	102	-67
Booting Vehicles for Non-Custodial Parents Owing at Least \$1000	183	-96
Interactive Effect of Proposals on Calculation of CSE Set-Asides		-1
<b>TOTAL IMPACT</b>	<b>1872</b>	<b>-136</b>

ADD ]

- Medicare providers

- Fathers work provision

FAX TRANSMISSION  
COMMONWEALTH OF VIRGINIA  
DEPARTMENT OF SOCIAL SERVICES  
DIVISION OF CHILD SUPPORT ENFORCEMENT  
Office of the Director, Child Support Enforcement  
Fax # (804) 692-2353

---

To: ERIC GOULD

From: P. SISK

Fax #:

Date:

---

You should receive 7 page(s) including this one.  
If you do not receive all pages, please call (804) 692-1501

Message:

1) Booting Regulation

2) Copy of Notice of Lien

THIS INFORMATION IS INTENDED ONLY FOR THE USE OF THE INDIVIDUAL OR ENTITY TO WHICH IT IS ADDRESSED AND MAY CONTAIN INFORMATION THAT IS PRIVILEGED, CONFIDENTIAL AND EXEMPT FROM DISCLOSURE UNDER APPLICABLE LAW. IF THE READER OF THIS MESSAGE IS NOT THE INTENDED RECIPIENT, OR THE EMPLOYEE OR AGENT RESPONSIBLE FOR DELIVERING THE MESSAGE TO THE INTENDED RECIPIENT, YOU ARE HEREBY NOTIFIED THAT ANY DISSEMINATION, DISTRIBUTION OR COPYING OF THIS COMMUNICATION IS STRICTLY PROHIBITED. IF YOU HAVE RECEIVED THIS COMMUNICATION IN ERROR, PLEASE NOTIFY US IMMEDIATELY BY TELEPHONE.

DCSE - CENTRAL OFFICE

**VAC 40-880-350. Distraint, seizure, and sale.**

A. The Department may use distraint, including booting of vehicle, seizure and sale against the real or personal property of a noncustodial parent when:

1. There are arrears of at least \$1000 for a case with a current support obligation and at least \$500 for an arrears only case; and
2. Conventional enforcement remedies have failed or are not appropriate; and
3. A lien has been filed pursuant to § 63.1-254 of the Code of Virginia.

B. Assets targeted for distraint, including booting of vehicle, seizure and sale are:

1. Solely owned by the noncustodial parent.
2. Co-owned by the noncustodial parent and current spouse.
3. Owned by a business in which the noncustodial parent is the sole proprietor. Assets owned by business partnerships or corporations which are co-owned with someone other than a noncustodial parent's current spouse do not qualify for booting of vehicle, or seizure, and sale.

**VAC 40-880-350. Distrain, seizure, and sale**  
**Page 2 of 4**

C. The Director of the Division of Child Support Enforcement or designee shall give final approval for the use of distraint, seizure, and sale. This includes immobilizing a vehicle using vehicle boots.

D. When initiating booting, or seizure, and sale of vehicle, the Department shall check with the Department of Motor Vehicles for vehicles registered in the noncustodial parent's name, the address on the vehicle registration, and the name of any lien holder on the vehicle.

E. Once a lien has been filed pursuant to § 63.1-254 of the Code of Virginia, the Department shall send a notice of intent to the noncustodial parent before initiating distraint, including booting of vehicle, seizure and sale action. If there is reason to believe that the noncustodial parent will leave town or hide the asset, the asset can be seized, without sending the notice and with proper documentation.

F. The Department shall negotiate a settlement if the noncustodial parent contacts the Department in response to the intent notice. An acceptable settlement is 5% of the arrearage owed or \$500, whichever is greater, with additional monthly payments towards the arrears that will satisfy the arrearage within ten years.

**VAC 40-880-350. Distraint, seizure, and sale**  
**Page 3 of 4**

The Department may initiate distraint, including booting of vehicle, seizure and sale without further notice to the noncustodial parent if the noncustodial parent defaults on the payments as agreed.

G. The Department shall send a fieri facias request to each county or city where a lien is filed and a levy is being executed if the noncustodial parent does not contact the Department in response to the intent notice.

H. The Department shall set a target date for seizure or booting and have the sheriff levy the property or boot the vehicle.

I. Once property has been seized or booted by the sheriff, the Department must reach a payment agreement with the noncustodial parent of 5% of the arrearage owed or \$500, whichever is greater, with additional monthly payments towards the arrears that will satisfy the arrearage within ten years and release the vehicle to the owner; or proceed with the sale of the vehicle pursuant to § 63.1-26.1 of the Code of Virginia; or at the end of 90 days from the issuance of the writ of fieri facias, release the vehicle to the owner.

J. The Department shall send a cancellation notice to the Sheriff if a decision is made to terminate the seizure action before the asset is actually seized.

**VAC 40-880-350. Distraint, seizure, and sale**  
**Page 4 of 4**

K. If the Department sells an asset and it is a motor vehicle, the Department shall notify the Department of Motor Vehicles to issue clear title to the new owner of the vehicle.

**Statutory Authority**

**§ 63.1-261**

COMMONWEALTH OF VIRGINIA  
DEPARTMENT OF SOCIAL SERVICES  
DIVISION OF CHILD SUPPORT ENFORCEMENT

Advance Notice of Lien  
(ASO/Out-of-State Order)

RE:

DCSE #:

Dear :

According to our records, you are delinquent in your child support payments. The information we have is as follows:

Time period in which arrears accrued:	From	to
Total support due for this time period:		.00
Total payments made for this time period:		.00
Remaining arrears due for this time period:		.00
Dependents:		

The amount due is not necessarily the entire amount of your debt, but may represent a partial figure. Based on this information, a lien will be filed, and the lien information may be provided to the credit bureau.

If you believe our information is incorrect, please contact me within 10 days of the date of this letter to discuss the matter.

Sincerely,

District Office:

Authorized Representative  
( )  
Telephone

COMMONWEALTH OF VIRGINIA  
DEPARTMENT OF SOCIAL SERVICES  
DIVISION OF CHILD SUPPORT ENFORCEMENT

Advance Notice of Lien  
(ASO/out-of-state Order)

(1) RE: (3)

(2) DCSE #: (3)

Dear: (4)

According to our records, you are delinquent in your child support payments.  
The information we have is as follows:

Time period in which arrears accrued: From (5) to (5)

Total support due for this time period: (6)

Total payments made for this time period: (7)

Remaining arrears due for this time period: (8)

Dependents: (9)

The amount due is not necessarily the entire amount of your debt, but may represent a partial figure. Based on this information, a lien will be filed, and the lien information may be provided to the credit bureau.

If you believe our information is incorrect, please contact me within 10 days of the date of this letter to discuss the matter.

Sincerely,

District Office: (12)

(10)

Authorized Representative

Telephone Number (11)

HHS-2000/02

10/21/98

HEALTH AND HUMAN SERVICES  
FISCAL YEAR 1999 LEGISLATIVE PROPOSAL

Delinquent Child Support Payers

Authorize the Secretary to Prohibit Medicare Enrollment and Exclude Individual Physicians and Other Practitioners Who Are Delinquent in Child Support Payments

Current Law: Physicians and other practitioners may enroll in and receive direct payments from the Medicare program whether or not they are delinquent in their child support payments.

Proposal:

- o Authorize the Secretary to prohibit Medicare enrollment of individual physicians and other individuals who are authorized to bill Medicare directly who are delinquent in child support payments. (Individuals applying for initial enrollment would continue to sign the certification already in use affirming that they agree to abide by applicable laws.)
- o Authorize the Secretary to exclude individual health care providers from all Federal health care programs when physicians and other individual practitioners fail to make reasonable efforts to eliminate their delinquent child support payment balances.

Rationale: This proposal would support the Administration's efforts to ensure that Federal payments are not made to individuals who are delinquent in their child support payments. The Secretary should have authority to take action on a case-by-case basis against individual physicians and other individual practitioners enrolled in the Medicare program who are persistently in arrears in their child support payments, as determined by the Office of Child Support Enforcement, Administration on Children and Families.

It is most logical to exclude physicians and individual practitioners who are delinquent in child support payments from initial enrollment in Medicare, since at that time they do not already have a relationship with Medicare beneficiaries.

Once Medicare beneficiaries already have a relationship with a physician or individual practitioner who is enrolled in Medicare, the situation becomes more complex. Exclusion of an individual health care provider who becomes delinquent in child support has to be balanced with possible disruption of services to a beneficiary who is currently in the care of that individual provider. Some physicians, moreover, could enter and leave the Medicare program periodically, depending upon the current status of their child support payments, resulting in a cost to the Medicare program and confusion for beneficiaries.

Effect on Beneficiaries: For exclusions that are undertaken only for initial enrollment and on a discretionary basis for enrolled providers, there should not be a major impact upon beneficiaries. For termination, beneficiaries could experience some diminution of their choice of providers.

Cost: Medicare must review new applicants whether or not they are enrolled. There would be a minimal incremental cost to review these applicants for delinquent child support payments. However, it is extremely difficult to estimate the cost for excluding currently enrolled physicians and other practitioners who are delinquent in their child support payments. This cost is dependent upon the type and complexity of data match systems required.



- a non-custodial parent owes more than \$1,000;
- the state has found traditional remedies like court orders unsuccessful; and
- a lien has been filed in the city or county where the vehicle is kept.

"Our goal is not to seize cars and sell them," Young said. "Our goal is get them to pay."

The state already tows offenders' cars, suspends their licenses and issues posters featuring the "Delinquent Dozen" to shame deadbeats into paying.

Kent Willis, executive director of the American Civil Liberties Union in Virginia, said the boot is another example of humiliation as punishment.

"This is part of a whole trend to reverse the way we do criminal justice and civil justice to a system we were using in the 17th century," Willis said.

"This is the stockades. This is the public humiliation," he said. "It's a scarlet letter. It's a punishment by itself."

Paula Roberts, a child-support expert with the Center for Law and Social Policy, a public-interest law firm based in Washington, D.C., said the boots should be used carefully so people who are legitimately trying to pay or are caught in a paperwork error are not targeted.

"Once you're convinced that someone is a true deadbeat, then I think everyone agrees that no remedy is too severe," Ms. Roberts said Monday. "But what so often happens is the data is flawed, and you can end up hurting someone who is actually a model citizen."

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Cynthia A. Rice

01/19/2000 05:56:09 PM

Record Type: Record

To: J. Eric Gould/OPD/EOP@EOP  
cc: michele ahern/omb/eop@eop, Eugenia Chough/OPD/EOP@EOP  
bcc: Records Management@EOP  
Subject: Re: Child Support Enforcement/Medicare Physician Issue 

A few additional points.

HHS' proposal on Medicare providers is simply a response to a September 26, 1996 Presidential Executive Order on child support which, among other things, required agencies to offset delinquent child support from federal payments where permitted under law and "to review all laws under the jurisdiction of the department or agency that do not permit the denial of federal financial assistance to individuals ... and, where appropriate, transmit to the Director of the Office of Management and Budget recommendations for statutory changes."

In August 1997, the HHS Inspector General rightfully took HHS to task for not following through on the President's executive order. HHS developed this proposal and legitimately delayed due to higher priority computer changes that needed to be done due to Y2K. Delaying further would be truly foolish.

HHS seems to think they've written the legislative proposal in a way that provides discretion to the Secretary to ensure patient care is not compromised. Physicians applying to become Medicare providers could not join if they owed child support-- they would have to pay up first. But the Secretary would have some discretion in allowing an existing provider to remain a Medicare provider while he paid up past due support.

J. Eric Gould 01/19/2000 05:33:30 PM



J. Eric Gould

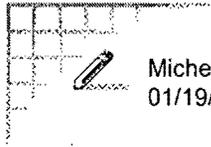
01/19/2000 05:33:30 PM

Record Type: Record

To: Michele Ahern/OMB/EOP@EOP  
cc: Cynthia A. Rice/OPD/EOP@EOP, Eugenia Chough/OPD/EOP  
bcc:  
Subject: Re: Child Support Enforcement/Medicare Physician Issue 

She is totaling missing the point. First of all the aim of this is not to disbar Medicare physicians. Second, the best doctor in the world could owe child support. The point is that they shouldn't be reimbursed by one government program when they owe another government program. We're trying to send the message that if you're a deadbeat don't expect to do business with the Federal government. We'll explain it to her tomorrow morning.

Michele Ahern



Michele Ahern  
01/19/2000 04:49:07 PM

Record Type: Record

To: J. Eric Gould/OPD/EOP@EOP

cc:

Subject: Child Support Enforcement/Medicare Physician Issue

FYI.

----- Forwarded by Michele Ahern/OMB/EOP on 01/19/2000 04:51 PM -----



Allison H. Eydt

01/19/2000 12:35:24 PM



Record Type: Record

To: Michele Ahern/OMB/EOP@EOP

cc: John F. Morrall III/OMB/EOP@EOP, Daniel J. Chenok/OMB/EOP@EOP, Lauren B. Steinfeld/OMB/EOP@EOP, Yvette Shenouda/OMB/EOP@EOP

Subject: Child Support Enforcement/Medicare Physician Issue

It is my understanding that DPC is considering debaring physicians in arrears in child support payments from participation in the Medicare program. I have concerns with this proposal for the following reasons:

- *There is no evidence that failure to fulfill child support obligations reflects upon a given physician's capability to provide quality care to Medicare patients.* Debarment of qualified physicians from the Medicare program actually may have an adverse impact upon the quality of care provided to patients and may reduce patient and health plan choice among qualified providers. Because this policy not only impacts the physician, but also patient community, its perceived benefits may be overestimated: and
- *Privacy concerns and the perceived intrusiveness of this policy may jeopardize HHS' data standards initiative which over the next five years may result in net administrative savings exceeding a billion dollars . It may be wiser to implement these data initiatives first and then later evaluate the benefit of additional non-health care data matches and applications.* The Health Care Financing Administration is very busy implementing new data standards pursuant to the Health Insurance Portability and Accountability Act of 1996. One of these standards will be the Unique Provider Identifier. The policy has been proposed, but not finalized. The AMA and physician community already have raised concerns regarding the privacy implications of this standard and its accompanying physician data bases. HHS will submit the final rule in the next few months. Upon publication of the final rule, the standard will not go into effect for an additional two years.

Let me know if you have additional questions or concerns.



● J. Eric Gould

01/14/2000 06:37:08 PM

Record Type: Record

To: Devorah R. Adler/OPD/EOP@EOP

cc: Cynthia A. Rice/OPD/EOP@EOP

Subject: Child Support / Medicare providers

FYI - In our child support enforcement initiative for the budget we included a proposal that would prohibit Medicare enrollment of individuals who could bill Medicare and who owe past-due child support (physicians and other providers). The proposal would also allow the HHS Secretary to exclude individual health care providers from all Federal health care programs when they fail to make reasonable efforts to eliminate their delinquent child support payment balances (the Secretary would only do this on a case by case basis).

These ideas are in response to an HHS IG report that criticized the Department for not taking more aggressive action in this area.

I left a more detailed copy of the proposal on your chair. Cynthia will probably mention this to Chris on Tuesday.



Cynthia A. Rice

01/13/2000 01:50:32 PM

Record Type: Record

To: William Marshall/WHO/EOP@EOP

cc: Melissa J. Prober/WHO/EOP@EOP, Anna Richter/OPD/EOP@EOP, J. Eric Gould/OPD/EOP@EOP,  
Eugenia Chough/OPD/EOP@EOP

Subject: Child Support Proposals

*cc: Maura Pally*

Attached is a basic description of child support items proposed for the budget. All of them build upon child support measures enacted in the 1996 welfare reform bill (which included requiring states to have procedures in place to deny drivers licenses and professional licenses, collect lottery winnings, seize bank accounts, and garnish wages from parents who owe child support), as well as prior acts in 1975, 1981, 1984, and 1988. As I'm sure you know, child support is a federal-state matching program -- the federal government pays 66 percent of costs to operate the system, and has certain program requirements are part of the conditions of receiving federal funds.

The Green Book, published by the House Ways and Means Committee, has a good chapter on current law in child support. Here's the web address (just copy and paste it into the web address window in Netscape, and it should bring you the chapter.)

[http://frwebgate.access.gpo.gov/cgi-bin/useftp.cgi?IPaddress=162.140.64.21&filename=wm007\\_08.pdf&directory=/disk](http://frwebgate.access.gpo.gov/cgi-bin/useftp.cgi?IPaddress=162.140.64.21&filename=wm007_08.pdf&directory=/disk)



cse0113.doc

Here's the basic summary of our new proposals. Please call if you have questions. 456-2846

## Child Support Initiatives

01/10/00 - DRAFT

**Collect More Child Support from Fathers Who Can Pay:** The President's FY 2001 Budget will include several new initiatives to further crackdown on parents who owe child support and can afford to pay. These initiatives will collect \$XX million more in support for children who need and deserve the support of both parents by:

Intercepting Gambling Winnings to Collect Past-Due Child Support. This initiative would seize gambling winnings from parents who owe back child support. Currently, gaming establishments are required to retain a portion of winnings for Federal tax purposes (28 percent of winnings above \$5,000). Under this plan, gaming establishments would also check to see if individuals with winnings exceeding a threshold (\$600 to \$1,500 depending on the type of gambling) owe child support, and if they do, they would retain up to the full amount of the winnings or the amount of the child support arrearages, whichever is smaller, to pay to the children of the deadbeat gambler.

Booting Vehicles Owned By Parents Who Are Delinquent in Their Child Support. This plan would require States to put in place a policy recently adopted in Virginia to immobilize vehicles owned by parents who are delinquent in child support with the boots that clamp around a car's tire. Safeguards will be in place to ensure that people who are legitimately trying to pay are not targeted.

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Prohibiting the Participation of Medicare Providers Who Owe Child Support. This proposal would prohibit the enrollment of individuals who want to bill Medicare as providers and are delinquent in their child support payments. It would also allow the Secretary of HHS to terminate enrollment of individuals who want to bill Medicare and fail to make reasonable efforts to eliminate their delinquent child support balances.

Expanding the Scope of Federal Offsets. Currently the government can collect certain federal debts, but not child support, from Social Security, Black Lung and Railroad Retirement Benefits. This proposal would expand present law and permit the collection of child support along with other federal debts. Like the legislation which passed the House of Representatives in February 1999, the first \$750 per month of these federal payments would be protected from offset.

Requiring More Frequent Updating of Child Support Orders. This proposal would require States to review support orders for families receiving TANF every three years and adjust them accordingly. New orders reflecting parents' updated salary information will bring more child support to children who need it.

**Streamline Child Support Distribution Rules So Mothers Get More Reliable Child Support**

**Income:** The budget contains a two part proposal which simplifies the child distribution rules and also provides federal match to States that pass through up to \$100 a month in child support directly to families on welfare. These proposals will provide more of a connection between what a father pays and what his family gets, providing parents with more of an incentive to cooperate with the child support system and providing children with more stable child support income. Currently, when a father pays support in a given month, whether or how much of that support goes to his children depends on a complex set of rules involving whether the child is or ever was on welfare, and whether the father owes past due support that accumulated before the mother and child were on welfare, while they were on welfare, or after they left welfare.

**Funds to Prosecute the Worst Offenders:** In 1998, the President signed into law the Deadbeat Parents Punishment Act, a measure he had long called to create new felony offenses for the worst child support offenders. This year's budget provides \$5 million in additional resources in FY 2001 to fund an increase in U.S. Attorneys' legal support staff dedicated to child support to help prosecute the more egregious child support offenders – those who cross state lines in order to avoid paying support.

*Small things do make a difference:*

*→ highlight best in SOU*

*→ get VA data*



Cynthia A. Rice

01/12/2000 03:32:48 PM

Record Type: Record

To: Bruce N. Reed/OPD/EOP@EOP, Eric P. Liu/OPD/EOP@EOP  
cc: J. Eric Gould/OPD/EOP@EOP, Eugenia Chough/OPD/EOP@EOP, Anna Richter/OPD/EOP@EOP  
Subject: @!!\* Bruce I need you to call Jack Lew re child support

Bruce -- Jack Lew has suddenly objected to one piece of our child support package, the piece which would help collect from self-employed individuals who are independent contractors and as a result OMB is in the process of taking this off the table. (I believe Jack is responding to concerns raised by John Spotilla of OIRA.) Unfortunately -- and I hate to do this to you -- but I need you to call Jack, and you need to call him ASAP. (If it's any solace I spent a long time on the phone with Peter Cove today.) Below are the issues and what I think are our best answers. Attached, fyi, is a draft description of our whole child support package.

#### Basic Description of the Policy

Employers would be required to report independent contractors, with contracts over \$2,500, to the directory of new hires, just as they do for new employees. This information would then be used to locate deadbeat parents and garnish payments to them. Independent contractors, who are often self-employed individuals, are often the most difficult child support collection cases, and this initiative would add them to the new hire reporting system which has already located 3 million deadbeat parents in the past two years.

#### Possible Objections and Responses

Objection: This would be a burden on small business.

Response: The new hire system was designed to minimize burdens on employers. Only six pieces of data need to be submitted for each person and three of those are data about the company: 1) individual name 2) individual social security number 3) individual home address 4) employer name 5) employer tax id number and 6) employer address. Employers have been implementing this system without objection for several years now. It is true that this policy would expand this reporting to a new category of individuals, but the reporting burden itself is minimal. After all if the "live free and die state" of New Hampshire can implement this, we shouldn't have a problem.

Objection: It is unfair to impose this burden on business without consultation.

Response: This is not an EO in which we are acting unilaterally without public comment. Instead, we are proposing legislation, which will be vetted in the public, where any potential objections can be heard. HHS has worked closely with the employer community in implementing the new hire data base and they do not expect serious objections.

Objection: We don't need the revenue for the budget.

Response: This is not quite true, and beside the point. The point is that this proposal will collect more child support; it also keeps us from having to put in place a pay-for which HHS objects but we could live with.

## Child Support Initiatives

01/10/00 - DRAFT

**Collect More Child Support from Fathers Who Can Pay:** The President's FY 2001 Budget will include several new initiatives to further crackdown on parents who owe child support and can afford to pay. These initiatives will collect \$XX million more in support for children who need and deserve the support of both parents by:

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1/12

Michelle

\$211 mi in '04-'05 in practice

w/ \$88P on top

w/ offset of \$63 mi

HTHS prefers

pushing back date  
just simplified distribution

? 6 months into '02

HTHS

willing to do something if need be but  
don't think it's a burden

Employers ~~will just copy~~  
just 6 data elements

How do you distinguish bet labor + materials  
Concern about possible backlash



Cynthia A. Rice

01/10/2000 07:58:08 PM

Record Type: Record

To: J. Eric Gould/OPD/EOP@EOP  
cc: Andrea Kane/OPD/EOP@EOP, Eugenia Chough/OPD/EOP@EOP  
bcc: Records Management@EOP  
Subject: Re: child support paper 

I've noodled with this a bit -- I think we can continue to refine as we go forward but you should feel free to share with Paul Glastris.

In an earlier iteration, Genie was figuring out how much more in child support these new collection proposals would bring in (I think this is more relevant than how much they will bring the federal government). Eric and Genie can one of you figure out, from OMB or HHS, what the updated numbers would be? Also, at some point we should beef up the passthrough description here -- this relies on a somewhat weak one I provided earlier.



cse0110 2 pager of budget item

J. Eric Gould 01/10/2000 06:50:36 PM



● J. Eric Gould 01/10/2000 06:50:36 PM

Record Type: Record

To: Cynthia A. Rice/OPD/EOP@EOP  
cc:  
Subject: child support paper

with separate paragraphs on enforcement initiatives



.csideas0110.do

## Child Support Initiatives

01/10/00 - DRAFT

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● J. Eric Gould

01/10/2000.06:50:36 PM

Record Type: Record

To: Cynthia A. Rice/OPD/EOP@EOP

cc:

Subject: child support paper

with separate paragraphs on enforcement initiatives



csideas0110.do

## **Child Support Initiatives**

01/05/00 - DRAFT

**Collect More Child Support from Fathers Who Can Pay (Savings unknown):** The FY 2001 Budget will include several new initiatives to further crackdown on parents who owe child support and can afford to pay, including:

Intercepting Gambling Winnings to Collect Past-Due Child Support. This proposal would seize gambling winnings from parents who owe back child support. HHS would establish a secure web-site containing information regarding individuals who owe past-due child support. Gaming establishments would be required to search this web-site for individuals with winnings exceeding \$600 to \$1,500 (depending on the type of gambling), individuals for whom they are now required to prepare a W2-G. Gaming establishments are required to retain 28 percent of winnings above \$5,000 for Federal tax purposes. If a match with the file of child support debtors is established, the gaming establishment would retain up to the full amount of the winnings or the amount of the child support arrearages, whichever was smaller, in addition to the tax withholding.

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Expanding the Scope of Federal Offsets. Certain Federal payments, such as Social Security (Black Lung and Railroad Retirement Benefits) can already be offset to collect certain federal debts. This proposal would expand present law and permit the collection of child support along with other federal debts. Similar to legislation, which the Administration supports, and passed the House in February 1999, the first \$750 of these federal payments would be protected from offset.

Review Child Support Orders. This proposal would require States to review support orders for families receiving TANF every three years and adjust them accordingly.

**Streamline Child Support Distribution Rules So Mothers Get More Reliable Child Support Income (Cost: \$x million over 5 years):** The current child support distribution rules are complex and often counterproductive. When a father pays support in a given month, whether or how much of that support goes to his children depends on a complex set of rules involving whether the child is or ever was on welfare, and whether the father owes past due support that accumulated before the mother and child were on welfare, while they were on welfare, or after they left welfare. As a result, there is often little connection between what a father pays and what his family gets, parents have less incentive to cooperate with the child support system, families can't count on stable child support income, and state child support staff spend time figuring out how to distribute payments every month among 14 categories – time they should use to collect more support.

The budget contains a two part proposal which simplifies the child distribution rules at a cost of \$xxx million over 5 years, and also provides federal match to states that pass through child support directly to families on welfare, at a cost of \$xxx million over 5 years.

**Improve the Collections Process:** To improve the child support program's effectiveness and cost efficiency the budget also conforms the match-rate for paternity testing with the lower administrative match-rate. The budget also provides \$5 million in FY 2001 to fund an increase in U.S. Attorney legal support staff dedicated to child support.

**Put Fathers Who Owe Child Support to Work (Cost: \$x million over 5 years or \$x billion over 10 years):** To help low income fathers to work, pay child support, and reconnect with their children, the budget proposes to expand responsible fatherhood initiatives through the Department of Labor's Welfare to Work program by providing new competitive grants to states, localities, non-profit and faith-based groups. Currently, there are approximately one million "deadbroke dads" who need a job in order to pay child support. Funding of approximately \$x billion over 10 years (\$x per person) could put all these fathers to work and ensure they fulfill personal responsibility contracts and support their children.

**Ensure Fathers Returning from Prison Become Responsible: (Cost: \$x million for DOL and \$x million for DOJ in FY 2001):** Through a new re-entry partnership proposal at the Department of Justice and a new ex-offender employment program at DOL, the budget proposes to help men in prison become better fathers and prepare them for employment upon their release.

Department of the Treasury  
Office of the General Counsel  
1500 Pennsylvania Ave., N.W.  
Washington, DC 20220  
Office (202) 622-2744  
Fax (202) 622-2882



Date: January 6, 2000

Number of pages including fax sheet: 3

To: Eric Gould

From: Lexa Edsall

Fax Number: 202-456-7431

**NOTE:**

Paper on tax proposals to follow.

**Proposals:**Non-Legislative

1. **Change the priorities for collections from non-tax payments to give child support debts that have not been assigned to a State priority over non-tax debts owed to the federal government.** This change should be made at the same time as the parallel legislative change to the priorities for collections from tax payments (see item 6, below), because it would be costly for Treasury to change the priorities for some offsets, but not others. It should be noted that this proposal (item 3 & 6 together) would result in decreased federal debt collections (primarily student loans) and would therefore have negative budget implications.
2. **Increase to 50% from 25% the portion of federal retirement payments subject to offset.** Current law allows this change, which Treasury has urged OPM to make. Treasury is working with OPM to resolve any system and programmatic issues involved.

HHS Jurisdiction:

3. **By HHS regulation, require States as a condition of federal funding to submit past-due child support debts to Treasury for collection by offset from non-tax payments.** (States are already required to submit such debts for offset from tax refunds.)

Legislative measures

4. **Permit offset of Social Security, Black Lung and Railroad Retirement to collect child support,** as provided in legislation supported by the Administration (the Government Waste, Fraud and Error Reduction Act of 1999, which passed the House in February 1999). These benefit payments can already be offset to collect federal debt, with the first \$750 protected from offset. The legislation that passed the House in February similarly protects the first \$750 from child support offset. The proposed legislation could be amended to reduce or eliminate that threshold for child support collections. Treasury would support lowering the \$750 threshold.

Treasury estimates that this change would result in upwards of \$60 million in increased collections and would score at \$10-15 million (because of reduced federal government spending for TANF).

5. **Permit offset of Veterans' benefits to collect child support.** Military retirement benefits are already eligible for offset. Veterans' benefits include pension benefits, compensation for injuries, education benefits, survivors' benefits and health benefits. Legislation could be tailored to cover some but not all of these benefits. Treasury would support such legislation.
6. **Change the priorities for collections from tax payments to give child support debts that have not been assigned to a State priority over non-tax debts owed to the federal government.** As noted above respecting the parallel administrative change (item 3), Treasury supports this proposal, but it would result in reduced federal revenues.

*HHS Jurisdiction:*

7. **Harmonize the federal laws governing the distribution of collections from Federal tax refund payments and from non-tax payments**, so that States need not establish different computer programs for the different offsets.
8. **Permit States to add the costs of offset to delinquent debt.** Under this proposal, for example, a State seeking to collect \$600 in delinquent debt would submit \$609 to Treasury, the extra \$9 (approximately) to cover the fee. In those cases where an obligor's refund exceeds his delinquent debt, this would allow the State to recover the fee from the obligor. Where the refund is insufficient to satisfy the debt, the unsatisfied amount could be recovered from future payments. If there were insufficient funds to collect the fee, the State or the custodial parent would bear the cost of the fee, as under the current system.

MEDICARE PROVIDERS / CHILD SUPPORT

**FAX**

Date 1-3-2000 CR

Number of pages including cover sheet 37

TO: Eric Gould  
DPC

FROM: Paul K. Legler  
Assistant Commissioner  
Federal Office of Child  
Support Enforcement

Phone

Fax Phone 456-7431

Phone 202-401-5373

Fax Phone 202-260-4668

CC:

REMARKS:  Urgent  For your review  Reply ASAP  Please Comment

To: SMTP@Public.11@ACF.WDC [<bbroman@OSASPE.DHHS.GOV>]  
From: "ANDY ROCK" <arock@OSASPE.DHHS.GOV>  
Cc: SMTP@Public.11@ACF.WDC [<mherrell@OSASPE.DHHS.GOV>], Paul  
Legler@OCSE.OC@ACF.WDC  
Subject: Re: status of an A-19  
Attachment: Headers.822  
Date: 1/3/00 12:59 PM

The provision was sent to OMB in the 1998 FY 2000 package, was subsequently drafted and included in the Medicare Improvement Amendments draft bill HHS sent to OMB on 7/28/99; but never introduced. I have a call in to OMB to find out its plans regarding possible introduction of this and other provisions in the draft bill.

Meanwhile, we're preparing an A-19 package to the Congress from the Secretary which can either allude to the draft language or include the A-19 policy proposal depending on advice from ASL, OGC, ACF.

>>> BARBARA BROMAN 01/03/00 11:25AM >>>

Hi Andy, Paul Legler just called me asking about the status of an A-19 submitted last year on delinquent Child support and termination of Medicare. It was number HHS 2000/02.

What is the status. Will it be resubmitted? I assume it didn't pass.

HCFA-99/51  
2/27/98HEALTH CARE FINANCING ADMINISTRATION  
FISCAL YEAR 1999 LEGISLATIVE PROPOSAL

## Delinquent Child Support Payers

Authorize Medicare to Exclude Individual Physicians and Other Practitioners Who Are Delinquent in Child Support Payments

Current Law: Physicians and other practitioners may enroll in and receive direct payments from the Medicare program whether or not they are delinquent in their child support payments.

Proposal:

- o Authorize the Secretary to prohibit Medicare enrollment of, individual physicians and other individuals who are authorized to bill Medicare directly, who are delinquent in child care support payments. (Individuals applying for initial enrollment would continue to sign the certification already in use affirming that they agree to abide by applicable laws.)
- o Permit the Secretary to terminate enrollment, with consequent denial of receipt of assigned Medicare payments, when physicians and other individual practitioners fail to make reasonable efforts to eliminate their delinquent child support payment balances.

Rationale: This proposal would support the Administration's efforts to ensure that Federal payments are not made to individuals who are delinquent in their child support payments. The Secretary should have authority to take action on a case-by-case basis against individual physicians and other individual practitioners enrolled in the Medicare program who are persistently in arrears in their child support payments, as determined by the Office of Child Support Enforcement, Administration on Children and Families.

It is most logical to exclude physicians and individual practitioners who are delinquent in child support payments from initial enrollment in Medicare, since at that time they do not already have a relationship with Medicare beneficiaries.

Once Medicare beneficiaries already have a relationship with a physician or individual practitioner enrolled in Medicare, the situation becomes more complex. Exclusion of a physician who becomes delinquent in child support after enrollment could have negative consequences. There could be disruption of services to a beneficiary who is currently in the care of that individual provider. Termination of the enrollment of the provider also would preclude the ability to offset Medicare payments due to the

providers against their delinquent child care support payments. Some physicians could enter and leave the Medicare program periodically, depending upon the current status of their child support payments. That would be costly to the Medicare program and disruptive and confusing to beneficiaries.

Effect on Beneficiaries: If the exclusions are undertaken only for initial enrollment and on a discretionary basis for enrolled providers, there should not be a major impact upon beneficiaries. However, beneficiaries, as a whole, could experience some diminution of their choice of providers.

Cost: There should not be a cost for excluding new applicants, since Medicare must review their applications whether or not they become enrolled. It is extremely difficult to estimate the cost for excluding currently enrolled physicians and other practitioners who are delinquent in their child support payments. This cost is dependent upon the type and complexity of data match systems required.

CR ✓

# FAX

Date 12-29-99

Number of pages including cover sheet 2

TO: Eric  
Gould  
DPC

FROM: Paul K. Legler  
Assistant Commissioner  
Federal Office of Child  
Support Enforcement

Phone  
Fax Phone 456-7431

Phone 202-401-5373  
Fax Phone 202-260-4668

CC:

REMARKS:  Urgent  For your review  Reply ASAP  Please Comment

① How is  
"income attachment"  
different from  
"wage withholding"?  
② How would this work?  
paid \$ 250 in course of  
year??

## **NEW HIRE REPORTING OF INDEPENDENT CONTRACTORS**

### **DRAFT -- FOR DISCUSSION ONLY**

The New Hire Reporting Program has been one of the most successful innovations in Child Support Enforcement in decades. Enacted as part of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), the program matches all employees, both newly hired and those already holding jobs, with parents who owe child support. This year the program found approximately 3 million parents who were delinquent in their child support payments.

This proposal extends the reporting requirement to independent contractors. Independent contractors, who are often self-employed individuals, are often the most difficult child support collection cases. Under the proposal, employers would be required to report any independent contractors (who are paid in excess of a minimum, e.g. \$2,500) to a State Directory of New Hires, just as they do for new employees. The information would first be matched at the State level against the State Case Registry of child support orders and then sent to the National Directory of New Hires to be matched against the Federal Case Registry. The information from matching this information could then be used to send an income attachment to the employers or used as locate information on the independent contractor.

Currently seven States have programs for the reporting of independent contractors -- California (newly enacted), Colorado, Iowa, Massachusetts, Minnesota (government agencies, optional for private employers), New Hampshire and New Jersey.

This proposal may generate opposition by employers and others in the business community. While the reporting of newly hired employees is typically done by payroll offices in a routine, automated process; employers would find it more burdensome to report independent contractors, which may involve less routine and less automated processes and may not be handled by payroll offices.

# FAX

Date 12/21/99

Number of pages including cover sheet 10

TO: Eric Gould  
Cynthia Rice  
DPC

FROM: Paul K. Legler  
Assistant Commissioner  
Federal Office of Child  
Support Enforcement

Phone 456-~~2237~~ 7431  
Fax Phone 456-7028

Phone 202-401-5373  
Fax Phone 202-260-4668

CC:

REMARKS:  Urgent  For your review  Reply ASAP  Please Comment

[Empty remarks box]

# New Hampshire's New Hire Project: Targeting Independent Contractors Pays Off

## *Collections Increase More Than One Million Dollars*

By: Kathleen L. Kerr

**N**ew Hampshire's initiative for collecting child support from noncustodial parents who are independent contractors generated an estimated increase in collections of over a million dollars between October 1997 and October 1998. According to a study conducted by the Federal DHHS Office of Inspector General (OIG), New Hampshire's overall collections increased by \$5.3 million, with 20 percent of that (\$1.065 million) attributable to collections from independent contractors.

Welfare reform legislation includes requirements for all employers to report new hires to a designated agency. States also must conduct data matches between their child support case registry and the new hire directory. To comply, New Hampshire selected its Department of Employment Security (DES) to be the State agency for reporting new hires.

New hire reports are submitted to DES, which daily submits the data to the child support agency for matching the noncustodial parent's name and Social Security number. When a match is found, a notice is sent both to the payor and the employer, with the notice to the employer containing instructions to garnish the employee's wages.

---

*Adding independent contractors  
to the [new hire requirement]  
did not significantly impact  
operating costs or worker caseloads.*

---

Taking the new hire requirement one step further, New Hampshire enacted legislation requiring employers to report the hiring of employees and independent contractors with contracts in excess of \$2,500. Self-employed payors are often among the most difficult to collect support from, and businesses, though not required, are encouraged to report all independent contractors regardless of the contract amount.

Since the entire process for attaching earnings and sending notification letters to employers and payors is automated, adding independent contractors to the function



*New Hampshire Child Support Director Kathleen Kerr*

did not significantly impact operating costs or worker caseloads. Moreover, new hire is a valuable parent locator tool. Our records indicate that the program consistently provides current address information on the self-employed.

Besides an increase in current collections, benefits include a decrease in outstanding amounts owed. For example, an OIG random sample review of 33 independent contractors identified in the new hire data match revealed that 31 of them owed an average of \$4,879 in past due child support. (The other two were found not to be delinquent.) Once brought to light, the potential for collection of the past due amounts of these independent contractors increases dramatically.

If you would like more information about New Hampshire's new hire initiative, call Sarah Kourian at (603) 271-4750. □

---

*Kathleen Kerr is the Director of New Hampshire's child support program.*

*Paul Legler*

103d Congress, 2d Session ----- House Document 103-2

**PROPOSED LEGISLATION—"WORK AND  
RESPONSIBILITY ACT OF 1994"**

**MESSAGE**

**FROM**

**THE PRESIDENT OF THE UNITED STATES**

**TRANSMITTING**

**A DRAFT OF PROPOSED LEGISLATION ENTITLED, "WORK AND  
RESPONSIBILITY ACT OF 1994"**



**JUNE 21, 1994.—Message and accompanying papers referred to the Com-  
mittees on Ways and Means, Education and Labor, Agriculture, Energy  
and Commerce, the Judiciary, and Foreign Affairs and ordered to be  
printed**

**U.S. GOVERNMENT PRINTING OFFICE**

80-515

**WASHINGTON : 1994**

*Work and Responsibility Act of 1994*

- (b) *requiring the child support agency to provide both ad-hoc and batch processing of locate requests, with ad-hoc access restricted to cases in which the information is needed immediately (such as with court appearances) and batch processing used to troll data bases to locate persons or update information periodically;*
  - (c) *for information retained in a State IV-D system, providing for a maximum 48 hours turnaround from the time the request is received by the State to the time information/response is returned; for information not maintained by the State IV-D system, the system must generate a request to other State locate data bases within 24 hours of receipt, and respond to the requesting State within 24 hours after receipt of that information from the State locate sources;*
  - (d) *broadening the definition of parent location to include the parents' income and assets;*
  - (e) *developing with the States an automated interface between their Statewide automated child support enforcement systems and the Child Support Enforcement Network (CSENet), permitting locate and status requests from one State to be integrated with IntraState requests, thereby automatically accessing all locate sources of data available to the State IV-D agency; and*
- (2) *States shall have and use laws that require unions and their hiring halls to cooperate with IV-D agencies by providing information on the residential address, employer, employer's address, wages, and medical insurance benefits of members;*
- (3) *The Secretary shall authorize:*
- (a) *a study to address the issue of whether access to the National Locate Registry should be extended to noncustodial parents seeking the location of their children and whether, if it were, custodial parents fearful of domestic violence could be adequately protected and shall make recommendations to Congress; and*
  - (b) *a study to address the feasibility and costs of contracting with the largest credit reporting agencies to have an electronic data interchange with FPLS, accessible by States, for credit information useful for the enforcement of orders, and if the Fair Credit Reporting Act is amended, for establishment and adjustment of orders.*
  - (c) *demonstration grants to States to improve the interface with State data bases that show potential as automated locate sources for child support enforcement.*

**Expanded Role of Internal Revenue Service**

The Internal Revenue Service (IRS) is currently involved in the child support enforcement program both as a source of valuable information to assist in locating noncustodial parents, their assets and their place of employment, and as a collection authority to enforce payment of delinquent support obligations. In FY 1992, well over one-half of a billion dollars was collected by the IRS on behalf of over 800,000 child support cases. This proposal focuses on strengthening the IRS role in child support enforcement in three areas: enhancing data exchange; expanding the tax refund offset program; and, improving the full collection process.

**Enhancing Data Exchange Between IV-D Child Support and the IRS Data**

The Internal Revenue Code currently provides access to certain tax information used by child support enforcement agencies, including 1099 data. Access to this information greatly enhances State enforcement efforts and the utility of the locate network. Under the proposal, the Secretary of the Treasury will explore the feasibility of simplifying access to this IRS data.

- (1) *The Secretary of the Treasury shall explore the feasibility of and, as appropriate, institute procedures whereby States can more easily obtain access to IRS data (including 1099 data), if allowed by law, for the purposes of identifying obligors' income and assets. Safeguards must be in place to protect the confidentiality of the information.*

**IRS Tax Refund Offset**

Current statutory requirements for Federal tax refund interception set different criteria for AFDC and non-AFDC cases. One especially inequitable difference is that the tax refund offset is not available to collect past-due child support for non-AFDC children who have reached the age of majority, even if the arrearage accrued during the child's minority. The proposal will eliminate all disparities between AFDC and non-AFDC income tax refund offsets for child support collection purposes.

- (1) *The disparities between AFDC and non-AFDC cases regarding the availability of the Federal income tax refund offset shall be eliminated, the arrearage requirements shall be reduced to an amount determined by the Secretary, and offsets shall be provided regardless of the age of the child for whom an offset is sought. Time-frames, notice and hearing requirements shall be reviewed for simplification.*

**IRS Full Collections**

Currently, the IRS full collection process (which may include seizure by the IRS of property, freezing of accounts, and other procedures) is available to States as an enforcement tool in collecting delinquent child support payments. While use of the IRS full collection process could be an effective enforcement remedy, especially in interstate cases, it is currently used only rarely, in part, because the current process is cumbersome and prohibitively expensive from the States' perspective. The IRS and HHS have recently undertaken a study to explore how to improve the IRS full collection process and to make recommendations regarding its expansion. As part of this study, 700 cases were certified to IRS for collection in September, 1993. These cases are being closely monitored and the data obtained will be used to make recommendations for improvement to the IRS Full Collection project, including the establishment of a new fee structure. The proposal will require the Secretary of Treasury to improve the full collection process by establishing a simplified and streamlined process, including the use of an automated collection process for child support debts.

- (1) *To improve the IRS Full Collection process, the Secretary of the Treasury shall:*
- (a) *simplify the IRS full collection process;*
  - (b) *establish procedures to ensure that the process is expeditious and implemented effectively;*

*Work and Responsibility Act of 1994*

- (c) *explore the feasibility of the IRS using its automated tax collection techniques in child support full collection cases; and*
- (d) *the IRS will not charge an extra submission fee if a State updates the arrears on an open case.*

#### INTERSTATE ENFORCEMENT

Currently, many child support efforts are hampered by States' inability to locate noncustodial parents and secure orders of support across State lines. New provisions will be enacted to improve State efforts to work interstate child support cases and make interstate procedures more uniform throughout the country.

Under current law, most States handle their interstate cases through the use of versions of the Uniform Reciprocal Enforcement of Support Act (URESA), promulgated in 1950 and changed in 1952, 1958 and 1968. Using URESA may result in the creation of several child support orders in different States (or even counties within the same state) for different amounts, all of which are valid and enforceable. Interstate income withholding, an administrative alternative to URESA, is not widely used and limits the enforcement remedy of withholding.

Under the proposal, States will be required to adopt verbatim URESA's replacement, the Uniform Interstate Family Support Act (UIFSA). UIFSA ensures that only one State controls the terms of the order at any one time. UIFSA, unlike URESA, includes a comprehensive long-arm jurisdiction section to ensure that as many cases stay in one State as is possible. Direct withholding will allow a State to use income withholding in interstate cases by serving the employer directly without having to go through the second State's IV-D agency. Additionally, States could quickly obtain wage information from out-of-State employers. Interstate locate through the National Clearinghouse should improve locate capability dramatically, by linking State agencies, Federal locate sources and the new hire data base.

We will also ask Congress to express its sense that it is constitutional to use "child-state" jurisdiction, which if upheld by the Supreme Court, will allow agencies to bring the child support case where the child resides instead of where the noncustodial parent lives if he or she has no ties to the child's state. This extends long arm jurisdiction's reach to all cases instead of just most cases. It would also eliminate arguments and court proceedings regarding jurisdiction.

While all States have implemented immediate wage withholding programs for child support payment, there are significant variances in individual State laws, procedures and forms. Those differences are significant enough to bog down the interstate withholding system. Even within States, forms and procedures may vary, resulting in slow or inaccurate case processing. The proposal will require the Secretary to promulgate regulations defining income and other terms so that income withholding terms, procedures and definitions are uniform. This will improve interstate wage withholding effectiveness and fairness and facilitate a more employer-friendly withholding environment. The net effect of UIFSA, direct and uniform withholding, national subpoenas, interstate lien recognition, interstate communication, and child-State jurisdiction is to almost eradicate any barriers that exist to case processing simply because the parents do not reside in the same state.

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"(2) Duration.--Loan payments to a State for a project under this section may not be made for a period longer than 3 years.

"(d) Recoupment.--A loan to a State under this section shall be recovered from the State over 3 fiscal years, beginning in the fourth calendar quarter beginning after the project ends (or, if earlier, the sixteenth calendar quarter beginning after loan payments for the project began) through--

"(1) an offset of one-half of the increase in incentive payments due to the State under section 458 for each calendar quarter until funds are fully repaid, plus

"(2) an offset from payments due to the State under section 455(a) for each calendar quarter equal to the amount, if any, by which one-twelfth of the total loan (plus interest) exceeds the amount described under paragraph (1), with such amounts recovered being credited to the revolving fund under this section.

"(e) Availability as State Share.--Funds received by a State under this section may be used by the State as the non-Federal share of expenditures under the State program under this part."

SEC. 662. FEDERAL INCOME TAX REFUND OFFSET.

(a) Changed Order of Refund Distribution under Internal Revenue Code.--(1) Section 6402(c) of the Internal Revenue Code of 1986 is amended--

payments to a State for a project  
made for a period longer than

a State under this section shall  
3 fiscal years, beginning in the  
year after the project ends (or, if  
quarter beginning after loan  
through--

half of the increase in incentive  
under section 458 for each  
year as are fully repaid, plus  
payments due to the State under  
quarter equal to the  
one-twelfth of the total loan (plus  
amount described under paragraph (1),  
amount credited to the revolving fund

Share.--Funds received by a State  
from the State as the non-Federal  
State program under this part."

**FUND OFFSET.**

(c) of the Internal Revenue Code

(A) by striking "The amount" and inserting "(1) In  
general. The amount";

(B) by striking "paid to the State. A reduction" and  
inserting "paid to the State.

"(2) Priorities for offset. A reduction";

(C) by striking "shall be applied first" and inserting  
"shall be applied (after any reduction under subsection (d)  
on account of a debt owed to the Department of Education or  
Department of Health and Human Services with respect to a  
student loan) first";

(D) by striking "has been assigned" and inserting "has  
not been assigned"; and

(B) by striking "and shall be applied" and all that  
follows and inserting "and shall thereafter be applied to  
satisfy any past-due support that has been so assigned."

(2) Section 6402(d)(2) of such Code is amended by striking  
"after such overpayment" and all that follows through "Social  
Security Act" and" and inserting "(A) before such overpayment is  
reduced pursuant to subsection (c), in the case of a debt owed to  
the Department of Education or Department of Health and Human  
Services with respect to a student loan. (B) after such  
overpayment is reduced pursuant to subsection (c), in the case of  
any other debt, and (C) in either case."

476

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(b) Elimination of Disparities in Treatment of Assigned and Non-Assigned Arrearages.--(1) Section 464(a) is amended--

(A) by striking "(a)" and inserting "(a) Offset Authorized.--";

(B) in paragraph (1)--

(i) in the first sentence, by striking "which has been assigned to such State pursuant to section 402(a)(26) or section 471(a)(17)"; and

(ii) in the second sentence, by striking "in accordance with section 457(b)(4) or (d)(3)" and inserting "as provided in paragraph (2)";

(C) in paragraph (2), to read as follows:

"(2) The State agency shall distribute amounts paid by the Secretary of the Treasury pursuant to paragraph (1)--

(A) in accordance with section 457(a)(4) or (d)(3), in the case of past-due support assigned to a State pursuant to section 402(a)(26) or section 471(a)(17); and

(B) to or on behalf of the child to whom the support was owed, in the case of past-due support not so assigned.;"

(C) in paragraph (3)--

(i) by striking "or (2)" each place it appears;

and

ities in Treatment of Assigned and  
 ) Section 464(a) is amended--  
 a)" and inserting "(a) Offset

1)--

irst sentence, by striking "which has  
 such State pursuant to section  
 tion 471(a)(17)"; and

second sentence, by striking "in  
 section 457(b)(4) or (d)(3)" and  
 vided in paragraph (2)";

(2), to read as follows:

shall distribute amounts paid by the  
 ursuant to paragraph (1)--

e with section 457(a)(4) or (d)(3), in  
 upport assigned to a State pursuant to  
 section 471(a)(17); and

alf of the child to whom the support  
 of past-due support not so assigned.";

(3)--

ing "or (2)" each place it appears;

(ii) in subparagraph (B), by striking "under  
 paragraph (2)" and inserting "on account of past-due  
 support described in paragraph (2)(B)";

(2) Section 464(b) is amended--

(A) by striking "(b)(1)" and inserting "(b)  
 Regulations.--"; and

(B) by striking paragraph (2).

(3) Section 464(c) is amended--

(A) by striking "(c)(1) Except as provided in  
 paragraph (2), as" and inserting "(c) Definition.--As";  
 and

(B) by striking paragraphs (2) and (3).

(c) Effective Date.--The amendments made by this section  
 shall become effective October 1, 1996.

SEC. 663. INTERNAL REVENUE SERVICE COLLECTION OF ARREARS.

(a) Amendment to Internal Revenue Code.--Section 6305(a) of  
 the Internal Revenue Code of 1986 is amended--

(1) in paragraph (1), by inserting "except as provided  
 in paragraph (5)" after "collected";

(2) by striking "and" at the end of paragraph (3);

(3) by striking the period at the end of paragraph (4)  
 and inserting a comma;

(4) by adding after paragraph (4) the following new  
 paragraph:

478

287

"(5) no additional fee may be assessed for adjustments to an amount previously certified pursuant to such section 452(b) with respect to the same obligor."; and

(6) by striking "Secretary of Health, Education, and Welfare" each place it appears and inserting "Secretary of Health and Human Services".

(b) Effective Date.--The amendments made by this section shall become effective October 1, 1996.

SEC. 664. AUTHORITY TO COLLECT SUPPORT FROM EMPLOYMENT-RELATED PAYMENTS BY UNITED STATES.

(a) Consolidation and Streamlining of Authorities.--

(1) Section 459 is amended in the caption by inserting "INCOME WITHHOLDING," before "GARNISHMENT".

(2) Section 459(a) is amended--

(A) by striking "(a)" and inserting "(a) Consent to Support Enforcement.--";

(B) by striking "section 207" and inserting "section 207 of this Act and 38 U.S.C. 5301"; and

(C) by striking all that follows "a private person," and inserting "to withholding in accordance with State law pursuant to subsections (a)(1) and (b) of section 466 and regulations of the Secretary thereunder, and to any other legal process brought, by a State agency administering a program under this part

12/17

Self-employed

- a) ① Could we use self-employed quarterly to locate self-employed
  - how would it work?
  - would we need new authority?

② Collections require quarterly

- c) Currently - states can use 63051 addresses to collect
  - charge to state
  - states don't use a lot
  - "full collection"

94 act has something

info about self-employed

- what is tax compliance
- how many are there?
- what percent pay penalty (current info) edit

Extend Newhire program to independent contractors (NH does)

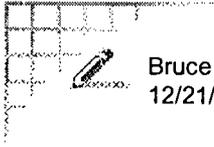
offset

2

\$9.65 non-tax

8.10 tax

) costs of Admin offsets



Bruce N. Reed  
12/21/99 06:43:07 PM

Record Type: Record

To: Cynthia A. Rice/OPD/EOP@EOP

cc:

Subject: Re: Calling Larry Summers re: child support 

I talked to him. He said he'd get an answer by tomorrow.



Cynthia A. Rice

12/21/99 12:28:01 PM

Record Type: Record

To: Bruce N. Reed/OPD/EOP  
cc: Eric P. Liu/OPD/EOP, J. Eric Gould/OPD/EOP  
Subject: Calling Larry Summers re: child support

If you can, I think it you should call Summers before you leave and reiterate that we really do want to pursue Treasury collection of child support from the self-employed, who report estimated quarterly taxes to the IRS. We think doing so will collect more child support for mothers and children (while we seize year-end tax ~~returns~~, those average about \$1,000 a small fraction of what many of these guys owe) and will provide more regular support.

*Refunds*

As a result of our pushing, Treasury is putting together information on how this could be done and will give Summers a memo that will likely be filled with tax policy's overall objections to getting involved in this area (mainly, concerns that adding this obligation will deter these individuals from paying taxes at all, and that it will further strain Treasury's collection enforcement resources).

I think a call from you would a) make sure he asks his staff for the memo and reads it and b) ensure he has our strong interest in mind when he reads tax policy's objections.

Thanks.

**TREASURY OFFSET PROGRAM**  
**Payments Exempt from Offset by Disbursing Officials**  
**(Nontax Debt Collection)**

<b>PAYMENTS EXEMPT BY FEDERAL LAW</b>		
<b>Payment Agency</b>	<b>Type of Payment</b>	<b>Statutory Exemption (U.S. Code)</b>
Department of Education	Payments under a program administered by the Secretary of Education under Title IV of the Higher Education Act of 1965	31 U.S.C. § 3716(c)(1)(C)
Department of Veterans Affairs	Payments of benefits under any law administered by the Secretary of Veterans Affairs, including: <ul style="list-style-type: none"> <li>* Pension programs</li> <li>* Parents' dependency and indemnity compensation programs</li> <li>* Disability and death compensation</li> <li>* Dependency and indemnity compensation</li> <li>* Monetary educational assistance</li> <li>* Monetary benefits under training (including work study allowances) and rehabilitation programs</li> <li>* Special monetary benefits</li> <li>* Life insurance payments</li> <li>* Funeral and burial expenses</li> <li>* Financial assistance for adapted housing and automobile equipment</li> <li>* Minimum income widow</li> <li>* Special allowance under 38 U.S.C. § 1312</li> <li>* Attorney fees withheld from retroactive benefits for representation at the Board of Veterans Appeals</li> <li>* Clothing allowance</li> <li>* Apportionment funds</li> <li>* Accrued benefits</li> <li>* Child support withholdings</li> <li>* Reimbursements for travel, medical, rehabilitation, and health care related needs and activities</li> </ul>	38 U.S.C. § 5301(a)
Department of the Treasury	Payments under the tariff laws	31 U.S.C. § 3701(d)
Department of Labor/Social Security Administration	Payments under the Black Lung Benefits Act, other than payments under Part B	30 U.S.C. § 932(a) [incorporating 33 U.S.C. § 916]
Department of Labor	Longshore and Worker's Compensation Act payments	33 U.S.C. § 916
Railroad Retirement Board	Tier 2 Railroad Retirement benefit payments	45 U.S.C. § 231m
Department of Agriculture	Federal Crop Insurance indemnity payments	7 U.S.C. § 1509
Department of Defense	Survivors benefits (military retirement) payments	10 U.S.C. § 1450(i)
Department of Defense	Medal of Honor pension payments	38 U.S.C. § 1562(c)
Social Security Administration/Department of Health and Human Services	Payments made under the Social Security Act, except to the extent provided under 31 U.S.C. § 3716(c) [Debt Collection Improvement Act]	31 U.S.C. § 3701(d)

**PAYMENTS EXEMPT BY FEDERAL LAW  
FOR COLLECTION OF STATE NONTAX DEBTS AND PAST-DUE SUPPORT OBLIGATIONS**

<b>Payment Agency</b>	<b>Type of Payment</b>	<b>Statutory Exemption (U.S. Code)</b>
See above	All payments listed above as "Payments Exempt by Federal Law"	See above
Railroad Retirement Board	Railroad Retirement benefit payments	45 U.S.C. § 231m, 31 U.S.C. § 3716(h)
Social Security Administration	Payments made under the Social Security Act	31 U.S.C. § 3701(d), 31 U.S.C. § 3716(h), 42 U.S.C. § 407 and 42 U.S.C. § 1383(d)(1)
Department of Labor/Social Security Administration	Payments under the Black Lung Benefits Act	31 U.S.C. § 3716(h), 30 U.S.C. § 932(a) [incorporating 33 U.S.C. § 916]

**PAYMENTS EXEMPT BY ACTION OF THE  
SECRETARY OF THE TREASURY (31 U.S.C. § 3716(c)(3)(B))**

<b>Payment Agency</b>	<b>Type of Payment</b>
Social Security Administration	Social Security Supplemental Security Income (SSI) benefit payments
Department of Agriculture	Department of Agriculture, Food and Nutrition Services benefit payments made under the following programs: <ul style="list-style-type: none"> <li>* Food stamp program</li> <li>* Nutrition assistance program for Puerto Rico</li> <li>* Special supplemental nutrition program for women, infants, and children (WIC)</li> <li>* WIC farmer's market nutrition program</li> <li>* National school lunch program</li> <li>* Summer food service program</li> <li>* Child and adult care food program</li> <li>* Special milk program for children</li> <li>* School breakfast program</li> </ul>
Federal Emergency Management Agency	Federal Emergency Management Agency payments under the following disaster relief and emergency assistance programs: <ul style="list-style-type: none"> <li>* Individual &amp; family grant program</li> <li>* Disaster housing</li> <li>* Crisis counseling assistance &amp; training</li> <li>* Disaster unemployment assistance</li> <li>* Cora Brown fund (disaster aid)</li> <li>* Community disaster loan</li> <li>* Public assistance to states &amp; local governments</li> <li>* Fire suppression assistance</li> <li>* Urban search &amp; rescue</li> </ul>
Pension Benefit Guaranty Corporation	Pension Benefit Guaranty payments as follows: <ul style="list-style-type: none"> <li>* Premium refunds to pension plans and plan sponsors</li> <li>* Financial assistance to multiemployer plans</li> <li>* Contractor bank payments to participants and beneficiaries</li> </ul>

Directors of programs under this part, promulgate forms to be used by States in interstate cases for--

42 USC  
452

- (A) collection of child support through income withholding;
- (B) imposition of liens; and
- (C) administrative subpoenas.

(b) Certification of child support obligations to Secretary of Treasury for collection. The Secretary shall, upon the request of any State having in effect a State plan approved under this part [ <=23> 42 USCS @@ 651 et seq.], certify to the Secretary of the Treasury for collection pursuant to the provisions of section 6305 of the Internal Revenue Code of 1954 [ <=24> 26 USCS @ 6305] the amount of any child support obligation (including any support obligation with respect to the parent who is living with the child and receiving assistance under the State program funded under part A [ <=25> 42 USCS @@ 601 et seq.]) which is assigned to such State or is undertaken to be collected by such State pursuant to section 454(4) [ <=26> 42 USCS @ 654(4)]. No amount may be certified for collection under this subsection except the amount of the delinquency under a court or administrative order for support and upon a showing by the State that such State has made diligent and reasonable efforts to collect such amounts utilizing its own collection mechanisms, and upon an agreement that the State will reimburse the Secretary of the Treasury for any costs involved in making the collection. All reimbursements shall be credited to the appropriation accounts which bore all or part of the costs involved in making the collections. The Secretary after consultation with the Secretary of the Treasury may, by regulation, establish criteria for accepting amounts for collection and for making certification under this subsection including imposing such limitations on the frequency of making such certifications under this subsection.

1. assigned to or collected by state
2. ct or admin order
3. diligent + reasonable effort by state
4. state will reimburse Treas for costs

(c) Payment of child support collections to States. The Secretary of the Treasury shall from time to time pay to each State for distribution in

5.

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\*\*\* THIS SECTION IS CURRENT THROUGH THE NOVEMBER 29, 1999 ISSUE OF \*\*\*  
\*\*\* THE FEDERAL REGISTER \*\*\*

TITLE 26 -- INTERNAL REVENUE  
CHAPTER I -- INTERNAL REVENUE SERVICE, DEPARTMENT OF THE TREASURY  
SUBCHAPTER F -- PROCEDURE AND ADMINISTRATION  
PART 301 -- PROCEDURE AND ADMINISTRATION  
COLLECTION  
GENERAL PROVISIONS

26 CFR 301.6305-1

§ 301.6305-1 Assessment and collection of certain liability.

(a) Scope. Section 6305(a) requires the **Secretary of the Treasury** or his delegate to assess and collect amounts which have been certified by the **Secretary of Health and Human Services** as the amount of a delinquency determined under a court order, or an order of an administrative process established under State law, for support and maintenance of a child or of a child and the parent with whom the child is living. These amounts, referred to as "child and spousal support", are to be collected in the same manner and with the same powers exercised by the **Secretary of the Treasury** or his delegate in the collection of an employment tax which would be jeopardized by delay. However, where the assessment is the first assessment against an individual for a delinquency described in this paragraph for a particular individual or individuals, the collection is to be stayed for a period of 60 days following notice and demand. In addition, no interest or penalties (with the exception of the penalties imposed by sections 6332(c)(2) and 6657) shall be assessed or collected on the amounts, paragraphs (4), (6) and (8) of section 6334(a) (relating to property exempt from levy) shall not apply; and, there shall be exempt from levy so much of the salary, wages, or other income of the individual which is subject to garnishment pursuant to a judgment entered by a court for the support of his or her minor children. Section 6305(b) provides that sole jurisdiction for any action brought to restrain or review assessment and collection of the certified amounts shall be in a State court or a State administrative agency.

(b) Assessment and collection--(1) General rule. Upon receipt of a certification or recertification from the **Secretary of Health and Human Services** or his delegate under section 452(b) of Title IV of the Social Security Act as amended (relating to collection of child and spousal support obligations with respect to an individual), the district director or his delegate shall assess and collect the certified amount (or recertified amount). Except as provided in paragraph (c) of this section, the amount so certified shall be assessed and collected in the same manner, with the same powers, and subject to the same limitations as if the amount were an employment tax the collection of which would be jeopardized by delay. However, the provisions of subtitle F with respect to assessment and collection of taxes shall not apply with respect to assessment and collection of a certified amount where such provisions are clearly inappropriate to, and incompatible with, the collection of certified amounts generally. For example, section 6861(g) which allows the **Secretary** or his delegate to abate a jeopardy assessment if he finds a jeopardy does not exist will not apply.

(2) Method of assessment. An assessment officer appointed by the district director pursuant to § 301.6203-1 to make assessments of tax shall also make assessments of certified amounts. The assessment of a certified amount shall be made by the assessment officer signing the summary record of assessment. The date of assessment is the date the summary record is signed by the assessment officer. The summary record, through supporting records as necessary, shall provide--

(i) The assessed amount;

(ii) The name, social security number, and last known address of the individual owing the assessed amount;

(iii) A designation of the assessed amount as a certified amount, together with the date on which the amount was certified and the name, position, and governmental address of the officer of the Department of Health and Human Services who certified the amount;

(iv) The period to which the child and spousal support obligation represented by the certified amount relates;

(v) The State in which was entered the court or administrative order giving rise to the child and spousal support obligation represented by the certified amount;

(vi) The name of the person or persons to whom the child and spousal support obligation represented by the certified amount is owed; and

(vii) The name of the child or children or the parent of the child or children for whose benefit the child and spousal support obligation exists.

Upon request, the individual assessed shall be furnished a copy of pertinent parts of this assessment which set forth the information listed in subdivision (i) through (vii) of this paragraph (b)(2).

(3) Supplemental assessments and abatements. If any assessment is incomplete or incorrect in any material respect, the district director or his delegate may make a supplemental assessment or abatement but only for the purpose of completing or correcting the original assessment. A supplemental assessment will not be used as a substitute for an additional assessment against an individual.

(4) Method of collection. (i) The district director or his delegate shall make notice and demand for immediate payment of certified amounts. Upon failure or refusal to pay such amounts, collection by levy shall be lawful without regard to the 10-day waiting period provided in section 6331(a). However, in the case of certain first assessments, paragraph (c)(4) of this section provides a rule for a stay of collection for 60 days. For purposes of collection, refunds of any internal revenue tax owed to the individual may be offset against a certified amount.

(ii) The district director or his delegate shall make diligent and reasonable efforts to collect certified amounts as if such amounts were taxes. He shall have no authority to compromise a proceeding by collection of only part of a certified amount in satisfaction of the full certified amount owing. However, he may arrange for payment of a certified amount by installments where advisable.

(iii) The district director or his delegate may offset the amount of any overpayment of any internal revenue tax (as described in section 301.6401-1) to be refunded to the person making the overpayment by the amount of any past-due support (as defined in the regulations under section 6402) owed by the person making the overpayment. The amounts offset under section 6402(c) may be amounts of child and spousal support certified (or recertified) for collection under section 6305 and this section or they may be amounts of past-due support of which the Secretary of the Treasury has been notified under section 6402(c) and the regulations under that section.

(5) Credits or refunds. In the case of any overpayment of a certified amount, the Secretary of the Treasury or his delegate, within the period of limitations for credit or refund of employment taxes, may credit the amount of the overpayment against any liability in respect of an internal revenue tax on the part of the individual who made the overpayment and shall refund any balance to the individual. However, the full amount of any overpayment collected by levy upon property described in paragraph (c)(2) (i), (ii), or (iii) of this section shall be refunded to the individual. For purposes of applying this subparagraph, the rules of § 301.6402-2 apply where appropriate.

(6) Disposition of certified amounts collected. Any certified amount collected shall be deposited in the general fund of the United States, and the officer of the Department of Health and Human Services who certified the amount shall be promptly notified of its collection. There shall be established in the Treasury, pursuant to section 452 of Title IV of the Social Security Act as amended, a revolving fund which shall be available to the Secretary of Health and Human Services or his delegate, without fiscal year limitation, for distribution to the States in accordance with the provisions of section 457 of the Act. Section 452(c)(2) of the Act appropriates to this revolving fund out of any monies not otherwise appropriated, amounts equal to the certified amounts collected under this paragraph reduced by the amounts credited or refunded as overpayments of the certified amounts so collected. The certified amounts deposited shall be transferred at least quarterly from the general fund of the Treasury to the revolving fund on the basis of estimates made by the Secretary of the Treasury or his delegate. Proper adjustments shall be made in the amounts subsequently transferred to the extent prior estimates were in excess of or less than the amounts required to be transferred. See, however, paragraph

(c)(1) of this section for the special rule requiring retention in the general fund of certain penalties which may be collected.

(c) Additional limitations and conditions--(1) Interest and penalties. No interest, penalties or additional amounts, other than normal and reasonable collection costs, may be assessed or collected in addition to the certified amount, other than the penalty imposed by section 6332(c)(2) for failure to surrender property subject to levy and the penalty imposed by section 6657 for the tender of bad checks. Any such penalties and collection costs, if collected, will not be treated as part of the certified amount and will be retained by the United States as a part of its general fund. No interest shall be allowed or paid on any overpayment of a certified amount.

(2) Property not exempt from levy. In addition to property not exempt from levy under section 6334(c) and the regulations thereunder, the following property shall not be exempt from a levy to collect a certified amount:

- (i) Unemployment benefits described in section 6334(a)(4);
- (ii) Certain annuities and pension payments described in section 6334(a)(6); or
- (iii) Salary, wages, or other income described in section 6334(a)(8).

(3) Property exempt from levy. In addition to property exempt from levy under section 6334(a) and the regulations thereunder, other than property described in paragraph (c)(2) (i), (ii), or (iii) of this section, there shall be exempt from levy to collect a certified amount so much of the salary, wages, or other income of an individual as is withheld therefrom in garnishment pursuant to judgment entered by a court of competent jurisdiction for the support of minor children of the individual.

(4) First assessment. In the case of a first assessment against an individual for a certified amount in whole or part for the benefit of a particular child or children or the child or children and their parent, the collection of the certified amount shall be stayed for the period of 60 days immediately following notice and demand as described in section 6303. However, no other stay of the collection of a certified amount may be granted. Thus, the provisions of section 6863(a), relating to bonds to stay collection of jeopardy assessments, shall not apply to the collection of certified amounts.

(5) Priority of liens. A lien for a certified amount shall be valid as against a lien for taxes imposed by section 6321 only if the date of assessment of the certified amount precedes the date of assessment of the taxes. However, no amount collected by levy upon property described in paragraph (c)(2) (i), (ii), or (iii) of this section may be applied other than in whole or partial satisfaction of certified amounts. In the case of two liens for certified amounts, the lien for the certified amount which is first assessed shall be valid as against the lien for the certified amount which is later assessed.

(6) Statute of limitations on collections. The periods of limitation on collection of taxes after assessment prescribed by section 6502 shall apply to the collection of certified (or recertified) amounts. Such periods of limitation with respect to a certified amount shall terminate upon recertification of the amount, and the period of limitation prescribed by section 6502 shall then apply and commence to run with respect to the recertified amount.

(d) Review of assessments and collections--(1) Federal courts. No court of the United States established under article I or article III of the Constitution has jurisdiction of any legal or equitable action to restrain or review the assessment or collection of certified amounts by the district director or his delegate. See, however, paragraph (d)(3) of this section for the rule that the prohibition of this paragraph (d)(1) does not preclude courts established for the District of Columbia from exercising jurisdiction over certain actions.

(2) Secretary of the Treasury. Neither the Secretary of the Treasury nor his delegate may subject to review the assessment or collection of certified amounts in any legal, equitable, or administrative proceeding.

(3) State courts. This paragraph (d) does not preclude a State court or appropriate State agency, as the case may be, from exercising jurisdiction over a legal, equitable, or administrative action against the State by an individual to determine his liability for any certified amount assessed against him and collected, or to recover any such certified amount collected, under section 6305 and this section. For purposes of the preceding sentence, the term "State" includes the District of Columbia.

(e) Internal Revenue regional service centers. For purposes of this section, the terms "district director or his delegate" and "district director" include the director of the Internal Revenue service center or his delegate, as the case may be.  
Receipt of Payment

**HISTORY:**

[T.D. 7576, 43 FR 59376, Dec. 20, 1978, as amended by T.D. 7808, 47 FR 5713, Feb. 8, 1982]

**AUTHORITY:**

(Sec. 7805, Internal Revenue Code of 1954 (68A Stat. 917; 26 U.S.C. 7805); sec. 2332(a) of the Omnibus Budget Reconciliation Act of 1981 (95 Stat. 357), amending sec. 464(a) of the Social Security Act (88 Stat. 2351))

**NOTES:**

**NOTES APPLICABLE TO ENTIRE CHAPTER:**

**EDITORIAL NOTE:** IRS published a document at 45 FR 6088, Jan. 25, 1980, deleting statutory sections from their regulations. In Chapter I, cross references to the deleted material have been changed to the corresponding sections of the IRS Code of 1954 or to the appropriate regulations sections. When either such change produced a redundancy, the cross reference has been deleted. For further explanation, see 45 FR 20795, March 31, 1980.

[The OMB control numbers for title 26 appear in §§ 601.9000 and 602.101 of this chapter.]

**NOTES APPLICABLE TO ENTIRE PART:**

**EDITORIAL NOTE:** In the text of this part, integral section references are to sections of the Internal Revenue Code of 1954; decimal section references are to the Code of Federal Regulations.

References in the text to the "Code" are references to sections of the Internal Revenue Code of 1954.

2234 words

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\*\*\* THIS SECTION IS CURRENT THROUGH THE NOVEMBER 29, 1999 ISSUE OF \*\*\*  
\*\*\* THE FEDERAL REGISTER \*\*\*

TITLE 45 -- PUBLIC WELFARE  
SUBTITLE B -- REGULATIONS RELATING TO PUBLIC WELFARE  
CHAPTER III -- OFFICE OF CHILD SUPPORT ENFORCEMENT (CHILD SUPPORT ENFORCEMENT PROGRAM), ADMINISTRATION FOR CHILDREN AND FAMILIES, DEPARTMENT OF HEALTH AND HUMAN SERVICES  
PART 303 -- STANDARDS FOR PROGRAM OPERATIONS

45 CFR 303.71

§ 303.71 Requests for full collection services by the Secretary of the Treasury.

(a) Definition. State collection mechanisms means a comprehensive set of written procedures developed and used to maximize effective collection action within the State.

(b) Families eligible. Subject to the criteria and procedures in this section, the IV-D agency may request the Secretary to certify the amount of a child support obligation to the Secretary of the Treasury for collection under section 6305 of the Internal Revenue Code of 1986. Requests may be made on behalf of families who make assignments as defined in § 301.1 of this chapter and on behalf of families receiving services under § 302.33.

(c) Cases eligible. For a case to be eligible for certification to the Secretary of the Treasury:

(1) There shall be a court or administrative order for support;

(2) The amount to be collected under the support order shall be at least \$750 in arrears;

(3) At least six months shall have elapsed since the last request for referral of the case to the Secretary of the Treasury;

(4) The IV-D agency, the client, or the client's representative shall have made reasonable efforts to collect the support through the State's own collection mechanisms. The agency need not repeat actions taken by the client or client's representative that the agency determines to be comparable to the State's collection mechanisms.

(5) Only the State that has taken an assignment as defined in § 301.1 of this chapter or an application or referral under § 302.33 of this chapter may request Secretary of the U. S. Treasury collection services on behalf of a given case.

(d) Procedures for submitting requests. (1) The IV-D agency shall submit requests for certification to the regional office in the manner and form prescribed by the Office.

(2) The Director of the State IV-D agency (or designee) shall sign requests for collection by the Secretary of the Treasury.

(e) Criteria for acceptable requests. The IV-D agency shall ensure that each request contains:

(1) Sufficient information to identify the debtor, including:

(i) The individual's name;

(ii) The individual's social security number;

(iii) The individual's address and place of employment, including the source of this information and the date it was last verified.

(2) A copy of all court or administrative orders for support;

(3)(i) The amount owed under the support orders;

(ii) A statement of whether the amount is in lieu of, or in addition to, amounts previously referred to Secretary of the U. S. Treasury for collection;

(4)(i) A statement that the agency, the client, or the client's representative has made reasonable efforts to collect the amount owed using the State's own collection mechanisms or mechanisms that are comparable;

(ii) A description of the actions taken, why they failed, and why further State action would be unproductive;

(5) The dates of any previous requests for referral of the case to the Secretary of the Treasury;

(6) A statement that the agency agrees to reimburse the Secretary of the Treasury for the costs of collection; and

(7)(i) A statement that the agency has reason to believe that the debtor has assets that the Secretary of the Treasury might levy to collect the support; and

(ii) A statement of the nature and location of the assets, if known.

(f) Review of requests by the Office. (1) The Regional Office will review each request to determine whether it meets the requirements of this section.

(2) If a request meets all requirements, the Regional Office will promptly certify and transmit the request with a copy of all supporting documentation to the Secretary of the Treasury. At the same time, the Regional Office will notify the IV-D agency in writing of the transmittal.

(3)(i) If a request does not meet all requirements, the Regional Office will attempt to correct the request in consultation with the IV-D agency.

(ii) If the request cannot be corrected through consultation, the Regional Office will return it to the agency with an explanation of why the request was not certified.

(g) Notification of changes in case status. (1) The IV-D agency shall immediately notify the Regional Office of the following changes in case status:

(i) A change in the amount due;

(ii) A change in the nature or location of assets;

(iii) A change in the address of the debtor.

(2) The Regional Office will transmit the revised information to the Secretary of the Treasury.

(Approved by the Office of Management and Budget under control number 0960-0281)

**HISTORY:**

[47 FR 16030, Apr. 14, 1982; 48 FR 7179, Feb. 18, 1983, as amended at 51 FR 37731, Oct. 24, 1986; 56 FR 8004, Feb. 26, 1991; 64 FR 6237, 6249, 6251, Feb. 9, 1999].

**AUTHORITY:**

42 U.S.C. 651 through 658, 660, 663, 664, 666, 667; 1302, 1396a(a)(25), 1396b(d)(2), 1396b(o), 1396b(p) and 1396(k).

NOTES:

[EFFECTIVE DATE NOTE: 64 FR 6237, 6249, 6251, Feb. 9, 1999, amended this section, effective Feb. 9, 1999.]

761 words

**FAX COVER****Income Maintenance Branch**

Office of Management and Budget  
Executive Office of the President  
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Organization: \_\_\_\_\_

Fax Number: 62846

From: Michele Ahern

Date/Time: \_\_\_\_\_

Number of Pages: Cover + 5

Notes: HR 436  
Cynthia - I talked to Sheila Dacey at CBO - who says that should when the bill comes up in the Senate, they may incorporate the data they received from Treasury, but the scoring would likely only change a little. (eg - from \$4m in savings annually to \$6 million).

Income Maintenance Fax Number: (202) 395-0851  
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# CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

February 5, 1999

## H.R. 436

### Government Waste, Fraud, and Error Reduction Act of 1999

*As ordered reported by the House Committee on Government Reform on February 3, 1999*

## SUMMARY

H.R. 436 would amend the Debt Collection Improvement Act (DCIA) of 1996. The bill would bar delinquent debtors from obtaining certain federal benefits, authorize the Financial Management Service (FMS) of the Department of the Treasury to offset certain benefit payments to collect past-due child support, and require federal agencies to sell certain assets and to report annually to the Congress on debts over \$1 million.

Enacting H.R. 436 would affect direct spending, and pay-as-you-go procedures would apply to the bill. Specifically, CBO estimates that offsetting Social Security payments to collect past-due child support would increase federal collections by less than \$500,000 in fiscal year 1999, by \$2 million in fiscal year 2000, and by \$4 million each year thereafter. In addition, subject to the availability of appropriated funds, CBO estimates that implementing H.R. 436 would increase federal reporting costs by less than \$500,000 in fiscal year 1999, by about \$1 million in fiscal year 2000, and by less than \$500,000 each year thereafter.

H.R. 436 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no additional costs on the budgets of state, local, or tribal governments.

## ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 436 is shown in the following table. For the purposes of this estimate, CBO assumes the bill will be enacted by the summer of 1999 and that the amounts necessary to implement the bill will be appropriated for each year. The costs of this legislation fall within multiple budget functions.

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 By Fiscal Year, in Millions of Dollars
 

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 1999 2000 2001 2002 2003 2004
 

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**CHANGES IN DIRECT SPENDING**

Estimated Budget Authority	a	-2	-4	-4	-4	-4
Estimated Outlays	a	-2	-4	-4	-4	-4

**CHANGES IN SPENDING SUBJECT TO APPROPRIATION**

Estimated Authorization Level	a	1	a	a	a	a
Estimated Outlays	a	1	a	a	a	a

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 a. Less than \$500,000.
 

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## BASIS OF ESTIMATE

### Direct Spending

While much of H.R. 436 would codify current practice, a few provisions would affect collections of the federal government from both past-due child support and delinquent nontax debt. In total, CBO estimates that implementing these provisions would decrease direct spending by \$18 million over the 1999-2004 period.

**Increasing the Federal Share of Collections from Past-Due Child Support.** H.R. 436 would allow states to collect past-due child support by withholding Social Security, Black Lung, and Railroad Retirement Board (RRB) payments. CBO estimates that adding past-due child support to the list of debts that can be administratively offset from those payments would result in \$10 million more in annual child support collections, of which the federal government would, on average, retain \$4 million. We expect those levels to apply beginning in fiscal year 2001, with smaller effects in earlier years.

The Social Security Administration can withhold past-due child support payments from monthly checks under current law, but the process is not used much and an insignificant amount is collected annually. H.R. 436 would make the process easier to administer and would thus result in higher child support collections.

Based on data from the Survey of Income and Program Participation (SIPP) and calculations by the Urban Institute, CBO estimates that 25,000 noncustodial parents both receive Social Security benefits and have unpaid child support. Because parents affected by the legislation are generally younger than 62, we assume that most of them receive Social Security benefits under the Disability Insurance (DI) program rather than the retirement or survivors programs. (As with the collection of delinquent federal debt, we assume that payments made under the Supplemental Security Income program would be exempt from the administrative offset.) The DCJA limits the amount that can be withheld annually from an individual's Social Security checks to the lesser of any amount over \$9,000 or 15 percent of the benefits. Only one-half of the noncustodial parents are assumed to receive benefits high enough to allow FMS to offset their payments. On average, those offsets could amount to about \$1,600 annually and could yield \$20 million in collections for child support from Social Security payments. (CBO expects that the annual increase in collections from RRB and Black Lung payments would be insignificant.)

CBO estimates that the additional collections under H.R. 436 would be only about one-half of the potential \$20 million because of several factors. First, noncustodial parents are younger than average DI recipients, and younger men receive lower DI benefits than older men. Second, children of DI recipients are entitled to a benefit from Social Security that averages more than \$2,000 annually. Some states consider these benefits in determining the amount of the child support owed by the noncustodial parent. Consequently, those children probably have lower-than-average child support awards and the Social Security offset would be lower than average. Finally, CBO assumes that a small percentage of all noncustodial parents owing past-due child support would slip through the administrative offset process.

The estimated \$10 million in additional child support collections each year would result in a net increase in federal offsetting receipts of \$4 million annually. The estimate assumes that 70 percent of new collections would be on behalf of families that receive or formerly received cash assistance from the federal government's Temporary Assistance to Needy Families (TANF) program or its predecessors. Such collections are retained by federal and state governments as reimbursements for past cash assistance paid to families. The federal share of TANF collections is 53 percent.

CBO assumes that states would not fully participate in the program until 2001. Increases in DI benefit levels and the amounts required for child support under court orders would result in higher federal receipts over time, but new rules affecting how much of the child support payments the federal government can retain would have an opposite effect. CBO estimates that those two effects would offset each other.

**Decreasing the Collection of Delinquent Nontax Debt.** Allowing FMS to offset Social Security, Black Lung, and RRB payments to collect past-due child support payments would decrease the collection of delinquent nontax debt. CBO estimates, however, that this change would increase direct spending by less than \$500,000 annually.

Under existing law, the collection of child support on behalf of a family that receives or formerly received TANF benefits takes precedence over the collection of delinquent federal debt in the payment offset process. That is, if before making a federal salary or pension payment, FMS discovers that the payee owes past-due child support, received TANF benefits, and is delinquent on a federal loan, then FMS must first offset the salary or pension payment to collect the child support. Once the child support is collected, FMS can then further offset the payment to collect the delinquent debt, provided that sufficient funds remain. CBO assumes that same order of priority would apply to collections involving Social Security and the other payments.

The DCIA allows the use of offsets against Social Security payments to collect delinquent nontax debt; FMS expects to implement that authority by the spring of 1999. According to the Department of the Treasury and Price Waterhouse, which conducted a test matching a month's worth of Social Security payments against the database of debts referred to FMS, between \$37 million and \$61 million in delinquent federal debts could eventually be collected from Social Security payments each year. Based on information from that test and CBO's estimate of the increased collection of past-due child support, CBO estimates that the collection of federal debt--primarily for loan repayments and recoveries for defaults on loan guarantees--would decline by less than \$500,000 a year.

The Federal Credit Reform Act of 1990 requires that legislation altering the estimated subsidy cost for direct loans and loan guarantees be scored on a present-value basis. For existing loans and guarantees, the amount of an estimated change in the present value of credit cash flows is recorded in the budget in the year in which the legislation is enacted--in this case, in fiscal year 1999. Based on CBO's estimate of the cash value of the forgone collections, we estimate that the provision's effect on delinquent nontax debt would increase direct spending by less than \$500,000.

**Authorizing Private Collection Agencies to Verify Employment Information.** H.R. 436 could increase the collection of federal debt by clarifying that private collection agencies can verify the employment information of a federal debtor for the purpose of garnishing the individual's wages. FMS only recently issued the final regulations to implement the authority provided under the DCIA; thus,

private collection agencies have yet to use wage garnishment to collect delinquent federal debts assigned to them. In addition, the DCIA authorizes collection agencies to verify a debtor's employment information, although other laws may restrict this authority. CBO estimates that any increase in collections from enacting the provision would be negligible.

**Barring Delinquent Nontax Debtors from Obtaining Federal Benefits.** Finally, the bill would amend the provision in the DCIA banning delinquent nontax debtors from obtaining certain federal benefits. Specifically, the bill would broaden the definition of benefits to include federal licenses and fees. The bill would allow the Secretary of the Treasury to exempt certain debts and would allow agencies that issue permits and licenses to exempt those items from the ban. Adding federal licenses and fees to the definition of benefits could increase collections of delinquent debt. In addition, to the extent that a delinquent high-value debtor does not obtain a license or permit, the provision would decrease the collection of fees. CBO estimates that the changes would have a negligible effect on direct spending.

## Spending Subject to Appropriation

H.R. 436 also would affect agencies' discretionary costs for collecting debts and for managing federal travel. In total, CBO estimates that, subject to the availability of appropriated funds, implementing H.R. 436 would increase federal costs by less than \$500,000 in fiscal year 1999, by less than \$1 million in fiscal year 2000, and by less than \$500,000 each year thereafter. In addition, requiring that agencies sell certain debts and allowing them to recoup more of their costs from the proceeds of such sales could further affect discretionary costs, but we have no basis for estimating the impact from any potential sales that might arise under the bill.

**Reports and Regulations.** H.R. 436 would require (1) GSA to write regulations and file both a plan and a report with the Congress by March 31, 2000, on improving the management of federal travel; (2) FMS to revise several of the regulations it has issued for implementing provisions of the DCIA; (3) agencies to report to the Congress each year nontax debts of more than \$1 million; and (4) the inspectors general at such agencies to periodically review and report to the Congress on the agencies' efforts to collect nontax debt, particularly debts of more than a \$1 million. In total, CBO estimates that implementing these provisions would increase administrative costs at agencies by less than \$500,000 in fiscal year 1999, by \$1 million in fiscal year 2000, and by less than \$500,000 each year thereafter. Based on information provided by GSA, CBO estimates that any savings in federal travel costs from the new regulations would be small.

**Security Clearances.** The bill would clarify that, to the maximum extent practicable, private collection agencies are responsible for all administrative costs related to their servicing of federal debts. The federal government is currently paying the cost to obtain special security clearances for certain, high-level employees at collection agencies. Because the clearances are a one-time requirement for a few employees at each collection agency, CBO estimates that the savings from enacting this provision would be negligible.

**Asset Sales.** H.R. 436 could further affect discretionary costs because it would amend the existing authority for agencies to sell assets. Specifically, subject to appropriation, it would allow agencies to sell any nontax debt and would, in general, require that agencies sell any loan that is more than two years delinquent and any new loan within six months of its disbursement. The bill would provide broad authority for agencies to exempt loans from the requirement. Currently, agencies can sell debts that are more than 90 days delinquent and are generally required to sell debts for which they have terminated their collection efforts. In addition, H.R. 436 would expand the types of expenses for which agencies can retain a portion of the proceeds from such sales, including the costs of contracts for collection services; fees of appraisers, auctioneers, and realty brokers; and costs of advertising and surveying. CBO has no basis for predicting how these changes would affect agencies' asset sales and related spending.

## PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in outlays that are subject to pay-as-you-go procedures are shown in the following table. For the purposes of enforcing pay-as-you-go procedures, only the effects in the current year, the budget year, and the succeeding four years are counted.

By Fiscal Year, in Millions of Dollars											
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Changes in outlays	0	-2	-4	-4	-4	-4	-4	-4	-4	-4	-4
Changes in receipts	Not applicable										

## ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.R. 436 contains no intergovernmental mandates as defined in UMRA. Provisions in the bill that would allow states to collect past-due child support from certain types of federal benefit payments would result in net additional state collections totaling about \$3 million annually.

## ESTIMATED IMPACT ON THE PRIVATE SECTOR

The bill contains no private-sector mandates as defined in UMRA.

## ESTIMATE PREPARED BY:

Federal Costs: John R. Righter and Sheila Dacey  
Impact on State, Local, and Tribal Governments: Susan Sieg

## ESTIMATE APPROVED BY:

Robert A. Sunshine  
Deputy Assistant Director for Budget Analysis

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OA/Box Number: 15429

### FOLDER TITLE:

Child Support-New Ideas 12/99 [1]

rx26

### RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advise between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
- b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]



WAVES\_CONF@PMDF.EOP.GOV  
12/17/99 10:34:11 AM

*For today's  
CS Treasury mtg  
- GC*

Record Type: Record

To: Eugenia Chough/OPD/EOP

cc:

Subject: WAVES Appt. U51328 Confirmation for CHOUGH, EUGENIA

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ADDRESSEES: EUGENIA\_CHOUGH  
SUBJECT: WAVES Appt. U51328 Confirmation for CHOUGH, EUGENIA  
FROM: WAVES OPERATIONS CENTER - ACO: P6/(b)(6), b(7)e  
Date: 12-17-1999  
Time: 10:31:33

This message serves as confirmation of an appointment for the visitors listed below.

Appointment With: CHOUGH, EUGENIA  
Appointment Date: 12/17/1999  
Appointment Time: 2:00:00 PM  
Appointment Room: 211  
Appointment Building: OEOB  
Appointment Requested by: CHOUGH EUGENIA  
Phone Number of Requestor: 65566

WAVES APPOINTMENT NUMBER: U51328

If you have any questions regarding this appointment, please call the WAVES Center at 456-6742 and have the appointment number listed above available to the Access Control Officer answering your call.

\*\*\*\*\*  
TOTAL NUMBER OF NAMES SUBMITTED FOR ENTRY : 1  
TOTAL NUMBER OF NAMES OF CLEARED FOR ENTRY: 1  
\*\*\*\*\*

MATHESON, ELIZABETH

P6/(b)(6)

*P6/B6*



WAVES\_CONF@PMDF.EOP.GOV  
12/16/99 03:00:06 PM

Record Type: Record

To: Eugenia Chough/OPD/EOP

cc:

Subject: WAVES Appt. U51009 Confirmation for CHOUGH, EUGENIA

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ADDRESSEES: EUGENIA CHOUGH

SUBJECT: WAVES Appt. U51009 Confirmation for CHOUGH, EUGENIA

FROM: WAVES OPERATIONS CENTER - ACO: P6/(b)(6), b(7)e

Date: 12-16-1999

Time: 14:56:37

This message serves as confirmation of an appointment for the visitors listed below.

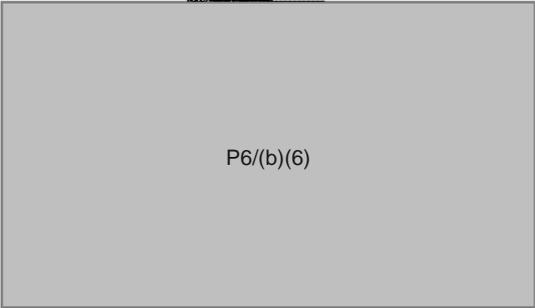
Appointment With: CHOUGH, EUGENIA  
Appointment Date: 12/17/1999  
Appointment Time: 2:00:00 PM  
Appointment Room: 211  
Appointment Building: OEOB  
Appointment Requested by: CHOUGH EUGENIA  
Phone Number of Requestor: 65566

WAVES APPOINTMENT NUMBER: U51009

If you have any questions regarding this appointment, please call the WAVES Center at 456-6742 and have the appointment number listed above available to the Access Control Officer answering your call.

\*\*\*\*\*  
TOTAL NUMBER OF NAMES SUBMITTED FOR ENTRY : 8  
TOTAL NUMBER OF NAMES OF CLEARED FOR ENTRY: 8  
\*\*\*\*\*

ASKEY, ELIZABETH  
BONAR, DONNA  
EDSALL, ALEXANDRA  
LEBRYK, DAVID  
LEGLER, PAUL  
NEUBAUER, ELLEN  
PARKER, EMIL  
WOLIN, NEAL



P6/(b)(6)

PL136



DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220  
December 7, 1999

622-0283  
Clean  
Copy

MEMORANDUM FOR SECRETARY SUMMERS

FROM:

NEAL S. WOLIN *NSW*  
GENERAL COUNSEL

GARY GENSLER *GG*  
UNDER SECRETARY FOR DOMESTIC FINANCE

DONALD V. HAMMOND *DVH*  
FISCAL ASSISTANT SECRETARY

SUBJECT: Child Support Collection

Overview

This memorandum provides information on the Department of the Treasury's role in collecting delinquent child support, outlines statutory limitations that affect child support collection efforts, and identifies ideas for increasing collections.

Since enactment of Title IV-D of the Social Security Act in 1975, child support enforcement has been a cooperative Federal-State effort. The primary responsibility for establishing and enforcing support orders lies with State and local agencies, with the Federal government providing funding for two-thirds of the administrative costs of operating child support enforcement programs. In addition to providing funding, the Department of Health and Human Services (HHS), the Department of the Treasury and the Department of Justice play key roles in assisting States with child support enforcement. HHS is responsible for the overall management of the child support enforcement program under Title IV-D. Among other things, it assists States in locating and collecting from delinquent parents, with the aid of data from the Internal Revenue Service. Justice prosecutes certain interstate child support violations. Treasury's primary role is through the Treasury Offset Program (TOP), which allows it to collect delinquent debt by offsetting certain federal payments to delinquent debtors. Currently, Federal, State, and local governments together collect approximately \$14.4 billion in delinquent child support each year, of which Treasury's Financial Management Service (FMS) collects approximately \$1.3 billion through TOP. This memorandum addresses the current federal programs in which Treasury is involved and identifies possible changes in those areas to increase collections.

For discussion purposes, the options presented here are unfiltered. Consultation with the other agencies involved, further policy analysis, evaluation of system changes to automated debt

collection systems, and consideration of legislative feasibility and our programmatic priorities would be necessary before advancing some of them. In addition, while these changes are important, they are not likely to change the order of magnitude of Treasury collections. If you would like us to explore more substantial structural changes with HHS, we will do so. There also may be steps the IRS could take to aid child support collection, and you may wish to direct exploration of such measures.

### Background

Since 1982 the Department of the Treasury has collected over \$9.5 billion in past-due child support with almost \$2.5 billion collected in the last two years through tax refund offset. In 1981, Congress authorized Treasury to offset an absent parent's Federal tax refund to collect delinquent child support on behalf of children whose custodial parents received Aid to Families with Dependent Children (AFDC, now TANF). In 1984, Congress extended the use of tax refund offset to the collection of past-due support in non-AFDC cases.

The Debt Collection Improvement Act of 1996 (DCIA) authorized Treasury to offset non-tax Federal payments other than Federal benefit payments to collect past-due child support. Under FMS' current system, federal retirement payments and vendor payments are offset. In the next few years, federal salary payments will be added. On September 28, 1996, President Clinton issued Executive Order 13019, "Supporting Families: Collecting Delinquent Child Support Obligations," directing Treasury to establish procedures to collect past-due child support by offsetting eligible Federal non-tax payments. This Executive Order also established a policy of barring delinquent child support obligors from obtaining Federal loans and directed the Department of Justice to establish guidelines to ensure that agencies comply with due process in denying Federal loans on this basis.

TOP, operated by FMS, is an automated system that matches payments disbursed by FMS against a database of delinquent debtors. If a match occurs, the payment is offset to collect the debt. Effective January 1999, FMS and IRS merged the Tax Refund Offset Program (which had been operated by IRS) into TOP, thus creating a single system for the offset of all Treasury-disbursed payments.

Pursuant to Executive Order 13019, FMS published regulations governing the offset of both tax refund payments and eligible non-tax Federal payments to collect past-due child support. These regulations establish procedures for submitting debts to Treasury for collection by offset. Additionally, FMS plans to develop an automated process for Federal agencies to access FMS' database of delinquent debtors to identify delinquent child support obligors for the purpose of denying them Federal loans, in compliance with Executive Order 13019.

### Overview of Child Support Collection Efforts

States refer past-due child support debts to TOP through the Department of Health and Human Services' Office of Child Support Enforcement (OCSE). Child support debts referred to TOP include debts that have been assigned to a State (as a result of the custodial parent receiving TANF) and those being collected by the State on behalf of the custodial parent. States must submit past-due child support debts to Treasury for collection by tax refund offset in order to receive Federal funding for State child support enforcement programs. However, States currently are not required to submit such debts to Treasury for collection by offset from non-tax payments, and Treasury cannot make such offsets without State authorization. States have referred debts totaling \$46.57 billion to Treasury for collection from tax refund payments. Thirty-one States, one territory and the District of Columbia also have referred child support debts totaling \$9.25 billion for collection from Federal non-tax payments. FMS is encouraging OCSE more vigorously to educate States on the benefits of the program, encourage their participation, resolve system and programmatic issues, and remove any other barriers to the success of the program. On the basis of discussions with OCSE, we anticipate receiving approximately 1.7 million additional child support debts totaling approximately \$1 billion for calendar year 2000. (Possible measures further to increase State referrals for collection from Federal non-tax payments are discussed below.)

So far this year Treasury has collected approximately \$1.3 billion in past-due child support. Collections from tax refund payments are approximately \$176 million ahead of collections for the same period last year and \$197 million ahead of collections for the same period in 1997. Child support collections from non-tax payments have also increased. Since offsets began in June 1997, Treasury has collected \$1.4 million from non-tax payments, with \$1 million collected in fiscal year 1999. The ratio of child support collections to volume of debt referred is higher for tax refund payments than for non-tax payments for at least three reasons. First, approximately 91 million tax refund payments per year are matched against child support debts, while only approximately 30 million non-tax payments are matched against such debts. Second, while tax refunds may be offset in their entirety, there are restrictions on the percentage of certain non-tax payments that may be offset. For example, only 25% of Federal retirement payments are currently being offset. Thus, the average offset amount for a tax refund offset is \$1,000, while the average offset amount for a non-tax offset is \$210. Third, federal retirement payments are the principal type of non-tax payment subject to offset. The age and long-term employment history of federal retirees may account for this population including relatively few delinquent child support obligors and thus relatively few matches.

Treasury, along with the Justice and HHS, participates in an interagency task force headed by the Domestic Policy Council to address child support enforcement issues. The Office of Tax Policy, the Office of the Fiscal Assistant Secretary, and FMS participated in a discussion with the task force on the disclosure of tax information to private contractors engaged by States to

administer the tax refund offset program. Currently, many States use contractors to administer the tax refund offset program and disclose tax information to them in that context. This practice may raise issues under § 6103 of the Internal Revenue Code, and HHS and IRS are working to resolve this question.

### Statutory Limitations on Child Support Collections and Potential Legislative Solutions

#### Payments subject to offset

As noted, under the DCIA, FMS may offset only certain types of Federal non-tax payments to collect child support. Currently, the DCIA does not allow the offset of Federal benefit payments such as Social Security, Black Lung, and Railroad Retirement to collect child support, even though the law permits offset of these benefit payments to collect debt owed the Federal government, to the extent the benefit payment exceeds \$750 per month. Legislation supported by the Administration, known as the "Government Waste, Fraud and Error Reduction Act of 1999," which passed the House on February 24, 1999 and is pending in the Senate, would permit the offset of these benefit payments to collect past due child support, with the same \$750 threshold applicable to the collection of Federal debts. FMS estimates that child support collections could increase significantly by offsetting Social Security and other benefit payments. Veterans' benefits cannot be offset for either the collection of child support or the collection of debts owed to the Federal government and is another area that could be explored for a possible legislative initiative.

#### Federal distribution requirements/Fees

States cite the need to make computer programming changes to comply with Federal laws governing the distribution of child support collections as the primary reason for not participating in the offset of Federal non-tax payments. Under Federal law, States must retain child support collections from Federal tax refund payments as reimbursement for State assistance paid to the custodial parent before such collections are distributed to the family receiving the child support. In contrast, collections from non-tax payments must be distributed first to the family. Currently, many States' computer systems are programmed so that all collections received from the Department of the Treasury through OCSE are recognized as collections from Federal tax refund payments. These States must re-program their computers to distinguish Treasury tax refund payment collections from Treasury non-tax payment collections. Treasury and HHS can encourage more States to make the necessary changes. Respecting legislative options, FMS believes that the most effective legislative approach is to make it more worthwhile for the States to participate in offset of federal non-tax payments by making additional benefit payments subject to offset, as discussed above. Other options include changing the complex distribution laws (which would force States to make other programming changes) or requiring States, as a condition of Federal funding, to submit child

support debts for collection from non-tax federal payments.

States have also pressed concerns regarding fees associated with the offset of recurring payments such as federal retirement benefits. Under current law, States may not pass on those fees to the delinquent obligor. Legislation permitting States to add the costs of the offset to the delinquent debt would alleviate this problem.

#### Federal employees' current child support obligations

While TOP offers a centralized system to collect past-due child support from Federal salaries through offset, TOP cannot be used to collect current child support. To collect current child support from the wages of a Federal employee, States must locate and serve a garnishment order on the agency that employs the delinquent parent. Eliminating the requirement of a court order and providing a centralized point to which States could submit child support debts to collect current as well as past-due child support from Federal employees could improve child support collections from Federal employees. Legislation would be required to allow federal salary payments to be administratively offset to collect current support without a garnishment order. Additionally, this could entail significant system and process changes for FMS, OSCE, and the States.

#### Priority of debts

The Internal Revenue Code establishes the priorities for collections from Federal tax refunds when an individual owes more than one debt. The Internal Revenue Service first reduces a tax refund by any delinquent taxes owed by the taxpayer. For the remaining portion of a tax refund, child support debts assigned to a State have the highest priority, followed by non-tax debts owed to the Federal government, followed by child support debts not assigned to a State. Thus, for tax refunds, a debt owed to the Federal government is collected before a non-assigned child support debt. By regulation, the same priority applies to the offset of non-tax payments, a policy choice dictated by the fact that both types of payments are processed through TOP. FMS supports changes in priorities for both tax and non-tax payments which would place non-assigned child support debts ahead of non-tax debts owed to the Federal government. These changes would require an amendment to the Internal Revenue Code for tax refund payments, a corresponding regulatory change for non-tax payments, and system changes to TOP.

## Summary of Possible Measures

The following summarizes measures that could be taken to increase child support collections. This list does not necessarily advocate all of these measures. Discussion with the other agencies involved and further analysis of the measures' feasibility and impact on FMS' debt collection systems, priorities and resources would be necessary before advocating some of these measures.

### Measures that do not require legislation

#### *Offset program:*

- With HHS, *encourage* additional States to submit past-due child support debts to Treasury for collection by offset from *non-tax* payments
- By HHS regulation, *require* States as a condition of federal funding to submit past-due child support debts to Treasury for collection by offset from *non-tax* payments (already required to submit such debts for offset from tax payments)
- Change the priorities for collections from non-tax payments to give child support debts that have not been assigned to a State priority over non-tax debts owed to the federal government (for programming reasons, preferably in conjunction with the legislative change to the priorities for collections from tax payments, listed below)
- Increase to 50% from 25% the portion of federal retirement payments subject to offset (current law allows this change, which FMS has urged OPM to make)
- Add federal salary payments to those subject to offset

#### *Loan denials:*

- Develop an automated process for Federal agencies to access FMS' database of delinquent debtors to identify delinquent child support obligors for the purpose of denying them federal loans

#### *Collection from federal employees' wages:*

- Establish a *centralized* point to which States could submit garnishment orders in order to collect current child support from the wages of a Federal employee

### Measures that require legislation

#### *Offset program:*

- Harmonize the federal laws governing the distribution of collections from Federal tax refund payments and from non-tax payments, so that States need not establish different computer programs for the different offsets

- Authorize the IRS to disclose tax information to private contractors engaged by States to administer the tax refund offset program (HHS believes current authority exists; IRS believes additional statutory authority is needed)
- Permit offset of Social Security, Black Lung and Railroad Retirement to collect child support, as provided in legislation supported by the Administration (the Government Waste, Fraud and Error Reduction Act of 1999, which passed the House in February 1999). That legislation does not allow offset from the first \$750 of the payment and could be amended to reduce or eliminate that threshold.
- Permit offset of Veterans' benefits to collect child support
- Change the priorities for collections from tax payments to give child support debts that have not been assigned to a State priority over non-tax debts owed to the federal government
- Permit States to add the costs of offset to delinquent debt

*Collection from federal employees' wages:*

- Allow federal salary payments to be administratively offset to collect current child support without a garnishment order

*Collection by means other than offset:*

- Currently, passports are denied to delinquent child support obligors. Additional similar sanctions could be explored.