



National Association of State Auditors, Comptrollers and Treasurers

March 6, 2007

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Mr. Thomas Dungan
Senior Policy Analyst
Debt Management Services
Financial Management Service
U.S. Department of Treasury
401 14th Street, SW
Room 435B
Washington, DC 20227

Re: Administrative Offset Under Reciprocal Agreement with the States, RIN 1510-AB09

Dear Mr. Dungan:

On behalf of the National Association of State Auditors, Comptrollers and Treasurers (NASACT), I am pleased to provide the following observations regarding the Department of Treasury's request for comment on "Administrative Offset under Reciprocal Agreement with the States." Although the below statements are not representative of the entire membership, we nonetheless feel that they are important to convey.

NASACT has worked for many years to expand the use of the Federal Tax Refund Program to include overpayments in TANF and unemployment insurance; however, we have been unsuccessful to date in having the statute amended to allow for such collection. Nonetheless, we have been puzzled as to why states have not utilized the administrative offset that has existed since the passage of the Debt Collection Improvement Act of 1996. The following comments shed some light on the lack of state participation in the program.

First, it should be noted that although other offset programs exist, for example for collection of child support and state income tax debt, the administrative offset program excludes many types of payments from its jurisdiction including social security payments, federal tax refunds, and federal salary payments. While we recognize that many of the exceptions are the result of federal statute, the exceptions appear to greatly limit the pool of available resources lessening the amount and opportunity for recovery. For a state to participate, an in depth cost-benefit analysis would be necessary to determine if the amount recoverable would be worth the administrative costs involved.

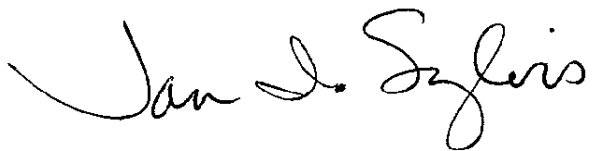
Several states have noted that the regulation does not address how a state would recoup amounts to cover the administrative costs of offsetting state payments to collect delinquent, non-tax federal debts. While the interim regulation specifically allows the Financial Management Service to charge a fee for offsetting a federal payment for state debt, it does not bestow a reciprocal arrangement for the states. Additionally, there does not appear to be a limit on the fee charged, leaving open the question as to whether the fee will exceed the amount of the delinquent debt. We realize that the interim rule allows the reciprocal agreement to contain requirements the Secretary considers appropriate to facilitate offset and prevent duplicative efforts; we are hopeful that the Secretary will consider including in the agreement a state administrative fee.

We also received a comment from one state regarding an agency's authority to enter into an agreement with the federal government. The state noted that the agreement would likely have to be with the governor, as the state's statute does not authorize an agency to enter into an agreement with the federal government. The state further noted that legislation would be necessary to grant the state authority to subtract the amount of a person's indebtedness to the federal government from the amount of a state payment.

Lastly, we note that utilization of the program may be hindered by the need for a reciprocal agreement in states where debt collection is not centralized. In many states the comptroller is not the only issuer of payment, as some agencies are authorized to hold funds outside of the state treasury.

We appreciate the opportunity to convey these comments and look forward to learning the results of the pilot program currently underway. Should you have any comments or require further information, please feel free to contact NASACT's Washington Director Cornelia Chebinou at (202) 624-5451 or cchebinou@nasact.org.

Sincerely

A handwritten signature in black ink that reads "Jan I. Sylvis". The signature is written in a cursive, flowing style.

Jan I. Sylvis
Tennessee Chief of Accounts
NASACT President