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FAX News Release

To: Honorable Nikki R. Haley
Governor
State of South Carolina

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cc: Doug Mayer,
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Message:

The U.S. Department of the Treasury, Bureau of the Fiscal Service released today the first *Fiscal Year 2013 Annual Report to the States* on the Treasury Offset Program's (TOP) Delinquent Debt Collection. In FY 2013, the state of South Carolina recovered \$40.9 million through four of TOP's state programs.

Please see the attached press release, as well as the report's page for the state of South Carolina. For more information about TOP state programs, or to view the full report, visit http://fiscal.treasury.gov/fsservices/gov/debtColl/dms/top/stPgm/debt_top_state_programs.htm.

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News Release

FOR IMMEDIATE RELEASE
DATE: July 16, 2014

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U.S. Treasury Collects More Than \$3 Billion in Delinquent Debts for States Including \$1.9 Billion in Delinquent Child Support

The U.S. Department of the Treasury's (Treasury) Bureau of the Fiscal Service (Fiscal Service) today released its *Fiscal Year (FY) 2013 Annual Report to the States on the Treasury Offset Program's (TOP) Delinquent Debt Collection*. The report details each state's success in collecting delinquent debts through a unique partnership with the federal government. Debts successfully recovered through TOP include delinquent child support and state income tax obligations, unemployment insurance compensation fraud debts, and more.

"The Fiscal Service is proud of the work we have done in collecting more than \$3 billion in delinquent debts for the states in FY 2013, including \$1.9 billion of delinquent child support," said Fiscal Service Commissioner Sheryl Morrow. "The simple premise of the offset program is that Treasury should not pay those individuals or businesses that have failed to meet their government obligations without first applying that money to the delinquent obligation."

"Treasury encourages states to participate in each of our offset programs," Commissioner Morrow said. "With our proven track record of helping to collect long overdue funds, states can benefit directly from our efforts and recover important taxpayer funds that they are owed."

TOP is used to intercept eligible federal and state payments to delinquent debtors, in accordance with the Debt Collection Improvement Act of 1996 and other legal authorities. Federal law requires state agencies to certify that the debt is valid, delinquent, and legally enforceable and that the agency has complied with all due process pre-requisites prior to offset. This means that, at least 60 days prior to submission of the debt to TOP, the creditor agency has sent a notice to the debtor stating the amount and type of debt and the agency's intention to refer the debt to TOP for offset. The creditor agency must also provide the debtor with the opportunity to resolve the debt through a repayment agreement and/or to dispute the agency's claim.

Due to strong federal-state partnerships in FY 2013, TOP recovered \$6.8 billion for federal and state agencies, including \$1.9 billion in delinquent child support debts, \$605.3 million in outstanding state income tax obligations, \$326.2 million in unemployment insurance claims, and \$37.8 million in state reciprocal program debts. Treasury is proud to partner with the U.S. Department of Labor; Internal

Revenue Service; and U.S. Department of Health and Human Services, Office of Child Support Enforcement, to administer the TOP program. Since the implementation of TOP in 1996, the Fiscal Service has collected more than \$61.8 billion for federal and state agencies, including \$33.5 billion for participating states, collecting more than \$57 for every \$1 spent.

To view the *FY 2013 Annual Report to the States on TOP's Delinquent Debt Collection*, or for more information about TOP state programs, visit
http://fiscal.treasury.gov/fsservices/gov/debtColl/dms/top/stPgm/debt_top_state_programs.htm.

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The Fiscal Service is a bureau of the United States Department of the Treasury. Our mission is to promote the financial integrity and operational efficiency of the federal government through exceptional accounting, financing, collections, payments, and shared services.

For more information about the Fiscal Service, please visit our website at www.fiscal.treasury.gov.



A MESSAGE FROM THE COMMISSIONER

Sheryl R. Morrow
Commissioner, Bureau of the Fiscal Service

I am pleased to report that in Fiscal Year (FY) 2013, the U.S. Department of the Treasury's Bureau of the Fiscal Service (Fiscal Service) collected more than \$3.0 billion in delinquent debts on behalf of state governments. This includes recoveries of delinquent child support and nutrition assistance debts, state income tax obligations, unemployment insurance compensation fraud debts, and more. In return, states have recovered \$30.9 million in overdue debts for the federal government.

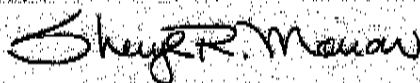
This second Annual Report to the States provides important information to the American public describing how all 50 states, the District of Columbia, and three territories are maximizing their delinquent debt recovery efforts through participation in the Treasury Offset Program (TOP). In each of the last five years, federal collections for delinquent debts owed to states have ranged between \$2.6 billion and \$3.1 billion. In FY 2013, our key accomplishments included:

- The collection of \$1.9 billion in delinquent child support obligations, in partnership with the U.S. Department of Health and Human Services, Office of Child Support Enforcement, and participating states. These funds are repaid to states or provided to meet the needs of America's families and children.
- The addition of 20 new states to the Unemployment Compensation Insurance (UIC) Program, a joint collaboration between Treasury, the U.S. Department of Labor, Internal Revenue Service and participating states, which recovered \$326.2 million in FY 2013. Since its inception in FY 2011, the UIC program has grown exponentially from three initial state participants to 37 states and the District of Columbia. In FY 2013, recovering a total of \$485 million in debts arising from fraud or an employer's failure to pay its obligations.
- West Virginia and the District of Columbia were welcomed into the State Reciprocal Program (SRP). With seven states and the District of Columbia now participating, SRP recovered \$37.8 million in FY 2013, and more states are expected to join in FY 2014.
- The State Income Tax (SIT) program, with 40 states and the District of Columbia participating, recovered \$605.3 million for states in FY 2013.

The Fiscal Service has a proven track record of helping to collect long overdue funds owed to the states, recovering \$33.5 billion for participating states since the implementation of TOP in 1996. We continually look for the most effective and efficient ways to recover revenue while working with states who provide due process and an opportunity for debtors to dispute the debt or enter into a repayment plan.

Over the last six months, our TOP staff has met with numerous states to assist them in identifying ways to maximize their participation with TOP's programs. We hope your state is currently participating in each of TOP's programs as well, and benefitting from our efforts on your behalf. If you are not, I would encourage you to contact us today to schedule a federal-state partnership meeting to discuss how the Fiscal Service can help your state recover important funds it is owed.

For more information about TOP state programs, visit www.fms.treas.gov/debt/top/states.



Sheryl R. Morrow
Commissioner, Bureau of the Fiscal Service

STATE OF SOUTH CAROLINA

In FY 2013, the state of South Carolina recovered \$40.9 million through four state programs in the Treasury Offset Program (TOP).

PROGRAM	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
● Income Tax	\$3.8	\$5.8	\$5.8	\$5.5	\$4.3
● State Reciprocal	*	*	*	*	*
● Unemployment Insurance Compensation	‡	‡	*	*	\$11.6
● Child Support: Total	\$20.8	\$21.1	\$26.0	\$24.7	\$20.8
Child Support: Admin Offset	\$1.2	\$0.2	\$0.2	\$0.1	\$0.1
Child Support: Tax Refund Offset	\$19.6	\$20.9	\$25.8	\$24.6	\$20.7
● SNAP	\$2.9	\$1.9	\$1.6	\$4.5	\$4.2
Grand Totals:	\$27.5	\$28.9	\$33.4	\$34.7	\$40.9

* State did not participate in this TOP program. ‡ TOP UIIC Program implemented in FY 2011.

Dollars in Millions.
Totals may not sum due to rounding.

GRAPH LEGEND

- Income Tax Program
- State Reciprocal Program
- Unemployment Insurance Compensation Program
- Child Support Program (Total)
- SNAP

