

Offsets Matter

TOP's News for State Agencies

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The State Reciprocal Program *Maximizing your State's Delinquent Debt Recoveries by Partnering with TOP*



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The Fiscal Service's Treasury Offset Program (TOP) has five state programs - the State Income Tax (SIT), State Reciprocal Program (SRP), Unemployment Insurance Compensation Program (UIC), Child Support Program (Child Support), and Supplemental Nutrition Assistance Program (SNAP). Of these, SRP provides states with the greatest flexibility to submit debts to TOP for collection through the interception of federal payments, a process known as "offset." States may refer any valid, legally enforceable delinquent debt (other than a debt owed by the United States) to TOP, including debts owed to local governments and debts owed to state universities, if the state has a centralized mechanism for referring those debts to TOP and it has completed all requisite due process.

To understand SRP, it's helpful to first understand how TOP works. TOP is managed by Debt Management Services (DMS), a part of the Bureau of the Fiscal Service (Fiscal Service). Fiscal Service is a relatively new bureau within the United States Department of the Treasury (Treasury), having been formed as the result of the consolidation of the Financial Management Service (FMS) and the Bureau of the Public Debt (BPD), which were once sister agencies under the Treasury's Office of the Fiscal Assistant Secretary (OFAS). Today the Fiscal Service is responsible for promoting the financial integrity and operational efficiency of the U.S. Government through exceptional accounting, financing, collection, payments, and shared services.

DMS' mission is to work with federal and state agencies to provide a debt management program. By serving its mission, DMS protects the financial interests of the American people by continuously improving the financial performance of the government through identification and prevention of improper payments, efficient receivables management, and collection of delinquent debt. In FY 2013, DMS collected a total of \$7.02 billion of delinquent debt, \$6.86 billion of which was collected through TOP. Since its inception in 1997, DMS has collected over \$69 billion.

SRP works much like state-to-state reciprocal programs. The federal government agrees to offset its payments to satisfy delinquent debts owed to states, and in return asks that the states offset their identified payments to satisfy delinquent debts owed to federal agencies. Presently, states offset vendor payments and tax refund payments to satisfy delinquent non-tax federal debts. In return, the federal government agrees to offset federal vendor payments to satisfy state tax and non-tax debts. Additionally, the federal government has the authority to offer states access to federal retirement benefit payments; however, at this time no states have agreed to reciprocally offset their state employee retirement benefit payments.

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Upcoming TOP Speaking Engagements

May 13, 2014 - May 14, 2014

2014 Unemployment Insurance (UI) Integrity Summit

Representatives from the Treasury Offset Program will speak at the Department of Labor's Integrity Summit in Washington, DC.

For additional information regarding this summit, please visit the Department of Labor's website at <http://wdr.doleta.gov/>

May 20, 2014 - May 22, 2014

Payment Interface Conference

Representatives from the Treasury Offset Program will speak at the Bureau of the Fiscal Services' Conference in Kansas City, KS.

July 13, 2014 - July 16, 2014

2014 AGA Professional Development Training

Representatives from the Bureau of the Fiscal Service will speak at the AGA's PDT in Orlando, FL.

For more information regarding this training, please visit the AGA's website at <http://www.agacgfm.org>



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U.S. Department of the Treasury Bureau of the Fiscal Service

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TOP Implements New Simulation Schedule to Provide States with Accurate Potential Recovery Totals



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In response to several states' requests to improve return on investment estimates for participation in the State Reciprocal Program (SRP), TOP has implemented a new schedule to run simulated test matches comparing state debt information against various federal payment information to determine estimated recoveries that could be realized through TOP participation. These simulations mirror the TOP production environment in such a way as to provide the most accurate estimated recovery rates for any given month's federal payments. Today, the simulations primarily match federal vendor payments in order to predict what recoveries States would realize by participating in SRP. However, the simulation processes can be duplicated for

any payment type disbursed by the federal government to conduct additional analysis when reviewing potential program expansion.

On a monthly basis, the TOP will conduct simulated test matches comparing federal payment information to state debt information previously loaded into the TOP database. These include state income tax (SIT) debts and unemployment insurance compensation (UIC) debts. In addition, the simulation will include any other state debts that have been provided by the states for testing. To ensure a timely test match is run each month, the following timeline has been established:

- All state debt/debtor records and files must be received by the TOP no later than the 1st day of the month.
- The simulation will be run on the 15th day of each month using the previous month's payment data (e.g. a simulation performed in December will use November payment data).

- Results will be distributed to the states by the 30th of each month.

Any test data the state wishes to submit for a simulation should consist of live data so that a realistic view of possible offset recoveries is available. To perform a successful simulated test match, states must provide debt balance, name, and delinquency data for each debt/debtor submitted. No additional information is required, though states may delineate between the debt type or program.

Once the debts have been loaded into the TOP simulation environment, TOP will run a debt match process simulating a normal transaction month in TOP. State debts will retain their normal priority and all bypass indicators will be removed from state debts, allowing for offsets against any type of payment. Results will then be provided to the state representatives, reflecting what would have been recovered the previous month if the state had been participating in the SRP.

For additional information regarding the simulated test match procedures, or to arrange for a debt file to be submitted to TOP for simulation, please contact David Burgess at 202-874-7182, or send an email to StateOffsets@fms.treas.gov.

The State Reciprocal Program

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During the first half of FY 2014, the seven states currently participating in SRP (Kentucky, Maryland, Minnesota, New Jersey, New York, Wisconsin, West Virginia), along with the District of Columbia, have recovered \$26.3 million. The state that has recovered the most delinquent debts in FY 2014 to date is New York, with recoveries totaling \$6.9 million. Kentucky follows New York closely in second place with recoveries of \$5.3 million.

TOP recognizes implementation of SRP can present several challenges for states and continues to work towards developing new solutions to assist states. One previously identified challenge was the requirement that a state centralize its debt collection activities in a single location before referring debts to TOP. Today, TOP recognizes that this is not always feasible for states and works with each state to identify the minimum number of required touch points for the referred debts. Another challenge identified by states was the need to pass legislation to offset state payments in order to satisfy federal delinquent debts. TOP can provide drafting guidance for states during this process and is also currently providing supplemental monthly test matches to states that clearly identify the potential recoveries available to the state, if participating with SRP. Finally, TOP can work with states to identify the potential return on investment from participating in SRP and identify how and when the optimal development period might be.

Today SRP offers access only to federal vendor payments, but continues to work diligently to identify new federal payment streams for the program and other opportunities for increasing collections.

For more information about SRP, or to schedule a Federal-State Partnership meeting with TOP to identify how your state can increase debt collection recoveries in FY 2014 through SRP, please contact David Burgess at 202-874-7182, or send an email to StateOffsets@fms.treas.gov.

TOP Collection Updates

State Collections (10/01/2013 - 03/31/2014)



State Unemployment Insurance Compensation Program Collections

STATE NAME	OFFSET COUNT	NET COLLECTION AMOUNT
Alabama	6,508	\$4,950,349.59
Arizona	14,193	\$8,348,419.91
Arkansas	11,700	\$6,321,561.54
California	1,758	\$1,554,972.08
Colorado	1,401	\$1,706,634.71
Connecticut	2,564	\$2,136,407.69
Delaware	5,211	\$5,305,975.10
District of Columbia	534	\$825,115.03
Florida	2,296	\$2,286,041.26
Georgia	5,661	\$7,913,897.33
Hawaii	14	\$46,682.21
Idaho	2,247	\$3,178,238.68
Illinois	13,061	\$22,939,411.30
Iowa	80	\$205,431.29
Kentucky	5,944	\$5,398,914.15
Louisiana	3,616	\$7,221,929.88
Maine	67	\$50,019.05
Maryland	7,412	\$9,348,879.22
Michigan	786	\$2,084,271.89
Minnesota	3,641	\$6,953,737.88
Mississippi	11,881	\$6,377,394.31
Missouri	8,625	\$10,620,172.84
Nebraska	3,739	\$2,414,009.55
Nevada	567	\$1,096,599.22
New Hampshire	1,268	\$984,149.09
New Jersey	19,381	\$40,368,839.90
New Mexico	986	\$1,254,776.78
New York	19,407	\$21,484,013.86
North Carolina	17,266	\$12,370,404.27
North Dakota	106	\$158,549.12
Ohio	19,295	\$32,787,271.99
Oregon	3,301	\$5,107,298.18
Pennsylvania	12,899	\$16,808,322.75
Rhode Island	487	\$313,085.61
South Carolina	8,533	\$9,577,357.94
South Dakota	501	\$326,545.93
Tennessee	9,333	\$7,882,066.99
Utah	3,328	\$3,480,982.91
Vermont	816	\$652,860.47
Washington	8,367	\$8,054,382.97
West Virginia	1,564	\$1,331,426.11
Wisconsin	9,842	\$8,685,811.28
Total	250,186	\$290,913,211.86

In partnership with the U.S. Department of Labor, TOP offsets federal tax refunds to payees who owe delinquent UIC debts due to fraud or a person's failure to report earnings.

As of Mar. 31, 2014, Maine, New Mexico, Ohio, and Rhode Island have all joined TOP UIC in FY 2014, bringing the total number of states actively participating to 41 states plus the District of Columbia.

As of Mar. 31, 2014, New Jersey has recovered the most funds at \$40.4 million followed by Ohio and Illinois, which have recovered \$32.8 million and \$22.9 million, respectively. The TOP UIC program has recovered a total of \$290.9 million as of Mar. 31, 2014.

These recoveries reflect only those federal income tax refunds made in the first and second quarter of the federal fiscal year. Those states participating in the State Reciprocal Program are also eligible to recover UIC debts via federal vendor offset and federal retirement benefit offset.

For further information regarding TOP UIC, please contact Sheila Moss at 202-874-6937 or Becky Park at 202-874-9451. Alternatively, you may email StateOffsets@fms.treas.gov for more information about any of our state programs.

State Reciprocal Program Collections

STATE NAME	OFFSET COUNT	NET COLLECTION AMOUNT
District of Columbia	2,532	\$2,624,874.71
Kentucky	2,937	\$5,310,801.11
Maryland	2,098	\$4,740,445.03
Minnesota	575	\$3,561,328.98
New Jersey	1,621	\$1,912,547.73
New York	2,437	\$6,883,336.62
West Virginia	423	\$370,971.58
Wisconsin	590	\$889,247.19
Total	13,213	\$26,293,552.95

TOP offsets federal vendor and other non-tax payments to payees who owe delinquent debts to state agencies. In return, states offset payments to payees who owe delinquent debts to federal agencies.

As of Mar. 31, 2014, there are seven states and the District of Columbia participating in SRP. New York has achieved the most recovered funds through SRP in this fiscal year with total collections of \$6.9 million. Kentucky is second with \$5.3 million recovered during the same time.

If your state does not participate in SRP, TOP recommends you contact us today to learn more about how your state can achieve similar results. TOP is currently scheduling Federal-State Partnership meetings for 2014 to assist in analyzing each state's unique needs.

For further information regarding SRP, contact David Burgess at 202-874-7182. Alternatively, you may email StateOffsets@fms.treas.gov for more information about any of our state programs.



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