PERSONAL RESPONSIBILITY

AND WORK OPPORTUNITY

RECONCILIATION ACT

OF 1996

H.R. 3734

PUBLIC LAW 104-193
104TH CONGRESS

Volumes 1 to 19

BILLS, REPORTS,
DEBATES, AND ACT

Social Security Administration

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Volume 19 of 19

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Social Security Administration

Office of the Deputy Commissioner for
Legislation and Congressional Affairs

PREFACE

This 19-volume compilation contains historical documents pertaining to P.L. 104-193, the "Personal Responsibility and Work Opportunity Act of 1996." The books contain congressional debates, a chronological compilation of documents pertinent to the legislative history of the public law and relevant reference materials.

Pertinent documents include:

- Differing versions of key bills
- Committee reports
- Excerpts from the Congressional Record
- The Public Law

This history is prepared by the Office of the Deputy Commissioner for Legislation and Congressional Affairs and is designed to serve as a helpful resource tool for those charged with interpreting laws administered by the Social Security Administration.

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104th Congress
2d Session

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COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES

SUMMARY OF WELFARE REFORMS MADE BY PUBLIC LAW 104-193

THE PERSONAL RESPONSIBILITY AND WORK OPPORTUNITY RECONCILIATION ACT AND ASSOCIATED LEGISLATION

<GRAPHIC(S) NOT AVAILABLE IN TIFF FORMAT>

NOVEMBER 6, 1996

Prepared for the use of Members of the Committee on Ways and Means by members of its staff. This document has not been officially approved by the Committee and may not reflect the views of its Members

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COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED FOURTH CONGRESS

BILL ARCHER, Texas, Chairman

Phillip D. Moseley, Chief of Staff

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SECTION 1.

HISTORICAL BACKGROUND

AND

NEED FOR REFORM

<GRAPHIC(S) NOT AVAILABLE IN TIFF FORMAT>

SECTION 1. HISTORICAL BACKGROUND AND NEED FOR REFORM

Overview

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (Public Law 104-193) signed into law on August 22, 1996, transforms large parts of the Nation's welfare system. The most important change is that the

entitlement to cash welfare under title IV-A of the Social Security Act is ended. In place of the entitlement concept, the new law creates two block grants that provide States with the funds necessary to help families escape welfare. In particular, States are given a block grant to provide cash and other benefits to help needy families support their children while simultaneously requiring families to make verifiable efforts to leave welfare for work and to avoid births outside marriage. In addition, funds from the block grant can be used by States to encourage the formation and maintenance of two-parent families.

The second block grant provides funds to States to help them subsidize child care for families on welfare, families leaving welfare, and low-income families whose precarious financial status may result in future welfare spells.

The new law also limits the provision of welfare benefits to several categories of recipients for whom the continued provision of permanent entitlement benefits was viewed as inappropriate. These groups include most noncitizens, families that have been on welfare for more than 5 years, and children who are judged to be disabled solely because of age-inappropriate behavior. In earlier versions of the welfare reform bill in the 104th Congress, the entitlement to cash payments under the Supplemental Security Income Program for drug addicts and alcoholics also was ended. Congress passed this provision as part of Public Law 104-121, the Contract With America Advancement Act.

The welfare reform law also contains major new policies aimed at reducing the rate of nonmarital births as well as substantial revisions in the Federal-State child support enforcement program, in the food stamp and commodity distribution programs, and in child nutrition programs. Taken together, the provisions of this legislation constitute the most far-reaching reform of the Nation's welfare system in several decades.

Highlights of the New Law

Since creation of the first Federal welfare entitlements in 1935 to help States aid the needy who were aged, blind, or children, the Federal Government has gradually expanded the entitlement concept. As a result, the Nation's welfare system now provides millions of families headed by able-bodied adults with a package of guaranteed benefits. These entitlement benefits include cash, medical care, and food stamps. The combined value of this package of benefits in 1995 was about $12,000 per year in the median State (about $8,300 of which was paid with Federal funds). In addition to these entitlement programs, scores of additional programs, most provided on a nonentitlement basis, are available to poor and low-income individuals and families (see table 1). In fiscal year 1994, one-sixth of the Federal budget--about $246 billion--was spent on means-tested aid (Burke, 1995).

TABLE 1.--NUMBER OF PROGRAMS IN EIGHT SOCIAL POLICY DOMAINS, 1994

Social Policy Domain	Number of Programs
Cash Welfare	8 \1\
Child Welfare and Child Abuse	38 \2\
Child Care	46 \3\
Employment and Training	154 \4\
Social Services	30 \5\
Food and Nutrition	11 \1\
Housing	27 \6\

Note. Some programs counted as separate programs in this table are actually part of larger programs; e.g., child care is a component of both several job training programs and food and nutrition programs. In addition, some programs may be counted in more than one of the eight domains.
Sources: \1\ Burke (1995); \2\ Robinson & Forman (1994); \3\ Forman (1994); \4\ U.S. General Accounting Office (1994); \5\ Robinson (1994); \6\ Vanhorenbeck & Foote (1994); \7\ Klebe (1994).

Although roughly half the families that enter AFDC leave the rolls within 1 year, most of them return. In fact, as indicated in chart 1, of the 4.4 million families now on welfare, about 65 percent or 2.9 million will eventually be on welfare for 8 years or more (Ellwood, 1986). Research also shows that despite the short welfare spells of some families, the average length of stay on welfare, counting repeat spells, for families enrolled at any given moment is 13 years (Pavetti, 1995).

CHART 1. LONG-TERM DEPENDENCY OF WELFARE RECIPIENTS
<GRAPHIC(S) NOT AVAILABLE IN TIFF FORMAT>

Source: Ellwood (1986).

The major goal of Public Law 104-193 is to reduce the length of welfare spells by attacking dependency while simultaneously preserving the function of welfare as a safety net for families experiencing temporary financial problems. Based on the view that the permanent guarantee of benefits plays a major role in welfare dependency, Congress is fundamentally altering the nature of the AFDC Program by making cash welfare benefits temporary and provisional. Both food stamps and Medicaid, however, continue as individual entitlements.

Welfare under the new block grant is made temporary by limiting the receipt of cash benefits from the block grant to 5 years (although the law allows States to exempt up to 20 percent of their caseload from this provision). Welfare under the block grant is made contingent by requiring recipients to work. All able-bodied adults who have been on welfare for 2 years must participate in some activity designed to help them become self-supporting. In addition, the law establishes strict work standards. When fully implemented, States are required to have one-half of their recipients in work programs for 30 hours per week.

To help States meet their participation standards while encouraging adults to leave welfare for work, the legislation also combines funds from several child care programs under jurisdiction of the House Committees on Ways and Means and Economic and Educational Opportunities to create a single child care block grant. Money for the child care block grant is increased by more than $4 billion over the amount of money available under prior law. Equally important, States will have great flexibility in using the child care money to meet the needs of low-income parents for child care, thereby allowing available funds to be used more efficiently.

In addition to repealing the entitlement to cash benefits under the AFDC Program, the new law ends or modifies the entitlement benefits of several other groups receiving welfare benefits. Although the concept of entitlement has been the focus of congressional debate for several years, Public Law 104-193 marks the first time that major welfare entitlement benefits have been repealed or substantially altered.

The children's entitlement under the Supplemental Security Income Program is also reformed by the act. The number of children on SSI has increased substantially in recent years, rising from about 300,000 in 1989 to nearly 900,000 in 1994, an increase of 200 percent in just 5 years. If recent trends had been allowed to continue, SSI enrollment could have reached 1.9 million by the year 2000, according to the U.S. General Accounting Office (1995a).

The new law focuses on the ``Individualized Functional Assessment'' (IFA) process that purports to detect whether a child behaves in an age-inappropriate manner and therefore qualifies for SSI. A recent U.S. General Accounting Office report (1995b) concluded that there were fundamental flaws in the IFA. The report stated that ``each step of the process relies heavily on adjudicators' judgments, rather than objective criteria from the Social Security Administration, to assess the age-appropriateness of children's behavior. As a result, the subjectivity of the process calls into question the Social Security Administration's ability to assure reasonable consistency in administering the SSI program'' (p. 2). By the end of 1994, about 225,000 of the 890,000 children on SSI had qualified under an IFA.

Public Law 104-193 ends the IFA process. Children who are truly disabled continue to receive benefits through the reformed program. Although the new approach prevents the provision of benefits to about 235,000 children annually who would have qualified under the IFA process, the number of children receiving SSI will nonetheless grow from 995,000 to 1,089,000 between 1996 and 2002.

Another major area of entitlement reform taken up by the Congress was welfare benefits for noncitizens. The reforms of entitlement benefits for noncitizens include a broad ban on benefits for illegal aliens that applies to most entitlement and nonentitlement programs. The result is that, with the exception of selected emergency benefits and benefits that promote public health, illegal aliens no longer qualify for most public benefits, including means-tested benefits.

Since Congress passed the first immigration law in 1882, it has been a basic tenet of American immigration policy that legal aliens should not be eligible for public aid. Immigration officials are charged with being certain that immigrants will be self-supporting before they can be admitted to the United States. Moreover, for over 100 years, immigration law has stated that becoming a public charge is cause for deportation. Even so, welfare use among noncitizens has increased rapidly in recent years. By 1995, the Federal Government was spending about $8 billion annually on welfare for noncitizens, and spending was increasing dramatically each year. In the Supplemental Security Income Program, for example, the number of noncitizens receiving benefits increased from over 244,000 in 1986 to almost 800,000 in 1996, an increase of about 230 percent (U.S. General Accounting Office, 1996). By 1995, slightly more than one-half the SSI benefits provided to the elderly were collected by noncitizens. GAO (1995a) has estimated that if current policies had remained in place, by the year 2000, nearly 2 million noncitizens would have been receiving SSI benefits.

Given the expansion of welfare use by noncitizens, the original welfare reform bill (H.R. 1157) reported by the House Committee on Ways and Means on March 15, 1995, ended welfare benefits for most noncitizens. The exact provisions were modified several times during the course of congressional debate, particularly by exempting from the ban military veterans and families that had combined work histories of 10

years or more. In addition, several programs were exempted from the ban, including education and training programs that noncitizens could use to better prepare for work and public health programs designed to protect public safety.

Thus, Public Law 104-193 returns American policy on welfare for noncitizens to its roots by barring most noncitizens who arrive in the future from receiving welfare benefits. Current resident noncitizens face changes only in those programs subject to abuse (SSI and food stamps) or with a significant State financial commitment (cash welfare, Medicaid, and social services).

In addition to welfare dependency and entitlements, another major social problem addressed by this legislation is the high rate of nonmarital births. In 1994, nearly one-third of the Nation's children were born outside marriage; among black Americans the rate was 70 percent (chart 2). In some inner-city neighborhoods, 8 of 10 babies are born to single mothers.

CHART 2. ILLEGITIMACY RATE AS A PERCENTAGE OF LIVE BIRTHS
<GRAPHIC(S) NOT AVAILABLE IN TIFF FORMAT>

Source: National Center for Health Statistics (1977, 1988); Ventura, et al. (1994, 1995).

There is substantial evidence that children reared without the active involvement of two parents are at a substantial disadvantage. These children are more likely to be abused, to make poor grades in school, to quit school, to be unemployed as adults, to be poor, to go on welfare, to have long welfare spells, and to commit crimes (Maynard, 1996; Zill, 1996). In addition, research shows that teens who give birth outside marriage are very likely to use welfare. Within 5 years of a nonmarital birth, more than 75 percent of teen mothers are or have been on welfare (Adams & Williams, 1990). Nor are the impacts of nonmarital births on welfare use confined to teen mothers. Across all mothers who give birth outside marriage, the percentage of those who have welfare spells of 10 years or more is nearly 3 times greater than the percentage of divorced mothers who have spells totaling 10 years or more (Ellwood, 1986).

Given the negative impacts of nonmarital births on mothers and children, Public Law 104-193 contains several provisions designed to reduce nonmarital births in general and teen nonmarital births in particular. These measures include requiring teen mothers to live at home or with a responsible adult; requiring teen mothers to attend school; imposing a mandatory 25 percent benefit reduction on unmarried mothers who do not help establish paternity; providing entitlement funding for abstinence education; requiring the Secretary of Health and Human Services to annually rank States on their performance in reducing nonmarital birth ratios; providing $1 billion over 5 years for performance bonuses to reward States that achieve the goals of the act, including reduced nonmarital births and increased incidence of two-parent families; and providing $400 million in bonus payments to States that reduce their illegitimacy rates.

Finally, the new law addresses one of the most vexing social problems faced by the Nation today; namely, the remarkably low level of child support payments by noncustodial parents. Some scholars have estimated that a highly effective child support system could produce as much as $34 billion more for children than the amount now collected (Sorensen, 1995). The reformed child support program attacks this problem by pursuing five major goals: automating many child support

enforcement procedures; establishing uniform tracking procedures; strengthening interstate child support enforcement; requiring States to adopt stronger measures to establish paternity; and creating new and stronger enforcement tools to increase actual child support collections. The law envisions a child support system in which all States have similar child support laws, all States share information through the Federal child support office, mass processing of information is routine, and interstate cases are handled expeditiously.

Spending

According to the Congressional Budget Office, total spending over 6 years on all welfare programs affected by H.R. 104-193 will grow from $198 billion in 1996 to $296.6 billion in 2002. As shown in chart 3, the budget impact of the act is to reduce the rate of growth of welfare spending somewhat below the rate of growth in prior law baseline spending, while still providing for an increase in welfare spending of about 50 percent in 6 years. As shown by the budget projections in table 2, spending under nearly all the constituent programs grows over the period. Across the 6 years covered by the act, total spending under all the affected programs will be $1.509 trillion, as compared with $1.563 trillion under the prior-law CBO baseline. Thus, the budget impact of the reforms is to reduce the budget deficit by nearly $55 billion by moderating the rate of welfare spending growth.

CHART 3. PUBLIC LAW 104-193 MODERATES THE GROWTH OF WELFARE SPENDING WHILE SAVING $54.6 BILLION

<GRAPHIC(S) NOT AVAILABLE IN TIFF FORMAT>

Source: Congressional Budget Office.

TABLE 2--SPENDING ON WELFARE PROGRAMS AFFECTED

Welfare Program	1996	1997	199
		Under Prior Law Bas	
Family Support Payments	$18,371	$18,805	$19
Supplemental Security Income	24,017	27,904	30
Child Protection	3,840	4,285	4
Child Nutrition	8,428	8,898	9
Medicaid	95,786	105,081	115
Food Stamps	26,220	28,094	29
Social Services Block Grant	2,880	3,010	3
Earned Income Credit	18,440	20,191	20
Total	197,982	216,268	232
		Under Public Law 10	
Family Support Payments	18,371	19,680	20
Supplemental Security Income	24,017	27,111	26
Child Protection	3,840	4,353	4
Child Nutrition	8,428	8,770	9
Medicaid	95,786	105,043	114
Food Stamps	26,220	25,996	25
Social Services Block Grant	2,880	2,635	2
Earned Income Credit	18,440	19,746	20

Total.....	197,982	213,334	224

Source: Congressional Budget Office
\1\ Total does not include an additional $394 million in revenues that result from education under Title V of the Social Security Act, or $85 million in savings und

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SECTION 2.

SUMMARY OF THE NEW WELFARE

REFORM LAW BY TITLE

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SECTION 2. SUMMARY OF THE NEW WELFARE LAW BY TITLE

Title I: Block Grants to States for Temporary Assistance for Needy Families (TANF)

Creation of the cash welfare block grant

The Personal Responsibility and Work Opportunity Reconciliation Act creates a cash welfare block grant called Temporary Assistance for Needy Families (TANF). Its purpose is to increase State flexibility in providing assistance to needy families so that children may be cared for at home; end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage; prevent and reduce the incidence of out-of-wedlock pregnancies; and encourage the formation and maintenance of two-parent families. The TANF block grant replaces four current cash welfare and related programs: Aid to Families With Dependent Children (AFDC), AFDC Administration, the Job Opportunities and Basic Skills Training (JOBS) Program, and the Emergency Assistance Program. In addition, a new block grant for child care replaces AFDC-related child care, effective October 1, 1996. To allow States the opportunity to pass legislation needed to implement

reformed welfare programs, the implementation date for the TANF block grant is July 1, 1997, but States may begin their block grant programs sooner.

Spending through the TANF block grant is capped and funded at $16.4 billion per year, slightly above fiscal year 1995 Federal expenditures for the four component programs. Each year between 1996 and 2002, the basic block grant provides each State with the amount of Federal money it received for the four constituent programs in fiscal year 1995, fiscal year 1994 (increased in some cases by higher Emergency Assistance spending in fiscal year 1995), or the average of fiscal year 1992 through fiscal year 1994, whichever is highest.

To receive each year's full TANF block grant, a State must spend in the previous year on behalf of TANF-eligible families a sum equal to 75 percent of State funds used in fiscal year 1994 on the replaced programs (its ``historic'' level of welfare expenditures). If a State fails to meet work participation rates, its required ``maintenance of effort'' spending rises to 80 percent.

Over 6 years, the Congressional Budget Office (CBO) estimates that Federal spending on family support payments (a classification that includes cash welfare, work programs for welfare recipients, and welfare-related child care) will be $3.8 billion above projected spending under the superseded AFDC law. This increased spending is due to several factors: (1) States are eligible to receive a TANF block grant that matches the highest of recent annual funding levels; (2) Federal outlays under the new child care block grant are estimated by CBO to be $3.5 billion higher than projected outlays under old law; (3) States with above-average population growth or below-average Federal welfare funding per poor person will qualify for supplemental grants above their TANF block grant (out of a total of $800 million provided over 4 years); (4) States that attain a performance score (for achieving the goals of the TANF block grant) that equals a threshold set by the HHS Secretary will receive a high-performance bonus (out of a total of $1 billion provided over 5 years); and (5) up to 5 States will receive bonuses for achieving the largest percentage reduction in the number of out-of-wedlock births while also reducing the rate of abortion (a total of $400 million is available over 4 years). In addition, States undergoing recession, as shown by high and rising unemployment or rising food stamp caseloads, may be eligible to receive up to $2 billion over 5 years in matching ``contingency'' funds (CBO estimates Federal outlays of contingency funds at more than $1 billion). Taken together, these provisions are intended to ensure that States, even in times of recession, have sufficient funds to operate welfare programs that stress work instead of government dependence.

The new law earmarks some TANF funds (to be subtracted from relevant State block grants) for direct administration by applicant Indian tribes and Native Alaskan organizations. It entitles Puerto Rico, Guam, and the Virgin Islands to TANF grants plus reimbursement (at a 75 percent Federal rate) for welfare outlays above the Federal block grant level, but below new and enlarged funding ceilings. (For details of financing and State TANF allocations, see appendix.)

The individual entitlement to cash welfare payments currently provided under the Aid to Families With Dependent Children Program is ended by the new law. TANF block grant funds are guaranteed payments to States, but can be reduced if States fail to meet specified requirements such as providing data to the Federal Government, ensuring that funds are spent on children and families, enforcing penalties against persons who fail to cooperate in establishing paternity, maintaining

specified levels of State spending, and meeting work participation requirements. State plans must set forth objective criteria for the delivery of benefits and the determination of eligibility and for fair and equitable treatment, and must explain how States will provide opportunities for appeal by adversely affected recipients.

Requiring work and rewarding States that conduct successful work programs

The new law contains three provisions requiring work or work preparation by adults in welfare families:

1. Adults receiving assistance through the block grant are required to ``engage in work'' (as defined by the State) after 2 years (or less at State option); otherwise, their assistance under the block grant is ended. Unless States opt out, adult recipients not working must participate in community service employment with hours and tasks set by the State after receiving benefits for 2 months. This requirement does not apply to single parents of a child under 6 who are unable to obtain needed child care. Further, States may exempt parents of a child under age 1 from this or any other work requirement.
2. States are required to have a specific and gradually increasing percentage of their caseload in work activities. Work activities are tightly defined to include actual work in the private or public sector plus, to a limited degree, education, vocational education training, and job search. (See below.) The participation requirement begins at 25 percent in 1997 and increases by 5 percentage points a year to 50 percent in 2002. In calculating required participation rates, States are given credit for reducing their welfare rolls, provided the decrease is not due to changed eligibility criteria (the required participation rate is adjusted down one percentage point for each percentage point that the State's welfare caseload is below fiscal year 1995 levels). As noted above, States may exempt single parents of a child under age 1 from the work requirement. If they do so, these families are omitted from the calculation of work participation rates (for no more than a total of 12 months for any single family). At least one adult in 75 percent of two-parent families must be working in 1997 and 1998, as under previous law, but the rate rises so that adults in at least 90 percent of two-parent families on welfare must be working in 1999 and thereafter. States not meeting these work participation rates for single-parent or two-parent families face a reduction in TANF block grant funds: 5 percent the first year and then 7 percent, 9 percent, 11 percent and so forth in subsequent consecutive years of failure; the maximum penalty for failing to meet State work requirements is the loss of 21 percent of the State's block grant.
3. Cash payments and other benefits from the block grant are forbidden for a family with a member who has received aid as an adult for 5 years. States may set a shorter time limit. The maximum time limit of 5 years requires families to become independent of TANF block grant assistance at that point (eligibility for other programs such as food stamps and Medicaid would continue, subject to program income limits). States may make exceptions to the 5-year limit for up to 20 percent of their caseload if the State judges that

special circumstances (for example, family violence or borderline disabilities) justify an extension of benefits. In addition, States may use their own funds to assist families made ineligible by the 5-year time limit; States also may use title XX social services block grant funds (including amounts transferred out of the cash welfare block grant into the title XX block grant) to provide assistance to these families.

For purposes of calculating State participation rates described in (2) above, the new law defines 12 activities as ``work activities:'' unsubsidized employment; subsidized private employment; subsidized public employment; work experience; on-the-job training; job search and job readiness assistance, for up to 6 weeks (12 weeks, if the State's unemployment rate is 50 percent above the national average), of which only 4 can be consecutive; community service programs; vocational education training (for a maximum of 12 months); provision of child care to TANF recipients participating in a community service program; job skills training directly related to employment; education directly related to employment (for high school dropouts only); or satisfactory attendance at secondary school or in a course of study leading to an equivalency certificate (for high school dropouts only). Not more than 20 percent of the required number of work participants can qualify because they participated in vocational training or were a teen head-of-household in secondary school.

In order to count toward fulfilling a State's participation rate, a recipient generally must engage in one of the first nine activities above (that is, one other than job skills training or education) for an average of 20 hours weekly. The total number of required hours of work rises to 25 in fiscal year 1999 and to a peak of 30 in fiscal year 2000. However, required work hours of a single parent of a child under 6 do not rise above 20, and a teen head of household (under age 20) without a high school diploma is counted as a work participant if she maintains secondary school attendance or, for the required minimum number of hours, participates in education directly related to employment.

Special rules apply to two-parent families. An adult in these families must work an average of 35 hours weekly, with at least 30 hours attributable to one of the first nine activities cited above. Also, if the family receives federally funded child care, the second parent, unless disabled or caring for a disabled child, must make satisfactory progress for at least 20 hours weekly in employment, work experience, on-the-job training, or community service.

Expressed as a percentage, work participation rates equal the number of all recipient families in which an individual is engaged in work activities for the month, divided by the number of recipient families with an adult recipient, but excluding families with children under 1 for up to a total of 12 months per family, if the State exempts them from work, and excluding families being sanctioned (for no more than 3 months within the preceding 12 months) for refusal to work.

A TANF recipient may fill a vacant employment position in order to engage in a work activity. However, no adult in a work activity who receives Federal funds shall be employed or assigned to a position when another person is on layoff from the same or any substantially equivalent job. States must establish and maintain a grievance procedure for resolving complaints of alleged job displacement.

Adults who refuse to engage in required work will face at least pro rata reductions in benefits. Thus, if a parent is

required to work 20 hours and works only 10, her benefit will be reduced by at least 50 percent. States may not penalize single parents with children under 6 if the parent proves her inability to obtain needed child care for a specified reason. States are encouraged to place the highest priority on requiring adults in two-parent families and single parents with school-age children (especially older school-age children) to participate in work activities. Congressional committees are to review the implementation of State work programs during fiscal year 1999.

As noted before, States are required to maintain 75 percent of their 1994 level of State spending on the replaced programs for 6 years, fiscal year 1997 through 2002; however, States that fail to meet required work participation rates must maintain at least 80 percent of historic spending levels. In addition, the law creates a $1 billion performance bonus to provide cash rewards to States that succeed in meeting program goals, as measured by a formula to be developed by the Secretary in consultation with the National Governors' Association and the American Public Welfare Association

The Secretary is required to annually rank the States in order of their success in placing recipients of assistance in long-term private sector jobs and in reducing the overall caseload.

Providing Child Care for Recipients Who Work

The act repeals the child care guarantee for recipients of cash aid who need it to work or study and, for up to 1 year, for individuals who leave welfare because of employment. The act also ends existing AFDC-related child care programs. It entitles States to $13.9 billion for child care under title IV-A of the Social Security Act for a period of over 6 years. This amount is comprised of $1.2 billion annually in 100 percent Federal grants (roughly equal to recent Federal spending for AFDC-related child care) and an average of about $1.1 billion yearly in matching grants, which are subject to maintenance-of-effort spending rules. At least 70 percent of these entitlement funds must be spent for services for TANF recipients or ex-recipients or low-income working families at risk of TANF eligibility. These welfare-related child care funds are transferred to the lead agency under the Child Care and Development Block Grant (CCDBG) and made subject to its rules. For CCDBG, the law authorizes $1 billion annually in discretionary funds. (For further information, see title VI: Child Care, below.)

Combating Out-of-Wedlock Births and Promoting Paternity Establishment

The new law gives States wide flexibility along with added funds to combat the rising number of out-of-wedlock births, which increase welfare use and long-term dependency. For example, unmarried teen parents must live at home or in another adult-supervised setting and attend school in order to be eligible for payments; States may end cash payments altogether for teen parents who have children outside marriage. Further, States may end the practice of providing extra Federal payments to families that have an additional child while on welfare, employing a policy sometimes called the ``family cap.''

The new law contains several provisions that encourage marriage and family and discourage out-of-wedlock childbearing. More specifically, the legislation:

1. Creates a $90 billion TANF block grant for States to use to ``prevent and reduce the incidence of out-of-wedlock

pregnancies,'' among other purposes;
2. Requires State plans to establish goals and take action to prevent and reduce the incidence of out-of-wedlock pregnancies, with special emphasis on teenage pregnancies, and to establish numerical goals for reducing the State illegitimacy ratio for 1996 through 2005;
3. Provides a total of $400 million in added grants (of up to $25 million annually per State) for the five States that are the most successful in reducing the number of out-of-wedlock births while decreasing abortion rates;
4. Makes States that are successful in reducing illegitimacy, strengthening families, and meeting other program goals eligible for a share of a new $1 billion ``performance bonus'' fund;
5. Provides $50 million in entitlement funding for abstinence education for each of fiscal years 1998 through 2002;
6. Allows any State to establish a family cap policy ending the practice of increasing Federal cash welfare benefits when mothers on welfare have babies;
7. Allows States to limit or deny cash welfare for unmarried teen parents;
8. Requires unwed teen parents to be in school and living at home or with an adult in order to receive assistance; States may use block grant funds to provide, or assist in locating, adult-supervised living arrangements, such as second-chance homes, for teen mothers;
9. Deters out-of-wedlock births, encourages paternity establishment, and provides for the payment of child support by: (1) requiring States to reduce cash welfare payments by at least 25 percent for families that include a parent who fails to cooperate in establishing paternity or obtaining child support (States may end benefits altogether); and (2) barring Federal funds for families with a member who has not assigned support rights to the State;
10. Requires the Secretary of HHS to implement, within 1 year, a strategy for preventing teen pregnancies, assuring that 25 percent of communities have prevention programs;
11. Requires the Secretary of Health and Human Services to annually rank all States according to out-of-wedlock birth ratios and changes in ratios over time, and to review the five highest and five lowest ranking States; and
12. Includes numerous findings on the crisis posed by out-of-wedlock births for children, families, and the Nation; encourages States to adopt an effective strategy to combat teen pregnancy by addressing the issue of male responsibility, including statutory rape culpability and prevention.

Providing Maximum State Flexibility

To increase State flexibility in the use of Federal funds, States are allowed to transfer up to 30 percent of their Temporary Assistance for Needy Families block grant into the Child Care and Development Block Grant (CCDBG) and the title XX social services block grant. However, States may shift no more than one-third of the total amount transferred (that is, no more than 10 percent of the TANF block grant) into the social services block grant; funds transferred into the social services block grant must be used only for programs and services for children and families with incomes below 200

percent of the poverty level. The law explicitly permits use of funds transferred into the Social Services Block Grant for families who lose TANF eligibility because of the 5-year time limit or because the State adopts a family cap.

To assist in recessions or other emergencies, States may: (1) receive matching grants from the $2 billion contingency fund described above; (2) borrow from a $1.7 billion Federal loan fund; and (3) save an unlimited amount of their TANF block grant funds for use in later years.

The new law also contains supplemental grants to assist States with above average population growth and below average Federal welfare funding per poor person (reflecting historically low benefit levels). These grants will provide eligible States with an additional $800 million in Federal funds between fiscal year 1998 and 2001.

States may provide families on welfare moving into the State with the same benefit they received in their former State for a period of up to 12 months.

States shall not be prohibited by the Federal Government from testing recipients for use of controlled substances nor from sanctioning those who test positive.

To encourage work, States may use TANF block grant funds to operate an employment placement program. States may not use block grant funds to provide medical services (but may use them for family planning) and may not spend more than 15 percent of the block grant on administrative expenses. Spending for information technology and computerization required to perform case tracking and monitoring, however, is not counted toward the 15 percent cap on administrative expenditures.

To encourage saving for specified purposes, States may use block grant funds to help fund individual development accounts (IDAs) for persons eligible for TANF, with no dollar limit.

In recognition of the fact that creating block grants and increasing State control over program operation will lessen Federal control, the law requires a reduction of 75 percent of the full-time positions at the Department of Health and Human Services that relate to any direct spending program, or program funded through discretionary spending, that is converted into a block grant program. The law specifies that the Secretary of HHS must reduce the Federal welfare work force by 245 full-time positions related to the AFDC Program and by 60 full-time equivalent managerial positions.

To encourage States to involve religious and other private organizations in the delivery of welfare services to the greatest extent possible, States are specifically authorized to administer and provide family assistance services through contracts with charitable, religious, or private organizations or through vouchers or certificates that may be redeemed for services at charitable, religious, or private organizations.

To encourage States to adopt an electronic benefits transfer (EBT) system for TANF, the new law permits use of TANF funds for implementing EBT and limits State liability for lost/stolen benefits distributed via EBT.

States will set TANF eligibility standards and benefit levels. They may deny or offer aid to two-parent families or to any group; however, as noted above, if States offer TANF to unmarried teen parents they must require them to meet Federal conditions concerning living arrangements and school.

Setting National Priorities

The new law gives States the widest possible latitude in developing innovative programs that will get families off welfare and into jobs. Nonetheless, a small set of principles

must be followed to ensure the nationwide success of welfare reform. States therefore are prohibited from using Federal cash welfare block grant funds to:

1. Pay benefits to parents who fail to participate in work or a State-designed welfare-to-work program after 24 months (or a shorter period) of receiving cash welfare;
2. Provide cash or noncash TANF benefits to families in which a member--as an adult--already has received assistance through the block grant for 5 years (however, up to 20 percent of the State's caseload may receive an exemption, and funds transferred to the title XX social services block grant and State funds may aid these families); and
3. Pay TANF benefits to noncitizens arriving after the date of enactment during their first 5 years in the United States (for details, see title IV: Restricting Welfare and Public Benefits for Noncitizens).

In addition, only families with minor children and pregnant women are eligible for assistance under the block grant. No assistance can be provided to families that include a child who has been absent from the home for more than 45 days, nor can assistance be given to a parent or caretaker who fails to report a missing child within 5 days.

Individuals convicted of fraudulently misrepresenting residence to obtain Federal welfare benefits in two or more States at the same time must be denied benefits for 10 years. States are prohibited from providing assistance from the Temporary Family Assistance Block Grant, food stamps, or Supplemental Security Income to fugitive felons fleeing prosecution or confinement or violating probation or parole. State welfare agencies are required to share information on fugitive felons with law enforcement officials under most circumstances.

Unless a State ``opts out'' by enacting a new law, an individual convicted after August 22, 1996, of a felony involving the possession, use, or distribution of illegal drugs shall not be eligible for cash welfare benefits or food stamps. States may limit the period of ineligibility by passage of a new law, and children in families that include an adult affected by this prohibition would continue to be eligible to receive benefits.

Ensuring Medical Coverage for Low-Income Families

States are required to provide Medicaid coverage to:

1. Families that become ineligible for cash welfare assistance because of increased earnings from work (for 1 year--6 months of full Medicaid, 6 months of subsidized Medicaid if family income is less than 185 percent of the Federal poverty level);
2. Families that become ineligible for cash welfare assistance because of increased earnings from child support (for 4 months); and
3. Families that would have been eligible for AFDC--and as a result guaranteed Medicaid coverage--under program income and resource standards in effect on July 16, 1996. States may reduce these standards to their May 1, 1988, level and may increase them by the rise in the Consumer Price Index.

The first two provisions are designed to maintain current law standards ensuring Medicaid coverage for families who move off welfare. The third provision, by requiring Medicaid coverage for families according to recent AFDC standards, assures medical assistance to many families that might not qualify for

benefits under States' new TANF block grant programs. To encourage work, however, States may end medical coverage for parents who become ineligible for TANF benefits because of a failure to work (children in these families would remain eligible for medical assistance). The law also extends the authorization of the first two provisions above until 2002.

Ensuring Compliance With National Priorities

In addition to the penalty of losing 5 percent or more of the State's block grant for failing to meet required work participation rates (see above), States are subject to several other penalties if they fail to meet certain Federal standards:

1. If block grant funds are found by audit to have been misspent, the State loses an equal amount from its next block grant payment, and it must repay the misspent amount using State funds (if the State cannot prove that the misuse was unintentional, an additional 5 percent of its annual block grant will be deducted from the next quarterly payment);
2. States that fail to submit required reports lose 4 percent of their block grant;
3. States that fail to participate in the Income and Eligibility Verification System (IEVS) lose up to 2 percent of their block grant;
4. States that fail to enforce penalties requested by the child support agency against persons who do not cooperate in establishing paternity or in establishing, modifying, or enforcing a child support order lose up to 5 percent of their block grant; States that do not comply substantially with child support enforcement program requirements face these penalties: 1 to 2 percent of the block grant for the first finding of noncompliance; 2 to 3 percent for the second finding; and 5 percent for the third or later finding;
5. States that fail to repay loans from the Federal loan fund in a timely fashion have any outstanding loan plus interest deducted from their next block grant payment;
6. States that fail to maintain 75 percent of historic State spending in fiscal year 1998 through 2003 (or 80 percent in the case of States that fail to meet minimum work participation rates) lose the difference between what the State actually spent and the minimum required level of spending from the following year's block grant;
7. States that fail to comply with the 5-year limit on assistance lose 5 percent of their block grant;
8. States that fail to maintain 100 percent of historic spending levels during fiscal years in which the State receives contingency funds have the amount of the contingency funds subtracted from their following year's block grant; and
9. States that penalize for failure to work single parents with children under age 6 who have a demonstrated inability to obtain child care lose up to 5 percent of their block grant.

States must replace with State funds any block grant amounts lost because of the above penalties. Except in the case of failure to repay loan funds or failure to maintain 75 (or 80) percent of historic levels of State welfare spending, the Secretary may opt not to impose the above penalties if she determines that the State had reasonable cause not to comply. States may enter into a corrective action plan upon being notified of their failure to comply with any of the above

provisions; if the Secretary of Health and Human Services accepts the plan and the State corrects the violation, no penalty will be assessed. When penalties are assessed, total penalties cannot exceed 25 percent of the block grant in any single quarter. Penalties that exceed 25 percent are to be assessed in subsequent quarters. With the exception of penalties for the misuse of funds (and penalties that could take effect only at later dates), States will not face penalties for failing to comply with new Federal requirements until the later of July 1, 1997, or the date that is 6 months after the State submits its plan. Penalties will apply only to conduct that occurs after these dates. Finally, States have the right to appeal adverse decisions made by the Secretary.

Treatment of Waivers

State programs may include provisions granted by waivers under section 1115 before enactment of the new law on August 22, 1996. On the other hand, States have the option of terminating waiver projects before their scheduled expiration date. States that elect to end ongoing waivers are held harmless for accrued cost neutrality liabilities if the request is submitted promptly. If States opt to continue a waiver, they must bring their programs in line with the terms and conditions of the revised block grant program once the waiver expires.

Waivers granted after the date of enactment may not override provisions of the TANF law that concern mandatory work requirements. For these postenactment waivers, a State must demonstrate to the satisfaction of the Secretary that the waiver will not result in increasing Federal welfare spending above the TANF block grant level.

Data Reporting and Evaluation

To help Congress determine whether the purposes of this legislation are being achieved, and to help Congress, the States, scholars, and the American public learn whether the reforms are producing positive results, States are required to report a broad range of data and several studies are authorized. States may fulfill the data collection and reporting requirements by reporting data for their entire caseload under the block grant or by use of statistical sampling, on the condition that sampling methods must be approved by the Secretary of HHS as scientifically acceptable.

The Census Bureau is provided with $10 million per year to expand the ongoing Survey of Income and Program Participation (SIPP) and to focus special data collection efforts on welfare families. By studying a random sample of American families both before and after implementation of this legislation, the Census Bureau will provide useful and reliable information on whether families were able to escape welfare, on the factors that facilitate and impede movement off welfare, on the types of jobs obtained by former welfare recipients, on the impact of welfare reform on children, and on a host of other issues. The study will pay particular attention to the issues of welfare dependency, out-of-wedlock births, the beginning and end of welfare spells, and causes of repeat welfare spells. The Census Bureau also is directed to expand questions on the decennial and the mid-decade census to distinguish the number of households in which a grandparent is the primary care giver.

Within 6 months of enactment, the Secretary of Health and Human Services must report to Congress on the ability of States to employ automatic data processing systems capable of gathering required information, limiting fraud and abuse, and

maintaining State progress in achieving the goals of this legislation. States must comply with the new data reporting requirements by July 1, 1997, and must continue to report information according to current law requirements until that date.

Beginning 3 years after the date of enactment, the Secretary must submit annual reports to Congressional committees on the impact of program changes on: (1) children in families made ineligible for assistance by the 5-year time limit, (2) children born to teenage parents, and (3) teenage parents. States must annually submit to the Secretary a statement of the child poverty rate in the State. If the child poverty rate has increased by 5 percent or more in the preceding year ``as a result of'' the TANF block grant program, the State must submit a corrective action plan outlining how it will reduce child poverty rates.

The Secretary may assist States in developing innovative welfare approaches and shall evaluate them. States are eligible to receive funding to evaluate their programs, but must generally pay at least 10 percent of the cost.

The Secretary must submit to Congress by September 30, 1998, a study on ways to evaluate program success other than by using minimum work participation rates. This study of ``alternative outcomes measures'' shall indicate whether the measures should be applied nationally or on a State-by-State basis.

The law limits Federal authority, providing that no officer or employee of the Federal Government may regulate the conduct of States under title IV-A of the Social Security Act (which authorizes the TANF block grant program) or enforce any provisions of title IV-A, except to the extent expressly provided in title IV-A.

Title II: Supplemental Security Income

Ensuring that prisoners and other criminals do not receive SSI benefits

The new law provides for incentive payments from SSI Program funds to State and local penal institutions for furnishing information (date of confinement and certain other identifying information) to the Social Security Administration (SSA) that results in suspension of benefits (up to $400 for information received within 30 days of confinement or up to $200 for information received from 31 to 90 days after confinement). The provision applies to individuals whose period of confinement commences on or after March 1, 1997.

In order to facilitate the exchange of information, the SSI reporting agreements under which incentive payments are made are exempted from the Computer Matching and Privacy Protection Act of 1988. SSA is authorized to provide, on a reimbursable basis, information obtained pursuant to SSI reporting agreements to any Federal or federally assisted cash, food, or medical assistance program for eligibility purposes.

The Commissioner of the Social Security Administration is required to study and report to Congress within 1 year of enactment on the feasibility of information exchange on prisoners, especially by electronic means, between SSA, the courts, and correctional facilities. SSA also is required to provide Congress not later than October 1, 1998, with a list of institutions that are and are not providing information on SSI recipients to SSA.

The law denies eligibility for SSI to individuals fleeing prosecution, to fugitive felons, or to those violating a condition of probation or parole imposed under State or Federal law. SSA must provide, upon written request of any law

enforcement officer, the current address, Social Security number, and photograph (if available) of any SSI recipient who: is fleeing to avoid prosecution, custody, or confinement after a felony conviction; is violating a condition of probation or parole; or has information necessary for the officer to conduct his official duties.

The law denies SSI benefits for a period of 10 years to an individual convicted in Federal or State court of having made a fraudulent statement with respect to his or her place of residence in order to receive benefits simultaneously in two or more States.

Reforming the disability determination process for children

The new law makes several changes designed to maintain the SSI Program's goal of providing benefits for severely disabled children while preventing children without serious impairments from receiving benefits.

First, the act replaces the former law ``comparable severity'' test with the following new definition of childhood disability:

An individual under the age of 18 is considered disabled under SSI if the child has a medically determinable physical or mental impairment, which results in marked and severe functional limitations, and which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months.

Second, the Commissioner of SSA is required to discontinue use of the Individualized Functional Assessment (IFA), an evaluation instrument that requires subjective judgment to determine children's eligibility for SSI. The IFA is also the source of many complaints about SSI providing cash benefits to children who act up in school or demonstrate only mild impairments.

Third, the Commissioner of SSA must eliminate references to ``maladaptive behavior'' in the Listings of Impairments (among medical criteria for evaluation of mental and emotional disorders in the domain of personal/behavioral function).

The provisions eliminating the use of the IFA and eliminating references to maladaptive behavior in the listings are effective for all new and pending applications upon enactment. Current beneficiaries receiving benefits due to an IFA or maladaptive behavior listing will receive notice no later than January 1, 1997, that their benefits may end and their case will be redetermined. The Commissioner will redetermine eligibility of those currently receiving benefits using the new eligibility criteria within 1 year from the date of enactment. Should an individual be found ineligible for benefits, his benefits will end July 1, 1997, or the date of the redetermination, whichever is later.

At least once every 3 years, the Commissioner must conduct continuing disability reviews (CDRs) of children receiving SSI benefits. At the time of the CDR, the representative payee (usually a parent or other family member) must provide evidence demonstrating that the child is, and has been, receiving treatment, if appropriate. If the representative payee refuses to comply, an alternative representative payee will be found.

The eligibility of children qualifying for SSI benefits must be redetermined under the adult criteria within 1 year after the child turns 18. In addition, a CDR must be completed 12 months after the birth of a child who was allowed benefits because of low birth weight.

The new law makes several other changes designed to improve accountability in the SSI Program. First, the act requires lump

sum payments in excess of $2,820 to children under age 18 (effective with respect to payments made after the date of enactment) to be paid into a dedicated savings account. Spending from this account must be for allowable expenses and must be monitored by the Commissioner. Allowable expenses include personal needs assistance, education or job skills training, special equipment, home modifications, medical treatment, therapy or rehabilitation services, or other items approved by the Commissioner so long as the expenses benefit the child or are related to the child's disability.

Second, the act requires that past-due benefits (effective with respect to past-due benefits payable after the third month following the month of enactment) larger than $5,640 for an individual and $8,460 for a couple be paid via three installments in 6-month intervals. Installment limits may be exceeded, however, to pay certain debts and expenses, and certain other exceptions apply.

Finally, children in medical institutions with private insurance currently receiving a full SSI benefit will have their benefits reduced to a personal needs allowance of $30 per month, the same amount that is given to children in institutions for whom more than half the costs are paid by the Medicaid Program. This provision is effective with respect to benefits for months beginning 90 or more days after the date of enactment.

New regulations implementing the changes related to benefits for disabled children must be promulgated by SSA within 3 months after the enactment date. These regulations (with supporting documentation including a cost analysis, workload impact, and caseload projections that will result from the new regulations) must be provided to Congress at least 45 days before they are implemented.

Within 180 days of enactment, the Commissioner will send to Congress a report on the progress made in implementing the provisions of these amendments.

The act takes a number of steps to evaluate and improve the disability determination process and to assess the effect of changes on families and children:

1. The SSA Commissioner, not later than May 30 of each year, must prepare and present an annual report to the President and the Congress on the SSI Program; and
2. The General Accounting Office, not later than January 1, 1999, must study the impact of the reforms; the study must include an examination of extra expenses (if any) incurred by families of children receiving SSI benefits that are not covered by other Federal, State, or local programs.

The act authorizes the appropriation of an additional $150 million in fiscal year 1997 and $100 million in fiscal year 1998 for the costs of processing CDRs and redeterminations.

Other SSI changes

The new law provides that an individual's application for SSI benefits would be effective on the first day of the month following the date on which the application is filed, or on which the individual first becomes eligible, whichever is later. The law also permits the issuance of an emergency advance payment to an individual who is presumptively eligible and has a financial emergency in the month the application is filed. The emergency advance payment must be repaid through proportional reductions in benefits payable over a period of not more than 6 months. These provisions are effective for applications filed on or after the date of enactment.

A provision denying SSI or disability benefits to persons disabled solely because of addictions became part of H.R. 3136,

the Contract With America Advancement Act (Public Law 104-121).

Title III: Child Support

The act contains nearly 50 changes, many of them major, to current child support law. The summary below organizes these changes into several major categories.

State obligation to provide services and distribution rules

The rules governing how child support collections are distributed among the Federal Government, State governments, and families that are on or have been on welfare are substantially changed. The current passthrough of the first $50 in child support collections to families on welfare is no longer a Federal requirement. Instead, payments to families that leave welfare are more generous. By October 1, 1997, States must distribute to the family current support and arrears that accrue after the family leaves welfare before the State is reimbursed for welfare costs. By October 1, 2000, States must also distribute to the family arrears that accrued before the family began receiving welfare before the State is reimbursed. These new rules, however, do not apply to collections made by intercepting tax refunds. The result of these changes is that States are required to pay a higher fraction of child support collections on arrearages to families that have left welfare by making these payments to families first (before the State). If this change in policy results in States losing money relative to current law, the Federal Government will reimburse States for any losses. This section of the law also contains clarifications of the ``fill-the-gap'' policy so that States now operating those programs can continue to do so, provides safeguards against unauthorized use of paternity or child support information, requires States to inform parents of proceedings in which child support might be established or modified, and requires States to provide parents with a copy of any changes in the child support order within 14 days.

Locate and case tracking

The Federal Government makes major new investments to help States acquire, automate, and use information. First, States must establish a registry of all IV-D cases and all other new or modified child support cases in the State. The registry must contain specified minimum data elements for all cases. For cases enforced by the State child support enforcement (IV-D) program, the registry must also contain a wide array of information that is regularly updated, including the amount of each order and a record of payments and arrearages. In the case of orders that include withholding but are not in the IV-D system, the State must also keep records of payments. In IV-D cases, this information is used both to enforce and update child support orders by conducting matches with information in other State and Federal data systems and programs. Second, States must create an automated disbursement unit to which child support payments are paid and from which they are distributed and that contains accurate records of child support payments. This disbursement unit will handle payments in all cases enforced by the IV-D program and in all cases in the State with income withholding orders. In IV-D cases requiring income withholding, within 2 days of receipt of information about a support order and a parent's source of income, the automated system must send a withholding notice to employers. Third, States must require employers to send information on new employees to a centralized State Directory of New Hires within 20 days of the date of hire; employers that report electronically or by magnetic tape can file twice per month.

States must routinely match the new hire information, which must be entered in the State data base within 5 days, against the State Case Registry using Social Security numbers. In the case of matches, within 2 days of entry of data in the Registry, employers must be notified of the amount to be withheld and where to send the money. Within 3 days, new employee information must be reported by States to the National Directory of New Hires. New hire information must also be shared with State agencies administering unemployment, workers' compensation, welfare, Medicaid, food stamp, and other specified programs. States using private contractors may share the new hire information with the private contractors, subject to privacy safeguards.

States must have laws clarifying that child support orders not subject to income withholding must immediately become subject to income withholding without a hearing if arrearages occur. The law includes rules that clarify how employers are to accomplish income withholding in interstate cases and establishes a uniform definition of income. Employers must remit withheld income to the State Disbursement Unit within 7 days of the normal date of payment to the employee.

All State and Federal child support agencies must have access to the motor vehicle and law enforcement locator systems of all States.

The Federal Parent Locator Service (FPLS) is given several new functions. The law clarifies that the purposes for which the FPLS can be used include establishing parentage, setting, modifying or enforcing support orders, and enforcing custody or visitation orders. In addition to being the repository for information from every State Case Registry and Directory of New Hires (information on new hires must be entered in the FPLS within 2 days of receipt), the FPLS must match information from State case registries with information from State new hire directories at least every 2 days and report matches to State agencies within 2 days. All Federal agencies must also report information, including wages, on all employees (except those involved in security activities who might be compromised) to the FPLS for use in matching against State child support cases. State unemployment agencies must report quarterly wage and unemployment compensation information to the FPLS. The Secretary must ensure that FPLS information is shared with the Social Security Administration, State child support agencies, and other agencies authorized by law. However, the Secretary must also ensure both that fees are established for agencies that use FPLS information and that the information is used only for authorized purposes.

The Secretaries of HHS and Labor must work together to develop a cost-effective means of accessing information in the various directories established by the law.

All States must have procedures for recording the Social Security numbers of applicants on the application for professional licenses, commercial drivers' licenses, occupational licenses, and marriage licenses; States must also record Social Security numbers in the records of divorce decrees, child support orders, paternity orders, and death certificates.

Streamlining and uniformity of procedures

All States must enact the Uniform Interstate Family Support Act (UIFSA), including all amendments adopted by the National Conference of Commissioners of Uniform State Laws before January 1, 1998. Recent provisions recommended by the Commissioners on procedures in interstate cases are included in the law. States are not required to use UIFSA in all cases if they determine that using other interstate procedures would be

more effective. The law also clarifies the definition of a child's home State, makes several revisions to ensure that full faith and credit laws can be applied consistently with UIFSA, and clarifies the rules regarding which child support order States must honor when there is more than one order.

States must have laws that permit them to send orders to and receive orders from other States. Responding States must, within 5 days of receiving a case from another State, match the case against its data bases, take appropriate action if a match occurs, and send any collections to the initiating State. The Secretary must issue forms that States must use for withholding income, imposing liens, and issuing administrative subpoenas in interstate cases.

States must adopt laws that provide the child support agency with the authority to initiate a series of expedited procedures without the necessity of obtaining an order from any other administrative or judicial tribunal. These actions include: ordering genetic testing; issuing subpoenas; requiring public and private employers and other entities to provide information on employment, compensation, and benefits or be subject to penalties; obtaining access to vital statistics, State and local tax records, real and personal property records, records of occupational and professional licenses, business records, employment security and public assistance records, motor vehicle records, corrections records, customer records of utilities and cable TV companies pursuant to an administrative subpoena, and records of financial institutions; directing the obligor to make payments to the child support agency in public assistance or income withholding cases; ordering income withholding in IV-D cases; securing assets to satisfy arrearages, including the seizure of lump sum payments, judgments, and settlements; and increasing the monthly support due to make payments on arrearages.

Paternity establishment

States are required to have laws that permit paternity establishment until at least age 18 even in cases previously dismissed because a shorter statute of limitations was in effect. In contested paternity cases, except where barred by State laws or where there is good cause not to cooperate, all parties must submit to genetic testing at State expense; States may recoup costs from the father if paternity is established. States must take several actions to promote paternity establishment including creating a simple civil process for voluntary acknowledgment of paternity, maintaining a hospital-based paternity acknowledgment program as well as programs in other State agencies (including the birth record agency), and issuing an affidavit of voluntary paternity acknowledgment based on a form developed by the Secretary. When the child's parents are unmarried, the father's name will not appear on the birth certificate unless there is an acknowledgment or adjudication of paternity. Signed paternity acknowledgments must be considered a legal finding of paternity unless rescinded within 60 days; thereafter, acknowledgments can be challenged only on the basis of fraud, duress, or material mistake of fact, with the burden of proof on the challenger. Results of genetic testing must be admissible in court without foundation or other testimony unless objection is made in writing. State law must establish either a rebuttable or conclusive presumption of paternity when genetic testing indicates a threshold probability of paternity.

States must require issuance of temporary support orders if paternity is indicated by genetic testing or other clear and convincing evidence. Bills for pregnancy, childbirth, and genetic testing must be admissible in judicial proceedings

without foundation testimony and must constitute prima facie evidence of costs incurred for such services. Fathers must have a reasonable opportunity to initiate a paternity action. Voluntary acknowledgments of paternity and adjudications of paternity must be filed with the State registry of birth records for matches with the State Case Registry of Child Support Orders and States must publicize the availability and encourage the use of procedures for voluntary establishment of paternity and child support.

Individuals who apply for public assistance must provide specific identifying information about the noncustodial parent and must appear at interviews, hearings, and other legal proceedings. States must have good cause and other exceptions from these requirements which take into account the best interests of the child. Exceptions may be defined and applied by the State child support, welfare, or Medicaid agencies. Families that refuse to cooperate with these requirements must have their grant reduced at least 25 percent.

Program administration and funding

The Secretary must develop a proposal for a new child support incentive system and report the details to Congress by March 1, 1997. States are given a new option for computing the paternity establishment rate; in addition to the current procedure of calculating the rate relative to the IV-D caseload, States may calculate the rate relative to all out-of-wedlock births in the State. The mandatory paternity establishment rate of prior law is increased from 75 percent to 90 percent. States are allowed several years to reach the 90 percent standard, but must increase their establishment rate by 2 percentage points a year when the State rate is between 75 and 90 percent.

States must annually review and report to the Secretary information adequate to determine the State's compliance with Federal requirements for expedited procedures, timely case processing, and improvement on the performance indicators. The Secretary must establish, and States must use, uniform definitions in complying with this requirement. The Secretary must use this information to calculate incentive payments and penalties as well as to review compliance with Federal requirements. To determine the quality of data reported by States for calculating performance indicators and to assess the adequacy of financial management of the State program, the Secretary must conduct an audit of every State at least once every 3 years and more often if a State fails to meet Federal requirements.

States must establish an automated data system that maintains data necessary to meet Federal reporting requirements, that calculates State performance for incentives and penalties, and that ensures the completeness, reliability, and accuracy of data. The system must also have privacy safeguards. Data requirements enacted before or during 1988 must be met by October 1, 1997; funding that includes the 90 percent Federal match is made available (including retroactive funding for amounts spent since October 1, 1995) to meet these requirements. A total of $400 million, to be divided among the States in a manner determined by the Secretary, is made available for meeting the data requirements imposed by this legislation; this money is made available to States at a Federal match rate of 80 percent.

The Secretary can use 1 percent of the Federal share of child support collections on behalf of welfare families to provide technical assistance to the States; if needed, the Secretary can use up to 2 percent of the Federal share to operate the Federal Parent Locator Service.

The Secretary is required to provide several new pieces of information to the Congress on an annual basis. This new information includes the total amount of child support collected, the costs to the State and Federal Governments of furnishing child support services, and the total amount of support due and collected as well as due and unpaid.

Establishment and modification of support orders

The mandatory 3-year review of child support orders is slightly modified to permit States some flexibility in determining which reviews of welfare cases should be pursued and in choosing methods of review; States must review orders every 3 years (or more often at State option) if either parent or the State requests a review in welfare cases or if either parent requests a review in nonwelfare IV-D cases. Consumer credit agencies must release information on parents who owe child support to child support agencies that follow several requirements such as ensuring privacy. Financial institutions are provided immunity from prosecution for providing information to child support agencies; however, individuals who knowingly make unauthorized disclosures of financial records are subject to civil actions and a maximum penalty of $1,000 for each unauthorized disclosure.

Enforcement of support orders

Child support enforcement for Federal employees, including retirees and military personnel, is substantially revamped and strengthened. As under prior law, Federal employees are subject to wage withholding and other actions taken against them by State child support agencies. Every Federal agency is responsible for responding to a State child support program as if the Federal agency were a private business. The head of each Federal agency must designate an agent, whose name and address must be published annually in the Federal Register, to be responsible for handling child support cases. The agent must respond to withholding notices and other matters brought to her attention by child support officials. The definition of income for Federal employees is broadened to conform to the general IV-D definition and child support claims are given priority in the allocation of Federal employee income. The Secretary of Defense must establish a central personnel locator service, which must be updated on a regular basis, that permits location of every member of the Armed Services. The Secretary of each branch of the military service must grant leave to facilitate attendance at child support hearings and other child support proceedings. The Secretary of each branch must also withhold support from retirement pay and forward it to State disbursement units.

States must have laws that permit the voiding of any transfers of income or property that were made to avoid paying child support. State law must permit a court or administrative process to issue an order requiring individuals owing past-due support to either pay the amount due, follow a plan for repayment, or participate in work activities. States must periodically report to credit bureaus, after fulfilling due process requirements, the names of parents owing past-due child support. States must also have procedures under which liens arise by operation of law against property for the amount of overdue child support; States must grant full faith and credit to the liens of other States. States also must have the authority to withhold, suspend, or restrict the use of drivers' licenses, professional and occupational licenses, and recreational licenses of individuals owing past-due child support. In addition, State child support agencies must enter into agreements with financial institutions to develop and operate a data match system in which the financial institution

supplies, on a quarterly basis, the name, address, and Social Security number of parents identified by the State as owing past-due child support. In response to a lien or levy from the State, financial institutions must surrender or encumber assets of the parent owing delinquent child support.

The Internal Revenue Code is amended so that no additional fees can be assessed for adjustments to previously certified amounts for the same obligor. In the case of individuals owing child support arrearages in excess of $5,000, the Secretary of HHS must request that the State Department deny, revoke, restrict, or limit the individual's passport.

The Secretary of State, working with the Secretary of HHS, is authorized to declare reciprocity with foreign countries for the purposes of establishing and enforcing support orders. U.S. residents must be able to access services, free of cost, in nations with which the United States has reciprocal agreements; these services should include establishing parentage, establishing and enforcing support, and disbursing payments. State plans for child support must include provision for treating requests for services from other nations the same as interstate cases.

The United States Bankruptcy Code is amended to ensure that any child support debt that is owed to a State and that is enforceable under the child support section of the Social Security Act (title IV-D) cannot be discharged in bankruptcy proceedings.

A State that has Indian country may enter into a cooperative agreement with an Indian tribe if the tribe demonstrates it has an established court system that can enter child support and paternity orders; the Secretary may make direct payments to tribes that have approved plans.

Medical support

The definition of ``medical child support order'' in the Employee Retirement Income Security Act (ERISA) is expanded to clarify that any judgment, decree, or order that is issued by a court or by an administrative process has the force and effect of law. All orders enforced by the State child support agency must include a provision for health care coverage. If the noncustodial parent changes jobs and the new employer provides health coverage, the State must send notice of coverage to the new employer; the notice must serve to enroll the child in the health plan of the new employer.

Enhancing responsibility and opportunity for nonresidential parents

The act guarantees $10 million per year for funding grants to States for access and visitation programs including mediation, counseling, education, development of parenting plans, and supervised visitation. A formula for dividing the grant money among the States is included. States must monitor, evaluate, and report on their program in accord with regulations issued by the Secretary.

Title IV: Restricting Welfare and Public Benefits for Noncitizens

Overview

Title IV of the Personal Responsibility and Work Opportunity Reconciliation Act makes significant changes in the eligibility of noncitizens, both legal and illegal, for Federal, State, and local benefits.

Regarding Federal programs, the act contains three new restrictions on the eligibility of legal aliens for means-tested benefits. The first of these is a bar on qualified aliens, a term that includes legal immigrants, from Supplemental Security Income (SSI) and food stamps. The second is a bar of most qualified aliens arriving after August 22,

1996, from most means-tested programs during their first 5 years here. The third restriction, which applies to aliens in the United States on August 22, 1996, and to new entrants after their first 5 years, is a State option to deny qualified aliens assistance under the following federally funded programs: Temporary Assistance for Needy Families (TANF), which replaces AFDC; social services block grants; and Medicaid (other than emergency services). The new restrictions are not absolute, and the exceptions to them are discussed below.

Additionally, the act expands sponsor-to-alien deeming, which imputes the income and resources of a sponsor to an alien who is applying for needs-based assistance. This expansion may further affect eligibility for and the amount of needs-based benefits for certain qualified aliens who arrive after the date of enactment.

Separately, the act denies most Federal benefits, regardless of whether they are means tested, to aliens who are not qualified aliens--illegal aliens, aliens admitted temporarily for a limited purpose (nonimmigrants), aliens paroled into the United States by the Attorney General for briefer than a year, and other aliens allowed to reside in the United States (e.g., those granted deferred action status or stay of deportation). This denial covers many programs whose enabling statutes do not make citizenship or immigration status a criterion for participation.

Regarding State benefits, States are given broad authority to decide which noncitizens may participate in State and local programs, including authority to mirror Federal sponsor-to-alien deeming rules. However, the act initially denies illegal aliens most State and local benefits, and illegal aliens may qualify for those benefits only through newly enacted State laws which explicitly extend eligibility for benefits to illegal aliens.

While the act's new restrictions on the eligibility of aliens for public benefits are extensive, they cease to apply upon naturalization. Once an alien becomes a citizen, she becomes eligible for benefits on the same basis as other citizens.

Federal benefits

``Qualified'' aliens.-- Section 402 of the act restricts eligibility for major programs for qualified aliens, including legal permanent residents, aliens paroled into the United States for at least 1 year, refugees, and aliens granted asylum or certain similar relief. The restrictions include a direct bar on eligibility for: (1) the Supplemental Security Income (SSI) Program under title XVI of the Social Security Act, including State supplementary payments paid through the Federal Government; and (2) the Food Stamp Program. The restrictions also include a State option to restrict the eligibility of some or all qualified aliens under: (1) block grants to States for Temporary Assistance for Needy Families (TANF); (2) block grants to States for social services under title XX of the Social Security Act; and (3) Medicaid, except that treatment for emergency medical conditions (other than those related to an organ transplant) may not be restricted.

The act contains three exceptions to the SSI/food stamp bar and the State option for qualified aliens who meet other eligibility requirements. The first is a time-limited exception for humanitarian entrants. Under this exception, benefits may not be restricted during the 5 years after an alien is admitted as a refugee or is granted asylum or similar relief.

The second exception is based on service in the United States Armed Forces. Honorably discharged veterans, active duty service personnel (other than those on active duty for

training), and their spouses and unmarried dependent children fall within the service-related exception. The third exception is premised on working in the United States. The work-related exception covers permanent resident aliens who have worked, or may be credited with, at least 40 qualifying quarters of employment for purposes of title II of the Social Security Act. In applying this test, the alien may take into account qualifying quarters of work performed by: (1) the alien; (2) the alien's spouse after their marriage (but only if the alien remains married to the spouse or the spouse is deceased); or (3) the alien's parent before the alien reached age 18. At the same time, no qualifying quarter beginning after 1996 may be credited if the worker (be it the alien or the alien's spouse or parent) received means-based Federal assistance during the period.

Agencies that administer the SSI and Food Stamp Programs are to redetermine the eligibility of recipients within 1 year of enactment. The State option regarding TANF, social services block grants, and Medicaid may not be exercised until January 1, 1997, for legal residents who were receiving benefits on the date of enactment.

Five-year bar on new entrants.--With limited exception, section 403 of the act makes qualified aliens who enter the United States after enactment ineligible for Federal means-tested benefits for 5 years after entry. Honorably discharged veterans, active duty service personnel (other than those on active duty for training), and their spouses and unmarried dependent children are excepted from the 5-year bar, as are refugees and aliens granted asylum or similar relief.

Several types of benefits are also excepted, including:

1. Treatment under Medicaid for emergency medical conditions (other than those related to an organ transplant);
2. Short-term, in-kind emergency disaster relief;
3. Assistance under the National School Lunch Act or the Child Nutrition Act of 1966;
4. Immunizations against diseases and testing for and treatment of symptoms of communicable diseases;
5. Foster care and adoption assistance under title IV of the Social Security Act, unless the foster parent or adoptive parent is an alien other than a qualified alien;
6. Education assistance under the Elementary and Secondary Education Act of 1965, specified titles (IV, V, IX, and X) of the Higher Education Act of 1965, or specified titles (III, VII, and VIII) of the Public Health Service Act;
7. Benefits under the Head Start Act;
8. Benefits under the Job Training Partnership Act; and
9. Services or assistance (such as soup kitchens, crisis counseling and intervention, and short-term shelters) designated by the Attorney General as: (i) delivering in-kind services at the community level; (ii) providing assistance without individual determinations of each recipient's needs; and (iii) being necessary for the protection of life and safety.

A separate exception is made for refugee and entrant assistance under title IV of the Immigration and Nationality Act and section 501 of the Refugee Education Assistance Act of 1980 provided to Cuban and Haitian entrants (as defined in section 501 of the Refugee Education Assistance Act of 1980).

Once the initial 5-year period expires, an alien becomes subject to other restrictions on alien eligibility for Federal benefits in the act (i.e., the SSI/food stamp bar; the State option for Medicaid, TANF, and social services block grants;

and sponsor-to-alien deeming) or, if those restrictions do not pertain, to alienage restrictions in pertinent enabling statutes or other applicable laws.

Aliens other than ``qualified'' aliens.--Section 401 of the act makes ineligible for Federal public benefits aliens who are not qualified aliens. These aliens include illegal aliens, aliens in the United States without valid immigration documents or other legal permission; nonimmigrant aliens, or aliens admitted into the United States for a limited time for a limited purpose (e.g., tourists, students, business visitors); aliens paroled into the United States by the Attorney General for briefer than 1 year; and other aliens allowed by the Attorney General to reside in the United States (e.g., those granted deferred action status or stay of deportation).

The Federal public benefits denied other aliens are broadly defined to include: (1) grants, contracts, loans, and licenses and (2) retirement, welfare, health, disability, housing, food, unemployment, postsecondary education, and similar benefits. Excepted programs include:

1. Treatment under Medicaid for emergency medical conditions (other than those related to an organ transplant);
2. Short-term, in-kind emergency disaster relief;
3. Immunizations against immunizable diseases and testing for and treatment of symptoms of communicable diseases;
4. Services or assistance (such as soup kitchens, crisis counseling and intervention, and short-term shelters) designated by the Attorney General as: (i) delivering in-kind services at the community level; (ii) providing assistance without individual determinations of each recipient's needs; and (iii) being necessary for the protection of life and safety; and
5. To the extent that an alien is receiving assistance on the date of enactment, programs administered by the Secretary for Housing and Urban Development, programs under title V of the Housing Act of 1949, and assistance under section 306C of the Consolidated Farm and Rural Development Act.

Section 401 also excepts Old Age, Survivors, and Disability Insurance benefits under title II of the Social Security Act that are protected by that title or by treaty or that are paid under applications made before enactment. Licenses and contracts related to a nonimmigrant's lawful employment activities also are excepted. Separately, section 742 of the act states that individuals who are eligible for free public education benefits under State and local law shall remain eligible to receive school lunch and school breakfast benefits. (The act itself does not address a State's obligation to grant all aliens equal access to education in accordance with the Supreme Court's decision in Plyler v. Doe.) Section 742 further states that nothing shall prohibit or require a State to provide aliens who are not qualified aliens other benefits under the National School Lunch Act or the Child Nutrition Act or under the Emergency Food Assistance Act, section 4 of the Agriculture and Consumer Protection Act, or the food distribution program on Indian reservations under the Food Stamp Act.

Sponsor-to-alien deeming and affidavits of support.--The Immigration and Nationality Act excludes from the United States aliens who appear likely to become a public charge at any time. Unless this ground for exclusion is waived, as it is in the case of refugees and asylees, an alien seeking to become a legal permanent resident must show adequate resources or job prospects or, in their absence, must present one or more affidavits of support signed by U.S. residents. Under sponsor-

to-alien deeming, the income and resources of an individual who signed an affidavit (the ``sponsor'') and those of the sponsor's spouse are added to the means of a sponsored alien who applies for needs-based assistance during the applicable ``deeming period'' in determining whether the alien is sufficiently needy to qualify for assistance.

Approximately one-half of the aliens who obtain permanent resident status have had affidavits of support filed on their behalf. Despite the frequency of their use, the pledges of support contained in affidavits have not been regarded by the courts to be legally enforceable. Section 423 of the Personal Responsibility and Work Opportunity Reconciliation Act aims to rectify this problem. Under the act, sponsors must sign affidavits of support that allow sponsored aliens to seek support. The affidavits also would permit government agencies to obtain reimbursement of benefits provided to sponsored aliens. Sponsors are not required to reimburse benefits made available under those programs that are excepted from the 5-year bar for new entrants, which are listed above. However, the obligation to reimburse covered benefits applies to all benefits provided before a sponsored alien becomes a citizen even if sponsor-to-alien deeming has ended before then.

Section 421 of the act imposes additional sponsor-to-alien deeming requirements on sponsored aliens who have had one of the new, enforceable affidavits filed for them. Generally, if a sponsor has executed an affidavit that complies with the act's requirements, the income and resources of the sponsor and the sponsor's spouse are added to those of the sponsored alien in determining the eligibility of the alien under Federal needs-based programs until the alien becomes a citizen. Nevertheless, sponsor-to-alien deeming may end before the alien becomes a citizen if the alien meets the 40 qualifying quarter test that applies under the SSI/food stamp restrictions, described above. The programs that are excepted from the 5-year bar for new entrants, which are listed above, also are excepted from the sponsor-to-alien deeming requirements.

Earned income credit.--The act conditions eligibility for the earned income credit (EIC) on an individual's including his or her Social Security number and that of the individual's spouse on their tax return for the applicable taxable year. This requirement is intended to disqualify illegal aliens and other noncitizens who are not authorized to work in the United States.

State benefits

Three sections of the Personal Responsibility and Work Opportunity Reconciliation Act address alien eligibility for State and local public benefits.

Section 411 of the act directly denies State and local benefits to aliens who are not qualified aliens, nonimmigrant aliens, aliens paroled into the United States for briefer than 1 year, or other aliens allowed by the Attorney General to reside in the United States (e.g., those granted deferred action stay or stay of deportation). State and local benefits are broadly defined to include licenses, contracts, grants, loans, and assistance, but State and local benefits do not include those funded or provided in part by the Federal Government. Also, exceptions from the bar on State and local benefits are made for:

1. Treatment for emergency medical conditions (other than those related to an organ transplant);
2. Short-term, in-kind emergency disaster relief;
3. Immunizations against diseases and testing for and treatment of symptoms of communicable diseases; and
4. Services or assistance (such as soup kitchens, crisis

counseling and intervention, and short-term shelters) designated by the Attorney General as: (i) delivering in-kind services at the community level; (ii) providing assistance without individual determinations of each recipient's needs; and (iii) being necessary for the protection of life and safety.

Additionally, section 433 states that nothing in the act is to be construed as addressing eligibility for basic public education. Notwithstanding its broad ban on State and local benefits for illegal aliens, section 411 permits States to provide illegal aliens with other barred benefits through enactment of new State laws.

Section 412 of the act authorizes the States to determine the eligibility for State and local benefits of qualified aliens, nonimmigrant aliens, and aliens paroled into the United States for briefer than 1 year. However, this authority cannot be exercised with respect to a refugee during the 5 years following admission nor with respect to an alien granted asylum or similar relief during the 5 years following the granting of relief. Also excepted are honorably discharged veterans, active duty service personnel (other than those on active duty for training), and their spouses and unmarried dependent children. Finally, there is a 40 qualifying quarter exception to State authority to deny State and local benefits that is similar to the exception that applies to the State option regarding Medicaid and designated block grants, described above. The authority to deny State and local benefits under section 412 cannot be exercised until January 1997 with respect to aliens who were receiving assistance on August 22, 1996.

Section 422 of the act allows States and their political subdivisions to mirror Federal sponsor-to-alien deeming requirements in their programs.

Verification and reporting

Under section 432 of the act, the Attorney General, in consultation with the Secretary of Health and Human Services, is required to adopt regulations within 18 months of enactment on verifying immigration status for the purpose of implementing the act's denial of Federal benefits to aliens who are not qualified aliens. States that administer a program through which a restricted federally assisted benefit is provided must have a verification program that complies with these regulations within 24 months of their adoption.

Section 404 of the act requires the following entities to provide the Immigration and Naturalization Service (INS) at least 4 times annually and at INS' request the name, address, and other information they have regarding each individual whom they know is in the United States unlawfully: (1) States receiving block grants for Temporary Assistance for Needy Families (TANF); (2) the Commissioner of Social Security; (3) States operating under agreements for the payment of SSI State supplements through the Federal Government; (4) the Secretary of Housing and Urban Development; and (5) public housing agencies operating under contracts for assistance under sections 6 or 8 of the United States Housing Act of 1937. Separately, section 434 of the act states that no State or local entity may be prohibited or in any way restricted from sending to or receiving from the INS information regarding an individual's immigration status.

The alien eligibility rules were amended and supplemented in the Illegal Immigration Reform and Immigrant Responsibility Act of 1996. This immigration enforcement legislation, which was enacted as Division C of H.R. 3610, Department of Defense Appropriations for fiscal year 1997, the Omnibus Consolidated Appropriations Act of 1997 Public Law 104-208, makes affidavits

of support mandatory for most family-sponsored immigrants. It also sets a minimum means test of 125 percent of poverty level for sponsors and requires sponsors to provide sponsored aliens with a corresponding level of support. At the same time, sponsorship is not limited to the person who is seeking immigration preference for a relative, but rather an affidavit of support may be cosigned by a third party who meets the minimum income requirements.

Additionally, the new immigration law allows nonprofit charitable organizations to provide a Federal public benefit without having to verify the immigration status of the recipients. In other ways, however, the law expands the alien eligibility verification and reporting requirements of the welfare bill. Regarding alien access to benefits, the immigration law classifies certain alien battered spouses and children as ``qualified aliens,'' delays the beginning of the transition period for redetermination of food stamp eligibility until April 1, 1997, and specifically prohibits payment of Social Security benefits to aliens not lawfully present. It puts certain housing restrictions in statute.

Title V: Child Protection

The Personal Responsibility and Work Opportunity Reconciliation Act contains several amendments to prior law governing child protection programs. However, unlike the House-passed version of H.R. 3734 and earlier welfare reform legislation in the 104th Congress, the final conference agreement makes no significant changes in current programs.

Grants to States for child welfare services will continue to be authorized under title IV-B of the Social Security Act as a discretionary program. Likewise, grants to States for family preservation and family support services will continue to be authorized under title IV-B as a capped entitlement. The existing open-ended entitlement under title IV-E for foster care and adoption assistance maintenance payments, administration and training is retained, as well as capped entitlement grants to States for independent living services. The new law makes no amendments to the existing Child Abuse Prevention and Treatment Act (CAPTA) and related discretionary programs.

Foster care payments to for-profit institutions

Under title IV-E, Federal foster care payments can be made to licensed foster family homes and to licensed public or private nonprofit child care institutions. The law deletes the word ``nonprofit'' from the statute so that States may use the services of any private institution that meets their standards, regardless of whether the institution is operated for profit. States remain responsible for establishing and enforcing licensing standards and for ensuring that children are in safe and reliable care.

Enhanced match for statewide automated child welfare information systems

In 1986, Congress authorized a planning process that was intended to result in a comprehensive, nationwide system for collecting data on foster care and adoption. The Department of Health and Human Services (HHS) published final regulations for this new Adoption and Foster Care Analysis and Reporting System (AFCARS) in December 1993, and the first transmission of data was due May 1995. All States currently are participating in the mandatory AFCARS system and HHS is analyzing the first data sets transmitted by the States. The system is intended to provide data on child welfare trends; to enable policymakers to track children in foster care; and to learn why children enter

foster care, how long children stay in care, and what happens to children during their foster care stay as well as after they leave care.

Under title IV-E of the Social Security Act, States are eligible to receive 50 percent Federal matching funds for these data collection functions. However, in 1993, Congress authorized enhanced Federal matching of 75 percent during fiscal years 1994-96 to help States automate their data collection systems. To receive these enhanced funds, State systems must: meet AFCARS requirements; provide for electronic data exchange within the State among related systems; provide for automated data collection on all children in foster care under State responsibility; collect information necessary to deliver services and determine program eligibility; support case management requirements; monitor case plan development and other ongoing activities; and ensure confidentiality and security of information.

Enhanced Federal matching for statewide Automated Child Welfare Information Systems (SACWIS) is scheduled to expire at the end of fiscal year 1996. Public Law 104-193 extends the 75 percent matching rate for one additional year, through fiscal year 1997, to enable more States to complete their automation process.

National random sample study of child welfare

The law provides the Secretary of HHS with $6 million in entitlement funds for each of fiscal years 1996 through 2002 to conduct a national random sample study of children who are at risk of abuse or neglect, or who have been determined by States to have been abused or neglected. The study must have a longitudinal component and yield data that are reliable at the State level for as many States as the Secretary determines is feasible. The law states that the Secretary should carefully consider selecting the sample from confirmed cases of abuse or neglect, and to follow each case for several years.

Among other types of information to be collected, the law states that the Secretary should collect information on the type of abuse or neglect involved; the frequency of contact with State or local agencies; whether the child had been separated from the family and the circumstances of such separation; the number, type and characteristics of out-of-home placements for the child; and the average duration of each placement. The Secretary is directed to prepare reports summarizing the results of the study and to make them available to the public.

Kinship care

The law amends title IV-E of the Social Security Act, which specifies provisions that must be included in State foster care and adoption assistance plans. The law adds a new plan element by requiring that State plans provide that the State shall consider giving preference to an adult relative over a nonrelated care giver when determining a placement for a child, as long as the relative care giver meets all relevant State child protection standards.

Provision removing barriers to interethnic adoption

The provision to remove barriers to interethnic adoption has an extensive legislative history. It was contained in the Contract With America and was passed by the House as part of H.R. 3286, the Adoption Promotion and Stability Act of 1996. The interethnic adoption provision also passed the House as part of welfare reform in H.R. 4, H.R. 2491, and subsequently, H.R. 3734. The provision was deleted from the final Conference Report accompanying H.R. 3734 because of a Senate parliamentary rule that restricts provisions allowed on a reconciliation bill. However, the provision was added to H.R. 3448, the Small

Business Job Protection Act of 1996, which was signed into law by the President on August 20, 1996 (Public Law 104-188).

Many States require race matching foster or adoptive parents with children either through regulation, statute, policy or practice. The Howard M. Metzenbaum Multiethnic Placement Act of 1994 (Public Law 103-382) was intended to end the delays that children experience waiting for foster or adoptive families because of race matching practices. Section 553 of the Metzenbaum Act, however, contained language that was internally inconsistent with the purpose of the act (section 552); moreover, it lacked a strong enforcement provision. To remedy these deficiencies, section 553 of the Metzenbaum Act was repealed by Public Law 104-188.

In its place, section 1808 of the Small Business Job Protection Act of 1996 amends the Social Security Act to prohibit a State or other entity that receives Federal assistance from denying to any person the opportunity to become an adoptive or a foster parent on the basis of the race, color, or national origin of the person or of the child involved. Similarly, no State or other entity receiving Federal funds can delay or deny the placement of a child for adoption or foster care on the basis of the race, color, or national origin of the adoptive or foster parent or of the child involved.

Violations of the act can be discovered as a result of a review conducted under section 1123A of the Social Security Act ``or otherwise'' (that is, through the filing of a complaint by an individual, a group of individuals, or an agency). If a State is found to have violated the terms of this act, the State must correct the violation within 6 months (or less, at the Secretary's discretion); failure to do so will result in the imposition of graduated penalties. States found to be in violation would have their quarterly funds under title IV-E of the Social Security Act reduced by 2 percent for the first violation, by 3 percent for the second violation, and by 5 percent for the third or subsequent violation. The total amount of penalties which can be applied in a fiscal year cannot exceed 5 percent of a State's total IV-E grant.

Noncompliance with this provision is also deemed a violation of title VI of the Civil Rights Act of 1964. The Indian Child Welfare Act of 1978 is not affected by changes made in this title.

Title VI: Child Care

The Personal Responsibility and Work Opportunity Reconciliation Act combines four major child care programs for low-income families into a single block grant to States. An expanded Child Care and Development Block Grant (CCDBG) becomes the primary Federal child care subsidy program and replaces child care activities previously authorized under title IV-A of the Social Security Act (AFDC Child Care, Transitional Child Care for former AFDC recipients, and At-Risk Child Care for low-income working families).

This consolidation eliminates conflicting provisions among programs, including income eligibility standards, time limits on the receipt of assistance, and work requirements. Under the new system, Federal funds will follow the parent whether the parent is receiving public cash assistance while participating in a work-related activity or education program, has recently left public assistance, or is working but very low income and would be at risk of becoming dependent on welfare in the absence of subsidized child care. This approach is intended to eliminate the eligibility gaps, service disruptions, and paperwork caused by having separate programs for each of these

groups of parents.

The law's child care provisions are structured as an amendment to the Child Care and Development Block Grant Act. Unless amended or repealed as described below, prior law under the CCDBG remains in effect. At the Federal level, the program is administered by the Department of Health and Human Services (HHS).

Goals

The new law establishes five goals for the expanded CCDBG, including: allowing States maximum flexibility in developing their programs; promoting parental choice; encouraging States to provide consumer education information to parents; helping States provide child care to parents trying to become independent of public assistance; and helping States implement health, safety, licensing, and registration standards established in State regulations.

Funding provisions

Discretionary funds.--The law provides both discretionary and entitlement funding for child care services. Discretionary funds are provided by reauthorization of the CCDBG through fiscal year 2002, at an annual authorization level of $1 billion. These funds are allocated among States according to the existing CCDBG formula, which is based on the number of children in low-income families and State per capita income. Territories will continue to receive one-half of 1 percent of discretionary funds.

As under prior law, there is no requirement for States to match these discretionary funds. The new law deletes a prior law provision that required States to use CCDBG funds to supplement, rather than supplant, other public funds available for child care. The new law also amends prior law to require States to obligate funds either in the year they are received or in the subsequent fiscal year. Previously, States had 3 years and 1 day in which to expend their funds. Prior law provisions that require the Secretary to reallocate unused funds remain in effect.

Entitlement funds.--Entitlement funding is provided for child care under the amended title IV-A of the Social Security Act, which authorizes Temporary Assistance for Needy Families (TANF). These entitlement funds are provided to the lead CCDBG agency and spent subject to the requirements and limitations of the CCDBG Act. The bill authorizes and appropriates the following entitlement funds for child care: $2 billion in fiscal year 1997; $2.1 billion in fiscal year 1998; $2.2 billion in fiscal year 1999; $2.4 billion in fiscal year 2000; $2.6 billion in fiscal year 2001; and $2.7 billion in fiscal year 2002.

When added together, discretionary and entitlement funding for child care provided under the law equals $20 billion during the 6-year period, fiscal years 1997-2002. (Earlier descriptions have stated that the bill provides $22 billion during the 7-year period, fiscal years 1996-2002; the $22 billion figure includes fiscal year 1996 spending.)

Of all funds appropriated for child care, both discretionary and entitlement, the Secretary must reserve between 1 and 2 percent for payments to Indian tribes and tribal organizations. After funds are reserved for Indian tribes, remaining entitlement funds are allocated to States in two components. First, each State will receive a fixed amount each year, equal to the funding received by the State under the previous child care programs authorized by title IV-A (AFDC Child Care, Transitional Child Care, and At-Risk Child Care) in fiscal years 1994 or 1995, or the average of fiscal years 1992-94, whichever is greatest. This amount is expected to equal

approximately $1.2 billion each year in fiscal years 1997-2002. No State match is required for these funds, which will remain available for expenditure by States with no fiscal year limitation.

Second, remaining entitlement funds (up to the total dollar amounts described above) are allocated to States according to each State's share of children under age 13. States must meet maintenance-of-effort and matching requirements to receive these funds. States must spend all of their ``guaranteed'' Federal entitlement funds for child care described above, plus 100 percent of the amount they spent of their own funds in fiscal years 1994 or 1995, whichever is higher, under the previous child care programs under title IV-A. Further, States must provide matching funds at the fiscal year 1995 Medicaid matching rate to receive these additional entitlement funds for child care. These remaining funds also are subject to redistribution rules. If the Secretary determines that a State will not spend its entire allotment for a given fiscal year, then the unused amounts are redistributed among other States which apply for the funds according to those States' share of children under age 13.

Use of funds for certain populations

Of their total entitlement funds, States must use at least 70 percent to provide child care services to families that are receiving public assistance under the new TANF Program, families that are trying to become independent of public assistance through work activities, and families that are at risk of becoming dependent on public assistance. In their State plans, States must demonstrate how they will meet the specific child care needs of these families. Of their remaining child care funds (including discretionary funds), States must ensure that a substantial portion is used for child care services to eligible families other than those described above. The definition of ``eligible child'' is revised to increase the maximum family income to 85 percent of State median, instead of 75 percent as contained in prior law.

State administration

As under prior law, States are required to designate a lead agency for administration of Federal funds received for child care. However, the new law allows the State lead agency to administer the program directly or through an appropriate public or private entity. The lead agency is required to provide sufficient time and statewide notice of public hearings to be held on development of the State plan.

The law establishes a limit of 5 percent on the States' use of funds for administrative costs. This limit applies to all funds received for child care, both discretionary and entitlement. The law states that the term ``administrative costs'' does not include the costs of providing services. The conference agreement further states that the Secretary should issue regulations that define administrative costs, and that the following activities should not be considered administrative costs: eligibility determination and redetermination, preparation and participation in judicial hearings, child care placement, recruitment, licensing, inspection, reviews and supervision of child care placements, rate setting, resource and referral services, training, and establishment and maintenance of computerized child care information.

Application and plan

Under the law, States are required to submit plans covering a 2-year period. The new law amends prior law to require that States ``certify'' rather than ``provide assurances'' with regard to the plan components. As described below, State plans

must make several certifications regarding parental choice, access, and complaints, consumer education information, licensing and regulation, and health and safety requirements.

Parental choice, access and complaints.--Prior law provisions that promote parental choice of providers, require unlimited access by parents to their children while in care, and require States to maintain and make available a record of substantiated parent complaints about providers remain unchanged, including the requirement that parents be offered the option of receiving child care assistance through certificates (vouchers) or cash. The law adds a new requirement that State plans include a detailed description of how these provisions are implemented.

The law also expands the definition of ``child care certificate'' to allow its use as a deposit for child care services, if such deposits are required of other children cared for by the same provider. The definition of ``eligible child care provider'' also is expanded to include individuals caring for their great grandchild or sibling (if the sibling provider lives in a separate residence). The prior law requirement that relative care givers be registered is deleted; relatives are required to comply with any ``applicable'' rather than ``State'' requirements.

Consumer education information.--States are required to collect and disseminate, to parents of eligible children and to the general public, consumer education information that promotes informed child care choices. Previously, the CCDBG required States to make information available regarding licensing and regulatory requirements, complaint procedures, and child care policies and practices within the State.

Licensing and regulation.--The law requires that States have in effect licensing requirements applicable to child care services provided within the State, and requires State plans to include a detailed description of these requirements and how they are effectively enforced. This provision shall not be construed to require that licensing requirements be applied to specific types of providers. The legislation is not intended to either prohibit or require States to differentiate between federally subsidized child care and nonsubsidized child care with regard to the application of specific standards and regulations.

The prior law provision that required unlicensed or unregulated child care providers to register with the State is deleted. Likewise, provisions that require States to notify HHS of any reduction in their child care standards, and to conduct a review of their licensing and regulatory requirements within 18 months of enactment of the CCDBG Act of 1990, also are repealed.

Health and safety requirements.--The new law leaves intact the requirement that States must have in effect, under State or local law, health and safety requirements that are applicable to child care providers, and that procedures are in effect to ensure that subsidized child care providers comply with applicable health and safety requirements. States must have health and safety requirements in the following areas: prevention and control of infectious diseases (including immunization), building and physical premises safety, and health and safety training.

Use of funds

Funds provided under the bill may be used for child care services provided on a sliding fee scale basis, activities to improve the quality or availability of child care, or any other activity considered appropriate by the State to achieve the goals described above.

Child care services.--As under prior law, States must establish payment rates for child care services that are sufficient to ensure equal access for eligible children to comparable services provided to children whose parents are not eligible for subsidies. The act eliminates the requirement that payment rates must consider the variations in costs of serving children in different settings, of different age groups, and with special needs. The law adds a requirement that State plans must include a summary of the facts relied upon by the State to determine the sufficiency of payment rates to ensure equal access.

Quality and availability improvement.--The law requires States to spend no less than 4 percent of their total child care funds each year (discretionary and entitlement) for activities to provide comprehensive consumer education to parents and the public, activities that increase parental choice, and activities designed to improve the quality and availability of child care (such as resource and referral services).

The law deletes a former provision that reserved 25 percent of discretionary CCDBG funds for two functions: activities to improve the quality and availability of child care, and expansion of before and afterschool child care and early childhood development services.

Federal Enforcement

The law authorizes the Secretary, upon finding that a State is out of compliance with the act or the State plan, to require that the State reimburse the Federal Government for any misspent funds, or to withhold the amount from the administrative portion of the State's allotment for the next fiscal year, or to take a combination of these steps. Prior law required the Secretary to withhold any future payments to a State until the compliance failure was corrected.

Data collection

Under the former CCDBG, States were required to submit annual aggregate data reports to HHS on their child care programs, and the Secretary was required to report annually to Congress. The new law replaces these provisions with a requirement that States submit disaggregated data on children and families receiving assistance to HHS every quarter, and aggregate data twice a year. The law further requires the Secretary to submit a report to Congress once every 2 years.

Specifically, States must collect the following information on each family unit receiving assistance, to be included in quarterly reports: family income; county of residence; gender, race, and age of children receiving assistance; whether the family includes only one parent; sources of family income, separately identified and including amounts; number of months the family has received benefits; the type of child care received; whether the child care provider was a relative; the cost of child care; and the average hours per week of care.

Aggregate data to be reported every 6 months include: the number of child care providers that receive funding under this program, separately identified by type; the monthly cost of child care services, and the portion that is subsidized by this program, identified by type; the number of payments made by the State through vouchers, contracts, cash, and disregards under public benefit programs, identified by type of child care provided; the manner in which consumer education information was provided and the number of parents to whom it was provided; and the total unduplicated number of children and families served by this program.

Indian tribes and tribal organizations

As described earlier, the Secretary must reserve between 1

and 2 percent of all child care funds, both discretionary and entitlement, for payments to Indian tribes and tribal organizations. The law also requires the Secretary to reallocate among other tribes and organizations any discretionary funds that an Indian tribe or tribal organization does not use in a manner consistent with the statute.

The Secretary, in consultation with the tribes and tribal organizations, must develop minimum child care standards that reflect tribal needs and available resources. These standards apply to child care provided by Indian tribes and tribal organizations in lieu of licensing and regulatory requirements that would otherwise be applicable under State or local law.

Under prior law, CCDBG funds could not be used for construction or renovation of facilities. However, the new law allows Indian tribes or tribal organizations to submit a request to the Secretary to use funds for these purposes. The Secretary may approve the request after a determination that adequate facilities are not otherwise available and that the lack of such facilities will inhibit the operation of child care programs in the future. The Secretary may not approve the request if it will reduce the level of child care services provided from the level provided by the tribe or organization in the previous year.

Effective date

All amendments are effective on October 1, 1996, except for the authorization of appropriations for the CCDBG, which becomes effective upon enactment.

Title VII: Child Nutrition

Overview

The amendments made by title VII of the Personal Responsibility and Work Opportunity Reconciliation Act are intended to better target Federal child nutrition support on low-income children, conform summer program subsidies more closely to rates paid in other child nutrition programs, reduce requirements for ``expanding'' child nutrition programs, and return more program control to States and localities. Child nutrition provisions:

1. Means test the family and group day care home component of the child and adult care food program, reducing Federal subsidies for meals and supplements (snacks) served by eligible day care homes not located in low-income areas or without a low-income provider;
2. Reduce subsidies for summer food service programs;
3. End special startup and expansion grants for school breakfast and summer food service programs;
4. Change rounding rules applied to Federal subsidies for meals/snacks served to children who pay ``full price'' in school lunch and breakfast programs and child care centers (i.e., for meals/snacks served to children not receiving free or reduced-price meals/snacks because of their families' limited income); and
5. Remove numerous overly prescriptive Federal rules governing operations of State and local child nutrition providers, as well as over 20 out-of-date and redundant provisions of the National School Lunch and Child Nutrition Acts.

The new law also: (1) allows all schools that participate under a provision of law (``provision 2'') that permits them to collect applications for free and reduced-price meals less frequently than once a year (in exchange for offering all meals free) to participate under the terms of provision 2 for 5 years, rather than 3 years, without a redetermination of their

status; (2) eliminates subsidies for a fourth meal/snack each day in summer camps, migrant service institutions, and child care centers; (3) ends a requirement for advance payments to participating child care institutions; (4) eliminates special summer food service program rules for National Youth Sports Program sponsors; (5) makes funding for the nutrition education and training program a ``discretionary'' appropriation, rather than ``mandatory'' spending; and (6) disqualifies stores participating in the special supplemental nutrition program for women, infants, and children (the WIC Program) if they are disqualified for Food Stamp Program violations.

The Congressional Budget Office (CBO) estimates that these changes in child nutrition law will reduce Federal outlays by $2.853 billion for fiscal years 1997 through 2002, with savings rising from $128 million in 1997 to $670 million in 2002. The bulk of this spending reduction (85 percent) is the result of restructured subsidies for day care homes.

Child and adult care food program: day care homes

The new act completely restructures the subsidies received by family and group day care homes under the child and adult care food program.\1\

\1\ Federal payments to day care centers under the child and adult care food program are not currently affected by these changes. However, changes to rounding rules and elimination of payments for a fourth meal/snack each day will reduce some payments to day care centers. (See below.)

Federal payments for homes.--Federal subsidy rates for meals/snacks served to children in eligible day care homes are not currently differentiated by the family income of the child, unlike payments to day care centers (and schools).\2\ Standard day care home rates are 7-15 percent lower (depending upon the meal served) than those for free meals/snacks served to low-income children by participating centers, but much higher (3 to 9 times more) than rates for meals/snacks served to nonpoor children in centers. However, approximately two-thirds of the spending for the day care home component of the child and adult care food program goes to support meals/snacks served to nonpoor children with family income above 185 percent of the Federal poverty guidelines (the income ceiling for receipt of free or reduced-price meals in other child nutrition programs). For the July 1996 to June 1997 period, the subsidy rates for day care homes are: $1.575 for each lunch/supper, 86.25 cents for breakfasts, and 47 cents for snacks. Assuming a 3-percent inflation adjustment in July 1997, the rates would rise to about $1.62, 88 cents, and 48 cents, respectively, under former rules.

\2\ Day care centers typically serve more than 40 children; homes generally have 4-7 children.

In order to better target Federal support for day care homes to low-income children, the new act divides participating homes into two categories, or ``tiers,'' and bases their Federal reimbursement on which tier they qualify for.

Tier I homes will be: (1) those located in low-income areas (areas in which at least half of the children are in households with income below 185 percent of the poverty guidelines, based on Census data, or served by a school enrolling elementary students in which at least half the children are certified eligible to receive free or reduced-price school meals), and (2) those operated by a provider whose income is verified by a sponsor to be below 185 percent of the poverty guidelines.

These homes will receive payments very close to those provided under preamendment rules, with two relatively minor differences: beginning with the July 1997 annual inflation adjustment: (1) adjustments for inflation will be based on changes in the ``food at home'' component of the CPI-U, rather than the ``food away from home'' component; and (2) after adjusting for inflation, payment rates will be rounded down to the nearest whole cent, rather than rounded to the nearest quarter cent.\3\ The CBO estimates that about 35 percent of meals/snacks served by day care homes will be subsidized at tier I rates.

\3\ Although each payment rate is rounded down, the bases used for the next adjustment will be the unrounded rates for the previous 12 months.

Tier II homes will be those that do not meet tier I low-income standards. With the exception of tier II homes that take advantage of a conditional option to receive the higher tier I rates (see below), the act sets base rates for tier II homes at 95 cents for lunches/suppers, 27 cents for breakfasts, and 13 cents for supplements. These base rates will be indexed for inflation on July 1, 1997 (the effective date for the new two-tiered system), and, because of this, when the new system is actually implemented, the initial subsidy rate for lunches/suppers will be slightly higher. Assuming 3 percent inflation, the July 1997 lunch/supper rate will probably be 97 cents.\4\ As with tier I rates, inflation adjustments applied to tier II subsidies will be based on the CPI-U food at home component and rounded down to the nearest whole cent.

\4\ A 3-percent adjustment will not be large enough to affect initial subsidy rates for breakfasts and snacks.

Following preamendment procedures, the new tier II rates will be varied for Alaska and Hawaii (as will tier I rates), and rules against subsidies for providers' children unless they meet free or reduced-price income standards are retained.

The new legislation was designed to better target assistance to day care homes, but not to impose too great an administrative burden on homes and their sponsors by mandating income-testing of individual children. However, tier II homes will be able to elect to receive higher tier I subsidies for meals/snacks served to children who are members of households with income below 185 percent of the poverty guidelines if their sponsor collects the necessary information and makes the appropriate eligibility determination in accordance with Federal rules. Tier II homes also will be able to opt to receive tier I subsidies for meals/snacks served to children (or children whose parents are) participating in, or subsidized under, a federally or State-supported child care or other benefit program with an income eligibility limit that does not exceed 185 percent of the poverty guidelines. And they will be allowed to restrict their claim for tier I reimbursement to these ``program-eligible'' children if they choose not to collect income statements from all parents/caretakers.

In determining homes' tier I or II status, the most current available data (Census, enrollment, provider income) must be used, and a determination that a home is located in a tier I area will generally be effective for 3 years.

Federal payments for sponsors.--Basic Federal payments made to day care home sponsoring organizations for administrative costs (based on the number of homes sponsored) are not affected by the new two-tier system. However, the act does make two

changes to the rules governing administrative funding sponsors receive. It prohibits funding for sponsors that base payments to employees on the number of homes ``recruited.'' And it replaces existing permission for sponsors to use administrative funds to conduct ``outreach'' to and ``recruitment'' of unlicensed day care homes so that they may become licensed with permission to use administrative funds to assist unlicensed homes in becoming licensed.

New Federal and State responsibilities.--Under the new 2-tier system for day care homes, the Agriculture Department will have new responsibilities. It is required to provide Census data necessary for determining homes' tier I/II status and will establish minimum requirements for verifying children's family income and program participation status when tier II homes elect to claim tier I reimbursement rates. It also is required to prescribe ``simplified'' meal counting and reporting procedures for use when tier II homes elect to claim tier I reimbursement for children meeting income or program participation standards for low income. These procedures can include: (1) setting an annual percentage of meals/snacks to be subsidized at tier I rates based on the family income of children enrolled in a specific month or other period; (2) placing a home in a Federal reimbursement category based on its percentage of children with household income below 185 percent of the poverty guidelines; or (3) any other procedures judged appropriate. In addition, States are required to provide school enrollment data necessary to determine homes' tier I/II status.

Implementation grants.--In order to assist implementation of the new 2-tier subsidy system for day care homes, the new act requires that $5 million be reserved from fiscal year 1997 funding for the child and adult care food program and used to make grants to States to aid homes and their sponsors in putting the new system in place.\5\ The grants are to be used to: (1) assist sponsors (and other appropriate organizations) in securing and providing training, materials, automated data processing, and other aid for sponsors' staff; and (2) provide training and other implementation assistance to participating homes. States may retain no more than 30 percent of their grant for their use.

\5\ This $5 million is to be allocated among the States based on the number of day care homes participating in fiscal year 1995, with a minimum allocation of $30,000 for each State.

Study.--The Agriculture Department, in conjunction with the Department of Health and Human Services, is required to undertake a comprehensive study of the participation and nutrition effects of the amendments restructuring day care home reimbursements, due in August 1998. To facilitate the study, States must submit participation and other data requested by the Agriculture Department.

Implementation schedule.--The new two-tier subsidy system is effective beginning July 1, 1997. However, the act directs the Agriculture Department to issue interim regulations related to the restructuring of subsidies for day care homes, provision of data necessary to implement the new system, and changes to rules governing sponsors' use of administrative funds by January 1, 1997. Final regulations are required by July 1, 1997. The change affecting funding for sponsors basing payments to employees on the number of homes recruited is effective on August 22, 1996.

Child and adult care food program: additional amendments

Rounding rule.--As with day care home subsidies, the new act requires that, when adjusted annually for inflation,

Federal subsidy rates for meals and snacks served by child and adult care centers to participants that are not eligible for free or reduced-price meals/snacks must be rounded down to the nearest whole cent (rather than rounded to the nearest quarter cent). Although the result of each annual inflation adjustment will be rounded down to the nearest whole cent, the base for the next adjustment will be the unrounded amount calculated for the previous 12-month period.

Advance payments.--States must provide monthly advance payments to approved day care institutions in an amount that reflects the level of valid claims customarily received (or the State's best estimate in the case of newly participating institutions). The new act makes provision of advance payments a State option.

Additional meals/snacks.--The act authorizes Federal payments to day care centers for up to two meals and one snack each day. Prior law allowed payment for two meals and two snacks or three meals and one snack for children in child care for 8 or more hours a day.

Paperwork, outreach, and administrative provisions.--The Agriculture Department has a responsibility to act to ``expand'' child care food services, and States must take affirmative action to expand the availability of child and adult care food program benefits, including annual notification to all nonparticipating day care homes. The Department also must conduct demonstration projects to test approaches to removing or reducing barriers to participation by homes; the Department and the States must provide training and technical assistance to day care home sponsors in reaching low-income children; and States are required to provide information and training about child health and development through sponsors. The Department is further required to provide State agencies with information about the WIC Program, and State agencies must provide child care institutions with specific WIC materials, annually update the materials, and ensure that, at least once a year, the institutions provide parents with written information about the WIC Program. Finally, the Department is required to provide ``additional'' technical assistance to child care institutions and sponsors that are having difficulty maintaining compliance with nutrition requirements, and State agencies must provide technical assistance to institutions submitting incomplete applications.

The new act deletes all of these requirements on the Department and the States and replaces them with a general requirement that States provide sufficient training, technical assistance, and monitoring to facilitate effective operation of the child and adult care food program. Further, the Agriculture Department must assist States in developing plans to do so. A requirement that States and participating institutions make accounts and records available at all times is changed to a requirement that they be available at ``any reasonable time.''

Summer food service program

The new law makes five major substantive changes to the summer food service program: lowering Federal subsidy rates, changing the rounding rule, ending authority for reimbursements for a fourth meal/snack each day, dropping special rules for national youth sports program sponsors, and permitting some summer sponsors to exercise an ``offer versus serve'' option. In addition, it makes a number of administrative amendments to delete unnecessary Federal requirements. With the exception of the reduction in Federal subsidies (effective January 1, 1997, for the summer of 1997), the summer food service program amendments are effective on August 22, 1996.

Reduced Federal subsidies.--Federal operating cost subsidy

rates for meals/snacks served free by summer food service providers are substantially higher than those for free meals/snacks in other child nutrition programs. For the summer of 1996, the rates are: $2.1675 for each lunch/supper, $1.2075 for breakfasts, and 57 cents for snacks. Assuming a 3 percent inflation adjustment in January 1997 (for the summer of 1997), they would rise to about $2.23, $1.24, and 58 cents, respectively, under prior rules. By comparison, the basic July 1996 to June 1997 rate for free lunches in the school lunch program (including commodity assistance) is $1.98, and the basic July 1996 to June 1997 rate for free breakfasts in the school breakfast program is $1.0175.

In order to more closely conform summer food service program operating subsidies to those for free meals/snacks in other child nutrition programs (while recognizing the higher costs of summer sponsors), the act reduces summer program reimbursement rates beginning with the summer of 1997. The new base rates are set at $1.97 for lunches/suppers, $1.13 for breakfasts, and 46 cents for snacks. However, these rates will be indexed for inflation on January 1, 1997, and, because of this, when they actually take effect in the summer of 1997, they will be somewhat higher than the base rates laid out in the new law. Assuming a 3 percent inflation adjustment, they probably will be about $2.02, $1.16, and 47 cents, respectively.

Summer food service program providers also receive inflation-indexed administrative cost payments based on the number of meals/snacks served. These amounts are not changed by the new law.

Rounding rule.--When indexed annually for inflation, summer program operating cost subsidy rates will be rounded down to the nearest whole cent (rather than rounded to the nearest quarter cent), beginning with the January 1997 adjustment. Annual adjustments will be based on the unrounded rates for the previous 12-month period.

Additional meals/snacks.--Payments to summer camps and institutions serving migrants will be limited to the regular three meals or two meals and a snack under the provisions of the new act, rather than the four meals/snacks under prior law.

National Youth Sports Program.--Higher education institutions operating programs under the National Youth Sports Program (NYSP) may be summer program sponsors; several special rules apply to them. They may receive payments for meals/snacks served in months other than the normal program months of May through September, and children and institutions are eligible to participate ``without application.'' Their meal/snack subsidy rates are different than other summer sponsors--lunches and suppers are reimbursed at the school lunch program's free lunch rate, and breakfasts and snacks are subsidized at the school breakfast program's ``severe need'' rate. And they operate under different meal pattern requirements than other summer sponsors. The new act removes these special provisions for NYSP sponsors.

``Offer versus serve.''--The new law authorizes school food authorities participating as summer program sponsors to permit children attending a site on school premises operated by the authority to refuse 1 or more items of a meal without affecting reimbursement for the meal--using rules the school uses for its school meal programs.

Additional amendments.--The new law deletes certain detailed mandates on the Department of Agriculture and State agencies in administering the summer food service programs. The Agriculture Department has a responsibility to ``expand'' the summer food service program and provide ``additional''

technical assistance to summer program sponsors that are having difficulty maintaining compliance with nutrition requirements. The new act eliminates these provisions of law.

State agencies must establish and implement an ongoing training and technical assistance program for private nonprofit sponsors. They also must include in their State plans: (1) the State's method of assessing need for the summer program; (2) the State's best estimate of the number and character of service institutions and sites to be approved (and children and meals to be served), as well as the estimating methods used; (3) the State's schedule for providing technical assistance and training to service institutions; and (4) the State's plans and schedule for informing service institutions of the availability of the summer food service program. The new act drops these requirements on States.

Under prior law, three advance payments to summer program operators were required during any summer program. The second of these may not be released to any service institution that has not certified it has held training sessions for its own personnel and site personnel. The act limits this condition for receiving the second advance payment to nonschool providers. It also replaces a requirement that service institutions' contracts with food service management companies must require that bacteria levels conform to standards applied by the local health authority with a more general requirement that these contracts conform to all standards set by local health authorities. Finally, the new act revises a requirement that States and summer program service institutions make accounts and records available at all times to a requirement that they be available ``at any reasonable time.''

Startup and expansion grants

Provisions in the Child Nutrition Act require the Agriculture Department to use $5 million a year through fiscal year 1997, $6 million in 1998, and $7 million in each subsequent year to fund a program of competitively bid grants to State education agencies for the purpose of initiating or expanding the school breakfast and summer food service programs. The act ends the requirement for these startup and expansion grants, effective October 1, 1996.

Eligibility of aliens

Section 742 of the act modifies provisions of title IV that would bar illegally present aliens from eligibility for programs under the National School Lunch and Child Nutrition Acts. The section provides that individuals eligible to receive free public education benefits under State or local law will not be made ineligible for benefits under the school lunch and breakfast programs on the basis of citizenship, alienage, or immigration status. In addition, nothing in the new act (including the provisions of title IV) will ``prohibit or require a State to provide'' other benefits under the National School Lunch and Child Nutrition Acts to illegally present aliens. This provision is effective on August 22, 1996.

School meal programs

In addition to provisions dealing with startup and expansion grants for the school breakfast program and the eligibility of illegal aliens (both noted above), the new law makes one major substantive amendment affecting the school lunch and breakfast programs. Effective with the next annual inflation adjustment to school meal subsidy rates (July 1, 1997), it requires that the rates for ``full price'' lunches and breakfasts be rounded down to the nearest whole cent (rather than rounded to the nearest quarter cent).\6\ The new law includes a number of administrative amendments dropping or revising overly prescriptive provisions of law governing school

meal programs. More specifically, the new act removes:

\6\ As with other changes in rounding rules, annual adjustments will be based on the unrounded rates for the previous 12-month period, then rounded down.

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1. A requirement that the Agriculture Department establish ``administrative procedures'' designed to diminish food waste in schools;
2. A requirement that schools use commodities designated as being in ``abundance;''
3. A prohibition against States imposing any requirement with respect to teaching personnel, curriculum, and instruction in any school when carrying out provisions of the National School Lunch and Child Nutrition Acts (a similar prohibition on the Federal Government is retained);
4. With respect to waivers, requirements that: (1) waiver applications describe ``management goals'' to be achieved, a timetable for implementation, and the process to be used for monitoring progress in implementing the waiver (including cost implications); (2) the Agriculture Department state in writing the expected outcome of any approved waiver; (3) the Agriculture Department's decision on any waiver be disseminated through ``normal means of communication;'' (4) waivers may not exceed 3 years (unless extended); (5) waivers relating to ``offer versus serve'' rules are prohibited; and (6) service providers annually submit reports describing the use of their waivers and evaluating how the waiver contributed to improved services (and that States submit a summary of these);
5. A requirement that the Agriculture Department provide ``additional'' technical assistance to schools that are having difficulty maintaining compliance with nutrition requirements; and
6. A requirement that the Agriculture Department and State education agencies carry out information, promotion, and outreach programs to expand the school breakfast program, including the use of ``language-appropriate'' materials.

The new law also revises existing Federal requirements:

1. It makes clear that States can terminate or suspend agreements with schools participating in school meal programs;
2. It replaces existing mandates to notify children and parents about the nutrition content of school meals and their consistency with the Dietary Guidelines for Americans with a requirement that schools serve meals that are consistent with the Dietary Guidelines by the beginning of the 1996-97 school year, unless a waiver is granted by a State education agency. Meals must provide, on average over each week, at least one-third of the National Academy of Sciences' daily recommended dietary allowances (in the case of lunches) or one-quarter of the allowances (in the case of breakfasts);\7\

\7\ This amendment does not affect provisions of law enacted earlier this year (the Healthy Meals for Children Act; Public Law 104-149) that provided that schools may use ``any reasonable approach'' to meeting Federal nutrition standards for school meals.

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3. It provides that school food authorities may not be

required to submit free and reduced-price ``policy statements'' to State education agencies unless there is a substantive change in policy. Routine changes (e.g., adjusting income eligibility standards for inflation) are not sufficient cause for requiring submission of a policy statement;

4. Schools electing to serve all children free meals for three successive years may be paid special assistance payments for free and reduced-price meals based on the number of meals served free or at a reduced price in the first year (``provision 2''). Schools that elected this option as of November 1994 are allowed to receive a 2-year extension if it is determined that the income level of the school's population has remained stable, and schools receiving a 2-year extension are eligible to receive subsequent 5-year extensions. The new law allows all schools taking the provision two option to qualify for extensions;
5. It removes a requirement that State education agencies report each month the average number of children receiving free and reduced price lunches in the immediately preceding month and replaces it with a provision to report this information at the Agriculture Department's request; and
6. It revises a requirement that States, State education agencies, and schools make accounts and records available at all times to a requirement that they be available at ``any reasonable time.''

Assistance for State administrative expenses

The new law makes two changes in rules governing Federal aid for State child nutrition administrative expenses:

1. It eliminates a provision of law that authorizes the Agriculture Department to withhold Federal funding for State administrative expenses when a State fails to agree to participate in a study or survey under the National School Lunch or Child Nutrition Acts; and
2. It removes a requirement for annual plans for the use of State administrative expense funds and replaces it with a mandate to submit any substantive plan changes for approval.

Commodity distribution

The new law includes four changes that affect commodity distribution for child nutrition programs:

1. A requirement that cereal and shortening and oil products be included among products donated to the school lunch program is eliminated;
2. A mandate to purchase specific amounts of low-fat cheese for school meal programs is ended;
3. The requirement for formal State advisory councils on selection and distribution of commodities is replaced with a requirement that State agencies meet with local school food service personnel when making decisions regarding commodities used in school meal programs; and
4. Authority for the Agriculture Department to prescribe the terms and conditions under which donated commodities will be used in schools and other participating institutions is ended.

The WIC Program

The act adds a new major provision affecting operations of the special supplemental food program for women, infants, and children (WIC). Effective on enactment, WIC vendors that have been disqualified from participation in the Food Stamp Program will be disqualified as WIC vendors. The disqualification is for the same period as the food stamp disqualification and will

not be subject to separate WIC Program administrative and judicial review procedures. In addition, effective on enactment, the new law contains a number of administrative amendments removing or revising Federal requirements.

Detailed mandates and requirements that are eliminated by the new act include:

1. A requirement that the Agriculture Department ``promote'' the WIC Program by producing and distributing materials, including public service announcements in English and other appropriate languages;
2. A requirement for a biennial report from the Agriculture Department on the characteristics of WIC participants, participation by migrants, and other matters;
3. A mandate that State agencies annually evaluate nutrition education and breast feeding support and promotion activities;
4. Specific permission for local WIC agencies to use ``master files'' with regard to monitoring individuals required to be included in group nutrition education classes;
5. A State plan requirement for an estimate of increased participation when ``funds conversion'' authority is opted for by a State;
6. Requirements as to how quickly State agencies must respond to local agency applications to participate; requirements as to the content of recipient suspension and termination notices;
7. A directive for Federal administrative standards for States, including staffing standards;
8. A provision that stipulates that products specifically designed for pregnant, postpartum, and breastfeeding women or infants, may be made available if they are commercially available or are federally approved based on clinical tests;
9. A provision specifically allowing States to adopt benefit delivery methods that accommodate the special needs and problems of incarcerated individuals;
10. A requirement for pilot projects to determine the feasibility of using ``universal product codes'' to aid vendors in providing the correct infant formula to WIC participants;
11. Specific rules governing the Agriculture Department when it solicits infant formula bids on behalf of States (authority to do so is retained); \8\ and

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\8\ None of the amendments affecting procurement practices are to affect contracts for infant formula in effect on August 22, 1996.

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12. Requirements that the Agriculture Department ``promote'' the joint purchase of infant formula by States, ``encourage'' the purchase of items other than infant formula under ``cost containment'' procedures, inform States of the benefits of cost containment procedures, and provide technical assistance related to cost containment.

In other areas, the new legislation changes Federal rules by:

1. Stipulating that, after 1 year in a temporary accommodation, individuals will not be considered ``homeless;''
2. Removing requirements that State agencies ``ensure'' that: (1) written information about food stamps and the AFDC and child support enforcement programs is provided to WIC applicants and participants; and (2) local agencies maintain and make available a list of local resources

for substance abuse counselling and treatment. These are replaced with: (1) authority for State agencies to provide local agencies with materials describing other programs for which WIC participants may be eligible; and (2) a requirement that local agencies maintain and make available lists of local substance abuse counselling and treatment resources;

3. Revising a requirement for annual State plans to provide that State agencies only be required to submit substantive changes in their plan for Federal approval;
4. Removing State plan requirements for coordination with a specific list of special counselling services and programs and replacing them with a general directive to coordinate WIC operations with other services and programs;
5. Dropping requirements that State plans include an explanation of how the State will provide WIC benefits to unserved and underserved areas, those most in need, and incarcerated persons, but retaining plan requirements for improving access for the employed and those in rural areas and reaching and enrolling migrants and women in the early months of pregnancy;
6. Converting the requirement to provide WIC services and materials in languages other than English from a mandate to an option;
7. Revising authority for the Agriculture Department to ask for such other information ``as may be required'' in a State's plan to a stipulation that plans must include only other information as may ``reasonably'' be required;
8. Changing the requirement that State and local WIC agencies make accounts and records available at all times to a requirement that they be made available at ``any reasonable time;''
9. Making it a local agency option whether to provide information about other potential sources of food assistance; and
10. Providing that the National Advisory Council on Maternal, Infant, and Fetal Nutrition rather than the Secretary of Agriculture, will select its Chairman and Vice Chairman.

Nutrition education and training

The primary amendment made to provisions for the nutrition education and training program converts it from a program for which funding is ``mandatory'' (required and permanently appropriated) to one for which funding is ``discretionary'' (dependent on decisions made with each year's appropriations). State grants from the amount appropriated will be based on a rate of 50 cents for each child enrolled in schools and institutions participating in child nutrition programs, with a minimum award of $75,000. If funds are insufficient to provide grants based on the 50 cent/$75,000 rule, the amount of each State's grant will be ratably reduced.

In addition to the funding amendment, the new law rewords and simplifies the statute's provisions regarding the purpose of the nutrition education and training program, revises a requirement that State education agencies make accounts and records available at all times to a directive that they be available at ``any reasonable time,'' and, in the interest of limiting Federal directives to States, eliminates specific provisions of law directing how nutrition education and training funds may be spent. The bill replaces the following detailed list of purposes for which specific permission is given with general authority for States to use nutrition,

education, and training funds for other ``appropriate activities'' as determined by the State:

1. Funding a nutrition component in homemaking and health education;
2. Instructing teachers and school staff on how to promote better nutritional health and motivate children from a variety of linguistic and cultural backgrounds to practice sound eating habits;
3. Developing means of providing nutrition education in ``language-appropriate'' materials through afterschool programs;
4. Training related to healthy and nutritious meals;
5. Creating instructional programming on the ``Food Guide Pyramid'' (including language-appropriate materials);
6. Funding aspects of the ``Strategic Plan for Nutrition Education;''
7. Encouraging public service advertisements to promote healthy eating habits for children (including language-appropriate materials and advertisements);
8. Coordinating and promoting nutrition education and training activities in local school districts;
9. Contracting with public and private nonprofit education institutions to conduct nutrition education and training;
10. Increasing public awareness of the importance of breakfasts; and
11. Coordinating and promoting nutrition education and training activities that include the summer and child care food programs.

The new legislation also: (1) ends planning and assessment grants for nutrition education and training (and their attendant comprehensive plans); and (2) eliminates specific Federal requirements for State nutrition education coordinators' assessment of the nutrition education and training needs of the State.

Pilot projects

The act makes two changes affecting pilot project authority under the National School Lunch Act:

1. It eliminates authorization for ``universal free lunch'' projects that are similar to ``provision 2'' authority found elsewhere in law (separate, additional authority for ``universal'' free meal projects is retained); and
2. It makes funding for pilot projects for grants to provide meals and snacks to adolescents in programs outside school hours optional and authorizes ``such sums as are necessary'' for fiscal years 1997 and 1998.\9\

\9\ Under prior law, these projects were required to be funded at $475,000 a year in fiscal years 1996 and 1997 and $525,000 in 1998.

Coordination

Finally, the new act requires the Agriculture Department to develop proposed changes to regulations for the school lunch, school breakfast, and summer food service programs in order to simplify them and coordinate them into a comprehensive meal program. The Department must consult with local, State, and regional administrators in developing these proposed changes and submit to Congress a report on them by November 1, 1997.

Title VIII: Food Stamps and Commodity Distribution

Overview

Subtitle A of title VIII of the Personal Responsibility and Work Opportunity Reconciliation Act contains major and

extensive revisions to the Food Stamp Program, the most substantial changes since the Food Stamp Act was rewritten in 1977. It greatly expands States' role in the program (helping to broaden their authority over the welfare system, as with other components of the act), adds to and strengthens work and other nonfinancial eligibility requirements, controls future spending increases, expands penalties for rules violations and controls over food stamp trafficking, and encourages the electronic delivery of benefits. It also authorizes food stamp appropriations through fiscal year 2002, without specific dollar limits on appropriations or spending. Separately, title IV of the act bars food stamp eligibility for most legally present aliens (illegal aliens are already ineligible for food stamps), and provisions in title I disqualify those convicted of drug-related felonies.

Subtitle B of title VIII amends various laws to combine the emergency food assistance program with other commodity distribution programs for soup kitchens and food banks. It also requires that $100 million a year (through fiscal year 2002) be used for purchasing commodities for the new combined emergency food assistance program--drawn from food stamp appropriations.

Congressional Budget Office (CBO) estimates of the act's spending effects indicate that changes made to the regular Food Stamp Program by the amendments specific to the Food Stamp Act itself will reduce projected spending growth under preamendment law by $23.7 billion through fiscal year 2002.\10\ In addition, denial of food stamp eligibility to legally resident aliens will, it is estimated, bring on spending reductions totaling $3.7 billion through 2002, for an overall total of $27.4 billion. However, net savings will be less than this amount. The act includes a provision that requires new spending (reducing savings) under the aegis of Food Stamp Act appropriations: $600 million (through 2002) for the new combined emergency food assistance program. And savings are further lessened because of provisions in the new act that significantly change the operations of other welfare programs (e.g., approximately $3 billion in added food stamp costs because of the act's SSI and TANF block grant provisions). As a result, the net Federal food-stamp-related outlay savings under the act are estimated at $23.3 billion through 2002.

\10\ This amount does not include some $345 million in fiscal year 1997 savings that the CBO has attributed to the fiscal year 1997 agriculture appropriations measure, which included an amendment identical to one in the Personal Responsibility and Work Opportunity Reconciliation Act (freezing the ``standard deduction'' for fiscal year 1997).

Expanding State control and options

State option for a simplified Food Stamp Program.--The new act's primary change giving States more control over the Food Stamp Program permits them to operate a ``simplified Food Stamp Program'' under which they may determine food stamp benefits for households in which all members receive TANF aid using TANF rules and procedures, food stamp rules and procedures, or a combination of both.\11\ In doing so, States may operate a simplified program statewide or in regions of the State and may standardize food stamp ``deductions.'' However, they must comply with the following Federal food stamp rules:

\11\ Households in which all members are TANF recipients are automatically eligible for food stamps, but households may not receive food stamp benefits under a simplified program unless the Agriculture Department determines that any household with income above 130 percent

of the Federal poverty guidelines is ineligible for the program.

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1. Requirements governing issuance procedures and the rule that benefits be calculated by subtracting 30 percent of household income (as determined under the simplified program option by State-established, not Federal, standards) from the maximum food stamp benefit;
2. Bars against counting food stamp benefits as income or resources in other programs and for tax purposes and against discrimination by reason of race, sex, religious creed, national origin, or politics;
3. Requirements that State agencies assume responsibility for eligibility certification and issuance of benefits and keep records for inspection and audit;
4. Requirements related to submission and approval of State plans of operation, and administration of the Food Stamp Program on reservations;
5. Limits on the use and disclosure of information about food stamp households;
6. Requirements for notice to and fair hearings for aggrieved households (or comparable requirements established by the State);
7. Requirements for submission of reports and other federally required information;
8. The requirement to report illegally resident aliens to the INS; and
9. Requirements to ensure that households are not receiving duplicate benefits and that they provide Social Security numbers as a condition of eligibility.

In addition, States' simplified programs may not increase Federal food stamp costs. If the Agriculture Department determines that a State's program has increased Federal costs for any year (or portion of a year), it must notify the State within 30 days.\12\ Within 90 days, the State must then submit, for Federal approval, a corrective action plan designed to prevent its simplified program from increasing Federal food stamp costs. If the State does not submit or carry out a plan, its simplified program will be terminated, and the State will be ineligible to operate a simplified program in the future.

\12\ In carrying out this cost-neutrality requirement, States may not be required to collect information on households not in their simplified programs, and the Agriculture Department may approve alternative (nonfiscal-year) accounting periods.

States opting for a simplified program must include in their State plans the rules and procedures they will follow, how they will address the needs of households with high shelter costs, and a description of how they will carry out their Food Stamp Program ``quality control'' system obligations (these remain in place for opting States).

Finally, simplified programs may include households in which members are not TANF recipients, if approved by the Agriculture Department, and congressional conferees on the measure encourage the Department to work with States to test methods for applying a single set of rules and procedures to households in which some, but not all, members receive cash welfare benefits under State rules.

Food stamp treatment for violations of other programs' rules.--The act makes three revisions in how food stamp recipients are treated if they are penalized under another public assistance program.

If an individual is disqualified for failure to perform an action required under a Federal, State, or local law related to means-tested public assistance, the State agency is permitted to impose the same disqualification for food stamps, and, if the disqualification is imposed under a TANF program's rules, States may use TANF rules and procedures to impose the food stamp disqualification.\13\ Individuals disqualified from food stamps because of this new rule, are permitted to apply for food stamps again as new applicants after the disqualification period has expired, but prior disqualification under Food Stamp Program work/training rules must be considered in reinstating their eligibility.

\13\ State plans must include the guidelines used in carrying out this new disqualification rule.

A requirement that a cash welfare or unemployment insurance program work requirement must be ``comparable'' to a food stamp work requirement to bring on disqualification from food stamps is eliminated.

Increased food stamp allotments are barred when nonfood-stamp benefits to a household are reduced under a Federal, State, or local means-tested public assistance program for failure to perform a required action. In addition, States are permitted to reduce a household's food stamp allotment by up to 25 percent in these cases, and, if the allotment reduction is for failure to perform an action required under a TANF program, the State may use TANF rules and procedures to do so.

Waivers of Federal rules.--Under prior law, Federal Food Stamp Act requirements could be waived to conduct pilot/demonstration projects, but, in general, no project could be implemented that would lower or restrict benefits or eligibility standards. The new legislation permits the Agriculture Department to conduct pilots and demonstrations and waive Food Stamp Act requirements to the extent necessary, with a number of limitations and conditions that are, overall, somewhat less restrictive than prior law.

1. Projects/demonstrations must be consistent with the Food Stamp Program goal of providing food assistance to raise levels of nutrition among low-income individuals and must include an evaluation and be limited to a specific time period.

2. Permissible projects are those that will improve administration of the Food Stamp Program, increase self-sufficiency of participants, test innovative welfare reform strategies, or allow greater conformity with the rules of other programs. However, if the Agriculture Department finds that a project/demonstration would require the reduction of benefits by more than 20 percent, for more than 5 percent of the households subject to the project/demonstration, the project cannot include more than 15 percent of the State's food stamp population and is limited to 5 years (unless an extension is approved).\14\

\14\ The 5-percent rule does not include those whose benefits would be reduced because of a failure to comply with work or other conduct-related requirements.

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3. Waivers cannot be approved for projects that: (1) involve

the payment of food stamp allotments in cash (unless approved prior to enactment); (2) have the effect of transferring Food Stamp Program funds to services or benefits provided through another public assistance program; (3) have the effect of using Food Stamp Program funds for any purpose other than the purchase of food, program administration, or an employment and training program; (4) have the effect of granting or increasing shelter expense deductions to households with either no out-of-pocket shelter expenses or shelter expenses that represent a low percentage of their income; or (5) have the effect of absolving the State from acting with reasonable promptness on substantial reported changes in income or household size (other than changes related to deductions). In addition, waivers of simplified Food Stamp Program provisions are not allowed when carrying out a simplified program.

4. Pilot/demonstration projects with waivers may not be conducted if they are inconsistent with certain Food Stamp Act requirements: (1) the bar against providing benefits to those in institutions (with certain exceptions); (2) the requirement to provide assistance to all those eligible (so long as they have not failed to comply with any food stamp or other program's work, behavioral, or other ``conduct'' requirements); (3) the gross income eligibility limit (130 percent of the Federal poverty guidelines) for households without an elderly or disabled member; (4) a rule that no parent/caretaker of a dependent child under age 6 will be subject to work/training requirements;\15\ (5) the rule that the total hours of work required in an employment/training or workfare program be limited to the household's monthly allotment divided by the applicable minimum wage; (6) the limit on the amount of employment/training funding under the Food Stamp Act that can be used for TANF recipients; (7) the requirement that the value of food stamp benefits not be considered income or resources for any other purpose; (8) application and application processing requirements (including the rule that benefits must be provided within 30 days, but not including expedited service requirements); (9) Federal-State cost-sharing rules; (10) ``quality control'' requirements; and (11) the waiver limits themselves.

\15\ Certain projects allowing this are permitted. See the discussion of new work rules.

Moreover, the new law requires that, not later than 60 days after receiving a demonstration/pilot project waiver request, the Agriculture Department must (1) approve the request, (2) deny it and explain any modifications needed for approval, (3) deny it and explain the grounds for denial, or (4) ask for clarification of the request. If a response is not forthcoming in 60 days, the waiver is considered approved; if a waiver is denied, the Agriculture Department must provide a copy of the request and the grounds for denial to Congress.

Expedited service.--The new act: (1) requires that State agencies provide ``expedited service'' to certain households within 7 (rather than 5) days of application; (2) removes a requirement for expedited service to ``homeless'' households that do not otherwise meet criteria for severely limited income and resources; and (3) for those entitled to expedited service

who apply after the 15th of the month, allows (rather than requires) State agencies to provide an allotment that is the aggregate of their initial (prorated) allotment and their first regular allotment (as is the case with others applying after the 15th of the month).

Collecting overissued benefits.--The new legislation replaces overissuance collection rules that generally restrict State agencies' collection efforts with provisions requiring them to collect any overissued benefits by reducing future benefits, withholding unemployment compensation, recovering from Federal pay or income tax refunds, or any other means--unless the State agency demonstrates that all of the means available are not cost effective. Benefit reduction collections (absent an intentional program violation) are limited to the greater of 10 percent of the monthly allotment or $10 a month. State agencies may collect overissued benefits in accordance with State-established requirements for notice, electing a means of payment, and setting a schedule for payment.

In addition, the new law changes the percentage of over issuance collections that States may retain--from 50 percent of collections in ``fraud'' cases and 25 percent of collections in ``nonfraud'' cases (other than those arising from State agency error) to 35 and 20 percent, respectively.

Child support.--The amendments in the act give States the option to disqualify individuals from food stamps when they do not cooperate with child support agencies or are in arrears in their child support.

Custodial parents of children under age 18 who have an absent parent may be disqualified unless they cooperate with the State child support enforcement agency in establishing the child's paternity and obtaining support for themselves and the child. Cooperation is not required if the State finds there is good cause for the failure (in accordance with Federal standards that take into account the child's best interest), and fees or other costs for services may not be charged.

Noncustodial parents of children under 18 also may be disqualified if they fail to cooperate with the State child support enforcement agency in establishing paternity and providing support for the child. The Agriculture and Health and Human Services Departments must develop guidelines as to what constitutes a refusal to cooperate in these instances, and States must develop procedures (using these guidelines) for determining whether there has been a refusal to cooperate. Fees and other costs for services may not be charged, and States must provide privacy safeguards.

Finally, States may disqualify individuals during any period in which they are delinquent in any court-ordered child support payment, unless the court is allowing a delay or they are complying with a payment plan approved by the court or a State child support agency.

Eligibility certification periods.--The new act replaces provisions that limit State agencies' authority to establish eligibility certification periods with a general requirement that certification periods not exceed 12 months, or 24 months if all adult household members are elderly or disabled. However, State agencies must have at least 1 contact with each certified household every 12 months.

Operation of food stamp offices and administrative rules.--The new law changes State plan requirements as to the operation of food stamp offices, removing numerous specific Federal rules and replacing them with more general mandates. Moreover, it amends a series of other Federal administrative rules controlling State agency operations.

State plan requirements.--The specific State plan

provisions removed include requirements that States must:

1. Allow households contacting a food stamp office in person during office hours to make an oral/written request for aid and receive and file an application on the same day;
2. Use a simplified, uniform, federally designed application, unless a waiver is approved;
3. Include certain specific information in applications;
4. Waive in-person interviews under certain circumstances and use telephone interviews or home visits instead;
5. Provide for telephone contact and mail application by households with transportation or similar difficulties;
6. Assist households in obtaining verification and completing applications;
7. Not require additional verification of currently verified information (unless there is reason to believe that the information is inaccurate, incomplete, or inconsistent);
8. Not deny an application solely because a nonhousehold member fails to cooperate and process applications if the household meets cooperation requirements;
9. Give households a Statement of reporting responsibilities at certification and recertification;
10. Provide a toll-free or local telephone number at which households can reach State agency personnel;
11. Display and make available nutrition information; and
12. Use mail issuance in rural areas where low-income households face substantial difficulties in obtaining transportation.

In place of these provisions, the new law requires that States:

1. Establish procedures governing the operation of food stamp offices that they determine will best serve households in the State, including those with special needs (such as households with elderly or disabled members, those in rural areas, the homeless, households residing on reservations, and households speaking a language other than English);
2. Provide timely, accurate, and fair service to applicants and recipients; and
3. Permit applicants to apply and participate on the same day they first contact a food stamp office during office hours and consider an application filed on the date an application is filed with the applicant's name, address, and signature.

Additional State plan amendments include provisions that: (1) permit States to establish operating procedures that vary for local food stamp offices; and (2) make clear that nothing in the Food Stamp Act prohibits electronic storage of application and other information.

Other administrative rules.--Amendments made to administrative rules by the new law also include provisions that:

1. Drop requirements as to joint interviews and applications for food stamps and public assistance and food stamp determinations based on other public assistance program information;
2. Permit State agencies to allow households to withdraw fair hearing requests in writing or orally (if it is an oral request, the State must provide written notice confirming the request and give the household another chance to ask for a fair hearing);
3. Make it a State option to use the Federal ``income and eligibility verification systems'' established under

provisions of the Social Security Act (including a system for verifying financial circumstances, ``IEVS,'' and a system for verifying alien status, ``SAVE''); and

4. In the case of substance abuse centers with food stamp recipient residents, allow State agencies to: (1) divide a month's food stamp benefits between the center and a recipient who leaves the center; and (2) require center residents to designate the center as their ``authorized representative.''

Calculating income.--The new act gives States greater latitude in calculating the cost of producing self-employment income and the income of households containing certain ineligible aliens. It provides that the Agriculture Department must establish procedures by which States may submit for approval a method for determining reasonable estimates of the cost of producing self-employment income (so long as the method is designed not to increase Federal costs). Further, it gives States the option to count all of the income and resources of an alien who is ineligible for food stamps under provisions of the Food Stamp Act as available to the remainder of the household in which the alien lives (as opposed to counting the alien's income and resources, less a pro rata share for the alien).

Federal standards.--The new law eliminates certain Federal standards governing State administration. It drops requirements that the Agriculture Department establish standards for efficient and effective administration (including standards for review of food stamp office hours) and that States report on administrative actions taken to meet the standards. Moreover, it deletes a Federal requirement that States provide continuing and comprehensive training for all certification personnel (including provisions for intensive training of those certifying farm households and training and assistance to organizations offering outreach services and eligibility screening).

Work and training

New work requirement.--The new act adds a new work requirement for able-bodied adult food stamp recipients without dependents.

The requirement.--No covered individual (see below for exemptions) may be eligible for food stamps if, during the preceding 36-month period, the individual received food stamp benefits for any 3 months while not: (1) working at least 20 hours a week (averaged monthly); (2) participating in and complying with a work program for at least 20 hours a week (as determined by the State agency); or (3) participating in and complying with a workfare program. A work program is defined as a program under the Job Training Partnership Act (JTPA), a Trade Adjustment Assistance Act Program, or a program of employment and training operated or supervised by a State or political subdivision that meets standards approved by the Governor--including a Food Stamp Act employment and training program, but not including job search or job search training activities.

Individuals denied eligibility under the new work rule can regain eligibility if, during a 30-day period, the individual: (1) works 80 or more hours; (2) participates in and complies with the requirements of a work program (as defined above) for 80 or more hours (as determined by the State agency); or (3) participates in and complies with a workfare program. After having met this 30-day work/training requirement, the individual can remain eligible for a consecutive period of 3 months without working at least 20 hours a week or participating in an employment/training or workfare program.

For example, if an individual works 20 hours a week for at least 30 days and reenters the Food Stamp Program, but then loses a job, the individual could retain food stamp eligibility for 3 consecutive months without working or being in a training/workfare program. But individuals cannot take advantage of this provision for an additional 3 months of eligibility (while not working or in an employment/training or workfare program) for more than a single 3-month period in any 36 months. Individuals regaining eligibility also can remain eligible for food stamps as long as they continue to meet requirements as to working at least 20 hours a week or participating in a training/workfare program.

Exemptions and waivers.--The new work rule does not apply to: (1) those under 18 or over 50; (2) those who are medically certified as physically or mentally unfit for employment; (3) parents or other household members with the responsibility for a dependent child; (4) pregnant women; and (5) those otherwise exempt from any Food Stamp Program work requirement (e.g., those responsible for the care of an incapacitated person, postsecondary students already meeting a similar work requirement, residents of substance abuse treatment programs, or those meeting unemployment compensation requirements).

In addition, on a State agency's request, the Agriculture Department may waive application of the new work requirement to any group of individuals if the Department determines that the area where they reside (1) has an unemployment rate over 10 percent or (2) does not have a sufficient number of jobs to provide them employment. The basis for any waiver must be reported to Congress.

Receipt of food stamp benefits while exempt (including participation under the additional 3-month eligibility provision described above) or covered by a waiver will not count toward an individual's basic 3-month eligibility period under the new work rule.

Transition provision.--The 36-month period established by the new work requirement will not include any period before the earlier of the date the State notifies recipients about the new rule (through individual notices or otherwise) or November 22, 1996.

Expansion of existing work/training requirements and penalties.--In addition to establishing the new work requirement for adults without dependents, the legislation expands on prior work/training requirements and sets mandatory minimum disqualification periods related to these and the prior requirements.

The new act adds work-related eligibility conditions making individuals ineligible if they: (1) refuse without good cause to provide sufficient information to allow the State agency to determine their employment status or job availability; or (2) voluntarily and without good cause reduce work effort and (after the reduction) are working less than 30 hours a week. It also provides that all individuals (not just heads of household) will be ineligible if they voluntarily quit a job without good cause and removes lack of child care as an explicit good cause exemption for refusal to participate in an employment or training program.

New provisions as to the duration of ineligibility and household (as opposed to individual) ineligibility are added. Mandatory minimum disqualification periods are established for individuals failing to comply with prior work requirements (as expanded):

1. For the first violation, individuals are ineligible until they fulfill work/training conditions, for 1 month, or for a period (set by the State agency) not to exceed 3

months--whichever is later;
2. For the second violation, individuals are ineligible until they fulfill work/training conditions, for 3 months, or for a period (set by the State agency) not to exceed 6 months--whichever is later; and
3. For a third or subsequent violation, individuals are ineligible until they fulfill work/training conditions, for 6 months, until a date set by the State agency, or (at State option) permanently, whichever is longer.

The new rule pertaining to the ineligibility of households when an individual fails to comply with work/training conditions is: if any individual who is head of household is disqualified, the entire household is, at State option, ineligible for a period not to exceed the duration of the individual's ineligibility or 180 days, whichever is shorter.

Finally, the new law permits certain States to partially limit an exemption from employment and training requirements for parents and caretakers of children under age 6. States that have requested a waiver to lower the age of a dependent child that exempts the parent or caretaker, and had the waiver denied as of August 1, 1996, may lower that age (to not under age 1) for not more than 3 years.

Revision of requirements for employment and training programs.--The new act changes the Federal rules governing State-operated employment and training programs for food stamp recipients. It:

1. Makes clear that work experience is a purpose of employment and training programs and requires that each component of an employment/training program be delivered through a ``Statewide work force development system,'' where available;
2. Expands the State option to apply work/training requirements to applicants to include all requirements, not only job search;
3. Removes specific Federal rules governing job search components of State programs;
4. Drops provisions requiring that employment/training components of State programs related to work experience be in public service work and use recipients' prior training/experience;
5. Removes specific Federal rules as to States' authority to exempt persons form employment/training requirements, giving them full latitude to determine exemptions;
6. Eliminates requirements for serving volunteers;
7. Drops a requirement for ``conciliation procedures'' for resolving disputes involving participation in employment/training programs; and
8. Removes provisions for Federal performance standards for States' employment/training programs.

Funding for employment and training programs.--The new law increases the base Federal funding level for employment and training programs from $75 million a year to $79 million in fiscal year 1997, $81 million in 1998, $84 million in 1999, $86 million in 2000, $88 million in 2001, and $90 million in 2002. State allocations from these amounts are to be based on a ``reasonable formula'' (determined by the Agriculture Department) that gives consideration to each State's population of persons subject to the new work requirement (described earlier). The existing 50-percent Federal match for costs above each State's share of these basic grants is retained, and a specific provision is included allowing these funds to be used for case management/casework. Finally, the provisions of the new act limit Food Stamp Program employment and training funding for services to TANF recipients to the amount used by

the State for AFDC recipients in fiscal year 1995.

Work supplementation or support programs.--The new act establishes an option for States to operate work supplementation or support programs under which the value of public assistance benefits, including food stamps, are provided to employers who hire recipients and, in turn, use the benefits to supplement the wages paid to the recipient. These programs must adhere to standards set by the Agriculture Department, be available for new employees only, and not displace employment of those who are not supplemented/supported. The food stamp benefit value of the supplement will not be considered income for other purposes, and opting States must provide a description of how recipients in their program will, within a specific period of time, be moved to unsubsidized employment.

Employment initiatives program.--The new legislation provides an option for a limited number of States (those with not less than half their food stamp households receiving AFDC benefits in 1993) to issue food stamps in cash to households participating in both the State's TANF program and food stamps--if a member of the household has been working for at least 3 months and earns at least $350 a month in unsubsidized employment. Those receiving cash payments may continue to receive them after leaving a TANF program because of increased earnings, and a household eligible to receive its allotment in cash may choose food stamps instead. States opting for these cash payments are required to increase food stamp benefits (and pay for the increase) to compensate for any State/local sales taxes on food purchases and must provide a written evaluation.

Benefits and eligibility

Limiting basic benefits.--The new act reduces basic (maximum) food stamp monthly benefits from amounts equal to 103 percent of the cost of the Agriculture Department's ``Thrifty Food Plan'' (its cheapest plan for purchasing a low-cost nutritious diet) to 100 percent of cost of the plan. However, benefits will not drop below current levels due to this change. Basic benefits will continue to be indexed annually for food-price inflation measured by the cost of the Thrifty Food Plan. This change is effective October 1, 1996, and coincides with the regular inflation increase in basic benefits. As a result, food stamp benefits will rise, but by less than under prior law because the 3-percent ``add-on'' will not be included.

Deductions from income.--When recipients' benefits are calculated, their counted monthly income is reduced by several ``deductions,'' including (1) a ``standard deduction'' and (2) a deduction for excessively high shelter expenses, thereby raising food stamp allotments. The standard deduction normally is inflation indexed every October, and a monthly dollar limit on shelter expense deductions (applied to households without elderly or disabled members) was, under prior law, scheduled to be eliminated in January 1997.

The new act freezes the standard deduction at its current level ($134 a month, with differing amounts for Alaska, Hawaii, and outlying areas).\16\ It also repeals the scheduled end of the limit on shelter expense deductions, replacing it with an increase in the existing ceiling: the ``cap'' on shelter expense deductions will rise, in 3 steps, from the current $247 a month to $300 beginning in fiscal year 2001.\17\

\16\ The fiscal year 1996 appropriations measure for food stamps (Public Law 104-37) stipulated that the normal October inflation increase in the standard deduction not be implemented for fiscal year 1996; it would have risen to $138. Separately from this welfare reform measure, the freeze on the amount of the standard deduction was continued for fiscal year 1997 in the 1997 agriculture appropriations

measure (Public Law 104-180); it would have risen to $142. The Congressional Budget Office attributes the 1997 Federal outlay savings for this freeze (some $345 million) to the appropriations act.

\17\ The cap will first rise to $250 in January 1997, and then be increased to $275 in October 1998 and $300 in October 2000. Concurrent increases are included for the separate excess shelter expense deduction ceilings for Alaska, Hawaii, and outlying areas.

In addition, the new legislation:

1. Permits States to make use of ``standard utility allowances'' (as opposed to actual utility costs) mandatory for all households when calculating the amount of a household's shelter expenses (if the Agriculture Department approves them and they will not result in increased Federal costs);
2. Allows States not choosing to make standard utility allowances mandatory to limit the extent to which households may switch between claiming a standard allowance and actual costs (i.e., only at certification and recertification of eligibility;
3. Disallows ``earned income deductions'' (20 percent of any earnings) for income not reported in a timely manner and for the public assistance portion of income earned under a work supplementation/support program (see earlier discussion); and
4. Allows (rather than requires) States to develop and mandate the use of a special ``homeless shelter allowance'' for those not in free shelter throughout a month --as long as it is not more than $143 a month (the former, inflation-indexed maximum).

Energy assistance.--The new law requires that State and local energy assistance be counted as income and mandates an income disregard for one-time payments or allowances under a Federal or State law for the costs of weatherization or emergency repair/replacement of unsafe/inoperative furnaces or heating/cooling devices. prior treatment of Federal energy assistance (e.g., a disregard of assistance under the Low-Income Home Energy Assistance Act) is not changed.

Vehicle allowance.--In determining a household's liquid assets for food stamp eligibility purposes, a vehicle's fair market value in excess of $4,600 is counted. Under prior law, this threshold was scheduled to be increased (to $5,000) and inflation indexed beginning in October 1996. The new act raises it to $4,650 (effective October 1996), but provides for no further increases.

Treatment of children living at home.--The new law requires all children 21 years of age or younger who live with their parents to apply together with their parents as a single food stamp household--removing an exception for children living with their parents who are themselves married or have children.

Student earnings.--The new legislation requires that the earnings of secondary school students be counted for food stamp purposes once they reach age 18--as opposed to age 22.

Benefits on recertification of eligibility.--For those who do not complete all eligibility recertification requirements in the last month of their certification period, but are then determined to be eligible after their certification period has expired, the new law requires that they receive reduced benefits for the first month of the new certification period (i.e., their first-month benefits will be pro-rated to the date they met eligibility requirements). This eliminates a rule giving these households a 1-month ``grace period'' to meet eligibility requirements before their benefits are reduced.

Minimum allotments.--The new act drops a requirement that

minimum allotments for one- and two-person households (set at $10 a month) be indexed for inflation.

Transitional housing.--The new law ends a rule disregarding as income housing assistance paid by cash welfare programs on behalf of households residing in ``transitional housing for the homeless.''

Program integrity

Increased penalties for intentional violations and trafficking.--The new act increases the Food Stamp Program disqualification period for a first intentional violation of program requirements from 6 months to 1 year, and the disqualification penalty for a second intentional violation (and the first involving a controlled substance) from 1 year to 2 years.\18\ It also adds a requirement for permanent disqualification for persons convicted of trafficking in food stamps where the benefits have a value of $500 or more.

\18\ Requirements for longer (including permanent) disqualification are retained; e.g., permanent disqualification is required for a third intentional violation, a second violation involving trading of a controlled substance, and the first violation involving trading of firearms, ammunition, or explosives.

Disqualification for receipt of multiple benefits.--The new law adds a provision making individuals ineligible for food stamps for 10 years if they are found to have made a fraudulent Statement with respect to identity or residence in order to receive food stamp benefits in multiple jurisdictions simultaneously.

Disqualification of fleeing felons.--The legislation adds a provision making individuals ineligible while they are fleeing to avoid prosecution, custody, or confinement for a felony or attempted felony (or violating a condition of probation or parole).

Criminal forfeiture rules.--The new law establishes ``criminal forfeiture'' rules for those involved in food stamp trafficking. In imposing sentence on those convicted of trafficking, courts are required to order that the person forfeit property to the United States. Property subject to forfeiture includes all property (real and personal) used in a transaction (or attempted transaction) to commit (or facilitate the commission of) a trafficking violation other than a misdemeanor. Proceeds traceable to the violation also are subject to forfeiture, but an owner's property interest would not be subject to forfeiture if the owner establishes that the violation was committed without the owner's knowledge or consent. The proceeds from any sale of forfeited property, and any money forfeited, is required to be used to reimburse Federal and State agencies for their investigative and prosecutorial costs and, by the Agriculture Department, for retailer/wholesaler monitoring activities.

Retailer/wholesaler disqualification related to the WIC Program.--The legislation requires the Agriculture Department to issue regulations providing criteria for disqualifying from Food Stamp Program participation retailers/wholesalers that have been disqualified from the WIC Program. Disqualification must be for the same length of time, may begin at a later date, and is not subject to separate food stamp administrative or judicial review provisions.

Suspension of retailers and wholesalers.--The new act requires that any permanent disqualification of a retailer or wholesaler from the Food Stamp Program (i.e., disqualification for a serious violation) be effective from the date of receipt of notice of the disqualification determination, pending

administrative and judicial review. If the disqualification is reversed through administrative/judicial review, the Federal Government will not be liable for lost sales.

Authorization periods for retailers and wholesalers.--The new law requires the Agriculture Department to establish specific time periods during which retail food stores' and wholesale food concerns' authorization to accept and redeem food stamp benefits will be valid.

Waiting periods.--The law provides that retailers and wholesalers that have failed to be approved for participation in the Food Stamp Program may not submit a new application to participate for at least 6 months. The Agriculture Department may establish longer periods (including permanent disqualification) that reflect the severity of the basis for denial.

Falsified retailer/wholesaler applications.--The new act requires disqualification for retailers and wholesalers that knowingly submit an application to accept and redeem food stamp benefits that contains false information about a substantive matter--for a reasonable period of time determined by the Agriculture Department (including permanent disqualification).

Verifying retailer/wholesaler eligibility to participate.--The law permits: (1) the Agriculture Department to require that retailers and wholesalers seeking approval to accept and redeem food stamp benefits submit relevant income and sales tax filing documents; and (2) Federal regulations requiring retailers and wholesalers to provide written authorization for the Agriculture Department to verify all relevant tax filings and obtain corroborating documentation from other sources in order to verify the accuracy of the information provided.

Evidence for retailer/wholesaler violations.--The new act requires that Federal regulations provide criteria for the finding of retailer/wholesaler violations on the basis of evidence that may include facts established through onsite investigations, inconsistent benefit redemption data, or evidence obtained through electronic benefit transaction reports.

Visits prior to approval.--The new law provides that no food concerns (of a type determined by the Agriculture Department based on factors including size, location, and types of items sold) will be approved for participation unless visited by an Agriculture Department employee, or, whenever possible, a State or local government designee.

Electronic benefit transfer (EBT) systems

Regulation E.--The new act provides that the Federal Reserve Board's ``Regulation E'' (dealing with certain protections for consumers using cards to electronically access their accounts) will not apply to any EBT system distributing needs-tested benefits established or administered by State or local governments. In addition, it incorporates language that specifically provides that Regulation E will not apply to food stamp benefits delivered through an EBT system.

Antitying restrictions.-- The new law stipulates that a company may not sell or provide EBT services, or fix or vary the consideration for these services, on the condition or requirement that the customer obtain some additional point-of-sale service from the company or any affiliate. The Agriculture Department is required to consult with the Federal Reserve before issuing regulations to carry out this provision against tying of services. In effect, this applies the ``antitying'' restrictions of the Bank Holding Act amendments of 1970 to EBT services offered by ``nonbanks.''

Other rules for EBT systems.--The new legislation also:

1. Deletes a requirement that EBT systems be cost neutral

compared to coupon-based systems in any given year;
2. Adds a requirement that regulations regarding the replacement of benefits and liability for replacement under an EBT system be similar to those in effect for a paper coupon food stamp issuance system;
3. Permits State agencies to collect a charge for replacing EBT cards by reducing food stamp allotments;
4. Provides that States must implement EBT systems (``on-line'' or ``off-line'') before October 2002, unless a waiver is granted;
5. Permits State agencies to procure and implement EBT systems under the terms, conditions, and design they consider appropriate--subject to Federal standards, which are expanded to include procurement standards;
6. Adds a requirement for EBT standards that follow generally accepted operating rules based on commercial technology, the need to permit interstate operations and law enforcement, and the need to permit monitoring and investigations by law enforcement officials;
7. Adds requirements that Federal EBT standards include measures to maximize security and (not later than August 22, 1998) measures to permit EBT systems to differentiate among food items; and
8. With certain conditions, permits State agencies to require that EBT cards contain the photograph of 1 or more household members.

Miscellaneous additional provisions

Federal cost sharing for outreach activities.--The new act terminates any Federal cost sharing for ``recruitment activities'' that are part of any State-option informational (outreach) efforts.

Exchange of law enforcement information.--The legislation requires State food stamp agencies to make available to law enforcement officers the address, Social Security number, and photograph (when available) of food stamp recipients if the officer furnishes the recipient's name and notifies the agency that the individual is fleeing to avoid prosecution, custody, or confinement for a felony, is violating a condition of parole or probation, or has information necessary for the officer to conduct an official duty related to a felony/parole violation.

Definition of a homeless individual.--For purposes of the Food Stamp Program, the new law provides that persons whose primary nighttime residence is a temporary accommodation in the home of another may be considered homeless only if the accommodation is for no more than 90 days.

Definition of ``coupon.''--In order to ensure that all forms of food stamp benefit delivery are covered by trafficking restrictions and penalties, the new legislation expands the definition of food stamp ``coupon'' to include authorization cards, cash or checks issued in lieu of coupons, and ``access devices'' (including electronic benefit transfer cards and personal identification numbers).

Vitamins and minerals study.--The law requires that the Agriculture Department, in consultation with the National Academy of Sciences and Centers for Disease Control and Prevention, conduct a study of the use of food stamp benefits to purchase vitamins and minerals. A report is due to Congress no later than December 15, 1998.

Commodity distribution

The new law establishes a single emergency food assistance program to distribute federally donated commodities that combines the preexisting emergency food assistance program, the commodity distribution program for soup kitchens, and the commodity distribution program for food banks. States will

receive Federal commodities under a formula allocation (based on unemployment and other factors) and distribute them to emergency feeding organizations, soup kitchens, food banks, and other outlets under the terms of their State plans. Through fiscal year 2002, an annual amount of $100 million (drawn from Food Stamp Act appropriations) is required to be spent for purchasing commodities for this new, combined emergency food assistance program. Funding for administrative and distribution costs continues to be authorized, not required.

Title IX: Miscellaneous

The Personal Responsibility and Work Opportunity Reconciliation Act makes the following miscellaneous changes:

1. Funds from certain Federal block grants to the States must be expended in accordance with the laws and procedures applicable to the expenditure of the States' own resources (i.e., appropriated through the State legislature). This provision applies to block grants for Temporary Assistance for Needy Families (TANF) and child care (CCDBG). Thus, in the States in which the Governor previously had control over Federal funds, the State legislatures now would share control according to State laws regarding State expenditures;
2. States must not be prohibited by the Federal Government from sanctioning welfare recipients who test positive for use of controlled substances;
3. Persons who are fleeing to avoid prosecution after conviction for a crime, or attempt to commit a crime, that is a felony where committed (or, in the case of New Jersey, is a high misdemeanor), or who is violating a condition of probation or parole, immediately lose their eligibility for public housing and section 8 housing assistance. Specified public housing agencies must furnish any Federal, State, or local law enforcement officer, upon request by the officer, with the current address, Social Security number, and photograph (if applicable) of any SSI recipient, if the officer furnishes the public housing agency with the person's name and notifies the agency that the recipient is a fugitive felon (or in the case of New Jersey, a person fleeing because of a high misdemeanor) or a probation or parole violator or that the person has information that is necessary for the officer to conduct his official duties. The location or apprehension of the recipient must be within the officer's official duties;
4. The law expresses the sense of the Senate that States should pursue child support payments under all circumstances even if the noncustodial parent is unemployed or his whereabouts are unknown. States are also encouraged to pursue pilot programs in which the parents of a minor noncustodial parent who refuses or is unable to pay child support contribute to the child support owed;
5. The law requires the Secretary of HHS to establish and implement by January 1, 1997, a strategy for reducing out-of-wedlock teenage pregnancies while assuring that at least 25 percent of U.S. communities have teenage pregnancy programs in place. The Department of HHS is required to report to Congress by June 30, 1998, on progress made toward meeting these two goals;
6. State and local jurisdictions are encouraged to aggressively enforce statutory rape laws;

7. The law exempts from Regulation E requirements (a regulation issued under the authority of the Electronic Funds Transfer Act that contains consumer protections for those using electronic funds transfer systems) any EBT program distributing means-tested benefits established under State or local law or administered by a State or local government;
8. For the fiscal years 1997 through 2002, the Social Services block grant authorized by title XX of the Social Security Act is reduced by 15 percent from its former $2.8 billion annual level. In fiscal year 2003 and thereafter the block grant is returned to $2.8 billion per year;
9. The new law contains three modifications of the earned income credit (EIC). One of these, the provision requiring that returns that do not include the worker's taxpayer identification number be treated by the Internal Revenue Service as a mathematical or clerical error, was described above as part of title IV. The second provision expands the definition of disqualified income to include capital gains net income and net passive income other than self-employment income. This provision also reduces the threshold for disqualified income from $2,350 to $2,200 and indexes the threshold for inflation. Third, the law modifies the definition of adjusted gross income (AGI) for phasing out the earned income credit by disregarding certain losses;
10. If a person's means-tested benefits from a Federal, State, or local program are reduced because of an act of fraud, his benefits from public or assisted housing (and food stamps and AFDC or TANF) may not be increased in response to the income loss caused by the penalty;
11. The law amends the Maternal and Child Health block grant (title V of the Social Security Act) to directly appropriate $50 million for each of fiscal years 1998 through 2002 to provide abstinence education and to provide, at State option, mentoring, counseling, and adult supervision to promote abstinence. Abstinence programs must be directed at those groups most likely to bear children outside marriage.

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SECTION 3.

STATE-BY-STATE ALLOCATION OF GRANTS

FOR TEMPORARY ASSISTANCE

FOR NEEDY FAMILIES AND CHILD CARE

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SECTION 3. STATE-BY-STATE ALLOCATION OF GRANTS FOR TEMPORARY ASSISTANCE FOR NEEDY FAMILIES AND CHILD CARE \1\

Introduction

\1\ This section was prepared by the Congressional Research Service.

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 ends Aid to Families With Dependent Children (AFDC) and related programs and replaces them with a new program of Temporary Assistance for Needy Families (TANF). TANF provides capped Federal funding through fiscal year 2002 of $16.4 billion per year (plus supplemental grants--see below). The new law also restructures and expands the Child Care and Development Block Grant (CCDBG). Among other reforms, the expanded block grant authorizes a total of $6 billion in discretionary and $14 billion in entitlement child care funds for the States and Indian tribes over the 6-year period fiscal year 1997 through fiscal year 2002.

Temporary Assistance for Needy Families

TANF replaces AFDC, State and local administration of AFDC and related programs, Emergency Assistance, and the Job Opportunities and Basic Skills (JOBS) program. States must end these programs and begin TANF by July 1, 1997, but can opt to begin TANF sooner.

TANF creates a basic annual block grant for States as well as several supplemental grants to serve special purposes. Each grant is outlined in separate sections below.

Family assistance grant

TANF's basic block grant is the family assistance grant, which entitles the 50 States and the District of Columbia to a total of $16.4 billion annually through fiscal year 2002. TANF is 100 percent federally funded, but would be reduced if a State failed to meet a fiscal maintenance of effort requirement. The family assistance grant must also be reduced for other penalties levied against the State.

The family assistance grant is based on the Federal payments to the States during recent fiscal years. States would be entitled to the greatest of:

1. Average required Federal payments to the States for AFDC, AFDC Administration, Emergency Assistance, and JOBS for fiscal year 1992 through fiscal year 1994;
2. Required Federal payments to the States for these programs for fiscal year 1994 (adjusted for higher 1995 EA payments to States that amended their EA plans in fiscal year 1994 or fiscal year 1995); or
3. Required Federal payments to the States for these programs for fiscal year 1995.

Table 3 (all tables are located at the end of this section) shows the basic family assistance grant for the 50 States and the District of Columbia under TANF. The territories would also operate temporary assistance programs, but they are treated separately from the 50 States and the District of Columbia. The grants shown in table 3 are before States pay the Federal Government for its share of child support enforcement collections for families receiving assistance payments. Under current law, these collections are deducted from AFDC grants to States.

The estimated payments to the States provided in table 3 are based on available State-reported financial data. For AFDC, State and local administration (including the program for enhanced payments for developing automated management information systems), and Emergency Assistance, the financial data represent the Federal share of total expenditures for the programs as reported to the Department of Health and Human Services (DHHS) by the States. The information is reported by the States to DHHS on ACF Form 231 each quarter. The Federal share of total expenditures are expenditures reported for the current quarter plus or minus any adjustments for prior quarter expenditures.

The Federal share of AFDC expenditures used in calculating the family assistance grant is a gross amount, before deductions for the Federal share of child support enforcement collections. The State expenditure reports include both the gross Federal share and a net Federal share of AFDC expenditures. The net Federal share includes a deduction for the Federal share of child support enforcement collections. Reporting of the net Federal share of AFDC expenditures was necessary because, under prior law, AFDC payments to the States were reduced for a share of child support enforcement collections for families receiving AFDC (above the $50 passed through to the families). TANF grant allotments are not reduced for the Federal share of child support enforcement collections, though title IV-D continues the requirement that States remit to the Federal Government a share of child support enforcement collections.

Because States may revise their financial reports, section 403(a)(1) specifies that the Secretary use the data available as of a certain date for each of the fiscal years. For JOBS, the financial data represent grant awards, though for fiscal year 1992 through fiscal year 1994 any adjustments for actual State expenditures after the close of the fiscal year are reflected in the data. The JOBS grant awards, rather than the Federal share of expenditures, were used to compute the family assistance grant because JOBS expenditure data are incomplete far into subsequent fiscal years. States have 2 years in which to expend JOBS funds. Therefore, States may expend fiscal year 1995 JOBS funds through September 30, 1996, making this information incomplete for the purposes of computing the family assistance grant.

Fiscal year 1995 payments are annualized data from the first three quarters of the fiscal year for AFDC, State and local administration, and Emergency Assistance plus the JOBS grant awards as of October 5, 1996. The formula for the family assistance grant dates back to that contained in the Balanced Budget Act of 1995 (H.R. 2491), which passed Congress in November 1995 but was vetoed by President Clinton. At that time, only the first three quarters of expenditure information on AFDC and related programs were available.

Grants to States that reduce out-of-wedlock births

Additional funds are provided to States that have lower out-of-wedlock births and lower abortion rates than in fiscal year 1995. The five States with the greatest decline in out-of-wedlock births, and that also reduce their abortion rates, receive a bonus of $20 million. If there are fewer than five States eligible for these funds, the bonus would increase to $25 million.

Supplemental grants to States with high population growth and/or low grants per poor person

For fiscal year 1998 through fiscal year 2001, certain States will qualify for supplemental funds based on their population growth or their low Federal AFDC-related spending

per poor person. A total of $800 million is provided for these States over the 4 years. Under this supplemental grant, certain States qualify for supplemental funds automatically for each year from fiscal year 1998 to fiscal year 2001. A State is deemed to automatically qualify in all 4 years if it:

1. Had fiscal year 1994 Federal expenditures per poor person (poverty count based on the 1990 census) for AFDC and related programs below 35 percent of the national average welfare spending per poor person; or
2. Had population growth in excess of 10 percent from April 1, 1990 to July 1, 1994.

Based on Congressional Research Service (CRS) calculations, 11 States would automatically qualify for supplemental funds--Alabama, Arkansas, Louisiana, Mississippi, and Texas because these States met the very low Federal expenditure per poor person criterion in 1994, and Alaska, Arizona, Colorado, Idaho, Nevada, and Utah because these States met the very high population growth criterion in 1990-94.

To qualify otherwise, States must meet each of two conditions:

1. Federal expenditures per poor person (poverty count based on the 1990 census) for AFDC and related programs below the fiscal year 1994 national average Federal expenditures per poor person in AFDC and related programs; and
2. A population growth rate that exceeds the rate of growth for the Nation as a whole.

In order to qualify for supplemental funds on these dual grounds, States must meet the qualification criteria in fiscal year 1998. CRS estimates that nine additional States would qualify on these grounds: Florida, Georgia, Montana, New Mexico, North Carolina, South Carolina, Tennessee, Virginia, and Wyoming. These estimates are based on forecasts of population growth. The number of States that actually qualify will be determined when the Census Bureau releases its estimates of actual population growth between 1995 and 1996. Census Bureau population estimates of actual population growth are usually made available in December of each year.

For fiscal year 1998, the supplemental grant is computed as 2.5 percent of the amount required to be paid to the State under AFDC and related programs in fiscal year 1994. In subsequent years, it is computed as 2.5 percent of the sum of fiscal year 1994 expenditures and the prior year's supplemental grant.

Total supplemental grants are limited to $800 million for the 4 years fiscal year 1998 through fiscal year 2001. If funding is insufficient to pay the full supplemental amounts, grants would be proportionately reduced for each qualifying State so that the $800 million limit would not be breached. Based on CRS estimates, the $800 million would be sufficient to pay the full supplemental grant in fiscal year 1998 through fiscal year 2000, but funding would be exhausted in fiscal year 2001, requiring a pro rata reduction in the supplemental grants. No supplemental funds are provided in fiscal year 2002, the last year of the TANF program. Table 4 shows CRS estimates of supplemental grants for population growth and/or low grant amounts per poor person for fiscal year 1998 through fiscal year 2001.

Bonus to reward high-performance States

For fiscal year 1999 through fiscal year 2003, additional funds are provided for States that are successful in meeting the goals of the TANF program. Within 1 year of enactment, the Secretary of DHHS, in consultation with the National Governors Association and the American Public Welfare Association, is

required to develop a formula for measuring State performance under the program. In developing the performance bonus formula, the criteria for successful performance are the purposes of the TANF block grant. More specifically, the criteria are providing assistance to needy families so that children can be reared at home or with relatives; ending the dependence of needy parents on government benefits by promoting job preparation, work, and marriage; preventing and reducing the incidence of out-of-wedlock pregnancies and establishing numerical goals for preventing and reducing these pregnancies; and encouraging the formation and maintenance of two-parent families. The Secretary is required to set a performance threshold that States must meet in order to receive bonus payments. Total bonuses for the 5 years are set at $1 billion.

Contingency fund

TANF provides additional matching grants for States that experience high and increasing unemployment rates or increased food stamp caseloads. A total of $2 billion is appropriated for fiscal year 1997 through fiscal year 2001.

To qualify for contingency funds, a State must expend from its own funds on TANF an amount equal to at least 100 percent of the amount it spent on AFDC, State and local administration, Emergency Assistance, AFDC-related child care, and JOBS in fiscal year 1994. It must also meet one of two need-based criteria:

1. Its seasonally adjusted unemployment rate averaged over the most recent 3-month period must be at least 6.5 percent and at least 10 percent higher than the rate in the corresponding 3-month period in either of the previous 2 years; or
2. Its food stamp caseload over the most recent 3-month period must be at least 10 percent higher than the food stamp caseload would have been, according to the Secretary of Agriculture, in the corresponding 3-month period in fiscal year 1994 or 1995 if Public Law 104-193 had been in effect then.

The unemployment criteria are the same as the optional criteria available to the States for triggering extended benefits (EB) in the unemployment compensation program. The information to determine whether a State qualifies for contingency funds is available from the Department of Labor, which issues weekly extended benefit trigger notices.

The Secretary of the Department of Agriculture determines whether a State qualifies for contingency funds based on a rise in food stamp caseloads. The Secretary is instructed to adjust the fiscal year 1994 caseload data to determine what the caseload would have been had the amendments made by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 been in effect during that year.

The amount of contingency funds for a State is the Federal Medical Assistance Percentage of a State's excess expenditures in the TANF program. Excess expenditures are the difference between a State's total TANF expenditures from its own funds (plus expenditures financed from advances from the contingency fund itself) minus an amount equal to fiscal year 1994 State spending on AFDC, State and local administration, Emergency Assistance, AFDC-related child care, and JOBS. If a State receives matching funds for child care, any child expenditures made under TANF are disregarded in the calculation and AFDC-related child care spending also is subtracted from the fiscal year 1994 base.

Contingency funds are capped at 20 percent of the State's family assistance grant. A State may receive in each month that it qualifies, up to one-twelfth of its maximum contingency

grant. States must remit any overpayments made under the contingency fund at the end of the fiscal year. If a State failed to meet the maintenance of effort requirement for contingency funds, but received contingency money, its subsequent year s family assistance grant would be reduced by the amount of contingency funds it received.

Child Care

Under the reformed Child Care and Development Block Grant (CCDBG), the Federal Government provides States with both discretionary and entitlement funding for child care. Over the 6 years, fiscal year 1997 through fiscal year 2002, a maximum of $19.9 billion would be provided for child care. Of this amount, $6 billion are in discretionary funds, and hence actual funding will be determined by annual appropriations. However, a total of $13.9 billion is provided as entitlements to States and Indian tribes. All Federal funds are consolidated under the expanded CCDBG. More specifically:

1. Discretionary funds.--CCDBG discretionary funding is authorized at $1 billion per year through fiscal year 2002. Actual funding would depend upon annual appropriations. Up to 2 percent of appropriated funds, but no less than 1 percent of the amount appropriated, is reserved for Indian tribes;
2. Entitlements to the States.--The law provides $1.967 billion in entitlement funds for fiscal year 1997. The annual entitlement amount then gradually rises to $2.717 billion in fiscal year 2002. These funds are divided as follows:

-- States would receive grants totaling $1.2 billion each year based on Federal payments to the States for AFDC-related child care programs in recent fiscal years;
-- Indian tribes would be entitled to up to 2 percent, but not less than 1 percent, of the amount of entitlement funds provided for child care; and
-- Remaining funds would be available for matching grants to the States.

Table 5 provides an estimate of the maximum potential allocations to each State for child care for fiscal year 1997 through fiscal year 2002. The table assumes that: (1) Congress appropriates the full $1 billion authorized each year for discretionary child care funds; (2) all States receive the maximum matching grant for child care; and (3) Indian tribes receive their maximum 2 percent of child care funds.

Discretionary Funding

Discretionary funds are allocated to the States based on the formula in the CCDBG which divides appropriated funds based on each State's: (1) share of the population aged 5 and younger; (2) share of children receiving free or reduced price school lunches; and (3) per-capita income. State allotments are determined after funds are set aside for Indian tribes and the territories. Indian tribes will receive up to 2 percent, but no less than 1 percent of appropriated funds. The territories of Guam, the Virgin Islands, and the Northern Marianas are eligible for one-half of 1 percent of appropriated funds (Puerto Rico is treated as a State).

Table 6 provides estimated allocations to the States for discretionary child care funds. For the 50 States, the District of Columbia, and Puerto Rico, the estimates are from DHHS and reflect the State shares based on preliminary fiscal year 1996

allocation. Territory allotments are based on estimated fiscal year 1996 shares of the territory set-aside allotted to each of the territories. It should be noted that changes in formula factors over the fiscal year 1997 through fiscal year 2002 period may occur, and therefore each year's actual discretionary allotments may differ from those based on fiscal year 1997 shares. The estimates also assume that Indian tribes receive the maximum set-aside of 2 percent and that DHHS withholds one-fourth of 1 percent of State allotments for technical assistance.

Mandatory Funding

States are also entitled to mandatory funding under the CCDBG. These grants would replace the prior law title IV-A child care programs of AFDC/JOBS, transitional, and at-risk child care. Federal funds for child care provided under title IV-A are transferred to the CCDBG, and are subject to the rules and conditions that apply to the CCDBG.

Mandatory child care funding is divided into three parts. First, States are entitled to a certain amount based on their recent expenditures in the prior law title IV-A programs. These recent expenditures are the greatest of the Federal share of expenditures for title IV-A child care programs: (1) in fiscal year 1995; (2) in fiscal year 1994; or (3) on average, over the fiscal year 1992 to fiscal year 1994 period. The total of these expenditures is $1.2 billion annually. This $1.2 billion is referred to as the amount guaranteed to the States for child care. Second, Indian tribes are entitled to up to 2 percent of mandatory child care funding. Third, remaining funds are available for matching grants. In order to qualify for matching grants, a State must first expend on child care all of its guaranteed child care grant (its share of the $1.2 billion a year) plus an amount equal to what was spent from its own funds on title IV-A child care in fiscal year 1994 or fiscal year 1995, whichever is higher. State matching grants are capped based on a share of available funds. The State's share, in turn, is based on its share of the population under age 13.

Table 7 shows the amount guaranteed to the States for each year, fiscal year 1997 through fiscal year 2002. Table 8 shows each State's estimated yearly maximum matching grant.

TABLE 3.--ANNUAL FAMILY ASSISTANCE GRANTS BY STATE, FISCAL YEARS 1997-2002
[$ in thousands]

State	Family assistance grant	State	Family assistance grant
Alabama	$93,006	Montana	$45,534
Alaska	63,609	Nebraska	58,029
Arizona	222,420	Nevada	43,977
Arkansas	56,733	New Hampshire	38,521
California	3,733,818	New Jersey	404,035
Colorado	135,553	New Mexico	126,103
Connecticut	266,788	New York	2,359,975
Delaware	32,291	North Carolina	302,240
District of Columbia	92,610	North Dakota	25,888
Florida	560,956	Ohio	727,968
Georgia	330,742	Oklahoma	148,014
Hawaii	98,905	Oregon	167,925
Idaho	31,851	Pennsylvania	719,499
Illinois	585,057	Rhode Island	95,022

Indiana	206,799	South Carolina	99,968
Iowa	130,088	South Dakota	21,894
Kansas	101,931	Tennessee	189,788
Kentucky	181,288	Texas	486,257
Louisiana	163,972	Utah	74,952
Maine	78,121	Vermont	47,353
Maryland	229,098	Virginia	158,285
Massachusetts	459,371	Washington	399,637
Michigan	775,353	West Virginia	110,176
Minnesota	266,398	Wisconsin	318,188
Mississippi	86,768	Wyoming	21,781
Missouri	214,582		
		Total	16,389,114

Source: Table prepared by the Congressional Research Service based on allocations from the U.S. Department of Health and Human Services.

TABLE 4.--ESTIMATED GRANTS TO STATES WITH HIGH POPULATION GROWTH AND/OR LOW WELF
FISCAL YEARS 1998-2001
[$ in thousands]

State	1998	19
Alabama	$2,671	$
Alaska	1,659	
Arizona	5,762	1
Arkansas	1,497	
California	0	
Colorado	3,268	
Connecticut	0	
Delaware	0	
District of Columbia	0	
Florida	14,547	2
Georgia	8,978	1
Hawaii	0	
Idaho	842	
Illinois	0	
Indiana	0	
Iowa	0	
Kansas	0	
Kentucky	0	
Louisiana	4,100	
Maine	0	
Maryland	0	
Massachusetts	0	
Michigan	0	
Minnesota	0	
Mississippi	2,176	
Missouri	0	
Montana	1,131	
Nebraska	0	
Nevada	899	
New Hampshire	0	
New Jersey	0	
New Mexico	3,246	
New York	0	
North Carolina	8,696	1
North Dakota	0	
Ohio	0	
Oklahoma	0	

Oregon	0	
Pennsylvania	0	
Rhode Island	0	
South Carolina	2,596	
South Dakota	0	
Tennessee	5,193	1
Texas	12,693	2
Utah	2,096	
Vermont	0	
Virginia	4,381	
Washington	0	
West Virginia	0	
Wisconsin	0	
Wyoming	582	
Annual total	87,014	17
Cumulative total	87,014	26

Source: Table prepared by Congressional Research Service based on data from the Dep
Services and the Bureau of the Census.

TABLE 5.--TOTAL FUNDING UNDER THE CHILD CARE AND DEVELO

State	1997	1998	1999
Alabama	$47,775	$49,936	$5
Alaska	7,480	7,953	
Arizona	51,166	52,071	5
Arkansas	23,824	24,617	2
California	309,577	325,220	33
Colorado	31,519	32,780	3
Connecticut	34,522	35,566	3
Delaware	9,191	9,479	
District of Columbia	7,987	7,929	
Florida	129,038	132,336	13
Georgia	88,883	91,473	9
Hawaii	12,207	12,778	1
Idaho	11,494	11,998	1
Illinois	130,341	134,581	13
Indiana	59,542	61,857	6
Iowa	25,406	26,520	2
Kansas	25,862	26,954	2
Kentucky	44,508	45,938	4
Louisiana	53,260	54,951	5
Maine	10,126	10,479	1
Maryland	50,172	52,689	5
Massachusetts	74,745	76,331	7
Michigan	87,517	91,905	9
Minnesota	49,714	51,293	5
Mississippi	31,409	32,273	3
Missouri	57,153	58,830	6
Montana	8,774	9,085	
Nebraska	21,415	22,042	2
Nevada	11,012	11,287	1
New Hampshire	10,721	11,007	1
New Jersey	71,278	74,083	7
New Mexico	23,363	24,157	2
New York	210,973	216,787	22
North Carolina	116,740	118,734	12
North Dakota	6,572	6,748	

Ohio	135,123	139,091	14
Oklahoma	49,138	50,099	5
Oregon	37,571	38,935	4
Pennsylvania	118,360	122,295	12
Rhode Island	11,880	12,151	1
South Carolina	37,794	39,519	4
South Dakota	6,961	7,295	
Tennessee	72,107	73,649	7
Texas	209,799	216,455	22
Utah	28,824	29,895	3
Vermont	7,381	7,585	
Virginia	57,639	60,439	6
Washington	72,671	75,324	7
West Virginia	20,692	21,376	2
Wisconsin	53,294	55,226	5
Wyoming	5,789	6,034	
Indian set-aside	59,340	61,340	6
Puerto Rico \1\	24,956	24,956	2
Guam \1\	2,404	2,404	
Virgin Islands \1\	1,687	1,687	
Northern Marianas \1\	909	909	
Totals	2,959,583	3,059,333	3,15

Note: Funding in thousands. These allocations also reflect a regulatory provision t
DHHS for technical assistance. This reduction in State allotments currently appli
\1\ Discretionary amounts for the territories.
Source: Table prepared by the Congressional Research Service. Fiscal year 1997 allo

TABLE 6.--STATE ANNUAL ALLOTMENTS OF DISCRETIONARY CHILD CARE FUNDS, FISCAL YEARS 1997-2002
[$ in thousands]

State	Allotment	Percent
Alabama	$20,236	2.03
Alaska	1,907	0.19
Arizona	18,512	1.86
Arkansas	11,896	1.19
California	120,467	12.08
Colorado	11,060	1.11
Connecticut	7,225	0.72
Delaware	2,112	0.21
District of Columbia	1,979	0.20
Florida	50,046	5.02
Georgia	32,158	3.22
Hawaii	3,662	0.37
Idaho	5,134	0.51
Illinois	37,706	3.78
Indiana	18,065	1.81
Iowa	9,229	0.93
Kansas	8,899	0.89
Kentucky	17,943	1.80
Louisiana	26,680	2.67
Maine	3,873	0.39
Maryland	13,203	1.32
Massachusetts	14,395	1.44
Michigan	29,218	2.93
Minnesota	13,483	1.35
Mississippi	17,359	1.74
Missouri	18,227	1.83
Montana	3,213	0.32
Nebraska	5,537	0.56

Nevada	4,134	0.41
New Hampshire	2,567	0.26
New Jersey	18,640	1.87
New Mexico	9,447	0.95
New York	57,493	5.76
North Carolina	28,149	2.82
North Dakota	2,345	0.24
Ohio	35,119	3.52
Oklahoma	15,233	1.53
Oregon	9,973	1.00
Pennsylvania	32,711	3.28
Rhode Island	2,721	0.27
South Carolina	18,121	1.82
South Dakota	3,155	0.32
Tennessee	20,849	2.09
Texas	92,921	9.32
Utah	9,396	0.94
Vermont	1,715	0.17
Virginia	19,258	1.93
Washington	15,905	1.59
West Virginia	7,719	0.77
Wisconsin	14,924	1.50
Wyoming	1,627	0.16
Indian tribe set-aside	20,000	2.01
Puerto Rico	24,956	2.50
Guam	2,404	0.24
Virgin Islands	1,687	0.17
Northern Marianas	909	0.09
Total	997,500	100.00

Note: State allotments are based on the fiscal year 1996 State shares of Child Care and Development Block Grant (CCDBG) funds. The shares may change over time.

Source: Table prepared by the Congressional Research Service (CRS). Allotments for the 50 States, District of Columbia, and Puerto Rico are estimates from the Department of Health and Human Services based on 1996 shares. Allotments for the territories are CRS estimates based on each territory's share of the 0.5 percent set-aside for the territories in fiscal year 1996 published in the Administration for Children and Families appropriation justifications document for fiscal year 1997.

TABLE 7.--STATE ANNUAL ALLOTMENTS OF GUARANTEED CHILD CARE FUNDING, FISCAL YEARS 1997-2002
[in thousands]

State	Guaranteed child care funds	State	Guaranteed child care funds
Alabama	$16,442	Montana	$3,191
Alaska	3,545	Nebraska	11,338
Arizona	19,891	Nevada	2,580
Arkansas	5,300	New Hampshire	5,052
California	92,946	New Jersey	31,663
Colorado	10,174	New Mexico	8,703
Connecticut	18,738	New York	104,894
Delaware	5,179	North Carolina	69,639
District of Columbia	4,721	North Dakota	2,506
Florida	43,027	Ohio	70,445
Georgia	36,523	Oklahoma	24,910

Hawaii	5,221	Oregon	19,409
Idaho	2,868	Pennsylvania	55,337
Illinois	59,609	Rhode Island	6,634
Indiana	26,182	South Carolina	9,867
Iowa	8,878	South Dakota	1,711
Kansas	9,812	Tennessee	37,702
Kentucky	16,702	Texas	59,844
Louisiana	13,865	Utah	12,592
Maine	3,137	Vermont	4,148
Maryland	23,301	Virginia	21,329
Massachusetts	44,973	Washington	41,948
Michigan	32,082	West Virginia	8,841
Minnesota	23,368	Wisconsin	24,511
Mississippi	6,293	Wyoming	2,815
Missouri	24,669		
		Total	1,199,051

Source: Table prepared by the Congressional Research Service based on allotments from the Department of Health and Human Services.

TABLE 8.--STATE ESTIMATED ALLOTMENTS UNDER THE ENTITLEMENT CHILD CARE MATCHING GR

State	Year			
	1997	1998	1999	2000
Alabama	$11,097	$13,259	$14,932	$18,21
Alaska	2,029	2,502	2,828	3,46
Arizona	12,763	13,668	15,405	18,79
Arkansas	6,628	7,421	8,278	10,01
California	96,164	111,808	125,936	153,71
Colorado	10,285	11,546	12,965	15,77
Connecticut	8,559	9,603	10,665	12,82
Delaware	1,900	2,188	2,454	2,98
District of Columbia	1,287	1,229	1,324	1,55
Florida	35,965	39,264	43,911	53,20
Georgia	20,202	22,792	25,657	31,28
Hawaii	3,324	3,895	4,415	5,42
Idaho	3,492	3,997	4,532	5,57
Illinois	33,026	37,266	41,652	50,45
Indiana	15,294	17,609	19,721	23,93
Iowa	7,299	8,413	9,327	11,22
Kansas	7,151	8,243	9,197	11,13
Kentucky	9,864	11,294	12,627	15,30
Louisiana	12,715	14,407	15,981	19,25
Maine	3,116	3,468	3,804	4,53
Maryland	13,667	16,184	18,182	22,11
Massachusetts	15,377	16,963	18,770	22,48
Michigan	26,217	30,605	34,173	41,32
Minnesota	12,863	14,442	16,019	19,25
Mississippi	7,757	8,620	9,585	11,56
Missouri	14,258	15,934	17,681	21,28
Montana	2,371	2,682	3,001	3,64
Nebraska	4,540	5,167	5,735	6,91
Nevada	4,298	4,572	5,185	6,35
New Hampshire	3,102	3,389	3,744	4,48
New Jersey	20,975	23,781	26,693	32,42
New Mexico	5,213	6,007	6,776	8,28
New York	48,587	54,400	60,573	73,05
North Carolina	18,951	20,946	23,565	28,68
North Dakota	1,721	1,897	2,078	2,47
Ohio	29,559	33,527	37,321	45,01

Oklahoma	8,995	9,956	11,027	13,27
Oregon	8,189	9,554	10,762	13,14
Pennsylvania	30,311	34,247	38,093	45,90
Rhode Island	2,525	2,797	3,091	3,70
South Carolina	9,806	11,531	12,909	15,66
South Dakota	2,095	2,429	2,709	3,27
Tennessee	13,557	15,098	16,914	20,52
Texas	57,034	63,690	71,487	87,00
Utah	6,837	7,908	8,930	10,95
Vermont	1,519	1,723	1,908	2,29
Virginia	17,052	19,853	22,280	27,07
Washington	14,818	17,470	19,700	24,06
West Virginia	4,132	4,816	5,366	6,48
Wisconsin	13,859	15,791	17,548	21,13
Wyoming	1,347	1,592	1,777	2,16
Totals	723,692	821,442	919,192	1,114,69

Note: Funding in thousands. These allocations assume a maximum 2 percent set-aside reflect a regulatory provision that withholds 1/4 of 1 percent of State allotment Department of Health and Human Services (DHHS) for technical assistance. This red currently applies to discretionary Child Care and Development Block Grant funds.
Source: Table prepared by the Congressional Research Service. Fiscal year 1997 allo

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SECTION 4.

SUMMARY OF EFFECTIVE DATES

BY TITLE

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SECTION 4.--SUMMARY OF EFFECTI

Section	Provision
	Title I. Temporary Assistance for Nee
103a(402) \1\	State plan requirements
103a(403a1)	Block grants to States
103a(403a2)	Illegitimacy reduction bonus
103a(403a3)	Population growth fund
103a(403a4)	High performance bonus
103a(403b)	Contingency fund
103a(404)	Conditions on use of block grants to States
103a(405)	Administrative provisions
103a(406)	Federal loan fund
103a(407a-h)	Mandatory work requirements

103a(407i)..... Review of implementation of work programs

103a(408)..... Prohibitions, requirements

103a(409)..... Penalties

103a(410)..... Appeal of adverse decision

103a(411)..... Data collection and reporting

103a(412)..... Direct funding and administration by Indian tribes
103a(413)..... Research, evaluation, and national studies

103a(414)..... Study by Census Bureau
103a(415)..... Waivers

103a(416)..... Administration
103a(417)..... Limitation on Federal authority
103b..... Grants to outlying areas (Puerto Rico, Virgin Isla American Samoa)

103c..... Elimination of child care programs under the Socia Security Act
104..... Services provided by charitable, religious, or pri organizations
105..... Census data on grandparents as primary care givers
106..... Report on data processing
107..... Study on alternative outcomes measures

108..... Conforming amendments to the Social Security Act

109..... Conforming amendments to the Food Stamp Act
110..... Conforming amendments to other laws
111..... Development of prototype of counterfeit-resistant Security card
112..... Modification of JOLI program
113..... Secretarial submission of technical and conforming amendments
114..... Assuring Medicaid coverage
115..... Denial of assistance for drug-related convictions

116a-b.....	Effective date, transition rule
116c.....	Termination of individual entitlement to AFDC
	Title II. Supplemental Securi
201.....	Denial of SSI benefits for 10 years to individuals have fraudulently misrepresented residence in ord obtain benefits simultaneously in two or more Sta
202.....	Denial of SSI benefits for fugitive felons and pro and parole violators
203.....	Financial incentives for State or local penal inst to provide SSA information on prisoners receiving
	Study of other potential improvements in the colle information regarding public inmates
	Institution compliance report
204.....	Effective date of application for benefits
211.....	New definition of childhood disability, eliminatio references to maladaptive behavior and discontinu the individualized functional assessment
	Progress report on implementation to Congress
	Regulations submitted to Congress for review
	Authorization of additional funding
212.....	Eligibility redeterminations and continuing disabi reviews
213.....	Requirement to establish an account
214.....	Reduction in cash benefits payable to institutiona individuals whose medical costs are covered by pr insurance
215.....	Regulations
221.....	Installment payment of large past-due SSI benefits
222.....	Regulations
231.....	Annual report on the SSI Program
232.....	GAO study
	Title III. Child Su
302.....	Distribution of arrear ages that accrued after the ceased to receive welfare
302.....	Distribution of arrear ages that accrued before th received welfare
302.....	Study by Secretary on new rules of child support distribution
302.....	General effective date for distribution rules and payments
303.....	Privacy safeguards for all child support informati
304.....	Right to notification of hearing
311.....	State Case Registry
312.....	State Disbursement Unit
313.....	Directory of New Hires
313.....	Comparison of new hire information in State Case R and other sources and sending information to the Directory of New Hires
314.....	Orders not subject to withholding must automatical

	subject to withholding if arrearages occur
316.....	Expansion of Federal Parent Locator Service to inc Federal Case Registry of Orders
316.....	Expansion of Federal Parent Locator Service to inc National Directory of New Hires
321.....	Adoption of Uniform Interstate Family Support Act
322.....	Improvements to full faith and credit for child su orders
324.....	Secretary promulgate forms to be used in interstat for use in withholding income, imposing liens, an administering subpoenas
324.....	States must use the forms promulgated by the Secre income withholding, liens and administrative subp
341.....	Secretary's report on a new incentive system of ch support financing
341.....	Implementation of revised incentive system
341.....	State option for calculation of paternity establis percentage
342.....	Federal and State reviews and audits
343.....	Required reporting procedures
344.....	Completion of automated data processing requiremen effect on or before the enactment of the Family S Act of 1988
344.....	Completion of automated data processing enacted on before Aug. 22, 1996
345.....	Technical assistance
346.....	New requirements for Secretary's annual report to
352.....	Consumer reports
353.....	Nonliability for financial institutions
361.....	Fees for Internal Revenue Service collection of ar
362.....	Reforms of Child Support Collections for Federal E (including military personnel)
363.....	Enforcement of child support obligations of milita personnel
366.....	Definition of support order
370.....	Denial of passports for nonpayment of child suppor
371.....	International support enforcement
374.....	Nondischargeability in bankruptcy
381.....	Correction of ERISA definition of medical child su order
391.....	Grants to States for access and visitation program
395.....	General effective date

Title IV. Restricting Welfare and Pub

401.....	Illegal aliens and nonimmigrants ineligible for mo Federal benefits
402a.....	Legal noncitizens ineligible for SSI and food stam
402b.....	State option to provide AFDC/cash welfare, Medicai

	social services to legal noncitizens
403.....	5-year limited eligibility for most Federal welfar benefits for future entrants
404.....	Agencies must inform the public and notify recipie affected by eligibility changes
411.....	Illegal aliens ineligible for most State benefits State ``opt-out'')
412.....	State authority to limit eligibility for most Stat benefits for legal noncitizens
421.....	Deeming of sponsor's income in determining nonciti eligibility for most Federal benefits
422.....	State authority to expand deeming to apply to most programs
423.....	Requirements for revised sponsorship agreements (a of support)
432.....	Verification of eligibility for Federal public ben
435.....	No counting of quarters of work during which an al received welfare benefits
	Title V. Child Protec
	Title VI. Child Car
603a.....	Authorization of appropriations and entitlement au
612.....	Report by the Secretary
	Title VII. Child Nutri
704.....	Special assistance
706.....	Summer food service program
708.....	Child and adult care food program
723.....	School breakfast program authorization
731.....	Nutrition education and training
741.....	Coordination of school lunch, school breakfast, an food service programs
	Title VIII. Food Stamps and Commod

804..... Adjustment of the thrifty food plan
809..... Deductions from income

810..... Vehicle allowance
824..... Work requirement for able-bodied adults with depen

855..... Study of the use of food stamps to purchase vitami
minerals

Title IX. Miscella

901..... Appropriation by State legislatures

902..... Sanctioning for testing positive for controlled su
903..... Elimination of housing assistance with respect to
felons and probation and parole violators
905..... Establishing national goals to prevent teenage pre

906..... Sense of the Senate regarding enforcement of statu
laws

907..... Provisions to encourage electronic benefit transfe
908..... Reduction of block grants to States for social ser
use of vouchers
909..... Rules relating to denial of earned income credit o
of disqualified income

910..... Modification of adjusted gross income definition f
income credit
911..... Fraud under means-tested welfare and public assist
programs
912..... Abstinence education
913..... Change in reference

\1\ Section numbers in parentheses are references to the Social Security Act.
\2\ All provisions of this title are effective upon enactment (Aug. 22, 1996).
\3\ With the exception of the following sections, all provisions of this title are
\4\ With the exception of the following sections, all provisions of this title are
\5\ The Food Stamp Program's quality control system will not penalize States for er
until at least 150 days after enactment, and States are expected to implement new
of the following sections, all provisions of this title are effective upon enactm

SECTION 5.

CONGRESSIONAL BUDGET OFFICE ESTIMATES

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<GRAPHIC(S) NOT AVAILABLE IN TIFF FORMAT>

Hon. Jacob J. Lew
Page 2

cc: Hon. Bill Archer
Chairman
House Committee on Ways and Means

Hon. Sam Gibbons
Ranking Minority Member
House Committee on Ways and Means

Hon. William V. Roth, Jr.
Chairman
Senate Committee on Finance

Hon. Daniel Patrick Moynihan
Ranking Minority Member
Senate Committee on Finance

Hon. Pete V. Domenici
Chairman
Senate Committee on the Budget

Hon. J. James Exon
Ranking Minority Member
Senate Committee on the Budget

Hon. John R. Kasich
Chairman
House Committee on the Budget

Hon. Martin Olav Sabo
Ranking Minority Member
House Committee on the Budget

Hon. Nancy Landon Kassebaum
Chairman
Senate Committee on Labor and Human Resources

Hon. Jacob J. Lew
Page 3

Hon. Edward M. Kennedy
Ranking Minority Member
Senate Committee on Labor and Human Resources

Hon. William F. Goodling
Chairman
House Committee on Economic and Educational Opportunities

Hon. William Clay
Ranking Minority Member
House Committee on Economic and Educational Opportunities

Hon. Thomas J. Bliley, Jr.
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Hon. John D. Dingell
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House Committee on Commerce

Hon. Richard G. Lugar
Chairman
Senate Committee on Agriculture, Nutrition, and Forestry

Hon. Patrick J. Leahy
Ranking Minority Member
Senate Committee on Agriculture, Nutrition, and Forestry

Hon. Pat Roberts
Chairman
House Committee on Agriculture

Hon. E de la Garza
Ranking Minority Member
House Committee on Agriculture

FEDERAL BUDGETARY IMPLICATIONS OF H.R. 3734, THE PERSONAL RESPONSIBILITY AND WORK OPPORTUNITY RECONCILIATION ACT OF 1996

The Congressional Budget Office (CBO) has reviewed the conference report on H.R. 3734, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. The bill would replace Federal payments under the current Aid to Families With Dependent Children Program with a block grant to States, restrict the eligibility of legal aliens for welfare benefits, modify the benefits and eligibility requirements in the Food Stamp and Child Nutrition Programs, change the operation and financing of the Federal and State child support enforcement system, increase funding for child care programs, and tighten the eligibility requirements for disabled children under the Supplemental Security Income Program.

Although the estimate assumes that the bill will be enacted by September 1, 1996, its impact on direct spending and revenues in 1996 is estimated to be negligible. The bill would reduce Federal spending by $2.9 billion in 1997 and by $54.2 billion over the 1997-2002 period, as well as increase revenues by $60 million and $394 million over these respective periods. Summary tables I and II present estimates of the bill's total effects by program and by title, respectively. The underlying assumptions and methodology are described below, and detailed tables for each title of the bill appear at the end.

Title I: Temporary Assistance for Needy Families Block Grant

Title I would alter the method by which the Federal Government shares in the cost of providing cash and training assistance to low-income families with children. It would combine several current entitlement programs--Aid to Families with Dependent Children (AFDC), Emergency Assistance, and the Job Opportunities and Basic Skills Training Program (JOBS)--into a single block grant with a fixed funding level. Title I would also repeal current child care funding for low-income families. (Title VI establishes a new program to fund these activities.) Finally, it would extend an existing Medicaid benefit for families leaving public assistance and provide new funding for determining eligibility for Medicaid.

In 1997, CBO projects that under current law the Federal Government would spend $15.9 billion on AFDC benefits, AFDC administration, AFDC emergency assistance and the JOBS Program,

or $0.7 billion less than the Federal Government would spend under title I (excluding child care and Medicaid). By 2002, projected spending under current law ($18.3 billion) would exceed projected spending under title I (excluding child care and Medicaid) by $0.3 billion (see table 1).

Effect of the block grant on cash and training assistance.--The new Temporary Assistance for Needy Families Block Grant (TANF) would replace Federal participation for AFDC benefit payments, AFDC administrative costs, AFDC emergency assistance benefits, and the JOBS Program. The bill would fix the base level of the block grant at $16.4 billion annually through 2002. Each State would be entitled to a portion of the grant based on its recent spending in the AFDC and JOBS Programs. States could operate under the current law AFDC and JOBS Programs until July 1, 1997, but would be subject to the financing limitations of the block grant as of October 1, 1996.

A State could qualify to receive more than the basic block grant amount in four ways. First, a State that meets specified criteria related to its poverty level and population growth would receive a supplemental grant in 1998 equal to 2.5 percent of Federal 1994 payments to the State for AFDC, Emergency Assistance, and JOBS. In each successive year that the State meets the criteria, the supplemental grant would increase. Supplemental grants would be available from 1998 through 2001, and the total amount of additional funding for these supplemental grants would be capped at $800 million. A State that did not meet the qualifying criteria in 1998 would not be eligible to qualify in any later year. CBO estimates that 18 States would receive supplemental grants totaling $87 million in 1998 growing to $278 million by 2001 (see table 1).

Second, up to five States could receive bonuses of $20-$25 million each year from 1999-2002 if the number of out-of-wedlock births in the State for the prior 2 years decreased compared to the number of out-of-wedlock births in the 2-year period before that. A State would not be eligible for such a grant in a year that its abortion rate is higher than its 1995 rate. CBO estimates that on average two States would qualify each year at a Federal cost of $50 million each fiscal year.

Third, a State that meets criteria set by the Secretary of Health and Human Services (HHS) for high performing States could receive a bonus of up to 5 percent of its block grant each year. High performance bonuses are capped at $200 million each year for 1999-2003.

Fourth, the bill would establish a fund (called the Contingency Fund for State Welfare Programs) of $2.0 billion for use in fiscal years 1997-2001 by States with high and increasing unemployment rates or growth in food stamp caseloads.\1\ CBO assumes that the contingency fund would continue in 2002 under the same terms. (The Balanced Budget and Emergency Deficit Control Act of 1985 requires that mandatory programs greater than $50 million are continued in the baseline.) A State could receive an annual maximum of 20 percent of its block grant amount if it was an eligible State in each month of the year. States would be required to match Federal payments at the current-law Federal medical assistance percentage. CBO estimates that States would draw down about $100 million from the contingency fund in 1997 and would use a little over $2 billion from the fund over the 1998-2002 period.

\1\ A State that experiences an unemployment rate for the most recent quarter greater than or equal to 6.5 percent and 10 percent or more higher than the unemployment rate for either of the corresponding quarters in the 2 previous years would be eligible to draw from the contingency fund. Also, a State that experiences an increase in

participation in the Food Stamp Program of at least 10 percent over the 1994 or 1995 participation (adjusted for the impact of this bill had it been in effect in those years) would be eligible. A State would be eligible in any month it meets these criteria and in the following month.

The bill would authorize the Secretary of HHS to make loans to States to use for welfare programs. States could borrow up to 10 percent of their family assistance grant and would have to repay borrowed amounts, with interest, within 3 years. Any State could borrow from the loan fund in any year regardless of particular economic circumstances. CBO estimates the creation of the loan authority would not generate additional outlays. Although up to $1.7 billion would be made available to States for loans, CBO assumes that every State borrowing funds would repay its loans with interest. The Secretary has the authority to withhold any unpaid loan amount from future TANF block grant payments. Therefore, the program would involve no long-run loss to the Federal Government, and under the credit reform provisions of the Congressional Budget Act, it would have no cost.

The bill would provide additional Federal funds for a study by the Census Bureau ($10 million per year), research, evaluations, and national studies ($15 million per year), and grants for Indian tribes that received JOBS funds in 1995 ($7.6 million per year). Also, the bill would allow States that are operating demonstration projects under waivers to discontinue those projects. The States would not be required to pay the Federal Government for any accrued Federal costs of those waivers. CBO estimates this would cost the Federal Government $50 million in 1997. In addition, CBO has estimated that penalties of $50 million for failure to meet the bill's work participation requirements would be applied in each fiscal year 1999-2002. Finally, the bill would raise the amounts of money available to territories for assistance programs and provide greater flexibility in how the money is spent. The new $116 million cap on payments to the territories represents an increase of about $10 million over current-law amounts.

The bill would maintain the current-law Medicaid transitional benefits for individuals who would otherwise lose coverage due to increased child support or due to increased earnings from employment. The sunset date for the work transition benefit was extended from 1998 to 2001. In general, the bill retains categorical eligibility for Medicaid families that meet the current eligibility criteria for AFDC despite changes in welfare eligibility resulting from the new block grant program. The bill provides up to $500 million over the 1997-2000 period for additional administrative expenses associated with carrying out these eligibility determinations.

Criteria for State participation in the block grant.--To participate in the block grant program, States would present an assistance plan to the Department of Health and Human Services and would ensure that block grant funds would be spent only on needy families with minor children. States would be required to continue to spend some of their own resources in order to receive their full block grant allotment. The Federal grant would be reduced $1 for every dollar that State spending fell below 80 percent of historical State spending levels (75 percent of the historical level for any State that meets the bill's work participation requirements). In addition, States would have to satisfy other conditions. Notably, States would be prohibited from providing Federal dollars to most families who have received cash assistance for more than 5 years since the effective date of the block grant program (July 1, 1997, or

earlier at State option). At their option, States could choose a shorter time limit and could grant hardship exemptions for up to 20 percent of all families. Although no family could encounter a 5-year time limit until October 1, 2001, the limit's effect on welfare participation could be noticed sooner if recipients shortened their stays on welfare or delayed childbearing in order to preserve access to the system in future years. CBO estimates that the full effect of such a limit would not be realized until 2004 or later. Eventually, under current demographic assumptions, this provision could reduce cash assistance rolls by 30 percent to 40 percent. The actual effect of the time limit on families is uncertain, however, because the bill would permit States and localities to provide cash assistance to such groups using their own resources. The inclusion of the time limit in the legislation does not affect the CBO estimate of Federal costs because it would not directly change the amount of block grant funds disbursed to the States.

Work and training requirements under the block grant.--Title I would require States to provide work and training activities for an increasing percentage of recipients of Temporary Assistance to Needy Families (TANF) or face penalties of up to 5 percent of the State's share of the block grant. States would face three separate requirements, each becoming increasingly difficult to satisfy over time.

First, the bill requires that, in 1997, States have 25 percent of certain families receiving cash assistance in work activities. The participation rates rise by 5 percentage points a year through 2002. Participants would be required to work 20 hours a week through 1998, 25 hours in 1999, and 30 hours in 2000 and after. Families with no adult recipient or with a recipient experiencing a sanction for nonparticipation (for up to 3 months) are not included in the participation calculation. Families in which the youngest child is less than 1 year old would be exempt for up to 1 year at State option.

States would have to show on a monthly basis that individuals in 50 percent of all nonexempt families are participating in work activities in 2002. CBO estimates that this would require participation of 1.7 million families. By contrast, program data for 1994 indicate that, in an average month, approximately 450,000 individuals participated in the JOBS Program. (The bill limits the number of individuals in education and training programs that could be counted as participants, so many of these individuals would not qualify as participants under the new program.) Most States would be unlikely to satisfy this requirement for several reasons. The costs of administering such a large scale work and training program would be high, and Federal funding would be frozen at historic levels. CBO estimates that States would need to invest an additional $13 billion in 1997-2002 in order to administer programs that would satisfy the requirements. Because the payoff for such programs has been shown to be low in terms of reductions in the welfare caseload, States may be reluctant to commit their own funds to employment programs. Moreover, although States may succeed in reducing their caseloads through other measures, which would in turn free up Federal funds for training, the requirements would still be difficult to meet because the remaining caseload would likely consist of individuals who would be the most difficult and expensive to train.

Second, while tracking the work requirement for all families, States simultaneously would track a separate guideline for the smaller number of nonexempt families with two parents participating in the AFDC-Unemployed Parent (AFDC-UP)

Program. By 2002, the bill would require that 90 percent of such families have an adult participate in work-related activities at least 35 hours per week. In addition, if the family used Federal funds to pay for child care, the spouse would have to participate in work activities at least 20 hours per week. In 1994, States attempted to implement a requirement that 40 percent of AFDC-UP families participate, and roughly 40 States failed the requirement.

Finally, States would have to ensure that all parents who have received cash assistance for more than 2 years would engage in work activities. CBO estimates that approximately 70 percent of all parents on the cash assistance rolls in 2002 would have received such assistance for 2 years or more since the bill's effective date. The experience of the JOBS Program to date suggests that such a requirement is well outside the States' abilities to implement.

In sum, each work requirement would represent a significant challenge to States. Given the costs and administrative complexities involved, CBO assumes that most States would simply accept penalties rather than implement the requirements. Although the bill would authorize penalties of up to 5 percent of the block grant amount, CBO assumes--consistent with current practice--that the Secretary of Health and Human Services would impose small penalties (less than one-half of 1 percent of the block grant) on noncomplying States.

Effect of the block grant on the Food Stamp Program.--CBO estimates that enactment of the block grant for family support would result in families receiving lower average cash payments relative to current law and consequently, higher food stamp benefits. Under current rules, each dollar lost in cash would increase a participating family's food stamp benefits by about 30 cents. CBO estimates the incomes of AFDC families would decline relative to current projections by $2.3 billion in 2002, generating a food stamp cost in that year of nearly $700 million. By 2002, the block grant amount is 10 percent lower than projections of Federal spending under current law on AFDC and related programs. For the purposes of determining food stamp costs, CBO assumes that by 2002 cash benefits funded by the block grant would be 10 percent lower than under current law. In addition, CBO assumes that by 2002 States--on average--would spend 15 percent less of their own funds on cash benefits than they would spend under current law. Should States decide to spend more or less than this amount, the costs of the Food Stamp Program would be smaller or greater than the estimate.

Effect of the block grant on the foster care program.--Although the bill does not directly amend foster care maintenance payments, which would remain an open-ended entitlement with State expenditures matched by the Federal Government, the bill could affect foster care spending. By retaining the foster care benefits as a matched entitlement, the bill would create an incentive for States to shift AFDC children who are also eligible for foster care benefits into the foster care program. AFDC administrative data for 1993 suggest that roughly 500,000 children (5 percent of all children on AFDC) fall into this category because they live in a household without a parent. CBO assumes a number of legal and financial barriers would prevent States from transferring a large share of such children and estimates States would collect an additional $10 million in foster care payments in 1999, rising to $45 million in 2002.

Effect of the block grant on the Medicaid Program.--In general, the bill retains categorical eligibility for Medicaid families that meet the eligibility criteria for AFDC as they are in current law with some modifications. States must use

AFDC income and resource standards and methodologies in effect on July 16, 1996, to determine Medicaid eligibility. As under current law, States have the option to lower income standards to May 1, 1988, levels or to increase income standards; however, these increases are limited to the annual increase in the Consumer Price Index (CPI). Unlike current law, States may increase resource standards (by no more than the annual increase in the CPI) and link eligibility to compliance with work requirements under TANF. Overall, CBO judges that there would be no significant budgetary effect of the block grant on the Medicaid Program.

Title II: Supplemental Security Income

The bulk of the savings in title II would stem from imposing tighter eligibility criteria for children seeking disability benefits under the Supplemental Security Income (SSI) Program. title II would also make a variety of other changes. It would reduce the amount of the benefit in the first month for new SSI applicants, require the disbursement of large retroactive payments in installments rather than in a single lump, and offer payments to prison officials who help to identify ineligible SSI recipients in their institutions. Net savings, which reflect additional food stamp spending, are estimated to equal $2.0 billion in 2002 and $8.6 billion over the 1997-2002 period (see table 2). A small amount of the savings ($5 million in 1997, $10 million in 1998, and $85 million over the 6-year period) occurs in the Old-Age, Survivors, and Disability Insurance Programs, and is excluded from the pay-as-you-go totals.

Disabled children.--The SSI Program, run by the Social Security Administration (SSA), pays benefits to certain low-income aged and disabled people. The bill would revamp the SSI Program for disabled children. Under current law, low-income children can qualify for the SSI Program and its Federal cash benefits of up to $470 a month in two ways. Their condition may match one of the medical listings (a catalog of specific impairments, with accompanying clinical findings), or they may be evaluated under an individualized functional assessment (IFA) that determines whether an unlisted impairment seriously limits a child from performing activities normal for his or her age. Both methods are spelled out in regulation. Until the Supreme Court's decision in the Zebley case in 1990, the medical listings were the sole path to eligibility for children. Adults, in contrast, could receive an assessment of their functional and vocational capacities even if they did not meet the listings. The court ruled that sole reliance on the listings did not satisfy the law's requirement to gauge whether children's disorders were of ``comparable severity'' to impairments that would disable adults.

The bill would eliminate childhood IFAs and their statutory underpinning, the ``comparable severity'' rule, as a basis for receipt of benefits. Many children on the rolls as a result of an IFA (roughly a quarter of children now on SSI) would have their benefits terminated, and future awards based on an IFA would be barred. Thus, the program would be restricted to those who met or equaled the listings. The bill would also remove the reference to maladaptive behavior--behavior that is destructive to oneself, others, property, or animals--from the personal/behavioral domain of the medical regulations, thereby barring its consideration as a basis for award.

Even as it repeals the ``comparable severity'' language, the bill would create a new statutory definition of childhood disability. It States that a child would be considered disabled

if he or she has ``a medically determinable physical or mental impairment which results in marked and severe functional limitations (and can be expected to last 12 months or lead to death).'' That language is intended to preserve SSI eligibility for some of the most severely impaired children who now qualify by way of an IFA because they do not happen to match one of the medical listings.

CBO estimated the savings from these changes by judging how many child recipients would likely qualify under the old and new criteria. CBO relied extensively on SSA program data and on analyses conducted by the General Accounting Office and the Inspector General of the Department of Health and Human Services. Approximately 1 million children now collect SSI benefits, and CBO projects that the number would reach 1.4 million in 2002 if policies were unchanged. CBO assumed that most children who qualify through an IFA would be rendered ineligible under the proposed criteria--specifically, those who fail to rate a ``marked'' or ``extreme'' impairment in at least two areas of functioning. CBO also assumes that the provisions on maladaptive behavior would bar a small percentage of children from eligibility for benefits. Overall, CBO judges that approximately 22 percent of children who would collect benefits under current law would be rendered ineligible.

CBO estimates the savings in cash benefits relative to current law by multiplying the number of children assumed to lose benefits by the average benefit. That average benefit was about $430 a month in December 1995 and--because it is indexed to inflation--would grow to an estimated $528 in 2002. New awards would be affected immediately. Children already on the rolls would be reviewed under the new criteria within 1 year of enactment. Total savings in cash benefits would equal $0.1 billion in 1997 and $2 billion in 2002.

The proposed cutbacks in children's SSI benefits would affect spending in two other Federal programs. Food stamp outlays would automatically increase to replace a portion of the cash income lost by the children's families. The extra food stamp costs exceed $.2 billion a year after 1998. Under current law, eligibility for SSI benefits generally confers eligibility for Medicaid as well. Once the reviews of children currently on the SSI rolls are finished, CBO estimates savings in Medicaid of roughly $40 million to $60 million a year from the tighter SSI criteria. That amount is relatively small, because most of the children dropped from SSI would still qualify for Medicaid based on meeting AFDC criteria or because of their poverty status. No effects on the TANF Program are included in CBO's estimate. Under current law, about half of the disabled children losing SSI benefits would be likely to end up on the AFDC Program; but because that program would be abolished in title I and replaced by TANF, which is a fixed block grant to the States, no extra Federal spending would result.

The bill would make several other changes to the SSI Program for disabled children. One would set the benefit at $30 a month for children who are hospitalized and whose bill is partly or fully covered by private insurance. A similar provision already applies to SSI recipients who are hospitalized and whose care is covered by Medicaid. CBO assumes the proposal would trim benefits for about 10,000 children in a typical month, with savings of $55 to $70 million a year after 1997. The bill would also make a number of changes in the responsibility of representative payees (people who administer benefits for children or other recipients who are incapable of managing funds). CBO does not estimate significant budgetary effects from any of those changes. The bill also mandates several studies of disability issues.

SSA would face very heavy one-time costs for reviewing its current caseload of disabled children under the new, tighter criteria proposed in the bill. CBO estimates that SSA would have to collect detailed medical and functional information for 300,000 to 400,000 disabled children on the rolls at enactment, at a total cost of about $300 million. In addition, under restrictions proposed in title IV, SSA would have to review the continued eligibility of about 1.4 million recipients who are recorded as aliens or whose citizenship is unknown. Most of the cost would be incurred in 1997 and early 1998. For that reason, the bill allows an adjustment to the discretionary spending caps in the Balanced Budget Act to cover SSA's one-time costs. Specifically, the caps will be increased by up to $150 million in 1997 and $100 million in 1998 if the Congress passes appropriations earmarked for these reviews. Because that total adjustment of $250 million hinges on future appropriation action, CBO does not include it as a cost in this bill.

Prorated benefits in month of application.--More than 800,000 people are newly awarded SSI benefits every year. Under current law, they eventually receive a prorated benefit for their month of application. A person who applied on the 15th of the month, for example, could receive 2 weeks of benefits for that month. (The typical applicant does not get that money immediately, because it may take several months for SSA to process his or her application.) The bill proposes instead to compute benefits beginning on the first day of the month following the date of application. CBO estimated the savings by multiplying the annual volume of awards by an assumed loss of 2 weeks' benefits for the average person affected. The provision would affect only applications filed after enactment, and savings would equal $150 million a year or more when it is fully effective.

Installment payments of retroactive benefits.--Another provision of the bill would change the method for disbursing large amounts of retroactive benefits. Under current law, retroactive benefits--which occasionally amount to thousands of dollars, if the period they cover is a long one--are paid all at once. Under the bill, any retroactive payment that exceeded 12 times the maximum monthly benefit--about $5,600, in 1996 dollars--would be paid in installments at 6-month intervals, with each installment equaling up to 12 times the maximum benefit. Exemptions would be granted to recipients suffering from terminal illnesses or other special hardships. The vast majority of recipients would still get their retroactive benefits in a single check, but a minority (chiefly those whose awards were decided after long appeals) would get them in two or three installments. The proposal would save money principally in the first year. Based on the relatively small number of people who get very large retroactive payments, CBO estimated that about $200 million of payments would shift from 1997 into 1998. Savings after that would be much smaller.

Enforcement of restrictions on prisoners' benefits.--Current law sets strict limits on payment of SSI benefits to incarcerated people, and somewhat milder limits on such payments in the Old-Age, Survivors, and Disability Insurance (OASDI) Program. SSI recipients who are in prison for a full month--regardless of whether they are convicted--are to have their benefits suspended. OASDI recipients who have been convicted of an offense carrying a maximum sentence of 1 year or more are to have their benefits suspended. Those who are convicted of lesser crimes, and those who are in jail while awaiting trial, may still collect OASDI benefits. Currently, those provisions are enforced chiefly by an exchange of computerized data between the Social Security Administration

and the Federal Bureau of Prisons, State prisons, and some county jails. According to SSA's Office of the Inspector General, agreements now cover roughly 73 percent of inmates--all Federal and State prisoners but only about 15 percent of county prisoners. Those agreements are voluntary and involve no payments to the institutions.

This bill proposes to compensate correctional institutions that provide data to SSA. It proposes to provide correctional institutions $400 if they report information to SSA that leads to identification of an ineligible SSI recipient within 30 days of incarceration, and $200 if they report within 30 to 90 days.

Information on prisoners who collect benefits is poor. Inmates may know or suspect that their benefits are illegal and thus hide them, and may misreport such crucial identifying information as Social Security numbers. For its estimate, CBO assumes that between 4 and 5 percent of inmates are collecting OASDI or SSI when they enter prison. That figure appears in a Justice Department survey of prisoners in 1991 and in a recent report by SSA's Office of Inspector General. CBO assumes that the recipient population consists roughly half-and-half of OASDI and SSI recipients. At any one time, about 70 percent of prisoners are in State or Federal prisons and the rest in county jails, where spells of incarceration are much shorter and turnover rates are very high.

The proposal would have two principal budgetary effects. First, the payments to prison officials would spark greater participation in matching agreements. CBO assumed that State prison officials--who now often let matching agreements lapse for several months at renewal--would renew them more promptly, that a majority of counties would sign up, and that data would be submitted with a shorter lag. From a budgetary standpoint, those changes would lead to savings in benefit payments and offsetting costs for the payments to penal institutions. The bill proposes that payments be made only to those institutions that assist in tagging ineligible SSI recipients. Nevertheless, in the course of matching Social Security numbers and other identifying information, SSA would find that some of the inmates collect OASDI. Therefore, benefit savings in both Programs--SSI and OASDI--would result. Second, the proposal would add to the workload of SSA. Even if data are submitted electronically, SSA must follow up manually when it appears that an inmate may be receiving benefits. In many cases, SSA may find that the Social Security number is inaccurate or the inmate has already left the jail, leading to little or no saving in benefits from that particular investigation.

Because these provisions would first apply to prisoners whose periods of incarceration begin 7 months after enactment, CBO assumed that the provision would yield little benefit savings in fiscal year 1997. Thereafter, benefit savings would take another year or two to be fully realized as word spread among State and local correctional officials and as they became more attuned to the specific information (such as accurate Social Security numbers) they would need to provide. CBO assumes that SSA would start making payments (averaging $300) fairly soon to jurisdictions that already have matching agreements, and later to new jurisdictions that sign up. Over the 1997-2002 period, benefit savings are expected by CBO to equal $130 million and payments to jurisdictions to cost $30 million, for a net savings of $100 million; the OASDI component of the benefit savings is $85 million. SSA's extra administrative costs--which, in contrast to those two items, would require Congressional appropriation--are estimated at $70 million.

Title III: Child Support Enforcement

Title III would change many aspects of the operation and financing of the Federal and State child support enforcement system. CBO estimates that relative to current law these changes would cost $25 million in fiscal year 1997 and $74 million in 2002 (see table 3). The key provisions of title III would mandate the use of new enforcement techniques with a potential to increase collections, eliminate a current $50 payment to welfare recipients for whom child support is collected, allow former public assistance recipients to keep a greater share of their child support collections, and authorize new spending on automated systems.

New enforcement techniques.--Based on reports on the performance of various enforcement strategies at the State level, CBO estimates that child support collections received for families on cash assistance in 2002 would increase under the bill by roughly 18 percent over current projections (from $3.6 billion to $4.2 billion). Most of the improvement would result from the creation of a new-hire registry (designed to speed the receipt of earnings information on noncustodial parents) and provisions that would expedite the process by which States seize the assets of noncustodial parents who are delinquent in their child support payments. Some States have already applied the proposed enforcement techniques, thereby reducing the potential for improving collections further. CBO projects that the additional collections would result in savings of roughly $320 million in 2002 to the Federal Government through shared child support collections, as well as reduced spending in food stamps and Medicaid.

Lost AFDC collections due to reduced cases funded by the block grant.-Similar to current law, the bill would require that States share with the Federal Government child support collected on behalf of families who receive cash assistance through the Temporary Assistance for Needy Families block grant. CBO assumes that by 2002, 20 percent of States would significantly reduce the number of families served under the block grant. CBO estimates that this reduction would reduce the Federal share of child support collections by $224 million in 2002. States that reduce the number of families served under the block grant may still provide benefits to those families using their own resources.

Elimination of the $50 passthrough.--Additional Federal savings would be generated by eliminating the current $50 passthrough. Under current law, amounts up to the first $50 in monthly child support collected are paid to the family receiving cash assistance without affecting the level of the welfare benefit. Thus, families for whom noncustodial parents contribute child support get as much as $50 more a month than do otherwise identical families for whom such contributions are not made. Under current law, eight States pay families on public assistance on whose behalf the State receives child support payments a supplemental payment (``gap payment'') based on the amount of the support collected and a standard of need. The proposal would give these States the option of continuing to provide these additional benefits to families. CBO assumes States providing half of the supplemental payments would exercise the option. Eliminating the $50 child support passthrough beginning in 1997 while excluding gap payments from the new rules would save the Federal Government between $100 million and $165 million annually.

Distribution of additional child support to former AFDC recipients.--The provision would require States to share more child support collections with former recipients of public

assistance, reducing Federal and State recoupment of prior benefit payments. When someone ceases to receive public assistance, States continue to collect and enforce the family's child support order. All amounts of child support collected on time are sent directly to the family. If a State collects past-due child support, however, it may either send the amount to the family or use the collection to reimburse itself and the Federal Government for past AFDC payments. The proposal would require States to send a larger share of arrearage collections to families. The new distribution rules would phase in starting in 1998, and States would have the option of applying the new distribution rules earlier. CBO estimates that this provision would cost the Federal Government $51 million in 1998 and $150 million in 2002.

Hold States harmless for lower child support collections.--A hold-harmless provision guarantees each State that its share of child support collections will not fall below the amount it retained in 1995. In general, CBO estimates that States would experience increases in child support collections as a result of this bill. The new distribution rule that allows former AFDC families to keep more support is the only provision that would reduce the States' share of support collections. However, the States' share of collections is based on the collections on behalf of families that receive assistance through the TANF block grant. A State that has significantly fewer families served under the block grant than were served under the AFDC Program may experience lower collections. CBO assumes that 20 percent of States would make caseload reductions significant enough to trigger the hold-harmless provision, at a Federal cost of $29 million in 2002. States that reduce the number of families served under the block grant may still provide benefits to those families using their own resources.

Optional modification of support orders.--Under current law, a State is required to review the child support orders of recipients of public assistance every 3 years. If a review shows a significant change in the financial circumstances of a parent, the child support order is adjusted accordingly. Evaluations of pilot programs testing similar review and modification procedures found that such reviews raised both the average amounts of support orders and the average payments received. This bill makes review and modification a State option unless the family requests such a review. CBO assumes that 40 percent fewer reviews would be performed, resulting in an administrative savings of $5 million in 1997 and a cost, reflecting lower collections due to lower amounts of support orders, of $20 million by 2002.

Additional provisions with budgetary implications.--The bill would also increase Federal spending on several other activities including development, operation, and maintenance of automated data processing, technical assistance to States, reviews and audits, and grants to States for visitation. Federal spending for these other provisions would total $156 million in fiscal year 2002 and $1.2 billion over the 1997-2002 period.

Title IV: Noncitizens

Title IV would limit the eligibility of legal aliens for public assistance programs. It would explicitly make most immigrants ineligible for SSI and food stamp benefits. Significant savings would also be realized in two other programs--Medicaid and the earned income credit. Overall, the provisions of title IV are estimated to reduce the deficit by $1.2 billion in 1997 and by $5.1 billion in 2002 (see table 4).

Supplemental security income.--In general, legal aliens are now eligible for SSI and other benefits administered by the Federal Government. Few aliens, other than refugees, collect SSI during their first few years in the United States, because administrators must deem a portion of a sponsor's income to the alien during that period when determining the alien's eligibility. The bill would eliminate SSI benefits altogether for most legal aliens. Exceptions would be made for groups that together make up about one-quarter of aliens on the SSI rolls: refugees who have been in the country for less than 5 years, aliens who have a solid work history in the United States (as evidenced by 40 or more quarters of employment covered by Social Security), and veterans or active-duty members of the U.S. military. All other legal aliens now on SSI would be reviewed within 1 year and removed from the rolls.

CBO bases its estimate of savings on administrative records for the SSI Program. Those data suggested that there were about 785,000 noncitizen beneficiaries in December 1995, or 13 percent of all recipients of Federal SSI payments in that month, and that their numbers might be expected to climb in the absence of a change in policy. Those records, though, are of uncertain quality. They rarely reflect changes in citizenship status (such as naturalization) that may have occurred since the recipient first began collecting benefits. It has not been important for government agencies to keep citizenship status up to date so long as they have verified that the recipient is legally eligible. That problem is thought to be common to all programs but particularly acute for SSI, where some beneficiaries identified as aliens have been on the rolls for many years. Recognizing this problem, CBO assumes that 15 percent of SSI beneficiaries recorded as aliens are in fact naturalized citizens.

CBO estimates the number of noncitizen recipients who would be removed from the SSI rolls by projecting the future caseload in the absence of policy change and subtracting the groups (chiefly certain refugees and Social Security recipients) exempted under the bill. CBO then assumes that some of the remainder will be spurred to become naturalized. The rest, estimated by CBO at approximately one-half million legal aliens, would be cut from the SSI rolls. Multiplying by the average benefits paid to such aliens--assumed to equal nearly $400 a month in 1997, with subsequent cost-of-living adjustments--yields annual Federal budgetary savings of between $2 billion and $3 billion 1 year after 1997.

These estimates, and other CBO estimates concerning legal aliens, are rife with uncertainties. First, administrative data in all programs are of uncertain quality. Citizenship status is not recorded at all for about 8 percent of SSI recipients, and--as previously noted--some persons coded as aliens are certainly naturalized citizens by now. Second, it is hard to judge how many more noncitizens would react to the legislation by becoming citizens. At least 80 percent of legal aliens now on the SSI rolls are eligible to become citizens; the fact that they have not been naturalized may be attributable, in part, to the lack of a strong financial incentive. After all, legal immigrants are not now barred from most jobs, from eligibility for benefits, or from most other privileges except voting. Because the naturalization process takes time and effort, CBO assumes that only about one-third of those whose benefits would otherwise be eliminated will become citizens by the year 2000.

Food stamps.--The bill proposes the same curbs on food stamp payments to legal aliens as on SSI. Therefore, aliens could not receive food stamps unless they fell in one of the exempted groups--chiefly refugees who have been here for less

than 5 years or aliens with substantial work (defined as 40 quarters) in the United States.

CBO assumes that, under current policies, the number of legal aliens receiving food stamp benefits would climb gradually from about 1.8 million now to 2 million in 2002. Around 800,000 would fall in one of the exempt categories. The rest would lose benefits unless they became naturalized. Again, CBO assumed that some of the aliens targeted for the cutoff would be spurred to become citizens. Savings of about $0.6 billion to $0.7 billion 1 year after 1997 would result.

Medicaid.--Unlike SSI and food stamps, the bill does not call for a mass cutoff of aliens from the Medicaid Program. Instead, it calls for tight restrictions on the eligibility of future immigrants for Medicaid for at least their first 5 years in the United States, but it leaves the coverage of most aliens already here to the option of the States.

The bill forbids States to provide regular Medicaid coverage to future entrants (except refugees) for their first 5 years. New deeming requirements in all means-tested programs would bar most future immigrants with financial sponsors from Medicaid for even longer--until they work for 40 quarters or until they are naturalized. Medicaid coverage for aliens currently residing in the United States would be at the States' option. CBO assumes that States would continue to cover many of these immigrants, because they would otherwise lose Federal Medicaid matching dollars for their care. The bill preserves Medicaid coverage for emergency medical services for all legal immigrants.

A number of legal immigrants currently residing in the United States would lose Medicaid under the bill because they have been eliminated from receiving SSI cash benefits and cannot qualify for Medicaid under any other eligibility category. However, CBO assumed that most disabled and about half of the aged would retain Medicaid under State medically needy programs. In total, CBO assumed that nearly 300,000 aliens would lose their eligibility for Medicaid in 1998 (when the reviews of aliens on the SSI Program have been completed) and that the number would more than double by 2002. CBO estimated the resulting savings by multiplying the number of people losing benefits times the assumed average benefit times the Federal share. That per-capita Federal cost is assumed to be more than $5,000 in 2002 for an average aged or disabled alien, and between $1,000 and $2,000 for a child or a nondisabled adult. CBO reduced the resulting savings by one-third, because the bill explicitly continues coverage for emergency medical care for legal aliens and because other services for aliens may be covered through increases in Medicaid's payments for uncompensated care. Total savings in Federal Medicaid costs are estimated at $0.1 billion in 1997 and $1.5 billion in 2002.

Other direct spending programs.--The foster care program, student loans for postsecondary students, and the child nutrition program would be exempt from any of the restrictions on benefits to legal aliens. title IV is silent on the eligibility for child nutrition programs of schoolchildren who are illegal aliens. However, another provision of the bill--section 742 in title VII--specifically States that the school breakfast and school lunch programs shall continue to administered without regard to students' immigration or citizenship status. Therefore, CBO estimates no savings from restrictions on aliens' eligibility in any of these programs.

Earned income credit.--The bill would deny eligibility for the earned income credit (EIC) to workers who are not authorized to be employed in the United States. In practice,

that provision would require valid Social Security numbers (SSNs) to be filed for the primary and secondary taxpayers on returns that claim the EIC, and would permit the Internal Revenue Service to apply the streamlined rules it already uses for mathematical or clerical errors to claims that lack valid SSNs. A similar provision was contained in President Clinton's 1997 budget proposal and in last fall's reconciliation bill. The Joint Committee on Taxation (JCT) estimates that the provision would reduce the deficit by approximately $0.3 billion a year.

Title V: Child Protection

Title V would extend the enhanced match for the purchase of computer equipment for foster care data collection systems. Under current law, the Federal match for these types of purchases is 75 percent through the end of fiscal year 1996 and will decrease to 50 percent beginning in fiscal year 1997. This provision would continue the 75-percent match for one more year through the end of fiscal year 1997. CBO estimates that this change would increase budget authority by $80 million in fiscal year 1997 and outlays by $66 million in 1997 and $14 million in 1998 (see table 5). This estimate was developed in consultation with analysts at the Department of Health and Human Services and is based on States' estimates of their expenditures under current law and expectations of increased spending if the higher match rate were extended.

title V would also appropriate $6 million a year for fiscal years 1996 through 2002 for a national random sample study of child welfare, increasing direct spending by $37 million over that period. The study would be conducted by the Secretary of Health and Human Services and would track abused or neglected children as they move through States' child welfare systems.

Title VI: Child Care

Title VI would create a new mandatory block grant to States for the provision of child care to low-income people. Individual States would be entitled to the amount they received for AFDC Work-Related Child Care, Transitional Child Care, and At-Risk Child Care in 1994, 1995, or the average of 1992-94, whichever is greatest. States that maintain the higher of their 1994 or 1995 spending on these programs would be able to draw down an additional amount at the Medicaid match rate. Further, the title would allow funds to be redistributed to States that have higher child care needs.

The budget authority for this block grant, as Stated in the bill, would be $1.967 billion in fiscal year 1997 and would total $13.9 billion over the 1997-2002 period. CBO estimates that States would not draw down all of this money and that outlays for the 1997-2002 period would be $12.8 billion (see table 6). CBO assumes that the block grant would not be completely drawn down for several reasons. The block grant levels are over $4 billion, or nearly 50 percent, higher than what would be spent on the child care programs they are replacing. Discussions with State officials and national experts in the field, as well as an examination of how much States would be able to increase spending on working poor families, pointed to CBO's conclusion that States would not be able to use all of the child care money.

The net impact of repealing current law child care programs (in title I) and creating a new block grant under this title would be to increase Federal outlays by $0.3 billion in 1997 and $3.5 billion over the 1997-2002 period.

Title VII: Child Nutrition Programs

CBO estimates that provisions in title VII that affect child nutrition programs would lower Federal outlays by $128 million in fiscal year 1997, $670 million in fiscal year 2002, and $2.85 billion over the 1997-2002 period relative to current law (see table 7).

Special assistance.--The bill would allow all schools that participate in the school lunch and breakfast programs under a provision that allows them to offer all meals free in exchange for collecting applications less frequently to participate for 5 years at a time without a redetermination rather than 3 years at a time. Currently only schools that were participating at the time of the 1994 reauthorization of the programs can participate under these terms. CBO assumes that this change would make participation under such terms slightly more attractive to schools and would cost $1 million a year in each of fiscal years 1999 through 2002.

Rounding rules.--The bill would also change the rounding rules for annual inflation adjustments in the reimbursement rates for meals served to children who pay full price in the school lunch and breakfast programs and the center component of the child and adult care food program. Under current law, the rates are rounded to the nearest quarter cent. Under the bill, the rates for paying children would be rounded down to the nearest whole cent. The change would be effective on July 1, 1997. CBO estimates the provisions would lower Federal outlays for child nutrition programs by $1 million in 1997 and $15 million in 2002.

Summer food service program for children.--Section 706 would reduce reimbursement rates for the summer food service program to $1.97 for lunches, $1.13 for breakfasts, and $0.46 for supplements. These rates would be adjusted for inflation on January 1, 1997, and would first become effective in the summer of 1997. Rates would be rounded to the lower cent, rather than the nearest quarter cent, in the calculation of the annual adjustment for inflation. Under current law, CBO projects the summer 1997 rates would be $2.22 for lunches, $1.24 for breakfasts, and $0.58 for supplements. CBO estimates these provisions would save $19 million in 1997 and $39 million in 2002.

Child and adult care food program.--Section 708 would restructure the family day care home component of the child and adult care food program and would thereby save $80 million in 1997 and $565 million in 2002. Currently, meals served in family day care homes all receive the same reimbursement rates: $1.575 for lunches, $0.8625 for breakfasts, and $0.470 for supplements, from July 1996 to June 1997. The bill would create two tiers of reimbursement rates. The first tier would apply to homes that are located in an area in which at least 50 percent of the children are from households whose incomes are below 130 percent of poverty, or are operated by a provider whose household income is less than 130 percent of poverty. Rates for tier I homes would be the same as current law rates, except the rates would be rounded down each year to the lower cent, rather than to the nearest quarter cent. All other homes would receive a lower, tier II rate--$0.95 for lunch, $0.27 for breakfast, and $0.13 for supplements. These rates would be adjusted annually (beginning July 1, 1997) and rounded down to the lower cent. Homes in tier II would be able to claim the tier I rates for any children who are from families with incomes below 130 percent of poverty. CBO estimates that 35 percent of meals would be reimbursed at the higher, tier I rates, and that

somewhat fewer meals would be served in the program because of the reduction in rates for most meals. In addition, the bill would provide grants to States in 1997 for training and other assistance to sponsoring organizations and homes in implementing the new provisions.

Section 708 would also limit to three the number of meals that can be reimbursed in a given day in eligible child care centers. CBO estimates savings of $10 million in 1997 and $20 million in 2002 from this change.

In total, CBO estimates savings of $90 million in 1997 and $585 million in 2002 from changes in the child and adult care food program.

School breakfast program authorization.--Section 723 of the bill would eliminate funding for school breakfast startup grants under the Child Nutrition Act starting in fiscal year 1997. Startup grants are currently funded at $5 million a year through fiscal year 1997, $6 million in fiscal year 1998, and $7 million in fiscal year 1999. Funds are to be used for assisting schools and other institutions in initiating and expanding school breakfast programs and summer food service programs. In addition, CBO estimates that repealing the money for startup grants would result in fewer meals served over the period. The savings from fewer meals would be $3 million in 1997 and $22 million in 2002.

Nutrition education and training.--Section 731 would shift funding for nutrition education and training to be a discretionary appropriation rather than mandatory spending. CBO estimates $10 million each year in direct spending savings starting in fiscal year 1997.

Noncitizens served in child nutrition programs.--Section 742 provides that if an individual is eligible to receive public education in a State, assistance under the National School Lunch Act and the Child Nutrition Act shall not be contingent on citizenship or immigration status. This section conflicts with a general provision in title IV of the bill which could eliminate eligibility for means-tested child nutrition programs for undocumented noncitizens. CBO estimates that there would be no savings from the provision of title IV because this provision would supersede it.

Title VIII: Food Stamps and Commodity Distribution

CBO estimates that changes to food stamps in title VIII of the bill would reduce Federal outlays by $1.8 billion in 1997, $5.0 billion in 2002, and $23.1 billion over the 1997-2002 period relative to current law (see table 8). The following paragraphs describe the savings attributable to specific provisions.

Treatment of children living at home.--Under current law, members of households who purchase food and prepare meals together must generally participate in the program as part of the same food stamp unit. In addition, certain people, such as spouses who live together, are required to participate in the same unit. The bill would change the definition of household by removing the exception in current law that allows persons age 21 and under who are themselves parents or married, and who live with a parent, to participates a separate household. This change would lower food stamp benefits because income and resources of the household members who are not now in the food stamp unit would be counted. CBO estimates that the change would affect about 150,000 current food stamp households and would reduce food stamp outlays by $115 million in 1997 and $290 million in 2002.

Adjustment of thrifty food plan.--Section 804 of the bill

would reduce the maximum food stamp benefit relative to current law. Under current law, maximum benefits are set each October at 103 percent of the cost of the thrifty food plan--a specific low-cost diet for a family of four. For fiscal year 1996, maximum benefits are $397 a month for a family of four. The bill would set maximum benefits at 100 percent of the thrifty food plan beginning with the October 1996 adjustment, but would not allow the nominal maximum benefit to decline from fiscal year 1996 to fiscal year 1997. The change would lower average food stamp benefits (compared with current law) by about $3 per person a month in 1997. CBO estimates that food stamp outlays would decrease by $935 million in 1997 and $1.2 billion in 2002 as a result of this change.

Earnings of older students.--Under current law, earned income of household members who are elementary or secondary school students and are 21 years old or younger is disregarded in the consideration of income for food stamps. Section 807 would lower the cutoff to age 17. CBO estimates that this change would lower spending for food stamps by $10 million in fiscal year 1997 and $15 million in 2002.

Energy assistance.--Under this legislation, energy assistance from nonFederal sources would be counted as income in determining food stamp benefits; currently, no energy assistance is counted as income. A handful of States currently provide part of their AFDC or General Assistance benefit as a separate energy assistance payment, which is disregarded in the calculation of food stamp benefits. CBO estimates that a $1 increase in countable income to a food stamp household results in about a 30-cent reduction in food stamp benefits. In the 9 States that currently make separate energy assistance payments, the payments range from about $15 a month to $120 a month. CBO estimates that counting these State energy assistance payments as income would save $125 million in food stamp benefits in 1997 and $180 million in 2002.

Deductions from income.--Section 809 of the bill would set the standard deduction in most States at $134 for fiscal year 1997 and later years. Under current law, the standard deduction is to be adjusted annually to reflect changes in the Consumer Price Index (CPI). CBO estimates that the level of the standard deduction would be $8 below current law in fiscal year 1997 and $30 below current law in 2002. The corresponding savings from the reduction in the standard deduction would be $345 million in 1997, rising to $1.5 billion in 2002. This amount corresponds to an average decrease in monthly benefits, relative to current law, of $1 per person in 1997 and about $4 per person by 2002.

The 1997 Agriculture Appropriations Act froze the standard deduction in food stamps for fiscal year 1997 at $134, the same level as is set by this bill. Because that bill passed both houses of Congress before the Personal Responsibility and Work Opportunity Reconciliation Act, CBO does not include any savings for fiscal year 1997 from the freeze of the standard deduction in its estimate of this bill.

Section 809 would also retain the cap on the excess shelter expense deduction. In determining food stamp benefits, shelter costs are deducted to the extent that they exceed 50 percent of net income after all other deductions. Under current law the excess shelter deduction is capped at $247 through December 1996, when the cap expires. This bill would extend the cap at $250 for the remainder of fiscal year 1997 and fiscal year 1998, $275 for fiscal years 1999 and 2000, and $300 for each later fiscal year. CBO estimates savings of $350 million in fiscal year 1997 and $500 to $550 million in each later year from this change.

The bill would allow States to require the use of a standard utility allowance for determining utility costs counted toward the shelter deduction, rather than allowing recipients to use actual utility costs, if higher, as under current law. In States that do not require the use of a standard utility allowance, households would be allowed to change between the standard utility allowance and actual costs only at recertification, rather than at one additional time during a certification period. CBO estimates that States representing half of total food stamp outlays would choose to adopt a mandatory standard utility allowance. These provisions would lower food stamp outlays by $35 million in 1997 and $85 million in 2002.

The bill also would require States to establish a standard homeless shelter deduction of $143 or less per month for homeless households that do not receive free shelter throughout the month. Currently, homeless households claim a standard shelter expense amount set by the State, or actual shelter expenses, if higher. CBO estimates that the provision would save $5 million a year by 2002.

Vehicle allowance.--Section 810 would freeze the vehicle allowance at $4,650 for fiscal years beginning with fiscal year 1997. Under current law, the fair market value of vehicles is counted as an asset in determining food stamp eligibility when the value is more than $4,600. This figure is scheduled to increase to an estimated $5,150 for fiscal year 1997 and to increase in each succeeding year for inflation. CBO estimates that freezing the vehicle allowance at $4,650 would reduce food stamp outlays by $45 million in 1997 and $245 million in 2002.

Vendor payments for transitional housing counted as income.--Housing assistance payments made to a third party on behalf of a household that resides in transitional housing for the homeless are not now counted as income. Section 811 would delete this exclusion. CBO estimates savings of $10 million a year as a result of the change.

Disqualification, comparable treatment for disqualification, permanent disqualification for participating in two or more States, and failure to comply with other welfare and public assistance programs.--Four sections of the bill would change the penalties associated with noncompliance with public assistance requirements. Section 815 would increase the penalties and revise sanctions for individuals and households that fail to comply with work rules. CBO estimates the longer periods of disqualification for people found to have not complied with work requirements would save $5 million a year.

Section 819 would allow States to disqualify an individual from food stamps if the individual is disqualified from another public assistance program for failing to perform a required action under that program. For example, if an individual is disqualified from AFDC for failure to have a child immunized under a State's welfare reform initiative, the individual could also be disqualified from food stamps. CBO estimates that this provision would save $20 million a year from 1997 through 2001 and $25 million in 2002.

Section 820 would permanently disqualify from food stamps any individual who is found to have participated fraudulently in the Food Stamp Program simultaneously in two or more States. Under current law, an individual is disqualified from food stamps permanently only after the third violation and faces periods of ineligibility for the first and second violation. CBO estimates that the provision would save approximately $5 million a year.

Section 829 would prohibit food stamp benefits from increasing if benefits are reduced under another public

assistance program for the failure to perform an action required under that program. In addition, the State agency could reduce the food stamp allotment by up to 25 percent. CBO estimates the provision would save $25 million a year.

Employment and training.--The 1996 farm bill (Public Law 104-127) provided funding for grants to States for food stamp employment and training at $75 million for each fiscal year through 2002. Section 817 would fund the program at higher levels in each fiscal year. CBO estimates costs of $2 million in fiscal year 1997 and $15 million in 2002 from the change.

Food stamp eligibility.--Under current law, if a household has a member who is not eligible for food stamps on the basis of his or her citizenship status, the income of that person is prorated, and only a portion of it is counted toward the food stamp benefit. Section 818 would give States the option to count all of the ineligible person's income. CBO assumes that one-quarter of the States would elect this option and that food stamp spending would be lowered by $15 million in 1997 and $27 million in 2002.

Cooperation with child support agencies.--Two sections of the bill would address the relationship between the child support enforcement system and individuals who receive food stamps. Section 822 would allow States to require custodial parents to cooperate in child support enforcement as a condition for food stamp eligibility. Requiring custodial parents to participate in child support enforcement affects only custodial parents who receive food stamps but not AFDC because AFDC recipients are already required to comply with child support enforcement. Based on a recent study published by the Food and Consumer Service, CBO estimates that the Food Stamp Program would save money because some recipients would receive more income from child support, a few additional people would choose not to participate in the program, and some participants would have their benefits reduced for noncompliance. Because of the administrative costs of finding noncustodial parents and obtaining and enforcing child support orders, much of the food stamp savings would be offset by costs in the child support enforcement system. These costs are shared by States and the Federal Government. In 2000, when the provision would be fully implemented, CBO estimates that States with 25 percent of the food stamp caseload would opt to implement the provision, outlays for food stamps would be $20 million lower, and Federal outlays for child support enforcement would be $15 million higher.

Section 823 would allow States to eliminate food stamp eligibility for noncustodial parents who are delinquent in payment of child support. CBO estimates that States with 50 percent of the caseload would choose to deny food stamp eligibility to individuals in arrears on child support payments. This change would eliminate 25,000 people from the program and save $30 million annually by 2002.

Work requirement.--Section 824 would limit receipt of food stamp benefits to a period of 3 months in any 36-month period for able-bodied individuals who do not have dependent children and who are not working or participating in an appropriate training or work activity. Based on the Food Stamp Quality Control (QC) data, the Survey of Income and Program Participation (SIPP), and studies of caseload dynamics, CBO estimates that approximately 1.1 million people would potentially be subject to disqualification in an average month.

The bill allows for a number of waivers and exemptions from the 3-month restriction. First, if the Secretary of Agriculture determines that an area has an unemployment rate greater than 10 percent or has insufficient jobs, the area could receive a

waiver from the provision. CBO estimates that 2 percent of people who would otherwise be disqualified because of the provision would live in areas under a waiver. Second, an individual could reestablish eligibility for another 3-month period after a month of working or participating in an allowable employment or training program. CBO estimates that about 30,000 people in an average month would be in a subsequent period of eligibility within the 36-month period. Furthermore, CBO assumes that States would dedicate their food stamp employment and training efforts toward people who would otherwise be disqualified and would serve over 140,000 individuals in an average month. After these exclusions, the provision would remove an estimated 800,000 individuals from the rolls in an average month in fiscal year 1998 and up to 1 million individuals in an average month once the provision is implemented fully, resulting in savings of $160 million in food stamp benefits in 1997 and $1.1 billion in 2002.

Minimum allotment.--Food stamp households with one or two persons who are eligible for less than $10 a month receive a minimum allotment of $10. This minimum allotment is currently adjusted each October to reflect the change in the cost of the thrifty food plan, with the result rounded to the nearest $5. Under CBO's economic forecast, the minimum benefit would rise to $15 in 1998. Section 826 would remove the inflation adjustment and keep the minimum benefit at $10. CBO estimates that retaining a $10 minimum benefit would save $30 million in each of fiscal years 1998 to 2000 and $35 million in 2001 and 2002.

Benefits on recertification.--Current law allows food stamp households that fail to complete recertification requirements in the last month of a certification period to receive full benefits in the following month if they are certified eligible by the end of the first month of the subsequent certification period. Section 827 would prorate benefits for the first month of the new certification period based on the date on which the household is determined to be eligible. CBO estimates this change would save $25 million a year in 1997 through 2000 and $30 million in 2001 and 2002.

Income, eligibility, and immigration status verification systems.--Section 840 would grant States a greater degree of flexibility in the types of verification systems they use, resulting in $5 million a year in estimated savings.

Collection of overissuances.--Section 844 would amend the procedures for collecting claims and would save money in four ways. First, CBO estimates savings of $5 million a year from mandating States to use the Internal Revenue Service tax offset procedures. Second, allowing States to recoup benefits to collect overpayments resulting from errors by State agencies would save another $5 million a year. Third, allowing for garnishing of Federal pay in instances of food stamp overissuance would save $1 million a year once it is fully implemented but $5 million in fiscal years 1998 and 1999 because the provision would affect a backlog of overissuances.

Fourth, the bill would change claims retention rates to allow States to retain 35 percent of all claims collected from overissuances due to fraud and 20 percent for other types of collections, except for collections from claims resulting from State agency error. Under this policy the Federal Government would receive a larger portion of claims collections and States would retain less. This change would result in additional estimated savings to the Federal Government of about $15 million in 1997 through 2001 and $20 million in 2002.

Limitation of Federal match for optional information activities.--Section 847 would end the Federal match of

administrative funds spent on informational activities. Based on information from the Food and Consumer Service, CBO estimates that $2 million a year would otherwise be spent on these activities.

Work supplementation or support program.--Section 849 would allow States to use the amount of food stamp benefits that would otherwise be provided to a household to subsidize employers in hiring and employing public assistance recipients for up to 1 year for any given recipient. CBO estimates that the Federal Government would incur additional costs from this provision, because research has demonstrated that persons participating in grant diversion programs receive public assistance for longer periods of time. Based on the interest of States in work supplementation programs in the JOBS Program, CBO assumes that about 20,000 additional people would participate in a work supplementation program in any given month once the provision is implemented fully. CBO estimates that food stamp outlays would be higher by $30 million in 2000, when the programs would be fully implemented.

Employment initiatives program.--Section 852 would allow States where half or more of the food stamp households in the summer of 1993 were also AFDC recipients to pay benefits in cash to households that also receive benefits from AFDC or Temporary Assistance for Needy Families and have a member who is employed. Based on recent studies of cash-out demonstrations, CBO estimates that issuing food stamps as cash saves about $1 a month relative to coupon issuance. Furthermore, based on QC data, CBO estimates that 10 States would be eligible to participate based on the proportion of their caseload that was also receiving AFDC benefits in the summer of 1993, and that these States would have about 300,000 households eligible for cash benefits under the policy. CBO anticipates that States with half of the households eligible for cash benefits would choose to provide benefits in cash, and that total savings would be $2 million a year once the provision is phased in.

Simplified Food Stamp Program. Section 854 would give States the option of simplifying Food Stamp Program rules, within certain limits, for families that receive assistance under AFDC or TANF. The bill stipulates that the Secretary of Agriculture could approve a State plan for a simplified program only if the State documents that the plan would not increase Federal costs. CBO cannot determine how many States would apply to use simplified rules or what the Secretary's criteria for approving such plans would be. Because there is no mechanism for States to reimburse the Federal Government if costs are higher than under current rules, and because there is a lag between when such costs occur and when corrective action is taken, CBO estimates that the provision would entail some costs. CBO estimates higher food stamp outlays of $5 million in fiscal year 1998 and $25 million in fiscal year 2002.

Emergency Food Assistance Program.--The Emergency Food Assistance Program is currently subject to annual appropriation. Section 871 of the bill would create an entitlement to States for their portion of the program and would fund it at $100 million a year.

Interactions among provisions.--The estimates of individual provisions shown in table 8 do not reflect the effects of other provisions in the title. If the bill were enacted, total savings would be less than the sum of the estimates of individual provisions. For example, savings attributed to lower maximum benefits, a lower standard deduction, and the reinStatement of the cap on the excess shelter deduction--which are estimated based on food stamp participation under current

law--would not be achieved for people who would lose their benefits because of the work requirements. CBO estimates that the interactions among overlapping provisions in title VIII would reduce savings relative to the sum of the independent estimates by $20 million in 1997 and $166 million in 2002.

Title IX: Miscellaneous

This title of the bill includes reductions in the Social Services Block Grant and the earned income credit to achieve total budget savings (including the revenue effect) of $0.6 billion in 1997 and $3.9 billion during the 1997-2002 period (see table 9).

Reduction in Social Services Block Grant.--Under title XX of the Social Security Act, funds in the form of a block grant are made available to States for them to provide a variety of social services to low-income families and individuals. Among the services covered are home-based services (such as homemaker, home health, and home maintenance), day care for children and adults, special services for the disabled, social support, prevention and intervention services, family planning, as well as many other services. The Social Services Block Grant has a permanent authorization of $2.8 billion. title IX would reduce this amount by 15 percent, resulting in outlay savings of $375 million in 1997 and $2.5 billion over 6 years.

Earned Income Credit.--The earned income credit (EIC) is a refundable tax credit directed toward low-income workers. The refundable portion of the credit has estimated outlays of $18.4 billion in 1996. Under current law, income tax filers with two or more children are eligible for an EIC of 40 percent of earnings in 1996 with a maximum credit of $3,556. The credit is phased out based on the maximum of earnings or adjusted gross income over the range from $11,610 to $28,495. The maximum credit for a return with one child is $2,152, and it is phased out at incomes between $11,610 and $25,078. Finally, a maximum credit of $323 is available for filers without children and is phased out over the $5,280-$9,500 range. title IX contains two changes to the EIC.

Section 909 would require that the EIC be denied in cases where the tax filer had disqualified income. Under current law, tax filers with more than $2,350 in taxable investment income are disqualified from the use of the EIC. The bill would lower the limit to $2,200 and would expand the definition of investment income to include positive capital gains and passive income. This change, which would be effective for tax years beginning after December 31, 1995, would reduce outlays by $170 million in 1997 and $947 million over the 1997-2002 period. The corresponding revenue increases are $26 million and $151 million, respectively.

Section 910 would modify the definition of adjusted gross income (AGI) for the calculation of the EIC. Certain losses--such as from nonbusiness rent and royalties, capital losses, and other business or investment losses--would not be allowed in modified AGI for the calculation of the EIC. Outlays for the refundable component of the EIC would be reduced by $98 million in 1997 and $704 million over 6 years. Revenues would be higher by $15 million in 1997 and by $128 million over the 1997-2002 period.

Because of interactions between the various EIC provisions, including those in title IV and title IX, the total estimated effects of the changes to the EIC differs from the sum of the individual estimates over 6 years.

Abstinence Education.--Subtitle D of title IX would amend the Social Security Act to authorize grants to States for the

purpose of providing abstinence education, which is defined as an educational or motivational program which ``has as its exclusive purpose, teaching the social, psychological, and health gains to be realized by abstaining from sexual activity.'' The bill would provide $50 million in budget authority for these activities in each of the fiscal years 1998 through 2002. The funds would be distributed among the States according to the proportion of children in each State. CBO estimates that outlays of $18 million in 1998 and $203 million through 2002 would result.

SUMMARY TABLE I.--FEDERAL BUDGET EFFECTS OF H.R. 3734, THE RECONCILIATION ACT OF 1996; As pa
Assumes enactment by Septe
[By fiscal year, in million

	1995	1996	199
Projected Direct Spending Under Current Law:			
Family Support Payments \1\	$18,086	$18,371	$18,
Food Stamp Program \2\	25,554	26,220	28,
Supplemental Security Income	24,510	24,017	27,
Medicaid	89,070	95,786	105,
Child Nutrition \3\	7,899	8,428	8,
Old-Age, Survivors and Disability Insurance	333,273	348,186	365,
Foster Care \4\	3,282	3,840	4,
Social Services Block Grant	2,797	2,880	3,
Earned Income Credit	15,244	18,440	20,
Maternal and Child Health	0	0	
Total	519,715	546,168	581,
Proposed Changes:			
Family Support Payments \1\	0	*	
Food Stamp Program \2\	0	*	-2,
Supplemental Security Income	0	*	-
Medicaid	0	0	
Child Nutrition \3\	0	*	-
Old-Age, Survivors and Disability Insurance	0	0	
Foster Care \4\	0	*	
Social Services Block Grant	0	0	-
Earned Income Credit	0	0	-
Maternal and Child Health	0	0	
Total	0	*	-2,
Revenues:			
Earned Income Credit	0	*	
Net Deficit Effect	0	*	-2,
Projected Direct Spending Under Proposal:			
Family Support Payments \1\	18,086	18,371	19,
Food Stamp Program \2\	25,554	26,220	25,
Supplemental Security Income	24,510	24,017	27,
Medicaid	89,070	95,786	105,
Child Nutrition \3\	7,899	8,428	8,
Old-Age, Survivors and Disability Insurance	333,273	348,186	365,
Foster Care \4\	3,282	3,840	4,
Social Services Block Grant	2,797	2,880	2,
Earned Income Credit	15,244	18,440	19,
Maternal and Child Health	0	0	
Total	519,715	546,168	578,

Note.--Details may not add to totals because of rounding.
* Denotes less than $500,000.
\1\ Under current law, Family Support Payments includes spending on Aid to Families
administrative costs for child support enforcement, net Federal savings from chil
Training Program (JOBS). Under proposed law, Family Support Payments would includ
Grant, administrative costs for child support enforcement, the Child Care Block G
\2\ Food Stamps includes Nutrition Assistance for Puerto Rico under both current la
proposed law.
\3\ Child Nutrition Programs refer to direct spending authorized by the National Sc
\4\ Under current law, Foster Care includes Foster Care, Adoption Assistance, Indep
law, Foster Care includes these programs plus the National Random Sample Study of

SUMMARY TABLE II.--FEDERAL BUDGET EFFECTS OF H.R. 3734
THE PERSONAL RESPONSIBILITY AND WORK OPPORTUNITY RECONCILIATION
As passed by the Congress
Assumes enactment by September 1, 1996
[By fiscal year, in millions of dollars]

	1996	1997	1998	1999	2000
Direct Spending:					
Title I: Temporary Assistance For Needy Families Block Grant					
Budget Authority	$10	$-212	$-1,125	$-989	$-837
Outlays	*	-569	-937	-819	-667
Title II: Supplemental Security Income					
Budget Authority	*	-408	-1,031	-1,525	-1,869
Outlays	*	-408	-1,031	-1,525	-1,869
Title III: Child Support Enforcement					
Budget Authority	88	-21	144	168	183
Outlays	*	25	148	172	184
Title IV: Restricting Welfare And Public Benefits For Aliens					
Budget Authority	*	-1,174	-3,947	-4,311	-4,662
Outlays	*	-1,174	-3,947	-4,311	-4,662
Title V: Child Protection					
Budget Authority	6	86	6	6	6
Outlays	*	68	25	6	6
Title VI: Child Care					
Budget Authority	*	1,967	2,067	2,167	2,367
Outlays	*	1,635	1,975	2,082	2,227
Title VII: Child Nutrition Programs					
Budget Authority	*	-151	-449	-505	-563
Outlays	*	-128	-403	-494	-553
Title VIII: Food Stamps And Commodity Distribution					
Budget Authority	*	-1,792	-3,539	-3,918	-4,282
Outlays	*	-1,792	-3,539	-3,918	-4,282
Title IX: Miscellaneous					
Budget Authority	0	-641	-594	-597	-608
Outlays	0	-596	-626	-612	-608
Total, Direct Spending					
Budget Authority	104	-2,346	-8,468	-9,504	-10,265
Outlays	*	-2,939	-8,335	-9,420	-10,223

* Denotes less than $500.000.

TABLE 1.--FEDERAL BUDGET EFFECTS OF H.R. 3734, THE PERSONAL RESPONSI
TITLE I--TEMPORARY ASSISTANCE FOR NEEDY FAMILIES B
Assumed to be enacted by Sep
[By fiscal year, in million

	1996	1997	19
Direct Spending:			
Repeal AFDC, Emergency Assistance, and JOBS			
Family Support Payments			
Budget Authority	*	$-8,021	$-1
Outlays	*	-7,925	-1
Repeal of Child Care Programs \1\			
Family Support Payments			
Budget Authority	0	-1,405	-
Outlays	0	-1,345	-
Authorize Temporary Family Assistance Block Grant \1\			
Family Support Payments			
Budget Authority	*	8,368	1
Outlays	*	8,300	1
Supplemental Grants related to Population Growth and Poverty Level			
Family Support Payments			
Budget Authority	0	0	
Outlays	0	0	
Food Stamp Program			
Budget Authority	0	0	
Outlays	0	0	
Grants to States that Reduce Out-of-Wedlock Births			
Family Support Payments			
Budget Authority	0	0	
Outlays	0	0	
Bonus to Reward High Performance States			
Family Support Payments			
Budget Authority	0	0	
Outlays	0	0	
Contingency Fund \3\			
Family Support Payments			
Budget Authority	0	107	
Outlays	0	107	
Food Stamp Program			
Budget Authority	0	-5	
Outlays	0	-5	
Loans to States for Welfare Programs			
Family Support Payments			
Budget Authority	0	0	
Outlays	0	0	
Study by the Bureau of the Census			
Family Support Payments			
Budget Authority	$10	10	
Outlays	*	4	
Research, Evaluations, and National Studies			
Family Support Payments			
Budget Authority	0	15	
Outlays	0	3	
Grants to Indian Tribes that received JOBS Funds in 1995			
Family Support Payments			
Budget Authority	0	8	
Outlays	0	6	
Hold States Harmless for Cost-Neutrality Liabilities			

Family Support Payments			
Budget Authority	0	50	
Outlays	0	50	
Penalties for State Failure to Meet Work Requirements			
Family Support Payments			
Budget Authority	0	0	
Outlays	0	0	
Grants to Territories			
Family Support Payments			
Budget Authority	0	116	
Outlays	0	116	
Extension of Transitional Medicaid Benefits			
Medicaid			
Budget Authority	0	0	
Outlays	0	0	
Increased Medicaid Administrative Payment			
Medicaid			
Budget Authority	0	500	
Outlays	0	75	
Effect of the Temporary Assistance Block Grant on the Food Stamp Program			
Food Stamp Program			
Budget Authority	0	45	
Outlays	0	45	
Effect of the Temporary Assistance Block Grant on the Foster Care Program			
Foster Care Program			
Budget Authority	0	0	
Outlays	0	0	
Effect of the Temporary Assistance Block Grant on the Medicaid Program \4\			
Medicaid			
Budget Authority	0	0	
Outlays	0	0	
Total Direct Spending, Title I, By Account:			
Family Support Payments			
Budget Authority	10	-752	-
Outlays	0	-684	-
Food Stamp Program			
Budget Authority	0	40	
Outlays	0	40	
Foster Care Program			
Budget Authority	0	0	
Outlays	0	0	
Medicaid			
Budget Authority	0	500	
Outlays	0	75	
Direct Spending total, All Accounts--Title I:			
Budget Authority	10	-212	-
Outlays	0	-569	

* Denotes less than $500,000.
\1\ Funds for existing child care programs are repealed by this title, but equal or
\2\ States have the option to begin to operate under the Temporary Assistance for N
July 1, 1997. A few States may opt to do so in FY 1996 creating small savings in the TANF Program.
\3\ The bill appropriates $2 billion for the contingency fund for use in years 1997
because section 257(b)(2) of the Balanced Budget and Emergency Deficit Control Ac
programs greater than $50 million dollars are continued.
\4\ The bill retains categorical eligibility for Medicaid for families that meet th
they are in current law.

TABLE 2.--FEDERAL BUDGET EFFECTS OF H.R. 3734, THE PERSONAL RESPONSIBILITY AND WOR
ACT OF 1996
TITLE II--SUPPLEMENTAL SECURITY INCOME; As passed by the Co
Assumed to be enacted by September 1, 1996
[By fiscal year, in millions of dollars]

	1996	1997	1998	1999	2000
Direct Spending:					
SSI Benefits to Certain Children:					
Supplemental Security Income:					
Budget Authority.....	*	$-125	$-925	$-1,450	$-1,800
Outlays.....	*	-125	-925	-1,450	-1,800
Family Support Payments:					
Budget Authority.....	*	\1\	\1\	\1\	\1\
Outlays.....	*	\1\	\1\	\1\	\1\
Food stamps \2\					
Budget Authority.....	*	20	130	210	240
Outlays.....	*	20	130	210	240
Medicaid:					
Budget Authority.....	*	-5	-25	-40	-45
Outlays.....	*	-5	-25	-40	-45
Subtotal, provision:					
Budget Authority.....	*	-110	-820	-1,280	-1,605
Outlays.....	*	-110	-820	-1,280	-1,605
Reduction in SSI Benefits to Certain Hospitalized Children With Private Insurance:					
Supplemental Security Income:					
Budget Authority.....	0	-40	-55	-60	-70
Outlays.....	0	-40	-55	-60	-70
Funding for Cost of Reviews: \2\					
Supplemental Security Income:					
Budget Authority.....	0	\3\	\3\	0	0
Outlays.....	0	\3\	\3\	0	0
End Payment of Prorated Benefits for Month of Application:					
Supplemental Security Income;					
Budget Authority.....	*	-55	-130	-150	-160
Outlays.....	*	-55	-130	-150	-160
Pay Large Retroactive Benefit Amounts in Installments:					
Supplemental Security Income:					
Budget Authority.....	0	-200	-15	-15	-15
Outlays.....	0	-200	-15	-15	-15
Make Payments to Penal Institutions That Report Ineligible SSI Recipients:					
Old-Age, Survivors and Disability Insurance--benefits saved: \4\					
Budget Authority.....	0	-5	-10	-15	-15

Outlays.....	0	-5	-10	-15	-15
Supplemental Security Income--benefits saved:					
Budget Authority.....	0	-*	-5	-10	-10
Outlays.....	0	-*	-5	-10	-10
Old-Age, Survivors and Disability Insurance--payments to prison officials:					
Budget Authority.....	0	0	0	0	0
Outlays.....	0	0	0	0	0
Supplemental Security Income--payments to prison officials:					
Budget Authority.....	0	2	4	5	6
Outlays.....	0	2	4	5	6
Subtotal, provision:					
Budget Authority.....	0	-3	-11	-20	-19
Outlays.....	0	-3	-11	-20	-19
Total Direct Spending:					
Supplemental Security Income:					
Budget Authority.....	*	-418	-1,126	-1,680	-2,049
Outlays.....	*	-418	-1,126	-1,680	-2,049
Food Stamps: \2\					
Budget Authority.....	*	20	130	210	240
Outlays.....	*	20	130	210	240
Medicaid:					
Budget Authority.....	*	-5	-25	-40	-45
Outlays.....	*	-5	-25	-40	-45
Family Support Payments:					
Budget Authority.....	*	\1\	\1\	\1\	\1\
Outlays.....	*	\1\	\1\	\1\	\1\
Old-Age, Survivors and Disability Insurance:					
Budget Authority.....	0	-5	-10	-15	-15
Outlays.....	0	-5	-10	-15	-15
Total, All Accounts:					
Budget Authority.....	*	-408	-1,031	-1,525	-1,869
Outlays.....	*	-408	-1,031	-1,525	-1,869

* Denotes less than $500,000.
\1\ Proposed to be block-granted elsewhere in the bill.
\2\ Includes interactions with other food stamp provisions of the bill.
\3\ The bill proposes an adjustment to the discretionary spending caps of $150 mill in 1998 to cover the costs of reviewing 300,000 to 400,000 children on the SSI ro criteria. The bill does not, however, directly appropriate that money. Its availa future appropriation action. In addition to those one-time costs of $250 million require that most disabled children who qualify even under the tighter eligibilit 3 years to see if their medical condition has improved. That cost, which CBO esti year beginning in 1998, could be met by raising the caps on discretionary spendin 121. The cap adjustment in that law, however, was designed to cover periodic revi of one-time reviews that would be mandated in 1997 by this legislation.
\4\ The provision would encourage prison officials to exchange data with SSA by pay providing information that helps to identify each inmate who receives SSI and who be suspended. In the course of checking that information, SSA would find that som Therefore, although the language makes no mention of OASDI, savings in that progr

TABLE 3.--FEDERAL BUDGET EFFECTS OF H.R. 3734, THE PERSONAL RESPONSI
TITLE III--CHILD SUPPORT ENFORCEMENT;
Assumed to be enacted by Sep

[Outlays by fiscal year, in mil

	1996	1997
New Enforcement Techniques:		
State directory of new hires		
Family support payments	0	0
Food stamp program	0	0
Medicaid	0	0
Subtotal	0	0
State laws providing expedited enforcement of child support:		
Family support payments	0	0
Food stamp program	0	0
Medicaid	0	0
Subtotal	0	0
State laws concerning paternity:		
Family support payments	0	$-16
Food stamp program	0	-3
Medicaid	0	-2
Subtotal	0	-21
Suspend Drivers' Licenses:		
Family support payments	0	-4
Food stamp program	0	-2
Medicaid	0	-1
Subtotal	0	-8
Adoption of uniform state laws:		
Family support payments	0	10
Food stamp program	0	0
Medicaid	0	0
Subtotal	0	10
Subtotal, New Enforcement	0	-19
Lost AFDC Collections due to Reduced Cases Funded by Block Grant Funds:		
Family support payments	0	0
Food stamp program	0	0
Medicaid	0	0
Subtotal	0	0
Eliminate $50 Passthrough and Exclude Gap Payments from Distribution Rules at State Option:		
Family support payments	0	-222
Food stamp program	0	114
Medicaid	0	0
Subtotal	0	-108
Distribute Child Support Arrears to Former AFDC Families First:		
Family support payments	0	0
Food stamp program	0	0
Medicaid	0	0
Subtotal	0	0
Hold States Harmless for Lower Child Support Collections:		
Family support payments	0	0
Food stamp program	0	0
Medicaid	0	0

Subtotal	0	0
Optional Modification of Support Orders:		
Family support payments	0	-5
Food stamp program	0	0
Medicaid	0	0
Subtotal	0	-5
Other Provisions with Budgetary Implications:		
Automated data processing development		
Family support payments	*	83
Food stamp program	0	0
Medicaid	0	0
Subtotal	*	83
Automated data processing operation and maintenance:		
Family support payments	0	12
Food stamp program	0	0
Medicaid	0	0
Subtotal	0	12
Technical assistance to state programs:		
Family support payments	*	48
Food stamp program	0	0
Medicaid	0	0
Subtotal	*	48
State obligation to provide services:		
Family support payments	0	0
Food stamp program	0	0
Medicaid	0	0
Subtotal	0	0
Federal and state reviews and audits:		
Family support payments	0	3
Food stamp program	0	0
Medicaid	0	0
Subtotal	0	3
Grants to States for Visitation:		
Family support payments	*	10
Food stamp program	0	0
Medicaid	0	0
Subtotal	*	10
Subtotal, Other provisions	*	156
Total, by account:		
Family support payments	*	-81
Food stamp program	0	109
Medicaid	0	-3
Total	*	25
Family support payments: Budget Authority: **		
Automated data processing development	42	42
Technical assistance to state programs	36	44
Grants to States for Visitation	10	10
All other Provisions	0	-222
Total	88	-127

* Denotes less than $500,000.

** Budget Authority is generally equal to the Outlays shown in this table. Where th

TABLE 4.--FEDERAL BUDGET EFFECTS OF H.R. 3734, THE PERSONAL RESPONSI
TITLE IV--RESTRICTING WELFARE AND PUBLIC BENEFITS
Assumed to be enacted by Sep
[By fiscal year, in million

	1996	1997
Direct Spending:		
Supplemental Security Income		
Budget Authority	*	$-375
Outlays	*	-375
Food Stamps \1\		
Budget Authority	*	-470
Outlays	*	-470
Medicaid		
Budget Authority	*	-105
Outlays	*	-105
Family support payments		
Budget Authority	0	\2\
Outlays	0	\2\
Child nutrition \3\		
Budget Authority	0	0
Outlays	0	0
Earned income credit		
Budget Authority	0	-224
Outlays	0	-224
Total Direct Spending:		
Budget Authority	0	-1,174
Outlays	0	-1,174
Revenues:		
Earned income credit	0	28
Deficit Effect	*	-1,202

Note: The CBO estimate assumes that the proposed exemption for public health progra
Medicaid funding for pediatric vaccines.
* Denotes less than $500,000.
\1\ Includes interactions with other food stamp provisions of the bill.
\2\ Proposed to be block-granted elsewhere in the bill.
\3\ Section 742 of the bill, in title VII, specifically states that benefits under
contingent on students' immigration or citizenship status. Therefore, CBO estimat
restrictions contained in title IV on immigrants' eligibility for Federal benefit

TABLE 5.--FEDERAL BUDGET EFFECTS OF H.R. 3734, THE PERSONAL RESPONSIBILITY AND WOR
ACT OF 1996
TITLE V--CHILD PROTECTION; As passed by the Congress
Assumes enactment by September 1, 1996
[By fiscal year, in millions of dollars]

	1996	1997	1998	1999
Direct Spending:				
Extend Enhanced Match Rate for Computer Purchases for Foster Care Data Collection:				
Budget Authority	0	$80	0	0
Outlays	0	66	$14	0
National Random Sample Study of Child Welfare:				
Budget Authority	$6	6	6	$6
Outlays	*	2	11	6

Total Direct Spending:					
Foster Care:					
Budget Authority	6	86	6	6	
Outlays	*	68	25	6	

* Denotes less than $500,000.

TABLE 6.--FEDERAL BUDGET EFFECTS OF H.R. 3734, THE PERSONAL RESPONSIBILITY AND WOR ACT OF 1996
TITLE VI--CHILD CARE; As passed by the Congress
Assumes enactment by September 1, 1996
[By fiscal year, in millions of dollars]

	1996	1997	1998	1999	2000
Direct Spending:					
New Child Care Block Grant					
Budget Authority	0	$1,967	$2,067	$2,167	$2,367
Outlays	0	1,635	1,975	2,082	2,227

Note: For States to draw down the child care block grant remainder, this subtitle r
greater of fiscal year 1994 or 1995 spending.

TABLE 7.--FEDERAL BUDGET EFFECTS OF H.R. 3734, THE PERSONAL RESPONSIBILITY AND WOR ACT OF 1996
TITLE VII--CHILD NUTRITION PROGRAMS; As passed by the Cong
Assumes enactment by September 1, 1996
[Outlays by fiscal year, in millions of dollars]

Section	1996	1997	1998	1999	2000
Direct Spending:					
704 Special assistance					
Extension of payment period					
Budget Authority	0	*	*	$1	$1
Outlays	0	*	*	1	1
Rounding rules for lunch, breakfast, and supplement rates					
Budget Authority	0	$-2	$-15	-15	-15
Outlays	0	-1	-10	-15	-15
706 Summer food service program for children					
Budget Authority	0	-24	-29	-29	-34
Outlays	0	-19	-29	-29	-34
708 Child and adult care food program					
Budget Authority	0	-105	-380	-430	-480
Outlays	0	-90	-340	-420	-470
723 School breakfast program authorization					
Budget Authority	0	-10	-15	-22	-25
Outlays	0	-8	-14	-21	-25
731 Nutrition education and training programs					
Budget Authority	0	-10	-10	-10	-10
Outlays	0	-10	-10	-10	-10
Total, Child Nutrition Programs:					

Direct Spending					
Budget Authority.....	0	-151	-449	-505	-563
Outlays.....	0	-128	-403	-494	-553

* Denotes less than $500,000.
Details may not add to totals because of rounding.

TABLE 8.--FEDERAL BUDGET EFFECTS OF H.R. 3734, THE PERSONAL RESPONSI
TITLE VIII--FOOD STAMPS AND COMMODITY DISTRIB
Assumes enactment by Septe
[Outlays by fiscal year, in mil

Section	1996	199
801 Definition of certification period.....	0	
802 Definition of coupon.....	0	
803 Treatment of children living at home.....	0	$-
804 Adjustment of thrifty food plan.....	0	-
805 Definition of homeless individual.....	0	
806 State option for eligibility standards.....	0	
807 Earnings of students.....	0	
808 Energy assistance.....	0	-
809 Deductions from income:		
Standard deduction at $134 each year \1\.....	0	
Homeless shelter allowance.....	0	
Cap excess shelter deduction at $247 through 12/31/96, $250 from 1/1/97 through FY98, $275 in FY99 and FY00, and $300 in each later fiscal year.....	0	-
State option for mandatory standard utility allowance and otherwise allow change between SUA and actual costs only at recertification.....	0	
810 Vehicle Allowance at $4,650 FY97-2002.....	0	
811 Vendor payments for transitional housing counted as income....	0	
812 Simplified calculation of income for the self-employed.....	0	
813 Doubled penalties for violating Food Stamp Program requirements.....	0	
814 Disqualification of convicted individuals.....	0	
815 Disqualification.....	0	
816 Caretaker exemption.....	0	
817 Employment and training.....	0	
818 Food stamp eligibility.....	0	
819 Comparable treatment for disqualification.....	0	
820 Disqualification for receipt of multiple food stamp benefits..	0	
821 Disqualification of fleeing felons.....	0	
822 Cooperation with child support agencies:		
Option to require custodial parent cooperation		
Food Stamps.....	0	
Family support payments.....	0	
823 Disqualification relating to child support arrears.....	0	
824 Work requirement.....	0	-
825 Encourage electronic benefit transfer systems.....	0	
826 Value of minimum allotment.....	0	
827 Benefits on recertification.....	0	
828 Optional combined allotment for expedited households.....	0	
829 Failure to comply with other means-tested public assistance programs.....	0	
830 Allotments for households residing in centers.....	0	
831 Condition precedent for approval of retail stores and wholesale food concerns.....	0	
832 Authority to establish authorization periods.....	0	
833 Information for verifying eligibility for authorization.....	0	
834 Waiting period for stores that fail to meet authorization		

criteria	0	
835 Operation of food stamp offices	0	
836 State employee and training standards	0	
837 Exchange of law enforcement information	0	
838 Expedited coupon service	0	
839 Withdrawing fair hearing requests	0	
840 Income, eligibility, and immigration status verification systems	0	
841 Investigations	0	
842 Disqualification of retailers who intentionally submit falsified applications	0	
843 Disqualification of retailers who are disqualified under the WIC program	0	
844 Collection of overissuances	0	
845 Authority to suspend stores violating program requirements pending administrative and judicial review	0	
846 Expanded criminal forfeiture for violations	0	
847 Limitation of Federal match	0	
848 Standards for administration	0	
849 Work supplementation or support program	0	
850 Waiver authority	0	
851 Response to waivers	0	
852 Employment initiatives program	0	
853 Reauthorization	0	
854 Simplified Food Stamp Program	0	
855 A study of the use of food stamps to purchase vitamins and minerals	0	
856 Deficit reduction	0	
871 Emergency Food Assistance Program	0	
872 Food bank demonstration project	0	
873 Hunger prevention programs	0	
874 Report on entitlement commodity processing	0	
891 Provisions to encourage electronic benefit systems \3\	0	
Interactions among provisions	0	
Direct Spending:		
Food stamp program		
Budget Authority	0	-1,
Outlays	0	-1,
Family support payments		
Budget Authority	0	
Outlays	0	
Total Direct Spending:		
Budget Authority	0	-1,
Outlays	0	-1,

Details may not add to totals because of rounding.
* Denotes less than $500,000
\1\ No savings are shown in fiscal year 1997 for setting the standard deduction at which cleared the Congress before this bill cleared, contained a similar provisio
\2\ Any proceeds from this provision would be used to reimburse law enforcement age net effect on the Federal budget, though funds could be received in 1 year and no
\3\ This provision is included elsewhere in the bill. If the exemption from Regulat Federal Government. CBO estimates these costs would be small.

TABLE 9.--FEDERAL BUDGET EFFECTS OF THE PERSONAL RESPONSIBILIT
TITLE IX--MISCELLANEOUS; As pass
Assumes enactment by Septe
[By fiscal year, in million

Section	1996	1997
Direct Spending and Revenues:		
908 Reduction in block grants to states for social services		

Social Services Block Grant		
Budget Authority	0	$-420
Outlays	0	-375
909 Denial of earned income credit on basis of disqualified income \1\		
Budget Authority	0	-170
Outlays	0	-170
Revenue	0	26
Net Deficit Effect	0	-196
910 Modification of adjusted gross income definition for earned income credit \1\		
Budget Authority	0	-98
Outlays	0	-98
Revenue	0	15
Net Deficit Effect	0	-113
911 Abstinence Education		
Budget Authority	0	0
Outlays	0	0
Interactions among revenue provisions		
Budget Authority	0	47
Outlays	0	47
Revenue	0	-9
Net Deficit Effect	0	56
Total, Miscellaneous--Title IX:		
Direct Spending		
Social Services Block Grant		
Budget Authority	0	-420
Outlays	0	-375
Earned Income Credit		
Budget Authority	0	-221
Outlays	0	-221
Maternal and Child Health Services Block Grant		
Budget Authority	0	0
Outlays	0	0
Total, All Accounts:		
Budget Authority	0	-641
Outlays	0	-596
Revenues:		
Revenues \1\	0	32

\1\ Estimates provided by the Joint Committee on Taxation. Components may not sum t

103D CONGRESS
2D SESSION

H. R. 4605

To amend the Social Security Act, the Food Stamp Act, and other relevant statutes to redesign the program of aid to families with dependent children to establish a program that provides time-limited, transitional assistance, prepares individuals for and requires employment, prevents dependency, overhauls the child support enforcement mechanism at both the State and Federal levels, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JUNE 21, 1994

Mr. GIBBONS (for himself, Mr. FORD of Michigan, Mr. FORD of Tennessee, Mr. MARTINEZ, Mr. GEPHARDT, Mr. CARDIN, Mr. ACKERMAN, and Mr. CRAMER) introduced the following bill; which was referred jointly to the Committees on Ways and Means, Agriculture, and Education and Labor

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A BILL

To amend the Social Security Act, the Food Stamp Act, and other relevant statutes to redesign the program of aid to families with dependent children to establish a program that provides time-limited, transitional assistance, prepares individuals for and requires employment, prevents dependency, overhauls the child support enforcement mechanism at both the State and Federal levels, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

PART F—ESTABLISHMENT AND MODIFICATION OF SUPPORT ORDERS

Sec. 651. National Commission on child support guidelines.
Sec. 652. State laws concerning modification of child support orders.
Sec. 653. Study on use of tax return information for modification of child support orders.

PART G—ENFORCEMENT OF SUPPORT ORDERS

Sec. 661. Revolving loan fund for program improvements to increase collections.
Sec. 662. Federal income tax refund offset.
Sec. 663. Internal Revenue Service collection of arrears.
Sec. 664. Authority to collect support from employment-related payments by United States.
Sec. 665. Motor vehicle liens.
Sec. 666. Voiding of fraudulent transfers.
Sec. 667. State law authorizing suspension of licenses.
Sec. 668. Reporting arrearages to credit bureaus.
Sec. 669. Extended statute of limitation for collection of arrearages.
Sec. 670. Charges for arrearages.
Sec. 671. Visitation issue barred.
Sec. 672. Treatment of support obligations under bankruptcy code.
Sec. 673. Denial of passports for nonpayment of child support.

PART H—DEMONSTRATIONS

Sec. 681. Child support enforcement and assurance demonstrations.
Sec. 682. Social Security Act demonstrations.

PART I—ACCESS AND VISITATION GRANTS

Sec. 691. Grants to States for access and visitation programs.

PART J—EFFECT OF ENACTMENT

Sec. 695. Effective dates.
Sec. 696. Severability.

TITLE VII—IMPROVING GOVERNMENT ASSISTANCE AND PREVENTING FRAUD

PART A—AFDC AMENDMENTS

Sec. 701. Permanent requirement for unemployed parent program.
Sec. 702. State options regarding unemployed parent program.
Sec. 703. Definition of essential person.
Sec. 704. Expanded State option for retrospective budgeting.
Sec. 705. Disregards of income.
Sec. 706. Stepparent income.
Sec. 707. Increase in resource limit.
Sec. 708. Exclusions from resources.
Sec. 710. Transfer of resources.
Sec. 711. Limitation on underpayments.
Sec. 712. Collection of AFDC overpayments from federal tax refunds.
Sec. 713. Verification of status of citizens and aliens.
Sec. 714. Repeal of requirement to make certain supplement payments in States paying less than their needs standards.

Sec. 715. Calculation of 185 percent of need standard.
Sec. 716. Territories.

PART B—FOOD STAMP ACT AMENDMENTS

Sec. 721. Inconsequential income.
Sec. 722. Educational assistance.
Sec. 723. Earnings of students.
Sec. 724. Training stipends and allowances; income from on-the-job training programs.
Sec. 725. Earned income tax credits.
Sec. 726. Resources necessary for self-employment.
Sec. 727. Lump-sum payments for medical expenses or replacement of lost resources.
Sec. 728. Individual development accounts.
Sec. 729. Conforming amendment.

PART C—ECONOMIC INDEPENDENCE

Sec. 731. Short title.
Sec. 732. Declaration of policy and statement of purpose.
Sec. 733. Individual development account demonstration projects.
Sec. 734. Individual development accounts.

PART D—ADVANCE EITC STATE DEMONSTRATIONS

Sec. 741. Advance payment of earned income tax credit through State demonstration programs.

TITLE VIII—SELF EMPLOYMENT/MICROENTERPRISE DEMONSTRATIONS

Sec. 801. Demonstration program to provide self-employment opportunities to welfare recipients and low-income individuals.

TITLE IX—FINANCING

Sec. 901. Limitation on Federal payments for emergency assistance.
Sec. 902. Uniform alien eligibility criteria for public assistance programs.
Sec. 903. Eligibility of sponsored aliens for certain programs.
Sec. 904. National School Lunch Program.
Sec. 905. State retention of amounts recovered.
Sec. 906. Commodity Program income ineligibility.
Sec. 907. Amendments related to superfund tax extension.
Sec. 908. Federal railroad administration user fees.
Sec. 909. Special earned income tax credit rules for military personnel.
Sec. 910. Nonresident aliens not eligible for earned income tax credit.
Sec. 911. Extension of certain custom fees.

TITLE X—EFFECTIVE DATES

Sec. 1001. Effective dates.

also have the option to have the State agency provide child care under another arrangement pursuant to subparagraph (B).".

TITLE IV—PROVISIONS WITH MULTI-PROGRAM APPLICABILITY

SEC. 401. PERFORMANCE STANDARDS.

Section 487 of the Act is amended to read as follows:

"SEC. 487. PERFORMANCE STANDARDS.

"(a) DEVELOPMENT OF FACTORS TO BE MEASURED.—In order to specify a set of outcome-based performance measures to which the Secretary can thereafter apply standards of achievement to define successful State JOBS and WORK programs (with appropriate variations in the factors to be measured, and the standards applied, among the States and for programs directly administered by Indian tribes or Alaska Native organizations), the Secretary shall develop recommendations for factors to be measured in assessing such programs, together with specific elements to be examined and the methodology for collecting the necessary data. Factors to be recommended shall include the percentage of a State's AFDC caseload subject to the time limits in section 417 who receive aid for 24 cumulative months and may include factors such as those considered under section 106 of the Job Training Partnership Act, as well as—

"(1) the increase in employment and level of earnings of program participants after leaving the JOBS and WORK programs,

"(2) the retention of program participants for significant periods of time in unsubsidized employment,

"(3) the decrease in the rate of dependency on welfare of participants' families,

"(4) the improvement in the long-term economic well-being of families with children with a family member who previously participated in one or both such programs, and

"(5) such other factors as the Secretary finds appropriate.

The Secretary shall solicit views on the recommendations from the Secretary of Labor, the Secretary of Education, and other Federal, State, and local officials (and representatives of associations of such officials) from both the executive and the legislative branches of government, and from other individuals and organizations with expertise in the fields of social welfare, education and training programs for children and adults, employment-related programs and social and supportive services related to these areas, as well as from community-based organizations and former and current program participants. Based upon the

consultations and consideration of the views provided regarding the recommended factors, the Secretary shall, not later than October 1, 1996, publish in the Federal Register the factors to be measured in assessing States' performance in administering the programs established under parts F and G.

"(b) DEVELOPMENT OF PERFORMANCE STANDARDS.—(1) RECOMMENDATIONS.—In order to set standards of achievement to be applied to each of the factors to be measured as defined in accordance with subsection (a), the Secretary shall, not later than April 1, 1998, develop recommended standards to be applied to each of the factors. Views on these recommended standards shall be solicited from officials, organizations, and individuals broadly representative of the groups described in subsection (a). Based upon the consultations and consideration of the comments received from these sources, the Secretary shall, not later than October 1, 1998, publish in the Federal Register the standards to be applied to the measurement factors.

"(2) REQUIREMENTS.—The performance standards described in paragraph (1) shall include provisions governing cost-effective methods for obtaining such data as are necessary to carry out this section which, notwithstanding any other provision of law, may include access to earnings

records, State employment security records, records collected under the Federal Insurance Contributions Act (chapter 21 of the Internal Revenue Code of 1986), State aid to families with dependent children records, and the use of statistical sampling techniques, and similar records or measures, with appropriate safeguards to protect the confidentiality of the information obtained.

"(c) INCENTIVES AND PENALTIES.—The Secretary shall recommend and, not later than October 1, 1998, issue regulations prescribing incentives for States meeting or exceeding the performance standards adopted pursuant to subsection (b), and penalties for States failing to meet such standards. In developing such regulations, the Secretary shall study and consider the relationship between penalties and incentives as a means of achieving the proposed standards. The Secretary will consider whether the penalties and incentives set are sufficient to insure that a State which incurs the costs necessary to obtain the desired outcomes is financially better off than one that does not. Such regulations shall also include provisions for delay of any penalty when the Secretary finds it appropriate to afford a State sufficient time to develop and (with the Secretary's approval) implement a corrective action plan which, if successful, will obviate the application of a penalty, and provision for furnishing technical assist-

ance to any State in order to improve its program and avoid the application of a penalty.

"(d) The Secretary shall, from time to time, and in consultation with officials, organizations, and individuals broadly representative of the groups referred to in subsection (a), review and, if appropriate, propose modifications to the factors to be measured, the standards of performance, or the incentives and penalties, and after opportunity for review and comment, modify any one or more of such items.

"(e) The Secretary shall on an annual basis make public the level of performance achieved by each State as compared to the applicable standard.

"(f)(1) Each State with a plan approved under this part shall collect and furnish such data as the Secretary may require to assist in the development of the factors to measure performance (pursuant to subsection (a)) and the development of standards to be applied to those factors (pursuant to subsection (b)).

"(2) Each State with a plan approved under this part shall establish methods to solicit, on a regular and ongoing basis, the views of participants in the program under this part, and in the WORK program under part G, and of employers of participants from both programs, on the quality and effectiveness of the services provided under the

program. Participants and employers may provide either oral or written views, and the State should use a range of methods to obtain such views, including written questionnaires and group interviews and discussions. The information obtained from participants and employers shall be analyzed by the State and a summary of the information, together with the State's analysis, made available for use in improving the administration of the JOBS and WORK programs.

SEC. 402. AFDC QUALITY CONTROL SYSTEM AMENDMENTS.

(a) EXPANDED PURPOSE.—Section 408(a) of the Act is amended to read as follows:

"(a) IN GENERAL.—In order (1) to improve the accuracy of payments of aid to families with dependent children, and wages under the WORK program under part G, to assess the accuracy of State reported data relating to its JOBS and WORK programs and to its implementation of the time limits established by section 417, (2) to determine the number of individuals to whom the State found applicable section 402(a)(19)(D) (by each of the categories enumerated within such section) and the number of individuals with respect to whom an extension of the time limit under section 417 was provided (by each of the categories enumerated within section 417(e)), (3) to determine whether participation standards under sec-

tion 403 have been met, (4) to assess the effectiveness of the State's program by applying the performance standards developed under section 487, and (5) to serve such other purposes as the Secretary finds appropriate for a performance measurement system, the Secretary shall establish and operate a quality control system to secure the accurate data needed to measure performance, identify areas in which corrective action is necessary, and determine the amount (if any) of the disallowance required to be repaid to the Secretary because of erroneous payments of aid made by the State, or its failure to meet such participation or performance standards.''.

(b) ADDITIONAL DATA REQUIRED TO BE SAMPLED.—Section 408(h) of the Act is amended—

(1) by redesignating paragraphs (2) through (6) as paragraph (3) through (7), respectively,

(2) by adding after and below paragraph (1) the following new paragraph:

''(2) payments of aid that will be considered, for purposes of this section, to be erroneous payments because of a State's exceeding the limits specified in section 402(a)(19)(D) or 417(e), and the State's failure to achieve the participation rates specified in section 403, or to meet the performance standards developed pursuant to section 487, and

the additional data elements to be included in a sample (and whether as part of the sample review under subsection (b) or separately) in order to determine whether such participation rates have been achieved, and the extent to which the State has met such performance standards;''; and

(3) by amending paragraph (3) (as redesignated) by inserting before the semicolon ''and matters relating to the size and selection of samples and relating to the methodology for making statistically valid estimates of the State's compliance with the limits referred to in paragraph (2) and its achievement of participation rates and performance (measured against such standards) achieved by the State''.

(c) STATE STUDIES.—Section 408(h) is amended by adding at the end thereof the following new sentence: ''Expenditures by a State to conduct studies approved by the Secretary to test and improve its quality control system, and adapt it to the full range of purposes described in subsection (a) shall, notwithstanding any other provision of law, be considered for purposes of section 403(a)(3) to be necessary for the proper and efficient administration of the State's plan approved under this part.''.

(d) CONFORMING AMENDMENT.—Section 408(b)(5) of the Act is amended—

(1) in subparagraph (A), by striking out "subsection (h)(3)" and inserting in lieu thereof "subsection (h)(4)", and

(2) in subparagraph (B), by striking out "subsection (h)(4)" and inserting lieu thereof "subsection (h)(5)".

(e) CONSULTATION.—The Secretary of Health and Human Services shall consult with the State agencies administering programs under parts A, F, and G of title IV of the Act, and with others knowledgeable about design and administration of quality control systems and performance measurements systems, and thereafter, but not later than April 1, 1995, report to the Congress and publish in the Federal Register the proposed rules necessary to effectuate the amendments to section 408 of the Act made by this section.

SEC. 403. NATIONAL WELFARE RECEIPT REGISTRY; STATE INFORMATION SYSTEMS.

(a) FEDERAL RESPONSIBILITIES.—Part A of title IV of the Act is amended by adding after section 410 the following new section:

"NATIONAL WELFARE RECEIPT REGISTRY

"SEC. 411. (a) ESTABLISHMENT.—In order to assist States in administering their State plans approved under this part, part F, and part G, the Secretary shall establish and maintain an automated registry, to be known as the

National Welfare Receipt Registry, containing information reported by each State agency administering a plan approved under this part concerning individuals receiving (or who have received) aid to families with dependent children or wages under a State's WORK program under part G.

"(b) INFORMATION TO BE MAINTAINED.—There shall be maintained in the Registry, at a minimum, the following information with respect to each individual in the family who has received aid to families with dependent children:

"(1) The individual's name, date of birth, and social security account number.

"(2) The months for which aid was provided (with respect to such individual), including months in which no aid was paid with respect to such individual because a sanction was being applied pursuant to section 402(a)(19)(G), section 402(a)(26), or section 496(f).

"(3) Months in which section 402(a)(19)(D) was applicable to the individual.

"(4) Months during which an extension under section 417 (e) was provided with respect to an individual.

"(5) Months in which an individual was registered with the State's WORK program under part

G and months in which the individual was assigned to a position under part G.

"(6) Such other information as the Secretary may determine would assist in the administration of the programs involved, including the performance measurement of one or more of such programs.

"(c) USE OF INFORMATION.—(1) TO WHOM PROVIDED.—The Secretary shall promptly respond to requests by a State agency administering a plan approved under this part for information with respect to one or more individuals, identified by name and social security number. The Secretary shall furnish such information electronically, and if such an individual has previously received (or is receiving) aid to families with dependent children, or was registered under a program pursuant to part G, identify the State making payment of aid or administering the program under part G for each month involved or indicate that the requested information is not in the Registry.

"(2) REGULATIONS.—The Secretary shall prescribe rules pertaining to—

"(A) the format in which and process by which States must submit the information maintained under subsection (b);

"(B) the format in which and process by which States must submit requests (and responses will be

furnished to such requests) for information under this subsection;

"(C) the safeguards that the State must adopt to assure that requests are submitted, and responses received, only by personnel authorized by the State agency to perform these functions; and

"(D) steps that the State must take to safeguard any information received from the Registry, and assure that it will not be redisclosed except to the extent permitted under section 402(a)(9) or under this section.

The Secretary shall take into consideration in developing and issuing rules under this subsection the varying levels of capability among the States to monitor, provide, and receive by electronic means the information to be maintained in the Registry, and shall allow in such rules a State to adopt alternatives to the generally applicable requirements if the State demonstrates that its alternative will be effective in reporting, receiving and using the information to be maintained in the Registry and the State has in effect an advance planning document approved under section 402(e).

"(d) The Secretary shall not be liable to either a State or an individual for inaccurate information provided

to the Registry by one State and reported by the Secretary to a second State.

"(e) The Secretary may disclose information in the Registry, in addition to disclosure to States for the purposes described above, only—

"(1) to the Social Security Administration in order to verify the accuracy of, and as necessary to correct, the social security account numbers of individuals about whom information has been reported, and for use by the Social Security Administration in determining the accuracy of payments under the Supplemental Security Income program under title XVI, or for use in connection with benefits under title II, as may be relevant,

"(2) to the Internal Revenue Service for purposes directly connected with the administration of the earned income tax credit under section 32 of the Internal Revenue Code of 1986, or the advance payment of such credit under section 3507 of such Code or for verification of a dependency exemption claim in an individual's tax return or in connection with the dependent care tax credit,

"(3) to the Secretary of Labor (or the State agency administering the State's program under title III of the Act) for purposes directly connected with

the administration of the unemployment compensation program under title III (or under a State law with respect to which the Secretary of Labor certifies payment under such title), and

"(4) for research purposes found by the Secretary to be likely to contribute to achieving the purposes of this part or part F or G, but without personal identifiers.

"(f) There are authorized to be appropriated to establish the National Welfare Receipt Registry, $6,000,000 for fiscal year 1995, and to operate the Registry, $4,000,000 for each of fiscal years 1996 through 1999.".

(b) STATE RESPONSIBILITIES.—Section 402(a) of the Act is amended by adding after paragraph (28) the following new paragraph:

"(29) provide—

"(A) that information will be reported to the National Welfare Receipt Registry, at such times, in such format and by such process as the Secretary shall prescribe pursuant to section 411;

"(B) that the State agency will request from such Registry, and from the other Registries maintained as part of the National Welfare Reform Information Clearinghouse estab-

lished pursuant to section 453A, in such manner as the Secretary may prescribe, and will use all information that would facilitate the proper and efficient operation of the State's programs under this part and parts F and G, and

"(C) that the State agency will cooperate with any other State agency administering or supervising the administration of a plan approved under this part in order to resolve any disagreement between an individual seeking aid under such a plan (or seeking to participate in a program under part G) and the State about the correctness of information it reported to the Registry and report to the Registry any corrections to be made in the data contained in the Registry;".

(c) STATE AUTOMATED INFORMATION SYSTEM.—Section 402(a)(30) of the Act is amended to read as follows:

"(30)(A) provide for an automated system which manages, monitors, and reports the information in paragraph (29) efficiently and economically, and for security against unauthorized access to, or use of, the data in such system; and

"(B) at the option of the State, provide for the establishment and operation, in accordance with an (initial and annually updated) advance planning document approved under subsection (e), of a statewide automated information system to assist in the administration of the State plan approved under this part through automated procedures and processes in any one or more of the following areas—

"(i) to assist in performing intake and referral functions;

"(ii) to assist in providing the child care services required under subsection (g)(1), and available under subsection (i), and coordinating the provision of such services with those provided in the State under the Child Care and Development Block Grant Act, in an efficient manner that eliminates (or at least minimizes) the disruption of service to children and families and assists the State in monitoring the quality, cost, and delivery of such services; or

"(iii) to assist in the administration of the State's plan approved under part F, including monitoring the delivery of employment and training services and related support services, and to manage the information necessary to ad-

minister and assess its programs under parts F and G;

and to provide for security against unauthorized access to, or use of, the data in such system and, if the State elects to implement any such automated system, may also develop and implement a system (or, if more cost-effective, enhance an existing system) for determining eligibility for any payment amount of aid under this part;".

(d) DEVELOPMENT OF MODEL AUTOMATED INFORMATION MANAGEMENT SYSTEMS.—Section 413 of the Act (including its heading) is amended to read as follows:

"MODEL AUTOMATED INFORMATION MANAGEMENT SYSTEMS

"SEC. 413. (a)(1) The Secretary shall, in partnership with States, design and develop model automated support and case management systems to assist States in the operation, managing, tracking, and reporting in each of the program areas described in section 402(a)(30)(A) and clauses (i), (ii), and (iii) of section 402(a)(30)(B), and thereafter provide necessary technical assistance to States choosing to adopt such model.

"(2) Two or more States may determine to collaborate in developing model automated support and case management systems to assist them in operating, managing, tracking, and reporting in each of the program areas described in section 402(a)(30) and, in such case, the Sec-

retary shall provide all appropriate technical assistance, and otherwise cooperate with the States' collaboration to develop systems that meet all the requirements of this part.

"(b) The model system developed by the Secretary under subsection (a)(1), or the system developed collaboratively by States under subsection (a)(2), must meet the following criteria—

"(1) with respect to payment of aid under the State's plan approved under this part, the system must be capable of assisting in performing the intake and Federal function;

"(2) with respect to the State's child care programs under this part, as well as under the CCDBG Act, the system must be capable of assisting in—

"(A) identifying and establishing the eligibility of families with children in need of child care, and determining the appropriate program under which to pay for such care;

"(B) determining the continuing eligibility of such families for such care, and planning for and monitoring services provided to such families;

"(C) processing payments and other financial data needed for the management of the child care programs, and

"(D) producing necessary management reports for the efficient and effective administration of the child care programs, including the generating of required financial and statistical reports;

"(3) with respect to the State's JOBS and WORK programs under parts F and G respectively, the system must be capable of assisting in—

"(A) assessing a participant's service needs in relation to stated goals,

"(B) developing an appropriate employability plan, and

"(C) monitoring and recording the individual's attendance at or participation in all required program activities.

In the case of each of the State's systems described in paragraphs (1), (2), and (3), the system must also be capable of exchanging data electronically with related Federal electronic data systems and other such systems of the State, and providing such other information necessary to assess the State's

program performance against the standards established by the Secretary under section 487.

"(c) There are authorized to be appropriated to carry out subsection (a), $7,500,000 for each of fiscal years 1995 and 1996.

"(d)(1) In addition to the technical assistance required in connection with the model systems described in subsection (a)(1), the Secretary shall provide for such training, and furnish such technical assistance as may be appropriate to enable States to develop and implement automated management systems as promptly and in as cost-effective a manner as possible.

"(2) There are authorized to be appropriated $1,000,000 for each fiscal years 1995 through 1999 to carry out this subsection.".

(e) ENHANCED MATCHING.—Section 403(a) of the Act is amended—

(1) by redesignating paragraph (3) as paragraph (3)(A) and striking out "and" at the end thereof, and

(2) by adding after and below such paragraph the following:

"(B) if the Secretary determines that the modification of a State's system that meets the requirements of section 402(a)(30)(A) will be

cost-effective, or that a State's automated management information system uses any one or more of the Secretary's models developed under section 413(a)(1), or is based on a State collaboration under section 413(a)(2), Federal payments with respect to such systems shall equal 80 percent (or, if greater, the State's enhanced Federal medical assistance percentage, as defined in subsection (m)(6)) of a State's expenditures under its approved advance planning document for the cost of developing and implementing any such system collaborative project; and

"(C) notwithstanding any other provision of this section, the total amount payable by the Secretary with respect to expenditures, (during the five-year period) to which subparagraph (B) applies shall not exceed $800,000,000 to be distributed among the States, and to make available at such time or times over the five-year period, as is provided in regulations issued by the Secretary, taking into account the relative size of State caseloads and the levels of automation needed to meet the requirements of this title, and payments under subparagraph (B) shall be

made at such times and in such manner as provided in subsection (b) and the advance planning document approved under section 402(e).", and

(3) by striking out "section 403(a)(3)" in subparagraph (C) of section 402(g)(3) of this Act, as added by section 305(a)(1) of this Act, and inserting in lieu thereof "section 403(a)(3)(A)".

(f) REVISION OF ADVANCE PLANNING DOCUMENT REQUIREMENT.—Section 402(e) of the Act is amended to read as follows:

"(e)(1) The Secretary shall not approve the Advance Data Planning document referred to in subsection (a)(30), unless such document, when implemented, will economically, efficiently, and effectively carry out the objectives of the automated, statewide, management information systems referred to in such subsection, and such document provides a plan to address the State's approach, schedule, needed resources, and cost-benefit of the project.

"(2) The Secretary shall, on a continuing basis, review, access, and inspect the planning, design, and operation of the statewide management information systems approved under subsection 403(a)(3)(B), to determine whether, and to what extent, such systems meet and will continue to meet requirements imposed under this part.".

SEC. 404. RESEARCH AND EVALUATION; TECHNICAL ASSISTANCE; DEMONSTRATION PROJECTS.

(a) FUNDING.—There shall be available to the Secretary of Health and Human Services (hereafter in this section referred to as the "Secretary") for carrying out the projects and other activities specified in this section, and other such activities related to the provisions of this Act, in a fiscal year an amount equal to 2 percent (or, in the case of fiscal years after 1998, 1 percent) of the sum of the amounts specified in subsections (k)(3), (l)(3), and (n)(2)(B) of section 403 of the Social Security Act for such fiscal year.

(b) RESEARCH AND EVALUATION.—In addition to any other research and evaluation found appropriate by the Secretary pertaining to the new programs and amendments to existing programs added to the Social Security Act by the provisions of this Act, the Secretary shall, in consultation with the Secretary of Labor and the Secretary of Education conduct, in accordance with scientifically-acceptable methodology, the following studies of the time-limited program of assistance together with training and preparation for employment, followed by a program of required employment or employment-related activities:

(1) A two-phase implementation study of—

(A) the initial steps taken by States and political subdivisions to implement the new pro-

grams and requirements established by the amendments made by this Act, as well as the obstacles faced, institutional arrangements entered into, and recommendations of such States and political subdivisions based on their experiences, and thereafter

(B) the experiences of States and localities after the new programs and requirements have been substantially implemented, including a study of the program design, services provided, funding levels, participation rates, and recommendations of the administering agencies, and a review of the impact of these new programs and requirements on the State and local administration of the programs, including management systems, staffing structures, and the culture of the welfare programs.

(2) An evaluation in a variety of States and localities, using random assignment of individuals to treatment and control groups, and other appropriate rigorous methods, to examine the effectiveness of time-limited assistance in helping participants achieve self-sufficiency, and the corresponding effect on unemployment rates, reduction of welfare dependency and teen pregnancy, the effects on income lev-

els, family structure, and children's well-being among participant groups.

(3) Together with the Secretary of Labor, a comprehensive national study after the WORK program (under part G of title IV of the Act) has been in effect for 2 years to measure the program's success in assisting participants to obtain unsubsidized employment, and to evaluate skill levels and barriers to employment in the case of individuals who have not, after participating in such program for 2 years, been able to obtain unsubsidized employment.

(c) TECHNICAL ASSISTANCE.—In addition to any other specific authorization in the Social Security Act for technical assistance, the Secretary is authorized to offer a broad range of technical assistance to States (including Indian tribes and Alaska Native organizations) and territories, including training, consultations, and fostering the exchange of information among States and others about practices, strategies, and techniques that are proving effective.

(d) PLACEMENT DEMONSTRATION PROJECTS.—The Secretary is authorized to approve up to 10 demonstrations of innovative techniques to increase the number of placements of participants in the JOBS program (under part F of title IV of the Social Security Act) in positions

of unsubsidized employment with significant retention rates. No more than 5 such demonstrations shall test the use by the State of a private organization, pursuant to a contractual arrangement under which the organization will place JOBS program participants in employment, and no more than 5 such demonstrations shall involve the use of placement bonuses payable to State or local agency employees who effectuate successful placements. All the projects shall specify performance standards (based on placement and retention rates) to measure successful performance, and, in the case of projects involving the use of private agencies, shall also specify the services that must be made available to clients, both before and after the placement, and indicate whether the organization will also serve participants in the State's WORK program (under part G of title IV of the Social Security Act.)

(e) WORK-FOR-WAGES DEMONSTRATION PROJECTS.—The Secretary is authorized to approve up to 5 local demonstration projects to test the development, implementation, and effectiveness of WORK programs conducted outside the context of the State's AFDC program. Any project approved under this subsection must include the following elements:

(1) The State agency administering the State's AFDC program (under part A of title IV of the So-

cial Security Act) must close the case when an individual to whom section 417 applies (as added by section 104 of this Act) reaches the time limit specified in such section.

(2) Each individual involved in the demonstration must be advised of the procedures that must be followed to apply for the WORK-for-Wages Project, and may not be denied an opportunity to participate if such individual would be eligible to participate in the State's WORK program under part G of such title.

(3) Each individual will be afforded the opportunity to earn wages in a position of employment and WORK stipends if necessary to provide at least the income level of the State's AFDC program (after application of the $120 per month earned income disregard for work expenses) in the case of a similarly situated family (and States conducting projects will be encouraged to standardize, to the extent consistent with the preceding provisions of this paragraph, the amount of the stipends), but no payment of either wages or the stipend will occur unless the individual has worked or participated in an alternative project-specified activity such as job search,

interim community service, or other activity designed by the project.

(4) Those elements of the WORK program under part G of title IV of the Act which the Secretary determines are essential to achieve its objectives, while protecting the interests of participants in the program and others involved in or affected by the project, will be retained and applied in the project.

(f) WORK SUPPORT AGENCY DEMONSTRATIONS.—The Secretary is authorized, in consultation with the Secretary of Labor, the Secretary of Agriculture, and the Secretary of the Treasury, to approve demonstration projects in up to 5 States, under which the State establishes a Work Support Agency to provide a broad and coordinated array of services and assistance to individuals who are former recipients of aid to families with dependent children to assist them in retaining unsubsidized employment. Services may include assistance in obtaining other benefits or payments for which the individual is still eligible, assistance in dealing with short-term family problems which could otherwise jeopardize continuation of the employment relationship, short-term or one-time financial aid to meet unusual employment-related needs and any other aid or

services that support the individual's ability to retain or, where necessary, secure employment.

(g) DEMONSTRATION PROJECTS FOR NONCUSTODIAL PARENTS.—In order to encourage the development of innovative parenting programs for noncustodial parents that build upon existing programs for high-risk families, such as the Head Start program, the Healthy Start program, the Even Start program, and the Family Preservation and Support program, the Secretary is authorized to make grants to States, Indian tribes and Alaska Native organizations, or community-based organizations to conduct demonstration projects designed to improve the parenting skills of noncustodial parents with particular emphasis on matters such as the importance of parental involvement and economic security in the healthy development of children. The applicant shall describe the services to be provided, and the way in which project services will be coordinated with one or more of the programs or initiates referred to in the preceding sentence.

(h) The Secretary shall, with respect to all demonstrations authorized under this section, prescribe—

(1) the minimum length of such projects in order to assure the value of the project,

(2) the assignment techniques and other requirements for the methodologies so that the results will be scientifically acceptable,

(3) the required financial contribution by the project applicant,

(4) types of expenditures that may be included under the project,

(5) the timing and nature of required reports and the procedures to be followed in conducting the evaluation and review of project results, and

(6) any other rules that the Secretary finds appropriate to assure the integrity of the demonstration, and to protect the rights and interests of program participants who are assigned to the demonstration.

SEC. 405. OFFSETS TO MANDATORY SPENDING FROM REDUCED FRAUD, WASTE, AND ABUSE.

(a) CERTIFICATIONS.—In order to assure achievement of the reductions in mandatory spending assumed in the cost estimates accompanying this Act, beginning in fiscal year 1998, and each of the five succeeding fiscal years is—

(1) the Secretary of Health and Human Services shall certify to the Director of the Office of Management and Budget that each of the systems

of data bases included in the National Welfare Reform Information Clearinghouse established by Section 453A of the Social Security Act, (as added by section 625 of this Act) are both receiving data from and providing data to State and Federal agencies, and otherwise fully complying with all requirements imposed by or pursuant to the provisions of the Social Security Act establishing, and requiring use of the components, of the Clearinghouse, and

(2) the Director of the Office of Management and Budget shall determine whether, and if so certify that, all such data were used fully and by the Federal agencies to which it was supplied in order to reduce fraud, waste, and abuse in the programs it administers and in compliance with the requirements imposed by or pursuant to the Social Security Act and subsection (d).

(b) ALTERNATIVE REDUCTIONS IN MANDATORY SPENDING.—If the Director of the Office of Management and Budget, after consultation with the Secretary of Health and Human Services, certifies, prior to the close of a fiscal year, as provided in subsection (a)(2), that, notwithstanding the full use of data as described in subsection (a) and States' implementation of applicable requirements of the Social Security Act, mandatory spend-

ing was not reduced (when compared to the levels estimated had the Clearinghouse not been established and used) by the amount projected in the cost estimates, then in the succeeding fiscal year the following reductions in spending shall occur, in the sequence stated, to the extent necessary to reduce mandatory spending by the difference between the amount that it was estimated would be saved (or avoided) in the year (in which the certifications are made) and the amount certified by the Director as having been saved (or avoided)—

(1) the amount made available to the Secretary of Health and Human Services under section 404(a) of this Act for research, demonstrations, and technical assistance, and the amount available under section 452(j) of the Social Security Act (as added by section 616 of this Act) for technical assistance to States with respect to child support enforcement programs (each such amount being reduced proportionately); and, if necessary,

(2) amounts otherwise payable under section 403(a)(3) of the Social Security Act (as amended by this Act) to States which have not fully implemented all the requirements imposed by or pursuant to the Social Security Act for full use of the data available from any part of the National Welfare Reform Infor-

mation Clearinghouse shall be reduced by 3 percent (or such lesser amount as is necessary to achieve the necessary reductions in mandatory spending).

(c) RELATED AMENDMENTS.—Section 1137(a)(2) of the Act is amended by striking out "such Code," and inserting in lieu thereof "such Code, and information available from any Registry maintained under the National Welfare Reform Information Clearinghouse established under section 453(A) (or, prior to the full establishment and operation of the Director of New Hires, from systems of similar information maintained by any other State, where cost-effective),".

(d) The Social Security Administration and the Secretary of the Treasury shall each request and fully use all information in the registries maintained under the National Welfare Reform Information Clearinghouse established under section 453A of the Social Security Act to the extent that such information may be useful in carrying out their statutory responsibilities and reducing fraud, waste, and abuse.

TITLE V—PREVENTION OF DEPENDENCY

SEC. 501. SUPERVISED LIVING ARRANGEMENTS FOR MINORS.

(a) Section 402(a)(43) of the Act is amended by striking out "at the option of the State,".

(b) Such section is further amended in subparagraph (A)(i) by striking out ", or reside in a foster home" and all that follows down to the semicolon.

(c) Such section is further amended—

(1) by amending so much of subparagraph (B) as precedes clause (i) to read "(B) in the case where—",

(2) by striking out the semicolon at the end of each numbered clause in such subparagraph and inserting in lieu thereof a comma, and

(3) by adding after and below clause (v) of such subparagraph the following: "subparagraph (A) shall not be applicable, but the State agency shall assist the individual in locating an appropriate adult-supervised supportive living arrangement taking into consideration the needs and concerns of the minor, (or may determine that the individual's current living arrangement is appropriate) and thereafter shall require that the individual (and child, if any) reside in such living arrangement as a condition of the continued receipt of aid under the plan (or in an alternative appropriate arrangement, should circumstances change and the current arrangement cease to be appropriate) or, if the State agency is unable, after making diligent efforts, to locate any

such appropriate living arrangement, it shall provide for comprehensive case management, monitoring, and other social services consistent with the best interests of the individual (and child) while living independently;".

SEC. 502. STATE OPTION TO LIMIT BENEFIT INCREASES FOR ADDITIONAL FAMILY MEMBERS.

(a) STATE OPTION.—Section 402(a) of the Act is amended—

(1) by striking out "and" after paragraph (44);

(2) by striking out the period after paragraph (45) and inserting in lieu thereof "; and"; and

(3) by adding at the end thereof the following new paragraph:

"(46) at the option of the State, provide that—

"(A) subject to subparagraphs (B), (C), and (D), the amount of aid to families with dependent children paid to a family under the plan will not be increased by reason of the birth of a child to an individual included in such family for purposes of making the determination under paragraph (7) and applying paragraph (8), or will be increased less than the amount that would be paid with respect to such child if such child had been a member of the family

when the family first applied for aid, (but any such child will be considered to be a recipient of aid for all other purposes, including title XIX) if—

"(i) in the case where the individual is a custodial parent of a dependent child, the child was conceived in a month for which the individual received aid under the plan, or

"(ii) in the case where the individual is a dependent child, the individual is the parent of another child who is a member of the same family and whose needs are included for purposes of making such determination;

"(B) services will be offered under paragraph (15) to all appropriate family members;

"(C) there will be disregarded, in making the determination under paragraph (7) and before applying the provisions of paragraph (8), an amount of income equal to any increase in aid that would have been paid but for subparagraph (A) that is derived from child support collected with respect to the child referred to in paragraph (A), earned income of a member of

the family referred to in such subparagraph, or from any other source specified in the plan that the Secretary may approve as consistent with the objectives of this paragraph; and

"(D) the provisions of subparagraph (A) will not be applied in case of rape or in any other cases that the State agency finds would violate standards of fairness and good conscience.".

(b) MATCHING FOR RELATED ADMINISTRATIVE COSTS.—Section 403(a)(3) of the Act is amended by striking out the semicolon and inserting in lieu thereof "or counseling or referral services (but no other types of family planning services) furnished pursuant to section 402(a)(15);".

SEC. 503. CASE MANAGEMENT FOR PARENTS UNDER AGE 20.

Section 482(b) of the Act, as amended by section 102(2) of this Act, is further amended by—

(1) redesignating paragraph (4) as paragraph (4)(A),

(2) striking out "The State agency" in such paragraph (4)(A) and inserting in lieu thereof "Except as provided in subparagraph (B), the State agency", and

(3) by inserting after and below paragraph (4)(A) the following:

"(B) The State agency shall—

"(i) assign a case manager to each custodial parent receiving aid under part A who is under age 20;

"(ii) provide that case managers will have the training necessary (taking into consideration the recommendations of appropriate professional organizations) to enable them to carry out their responsibilities and will be assigned a caseload the size of which permits effective case management; and

"(iii) provide that the case manager will be responsible for—

"(I) assisting such parent in obtaining appropriate services, including at a minimum, parenting education, family planning services, education and vocational training, and child care and transportation services,

"(II) making the determinations required to implement the provision of paragraph (43),

"(III) monitoring such parent's compliance with all program requirements, and, where appropriate, providing incentives and applying sanctions, and

"(IV) providing general guidance, encouragement and support to assist such parent in his or her role as a parent and in achieving self-sufficiency.".

SEC. 504. STATE OPTION TO PROVIDE ADDITIONAL INCENTIVES AND PENALTIES TO ENCOURAGE TEEN PARENTS TO COMPLETE HIGH SCHOOL AND PARTICIPATE IN PARENTING ACTIVITIES.

(a) STATE PLAN.—Section 402(a)(19)(E) of the Act (as amended by section 101 of this Act) is amended by adding "and" after clause (ii) and adding after and below clause (ii) the following new clause:

"(iii) at the option of the State, some or all custodial parents who are under age 20 (and pregnant women under age 20) who are receiving aid under this part will be required to participate in a program of monetary incentives and penalties, consistent with subsection (k);".

(b) ELEMENTS OF PROGRAM.—Section 402 of the Act is amended by adding at the end thereof the following new subsection:

"(k)(1) If a State chooses to conduct a program of monetary incentives and penalties to encourage custodial parents (and pregnant women) who are under age 20 to complete their high school (or equivalent) education, and participate in parenting activities, the State shall amend its State plan—

"(A) to specify the one or more political subdivisions in which the State will conduct the program (or other clearly defined geographic area or areas), and

"(B) to describe its program in detail.

"(2) A program under this subsection—

"(A) may, at the option of the State, include all such parents who are under age 21;

"(B) may, at the option of the State, require full-time participation in secondary school or equivalent educational activities, or participation in a course or program leading to a skills certificate found appropriate by the State agency or parenting education activities (or any combination of such activities and secondary education);

"(C) shall require that the case manager assigned to the custodial parent pursuant to section 482(b)(3) will review the needs of such parent and will assure that, either in the initial development or revision of the parent's employability plan, there will be included a description of the services that will be provided to the parent and the way in which the case manager and service providers will coordinate with the educational or skills training activities in which the custodial parent is participating;

"(D) shall provide monetary incentives for more than minimally acceptable performance of required educational activities; and

"(E) shall provide penalties (which may be those required by subsection (a)(19)(G) or, with the approval of the Secretary, other monetary penalties that the State finds will better achieve the objectives of the program.

"(3) When a monetary incentive is payable because of the more than minimally acceptable performance of required educational activities by a custodial parent, the incentive shall be paid directly to such parent, regardless of whether the State agency makes payment of aid under the State plan directly to such parent.

"(4)(A) For purposes of this part, monetary incentives paid under this subsection shall be considered aid to families with dependent children.

"(B) For purposes of any other Federal or federally-assisted program based on need, no monetary incentive paid under this subsection shall be considered income in determining a family's eligibility for or amount of benefits under such program, and if aid is reduced by reason of a penalty under this subsection, such other program shall treat the family involved as if no such penalty has been applied.

"(5) The State agency shall from time to time provide such information as the Secretary may request, and otherwise cooperate with the Secretary, in order to permit evaluation of the effectiveness on a broad basis of the State's program conducted under this subsection.".

SEC. 505. ADOLESCENT PREGNANCY PREVENTION GRANTS.

(a) ADOLESCENT PREGNANCY PREVENTION.—Title XX (42 U.S.C. 1397–1397F) is amended by adding at the end the following:

"SEC. 2008. ADOLESCENT PREGNANCY PREVENTION GRANTS.

"(a) PURPOSE.—The purpose of this section is to encourage and provide financial assistance for the development of intensive and sustained school-linked and school-

based pregnancy prevention programs for adolescents and their families in areas of high poverty or high unmarried adolescent birth rates that build upon other Federal, State, and local pregnancy prevention and youth development programs.

"(b) GENERAL AUTHORITY.—Notwithstanding section 2005(a)(6), the Secretary of Health and Human Services, the Secretary of Education, and the Chief Executive Officer of the Corporation for National and Community Service (hereinafter referred to as the 'responsible Federal officials'), in consultation with other relevant Federal agencies, shall jointly make grants to eligible entities, to carry out programs in accordance with this section.

"(c) FEDERAL ADMINISTRATION.—

"(1) Notwithstanding the Department of Education Organization Act (20 U.S.C. 3401 et seq.) and the General Education Provisions Act (20 U.S.C. 1221 et seq.), the responsible Federal officials shall jointly provide for the administration of this section, and shall jointly issue whatever regulations, procedures, and guidelines, the responsible Federal officials consider necessary and appropriate to administer and enforce the provisions of this section.

"(2) The responsible Federal officials may enter into agreements with any other Federal entity with expertise in youth development activities to administer the program under this section and may provide such entity with appropriate reimbursement.

"(d) FUNDING.—

"(1) IN GENERAL.—To achieve the purposes of this section, the responsible Federal officials shall make grants to eligible entities under subsection (b) and conduct activities under subsections (m) and (n) so that in the aggregate the expenditures for such grants and activities do not exceed $20,000,000 for fiscal year 1995, $40,000,000 for fiscal year 1996, $60,000,000 for fiscal year 1997, $80,000,000 for fiscal year 1998, and $100,000,000 for fiscal year 1999 and each subsequent fiscal year.

"(2) PAYMENTS TO GRANTEES.—Upon approval by the responsible Federal officials, each grant applicant shall be entitled to payment of at least $50,000 and not more than $400,000 for each fiscal year based on an assessment by the responsible Federal officials of the scope and quality of the proposed program and the number of adolescents to be served by the program. Payments to a grantee for any fiscal year shall be available for expenditure by such

grantee in such fiscal year or the succeeding fiscal year.

"(3) RESERVATION FOR EVALUATION, TRAINING, TECHNICAL ASSISTANCE, AND NATIONAL CLEARINGHOUSE.—The responsible Federal officials shall reserve, with respect to each fiscal year, up to 10 percent of the aggregate amount described in paragraph (1) for expenditure by the responsible Federal officials for evaluation, training, and technical assistance related to the programs under this section, and for the establishment and operation of a National Clearinghouse on Adolescent Pregnancy Prevention Programs under subsection (n).

"(4) EXCESS AMOUNT.—If in any fiscal year the aggregate amount specified in paragraph (1) for such fiscal year exceeds the amount required to carry out approved grant applications and other functions under paragraph (3), then the amount specified in section 2003(c)(5) shall be increased by the excess.

"(e) DEFINITIONS.—As used in this section:

"(1) ADOLESCENTS.—The term 'adolescents' means youth who are ages 10 through 19.

"(2) ELIGIBLE ENTITY.—The term 'eligible entity' means a partnership that includes—

"(A) a local education agency, acting on behalf of one or more schools, together with

"(B) one or more community-based organizations, institutions of higher education, or public or private agencies or organizations.

"(3) ELIGIBLE AREA.—The term 'eligible area' means a school attendance area in which—

"(A) at least 75 percent of the children are from low-income families as that term is used in part A of title I of the Elementary and Secondary Education Act of 1965; or

"(B) the number of children receiving Aid to Families with Dependent Children under part A of title IV is substantial as determined by the responsible Federal officials; or

"(C) the unmarried adolescent birth rate is high, as determined by the responsible Federal officials.

"(4) SCHOOL.—The term 'school' means a public elementary, middle, or secondary school.

"(5) RESPONSIBLE FEDERAL OFFICIALS.—The term 'responsible Federal officials' means the Secretary of Education, the Secretary of Health and Human Services, and the Chief Executive Officer of

the Corporation for National and Community Service.

"(f) USES OF FUNDS.—Grants under this section—

"(1) shall be used to—

"(A) develop, operate, expand, and improve a sequential, age-appropriate program of instruction and counseling services for adolescents designed to promote personal responsibility and a healthy drug free lifestyle, and to prevent adolescent pregnancy, through such activities as counseling and instruction in the full range of consequences of premature sexual behavior and adolescent pregnancy, training in decision-making, and activities to promote involvement of parents and families in adolescent development and personal responsibility; and

"(B) provide opportunities for youth at-risk to develop sustained contact with one or more volunteer or professionally trained adults to provide character development, through such activities as mentoring, group coaching, or after-school activities; and

"(2) may be used to conduct other related activities that promote the purposes of this section.

"(g) APPLICATION.—Each applicant for a grant under subsection (b) must submit an application that—

"(1) includes a plan, based on local needs, for accomplishing the purposes of this section that—

"(A) sets forth specific, measurable goals intended to be accomplished under the program, and describes the methods to be used in measuring progress toward accomplishment of such goals;

"(B) describes the components of the program, including—

"(i) the role in the program of any national service participants supported by the National and Community Service Act of 1990 (42 U.S.C. 12501 et seq.) or by any other national service law as defined in such Act, and

"(ii) the activities, in accordance with subsection (f), that will be made available under the program,

and the manner in which such components will be implemented, including the extent to which activities will take place after school, on weekends, or during the summer;

"(C) describes the manner in which one or more professional staff will administer the program, and, where appropriate or feasible, the manner in which national service participants will be involved in the development or delivery of services and in the coordination of during or after-school activities;

"(2) demonstrates the manner in which the program will be based on research concerning effective means of reducing adolescent pregnancy, including reducing risk-taking behaviors correlated with adolescent pregnancy;

"(3) demonstrates that the program will serve male and female adolescents and, where feasible, out-of-school adolescents, and describes the steps the applicant will take to serve such adolescents;

"(4) demonstrates the manner in which the applicant will provide, to the extent feasible, a continuity of services for adolescents until age 19;

"(5) demonstrates the extent to which school personnel, parents, community organizations, and the adolescents to be served have participated in the development of the application and will participate in the planning and implementation of the program;

"(6) describes the applicant's partnership, including the relationship of the partners, the role of each partner in the development and implementation of the program, and the manner in which the partners will coordinate their resources;

"(7) describes the nature and scope of commitment to the program by other community institutions, such as religious organizations, community groups, institutions of higher education, business, and labor;

"(8) describes the methods to be used in coordinating the provision of services under the program with the provision of services or benefits under other Federal or federally assisted programs, State and local programs, and private programs serving the same population;

"(9) demonstrates that the area to be served is an eligible area;

"(10) contains assurances that at least one activity will be located in a school in the area to be served and describes the activities that will be school-based;

"(11) contains assurances that the amounts provided under this section will not be used to sup-

plant Federal, State, or local funds for services and activities that promote the purposes of this section;

"(12) contains assurances that the applicant will provide a non-Federal share, in cash or in kind, of at least 20 percent of the cost of carrying out the approved program;

"(13) describes the applicant's plan for continuation of the program following completion of the grant period and termination of Federal support under this section;

"(14) contains assurances that the applicant will furnish such reports, containing such information, and participate in such evaluations, as the responsible Federal officials may require; and

"(15) includes such other information and assurances as the responsible Federal officials may reasonably require.

"(h) PRIORITIES.—In making awards under this section, the responsible Federal officials shall give priority to applicants that—

"(1) provide for non-Federal resources significantly in excess of those required in subsection (g)(12) or for an increasing ratio of non-Federal resources over the term of the grant; and

"(2) participate in other Federal and non-Federal programs that relate to the purposes of this section.

"(i) TREATMENT AS NON-FEDERAL SHARE.—For purposes of the National and Community Service Act of 1990 (42 U.S.C. 12501 et seq.), the funds provided to a grantee under this section shall not be considered Federal funds.

"(j) PROHIBITION ON USE OF FUNDS.—No assistance made available under this section shall be used to provide religious instruction, to conduct worship services, or to promote any religious view or teaching in any manner.

"(k) GEOGRAPHIC DIVERSITY.—The responsible Federal officials shall, to the extent feasible, ensure that applications are approved from both urban and rural areas and reflect nationwide geographic diversity.

"(l) APPLICATION PERIOD.—An application approved under this section shall be for a term of 5 years; except that approval may be terminated before the end of such period if the responsible Federal officials determine that the grantee conducting the program has failed substantially to carry out the program as described in the approved application.

"(m) EVALUATION, TRAINING, AND TECHNICAL ASSISTANCE.—

"(1) EVALUATION.—The responsible Federal officials shall evaluate the effectiveness of programs conducted under this section, directly or by grant or contract, and may require each grantee conducting such a program to provide such information as the responsible Federal officials determine is necessary for such evaluations.

"(2) TRAINING AND TECHNICAL ASSISTANCE.—The responsible Federal officials may provide training and technical assistance with respect to the development, implementation, or operation of programs under this section.

"(3) COORDINATION WITH NATIONAL CLEARINGHOUSE.—The responsible Federal officials shall coordinate the activities conducted under this subsection with the activities conducted by the National Clearinghouse on Adolescent Pregnancy Prevention Programs under subsection (n).

"(n) NATIONAL CLEARINGHOUSE ON ADOLESCENT PREGNANCY.—

"(1) ESTABLISHMENT.—The responsible Federal officials shall establish, through grant or contract, a national center for the collection and provi-

sion of programmatic information and technical assistance that relates to adolescent pregnancy prevention programs, to be known as the 'National Clearinghouse on Adolescent Pregnancy Prevention Programs'.

"(2) FUNCTIONS.—The national center established under paragraph (1) shall serve as a national information and data clearinghouse, and as a training, technical assistance, and material development source for adolescent pregnancy prevention programs. Such center shall—

"(A) develop and maintain a system for disseminating information on all types of adolescent pregnancy prevention program and on the state of adolescent pregnancy prevention program development, including information concerning the most effective model programs;

"(B) develop and sponsor a variety of training institutes and curricula for adolescent pregnancy prevention program staff;

"(C) identify model programs representing the various types of adolescent pregnancy prevention programs;

"(D) develop technical assistance materials and activities to assist other entities in estab-

lishing and improving adolescent pregnancy prevention programs;

"(E) develop networks of adolescent pregnancy prevention programs for the purpose of sharing and disseminating information; and

"(F) conduct such other activities as the responsible Federal officials find will assist in developing and carrying out programs or activities to reduce adolescent pregnancy.".

(b) EFFECTIVE DATE.—The amendment made by this section shall become effective October 1, 1994.

SEC. 506. DEMONSTRATION PROJECTS TO PROVIDE COMPREHENSIVE SERVICES TO PREVENT ADOLESCENT PREGNANCY IN HIGH-RISK COMMUNITIES.

(a) DEMONSTRATON PROJECTS.—Title XX (42 U.S.C. 1397–1397f) is amended by adding at the end the following:

"SEC. 2009. DEMONSTRATION PROJECTS TO PROVIDE COMPREHENSIVE SERVICES TO PREVENT ADOLESCENT PREGNANCY IN HIGH-RISK COMMUNITIES.

"(a)(1) PURPOSE.—In order to stimulate the development of innovative approaches for the effective delivery of comprehensive services, with particular emphasis on preg-

nancy prevention, to certain youth and their families in high-risk communities and the promotion of community involvement in improving the environment in which such youth live, the Secretary of Health and Human Services shall conduct demonstration projects in accordance with this section.

"(2) APPROVAL OF PROJECTS.—The Secretary of Health and Human Services, in consultation with the Secretary of Education, the Secretary of Housing and Urban Development, the Attorney General, the Director of the Office of National Drug Control Policy, and the Secretary of Labor, shall approve at least 5 and not more than 7 projects, in accordance with subsection (c). Upon approval by the Secretary, each project applicant shall be entitled to payment of up to $3,600,000 for each of fiscal years 1995 through 1999 for the purpose of conducting approved demonstration projects.

"(b) FUNDING.—

"(1) IN GENERAL.—There shall be made available to the Secretary not to exceed $20,000,000 for each of fiscal years 1995 through 1999 for carrying out the projects under this section. Payments to a grantee for any fiscal year must be expended by the grantee in such fiscal year or the succeeding fiscal year.

"(2) EVALUATION, TRAINING, AND TECHNICAL ASSISTANCE.—The Secretary shall reserve, with respect to each fiscal year, ten percent of the amount described in paragraph (1) for expenditure by the Secretary for training and technical assistance related to the demonstration projects under this section and for evaluation of such projects. The amount so reserved shall remain available for obligation through fiscal year 1999.

"(3) EXCESS AMOUNTS.—If in any fiscal year the amount specified in paragraph (1) for such fiscal year exceeds the amount required to carry out approved projects and evaluation, training, and technical assistance under this section, then the amount specified in section 2003(c)(5) shall be increased by the excess.

"(c) APPLICATION; ELIGIBILITY CRITERIA.—A local public or private nonprofit organization, including a unit of government, or any combination of such entities, shall be eligible to submit a project application. In order that an application be approved under subsection (a), the application must—

"(1) demonstrate that the geographic area to be served by the project satisfies the following criteria:

"(A) it includes a population of 20,000 to 35,000 residents,

"(B) it has an identifiable boundary and is recognizable as a community by its residents, and

"(C) within the community, there is a poverty rate of not less than 20 percent;

"(2) include a plan for accomplishing the purposes of this section that—

"(A) describes the comprehensive, integrated services, in accordance with subsection (e), that will be made available under the project;

"(B)(i) sets forth the goals intended to be accomplished under the project, and

"(ii) describes the methods to be used in measuring progress toward accomplishment of such goals and the outcomes to be measured, including unmarried adolescent birth rates, rates of youth alcohol and drug use, rates of youth violence, high school graduation rates, and such other outcomes as the Secretary finds appropriate;

"(C) describes the process by which the affected community (including parents, the youth

to be served, schools, local government, religious organizations, community groups, business, and labor) is a full partner in the process of developing and implementing the project and the extent to which parents, the youth to be served, and local institutions and organizations have contributed to the planning process;

"(D) identifies the private and public partnerships to be used;

"(E) describes the methods to be used in coordinating the provision of services under the project and the provision of services or benefits under other Federal or federally assisted programs, State and local programs, and private programs serving the same population; and

"(F) describes the manner in which other Federal funds and non-Federal funds will be used to further the purpose of the program;

"(3) demonstrate strong State and local government commitment to the project and involvement in the planning and implementation of the project;

"(4) demonstrate the ability of the applicant to carry out the project;

"(5) describe the methods to be used for maintaining accurate records regarding the activities carried out with funds under this section;

"(6) contain assurances that the amounts provided under this section will not be used to supplant Federal, State, and local funds for services and activities that promote the purposes of this section;

"(7) contain assurances that the applicant will provide a non-Federal share, in cash or in kind, of 10 percent of the cost of carrying out the approved project and describe the capacity of the applicant to provide the non-Federal share;

"(8) contain assurances that the applicant will furnish such reports, containing such information, and participate in such evaluations, as the Secretary may require; and

"(9) include such other information as the Secretary may require.

"(d) PRIORITY.—In making awards under this section, the Secretary shall give priority to applicants that provide for non-Federal resources significantly in excess of those required in subsection (c)(7).

"(e) USE OF GRANTS.—Under each demonstration project conducted under this section, the grantee shall develop a community-wide strategy to address the causes

and factors of risk-taking tendencies among youth, to positively affect community norms, to increase community health and safety, and to generally improve the social environment to enhance the life choice of community youth. The strategy shall be used to provide a comprehensive set of coordinated services designed to saturate the community and shall include, but not be limited to, the following areas:

"(1) Health education and access services designed to promote physical and mental well-being and personal responsibility (with particular emphasis on pregnancy prevention), such as school health services, family planning services, alcohol and drug abuse prevention services and referral for treatment, life skills training, and decision-making skills training.

"(2) Educational and employability development services designed to promote educational advancement leading to a high school diploma or its equivalent and opportunities for high skill, high wage job attainment and productive employment, to establish a lifelong commitment to learning and achievement, and to increase self-confidence, such as academic tutoring, literacy training, drop-out prevention programs, career and college counseling, mentoring pro-

grams, job skills training, apprenticeships, and part-time paid work opportunities.

"(3) Social support services designed to provide youth with a stable environment, opportunities for a sustained relationship with one or more adults, and opportunities for participation in safe and productive activities, such as cultural, recreational and sports activities, leadership development, peer counseling and crisis intervention, mentoring programs, parenting skills training, and family counseling.

"(4) Community activities designed to improve community stability, and to encourage youth to participate in community service and establish a stake in the community, such as community policing, community service programs, community activities in partnership with less distressed neighborhoods, local media campaigns, and establishment of community advisory councils with youth representation.

"(5) Employment opportunity development activities designed to be coordinated with educational and employability development services, social support services, and community activities described in paragraphs (2) through (4). Emphasis shall be on development of linkages with employers within and outside the community to help create employment

opportunities and foster an understanding by community youth of the relationship between productive employment, healthy development, and sound life choices.

"(f) EVALUATION, TRAINING, AND TECHNICAL ASSISTANCE.—

"(1) EVALUATION.—The Secretary shall evaluate the effectiveness of each demonstration project conducted under this section and may require each grantee conducting such a project to provide such information as the Secretary determines is necessary for such evaluations.

"(2) TRAINING AND TECHNICAL ASSISTANCE.—The Secretary shall provide training and technical assistance with respect to the development, implementation, or operation of projects under this section.

"(3) COORDINATION WITH NATIONAL CLEARINGHOUSE.—The Secretary shall coordinate the activities conducted under this subsection with activities conducted by the National Clearinghouse on Adolescent Pregnancy Prevention Programs under section 2008(n).

"(g) FUNDING PERIOD.—Each demonstration project supported under this section shall be conducted for

a 5-year period; except that the Secretary may terminate a project before the end of such period if the Secretary determines that the grantee conducting the project has failed substantially to carry out the project as described in the approved application.

"(h) DEFINITIONS AND SPECIAL RULES.—As used in this section:

"(1) YOUTH.—The term 'youth' means an individual who is not less than 10 years of age and not more than 21 years of age.

"(2) USE OF CENSUS DATA.—Population and poverty rate shall be determined by the most recent decennial census data available.".

(b) EFFECTIVE DATE.—The amendment made by this section shall become effective October 1, 1994.

TITLE VI—CHILD SUPPORT ENFORCEMENT

SEC. 600. REFERENCES IN TITLE.

References in this title to a section or other provision refer to a section or other provision of the Social Security Act, unless the context otherwise requires.

PART A—ELIGIBILITY AND OTHER MATTERS CONCERNING TITLE IV-D PROGRAM CLIENTS

SEC. 601. COOPERATION REQUIREMENT AND GOOD CAUSE EXCEPTION.

(a) CHILD SUPPORT ENFORCEMENT REQUIREMENTS.—Section 454 is amended—

(1) by striking "and" at the end of paragraph (23);

(2) by striking the period at the end of paragraph (24) and inserting "; and"; and

(3) by adding after paragraph (24) the following new paragraph:

"(25) provide that the State agency administering the plan under this part—

"(A) will make the determination specified under paragraph (4), as to whether an individual is cooperating with efforts to establish paternity and secure support (or has good cause not to cooperate with such efforts) for purposes of the requirements of sections 402(a)(26) and 1912;

"(B) will advise individuals, both orally and in writing, of the grounds for good cause

exceptions to the requirement to cooperate with such efforts;

"(C) will take the best interests of the child into consideration in making the determination whether such individual has good cause not to cooperate with such efforts;

"(D)(i) will make the initial determination as to whether an individual is cooperating (or has good cause not to cooperate) with efforts to establish paternity within 10 days after such individual is referred to such State agency by the State agency administering the program under part A of title XIX;

"(ii) will make redeterminations as to cooperation or good cause at appropriate intervals; and

"(iii) will promptly notify the individual, and the State agencies administering such programs, of each such determination and redetermination;

"(E) with respect to any child born on or after the date 10 months after enactment of this provision, will not determine (or redetermine) the mother (or other custodial relative) of such child to be cooperating with efforts to es-

tablish paternity unless such individual furnishes—

"(i) the name of the putative father (or fathers); and

"(ii) sufficient additional information to enable the State agency, if reasonable efforts were made, to verify the identity of the person named as the putative father (including such information as the putative father's present address, telephone number, date of birth, past or present place of employment, school previously or currently attended, and names and addresses of parents, friends, or relatives able to provide location information, or other information that could enable service of process on such person), and

"(F)(i) (where a custodial parent who was initially determined not to be cooperating (or to have good cause not to cooperate) is later determined to be cooperating or to have good cause not to cooperate) will immediately notify the State agencies administering the programs under part A of title XIX that this eligibility condition has been met; and

"(ii) (where a custodial parent was initially determined to be cooperating (or to have good cause not to cooperate)) will not later determine such individual not to be cooperating (or not to have good cause not to cooperate) until such individual has been afforded an opportunity for a hearing.".

(b) AFDC AMENDMENTS.—

(1) Section 402(a)(11) is amended by striking "furnishing of" and inserting "application for".

(2) Section 402(a)(26) is amended—

(A) in each of subparagraphs (A) and (B), by redesignating clauses (i) and (ii) as subclauses (I) and (II);

(B) by indenting and redesignating subparagraphs (A), (B), and (C) as clauses (i), (ii), and (iv), respectively;

(C) in clause (ii), as redesignated—

(i) by striking "is claimed, or in obtaining any other payments or property due such applicant or such child," and inserting "is claimed;"; and

(ii) by striking "unless" and all that follows through "aid is claimed; and";

(D) by adding after clause (ii) the following new clause:

"(iii) to cooperate with the State in obtaining any other payments or property due such applicant or such child; and";

(E) in the matter preceding clause (i), as redesignated, to read as follows:

"(26) provide—

"(A) that, as a condition of eligibility for aid, each applicant or recipient will be required (subject to subparagraph (C))—";

(F) in subparagraph (A)(iv), as redesignated, by striking ", unless such individual" and all that follows through "individuals involved";

(G) by adding at the end the following new subparagraphs:

"(B) that the State agency will immediately refer each applicant requiring paternity establishment services to the State agency administering the program under part D;

"(C) that an individual will not be required to cooperate with the State, as provided under subparagraph (A), if the individual is found to have good cause for refusing to cooperate, as

determined in accordance with standards prescribed by the Secretary, which standards shall take into consideration the best interests of the child on whose behalf aid is claimed—

"(i) to the satisfaction of the State agency administering the program under part D, as determined in accordance with section 454(25), with respect to the requirements under clauses (i) and (ii) of subparagraph (A); and

"(ii) to the satisfaction of the State agency administering the program under this part, with respect to the requirements under clauses (iii) and (iv) of subparagraph (A);

"(D) that (except as provided in subparagraph (E)) an applicant requiring paternity establishment services (other than an individual eligible for emergency assistance as defined in section 406(e)) shall not be eligible for any aid under this part until such applicant—

"(i) has furnished to the agency administering the State plan under part D the information specified in section 454(25)(E); or

"(ii) has been determined by such agency to have good cause not to cooperate;

"(E) that the provisions of subparagraph (D) shall not apply—

"(i) if the State agency specified in such subparagraph has not, within 10 days after such individual was referred to such agency, provided the notification required by section 454(25)(D)(iii), until such notification is received; and

"(ii) if such individual appeals a determination that the individual lacks good cause for noncooperation, until after such determination is affirmed after notice and opportunity for a hearing; and"; and

(H)(i) by relocating and redesignating as subparagraph (F) the text at the end of subparagraph (A)(ii) beginning with "that, if the relative" and all that follows through the semicolon;

(ii) in subparagraph (F), as so redesignated and relocated, by striking "subparagraphs (A) and (B) of this paragraph" and inserting "subparagraph (A)"; and

(iii) by striking "and" at the end of subparagraph (a)(ii).

(c) MEDICAID AMENDMENTS.—Section 1912(a) is amended—

(1) in paragraph (1)(B), by inserting "(except as provided in paragraph (2))" after "to cooperate with the State";

(2) in subparagraphs (B) and (C) of paragraph (1) by striking ", unless" and all that follows and inserting a semicolon; and

(3) by redesignating paragraph (2) as paragraph (5), and inserting after paragraph (1) the following new paragraphs:

"(2) provide that the State agency will immediately refer each applicant or recipient requiring paternity establishment services to the State agency administering the program under part D of title IV;

"(3) provide that an individual will not be required to cooperate with the State, as provided under paragraph (1), if the individual is found to have good cause for refusing to cooperate, as determined in accordance with standards prescribed by the Secretary, which standards shall take into consideration the best interests of the individuals involved—

"(A) to the satisfaction of the State agency administering the program under part D, as determined in accordance with section 454(25), with respect to the requirements to cooperate with efforts to establish paternity and to obtain support (including medical support) from a parent; and

"(B) to the satisfaction of the State agency administering the program under this title, with respect to other requirements to cooperate under paragraph (1);

"(4) provide that (except as provided in paragraph (5)) an applicant requiring paternity establishment services (other than an individual eligible for emergency assistance as defined in section 406(e), or presumptively eligible pursuant to section 1920) shall not be eligible for medical assistance under this title until such applicant—

"(i) has furnished to the agency administering the State plan under part D of title IV the information specified in section 454(25)(E); or

"(ii) has been determined by such agency to have good cause not to cooperate; and

"(5) provide that the provisions of paragraph (4) shall not apply with respect to an applicant—

"(i) if such agency has not, within 10 days after such individual was referred to such agency, provided the notification required by section 454(25)(D)(iii), until such notification is received); and

"(ii) if such individual appeals a determination that the individual lacks good cause for noncooperation, until after such determination is affirmed after notice and opportunity for a hearing.".

(d) EFFECTIVE DATE.—The amendments made by this section shall be effective with respect to applications filed in or after the first calendar quarter beginning 10 months or more after enactment of this amendment (or such earlier quarter as the State may select) for aid under title IV–A or for medical assistance under title XIX.

SEC. 602. STATE OBLIGATION TO PROVIDE PATERNITY ESTABLISHMENT AND CHILD SUPPORT ENFORCEMENT SERVICES.

(a) STATE LAW REQUIREMENTS.—Section 466(a) is amended by adding at the end the following new paragraph:

"(12) USE OF CENTRAL CASE REGISTRY AND CENTRALIZED COLLECTIONS UNIT.—Procedures under which—

"(A) every child support order established or modified in the State on or after October 1, 1997, is recorded in the central case registry established in accordance with section 454A(e); and

"(B) child support payments are collected through the centralized collections unit established in accordance with section 454B—

"(i) on and after October 1, 1997, under each order subject to wage withholding under section 466(b); and

"(ii) on and after October 1, 1998, under each other order required to be recorded in such central case registry under this paragraph or section 454A(e), except as provided in subparagraph (C); and

"(C)(i) parties subject to a child support order described in subparagraph (B)(ii) may opt out of the procedure for payment of support through the centralized collections unit (but not the procedure for inclusion in the central case registry) by filing with the State agency a writ-

ten agreement, signed by both parties, to an alternative payment procedure; and

"(ii) an agreement described in clause (i) becomes void, and may not be renewed, whenever—

"(I) the party owing support fails to make a timely payment; or

"(II) either party advises the State agency of an intent to vacate the agreement.".

(b) STATE PLAN REQUIREMENTS.—Section 454 is amended—

(1) in paragraph (4), to read as follows:

"(4) provide that such State will undertake—

"(A) to provide appropriate services under this part to—

"(i) each child with respect to whom an assignment is effective under section 402(a)(26), 471(a)(17), or 1912 (except in cases where the State agency determines, in accordance with paragraph (25), that it is against the best interests of the child to do so); and

"(ii) each child not described in clause (i)—

"(I) with respect to whom an individual applies for such services; and

"(II) (on and after October 1, 1997) each child with respect to whom a support order is recorded in the central State case registry established under section 454A, regardless of whether application is made for services under this part; and

"(B) to enforce the support obligation established with respect to the custodial parent of a child described in subparagraph (A).";

(2) in paragraph (6)—

(A) by striking all that precedes subparagraph (C) and inserting the following:

"(6) provide that—

"(A) services under the State plan shall be made available to nonresidents on the same terms as to residents;

"(B) no fees or costs shall be imposed on any absent or custodial parent or other individual—

"(i) on or after October 1, 1997, for application for child support enforcement services under this part; or

"(ii) for inclusion in the central State registry maintained pursuant to section 454A(e);";

(B) in each of subparagraphs (C) and (D)—

(i) by indenting such subparagraph and aligning its left margin with the left margin of paragraph (B); and

(ii) by striking the final comma and inserting a semicolon;

(C) by striking subparagraph (E) and inserting the following subparagraphs:

"(E) no other fees or costs may be imposed on the custodial parent; and

"(F) any other fees or costs may be imposed on the noncustodial parent (but fees for child support collection services provided through the central collections unit operated pursuant to section 454B, or for related automated procedures pursuant to section 454A(g), may be imposed only if such fees or costs are added to, and not deducted from, amounts collected as child support);".

(c) CONFORMING AMENDMENTS.—

(1) Section 452(g)(2)(A) is amended by striking "454(6)" each place it appears and inserting "454(4)(A)(ii)".

(2) Section 454(23) is amended, effective October 1, 1997, by striking "information as to any application fees for such services and".

(3) Section 466(a)(3)(B) is amended by striking "in the case of overdue support which a State has agreed to collect under section 454(6)" and inserting "in any other case".

(4) Section 466(e) is amended by striking "or (6)".

SEC. 603. DISTRIBUTION OF PAYMENTS.

(a) DISTRIBUTIONS THROUGH STATE CHILD SUPPORT ENFORCEMENT AGENCY TO FORMER ASSISTANCE RECIPIENTS.—Section 454(5) is amended—

(1) in subparagraph (A)—

(A) by inserting "except as otherwise specifically provided in section 464 or 466(a)(3)," after "is effective,"; and

(B) by striking "except that" and all that follows through the semicolon; and

(2) in subparagraph (B), by striking ", except" and all that follows through "medical assistance".

(b) DISTRIBUTION TO A FAMILY CURRENTLY RECEIVING AFDC.—Section 457 is amended—

(1) by striking subsection (a) and redesignating subsection (b) as subsection (a);

(2) in subsection (a), as redesignated—

(A) in the matter preceding paragraph (2), to read as follows:

"(a) IN THE CASE OF A FAMILY RECEIVING AFDC.—Amounts collected under this part during any month as support of a child who is receiving assistance under part A (or a parent or caretaker relative of such a child) shall (except in the case of a State exercising the option under subsection (b)) be distributed as follows:

"(1) an amount equal to the amount specified in section 402(a)(8)(A)(vi) shall be taken from each of—

"(A) amounts received in a month which represent payments for that month; and

"(B) amounts received in a month which represent payments for a prior month which were made by the absent parent in the month when due;

and shall be paid to the family without affecting its eligibility for assistance or decreasing any amount

otherwise payable as assistance to such family during such month;'';

(B) in paragraph (4), by striking ''or (B)'' and all that follows and inserting ''; then (B) from any remainder, amounts equal to arrearages of such support obligations assigned, pursuant to part A, to any other State or States shall be paid to such other State or States and used to pay any such arrearages (with appropriate reimbursement of the Federal Government to the extent of its participation in the financing); and then (C) any remainder shall be paid to the family.''.

(3) by inserting after subsection (a), as redesignated, the following new subsection:

''(b) ALTERNATIVE DISTRIBUTION IN CASE OF FAMILY RECEIVING AFDC.—In the case of a State electing the option under this subsection, amounts collected as described in subsection (a) shall be distributed as follows:

''(1) an amount equal to the amount specified in section 402(a)(8)(A)(vi) shall be taken from each of—

''(A) amounts received in a month which represent payments for that month; and

"(B) amounts received in a month which represent payments for a prior month which were made by the absent parent in the month when due;

and shall be paid to the family without affecting its eligibility for assistance or decreasing any amount otherwise payable as assistance to such family during such month;

"(2) second, from any remainder, amounts equal to the balance of support owed for the current month shall be paid to the family;

"(3) third, from any remainder, amounts equal to arrearages of such support obligations assigned, pursuant to part A, to the State making the collection shall be retained and used by such State to pay any such arrearages (with appropriate reimbursement of the Federal Government to the extent of its participation in the financing);

"(4) fourth, from any remainder, amounts equal to arrearages of such support obligations assigned, pursuant to part A, to any other State or States shall be paid to such other State or States and used to pay any such arrearages (with appropriate reimbursement of the Federal Government to the extent of its participation in the financing); and

"(5) fifth, any remainder shall be paid to the family.".

(c) DISTRIBUTION TO A FAMILY NOT RECEIVING AFDC.—Section 457(c) is amended to read as follows:

"(c) IN CASE OF FAMILY NOT RECEIVING AFDC.—Amounts collected by a State agency under this part during any month as support of a child who is not receiving assistance under part A (or of a parent or caretaker relative of such a child) shall (subject to the remaining provisions of this section) be distributed as follows:

"(1) first, amounts equal to the total of such support owed for such month shall be paid to the family;

"(2) second, from any remainder, amounts equal to arrearages of such support obligations for months during which such child did not receive assistance under part A shall be paid to the family;

"(3) third, from any remainder, amounts equal to arrearages of such support obligations assigned to the State making the collection pursuant to part A shall be retained and used by such State to pay any such arrearages (with appropriate reimbursement of the Federal Government to the extent of its participation in the financing);

"(4) fourth, from any remainder, amounts equal to arrearages of such support obligations assigned to any other State pursuant to part A shall be paid to such other State or States, and used to pay such arrearages, in the order in which such arrearages accrued (with appropriate reimbursement of the Federal Government to the extent of its participation in the financing).".

(d) DISTRIBUTION TO A CHILD RECEIVING ASSISTANCE UNDER TITLE IV–E.—Subsection (d) is amended, in the matter preceding paragraph (1), by striking "Notwithstanding the preceding provisions of this section, amounts" and inserting "IN CASE OF A CHILD RECEIVING ASSISTANCE UNDER TITLE IV–E.—Amounts".

(e) SUSPENSION OR CANCELLATION OF DEBTS UPON MARRIAGE OF PARENTS.—Section 457 is further amended by adding at the end the following new subsection:

"(e) SUSPENSION OR CANCELLATION OF DEBTS TO STATE UPON MARRIAGE OF PARENTS.—(1) CIRCUMSTANCES REQUIRING SUSPENSION OR CANCELLATION.—In any case in which a State has been assigned rights to support owed with respect to a child who is receiving or has received assistance under part A and—

"(A) the parent owing such support marries (or remarries) the parent with whom such child is living

and to whom such support is owed and applies to the State for relief under this subsection;

"(B) the State determines (in accordance with procedures and criteria established by the Secretary) that the marriage is not a sham marriage entered into solely to satisfy this subsection; and

"(C) the combined income of such parents is less than twice the Federal poverty line,

the State shall afford relief to the parent owing such support in accordance with paragraph (2).

"(2) SUSPENSION OR CANCELLATION.—In the case of a marriage or remarriage described in paragraph (1), the State shall either—

"(A) cancel all debts owed to the State pursuant to such assignment, or

"(B) suspend collection of such debts for the duration of such marriage, and cancel such debts if such duration extends beyond the end of the period with respect to which support is owed.

"(3) NOTICE REQUIRED.—The State shall notify custodial parents of children who are receiving aid under part A of the relief available under this subsection to individuals who marry (or remarry).".

(f) REGULATIONS.—The Secretary shall promulgate regulations—

(1) under title IV–D of the Social Security Act, establishing a uniform nationwide standard for allocation of child support collections from an obligor owing support to more than one family; and

(2) under title IV–A of such Act, establishing standards applicable to States electing the alternative formula under section 457(b) of the Social Security Act for distribution of collections on behalf of families receiving Aid to Families with Dependent Children, designed to minimize irregular monthly payments to such families.

(g) CLERICAL AMENDMENT.—Section 454 is amended—

(1) in paragraph (11), by striking "(11)" and inserting "(11)(A)"; and

(2) by redesignating paragraph (12) as subparagraph (B) of paragraph (11).

(h) CONFORMING AMENDMENT.—Section 402(a)(26)(A)(i), as redesignated by section 601(b)(2)(A), is amended—

(1) by striking "(I)"; and

(2) by striking ", and (II)" and all that follows before the semicolon.

SEC. 604. DUE PROCESS RIGHTS.

(a) Section 454, as amended by section 603(g), is further amended by inserting after paragraph (11) the following new paragraph:

"(12) provide for procedures to ensure that—

"(A) individuals who are parties to cases in which services are being provided under this part—

"(i) receive notice of all proceedings in which support obligations might be established or modified; and

"(ii) receive a copy of any order establishing or modifying a child support obligation within 14 days after issuance of such order; and

"(B) individuals receiving services under this part have access to a fair hearing or other formal complaint procedure, meeting standards established by the Secretary, that ensures prompt consideration and resolution of complaints (but the resort to such procedure shall not stay the enforcement of any support order);".

(b) EFFECTIVE DATE.—The amendments made by this section shall become effective on October 1, 1996.

SEC. 605. PRIVACY SAFEGUARDS.

(a) STATE PLAN REQUIREMENT.—Section 454, as amended by section 601, is further amended—

(1) by striking "and" at the end of paragraph (24);

(2) by striking the period at the end of paragraph (25) and inserting "; and"; and

(3) by adding after paragraph (25) the following new paragraph;

"(26) will have in effect safeguards applicable to all sensitive and confidential information handled by the State agency designed to protect the privacy rights of the parties, including—

"(A) safeguards against unauthorized use or disclosure of information relating to proceedings or actions to establish paternity, or to establish or enforce support; and

"(B) prohibitions on the release of information on the whereabouts of one party to another party against whom a protective order with respect to such party has been entered.".

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

SEC. 606. REQUIREMENT TO FACILITATE ACCESS TO SERVICES.

(a) STATE PLAN REQUIREMENT.—Section 454(23) is amended—

(1) by striking "the State will regularly" and inserting "the State will—

"(A) regularly";

(2) by incorporating the remainder of the text within subparagraph (A);

(3) by striking "and" at the end; and

(4) by adding after and below subparagraph (A) the following new subparagraph:

"(B) have a plan for outreach to parents designed to disseminate information about and increase access to child support enforcement services, including plans responding to needs—

"(i) of working parents to obtain such services without taking time off work; and

"(ii) of parents with limited proficiency in English for elimination of language barriers to use of such services; and".

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

PART B—PROGRAM ADMINISTRATION AND FUNDING

SEC. 611. FEDERAL MATCHING PAYMENTS.

(a) INCREASED BASE MATCHING RATE.—Section 455(a)(2) is amended to read as follows:

"(2) The applicable percent for a quarter for purposes of paragraph (1)(A) is—

"(A) for fiscal year 1996, 69 percent,

"(B) for fiscal year 1997, 72 percent, and

"(C) for fiscal year 1998 and succeeding fiscal years, 75 percent.".

(b) MAINTENANCE OF EFFORT.—Section 455 is amended—

(1) in subsection (a)(1), in the matter preceding subparagraph (A), by striking "From" and inserting "Subject to subsection (c), from"; and

(2) by inserting after subsection (b) the following new subsection:

"(c) MAINTENANCE OF EFFORT.—Notwithstanding the provisions of subsection (a), total expenditures for the State program under this part for fiscal year 1996 and each succeeding fiscal year, reduced by the percentage specified for such fiscal year under subsection (a)(2)(A), (B), or (C)(i), shall not be less than such total expenditures for fiscal year 1995, reduced by 66 percent."

SEC. 612. PERFORMANCE-BASED INCENTIVES AND PENALTIES.

(a) INCENTIVE ADJUSTMENTS TO FEDERAL MATCHING RATE.—(1) IN GENERAL.—Section 458 is amended to read as follows:

"INCENTIVE ADJUSTMENTS TO MATCHING RATE

"SEC. 458. (a) INCENTIVE ADJUSTMENT.—(1) IN GENERAL.—In order to encourage and reward State child support enforcement programs which perform in an effective manner, the Federal matching rate for payments to a State under section 455(a)(1)(A), for each fiscal year beginning on or after October 1, 1997, shall be increased by a factor reflecting the sum of the applicable incentive adjustments (if any) determined in accordance with regulations under this section with respect to Statewide paternity establishment and to overall performance in child support enforcement.

"(2) STANDARDS.—(A) IN GENERAL.—The Secretary shall specify in regulations—

"(i) the levels of accomplishment, and rates of improvement as alternatives to such levels, which States must attain to qualify for incentive adjustments under this section; and

"(ii) the amounts of incentive adjustment that shall be awarded to States achieving specified ac-

complishment or improvement levels, which amounts shall be graduated, ranging up to—

"(I) 5 percentage points, in connection with Statewide paternity establishment; and

"(II) 10 percentage points, in connection with overall performance in child support enforcement.

"(B) LIMITATION.—In setting performance standards pursuant to subparagraph (A)(i) and adjustment amounts pursuant to subparagraph (A)(ii), the Secretary shall ensure that the aggregate number of percentage point increases as incentive adjustments to all States do not exceed such aggregate increases as assumed by the Secretary in estimates of the cost of this section as of June 1994, unless the aggregate performance of all States exceeds the projected aggregate performance of all States in such cost estimates.

"(3) DETERMINATION OF INCENTIVE ADJUSTMENT.—The Secretary shall determine the amount (if any) of incentive adjustment due each State on the basis of the data submitted by the State pursuant to section 454(15)(B) concerning the levels of accomplishment (and rates of improvement) with respect to performance indicators specified by the Secretary pursuant to this section.

"(4) FISCAL YEAR SUBJECT TO INCENTIVE ADJUSTMENT.—The total percentage point increase determined pursuant to this section with respect to a State program in a fiscal year shall apply as an adjustment to the applicable percent under section 455(a)(2) for payments to such State for the succeeding fiscal year.

"(b) MEANING OF TERMS.—For purposes of this section—

"(1) the term 'Statewide paternity establishment percentage' means, with respect to a fiscal year, the ratio (expressed as a percentage) of—

"(A) the total number of out-of-wedlock children in the State under one year of age for whom paternity is established or acknowledged during the fiscal year, to

"(B) the total number of children born out of wedlock in the State during such fiscal year; and

"(2) the term 'overall performance in child support enforcement' means a measure or measures of the effectiveness of the State agency in a fiscal year which takes into account factors including—

"(A) the percentage of cases requiring a child support order in which such an order was established;

"(B) the percentage of cases in which child support is being paid;

"(C) the ratio of child support collected to child support due; and

"(D) the cost-effectiveness of the State program, as determined in accordance with standards established by the Secretary in regulations.".

(b) TITLE IV–D PAYMENT ADJUSTMENT.—Section 455(a)(2), as amended by section 611, is further amended—

(1) by striking the period at the end of subparagraph (C)(ii) and inserting a period; and

(2) by adding after and below subparagraph (C), flush with the left margin of the subsection, the following:

"increased by the incentive adjustment factor (if any) determined by the Secretary pursuant to section 458.".

(c) CONFORMING AMENDMENTS.—Section 454(22) is amended—

(1) by striking "incentive payments" the first place it appears and inserting "incentive adjustments"; and

(2) by striking "any such incentive payments made to the State for such period" and inserting

"any increases in Federal payments to the State resulting from such incentive adjustments".

(d) CALCULATION OF IV–D PATERNITY ESTABLISHMENT PERCENTAGE.—(1) Section 452(g) is amended in paragraph (1), in the matter preceding subparagraph (A), by inserting "its overall performance in child support enforcement is satisfactory (as defined in section 458(b) and regulations of the Secretary), and" after "1994,".

(2) Section 452(g)(2) is amended—

(A) in subparagraph (A), in the matter preceding clause (i)—

(i) by striking "paternity establishment percentage" and inserting "IV–D paternity establishment percentage"; and

(ii) by striking "(or all States, as the case may be)";

(B) in subparagraph (A)(i), by striking "during the fiscal year";

(C) in subclause (I) of subparagraph (A)(ii), by striking "as of the end of the fiscal year" and inserting "in the fiscal year or, at the option of the State, as of the end of such year";

(D) in subclause (II) of subparagraph (A)(ii), by striking "or (E) as of the end of the fiscal year"

and inserting "in the fiscal year or, at the option of the State, as of the end of such year";

(E) in subparagraph (A)(iii)—

(i) by striking "during the fiscal year"; and

(ii) by striking "and" at the end; and

(F) in the matter following subparagraph (A)—

(i) by striking "who were born out of wedlock during the immediately preceding fiscal year" and inserting "born out of wedlock";

(ii) by striking "such preceding fiscal year" both places it appears and inserting "the preceding fiscal year"; and

(iii) by striking "or (E)" the second place it appears.

(3) Section 452(g)(3) is amended—

(A) by striking subparagraph (A) and redesignating subparagraphs (B) and (C) as subparagraphs (A) and (B), respectively;

(B) in subparagraph (A), as redesignated, by striking "the percentage of children born out-of-wedlock in the State" and inserting "the percentage of children in the State who are born out of wedlock or for whom support has not been established"; and

(C) in subparagraph (B), as redesignated—

(i) by inserting "and overall performance in child support enforcement" after "paternity establishment percentages"; and

(ii) by inserting "and securing support" before the period.

(e) TITLE IV–A PAYMENT REDUCTION.—Section 403 is amended—

(1) in subsection (a), by striking "1958—" and inserting "1958—" (subject to subsection (h))—";

(2) in subsection (h), by striking all that precedes paragraph (3) and inserting the following:

"(h)(1) If the Secretary finds, with respect to a State program under this part in a fiscal year beginning on or after October 1, 1996—

"(A)(i) on the basis of data submitted by a State pursuant to section 454(15)(B), that the State program in such fiscal year failed to achieve the IV–D paternity establishment percentage (as defined in section 452(g)(2)(A)) or the appropriate level of overall performance in child support enforcement (as defined in section 458(b)(2)), or to meet other performance measures that may be established by the Secretary, or

"(ii) on the basis of an audit or audits of such State data conducted pursuant to section

452(a)(4)(C), that the State data submitted pursuant to section 454(15)(B) is incomplete or unreliable; and

"(B) that, with respect to the succeeding fiscal year—

"(i) the State failed to take sufficient corrective action to achieve the appropriate performance levels as described in subparagraph (A)(i), or

"(ii) the data submitted by the State pursuant to section 454(15)(B) is incomplete or unreliable,

the amounts otherwise payable to the State under this part for quarters following the end of such succeeding fiscal year, prior to quarters following the end of the first quarter throughout which the State program is in compliance with such performance requirement, shall be reduced by the percentage specified in paragraph (2).

"(2) The reductions required under paragraph (1) shall be—

"(A) not less than one nor more than two percent, or

"(B) not less than two nor more than three percent, if the finding is the second consecutive finding made pursuant to paragraph (1), or

"(C) not less than three nor more than five percent, if the finding is the third or a subsequent consecutive such finding."; and

"(3) In subsection (h)(3), by striking "not in full compliance" and all that follows and inserting "determined as a result of an audit to have submitted incomplete or unreliable data pursuant to section 454(15)(B), shall be determined to have submitted adequate data if the Secretary determines that the extent of the incompleteness or unreliability of the data is of a technical nature which does not adversely affect the determination of the level of the State's performance.".

(f) EFFECTIVE DATES.—

(1) INCENTIVE ADJUSTMENTS.—(A) The amendments made by subsections (a), (b), and (c) shall become effective October 1, 1996, except to the extent provided in subparagraph (B).

(B) The provisions of section 458 of the Act, as in effect prior to the enactment of this section, shall be effective for purposes of incentive payments to States for fiscal years prior to fiscal year 1998.

(2) PENALTY REDUCTIONS.—(A) The amendments made by subsection (d) shall become effective with respect to calendar quarters beginning on and after the date of enactment of this Act.

(B) The amendments made by subsection (e) shall become effective with respect to calendar quarters beginning on and after the date one year after the date of enactment of this Act.

SEC. 613. FEDERAL AND STATE REVIEWS AND AUDITS.

(a) STATE AGENCY ACTIVITIES.—Section 454 is amended—

(1) in paragraph (14), by striking "(14)" and inserting "(14)(A)";

(2) by redesignating paragraph (15) as subparagraph (B) of paragraph (14); and

(3) by inserting after paragraph (14) the following new paragraph:

"(15) provide for—

"(A) a process for annual reviews of and reports to the Secretary on the State program under this part, using such standards and procedures as are required by the Secretary, under which the State agency will determine the extent to which such program is in conformity with applicable requirements with respect to the operation of State programs under this part (including the status of complaints filed under the procedure required under paragraph (12)(B)); and

"(B) a process of extracting from the State automated data processing system and transmitting to the Secretary data and calculations concerning the levels of accomplishment (and rates of improvement) with respect to applicable performance indicators (including IV–D paternity establishment percentages and overall performance in child support enforcement) to the extent necessary for purposes of sections 452(g) and 458.".

(b) FEDERAL ACTIVITIES.—Section 452(a)(4) is amended to read as follows:

"(4)(A) review data and calculations transmitted by State agencies pursuant to section 454(15)(B) on State program accomplishments with respect to performance indicators for purposes of section 452(g) and 458, and determine the amount (if any) of penalty reductions pursuant to section 403(h) to be applied to the State;

"(B) review annual reports by State agencies pursuant to section 454(15)(A) on State program conformity with Federal requirements; evaluate any elements of a State program in which significant deficiencies are indicated by such report on the status of complaints under the State procedure under sec-

tion 454(12)(B); and, as appropriate, provide to the State agency comments, recommendations for additional or alternative corrective actions, and technical assistance; and

"(C) conduct audits, in accordance with the government auditing standards of the United States Comptroller General—

"(i) at least once every 3 years (or more frequently, in the case of a State which fails to meet requirements of this part, or of regulations implementing such requirements, concerning performance standards and reliability of program data) to assess the completeness, reliability, and security of the data, and the accuracy of the reporting systems, used for the calculations of performance indicators specified in subsection (g) and section 458;

"(ii) of the adequacy of financial management of the State program, including assessments of—

"(I) whether Federal and other funds made available to carry out the State program under this part are being appropriately expended, and are properly and fully accounted for; and

"(II) whether collections and disbursements of support payments and program income are carried out correctly and are properly and fully accounted for; and

"(iii) for such other purposes as the Secretary may find necessary;".

(c) EFFECTIVE DATE.—The amendments made by this section shall be effective with respect to calendar quarters beginning on or after the date one year after enactment of this section.

SEC. 614. AUTOMATED DATA PROCESSING REQUIREMENTS.

(a) REVISED REQUIREMENTS.—(1) Section 454(16) is amended—

(A) by striking ", at the option of the State,";

(B) by inserting "and operation by the State agency" after "for the establishment";

(C) by inserting "meeting the requirements of section 454A" after "information retrieval system";

(D) by striking "in the State and localities thereof, so as (A)" and inserting "so as";

(E) by striking "(i)"; and

(F) by striking "(including" and all that follows and inserting a semicolon.

(2) Part D of title IV is amended by inserting after section 454 the following new section:

"AUTOMATED DATA PROCESSING

"SEC. 454A. (a) IN GENERAL.—In order to meet the requirements of this section, for purposes of the requirement of section 454(16), a State agency shall have in operation a single statewide automated data processing and information retrieval system which has the capability to perform the tasks specified in this section, and performs such tasks with the frequency and in the manner specified in this part or in regulations or guidelines of the Secretary.

"(b) PROGRAM MANAGEMENT.—The automated system required under this section shall perform such functions as the Secretary may specify relating to management of the program under this part, including—

"(1) controlling and accounting for use of Federal, State, and local funds to carry out such program; and

"(2) maintaining the data necessary to meet Federal reporting requirements on a timely basis.

"(c) CALCULATION OF PERFORMANCE INDICATORS.—In order to enable the Secretary to determine the incentive and penalty adjustments required by sections 452(g) and 458, the State agency shall—

"(1) use the automated system—

"(A) to maintain the requisite data on State performance with respect to paternity establishment and child support enforcement in the State; and

"(B) to calculate the IV-D paternity establishment percentage and overall performance in child support enforcement for the State for each fiscal year; and

"(2) have in place systems controls to ensure the completeness, and reliability of, and ready access to, the data described in paragraph (1)(A), and the accuracy of the calculations described in paragraph (1)(B).

"(d) INFORMATION INTEGRITY AND SECURITY.—The State agency shall have in effect safeguards on the integrity, accuracy, and completeness of, access to, and use of data in the automated system required under this section, which shall include the following (in addition to such other safeguards as the Secretary specifies in regulations):

"(1) POLICIES RESTRICTING ACCESS.—Written policies concerning access to data by State agency personnel, and sharing of data with other persons, which—

"(A) permit access to and use of data only to the extent necessary to carry out program responsibilities;

"(B) specify the data which may be used for particular program purposes, and the personnel permitted access to such data; and

"(C) ensure that data obtained or disclosed for a limited program purpose is not used or redisclosed for another, impermissible purpose.

"(2) SYSTEMS CONTROLS.—Systems controls (such as passwords or blocking of fields) to ensure strict adherence to the policies specified under paragraph (1).

"(3) MONITORING OF ACCESS.—Routine monitoring of access to and use of the automated system, through methods such as audit trails and feedback mechanisms, to guard against and promptly identify unauthorized access or use.

"(4) TRAINING AND INFORMATION.—The State agency shall have in effect procedures to ensure that all personnel (including State and local agency staff and contractors) who may have access to or be required to use sensitive or confidential program data are fully informed of applicable requirements and

penalties, and are adequately trained in security procedures.

"(5) PENALTIES.—The State agency shall have in effect administrative penalties (up to and including dismissal from employment) for unauthorized access to, or disclosure or use of, confidential data.".

(3) IMPLEMENTATION TIMETABLE.—Section 454(24) is amended to read as follows:

"(24) provide that the State will have in effect an automated data processing and information retrieval system—

"(A) by October 1, 1995, meeting all requirements of this part which were enacted on or before the date of enactment of the Family Support Act of 1988; and

"(B) by October 1, 1998, meeting all requirements of this part enacted on or before the date of enactment of the Work and Responsibility Act of 1994 (but this provision shall not be construed to alter earlier deadlines specified for elements of such system);".

(b) SPECIAL FEDERAL MATCHING RATE FOR DEVELOPMENT COSTS OF AUTOMATED SYSTEMS.—Section 455(a) is amended—

(1) in paragraph (1)(B)—

(A) by striking "90 percent" and inserting "the percent specified in paragraph (3)";

(B) by striking "so much of"; and

(C) by striking "which the Secretary" and all that follows and inserting ", and"; and

(2) by adding at the end the following new paragraph:

"(3)(A) The Secretary shall pay to each State, for each quarter in fiscal year 1995, 90 percent of so much of State expenditures described in subparagraph (1)(B) as the Secretary finds are for a system meeting the requirements specified in section 454(16), or meeting such requirements without regard to clause (D) thereof.

"(B)(i) The Secretary shall pay to each State, for each quarter in fiscal years 1996 through 2000, the percentage specified in clause (ii) of so much of State expenditures described in subparagraph (1)(B) as the Secretary finds are for a system meeting the requirements specified in section 454(16) and 454A, subject to clause (iii).

"(ii) The percentage specified in this clause, for purposes of clause (i), is the higher of—

"(I) 80 percent, or

"(II) the percentage otherwise applicable to Federal payments to the State under subparagraph (A) (as adjusted in pursuant to section 458).

"(iii) Notwithstanding any other provision of this section, the total amount payable by the Secretary with respect to expenditures during fiscal years specified in clause (i) shall not exceed $260,000,000, to be distributed among the States, and to be made available at such time or times over the five-year period, as is provided in regulations issued by the Secretary, taking into account the relative size of State caseloads and the level of automation needed to meet the requirements of this part, and payments under clause (i) shall be made to a State at such times and in such a manner as provided in the advance planning document approved under section 452(d).".

(c) CONFORMING AMENDMENT.—Section 123(c) of the Family Support Act of 1988 is repealed.

(d) ADDITIONAL PROVISIONS.—For additional provisions of section 454A, as added by subsection (a), see sections 621, 622, and 636 of this Act.

SEC. 615. DIRECTOR OF CSE PROGRAM; TRAINING AND STAFFING.

(a) REPORTING TO SECRETARY.—Section 452(a) is amended, in the matter preceding paragraph (1), by striking "directly".

(b) TRAINING PROGRAM.—Section 452(a)(7) is amended by striking "paternity;" and inserting "paternity, through activities including—

"(A) development of a core curriculum and training standards to be used by States in the development of State-specific training guides; and

"(B) development of a national training program for directors of State programs under this part;".

(c) STATE PLAN REQUIREMENT.—Section 454, as amended by sections 602 and 604, is further amended—

(1) by striking "and" at the end of paragraph (25);

(2) by striking the period at the end of paragraph (26) and inserting "; and"; and

(3) by adding after paragraph (26) the following new paragraph:

"(27) provide that the State agency will develop and implement a training program which—

"(A) is consistent with the national training standards and core curriculum developed by the Secretary pursuant to section 452(a)(7), and uses a State-specific training guide incorporating such core curriculum;

"(B) provides for initial and ongoing training of all staff (including State and local agency staff and contractors) of the program under

this part, including annual training for case workers and special training when significant changes are made in statutes, regulations, policies, or procedures; and

"(C) may provide (subject to approval by the Secretary) for appropriate training of other persons with responsibilities relating to the implementation of the State program under this part (including staff administering programs under part A, part E, title XIX, and other related and complementary programs; judges and other staff of judicial and administrative tribunals; law enforcement personnel; staff of social services organizations; and the private bar.".

(d) STAFFING STUDIES.—(1) SCOPE OF STUDY.—The Secretary of Health and Human Services shall, directly or by contract, conduct studies of the staffing of each State child support enforcement program under title IV–D of the Act. Such studies shall include a review of the staffing needs created by requirements for automated data processing, maintenance of a central case registry, and centralized collections of child support, and of changes in these needs resulting from changes in such requirements.

(2) FREQUENCY OF STUDIES.—The Secretary shall complete the first staffing study required under paragraph (1) by October 1, 1996, and may conduct additional studies subsequently at appropriate intervals.

(3) REPORT TO CONGRESS.—The Secretary shall submit a report to the Congress stating the findings and conclusions of each study conducted under this subsection.

SEC. 616. FUNDING FOR SECRETARIAL ASSISTANCE TO STATE PROGRAMS.

Section 452 is amended by adding at the end the following new subsection:

"(j) FUNDING FOR FEDERAL ACTIVITIES ASSISTING STATE PROGRAMS.—(1) There shall be available to the Secretary, from amounts appropriated for fiscal year 1995 and each succeeding fiscal year for payments to States under this part, the amount specified in paragraph (2) for the costs to the Secretary for—

"(A) information dissemination and technical assistance to States, training of State and Federal staff, staffing studies, and related activities needed to improve programs (including technical assistance concerning State automated systems);

"(B) research, demonstration, and special projects of regional or national significance relating

to the operation of State programs under this part; and

"(C) operation of the Federal parent Locator Service under section 453 and the National Welfare Reform Information Clearinghouse under section 453A, to the extent such costs are not recovered through user fees.

"(2) The amount specified in this paragraph for a fiscal year is the amount equal to a percentage of the reduction in Federal payments to States under part A on account of child support (including arrearages) collected in the preceding fiscal year on behalf of children receiving aid under such part A in such preceding fiscal year (as determined on the basis of the most recent reliable data available to the Secretary as of the end of the third calendar quarter following the end of such preceding fiscal year), equal to—

"(A) 1 percent, for the activities specified in subparagraphs (A) and (B) of paragraph (1); and

"(B) 2 percent, for the activities specified in subparagraph (C) of paragraph (1).".

SEC. 617. DATA COLLECTION AND REPORTS BY THE SECRETARY.

(a) ANNUAL REPORT TO CONGRESS.—(1) Section 452(a)(10)(A) is amended—

(A) by striking "this part;" and inserting "this part, including—"; and

(B) by adding at the end the following indented clauses:

"(i) the total amount of child support payments collected as a result of services furnished during such fiscal year to individuals receiving services under this part;

"(ii) the cost to the States and to the Federal Government of furnishing such services to those individuals; and

"(iii) the number of cases involving families—

"(I) who became ineligible for aid under part A during a month in such fiscal year; and

"(II) with respect to whom a child support payment was received in the same month;".

(2) Section 452(a)(10)(C) is amended—

(A) in the matter preceding clause (i)—

(i) by striking "with the data required under each clause being separately stated for cases" and inserting "separately stated for (1) cases";

(ii) by striking "cases where the child was formerly receiving" and inserting "or formerly received";

(iii) by inserting "or 1912" after "471(a)(17)"; and

(iv) by inserting "(2)" before "all other";

(B) in each of clauses (i) and (ii), by striking ", and the total amount of such obligations";

(C) in clause (iii), by striking "described in" and all that follows and inserting "in which support was collected during the fiscal year;";

(D) by striking clause (iv);

(E) by redesignating clause (v) as clause (vii), and inserting after clause (iii) the following new clauses:

"(iv) the total amount of support collected during such fiscal year and distributed as current support;

"(v) the total amount of support collected during such fiscal year and distributed as arrearages;

"(vi) the total amount of support due and unpaid for all fiscal years; and".

(3) Section 452(a)(10)(G) is amended by striking "on the use of Federal courts and".

(4) Section 452(a)(10) is further amended by striking the matter following the end of subparagraph (I).

(b) DATA COLLECTION AND REPORTING.—Section 469 is amended—

(1) in subsections (a) and (b), to read as follows:

"(a) The Secretary shall collect and maintain, on a fiscal year basis, up-to-date statistics, by State, with respect to services to establish paternity and services to establish child support obligations, the data specified in subsection (b), separately stated, in the case of each such service, with respect to—

"(1) families (or dependent children) receiving aid under plans approved under part A (or E); and

"(2) families not receiving such aid.

"(b) The data referred to in subsection (a) are—

"(1) the number of cases in the caseload of the State agency administering the plan under this part in which such service is needed; and

"(2) the number of such cases in which the service has been provided."; and

(2) in subsection (c), by striking "(a)(2)" and inserting "(b)(2)".

(c) EFFECTIVE DATE.—The amendments made by this section shall be effective with respect to fiscal year 1995 and succeeding fiscal years.

PART C—LOCATE AND CASE TRACKING

SEC. 621. CENTRAL STATE AND CASE REGISTRY.

Section 454A, as added by section 614, is further amended by adding at the end the following new subsections:

"(e) CENTRAL CASE REGISTRY.—(1) IN GENERAL.—The automated system required under this section shall perform the functions, in accordance with the provisions of this subsection, of a single central registry containing records with respect to each case in which services are being provided by the State agency (including, on and after October 1, 1997, each order specified in section 466(a)(12)), using such standardized data elements (such as names, social security numbers or other uniform identification numbers, dates of birth, and case identification numbers), and containing such other information (such as information on case status) as the Secretary may require.

"(2) PAYMENT RECORDS.—Each case record in the central registry shall include a record of—

"(A) the amount of monthly (or other periodic) support owed under the support order, and other

amounts due or overdue (including arrears, interest or late payment penalties, and fees);

"(B) the date on which the support obligation will terminate under such order;

"(C) all child support and related amounts collected (including such amounts as fees, late payment penalties, and interest on arrearages); and

"(D) the distribution of such amounts collected.

"(3) UPDATING AND MONITORING.—The State agency shall promptly establish and maintain, and regularly monitor, case records in the registry required by this subsection, on the basis of—

"(A) information on administrative actions and administrative and judicial proceedings and orders relating to paternity and support;

"(B) information obtained from matches with Federal, State, or local data sources;

"(C) information on support collections and distributions; and

"(D) any other relevant information.

"(f) DATA MATCHES AND OTHER DISCLOSURES OF INFORMATION.—The automated system required under this section shall have the capacity, and be used by the State agency, to extract data at such times, and in such standardized format or formats, as may be required by

the Secretary, and to share and match data with, and receive data from, other data bases and data matching services, in order to obtain (or provide) information necessary to enable the State agency (or Secretary or other State or Federal agencies) to carry out responsibilities under this part. Data matching activities of the State agency shall include at least the following:

"(1) NATIONAL CHILD SUPPORT REGISTRY.—Furnish to the National Child Support Registry established under section 453A (and update as necessary, with information including notice of expiration of orders) minimal information (to be specified by the Secretary) on each child support case in the central case registry.

"(2) FEDERAL PARENT LOCATOR SERVICE.—Exchange data with the Federal Parent Locator Service for the purposes specified in section 453.

"(3) AFDC AND MEDICAID AGENCIES.—Exchange data with State agencies (of the State and of other States) administering the programs under part A and title XIX, as necessary for the performance of State agency responsibilities under this part and under such programs.

"(4) INTRA- AND INTERSTATE DATA MATCHES.—Exchange data with other agencies of

the State, agencies of other States, and interstate information networks, as necessary and appropriate to carry out (or assist other States to carry out) the purposes of this part.".

SEC. 622. CENTRALIZED COLLECTION AND DISBURSEMENT OF SUPPORT PAYMENTS.

(a) STATE PLAN REQUIREMENT.—Section 454, as previously amended by sections 601, 605, and 615, is further amended—

(1) by striking "and" at the end of paragraph (26);

(2) by striking the period at the end of paragraph (27) and inserting "; and"; and

(3) by adding after paragraph (27) the following new paragraph:

"(28) provide that the State agency, on and after October 1, 1997—

"(A) will operate a centralized, automated unit for the collection and disbursement of child support under orders being enforced under this part, in accordance with section 454B; and

"(B) will have sufficient State staff (consisting of State employees, and (at State option) contractors reporting directly to the State agency) to monitor and enforce support collec-

tions through such centralized unit, including carrying out the automated data processing responsibilities specified in section 454A(g) and to impose, as appropriate in particular cases, the administrative enforcement remedies specified in section 466(c)(1).".

(b) ESTABLISHMENT OF CENTRALIZED COLLECTION UNIT.—Part D of title IV is amended by adding after section 454A the following new section:

"CENTRALIZED COLLECTION AND DISBURSEMENT OF SUPPORT PAYMENTS

"SEC. 454B. (a) IN GENERAL.—In order to meet the requirement of section 454(28), the State agency must operate a single centralized, automated unit for the collection and disbursement of support payments, coordinated with the automated data system required under section 454A, in accordance with the provisions of this section, which shall be—

"(1) operated directly by the State agency (or by two or more State agencies under a regional cooperative agreement), or by a single contractor responsible directly to the State agency; and

"(2) used for the collection and disbursement (including interstate collection and disbursement) of payments under support orders in all cases being enforced by the State pursuant to section 454(4).

"(b) REQUIRED PROCEDURES.—The centralized collections unit shall use automated procedures, electronic processes, and computer-driven technology to the maximum extent feasible, efficient, and economical, for the collection and disbursement of support payments, including procedures—

"(1) for receipt of payments from parents, employers, and other States, and for disbursements to custodial parents and other obligees, the State agency, and the State agencies of other States;

"(2) for accurate identification of payments;

"(3) to ensure prompt disbursement of the custodial parent's share of any payment; and

"(4) to furnish to either parent, upon request, timely information on the current status of support payments.".

(c) USE OF AUTOMATED SYSTEM.—Section 454A, as added by section 614 and amended by section 621, is further amended by adding at the end the following new subsection:

"(g) CENTRALIZED COLLECTION AND DISTRIBUTION OF SUPPORT PAYMENTS.—The automated system required under this section shall be used, to the maximum extent feasible, to assist and facilitate collections and disbursement of support payments through the centralized

collections unit operated pursuant to section 454B, through the performance of functions including at a minimum—

"(1) generation of orders and notices to employers (and other debtors) for the withholding of wages (and other income)—

"(A) within two working days after receipt (from the National Directory of New Hires or any other source) of notice of and the income source subject to such withholding; and

"(B) using uniform formats directed by the Secretary;

"(2) ongoing monitoring to promptly identify failures to make timely payment; and

"(3) automatic use of enforcement mechanisms (including mechanisms authorized pursuant to section 466(c)) where payments are not timely made.".

(d) The amendments made by this section shall become effective on October 1, 1997.

SEC. 623. AMENDMENTS CONCERNING INCOME WITHHOLDING.

(a) MANDATORY INCOME WITHHOLDING.—(1) Section 466(a)(1) is amended to read as follows:

"(1) INCOME WITHHOLDING.—(A) UNDER ORDERS ENFORCED UNDER THE STATE PLAN.—Proce-

dures described in subsection (b) for the withholding from income of amounts payable as support in cases subject to enforcement under the State plan.

"(B) UNDER CERTAIN ORDERS PREDATING CHANGE IN REQUIREMENT.—Procedures under which all child support orders issued (or modified) before October 1, 1995, and which are not otherwise subject to withholding under subsection (b), shall become subject to withholding from wages as provided in subsection (b) if arrearages occur, without the need for a judicial or administrative hearing.".

(2) Section 466(a)(8) is repealed.

(3) Section 466(b) is amended—

(A) in the matter preceding paragraph (1), by striking "subsection (a)(1)" and inserting "subsection (a)(1)(A)";

(B) in paragraph (5), by striking all that follows "administered by" and inserting "the State through the centralized collections unit established pursuant to section 454B, in accordance with the requirements of such section 454B.";

(C) in paragraph (6)(A)(i)—

(i) by inserting ", in accordance with time-tables established by the Secretary," after "must be required"; and

(ii) by striking "to the appropriate agency" and all that follows and inserting "to the State centralized collections unit within 5 working days after the date such amount would (but for this subsection) have been paid or credited to the employee, for distribution in accordance with this part.";

(D) in paragraph (6)(A)(ii), by inserting "be in a standard format prescribed by the Secretary, and" after "shall"; and

(E) in paragraph (6)(D)—

(i) by striking "employer who discharges" and inserting "employer who—(A) discharges";

(ii) by relocating subparagraph (A), as designated, as an indented subparagraph after and below the introductory matter;

(iii) by striking the period at the end; and

(iv) by adding after and below subparagraph (A) the following new subparagraph:

"(B) fails to withhold support from wages, or to pay such amounts to the State centralized

collections unit in accordance with this subsection.".

(b) CONFORMING AMENDMENT.—Section 466(c) is repealed.

(c) DEFINITION OF TERMS.—The Secretary shall promulgate regulations providing definitions, for purposes of title IV–D of the Act, for the term "income" and for such other terms relating to income withholding under section 466(b) of the Act as the Secretary may find it necessary or advisable to define.

SEC. 624. LOCATOR INFORMATION FROM INTERSTATE NETWORKS AND LABOR UNIONS.

STATE LAW REQUIREMENT.—Section 466(a), as amended by section 623, is amended by adding after paragraph (7) the following new paragraph:

"(8) LOCATOR INFORMATION.—(A) INTERSTATE NETWORKS.—Procedures ensuring that the State will neither provide funding for, nor use for any purpose (including any purpose unrelated to the purposes of this part), any automated interstate network or system used to locate individuals—

"(i) for purposes relating to the use of motor vehicles; or

"(ii) providing information for law enforcement purposes (where child support enforcement agencies

are otherwise allowed access by State and Federal law),

unless all Federal and State agencies administering programs under this part (including the entities established under sections 453 and 453A) have access to information in such system or network to the same extent as any other user of such system or network.

"(B) LABOR UNIONS.—Procedures under which labor unions, and their hiring halls, must furnish to the State agency, upon request, with respect to any union member against whom paternity or a support obligation is sought to be established or enforced, such information as the union or hiring hall may have on such member's residential address and telephone number, employer's name, address, and telephone number, and wages and medical insurance benefits.".

SEC. 625. NATIONAL WELFARE REFORM INFORMATION CLEARINGHOUSE.

(a) Part D of title IV is amended by adding after section 453 the following new section:

"NATIONAL WELFARE REFORM INFORMATION CLEARINGHOUSE

"SEC. 453A. (a)(1) In order to assist States in administering their State plans under this part and parts

A, F, and G, and for the other purposes specified in this section, the Secretary shall establish and operate a National Welfare Reform Information Clearinghouse, performing the functions and meeting the requirements specified in this section, and containing the registries and directory specified in paragraph (2).

"(2) COMPONENTS SPECIFIED.—The registries and directory specified in this paragraph, for purposes of paragraph (1), are—

"(A) the National Child Support Registry established pursuant to subsection (b);

"(B) the National Directory of New Hires established pursuant to subsection (c);

"(C) the Federal Parent Locater Service established pursuant to section 453; and

"(D) the National Welfare Receipt Registry established pursuant section 411.

"(3) USE OF TERM.—For purposes of this section, references to registries maintained under this section shall be considered to include the National Directory of New Hires and the Federal Parent Locator Service.

"(b) NATIONAL CHILD SUPPORT REGISTRY.—(1) IN GENERAL.—The Secretary shall establish by October 1, 1997, and maintain thereafter, an automated registry, to be known as the National Child Support Registry, contain-

ing minimal information (in accordance with paragraph (2)) on each case in each State central case registry maintained pursuant to section 454A(e), as furnished (and regularly updated), pursuant to section 454A(f), by State agencies administering programs under this part.

"(2) CASE INFORMATION.—The case information required to be furnished pursuant to this subsection, as specified by the Secretary, shall include sufficient information (including names, social security numbers or other uniform identification numbers, and State case identification numbers) to identify the individuals who owe or are owed support (or with respect to or on behalf of whom support obligations are sought to be established), and the State or States which have established or modified, or are enforcing or seeking to establish, such an order.

"(c) NATIONAL DIRECTORY OF NEW HIRES.—(1) IN GENERAL.—The Secretary shall establish by October 1, 1997, and maintain thereafter, an automated directory, to be known as the National Directory of New Hires, containing—

"(A) information supplied by employers on each newly hired individual, in accordance with paragraph (2); and

"(B) information supplied by State agencies administering State unemployment compensation laws, in accordance with paragraph (3).

"(2) EMPLOYER INFORMATION.—(A) INFORMATION REQUIRED.—Subject to subparagraph (D), each employer shall furnish to the Secretary, for inclusion in the directory under this subsection, not later than 10 days after the date (on or after October 1, 1997) on which the employer hires a new employee (as defined in subparagraph (C)), a report containing the name, date of birth, and social security number of such employee, and the employer identification number of the employer.

"(B) REPORTING METHOD AND FORMAT.—The Secretary shall provide for transmission of the reports required under subparagraph (A) using formats and methods which minimize the burden on employers, which shall include—

"(i) automated or electronic transmission of such reports;

"(ii) transmission by regular mail; and

"(iii) transmission of a copy of the form required for purposes of compliance with section 3402 of the Internal Revenue Code of 1986.

"(C) EMPLOYEE DEFINED.—For purposes of this paragraph, the term "employee"—

"(i) means (subject to clause (ii)) any individual subject to the requirement of section 3402(f)(2) of the Internal Revenue Code of 1986; and

"(ii) does not include an employee of a Federal or State agency performing law enforcement functions, or of a Federal agency performing intelligence or counterintelligence functions, where the head of such agency has determined that reporting pursuant to this paragraph with respect to such employee could endanger the safety of the employee or compromise an ongoing investigation or intelligence mission.

"(D) PAPERWORK REDUCTION REQUIREMENT.—As required by the information resources management policies published by the Director of the Office of Management and Budget pursuant to 44 U.S.C. 3504(b)(1), the Secretary, in order to minimize the cost and reporting burden on employers, shall not require reporting pursuant to this paragraph if an alternative reporting mechanism can be developed that either relies on existing Federal or State reporting or enables the Secretary to collect the needed information in a more cost-effective and equally expeditious manner, taking into account the reporting costs on employers.

"(E) CIVIL MONEY PENALTY ON NONCOMPLYING EMPLOYERS.—(i) Any employer that fails to make a timely report in accordance with this paragraph with respect to an individual shall be subject to a civil money penalty, for each calendar year in which the failure occurs, of the lesser of $500 or 1 percent of the wages or other compensation paid by such employer to such individual during such calendar year.

"(ii) Subject to clause (iii), the provisions of section 1128A (other than subsections (a) and (b) thereof) shall apply to a civil money penalty under clause (i) in the same manner as they apply to a civil money penalty or proceeding under section 1128A(a).

"(iii) Any employer with respect to whom a penalty under this subparagraph is upheld after an administrative hearing shall be liable to pay all costs of the Secretary with respect to such hearing.

"(3) EMPLOYMENT SECURITY INFORMATION.—(A) REPORTING REQUIREMENT.—Each State agency administering a State unemployment compensation law approved by the Secretary of Labor under the Federal Unemployment Tax Act shall furnish to the Secretary of Health and Human Services extracts of the reports to the Secretary of Labor concerning the wages and unemployment com-

pensation paid to individuals required under section 303(a)(6), in accordance with subparagraph (B).

"(B) MANNER OF COMPLIANCE.—The extracts required under subparagraph (A) shall be furnished to the Secretary of Health and Human Services on a quarterly basis, with respect to calendar quarters beginning on and after October 1, 1995, by such dates, in such format, and containing such information as required by that Secretary in regulations.

"(d) DATA MATCHES AND OTHER DISCLOSURES.—(1) VERIFICATION BY SOCIAL SECURITY ADMINISTRATION.—(A) The Secretary shall transmit data on individuals and employers in the registries maintained under this section to the Social Security Administration to the extent necessary for verification in accordance with subparagraph (B).

"(B) The Social Security Administration shall verify the accuracy of, correct or supply to the extent necessary and feasible, and report to the Secretary, the following information in data supplied by the Secretary pursuant to subparagraph (A):

"(i) the name, social security number, and birth date of each individual; and

"(ii) the employer identification number of each employer.

"(2) CHILD SUPPORT LOCATOR MATCHES.—For the purpose of locating individuals for purposes of paternity establishment and establishment and enforcement of child support, the Secretary shall—

"(A) match data in the New Hire Directory against data in the Child Support Registry not less often than every 2 working days; and

"(B) report information obtained from such a match to concerned State agencies operating programs under this part not later than 2 working days after such match.

"(3) DATA MATCHES AND DISCLOSURES OF DATA IN ALL REGISTRIES.—(A) FOR TITLE IV PROGRAM PURPOSES.—The Secretary shall—

"(i) perform matches of data in each registry maintained under this section against data in each other such registry (other than the matches required pursuant to paragraph (1)), and report information resulting from such matches to State agencies operating programs under this part and parts A, F, and G; and

"(ii) disclose data in such registries to such State agencies—

to the extent, and with the frequency, that the Secretary determines to be effective in assisting such States to carry out their responsibilities under such programs.

"(B) FOR INCOME ELIGIBILITY VERIFICATION SYSTEM.—The Secretary shall disclose data in the registries maintained under this section to the programs specified in section 1137(b), to the extent necessary to enable such programs to meet requirements for an income eligibility verification system under such section 1137.

"(C) TO SOCIAL SECURITY ADMINISTRATION.—The Secretary shall disclose data in the registries maintained under this section to the Social Security Administration—

"(i) for the purpose of determining the accuracy of payments under the supplemental security income program under title XVI; or

"(ii) for use in connection with benefits under title II.

"(4) OTHER DISCLOSURES OF NEW HIRE DATA.—The Secretary shall disclose data in the New Hire Directory under subsection (c)—

"(A) to the Secretary of the Treasury for purposes directly connected with—

"(i) the administration of the earned income tax credit under section 32 of the Internal Revenue Code of 1986, or the advance payment

of such credit under section 3507 of such Code; or

"(ii) verification of a claim with respect to employment in an individual tax return; and

"(B) to State agencies operating employment security and workers compensation programs, for the purpose of assisting such agencies to determine the allowability of claims for benefits under such programs.

"(5) DISCLOSURES FOR RESEARCH PURPOSES.—The Secretary is authorized to disclose data in registries maintained under this section for research purposes found by the Secretary to be likely to contribute to achieving the purposes of this part or part A, F, or G, but without personal identifiers.

"(f) FEES.—(1) FOR SSA VERIFICATION.—The Secretary shall reimburse the Commissioner of Social Security, at a rate negotiated between the Secretary and the Commissioner, the costs incurred by the Commissioner in performing the verification services specified in subsection (d).

"(2) FOR INFORMATION FROM SESAS.—The Secretary shall reimburse costs incurred by State employment security agencies in furnishing data as required by subsection (c)(3), at rates which the Secretary determines to

be reasonable (which rates shall not include payment for the costs of obtaining, compiling, or maintaining such data).

"(3) FOR INFORMATION FURNISHED TO STATE AND FEDERAL AGENCIES.—State and Federal agencies receiving data or information from the Secretary pursuant to this section shall reimburse the costs incurred by the Secretary in furnishing such data or information, at rates which the Secretary determines to be reasonable (which rates shall include payment for the costs of obtaining, verifying, maintaining, and matching such data or information).

"(g) RESTRICTION ON DISCLOSURE AND USE.—Data in registries maintained pursuant to this section, and information resulting from matches using data maintained in such registries, shall not be used or disclosed except as specifically provided in this section.

"(h) RETENTION OF DATA.—Data in registries maintained pursuant to this title, and data resulting from matches performed pursuant to this section, shall be retained for such period (determined by the Secretary) as appropriate for the data uses specified in this section.

"(i) INFORMATION INTEGRITY AND SECURITY.—The Secretary shall establish and implement safeguards with

respect to the entities established under this section designed to—

"(1) ensure the accuracy and completeness of information in the system; and

"(2) restrict access to confidential information in the registries to authorized persons, and restrict use of such information to authorized purposes.

"(j) LIMIT ON LIABILITY.—The Secretary shall not be liable to either a State or an individual for inaccurate information provided to a registry maintained under this section and disclosed by the Secretary in accordance with this section.".

(b) CONFORMING AMENDMENTS.—

(1) TO TITLE IV–D.—Section 454(8) is amended—

(A) by striking ", and" at the end of subparagraph (A);

(B) in subparagraph (B), to read as follows:

"(B) the Federal Parent Locator Service established under section 453; and"; and

(C) by adding at the end the following new subparagraph:

"(C) the National Welfare Reform Information Clearinghouse established under section 453A;".

(2) TO FEDERAL UNEMPLOYMENT TAX ACT.—26 U.S.C. 3304 is amended in paragraph (16)—

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

(B) in subparagraph (B), by striking "such information" and all that follows and inserting "information furnished under subparagraph (A) or (B) is used only for the purposes authorized under such subparagraph;";

(C) by striking "and" at the end of subparagraph (A);

(D) by redesignating subparagraph (B) as subparagraph (C); and

(E) by inserting after subparagraph (A) the following new subparagraph:

"(B) wage and unemployment compensation information contained in the records of such agency shall be furnished to the Secretary of Health and Human Services (in accordance with regulations promulgated by such Sec-

retary) as necessary for the purposes of the National Directory of New Hires established under section 453A(b) of the Social Security Act, and".

(3) TO STATE GRANT PROGRAM UNDER TITLE III OF THE SOCIAL SECURITY ACT.—Section 303(a) is amended—

(A) by striking "and" at the end of paragraph (8);

(B) by striking the period at the end of paragraph (9) and inserting "; and"; and

(C) by adding after paragraph (9) the following new paragraph:

"(10) The making of quarterly electronic reports, at such dates, in such format, and containing such information, as required by the Secretary of Health and Human Services under section 453A(b)(3), and compliance with such provisions as such Secretary may find necessary to ensure the correctness and verification of such reports.".

SEC. 626. EXPANDED LOCATE AUTHORITY.

(a) EXPANDED AUTHORITY TO LOCATE INDIVIDUALS AND ASSETS.—Section 453 is amended—

(1) in subsection (a), by striking all that follows "subsection (c))" and inserting the following:

", for the purpose of establishing, setting the amount of, or enforcing child support obligations—

"(1) information on, or facilitating the discovery of, the location of any individual—

"(A) who is under an obligation to pay child support;

"(B) against whom such an obligation is sought; or

"(C) to whom such an obligation is owed, including such individual's social security number (or numbers), most recent residential address, and the name, address, and employer identification number of such individual's employer; and

"(2) information on the individual's wages (or other income) from, and benefits of, employment (including rights to or enrollment in group health care coverage); and

"(3) information on the type, status, location, and amount of any assets of, or debts owed by or to, any such individual."; and

(2) in subsection (b)—

(A) in the matter preceding paragraph (1), by striking "social security" and all that follows

through "absent parent" and inserting "information specified in subsection (a)"; and

(B) in paragraph (2), by inserting before the period ", or from any consumer reporting agency (as defined in section 603(f) of the Fair Credit Reporting Act (15 U.S.C. 1681a(f))";

(3) in subsection (e)(1), by inserting before the period ", or by consumer reporting agencies".

(b) REIMBURSEMENT FOR DATA FROM FEDERAL AGENCIES.—Section 453(e)(2) is amended in the fourth sentence by inserting before the period "in an amount which the Secretary determines to be reasonable payment for the data exchange (which amount shall not include payment for the costs of obtaining, compiling, or maintaining the data)".

(c) ACCESS TO CONSUMER REPORTS UNDER FAIR CREDIT REPORTING ACT.—(1) Section 608 of the Fair Credit Reporting Act (15 U.S.C. 1681f) is amended—

(A) by striking ", limited to" and inserting "to a governmental agency (including the entire consumer report, in the case of a Federal, State, or local agency administering a program under part D of title IV of the Social Security Act, and limited to"; and

(B) by striking "employment, to a governmental agency" and inserting "employment, in the case of any other governmental agency)".

(2) REIMBURSEMENT FOR REPORTS BY STATE AGENCIES AND CREDIT BUREAUS.—Section 453 is amended by adding at the end the following new subsection:

"(g) The Secretary is authorized to reimburse costs to State agencies and consumer credit reporting agencies the costs incurred by such entities in furnishing information requested by the Secretary pursuant to this section in an amount which the Secretary determines to be reasonable payment for the data exchange (which amount shall not include payment for the costs of obtaining, compiling, or maintaining the data).".

(d) DISCLOSURE OF TAX RETURN INFORMATION.—(1) Section 6103(1)(6)(A)(ii) of the Internal Revenue Code of 1986 (26 U.S.C. 6103(1)(6)(A)(ii) is amended by striking ", but only if" and all that follows and inserting a period.

(2) Section 6103(1)(8)(A) of the Internal Revenue Code of 1986 (26 U.S.C. 6103(1)(8)(A)) is amended by inserting "Federal," before "State or local".

(e) TECHNICAL AMENDMENTS.—

(1) Sections 452(a)(9), 453(a), 453(b), 463(a), and 463(e) are each amended by inserting "Federal" before "Parent" each place it appears.

(2) Section 453 is amended in the heading by adding "FEDERAL" before "PARENT".

SEC. 627. STUDIES AND DEMONSTRATIONS CONCERNING LOCATOR ACTIVITIES.

(a) STUDIES.—The Secretary of Health and Human Services shall study, and report and make recommendations to the Congress concerning—

(1) whether access to information available through the Federal Parent Locator Service under section 453 of the Social Security Act should be afforded to noncustodial parents seeking to locate their children and, if so, whether custodial parents at risk of harm by such noncustodial parents could be adequately protected; and

(2) the feasibility, implications, and costs of establishing and operating electronic data interchanges between such Service and major consumer credit reporting bureaus.

(b) DEMONSTRATIONS.—The Secretary shall make grants to States, from funds available under section 452(j) of the Social Security Act, for demonstrations designed to test the utility of automated data exchanges with State

data bases that have the potential to improve the States' effectiveness in locating individuals and resources for purposes of establishing paternity and establishing and enforcing support obligations.

SEC. 628. USE OF SOCIAL SECURITY NUMBERS.

(a) STATE LAW REQUIREMENT.—Section 466(a) is amended by adding at the end the following new paragraph:

"(13) SOCIAL SECURITY NUMBERS REQUIRED.—Procedures requiring the recording of social security numbers—

"(A) of both parties on marriage licenses and divorce decrees; and

"(B) of both parents, on birth records and child support and paternity orders.".

(b) CLARIFICATION OF FEDERAL POLICY.—Section 205(c)(2)(C)(ii) is amended by striking the third sentence and inserting "This clause shall not be considered to authorize disclosure of such numbers except as provided in the preceding sentence.".

Part D—Streamlining and Uniformity of Procedures

SEC. 635. ADOPTION OF UNIFORM STATE LAWS.

(a) Section 466(a) is amended by adding at the end the following new paragraph:

"(14) INTERSTATE ENFORCEMENT.—(A) ADOPTION OF UIFSA.—Procedures under which the State adopts in its entirety (with the modifications and additions specified in this paragraph) not later than January 1, 1996, and uses on and after such date, the Uniform Interstate Family Support Act, as approved by the National Conference of Commissioners on Uniform State Laws in August, 1992.

"(B) EXPANDED APPLICATION OF UIFSA.—The State law adopted pursuant to subparagraph (A) shall be applied to any case—

"(i) involving an order established or modified in one State and for which a subsequent modification is sought in another State; or

"(ii) in which interstate activity is required to enforce an order.

"(C) LONG-ARM JURISDICTION, BASED ON RESIDENCE OF CHILD.—The State law adopted pursuant to subparagraph (A) shall presume that, in the case where a child meets the criteria for residence in the State, a tribunal of the State having jurisdiction over such child has jurisdiction over both parents of such child, if parentage has been legally established or acknowledged, or may be presumed under the laws of the State.

"(D) JURISDICTION TO MODIFY ORDERS.—For purposes of the State law adopted pursuant to subparagraph (A), section 611(a)(1) of such Uniform Act shall be amended to read as follows:

"'(1) the following requirements are met:

"'(i) the child, the individual obligee, and the obligor—

"'(I) do not reside in the issuing State; and

"'(II) either reside in this State or are subject to the jurisdiction of this State pursuant to section 201; and

"'(ii) (in any case where another State is exercising or seeks to exercise jurisdiction to modify the order) the conditions of section 204 are met to the same extent as required for proceedings to establish orders; or'.

"(E) PARTIES' OPTION CONCERNING JURISDICTION.—The State law adopted pursuant to subparagraph (A) shall allow parties, by agreement, to permit a State that issued an order to retain jurisdiction which the State would otherwise lose under the provisions of such law.

"(F) SERVICE OF PROCESS.—The State law adopted pursuant to subparagraph (A) shall recog-

nize as valid, for purposes of any proceeding subject to such State law, service of process upon persons in the State (and proof of such service) by any means acceptable in another State which is the initiating or responding State in such proceeding.

"(G) COOPERATION BY EMPLOYERS.—The State law adopted pursuant to subparagraph (A) shall provide for the use of procedures (including sanctions for noncompliance) under which all entities in the State (including for-profit, nonprofit, and governmental employers) are required to provide promptly, in response to a request by the State agency of that or any other State administering a program under this part, information on the employment, compensation, and benefits of any individual employed by such entity as an employee or contractor.".

(b) EXPEDITED APPEAL OF CONSTITUTIONAL CHALLENGE.—(1) An appeal may be taken directly to the Supreme Court of the United States from any interlocutory or final judgment, decree, or order issued by a United States district court ruling upon the constitutionality of section 466(a)(14)(C) of the Act, as added by subsection (a).

(2) The Supreme Court shall, if it has not previously ruled on the question, accept jurisdiction over, and advance on the docket, and expedite to the greatest extent possible, such appeal. All cases raising such question shall be consolidated to the maximum extent permissible under applicable rules of civil procedure.

SEC. 636. STATE LAWS PROVIDING EXPEDITED PROCEDURES.

(a) STATE LAW REQUIREMENTS.—Section 466 is amended—

(1) in subsection (a)(2), in the first sentence, to read as follows: "Expedited administrative and judicial procedures (including the procedures specified in subsection (c)) for establishing paternity and for establishing, modifying, and enforcing support obligations."; and

(2) by adding after subsection (b) the following new subsection:

"(c) EXPEDITED PROCEDURES.—(1) ADMINISTRATIVE ACTION BY STATE AGENCY.—Procedures which give the State agency the authority (and recognize and enforce the authority of State agencies of other States), without the necessity of obtaining an order from any other judicial or administrative tribunal (but subject to due process safeguards, including (as appropriate) requirements for notice,

opportunity to contest the action, and opportunity for an appeal on the record to an independent administrative or judicial tribunal), to take the following actions relating to establishment or enforcement of orders:

"(A) ESTABLISH OR MODIFY SUPPORT AMOUNT.—To establish the amount of support awards in all cases in which services are being provided under this part, and to modify the amount of such awards under all orders included in the central case registry established under section 454A(e) (including orders entered by a court), in accordance with the guidelines established under section 467.

"(B) GENETIC TESTING.—To order genetic testing for the purpose of paternity establishment as provided in section 466(a)(5).

"(C) DEFAULT ORDERS.—To enter a default order, upon a showing of service of process and any additional showing required by State law—

"(i) establishing paternity, in the case of any putative father who refuses to submit to genetic testing; and

"(ii) establishing or modifying a support obligation, in the case of a parent (or other obligor or obligee) who fails to respond to notice to appear at a proceeding for such purpose.

"(D) SUBPOENAS.—To subpoena any financial or other information needed to establish, modify, or enforce an order, and to sanction failure to respond to any such subpoena.

"(E) ACCESS TO PERSONAL AND FINANCIAL INFORMATION.—To obtain access, subject to safeguards on privacy and information security, to the following records (including automated access, in the case of records maintained in automated data bases):

"(i) records of other State and local government agencies, including:

"(I) vital statistics (including records of marriage, birth, and divorce);

"(II) State and local tax and revenue records (including information on residence address, employer, income and assets);

"(III) records concerning real and titled personal property;

"(IV) records of occupational and professional licenses, and records concerning the ownership and control of corporations, partnerships, and other business entities;

"(V) employment security records;

"(VI) records of agencies administering public assistance programs;

"(VII) records of the motor vehicle department; and

"(VIII) corrections records; and

"(ii) certain records held by private entities, including—

"(I) customer records of public utilities and cable television companies; and

"(II) information (including information on assets and liabilities) on individuals who owe or are owed support (or against or with respect to whom a support obligation is sought) held by financial institutions (subject to limitations on liability of such entities arising from affording such access).

"(F) INCOME WITHHOLDING.—To order income withholding in accordance with section 466(a)(1) and (b).

"(G) CHANGE IN PAYEE.—(In cases where support is subject to an assignment under section 402(a)(26), 471(a)(17), or 1912, or to a requirement to pay through the centralized collections unit under section 454B) upon providing notice to obligor

and obligee, to direct the obligor or other payor to change the payee to the appropriate government entity.

"(H) SECURE ASSETS TO SATISFY ARREARAGES.—For the purpose of securing overdue support—

"(i) to intercept and seize any periodic or lump-sum payment to the obligor by or through a State or local government agency, including—

"(I) unemployment compensation, workers' compensation, and other benefits;

"(II) judgments and settlements in cases under the jurisdiction of the State or local government; and

"(III) lottery winnings;

"(ii) to attach and seize assets of the obligor held by financial institutions;

"(iii) to attach public and private retirement funds in appropriate cases, as determined by the Secretary; and

"(iv) to impose liens in accordance with paragraph (a)(4) and, in appropriate cases, to force sale of property and distribution of proceeds.

"(I) INCREASE MONTHLY PAYMENTS.—For the purpose of securing overdue support, to increase the amount of monthly support payments to include amounts for arrearages (subject to such conditions or restrictions as the State may provide).

"(J) SUSPENSION OF DRIVERS' LICENSES.—To suspend drivers' licenses of individuals owing past-due support, in accordance with subsection (a)(16).

"(2) SUBSTANTIVE AND PROCEDURAL RULES.—The expedited procedures required under subsection (a)(2) shall include the following rules and authority, applicable with respect to all proceedings to established paternity or to establish, modify, or enforce support orders:

"(A) LOCATOR INFORMATION; PRESUMPTIONS CONCERNING NOTICE.—Procedures under which—

"(i) the parties to any paternity or child support proceedings are required (subject to privacy safeguards) to file with the tribunal before entry of an order, and to update as appropriate, information on location and identity (including social security number, residential and mailing addresses, telephone number, driver's license number, and name, address, and telephone number of employer); and

"(ii) in any subsequent child support enforcement action between the same parties, the tribunal shall be authorized, upon sufficient showing that deligent effort has been made to ascertain such a party's current location, to deem due process requirements for notice and service of process to be met, with respect to such party, by delivery to the most recent residential or employer address so filed pursuant to clause (i).

"(B) STATEWIDE JURISDICTION.—Procedures under which—

"(i) the State agency and any administrative or judicial tribunal with authority to hear child support and paternity cases exerts statewide jurisdiction over the parties, and orders issued in such cases have statewide effect; and

"(ii) (in the case of a State in which orders in such cases are issued by local jurisdictions) a case may be transferred between jurisdictions in the State without need for any additional filing by the petitioner, or service of process upon the respondent, to retain jurisdiction over the parties.".

(c) EXCEPTIONS FROM STATE LAW REQUIREMENTS.—Section 466(d) is amended—

(1) by striking "(d) If" and inserting "(d) EXEMPTIONS FROM REQUIREMENTS.—(1) IN GENERAL.—Subject to paragraph (2), if"; and

(2) by adding at the end the following new paragraph:

"(2) NON-EXEMPT REQUIREMENTS.—The Secretary shall not grant an exemption from the requirements of—

"(A) subsection (a)(5) (concerning procedures for paternity establishment);

"(B) subsection (a)(10) (concerning modification of orders);

"(C) subsection (a)(12) (concerning recording of orders in the central State case registry);

"(D) subsection (a)(13) (concerning recording of social security numbers);

"(E) subsection (a)(14) (concerning interstate enforcement); or

"(F) subsection (c) (concerning expedited procedures), other than paragraph (1)(A) thereof (concerning establishment or modification of support amount).".

(d) AUTOMATION OF STATE AGENCY FUNCTIONS.—Section 454A, as added by section 614 and amended by sections 621 and 622, is further amended by adding at the end the following new subsection:

"(h) EXPEDITED ADMINISTRATIVE PROCEDURES.—The automated system required under this section shall be used, to the maximum extent feasible, to implement the expedited administrative procedures required under section 466(c).".

PART E—PATERNITY ESTABLISHMENT

SEC. 640. STATE LAWS CONCERNING PATERNITY ESTABLISHMENT.

(a) STATE LAWS REQUIRED.—Section 466(a)(5) is amended—

(1) by striking "(5)" and inserting "(5) PROCEDURES CONCERNING PATERNITY ESTABLISHMENT.—";

(2) in subparagraph (A)—

(A) by striking "(A)" and inserting "(A) ESTABLISHMENT PROCESS AVAILABLE FROM BEFORE BIRTH UNTIL AGE EIGHTEEN.—";

(B) by indenting clause (ii) an additional unit of indentation from the left margin; and

(C) by adding after and below clause (ii) the following new clause:

"(iii) Procedures which permit the initiation of proceedings to establish paternity before the birth of the child concerned.";

(3) in subparagraph (B)—

(A) by striking "(B)" and inserting "(B) PROCEDURES CONCERNING GENETIC TESTING.—(i)";

(B) in clause (i), as redesignated, by inserting before the period ", where such request is supported by a sworn statement by such party setting forth facts establishing a reasonable possibility of the requisite sexual contact";

(C) by inserting after and below clause (i) (as redesignated) the following new clause:

"(ii) Procedures which require the State agency, in any case in which such agency orders genetic testing—

"(I) to pay costs of such tests, subject to recoupment (where the State so elects) from the putative father if paternity is established; and

"(II) to obtain additional testing in any case where an original test result is disputed, upon request and ad-

vance payment by the disputing party.";

(4) in subparagraph (C), to read as follows:

"(C) VOLUNTARY ACKNOWLEDGMENT PROCEDURE.—Procedures for a simple civil process for voluntarily acknowledging paternity under which—

"(i) the benefits, rights and responsibilities of acknowledging paternity are explained to unwed parents;

"(ii) due process safeguards are afforded; and

"(iii) hospitals and other health care facilities providing inpatient or outpatient maternity and pediatric services are required, as a condition of participation in the State program under title XIX—

"(I) to explain to unwed parents the matters specified in clause (i);

"(II) to make available the voluntary acknowledgment procedure required under this subparagraph; and

"(III) (in the case of hospitals providing maternity services) to have

facilities for obtaining blood or other genetic samples from the mother, putative father, and child for genetic testing; to inform the mother and putative father of the availability of such testing (at their expense); and to obtain such samples upon request of both such individuals;";

(5) in subparagraphs (D) and (E), to read as follows:

"(D) LEGAL STATUS OF ACKNOWLEDGMENT.—Procedures under which—

"(i) a voluntary acknowledgment of paternity creates, at State option, either—

"(I) a conclusive presumption of paternity, or

"(II) a rebuttable presumption which becomes a conclusive presumption within one year, unless rebutted or invalidated by an intervening determination which reaches a contrary conclusion;

"(ii) (at State option), notwithstanding clause (i), upon the request of a party, a determination of paternity based on an

acknowledgment may be vacated on the basis of new evidence, the existence of fraud, or the best interests of the child; and

"(iii) a voluntary acknowledgment of paternity is admissible as evidence of paternity, and as a basis for seeking a support order, without requiring any further proceedings to establish paternity.

"(E) BAR ON ACKNOWLEDGMENT RATIFICATION PROCEEDINGS.—Procedures under which no judicial or administrative proceedings are required or permitted to ratify an unchallenged acknowledgment of paternity.";

(6) in subparagraph (F), to read as follows:

"(F) ADMISSIBILITY OF GENETIC TESTING RESULTS.—Procedures—

"(i) requiring that the State admit into evidence, for purposes of establishing paternity, results of any genetic test that is—

"(I) of a type generally acknowledged, by accreditation bodies designated by the Secretary, as reliable evidence of paternity; and

"(II) performed by a laboratory approved by such an accreditation body;

"(ii) that any objection to genetic testing results must be made in writing not later than a specified number of days before any hearing at which such results may be introduced into evidence (or, at State option, not later than a specified number of days after receipt of such results); and

"(iii) that, if no objection is made, the test results are admissible as evidence of paternity without the need for foundation testimony or other proof of authenticity or accuracy."; and

"(7) by adding after subparagraph (H) the following new paragraphs:

"(I) NO RIGHT TO JURY TRIAL.—Procedures providing that the parties to an action to establish paternity are not entitled to jury trial.

"(J) TEMPORARY SUPPORT ORDER BASED ON PROBABLE PATERNITY IN CONTESTED CASES.—Procedures which require that a temporary order be issued, upon motion by a party,

requiring the provision of child support pending an administrative or judicial determination of parentage, where there is clear and convincing evidence of paternity (on the basis of genetic tests or other evidence).

"(K) PROOF OF CERTAIN SUPPORT AND PATERNITY ESTABLISHMENT COSTS.—Procedures under which bills for pregnancy, childbirth, and genetic testing are admissible as evidence without requiring third-party foundation testimony, and shall constitute prima facie evidence of amounts incurred for such services and testing on behalf of the child.

"(L) WAIVER OF STATE DEBTS FOR COOPERATION.—Procedures under which the tribunal establishing paternity and support has discretion to waive rights to all or part of amounts owed to the State (but not to the mother) for costs related to pregnancy, childbirth, and genetic testing and for public assistance paid to the family where the father cooperates or acknowledges paternity before or after genetic testing.

"(M) STANDING OF PUTATIVE FATHERS.—Procedures ensuring that the putative father

has a reasonable opportunity to initiate a paternity action.".

(b) TECHNICAL AMENDMENT.—Section 468 is amended by striking "a simple civil process for voluntarily acknowledging paternity and".

SEC. 641. OUTREACH FOR VOLUNTARY PATERNITY ESTABLISHMENT.

(a) STATE PLAN REQUIREMENT.—Section 454(23), as amended by section 606, is further amended by adding at the end the following new subparagraph:

"(C) publicize the availability and encourage the use of procedures for voluntary establishment of paternity and child support through a variety of means, which—

"(i) include distribution of written materials at health care facilities (including hospitals and clinics), and other locations such as schools;

"(ii) may include pre-natal programs to educate expectant couples on individual and joint rights and responsibilities with respect to paternity (and may require all expectant recipients of assistance under part A to participate in such pre-natal programs, as an element of cooperation with

efforts to establish paternity and child support);

"(iii) include, with respect to each child discharged from a hospital after birth for whom paternity or child support has not been established, reasonable follow-up efforts (including at least one contact of each parent whose whereabouts are known, except where there is reason to believe such follow-up efforts would put mother or child at risk), providing—

"(I) in the case of a child for whom paternity has not been established, information on the benefits of and procedures for establishing paternity; and

"(II) in the case of a child for whom paternity has been established but child support has not been established, information on the benefits of and procedures for establishing a child support order, and an application for child support services;".

(b) ENHANCED FEDERAL MATCHING.—Section 455(a)(1)(C) is amended—

(1) by inserting "(i)" before "laboratory costs", and

(2) by inserting before the semicolon ", and (ii) costs of outreach programs designed to encourage voluntary acknowledgment of paternity".

(c) EFFECTIVE DATES.—(1) The amendments made by subsection (a) shall become effective October 1, 1996.

(2) The amendments made by subsection (b) shall be effective with respect to calendar quarters beginning on and after October 1, 1995.

SEC. 642. PENALTY FOR FAILURE TO ESTABLISH PATERNITY PROMPTLY.

Section 403 is amended—

(1) in subsection (a), as amended by section 612(e), by striking "subsection (h)" and inserting "subsections (h) and (i)—"; and

(2) by adding after subsection (h) the following new subsection:

"(i) PENALTY FOR FAILURE TO ESTABLISH PATERNITY PROMPTLY.—(1) IN GENERAL.—The amounts otherwise payable to a State under subsection (a) for any calendar quarter beginning 10 months or more after enactment of this subsection shall be reduced by an amount, determined pursuant to regulations in accordance with

paragraph (2), for certain children for whom paternity has not been established.

"(2) REDUCTION FORMULA.—The Secretary shall promulgate regulations specifying the formula for the reduction required under this subsection, which formula shall provide for a reduction in Federal matching payments to a State under this section by an amount equal to the product of—

"(A) the number (after allowing for the tolerance level established under paragraph (3)) of children born on or after the date 10 months after enactment of this provision who are receiving aid under the State plan under part A, whose custodial relatives have, throughout the preceding 12-month period, complied with the cooperation requirements specified in section 454(25)(D), but for whom paternity has not been established;

"(B) the average monthly assistance payment under the State plan under this part; and

"(C) the Federal matching rate applicable to such assistance payment.

"(3) TOLERANCE LEVEL.—(A) The tolerance level, for purposes of paragraph (2)(A), shall not be higher than the percentage specified in subparagraph (B) of children in the State described in paragraph (1), and may decrease

over time to make allowance for a State's inability to establish paternity in all cases.

"(B) The percentage specified in this paragraph shall be 25 percent for fiscal years 1997 and 1998, 20 percent for fiscal years 1999 and 2000, 15 percent for fiscal years 2001 and 2002, and 10 percent for fiscal year 2003 and each succeeding fiscal year.".

SEC. 643. INCENTIVES TO PARENTS TO ESTABLISH PATERNITY.

(a) OPTIONAL STATE ACTIVITIES.—Section 455 is amended by adding at the end the following new subsection:

"(f) PATERNITY ESTABLISHMENT INCENTIVES TO FAMILIES.—(1) The Secretary, in accordance with regulations, may approve proposals by States to amend State plans under this part to provide for incentive payments to families to encourage paternity establishment.

"(2) Federal financial participation shall be available in accordance with subsection (a) for expenditures by a State pursuant to a plan amendment approved under paragraph (1).

(b) DEMONSTRATIONS.—(1) PROJECTS AUTHORIZED.—The Secretary shall authorize up to 3 States to conduct demonstrations providing financial incentives to families for establishment of paternity.

(2) FEDERAL FUNDING.—(A) Subject to subparagraph (B), a State participating in a demonstration under this section shall be entitled to Federal payments pursuant to section 455(f) of the Social Security Act for 90 percent of the payments to families under such demonstration.

(B) FUNDING LIMITATION.—Total Federal expenditures for demonstrations under this section shall not exceed $1,000,000.

PART F—ESTABLISHMENT AND MODIFICATION OF SUPPORT ORDERS

SEC. 651. NATIONAL COMMISSION ON CHILD SUPPORT GUIDELINES.

(a) ESTABLISHMENT.—The Secretary is authorized to establish, in accordance with this section, a commission to be known as the "National Commission on Child Support Guidelines" (in this section referred to as the "Commission").

(b) GENERAL DUTIES.—The Commission shall consider whether a national child support guideline is advisable and, if it so determines, shall develop and propose for congressional consideration such a guideline (or parameters for State guidelines), reflecting the Commission's study of various guideline models and its conclusions concerning their strengths and deficiencies, and specifically reflecting consideration of the need for simplicity and ease

of application of guidelines, and of the matters enumerated in subsection (c).

(c) MATTERS FOR CONSIDERATION BY THE COMMISSION.—In making the recommendations concerning guidelines required pursuant to subsection (b), the Commission shall consider—

(1) the adequacy of State child support guidelines established pursuant to section 467;

(2) matters generally applicable to all support orders, including—

(A) the feasibility of adopting uniform terms in all child support orders;

(B) how to define income and under what circumstances income should be imputed; and

(C) tax treatment of child support payments;

(3) the appropriate treatment of cases in which either or both parents have financial obligations to more than one family, including the effect (if any) to be given to—

(A) the income of either parent's spouse; and

(B) the financial responsibilities of either parent for other children or stepchildren;

(4) the appropriate treatment of expenses for child care (including care of the children of either parent, and work-related or job-training-related child care);

(5) the appropriate treatment of expenses for health care (including uninsured health care) and other extraordinary expenses for children with special needs;

(6) the appropriate duration of support by one or both parents, including—

(A) support (including shared support) for post-secondary or vocational education; and

(B) support for disabled adult children; and

(7) whether, or to what extent, support levels should be adjusted in cases where custody is shared or where the noncustodial parent has extended visitation rights.

(d) MEMBERSHIP.—

(1) NUMBER; APPOINTMENT.—

(A) IN GENERAL.—The Commission shall be composed of 12 individuals appointed not later than March 1, 1995, of which—

(i) two shall be appointed by the Chairman of the Senate Committee on Fi-

nance, and one shall be appointed by the Ranking Minority Member of such Committee;

(ii) two shall be appointed by the Chairman of the House Committee on Ways and Means, and one shall be appointed by the Ranking Minority Member of such Committee; and

(iii) six shall be appointed by the Secretary of Health and Human Services.

(B) QUALIFICATIONS OF MEMBERS.—Members of the Commission shall have expertise and experience in the evaluation and development of child support guidelines. At least one member shall represent advocacy groups for custodial parents, at least one member shall represent advocacy groups for noncustodial parents, and at least one member shall be the director of a State program under title IV–D of the Social Security Act.

(2) TERMS OF OFFICE.—Each member shall be appointed for the life of the Commission. A vacancy in the Commission shall be filled in the manner in which the original appointment was made.

(e) COMMISSION POWERS, COMPENSATION, ACCESS TO INFORMATION, AND SUPERVISION.—The first sentence of subparagraph (C), the first and third sentences of subparagraph (D), subparagraph (F) (except with respect to the conduct of medical studies), clauses (ii) and (iii) of subparagraph (G), and subparagraph (H) of section 1886(e)(6) of the Social Security Act shall apply to the Commission in the same manner in which such provisions apply to the Prospective Payment Assessment Commission, except that references in such section to the Office of Technology Assessment shall be disregarded.

(f) REPORT.—Not later than July 1, 1997, the Commission shall report to the President and the Congress on the results of the studies required under this section.

(g) The Commission shall terminate 6 months after submission of the report required under subsection (f).

(h) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this section $1,000,000 for each of fiscal years 1995 and 1996, to remain available until expended.

SEC. 652. STATE LAWS CONCERNING MODIFICATION OF CHILD SUPPORT ORDERS.

(a) STATE LAW REQUIREMENTS.—Section 466(a)(10) is amended—

(1) by inserting "PROCEDURES FOR MODIFICATION OF SUPPORT ORDERS.—" after "(10)";

(2) by redesignating subparagraph (C) as subparagraph (E) and inserting after subparagraph (B) the following new subparagraphs:

"(C)(i) Procedures to ensure that, beginning October 1, 1999 (or such earlier date as the State may select), the State agency (or, at the option of the State, the local agency) reviews and adjusts, in accordance with guidelines established pursuant to section 467(a), judicial and administrative child support orders included in the State registry established pursuant to section 454A(d), under which (subject to clauses (ii) and (iii) the order—

"(I) is to be reviewed not later than 36 months after the establishment of the order or the most recent adjustment of (or determination not to adjust) such order; and

"(II) (at State option) may not be reviewed during a minimum period established by the State following the establishment or most recent review of the order.

"(ii) The requirement of clause (i)(I) shall not apply in any case where—

"(I) the State has determined, in accordance with regulations of the Secretary, that such a review would not be in the best interests of the child; or

"(II) both parents have been informed of the modified support amount that would be imposed under the guidelines and have declined such modification in writing.

"(iii) The State shall provide for review of a child support order upon the request of either parent, notwithstanding the requirement of clause (i)(II), whenever, subsequent to the establishment or most recent review—

"(I) either parent's income has changed by more than 20 percent, or

"(II) other substantial changes have occurred in either parent's circumstances.

"(D) AMOUNT OF MODIFICATION BASED ON GUIDELINES.—Procedures under which support orders reviewed in accordance with subparagraph (C) must be adjusted in accordance with the guidelines established pursuant to section 467(a), without a requirement for any

other change in circumstances (except that the State may refuse to modify an order in any case where the change in the support amount, if so modified, would not exceed a threshold percentage (which may not be greater than 10 percent)).";

(3) in subparagraph (E), as redesignated—

(i) by striking "(E)" and inserting "(E) DUE PROCESS SAFEGUARDS.—";

(ii) in the matter preceding clause (i), by striking "this part—" and inserting "this part, in accordance with State due process requirements—";

(iii) in clause (i), by striking ", at least 30 days before the commencement of such review"; and

(iv) in clause (iii), by striking "not less than 30 days" and inserting "a reasonable time".

(b) AUTOMATED PROCEDURES.—Section 454A, as previously added and amended by this Act, is further amended by adding at the end the following new subsection:

"(i) MODIFICATION OF SUPPORT ORDERS.—The automated system required under this section shall be

used, to the maximum extent feasible, to assist in the review and modification of support orders in accordance with the timetable under section 466(a)(10) and the guidelines under section 467.".

SEC. 653. STUDY ON USE OF TAX RETURN INFORMATION FOR MODIFICATION OF CHILD SUPPORT ORDERS.

(a) REQUIREMENT FOR STUDY.—The Secretary of Health and Human Services and the Secretary of the Treasury shall conduct a study to determine how return information (as defined in section 6103(b) of the Internal Revenue Code of 1986) filed with the Secretary of the Treasury might be used to facilitate the process of determining the amount (if any) by which child support award amounts should be modified in accordance with guidelines established under section 467.

(b) AMENDMENT TO INTERNAL REVENUE CODE.—Section 6103(l)(6) of the Internal Revenue Code of 1986 is amended by adding at the end the following new subparagraph:

"(C) Upon written request by the Secretary of Health and Human Services, the Secretary may disclose return information to officers and employees of the Department of the Treasury and the Department of Health and

Human Services, as may be specified in such written request, to be used in conducting the study required under section 653 of the Work and Responsibility Act of 1994. Return information disclosed pursuant to this subparagraph shall be used only for purposes of conducting such study.".

PART G—ENFORCEMENT OF SUPPORT ORDERS

SEC. 661. REVOLVING LOAN FUND FOR PROGRAM IMPROVEMENTS TO INCREASE COLLECTIONS.

Part D of title IV is amended by inserting after section 455 the following new section:

"REVOLVING FUND FOR PROGRAM IMPROVEMENTS TO INCREASE COLLECTIONS

"SEC. 455A. (a) PURPOSE; AUTHORIZATION OF APPROPRIATIONS.—The Secretary is authorized to establish a revolving fund for loans to States operating programs under this part, for short-term projects by such States (and political subdivisions of such States) for making operational improvements in such programs with the potential for achieving substantial increases in child support collections. There are authorized to be appropriated for payment to such fund $10,000,000 for each of fiscal years 1998 and 1999, and $20,000,000 for each of fiscal years 2000 through 2003: *Provided,* That payment may be made

to this fund only to the extent, and in such amounts, as are provided for in advance in appropriations Acts.

"(b) CRITERIA FOR LOAN AWARDS.—Criteria for evaluating applications for loans under this section must include—

"(1) the likelihood that the proposed project will increase child support collections, and

"(2) the availability to the State (or political subdivision) of funding for the project from other sources.

"(c) AMOUNT AND DURATION OF LOANS.—

"(1) AMOUNT.—Loans may be made to a State under this section in amounts not to exceed $5,000,000 per State or $1,000,000 per project (or $5,000,000 for a single Statewide project in a large State). States may supplement loan funds under this section with funds from other sources, and may require contributions from local jurisdictions served by the project.

"(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—

(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

(E) 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,".

(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

(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:

"(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

(5) 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 or by an individual obligee, to enforce the legal obligation of such individual to provide child support or alimony.".

(3) Section 459(b) is amended to read as follows:

"(b) CONSENT TO REQUIREMENTS APPLICABLE TO PRIVATE PERSON.— Except as otherwise provided herein, each entity specified in subsection (a) shall be subject, with respect to notice to withhold income pursuant to section 466(a)(1) or (b), or to any other order or process to enforce support obligations against an individual (if such order or process contains or is accompanied by sufficient data to permit prompt identification of the individual

and the moneys involved), to the same requirements as would apply if such entity were a private person.".

(4) Section 459(c) is redesignated and relocated as paragraph (2) of subsection (f), and is amended—

(A) by striking "responding to interrogatories pursuant to requirements imposed by section 461(b)(3)" and inserting "taking actions necessary to comply with the requirements of subsection (A) with regard to any individual"; and

(B) by striking "any of his duties" and all that follows and inserting "such duties.".

(5) Section 461(b) is relocated and redesignated as section 459(c)(1), and is amended to read as follows:

"(c) DESIGNATION OF AGENT; RESPONSE TO NOTICE OR PROCESS.—(1) The head of each agency subject to the requirements of this section shall—

"(A) designate an agent or agents to receive orders and accept service of process; and

"(B) publish (i) in the appendix of such regulations, (ii) in each subsequent republication of such regulations, and (iii) annually in the Federal Register, the designation of such agent or agents, identi-

fied by title of position, mailing address, and telephone number.".

(6) Section 459(d) is redesignated as paragraph (2) of section 459(c), and is amended to read as follows:

"(2) Whenever an agent designated pursuant to paragraph (1) receives notice pursuant to section 466(a)(1) or (b), or is effectively served with any order, process, or interrogatories, with respect to an individual's child support or alimony payment obligations, such agent shall—

"(A) as soon as possible (but not later than fifteen days) thereafter, send written notice of such notice or service (together with a copy thereof) to such individual at his duty station or last-known home address;

"(B) within 30 days (or such longer period as may be prescribed by applicable State law) after receipt of a notice pursuant to section 466(a)(1) or (b), comply with all applicable provisions of such section 466; and

"(C) within 30 days (or such longer period as may be prescribed by applicable State law) after effective service of any other such order, process, or interrogatories, respond thereto.".

(7) Section 461(c) is relocated and redesignated as section 459(d), and is amended to read as follows:

"(d) PRIORITY OF CLAIMS.—In the event that a governmental entity receives notice or is served with process, as provided in this section, concerning amounts owed by an individual to more than one person—

"(A) support collection under section 466(b) must be given priority over any other process, as provided in section 466(b)(7);

"(B) allocation of moneys due or payable to an individual among claimants under section 466(b) shall be governed by the provisions of such section 466(b) and regulations thereunder; and

"(C) such moneys as remain after compliance with subparagraphs (A) and (B) shall be available to satisfy any other such processes on a first-come, first-served basis, with any such process being satisfied out of such moneys as remain after the satisfaction of all such processes which have been previously served.".

(8) Section 459(e) is amended by striking "(e)" and inserting "(e) NO REQUIREMENT TO VARY PAY CYCLES.—".

(9) Section 459(f) is amended by striking "(f)" and inserting "(f) RELIEF FROM LIABILITY.—(1)".

(10) Section 461(a) is redesignated and relocated as section 459(g), and is amended—

(A) by striking "(g)" and inserting "(g) REGULATIONS.—"; and

(B) by striking "section 459" and inserting "this section".

(11) Section 462(f) is relocated and redesignated as section 459(h), and is amended to read as follows:

"(h) MONEYS SUBJECT TO PROCESS.—(1) Subject to subsection (i), moneys paid or payable to an individual which are considered to be based upon remuneration for employment, for purposes of this section—

"(A) consist of—

"(i) compensation paid or payable for personal services of such individual, whether such compensation is denominated as wages, salary, commission, bonus, pay, allowances, or otherwise (including severance pay, sick pay, and incentive pay); and

"(ii) periodic benefits (including a periodic benefit as defined in section 228(h)(3)) or other payments—

"(I) under the insurance system established by title II; and

"(II) under any other system or fund established by the United States which provides for the payment of pensions, retirement or retired pay, annuities, dependents' or survivors' benefits, or similar amounts payable on account of personal services performed by the individual or any other individual;

"(B) do not include any payment—

"(i) as compensation for death under any Federal program;

"(ii) under any Federal program established to provide 'black lung' benefits;

"(iii) by the Secretary of Veterans Affairs as pension, or as compensation for a service-connected disability or death (except any compensation paid by such Secretary to a former member of the Armed Forces who is in receipt of retired or retainer pay if such former member has waived a portion of his retired pay in order to receive such compensation);

"(iv) by way of reimbursement or otherwise, to defray expenses incurred by such indi-

vidual in carrying out duties associated with his employment; or

"(v) as allowances for members of the uniformed services payable pursuant to chapter 7 of 37 U.S.C., as prescribed by the Secretaries concerned (defined by 37 U.S.C. 101(5)) as necessary for the efficient performance of duty.".

(12) Section 462(g) is redesignated and relocated as section 459(i).

(13)(A) Section 462 is amended—

(i) in subsection (e)(1), by redesignating subparagraphs (A), (B), and (C) as clauses (i), (ii), and (iii); and

(ii) in subsection (e), by redesignating paragraphs (1) and (2) as subparagraphs (A) and (B).

(B) Section 459 is amended by adding at the end the following:

"(j) DEFINITIONS.—For purposes of this section—".

(C) Subsections (a) through (e) of section 462, as amended by subparagraph (A), are relocated and redesignated as paragraphs (1) through (4) of section 459(j), and are indented accordingly.

(b) CONFORMING AMENDMENTS.—

(1) TO TITLE IV–D.—Sections 461 and 462 are repealed.

(2) TO 5 U.S.C.—5 U.S.C. 5520a is amended, in subsections (h)(2) and (i), by striking "sections 459, 461, and 462 of the Social Security Act (42 U.S.C. 659, 661, and 662)" and inserting "section 459 of the Social Security Act (42 U.S.C. 659)".

(d) MILITARY RETIRED AND RETAINER PAY.—(1) DEFINITION OF COURT.—10 U.S.C. 1408(a)(1) is amended—

(A) by striking "and" at the end of subparagraph (B);

(B) by striking the period at the end of subparagraph (C) and inserting "; and"; and

(C) by adding after subparagraph (C) the following new paragraph:

"(D) any administrative or judicial tribunal of a State competent to enter orders for support or maintenance (including a State agency administering a State program under part D of title IV of the Social Security Act).";

(2) DEFINITION OF COURT ORDER.—10 U.S.C. 1408(a)(2) is amended by inserting "or a court order for the payment of child support not included in or accom-

panied by such a decree or settlement," before "which—".

(3) PUBLIC PAYEE.—10 U.S.C. 1408(d) is amended—

(A) in the heading, by striking "to spouse" and inserting "to (or for benefit of)"; and

(B) in paragraph (1), in the first sentence, by inserting "(or for the benefit of such spouse or former spouse to a State central collections unit or other public payee designated by a State, in accordance with part D of title IV of the Social Security Act, as directed by court order, or as otherwise directed in accordance with such part D)" before "in an amount sufficient".

(4) RELATIONSHIP TO TITLE IV–D.—10 U.S.C. 1408 is amended by adding at the end the following new subsection:

"(j) RELATIONSHIP TO OTHER LAWS.—In any case involving a child support order against a member who has never been married to the other parent of the child, the provisions of this section shall not apply, and the case shall be subject to the provisions of section 459 of the Social Security Act.".

(e) EFFECTIVE DATE.—The amendments made by this section shall become effective on the date six months after enactment of this Act.

SEC. 665. MOTOR VEHICLE LIENS.

Section 466(a)(4) is amended—

(1) by striking "(4) PROCEDURES" and inserting "(4) LIENS.—(A) IN GENERAL.—"; and

(2) by adding at the end the following new subparagraph:

"(B) MOTOR VEHICLE LIENS.—Procedures for placing liens for arrears of child support on motor vehicle titles of individuals owing such arrears equal to or exceeding two months of support, under which—

"(i) any person owed such arrears may place such a lien;

"(ii) the State agency administering the program under this part shall systematically place such liens;

"(iii) expedited methods are provided for—

"(I) ascertaining the amount of arrears;

"(II) affording the person owing the arrears or other titleholder to con-

test the amount of arrears or to obtain a release upon fulfilling the support obligation;

"(iv) such a lien has precedence over all other encumbrances on a vehicle title other than a purchase money security interest; and

"(v) the individual or State agency owed the arrears may execute on, seize, and sell the property in accordance with State law.".

SEC. 666. VOIDING OF FRAUDULENT TRANSFERS.

Section 466(a) is amended by adding at the end the following new paragraph:

"(15) FRAUDULENT TRANSFERS.—Procedures under which—

"(A) the State has in effect—

"(i) the Uniform Fraudulent Conveyance Act of 1981,

"(ii) the Uniform Fraudulent Transfer Act of 1984, or

"(iii) another law, specifying indicia of fraud which create a prima facie case that a debtor transferred income or property to avoid payment to a child support creditor,

which the Secretary finds affords comparable rights to child support creditors; and

"(B) in any case in which the State knows of a transfer by a child support debtor with respect to which such a prima facie case is established, the State must—

"(i) seek to void such transfer; or

"(ii) obtain a settlement in the best interests of the child support creditor.".

SEC. 667. STATE LAW AUTHORIZING SUSPENSION OF LICENSES.

Section 466(a) is amended by adding at the end the following new paragraph:

"(16) AUTHORITY TO WITHHOLD OR SUSPEND LICENSES.—Procedures under which the State has (and uses in appropriate cases) authority (subject to appropriate due process safeguards) to withhold or suspend, or to restrict the use of driver's licenses, professional and occupational licenses, and recreational licenses of individuals owing overdue child support or failing, after receiving appropriate notice, to comply with subpoenas or warrants relating to paternity or child support proceedings.".

SEC. 668. REPORTING ARREARAGES TO CREDIT BUREAUS.

Section 466(a)(7) is amended to read as follows:

"(7) REPORTING ARREARAGES TO CREDIT BUREAUS.—(A) Procedures (subject to safeguards pursuant to subparagraph (B)) requiring the State to report periodically to consumer reporting agencies (as defined in section 603(f) of the Fair Credit Reporting Act (15 U.S.C. 1681a(f)) the name of any absent parent who is delinquent by one month or more in the payment of support, and the amount of overdue support owed by such parent.

"(B) Procedures ensuring that, in carrying out subparagraph (A), information with respect to an absent parent is reported—

"(i) only after such parent has been afforded all due process required under State law, including notice and a reasonable opportunity to contest the accuracy of such information; and

"(ii) only to an entity that has furnished evidence satisfactory to the State that the entity is a consumer reporting agency.".

SEC. 669. EXTENDED STATUTE OF LIMITATION FOR COLLECTION OF ARREARAGES.

(a) AMENDMENTS.—Section 466(a)(9) is amended—

(1) by striking "(9) PROCEDURES" and inserting "(9) LEGAL TREATMENT OF ARREARS.—(A) FINALITY.—";

(2) by redesignating indented subparagraphs (A), (B), and (C) as clauses (i), (ii), and (iii), respectively; and

(3) by adding after and below subparagraph (A), as redesignated, the following new subparagraph:

"(B) STATUTE OF LIMITATIONS.—Procedures under which the statute of limitations on any arrearages of child support extends at least until the child owed such support is 30 years of age.".

(b) APPLICATION OF REQUIREMENT.—The amendment made by this section shall not be read to require any State law to revive any payment obligation which had lapsed prior to the effective date of such State law.

SEC. 670. CHARGES FOR ARREARAGES.

(a) STATE LAW REQUIREMENT.—Section 466(a) is amended by adding at the end the following new paragraph:

"(17) CHARGES FOR ARREARAGES.—Procedures providing for the calculation and collection of interest or penalties for arrearages of child support,

and for distribution of such interest or penalties collected for the benefit of the child (except where the right to support has been assigned to the State).".

(b) REGULATIONS.—The Secretary of Health and Human Services shall establish by regulation a rule to resolve choice of law conflicts arising in the implementation of the amendment made by subsection (a).

(c) CONFORMING AMENDMENT.—Section 454(21) is repealed.

(d) EFFECTIVE DATE.—The amendments made by this section shall be effective with respect to arrearages accruing on or after October 1, 1997.

SEC. 671. VISITATION ISSUES BARRED.

Section 466(a) is amended by adding at the end the following new paragraph:

"(18) VISITATION ISSUE BARRED.—Procedures under which failure to pay child support is not a defense to denial of visitation rights, and denial of visitation rights is not a defense to failure to pay child support.".

SEC. 672. TREATMENT OF SUPPORT OBLIGATIONS UNDER BANKRUPTCY CODE.

(a) NO STAY OF PROCEEDINGS.—Section 362(b)(2) of title 11, United States Code, is amended to read as follows:

"(2) under subsection (a) of this section—

"(A) of the commencement or continuation of a judicial or administrative proceeding, or other action under State or territorial law by a governmental unit, against the debtor to establish paternity, to establish or modify an obligation to pay for the support of a spouse, former spouse, or child of the debtor, or to establish a schedule for payment of such support (including any arrearages); or

"(B) of the collection of alimony, maintenance, or support from property that is not property of the estate;".

(b) STREAMLINED FILING PROCEDURE FOR SUPPORT CREDITOR.—Section 501 of title 11, United States Code, is amended by adding at the end the following new subsection:

"(e)(1) The creditor of a claim that is excepted from discharge under section 523(a)(5) may file such claim by delivering to the clerk of the bankruptcy court in which a petition under this title is pending, in person or by registered mail, the claim form promulgated under paragraph (2). Such a creditor, filing a claim in such a manner, shall not be required to make a personal appearance before the court, to be represented by counsel admitted to practice

in the jurisdiction in which such court is located, to comply with any local rules not specified pursuant to paragraph (2), or to pay any filing fees or other charges in connection with the filing of such claim.

"(2) The Judicial Conference of the United States shall promulgate, not later than June 30, 1995—

"(A) a standardized, simplified form for filing claims described in paragraph (1); and

"(B) procedural guidelines for the use of such form, which rules shall be designed to minimize the burden on support creditors of filing such claims.".

(c) TREATMENT AS PREFERRED UNSECURED CREDITOR.—Section 507(a) of title 11, United States Code, is amended—

(1) by striking "(8) Eighth," and inserting "(9) Ninth,"; and

(2) by inserting after paragraph (7) the following new paragraph:

"(8) Eighth, unsecured claims for alimony, maintenance, or support of a spouse, former spouse, or child of the debtor allowed under section 502 of this title, to the full extent of such claims, and in accordance with any payment schedule established as described in section 362(b)(2).".

(d) PAYMENT SCHEDULE IN CHAPTER 13 PLANS.—Section 1322(a)(2) of title 11, United States Code, is amended by inserting before the semicolon "(except that the plan shall provide, in the case of a debt not subject to discharge under section 523(a)(5), for payment in accordance with any payment schedule included in the order providing for alimony, maintenance, or support)".

(e) EFFECTIVE DATE.—The amendments made by this section shall become effective October 1, 1995.

SEC. 673. DENIAL OF PASSPORTS FOR NONPAYMENT OF CHILD SUPPORT.

(a) HHS CERTIFICATION PROCEDURE.—(1) SECRETARIAL RESPONSIBILITY.—Section 452 is amended by adding at the end the following new subsection:

"(k) CERTIFICATIONS FOR PURPOSES OF PASSPORT RESTRICTIONS.—(1) IN GENERAL.—Where the Secretary receives a certification by a State agency in accordance with the requirements of section 454(29) that an individual owes arrearages of child support in excess of $5,000, the Secretary shall transmit such certification to the Secretary of State for action (with respect to denial, revocation, or limitation of passports) pursuant to section 219 of title 22, United States Code.

"(2) LIMIT ON LIABILITY.—The Secretary shall not be liable to an individual for any action with respect to a certification by a State agency under this section.".

(2) STATE CSE AGENCY RESPONSIBILITY.—Section 454, as previously amended by sections 601, 605, 615, and 622, is further amended—

(A) by striking "and" at the end of paragraph (27);

(B) by striking the period at the end of paragraph (28) and inserting "; and"; and

(C) by adding after paragraph (28) the following new paragraph:

"(29) provide that the State agency will have in effect a procedure (which may be combined with the procedure for tax refund offset under section 464) for certifying to the Secretary, for purposes of the procedure under section 452(k) (concerning denial of passports) determinations that individuals owe child support arrearages of $5,000 or more, under which procedure—

"(A) each individual concerned is afforded notice of such determination and the consequences thereof, and an opportunity to contest the determination; and

"(B) the certification by the State agency is furnished to the Secretary in such format, and ac-

companied by such supporting documentation, as the Secretary may require.".

(b) STATE DEPARTMENT PROCEDURE FOR DENIAL OF PASSPORTS.—Chapter 4 of title 22, United States Code, is amended by adding at the end the following new section:

"§219. Denial of passport for nonpayment of child support.

"(a) IN GENERAL.—The Secretary, upon certification by the Secretary of Health and Human Services, in accordance with section 452(k) of the Social Security Act, that an individual owes arrearages of child support in excess of $5,000, shall refuse to issue a passport to such individual, and may revoke, restrict, or limit a passport issued previously to such individual.

"(b) LIMIT ON LIABILITY.—The Secretary shall not be liable to an individual for any action with respect to a certification by a State agency under this section.".

(c) EFFECTIVE DATE.—The amendments made by this section shall become effective October 1, 1995.

PART H—DEMONSTRATIONS

SEC. 681. CHILD SUPPORT ENFORCEMENT AND ASSURANCE DEMONSTRATIONS.

(a) DEMONSTRATIONS AUTHORIZED.—(1) INITIAL PROJECTS.—The Secretary shall make grants to three

States for demonstrations under this section to determine the effectiveness of programs to provide assured levels of child support to custodial parents of children for whom paternity and support obligations have been established.

(b) DURATION OF PROJECTS.—(1) TOTAL PROJECT PERIOD.—The Secretary shall make grants to States for demonstrations under this section beginning in fiscal year 1997, for periods of from 7 to 10 years.

(2) PHASEDOWN PERIOD.—Each State implementing a demonstration project under this section shall—

(A) phase out activities under such demonstration during the final two years of the project; and

(B) obtain the Secretary's approval, before the beginning of such phasedown period, of a plan for accomplishing such phasedown.

(c) CONSIDERATIONS IN SELECTION OF PROJECTS.—(1) SCOPE.—Projects under this section may, but need not, be statewide in scope.

(2) STATE ADMINISTRATION.—(A) RESPONSIBLE STATE AGENCY.—A State demonstration project under this section shall be administered either by the State agency administering the program under title IV–D of the Social Security Act or the State department of revenue and taxation.

(B) AUTOMATION.—The State agency described in subparagraph (A) shall operate (or have automated access to) the automated data system required under section 454(16) of the Social Security Act, and shall have adequate automated capacity to carry out the project under this section (including the timely distribution of child support assurance benefits).

(3) CONTROLS.—At least one demonstration project under this section shall include randomly assigned control groups.

(d) ELIGIBILITY.—(1) IN GENERAL.—Child support assurance payments under projects under this section shall be available only to children for whom paternity and support obligations have been established (or with respect to whom a determination has been made that efforts to establish paternity or support would not be in the best interests of the child).

(2) FAMILIES WITH SHARED CUSTODY.—In cases where both parents share custody of a child, a parent and child shall not be eligible for benefits under a demonstration under this section unless—

(A) a support order is in effect entitling such parent to support payments in excess of the minimum benefit; or

(B) the agency or tribunal which issued the order certifies that the child support award would be below such minimum benefit if either parent was awarded sole custody and the guidelines under section 467 were applied.

(3) STATE OPTION TO BASE ELIGIBILITY ON NEED.—At State option, eligibility for benefits under a demonstration under this section may be limited to families with incomes and resources below a standard of need established by the State.

(f) BENEFIT AMOUNTS.—(1) RANGE OF BENEFIT LEVELS.—States shall have flexibility to set annual benefit levels under demonstrations under this section, provided that (subject to the remaining provisions of this subsection) such levels—

(A) are not lower than $1,500 for a family with one child or $3,000 for a family with four or more children; and

(B) are not higher than $3,000 for a family with one child or $4,500 for a family with four or more children;

(2) INDEXING.—Annual benefit levels for each fiscal year after fiscal year 1996 shall be indexed to reflect the change in the Consumer Price Index.

(3) UNMATCHED EXCESS BENEFITS.—The Secretary may permit States to pay benefits higher than a maximum specified in paragraphs (1) and (2), but Federal matching of such payments shall not be available for benefits in excess of the amounts specified in paragraph (1) (as adjusted in accordance with paragraph (2)) by more than $25 per month.

(g) TREATMENT OF BENEFITS.—(1) FOR PURPOSES OF AFDC.—The amount of aid otherwise payable to a family under title IV–A of the Social Security Act shall be reduced by an amount equal to the amount of child support assurance paid to such family (or, at the Secretary's discretion, by a percentage of such amount paid specified by the Secretary).

(2) FOR PURPOSES OF OTHER BENEFIT PROGRAMS.—(A) IN GENERAL.—Except as provided in subparagraph (B), child support assurance paid to a family shall be considered ordinary income for purposes of determining eligibility for and benefits under any Federal or State program.

(B) DEEMED AFDC ELIGIBILITY.—At State option, a child (or family) that is ineligible for aid under title IV–A of the Social Security Act because of payments under a demonstration under this section may be deemed to be

receiving such aid for purposes of determining eligibility for other Federal and State programs.

(3) FOR TAX PURPOSES.—Child support assurance which is paid to a family under this section and is not reimbursed from a child support collection from a noncustodial parent shall be considered ordinary income for purposes of Federal and State tax liability.

(h) WORK PROGRAM OPTION.—At the option of the State grantee, a demonstration under this section may include a work program for unemployed noncustodial parents of eligible children.

(i) AVAILABILITY OF APPROPRIATIONS FOR PAYMENTS TO STATES.—(1) STATE ENTITLEMENT TO IV-D FUNDING.—A State administering an approved demonstration under this section in a calendar quarter shall be entitled to payments for such quarter, pursuant to section 455 of the Social Security Act for the Federal share of reasonable and necessary expenditures (including expenditures for benefit payments and for associated administrative costs) under such project, in an amount (subject to paragraphs (2) and (3)) equal to—

(A) with respect to that portion of such expenditures equal to the reduction of expenditures under title IV-A of the Social Security Act pursuant to subsection (g)(1), a percentage equal to the percent-

age that would have been paid if such expenditures had been made under such title IV–A; and

(B) 90 percent of the remainder of such expenditures.

(2) STATES WITH LOW AFDC BENEFITS.—In the case of a State in which benefit levels under title IV–A of the Act are below the national median for such payments, the Secretary may elect to provide 90 percent Federal matching of a portion of expenditures under a project under this section that would otherwise be matched at the rate specified in paragraph (1)(A).

(3) FUNDING LIMITS; PRO RATA REDUCTIONS OF STATE MATCHING.—(A) FUNDS AVAILABLE.—There shall be available to the Secretary, from amounts appropriated to carry our part D of title IV of the Social Security Act, for purposes of carrying out demonstrations under this section, amounts not to exceed—

(i) $27,000,000 for fiscal year 1997;

(ii) $55,000,000 for fiscal year 1998;

(iii) $70,000,000 for each of fiscal years 1999 through 2002; and

(iv) $55,000,000 for fiscal year 2003.

(B) PRO RATA REDUCTIONS.—The Secretary shall make pro rata reductions in the amounts otherwise pay-

able to States under this section as necessary to comply with the funding limitation specified in subparagraph (A).

(j) DISTRIBUTION OF CHILD SUPPORT COLLECTIONS.—Notwithstanding section 457 of the Social Security Act, support payments collected from the noncustodial parent of a child receiving (or who has received) child support assurance payments under this section shall be distributed as follows:

(1) first, amounts equal to the total support owed for such month shall be paid to the family;

(2) second, from any remainder, amounts owed to the State on account of child support assurance payments to the family shall be paid to the State (with appropriate reimbursement to the Federal Government of its share to such payments);

(3) third, from any remainder, arrearages of support owed to the family shall be paid to the family; and

(4) fourth, from any remainder, amounts owed to the State on account of current or past payments of aid under title IV–A of the Social Security Act shall be paid to the State (with appropriate reimbursement to the Federal Government of its share of such payments).

(k) EVALUATIONS AND REPORTS.—(1) STATE EVALUATIONS.—Each State administering a demonstration project under this section shall—

(A) provide for ongoing and retrospective evaluation of the project, meeting such conditions and standards as the Secretary may require; and

(B) submit to the Secretary such reports (at such times, in such format, and containing such information) as the Secretary may require, including at least an interim report not later than 90 days after the end of the fourth year of the project, and a final report not later than one year after the completion of the project, which shall include information on and analysis of the effect of the project with respect to—

(i) the economic circumstances of both noncustodial and custodial parents;

(ii) the rate of compliance by noncustodial parents with support orders;

(iii) work-force participation by both custodial and noncustodial parents;

(iv) need for or amount of aid to families with dependent children under title IV–A of the Social Security Act;

(v) paternity establishment rates; and

(vi) any other matters the Secretary may specify.

(2) REPORTS TO CONGRESS.—The Secretary shall, on the basis of reports received from States administering projects under this section, make the following reports, containing an assessment of the effectiveness of the projects and any recommendations the Secretary considers appropriate:

(A) an interim report, not later than six months following receipt of the interim State reports required by subsection (c); and

(B) a final report, not later than six months following receipt of the final State reports required under subsection (i).

(3) FUNDING FOR COSTS TO SECRETARY.—There are authorized to be appropriated $10,000,000 for fiscal year 1997, to remain available under expended for payment of the cost of evaluations by the Secretary of demonstrations under this section.

SEC. 682. SOCIAL SECURITY ACT DEMONSTRATIONS.

Section 1115(c)(3) is amended by striking "increased cost" and all that follows and inserting "an increase in total costs to the Federal Government.".

Part I—Access and Visitation Grants

SEC. 691. GRANTS TO STATES FOR ACCESS AND VISITATION PROGRAMS.

(a) IN GENERAL.—Part D of title IV is amended by adding at the end the following new section:

"GRANTS TO STATES FOR ACCESS AND VISITATION PROGRAMS

"SEC. 469A. (a) PURPOSES; AUTHORIZATION OF APPROPRIATIONS.—For the purposes of enabling States to establish and administer programs to support and facilitate absent parents' access to and visitation of their children, by means of activities including mediation (both voluntary and mandatory), counseling, education, development of parenting plans, visitation enforcement (including monitoring, supervision and neutral drop-off and pickup), and development of guidelines for visitation and alternative custody arrangements, there are authorized to be appropriated $5,000,000 for each of fiscal years 1996 and 1997, and $10,000,000 for each succeeding fiscal year.

"(b) PAYMENTS TO STATES.—(1) Each State shall be entitled to payment under this section for each fiscal year in an amount equal to its allotment under subsection (c) for such fiscal year, to be used for payment of 90 percent of State expenditures for the purposes specified in subsection (a).

"(2) Payments under this section shall be used by a State to supplement (and not to substitute for) expenditures by the State, for activities specified in subsection (a), at a level at least equal to the level of such expenditures for fiscal year 1994.

"(c) ALLOTMENTS TO STATES.—(1) IN GENERAL.—For purposes of subsection (b), each State shall be entitled (subject to paragraph (1)) to an amount for each fiscal year bearing the same ratio to the amount authorized to be appropriated pursuant to subsection (a) for such fiscal year as the number of children in the State living with only one biological parent bears to the total number of such children in all States.

"(2) MINIMUM ALLOTMENT.—Allotments to States under subparagraph (A) shall be adjusted as necessary to ensure that no State is allotted less than $50,000 for fiscal year 1996 or 1997, or $100,000 for any succeeding fiscal year.

"(d) FEDERAL ADMINISTRATION.—The program under this section shall be administered by the Administration for Children and Families.

"(e) STATE PROGRAM ADMINISTRATION.—(1) Each State may administer the program under this section directly or through grants to or contracts with courts, local public agencies, or non-profit private entities.

"(2) State programs under this section may, but need not, be Statewide.

"(3) States administering programs under this section shall monitor, evaluate, and report on such programs in accordance with requirements established by the Secretary.

Part J—Effect of Enactment

SEC. 695. EFFECTIVE DATES.

(a) IN GENERAL.—Except as otherwise specifically provided (but subject to subsections (b) and (c))—

(1) provisions of this title requiring enactment or amendment of State laws under section 466 of the Act, or revision of State plans under section 454 of the Act, shall be effective with respect to periods beginning on and after October 1, 1995; and

(2) all other provisions of this title shall become effective upon enactment.

(b) GRACE PERIOD FOR STATE LAW CHANGES.—The provisions of this title shall become effective with respect to a State on the later of—

(1) the date specified in this title, or

(2) the effective date of laws enacted by the legislature of such State implementing such provisions, but in no event later than the first day of the first calendar quarter beginning after the close of the first regular

session of the State legislature that begins after the date of enactment of this Act. For purposes of the previous sentence, in the case of a State that has a 2-year legislative session, each year of such session shall be deemed to be a separate regular session of the State legislature.

(c) GRACE PERIOD FOR STATE CONSTITUTIONAL AMENDMENT.—A State shall not be found out of compliance with any requirement enacted by this title if it is unable to comply without amending the State constitution until the earlier of—

(1) the date one year after the effective date of the necessary State constitutional amendment, or

(2) the date five years after enactment of this title.

SEC. 696. SEVERABILITY.

If any provision of this title or the application thereof to any person or circumstance is held invalid, the invalidity shall not affect other provisions or applications of this title which can be given effect without regard to the invalid provision or application, and to this end the provisions of this title shall be severable.

TITLE VII—IMPROVING GOVERNMENT ASSISTANCE AND PREVENTING FRAUD

Part A—AFDC Amendments

SEC. 701. PERMANENT REQUIREMENT FOR UNEMPLOYED PARENT PROGRAM.

(a) IN GENERAL.—Section 401(h) of the Family Support Act of 1988 (terminating the requirement that States provide benefits to two-parent families based on the unemployment of the principal earner) is repealed.

(b) APPLICABILITY TO PUERTO RICO, AMERICAN SAMOA, GUAM, AND THE VIRGIN ISLANDS.—Section 401(g)(2) of the Family Support Act of 1988 is amended, effective on the date of enactment of such Act, to read as follows:

"(2) The amendments made by this section (other than those made by subsection (c)) shall not become effective with respect to Puerto Rico, American Samoa, Guam, or the Virgin Islands unless the jurisdiction involved notifies the Secretary of Health and Human Services that it chooses to have such amendments apply and submits the necessary plan amendment.".

SEC. 702. STATE OPTIONS REGARDING UNEMPLOYED PARENT PROGRAM.

(a) DURATION OF UNEMPLOYMENT AND RECENCY-OF-WORK TESTS.—(1) Section 407(b)(1)(A) of the Act (in the matter preceding clause (i)) is amended to read as follows:

"(A) subject to paragraph (2), shall provide for the payment of aid to families with dependent children with respect to a dependent child within the meaning of subsection (a)—".

(2) Such section is further amended—

(A) by striking out "whichever" in clause (i) and inserting in lieu thereof "when, if the State chooses to so require (and specifies in its State plan), whichever",

(B) by inserting "when" before such parent in clause (ii), and

(C) by striking out "(iii)(I)" and inserting in lieu thereof "(iii) when, if the State chooses to so require (and specifies in its State plan) (I)".

(b) STATE OPTION TO DEFINE "UNEMPLOYMENT".—At its option, a State may provide aid under part A to children of employed parents and may apply, for purposes of section 407 of the Act, a definition of unemployment that includes some or all of the individuals who, solely by reasons of the standards prescribed by the

Secretary of Health and Human Services under subsection (a) of such section and in effect on the date of enactment of this Act, would not have been eligible for aid to families with dependent children, and shall include such definition in its State plan approved under part A of title IV of the Act.

(c) EFFECTIVE DATE.—The amendments made by this section and the provisions of this section shall become effective October 1, 1996.

SEC. 703. DEFINITION OF ESSENTIAL PERSON.

(1) GENERAL REQUIREMENT.—Section 402 of the Act is amended by adding immediately after and below subsection (c) the following new subsection:

"(d) In order that the State may include the needs of an individual in determining the needs of the dependent child and relative with whom the child is living, such individual must be living in the same home as such child and relative and—

"(1) furnishing personal services required because of the relative's physical or mental inability to provide care necessary for herself or himself or for the dependent child (which, for purposes of this subsection only, includes a child receiving supplemental security income benefits under title XVI), or

"(2) furnishing child care services, or care for an incapacitated member of the family, that is necessary to permit the caretaker relative—

"(A) to engage in full or part-time employment outside the home, or

"(B) to attend a course of education designed to lead to a high school diploma (or its equivalent) or a course of training on a full or part-time basis, or to participate in the program under part F on a full or part-time basis.".

SEC. 704. EXPANDED STATE OPTION FOR RETROSPECTIVE BUDGETING.

Section 402(a)(13) of the Act is amended—

(1) by striking out in the matter that precedes subparagraph (A) "but only with respect to any one or more categories of families required to report monthly to the State agency pursuant to paragraph (14),"; and

(2) by striking out in each of subparagraphs (A) and (B) "(but only where the Secretary determines it to be appropriate, in the case of families who are required to report monthly to the State agency pursuant to paragraph (14),".

SEC. 705. DISREGARDS OF INCOME.

"(a) STUDENT EARNINGS.—(1) IN GENERAL.—Section 402(a)(8)(A)(i) of the Act is amended by striking out "dependent child" and all that follows and inserting in lieu thereof "individual under age 19 who is an elementary or secondary school student".

"(2) CONFORMING AMENDMENTS.—Section 402(a) of the Act is amended—

(A)(i) by striking out "a dependent child who is a full-time student" in paragraph (8)(A)(vii) and inserting in lieu thereof "an individual under age 19 who is an elementary or secondary school student", and

(ii) by striking out "such child" in such paragraph and inserting in lieu thereof "such individual", and

(B) by striking out in paragraph (18) "of a dependent child" and inserting in lieu thereof "of an individual under age 19".

(b) STANDARD EARNED INCOME DISREGARD AMOUNT.—(1) Section 402(a)(8)(a)(ii) of the Act is amended by striking out "$90" and inserting in lieu thereof "$120, or if greater, $120 adjusted by the CPI (as prescribed in section 406(i))".

(2) The amendment made by this subsection shall become effective October 1, 1996.

(c) STATE OPTION TO DISREGARD EARNED INCOME.—(1) IN GENERAL.—Section 402(a)(8)(A)(iv) of the Act is amended to read as follows:

"(iv) may, at its option, disregard amounts of earned income in addition to those required or permitted to be disregarded under this paragraph, and shall specify in its State plan any such additional amounts and the circumstances (including whether they will be disregarded for applicants as well as for recipients) under which they will be disregarded;"

(2) CONFORMING AMENDMENTS.—

(A) Clause (ii) of section 402(a)(8)(B) of the Act is repealed.

(B)(i) Section 402(a)(37) of the Act is amended by striking out "or because of paragraph (8)(B)(ii)(II)".

(ii) Section 1925(a) of the Act is amended by striking out "or because of section 402(a)(8)(B)(ii)(II) (providing for a time-limited earned income disregard)".

(C) Section 402(g)(1)(A)(ii) of the Act is amended by striking out "increased income" and all that follows down to the period and inserting in lieu

thereof "amount of earnings from such employment".

(3) EFFECTIVE DATE.—The amendments made by this subsection shall become effective October 1, 1996.

(d) DISREGARD OF TRAINING STIPENDS.—Section 402(a)(8)(A)(v) of the Act is amended to read as follows:

"(v) shall disregard from the income of any individual applying for or receiving aid to families with dependent children any amount received as a stipend or allowance under the Job Training Partnership Act or under any other training or similar program;".

(e) MANDATORY CHILD SUPPORT PASS-THROUGH.—(1) Section 402(a)(8)(A)(vi) of the Act is amended—

(A) by striking out "$50" (in two places) and inserting in lieu thereof "$50, or, if greater, $50 adjusted by the CPI (as prescribed in section 406(i));", and

(B) by striking out the semicolon at the end and inserting in lieu thereof "or, in lieu of the amount specified in two places in this clause, such greater amount as the State many choose (and provide for in its State plan);".

(2) CPI ADJUSTMENT.—Section 406 of the Act is amended by adding at the end thereof the following new subsection:

"(i) For purposes of this part, an amount is 'adjusted by the CPI' for any month in a calendar year by multiplying the amount involved by the ratio of—

"(1) the Consumer Price Index (as prepared by the Department of Labor) for the third quarter of the preceding calendar year, to

"(2) such Consumer Price Index for the third quarter of calendar year 1996,

and rounding the product, if not a multiple of $10, to the nearer multiple of $10.".

(f) LUMP-SUM INCOME.—(1) IN GENERAL.—Section 402(a)(8)(A) of the Act is amended—

(A) by striking out "and" after clause (viii), and

(B) by adding after and below clause (viii) the following new clause:

"(ix) shall disregard from the income of any family member any amounts of income received in the form of nonrecurring lump-sum payments;".

(2) REPEAL.—Section 402(a)(17) of the Act is repealed.

(g) EDUCATIONAL ASSISTANCE.—Section 402(a)(8)(A) of the Act is further amended by adding after and below clause (ix) the following new clause:

"(x) shall disregard all educational assistance provided to a family member;".

(h) IN-KIND INCOME.—Such section is further amended by adding after and below clause (x) the following new clause:

"(xi) shall disregard all in-kind income provided to a family member;"

(i) BENEFITS UNDER THE NATIONAL AND COMMUNITY SERVICE ACT.—Such section is further amended by adding after and below clause (xi) the following new clause:

"(xii) shall disregard any living allowance, child care allowance, stipend, or educational award paid under section 140 of the National and Community Service Act of 1990 to a family member participating in a national service program carried out with assistance from the Corporation for National and Community Service;".

(j) "FILL-THE-GAP" DISREGARDS.—(1) Such section is further amended by adding after and below clauses (xii) the following new clause:

"(xiii) may disregard, in addition to any other amounts required or permitted by this paragraph, income described in the State plan by type or source and by amount, but no amount in excess of the difference between the State's standard of need applicable to the family involved and the State's payment amount for a family of the same size with no other income;".

(2) The amendment made by this subsection shall become effective October 1, 1996.

SEC. 706. STEPPARENT INCOME.

(a) Section 402(a)(31) of the Act is amended by striking out "$90" and inserting in lieu thereof "$120" and by striking out the semicolon at the end and inserting in lieu thereof ", or, at the option of the State, so much of such income as exceeds any greater amount or amounts as the State agency finds appropriate to strengthen family life and provide incentives to increase earnings;".

(b) The amendment made by this section shall become effective October 1, 1996.

SEC. 707. INCREASE IN RESOURCE LIMIT.

Section 402(a)(7)(B) of the Act is amended (in the matter preceding clause (i)) by striking out "$1000 or such lower amount as the State may determine" and in-

serting in lieu thereof "$2000 or, in the case of a family with a member who is 60 years of age or older, $3000".

SEC. 708. EXCLUSIONS FROM RESOURCES.

(a) LIFE INSURANCE.—Section 402(a)(7)(B)(ii) of the Act is amended by striking out the semicolon at the end and inserting in lieu thereof ", and the cash value of life insurance policies;".

(b) REAL PROPERTY WHICH MUST BE DISPOSED OF.—Section 402(a)(7)(B)(iii) of the Act is amended to read as follows: "real property which the family is making a good faith effort to dispose of at a reasonable price;".

(c) EXCLUSION OF PAYMENTS OF THE EITC.—Section 402(a)(7)(B) of the Act is amended—

(1) by striking out "or" after clause (iii), and

(2) by amending clause (iv) (pertaining to payments by reason of the Earned Income Tax Credit) by striking out "the following month" and inserting in lieu thereof "the following eleven-month period", and by striking out the semicolon at the end and inserting in lieu thereof "and any lump-sum payment of State earned income tax credits and any payments described in this clause shall be deemed to be expended prior to other resources that are not excluded;".

(d) LUMP-SUM PAYMENTS FOR MEDICAL EXPENSES OR REPLACEMENT OF LOST RESOURCES.—Section 402(a)(7)(B) of the Act is amended—

(1) by striking out "and" after clause (iv), and

(2) by adding after clause (iv) the following new clause: "(v) for the month of receipt and the following eleven-month period, amounts that have been paid as reimbursement (or payment in advance) for medical expenses or for the cost of repairing or replacing resources of the family;".

(e) INDIVIDUAL DEVELOPMENT ACCOUNTS.—Section 402(a)(7)(B) of the Act is amended by adding after clause (v) the following new clause: "(vi) amounts, not to exceed $10,000 (including interest) in total, in one or more Individual Development Accounts established in accordance with (I) section 529 of the Internal Revenue Code of 1986 by any member of a family receiving aid to families with dependent children, or (II) under a demonstration project conducted under the Individual Development Account Demonstration Act of 1994, but only such amounts (including interest) that were credited to such account in a month for which such aid was paid, or food stamps provided, with respect to such individual or in any month after such a month;".

(f) RESOURCES FOR SELF-EMPLOYMENT.—Section 402(a)(7)(B) of the Act is amended by adding after clause (vi) the following new clause: "(vii) liquid and nonliquid resources that are or will be used for the self-employment of a family member, to the extent and under the circumstances allowed by the State agency in accordance with regulations issued by the Secretary after consultation with the Secretary of Agriculture;".

SEC. 710. TRANSFER OF RESOURCES.

Section 402(a)(7) of the Act is amended—

(1) by adding "and" after subparagraph (C), and

(2) by adding after and below subparagraph (C) the following new subparagraph:

"(D) shall determine ineligible for aid any family member who knowingly transfers resources for the purpose of qualifying or attempting to qualify for such aid for such period, not in excess of one year from the date of discovery of the transfer, determined in accordance with regulations of the Secretary;".

SEC. 711. LIMITATION ON UNDERPAYMENTS.

Section 402(a)(22)(C) of the Act is amended by striking out "an underpayment" and inserting in lieu thereof "an underpayment, the corrective payment shall be made

regardless of whether the family is, at the time payment is made, receiving current payment of aid under the State plan but such payment shall not exceed the amount necessary to correct for the underpayment of aid during the twelve-month period immediately preceding the month in which the State agency first learned of the underpayment, and".

SEC. 712. COLLECTION OF AFDC OVERPAYMENTS FROM FEDERAL TAX REFUNDS.

(a) AUTHORITY TO INTERCEPT TAX REFUND.—(1) Part A of title IV of the Act is amended by adding at the end thereof the following new section:

"COLLECTION OF OVERPAYMENTS FROM FEDERAL TAX REFUNDS

"Sec. 418.(a). Upon receiving notice from a State agency administering a plan approved under this part that a named individual has been overpaid under the State plan approved under this part, the Secretary of the Treasury shall determine whether any amounts as refunds of Federal taxes paid are payable to such individual, regardless of whether such individual filed a tax return as a married or unmarried individual. If the Secretary of the Treasury finds that any such amount is payable, he shall withhold from such refunds an amount equal to the overpayment sought to be collected by the State and pay such amount to the State agency.

"(b) The Secretary of the Treasury shall issue regulations, approved by the Secretary of Health and Human Services, that provide—

"(1) that a State may only submit under subsection (a) requests for collection of overpayments with respect to individuals (A) who are no longer receiving aid under the State plan approved under this part, (B) with respect to whom the State has already taken appropriate action under State law against the income or resources of the individuals or families involved as required under section 402(a)(22) (B), and (C) to whom the State agency has given notice of its intent to request withholding by the Secretary of the Treasury from their income tax refunds;

"(2) that the Secretary of the Treasury will give a timely and appropriate notice to any other person filing a joint return with the individual whose refund is subject to withholding under subsection (a); and

"(3) the procedures that the State and the Secretary of the Treasury will follow in carrying out this section which, to the maximum extent feasible and consistent with the specific provisions of this section, will be the same as those issued pursuant to

section 464(b) applicable to collection of past-due child support.".

(2) Section 6402 of the Internal Revenue Code of 1986 (as previously amended by section 662 of this Act) is further amended—

(A) in subsection (a), by striking "(c) and (d)" and inserting "(c), (d), and (e)";

(B) by redesignating subsections (e) through (i) as subsections (f) through (j), respectively; and

(C) by inserting after subsection (d) the following new subsection:

"(g) COLLECTION OF OVERPAYMENTS UNDER TITLE IV–A OF SOCIAL SECURITY ACT.—The amount of any overpayment to be refunded to the person making the overpayment shall be reduced (after reductions pursuant to subsections (c) and (d), but before a credit against future liability for an internal revenue tax) in accordance with section 418 of the Social Security Act (concerning recovery of overpayments to individuals under State plans approved under part A of title IV of such Act).".

(b) CONFORMING AMENDMENT.—Section 552a(a)(8)(B)(iv)(III) of title 5 of the United States Code is amended by striking out "section 464 or 1137 of the Social Security Act" and inserting in lieu thereof "section 419, 464, or 1137 of the Social Security Act."

SEC. 713. VERIFICATION OF STATUS OF CITIZENS AND ALIENS.

(a) IN GENERAL.—Section 1137(d) of the Act is amended by adding at the end thereof the following:

"(6) A State shall be deemed to meet the requirements of paragraph (1) with respect to the eligibility of each member of a family applying for aid under the State plan approved under part A of title IV, if the State requires, as a condition for such eligibility, a declaration in writing by an adult member of the family, under penalty of perjury, that each family member is a citizen of the United States or an alien eligible for aid under such State plan (and, with respect to a child born into a family receiving such aid, such declaration must be made no later than the time of the next redetermination of such family's eligibility following the birth of such child).".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall become effective upon enactment.

SEC. 714. REPEAL OF REQUIREMENT TO MAKE CERTAIN SUPPLEMENTAL PAYMENTS IN STATES PAYING LESS THAN THEIR NEEDS STANDARDS.

Section 402(a)(28) of the Act is repealed.

SEC. 715. CALCULATION OF 185 PERCENT OF NEED STANDARD.

Section 402(a)(18) of the Act is amended by striking out "without application of paragraph (8)(A)(viii)," and inserting in lieu thereof "applying only the disregard provisions of paragraph (8)(A) that appear in clauses (v) (income from a program under the Job Training Partnership Act and similar programs), (viii) (payments related to the Earned Income Tax Credit), (ix) (certain lump-sum payments), (x) (educational assistance), (xi) (in-kind income), and (xii) (certain payments under the National and Community Service Act of 1990),".

SEC. 716. TERRITORIES.

(a) Section 1108(a) of the Act is amended by amending paragraphs (1), (2), and (3) to read as follows:

"(1) for payment to Puerto Rico shall not exceed—

"(A) $82,000,000 with respect to fiscal years 1994, 1995, and 1996, and

"(B) $102,500,000 or, if greater, such amount adjusted by the CPI (as prescribed in subsection (f)) for fiscal year 1997 and each fiscal year thereafter;

"(2) for payment to the Virgin Islands shall not exceed—

"(A) $2,800,000 with respect to fiscal years 1994, 1995, and 1996, and

"(B) $3,500,000 or, if greater, such amount adjusted by the CPI (as prescribed in subsection (f)) for fiscal year 1997 and each fiscal year thereafter; and

"(3) for payment to Guam shall not exceed—

"(A) $3,800,000 with respect to fiscal year 1994, 1995, and 1996, and

"(B) $4,750,000 or, if greater, such amount adjusted by the CPI (as prescribed in subsection (f)), for fiscal year 1997 and each fiscal year thereafter.".

(b) CPI ADJUSTMENT.—Section 1108 of the Act is amended by adding at the end thereof the following new subsection:

"(f) For purposes of subsection (a), an amount is 'adjusted by the CPI' for months in calendar year by multiplying that amount by the ratio of the Consumer Price Index as prepared by the Department of Labor for—

"(1) the third quarter of the preceding calendar year, to

"(2) the third quarter of calendar year 1996, and rounding the product, if not a multiple of $10,000, to the nearer multiple of $10,000.".

PART B—FOOD STAMP ACT AMENDMENTS

SEC. 721. INCONSEQUENTIAL INCOME.

Section 5(d)(2) of the Food Stamp Act of 1977 (7 U.S.C. 2014(d)(2)) is amended to read as follows—

"(2) any inconsequential payments, as defined by the Secretary, received during the certification period, but not to exceed a total of such payments of $30 per household member in any quarter, whether the household's income is calculated on a prospective or retrospective basis,".

SEC. 722. EDUCATIONAL ASSISTANCE.

Section 5 of the Food Stamp Act of 1977 (7 U.S.C. 2014) is amended by—

(1) striking clause (3) of subsection (d) and inserting in lieu thereof the following—

"(3) all educational assistance provided to a household member,";

(2) in the proviso of clause (5) of subsection (d), striking "and no portion of any educational loan" and all that follows through "provided for living expenses,"; and

(3) striking clause (3) of subsection (k).

SEC. 723. EARNINGS OF STUDENTS.

Effective on and after September 1, 1994, section 5(d)(7) of the Food Stamp Act of 1977 (7 U.S.C. 2014(d)(7)) is amended by—

(1) striking "a child who is a member of the household, who is"; and

(2) striking ", and who is 21" and inserting in lieu thereof "who is 18".

SEC. 724. TRAINING STIPENDS AND ALLOWANCES; INCOME FROM ON-THE-JOB TRAINING PROGRAMS.

Section 5 of the Food Stamp Act of 1977 (7 U.S.C. 2014) is amended by—

(1) striking "and (16)" in subsection (d) and inserting in lieu thereof "(16)";

(2) inserting before the period at the end of subsection (d) ", and (17) any amount received by any member of a household as a stipend or allowance under the Job training Partnership Act (29 U.S.C. 1501 et seq.) or under any other training or similar program"; and

(3) striking in subsection (1) the language beginning with "under section 204(b)(1)(C)" and all that follows through "19 years of age." and inserting in lieu thereof "shall be considered earned income for purposes of the Food Stamp program.".

SEC. 725. EARNED INCOME TAX CREDITS.

Effective on and after September 1, 1994, the second sentence of section (5)(g)(3) of the Food Stamp Act of 1977 (7 U.S.C. 2014(g)(3)) is amended by—

(1) inserting "Federal or State lump-sum" immediately preceding "earned income tax credits"; and

(2) striking the language beginning with "if such member was participating" and all that follows through "the 12-month period".

SEC. 726. RESOURCES NECESSARY FOR SELF-EMPLOYMENT.

Section 5(g)(3) of the Food Stamp Act of 1977 (7 U.S.C. 2014(g)(3)) is amended by adding the following new third and fourth sentences: "The Secretary shall also exclude from financial resources loans obtained for the purposes of starting or operating a business. The Secretary may exclude from financial resources liquid or nonliquid resources that are or will be used for the self-employment of any member of a household to the extent and under the circumstances allowed in regulations issued by the Secretary after consultation with and the Secretary of Health and Human Services.".

SEC. 727. LUMP-SUM PAYMENTS FOR MEDICAL EXPENSES OR REPLACEMENT OF LOST RESOURCES.

Section 5(g)(3) of the Food Stamp Act of 1977 (7 U.S.C. 2014(g)(3)) as amended by this Act is further amended by adding the following new fifth sentence: "The Secretary shall also exclude from financial resources, for

a period of one year from their receipt, amounts that have been paid as reimbursements (or payment in advance) for medical expenses or for the cost of repairing or replacing resources of the family.''.

SEC. 728. INDIVIDUAL DEVELOPMENT ACCOUNTS.

Section 5(g)(3) of the Food Stamp Act of 1977 (7 U.S.C. 2014(g)(3)) as amended by this Act is further amended by adding the following new sixth and seventh sentences: ''The Secretary shall also exclude from financial resources amounts, not to exceed $10,000 (including interest) in total, in one or more Individual Development Accounts established in accordance with (A) section 529 of the Internal Revenue Code of 1986 (26 U.S.C. 1 et seq.) by any member of a household applying for or receiving assistance under this Act or (B) a demonstration project conducted under the Individual Development Account Demonstration Act of 1994, but only such amounts (including interest) that were credited to such account in a month for which assistance was provided under this Act or aid to families with dependent children was provided pursuant to part A of title IV of the Social Security Act, with respect to such individual, or in any month after such a month. The Secretary shall also exclude from financial resources, for the month of its receipt and the following month, a nonrecurring lump-sum payment received by any

household member if the household member represents that the payment will be deposited in an Individual Development Account established as described in the preceding sentence.".

SEC. 729. CONFORMING AMENDMENT.

Section 5(d)(8) of the Food Stamp Act of 1977 (7 U.S.C 2014(d)(8)) is amended in the proviso by inserting "paragraph (3) of subsection (g) of this section or" immediately preceding "other laws".

PART C—ECONOMIC INDEPENDENCE

SEC. 731. SHORT TITLE.

This title may be cited as the "Individual Development Account Demonstration Act of 1994".

SEC. 732. DECLARATION OF POLICY AND STATEMENT OF PURPOSE.

(a) DECLARATION OF POLICY.—It is the policy of the United States—

(1) to eliminate barriers that prevent recipients of Aid to Families with Dependent Children (AFDC) from becoming self-sufficient through self-employment and asset accumulation;

(2) to identify and implement cost-effective strategies to encourage saving and entrepreneurship among the broadest possible range of low-income families, particularly families eligible for AFDC, and

that have the potential to reduce Federal spending on transfers and services to the disadvantaged;

(3) to enhance private-sector opportunities for low-income families by enabling them to use their own human and financial resources through expansion of business investment, job creation, home ownership, and human capital investment; and

(4) to expand the capacity of local organizations to provide asset-related services that help people to help themselves such as savings mechanisms, loan funds, technical assistance, and entrepreneurial training.

(b) STATEMENT OF PURPOSE.—The purpose of the demonstration projects authorized under this title is to provide for a means of determining—

(1) the social, psychological, and economic effects of providing low-income individuals the opportunity to accumulate assets and develop and utilize entrepreneurial skills; and

(2) the extent to which an asset-based assistance policy may be used to enable individuals with low-income to achieve economic self-sufficiency.

SEC. 733. INDIVIDUAL DEVELOPMENT ACCOUNT DEMONSTRATION PROJECTS.

(a) IN GENERAL.—Not later than one year after the date of enactment of this Act, any State or local government, or any qualified organization may apply to the Administrator/Chairperson of the Community Development Bank and Financial Institutions Fund (hereinafter the Administrator/Chairperson) for a grant to conduct individual development account demonstration projects for eligible persons.

(b) CONTENTS.—Each application shall—

(1) describe the demonstration project;

(2) describe the persons who will participate in the project;

(3) demonstrate the ability of the applicant—

(A) to assist project participants in achieving economic self-sufficiency through the project; and

(B) to assist project participants in developing greater knowledge about savings, investments, and other financial matters;

(C) to oversee the use of grant funds, including the documentation and verification of start-up expenses in the case of entrepreneurial assistance; and

(D) to effectively administer the project;

(4) in the case of a qualified organization, document a commitment by the State in which the project is to be conducted to provide a specified amount of funds to the qualified organization for the project, and any similar commitment made to the qualified organization by any other non-Federal public entity or any private entity;

(5) contain a plan for maintaining data and other information concerning assistance provided to project participants sufficient to evaluate the project and a certification that the applicant will fully cooperate and provide access to all information concerning the project in connection with any evaluation of the project conducted pursuant to subsection (1); and

(6) contain such other information as the Administrator/Chair may prescribe.

(c) CRITERIA.—In considering whether to approve an application, the Administrator/Chairperson shall assess the following:

(1) The degree to which the project described in the application is likely to aid project participants in achieving economic self-sufficiency through activities requiring qualified expenses. In making such assessment, the Administrator/Chairperson shall consider

the overall quality of project activities and shall not consider any particular kind or combination of such qualified expenses to be an essential feature of any project.

(2) The ability of the applicant to responsibly administer the project.

(3) The amount of funds from non-Federal sources that are committed to the project.

(4) The adequacy of the plan for maintaining information necessary to evaluate the project.

(d) APPROVAL.—

(1) The Administrator/Chairperson shall, on a competitive basis, approve such applications to conduct demonstration projects under this section as the Administrator/Chairperson deems appropriate on the basis of the criteria described in subsection (c).

(2) No court shall have jurisdiction to review the approval or nonapproval of any application by the Administrator/Chairperson.

(e) DEMONSTRATION AUTHORITY; ANNUAL GRANTS.—

(1) DEMONSTRATION AUTHORITY.—The approval by the Administrator of an application shall authorize the applicant (hereinafter the grantee) to conduct the project for five project years in accord-

ance with the approved application and the requirements of this section.

(2) ANNUAL GRANTS.—The Administrator/Chairperson shall make a grant to each grantee on the first day of each project year.

(f) RESERVE FUND.—

(1) ESTABLISHMENT.—Each grantee shall establish a reserve fund that shall be used in accordance with this subsection.

(2) DEPOSITS.—

(A) As soon after receipt as is practicable, a grantee shall deposit into the reserve fund—

(i) all annual grants made by the Administrator/Chairperson;

(ii) all funds provided to the grantee by any non-Federal public or private entity to conduct the demonstration project;

(iii) all proceeds from any investments made pursuant to paragraph (4); and

(iv) all amounts title to which vests in the grantee pursuant to subsection (h)(5).

(3) EXPENDITURES.—A grantee shall use amounts in the reserve fund only—

(A) to assist project participants in obtaining the skills and information necessary to

achieve economic self-sufficiency through activities requiring the payment of qualified expenses;

(B) to provide financial assistance in accordance with subsection (h) to project participants;

(C) to administer the project; and

(D) to maintain and provide information necessary for the evaluation of the project pursuant to subsection (1).

(4) ACCOUNTING STANDARDS.—The Administrator/Chairperson shall prescribe regulations governing the accounting of amounts deposited in and withdrawn from reserve funds.

(5) TERMINATION OF PROJECT.—Notwithstanding paragraph (3), upon the termination of any demonstration project approved under this section, remaining amounts in the reserve fund established with respect to such project and remaining investments made from amounts in the reserve fund shall be distributed to the Administrator/Chairperson and each non-Federal public or private entity that contributed to the project in proportion to their contributions.

(g) SELECTION OF ELIGIBLE PERSONS TO RECEIVE ASSISTANCE.—A grantee shall provide individual development account assistance to eligible persons whom the grantee deems to be best situated to benefit from such assistance, taking into account the amount of grants made by the Administrator/Chairperson and other funds available to the grantee for such assistance.

(h) FINANCIAL ASSISTANCE FOR INDIVIDUAL DEVELOPMENT ACCOUNTS.—

(1) IN GENERAL.—A grantee shall provide initial financial assistance to a project participant who establishes an individual development account, not to exceed $500 per participant. Such financial assistance shall be deposited in the individual development account established by a project participant.

(2) MATCHING CONTRIBUTIONS.—The Administrator/Chairperson or a grantee may make matching contributions of not less than 50 cents and not more than $4 for every $1 deposited into an individual development account by a project participant, not to exceed $2,500 for any project participant.

(3) LIMITATION ON USE.—

(A) Financial assistance provided pursuant to paragraph (1) shall not be available for use by a project participant until—

(i) the individual development account is closed; and

(ii) a project participant has deposited into the individual development account an amount equal to the initial financial assistance provided pursuant to paragraph (1).

(B) Financial assistance provided pursuant to paragraph (1) or (2) shall be used by a project participant only for the payment of qualified expenses.

(4) APPLICABILITY OF OTHER LAW.—The provisions of section 529 of the Internal Revenue Code of 1986 (26 U.S.C. 529) and such rules, regulations and procedures as may be prescribed by the Secretary of the Treasury under such Code shall apply to an individual development account for which financial assistance is provided pursuant to this subsection.

(5) EFFECT OF PROHIBITED TRANSACTIONS.—In the event that an individual development account ceases to be an individual development account under the provisions of section 529(e)(2) of the Internal Revenue Code of 1986 (26 U.S.C. 529(e)(2)), or any portion of an individual development account is treated as distributed under the provisions of sec-

tion 529(e)(3) of the Internal Revenue Code of 1986 (26 U.S.C. 529(e)(3)), title to all amounts in such an account, or such portion of an account, attributable to financial assistance provided pursuant to paragraph (1) or (2) shall vest in the grantee providing financial assistance pursuant to paragraph (1) and such amounts shall be paid to such grantee.

(i) LOCAL CONTROL OVER DEMONSTRATION.—

(1) Each grantee shall, subject to the provisions of subsection (k), have sole responsibility for the administration of demonstration projects approved by the Administrator/Chairperson.

(2) The Administrator/Chairperson may prescribe such regulations as may be necessary to ensure that grantees comply with the terms of approved applications and the requirements of this section.

(j) ANNUAL REPORTS.—

(1) IN GENERAL.—Each grantee shall annually report to the Administrator/Chairperson concerning the progress of each approved demonstration project administered by such grantee. The report shall, at a minimum—

(A) describe project participants;

(B) contain an audited financial statement for the reserve fund established with respect to the project;

(C) provide information on amounts deposited in individual development accounts of project participants to whom such assistance is provided under the project; and

(D) such other information as the Administrator/Chairperson may require with respect to the evaluation of the project pursuant to subsection (1).

(2) SUBMISSION.—Reports required by paragraph (1) shall be submitted annually not later than the anniversary of the date the Administrator/Chairperson approved the application for the demonstration project.

(3) COORDINATION WITH STATE GOVERNMENT.—A grantee shall transmit a copy of each report required by paragraph (1) to the Treasurer (or equivalent official) of the State in which the project is conducted at the time prescribed by paragraph (2).

(k) SANCTIONS.—

(1) REVOCATION OF DEMONSTRATION AUTHORITY.—If the Administrator/Chairperson determines a

grantee is not conducting a demonstration project in accordance with the approved application and the requirements of this section, and has failed to undertake corrective action satisfactory to the Administrator/Chairperson, the Administrator/Chairperson may revoke the approval to conduct the project. A determination by the Administrator/Chairperson to revoke the approval for a demonstration project shall not be subject to review by any court.

(2) ACTIONS REQUIRED UPON REVOCATION.—

(A) If the Administrator/Chairperson revokes approval to conduct a demonstration project pursuant to paragraph (1), the Administrator/Chairperson—

(i) shall suspend the project;

(ii) shall take control of the reserve fund established pursuant to subsection (f) with respect to such project; and

(iii) shall solicit applications from entities described in subsection (a) to conduct the suspended project in accordance with the approved application (or under such terms and conditions as the Administrator may prescribe) and the requirements of this section.

(B) If the Administrator/Chairperson approves an application to conduct the suspended project, the Administrator/Chairperson shall transfer to the new grantee control of the reserve fund established pursuant to subsection (f) for the project, and such grantee shall be considered to be the original grantee for purposes of this section. The date the Administrator/Chairperson approved the application of the new grantee to conduct the suspended project shall apply for purposes of the annual reports required by subsection (j).

(C) If the Administrator/Chairperson has not approved an application to conduct a project by the date that is one year after approval to conduct the project was revoked, the Administrator/Chairperson shall—

(i) terminate the project; and

(ii) distribute remaining amounts in the reserve fund for such project and investments made from amounts in the reserve fund in accordance with the provisions of subsection (f)(6).

(l) PROJECT EVALUATIONS.—

(1) IN GENERAL.—Not later than six months after the date of enactment of this Act, the Administrator/Chairperson, in consultation with the Secretary of the Treasury and the Secretary of the Department of Health and Human Services, shall enter into a contract with an independent organization (hereinafter "evaluator") for the evaluation of individual demonstration projects conducted pursuant to this section and the effectiveness of assistance provided to eligible persons pursuant to this section.

(2) EVALUATIONS.—In entering into the contract provided for in paragraph (1), the Administrator/Chairperson should consider providing for evaluation of—

(A) the types of information and public education efforts that attract project participants;

(B) the accessibility of the demonstration project by participants and the ease of participation;

(C) the level of financial assistance required to stimulate participation in the demonstration project, and whether such level varies among different demographic populations;

(D) whether project features utilized in conjunction with individual development accounts (such as peer support, structured planning exercises, mentoring, and case management) contribute to participation in the project;

(E) the level of self-sufficiency achieved by project participants as measured by employment or self-employment rates, earned and investment income, exit rates, poverty rates, and recidivism rates, particularly for program participants eligible for food stamp benefits and AFDC;

(F) the reduction in the level of public expenditure on project participants as measured by changes in overall support payments including AFDC, food stamp benefits, Federal child care assistance, Federal housing assistance, JOBS, and other benefits, taking into account costs incurred by the Federal Government in support of demonstration projects;

(G) the level of asset accumulation by project participants as measured by savings rates, net worth, business start-ups, human capital investments, new homes, number of loans to low-income and AFDC eligible families,

and whether asset accumulation continued after a subsidy or other assistance;

(H) the economic, psychological, and social effects of asset accumulation; and

(I) the circumstances concerning and the extent to which asset accumulation by project participants contributes to—

(i) a greater sense of security and control and positive outlook;

(ii) greater household stability;

(iii) increased long-term planning;

(iv) increased efforts to maintain and develop assets;

(v) greater knowledge about savings, investments, and other financial matters;

(vi) increased effort and success in educational achievement within the household;

(vii) increased specialization in career development;

(viii) improved social status;

(ix) increased political participation;

(x) increased community involvement;

(xi) increased earned income;

(xii) decreased reliance on traditional forms of public assistance, with particular emphasis on food stamp benefits and AFDC; and

(xiii) increased tendency to save during and after the period of project participation.

(3) METHODOLOGICAL REQUIREMENT.—In evaluating any demonstration project conducted under this section, the evaluator should obtain such quantitative data before, during, and after the project, as is necessary to evaluate the project and include randomly assigned control groups.

(m) DEFINITIONS.—As used in this section:

(1) HOUSEHOLD.—The term "household" means all individuals who share use of a dwelling unit as primary quarters for living and eating separately from other individuals in the living quarters.

(2) NET WORTH.—

(A) IN GENERAL.—Except as provided in subparagraph (B), the term "net worth" means, with respect to a household, the aggregate fair market value of all assets that are owned in whole or in part by any member of the

household, less the obligations or debts of any member of the household.

(B) ASSETS EXCLUDED.—Net worth shall be determined without taking into account the fair market value and the obligations or debts of—

(i) the primary dwelling unit of the household;

(ii) the motor vehicle having the greatest equity value; and

(iii) items essential for daily living, such as clothes, furniture, and similar items of limited value.

(3) INDIVIDUAL DEVELOPMENT ACCOUNT.—The term "individual development account" shall have the same meaning given such term in section 529 of the Internal Revenue Code of 1986 (26 U.S.C. 529).

(4) PROJECT YEAR.—The term "project year" means with respect to a demonstration project, any of the six consecutive 12-month periods beginning on the date the project is approved by the Administrator.

(5) QUALIFIED ORGANIZATION.—The term "qualified organization" means a community devel-

opment financial institution as defined in section of the Community Development Banking and Financial Institutions Act of 1994.

(6) ELIGIBLE PERSON DEFINED.—The term "eligible person" means any person who is a member of a household that meets all of the following requirements:

(A) EITC TEST.—The household has at least one individual who is an eligible individual within the meaning of section 32(c)(1) of the Internal Revenue Code of 1986 for purposes of the earned income tax credit.

(B) INCOME TEST.—The household did not have adjusted gross income (as determined pursuant to the Internal Revenue Code of 1986) in the immediately preceding calendar year in excess of $18,000.

(C) NET WORTH TEST.—The net worth of the household, as of the close of the immediately preceding calendar year, did not exceed $20,000.

(7) QUALIFIED EXPENSES.—The term "qualified expenses" shall have the same meaning as provided in section 529(c)(1) of the Internal Revenue Code of 1986 (26 U.S.C. 529(C)(1)).

(n) AUTHORIZATION OF APPROPRIATIONS.—To carry out the purposes of this section there are authorized to be appropriated to the Administrator/Chairperson—

(1) $10,000,000 for fiscal year 1997,

(2) $20,000,000 for each of fiscal years 1998, 1999, 2000, and 2001, and

(3) $10,000,000 for fiscal year 2002.

SEC. 734. INDIVIDUAL DEVELOPMENT ACCOUNTS.

(a) IN GENERAL.—Subchapter F of chapter 1 of the Internal Revenue Code of 1986 (relating to additional itemized deductions for individuals) is amended by adding at the end of the following new part:

"PART VIII—INDIVIDUAL DEVELOPMENT ACCOUNTS

"SEC. 529. INDIVIDUAL DEVELOPMENT ACCOUNTS.

"(a) ESTABLISHMENT OF ACCOUNTS.—

"(1) IN GENERAL.—An individual development account may be established by or on behalf of an eligible individual for the purpose of accumulating funds to pay the qualified expenses of such individual.

"(2) ELIGIBLE INDIVIDUAL.—The term 'eligible individual' means an individual—

"(A) for whom assistance is provided under section 733(h) of the Individual Development Account Demonstration Act;

"(B) receiving assistance under 42 U.S.C. 601 et seq.; or

"(C) receiving assistance under 7 U.S.C. 2011 et seq.

"(b) LIMITATIONS.—

"(1) ACCOUNT TO BENEFIT ONE INDIVIDUAL.—An individual development account may not be established for the benefit of more than one individual.

"(2) MULTIPLE ACCOUNTS.—If, at any time during a calendar year, two or more individual development accounts are maintained for the benefit of an eligible individual, such individual shall be treated as an eligible individual for such year only with respect to the account first established.

"(3) WHO MAY CONTRIBUTE.—Contributions to an individual development account, other than contributions made pursuant to section 733(h) of the Individual Development Account Demonstration Act, may be made only by an eligible individual and in the case of an eligible individual described in subsection (e)(2)(A), by another eligible individual who is a member of the same household as the eligible individual.

"(4) ANNUAL LIMIT.—Contributions to an individual development account by or on behalf of an eli-

gible individual for any taxable year shall not exceed the lesser of $1,000 or 100 percent of the earned income, within the meaning of section 32(c)(2), of the eligible individual making such contribution. No contribution to the account under section 733(h) of the Individual Development Account Demonstration Act shall be taken into account for the purposes of this limitation. No contribution may be made to an individual development account by or on behalf of any individual after such individual has ceased to be an eligible individual.

"(5) LIMIT ON TOTAL CONTRIBUTIONS.—Total contributions to an individual development account for all years may not exceed $10,000.

"(c) DEFINITIONS AND SPECIAL RULES.—For the purposes of this section—

"(1) QUALIFIED EXPENSES.—In the case of an eligible individual described in subsection (a)(2)(A), the term 'qualified expenses' means one or more of the expenses described in subparagraphs (A), (B), (C), and (D), as provided by the entity providing assistance to the eligible individual under section 733(h) of the Individual Development Account Demonstration Act. In the case of any other eligible individual, the term 'qualified expenses' means one or

more of the expenses described in subparagraphs (A), (B), (C), and (D).

"(A) POST-SECONDARY EDUCATION EXPENSES.—Post-secondary educational expenses paid from an individual development account directly to an eligible educational institution. For the purposes of this subparagraph—

"(i) the term 'post-secondary educational expenses' means—

"(I) tuition and fees required for the enrollment or attendance of a student at an eligible educational institution;

"(II) fees, books, supplies, and equipment required for courses of instruction at an eligible educational institution; and

"(III) a reasonable allowance for meals, lodging, transportation, and child care, while attending an eligible educational institution; and

"(ii) the term 'eligible educational institution' means—

"(I) an institution described in section 481(a)(1) or 1201(a) of the

Higher Education Act of 1965 (20 U.S.C. 1088(a)(1) or 1141(a)), as such sections are in effect on the date of the enactment of this section; and

"(II) an area vocational education school (as defined in subparagraph (C) or (D) of section 521(4) of the Carl D. Perkins Vocational and Applied Technology Education Act Amendments of 1990 (20 U.S.C. 2471(4))) in any State (as defined in section 521(33) of such Act), as such section is in effect on the date of the enactment of this section.

"(B) FIRST-HOME PURCHASE.—Qualified acquisition costs with respect to a qualified principal residence for a qualified first-time homebuyer, if paid from an individual development account directly to the persons to whom the amounts are due. For purposes of this subparagraph—

"(i) the term 'qualified acquisition costs' means the costs of acquiring, constructing, or reconstructing a residence,

and includes any usual or reasonable settlement, financing, or other closing costs;

"(ii) the term 'qualified principal residence' means a principal residence (within the meaning of section 1034), the qualified acquisition costs of which do not exceed 80 percent of the average area purchase price applicable to such residence (determined in accordance with paragraphs (2) and (3) of section 143(e));

"(iii) the term 'qualified first-time home-buyer' means a taxpayer (and, if married, the taxpayer's spouse) who has no present ownership interest in a principal residence during the three-year period ending on the date on which a binding contract was entered into to acquire, construct, or reconstruct the principal residence to which this subparagraph applies.

"(C) BUSINESS CAPITALIZATION.—Amounts paid from an individual development account directly into a business capitalization account which is established in a federally insured financial institution and is restricted to

use solely for qualified business capitalization expenses. For purposes of this subparagraph—

"(i) the term 'qualified business capitalization expenses' means qualified expenditures for the capitalization of a qualified business pursuant to a qualified plan;

"(ii) the term 'qualified expenditures' means expenditures included in a qualified plan, including capital, plant, equipment, working capital, and inventory expenses;

"(iii) the term 'qualified business' means any business that does not contravene any law or public policy (as determined by the Administrator of the Community Development Bank and Financial Institutions Fund);

"(iv) the term 'qualified plan' means a business plan

"(I) that is approved by a financial institution, or any other institution designated as a community development financial institution, having demonstrated fiduciary integrity;

"(II) that includes a description of services or goods to be sold, a mar-

keting plan, and projected financial statements; and

"(III) that may require the eligible individual to obtain assistance of an experienced entrepreneurial advisor.

"(D) TRANSFERS TO IDAS OF FAMILY MEMBERS.—Amounts in an individual development account may be paid or transferred directly into another such account established for the benefit of an eligible individual who is—

"(i) the taxpayer's spouse; or

"(ii) any dependent of the taxpayer with respect to whom the taxpayer is allowed a deduction under section 151.

"(2) INDIVIDUAL DEVELOPMENT ACCOUNT.—The term 'individual development account' means a trust created or organized in the United States exclusively for the purpose of paying the qualified expenses of an individual who was an eligible individual at the time when contributions were made to such trust, but only if the written instrument creating the trust meets the following requirements:

"(A) No contribution will be accepted unless it is in cash or check.

"(B) The trustee is a financial institution insured by an instrumentality of the Federal Government.

"(C) The assets of the account will be invested only in federally insured deposits and/or stock of a regulated investment company within the meaning of section 851(a), in accordance with the direction of the eligible individual.

"(D) The assets of the trust will not be commingled with other property except in a common trust fund or common investment fund.

"(E) Except as provided in subparagraph (F), any amount in the account which is attributable to assistance provided under section 733(h) of the Individual Development Account Demonstration Act may be paid or distributed out of the account only for the purpose of paying the qualified expenses of the eligible individual.

"(F)(i) Any balance in the account on the day after the date on which the individual for whose benefit the trust is established dies will be transferred within 60 days of such date as directed by such individual to another individual

development account established for the benefit of an individual who is a family member described in subsection (c)(1)(D) and who is an eligible individual, or who was an eligible individual on the day immediately preceding the date on which the individual for whose benefit the trust is established dies.

"(ii) In any case where clause (i) does not apply, the portion of the account attributable to contributions other than those provided under section 733(h) of the Individual Development Account Demonstration Act shall be paid out within five years of the date of death to the beneficiaries of the individual for whose benefit the account was established, and the balance shall vest in the grantee providing assistance under section 733(h) of the Individual Development Account Demonstration Act and shall be paid to such grantee within 60 days of the day after the date of death.

"(3) TIME WHEN CONTRIBUTIONS DEEMED MADE.—A taxpayer shall be deemed to have made a contribution to an individual development account on the last day of the preceding taxable year if the contribution is made on account of such taxable year

and is made not later than the time prescribed by law for filing the return for such taxable year (not including extensions thereof).

"(d) TAX TREATMENT OF DISTRIBUTIONS.—

"(1) IN GENERAL.—Except as otherwise provided in this subsection, any amount paid or distributed out of an individual development account shall be included in gross income of the payee or distributee for the taxable year in the manner provided in section 72.

"(2) TREATMENT OF ASSISTANCE CONTRIBUTIONS.—

"(A) DISTRIBUTIONS USED TO PAY QUALIFIED EXPENSES.—If a distribution or payment from an individual development account is used exclusively to pay the qualified expenses incurred by the individual for whose benefit the account is established, then, for purposes of section 72, assistance contributions made to such individual development account under section 733(h) of the Individual Development Account Demonstration Act shall be treated in the same manner as contributions made by the individual.

"(B) DISTRIBUTIONS NOT USED TO PAY QUALIFIED EXPENSES.—If a distribution or payment from an individual development account is not used exclusively to pay the qualified expenses incurred by the individual for whose benefit the account is established, then, for purposes of section 72, assistance contributions made to such individual development account under section 733(h) of the Individual Development Account Demonstration Act shall be treated in the same manner as earnings on the account.

"(e) TAX TREATMENT OF ACCOUNTS.—

"(1) EXEMPTION FROM TAX.—An individual development account is exempt from taxation under this subtitle unless such account has ceased to be an individual development account by reason of paragraph (2). Notwithstanding the preceding sentence, any such account is subject to the taxes imposed by section 511 (relating to imposition of tax on unrelated business income of charitable, etc. organizations).

"(2) LOSS OF EXEMPTION OF ACCOUNT WHERE INDIVIDUAL ENGAGES IN PROHIBITED TRANSACTION.—

"(A) IN GENERAL.—If the individual for whose benefit an individual development account is established or any individual who contributes to such account engages in any transaction prohibited by section 4975 with respect to the account, the account shall cease to be an individual development account as of the first day of the taxable year (of the individual so engaging in such transaction) during which such transaction occurs.

"(B) ACCOUNT TREATED AS DISTRIBUTING ALL ITS ASSETS.—In any case in which any account ceases to be an individual development account by reason of subparagraph (A) as of the first day of any taxable year—

"(i) all assets in the account on such first day that are attributable to assistance provided under section 733(h)(1) and (2) of the Individual Development Account Demonstration Act shall be paid as provided in section 733(h)(5) of such Act; and

"(ii) the provisions of subsection (d)(1) shall apply as if there was a distribution on such first day in an amount

equal to the fair market value of all other assets in the account on such first day.

"(3) EFFECT OF PLEDGING ACCOUNT AS SECURITY.—If, during any taxable year, the individual for whose benefit an individual development account is established, or any individual who contributes to such account, uses the account or any portion thereof as security for a loan—

"(A) an amount equal to the part of the portion so used which is attributable to assistance provided under section 733(h)(1) and (2) of the Individual Account Demonstration Act shall be paid as provided in section 733(h)(5) of such Act; and

"(B) the remaining part of the portion so used shall be treated as distributed under the provisions of subsection (d)(1) to the individual so using such portion.

"(f) ADDITIONAL TAX ON CERTAIN AMOUNTS INCLUDED IN GROSS INCOME.—

"(1) DISTRIBUTION NOT USED FOR QUALIFIED EXPENSES.—In the case of any payment or distribution that is not used exclusively to pay qualified expenses incurred by the eligible individual for whose benefit the account is established, the tax liability of

each payee or distributee under this chapter for the taxable year in which the payment or distribution is received shall be increased by an amount equal to 10 percent of the amount of the distribution that is included in the gross income of such payee or distributee for such taxable year.

"(2) DISQUALIFICATION CASES.—If any amount includible in the gross income of an individual for a taxable year because such amount is required to be treated as a distribution under paragraph (2) or (3) of subsection (e), the tax liability of such individual under this chapter for such taxable year shall be increased by an amount equal to 10 percent of such amount required to be treated as a distribution and included in the gross income of such individual.

"(3) DISABILITY OR DEATH CASES.—Paragraphs (1) and (2) shall not apply if the payment or distribution is made after the individual for whose benefit the individual development account becomes disabled within the meaning of section 72(m)(7) or dies.

"(g) COMMUNITY PROPERTY LAWS.—This section shall be applied without regard to any community property laws.

"(h) CUSTODIAL ACCOUNTS.—For purposes of this section, a custodial account shall be treated as a trust if the assets of such account are held by a bank (as defined in section 408(n)) or another person who demonstrates, to the satisfaction of the Administrator of the Community Development Bank and Financial Institutions Fund, that the manner in which he will administer the account will be consistent with the requirements of this section, and if the custodial account would, except for the fact that it is not a trust, constitute an individual development account described in subsection (c)(2). For purposes of this title, in the case of a custodial account treated as a trust by reason of the preceding sentence, the custodian of such account shall be treated as the trustee thereof.

"(i) REPORTS.—

"(1) The trustee of an individual development account established by or on behalf of an eligible individual described in subsection (a)(2)(A) shall—

"(A) prepare reports regarding the account with respect to contributions, distributions, and any other matter required by the Administrator of the Community Development Bank and Financial Institutions Fund under regulations; and

"(B) submit such reports, at the time and in the manner prescribed by the Administrator of the Community Development Bank and Financial Institutions Fund in regulations to—

"(i) the individual for whose benefit the account is maintained;

"(ii) the organization providing assistance to the individual under section 733(h) of the Individual Development Account Demonstration Act; and

"(iii) the Administrator of the Community Development Bank and Financial Institutions Fund.

"(2) The trustee of any individual development account shall make such reports regarding such account to the Secretary and to the individual for whom the account is, or is to be, maintained with respect to contributions (and the years to which they relate), distributions, and such other matters as the Secretary may require under forms or regulations. The reports required by this subsection—

"(A) shall be filed at such time and in such manner as the Secretary prescribes in such forms or regulations, and

"(B) shall be furnished to individuals—

"(i) not later than January 31 of the calendar year following the calendar year to which such reports relate, and

"(ii) in such manner as the Secretary prescribes in such forms or regulations.".

(b) CONTRIBUTION NOT SUBJECT TO THE GIFT TAX.—Section 2503 of the Internal Revenue Code of 1986 (26 U.S.C. 2503) (relating to taxable gifts) is amended by adding at the end thereof the following new subsection:

"(h) INDIVIDUAL DEVELOPMENT ACCOUNTS.—Any contribution made by an individual to an individual development account described in section 529(c)(2) shall not be treated as a transfer of property by gift for purposes of this chapter.".

(c) TAX ON PROHIBITED TRANSACTIONS.—Section 4975 of the Internal Revenue Code of 1986 (26 U.S.C. 4975) (relating to prohibited transactions) is amended—

(1) by adding at the end of subsection (c) the following new paragraph:

"(4) SPECIAL RULE FOR INDIVIDUAL DEVELOPMENT ACCOUNTS.—An individual for whose benefit an individual development account is established and any contributor to such account shall be exempt from tax imposed by this section with respect to any transaction concerning such account (which would

otherwise be taxable under this section) if, with respect to such transaction, the account ceases to be an individual development account by reason of section 529(e)(2)(A) to such account."; and

(2) in subsection (e)(1), by inserting ", an individual development account described in section 529(c)(2)" after "section 408(a)".

(d) INFORMATION REPORTING.—Section 6047 of the Internal Revenue Code of 1986 (26 U.S.C. 6693) (relating to information returns) is amended by adding at the end of subsection (c) the following new sentence: "To the extent provided by forms or regulations prescribed by the Secretary, the provisions of this section shall apply to any transaction of any trust described in section 529.".

(e) FAILURE TO PROVIDE REPORTS ON INDIVIDUAL DEVELOPMENT ACCOUNTS.—Section 6693 of the Internal Revenue Code of 1986 (26 U.S.C. 6693) (relating to failure to provide reports on individual retirement accounts or annuities) is amended—

(1) in the heading of such section, by inserting "OR ON INDIVIDUAL DEVELOPMENT ACCOUNTS" after "ANNUITIES"; and

(2) by adding at the end of subsection (a) the following new sentence: "The person required by section 529(i) to file a report regarding an individual

development account at the time and in the manner required by such section shall pay a penalty of $50 for each failure, unless it is shown that such failure is due to reasonable cause.".

(f) SPECIAL RULE FOR DETERMINING AMOUNTS OF SUPPORT FOR DEPENDENT.—Section 152(b) of the Internal Revenue Code of 1986 (26 U.S.C. 152(b)) (relating to definition of dependent) is amended by adding at the end the following new paragraph:

"(6) A distribution from an individual development account described in section 529(c)(2) used exclusively to pay qualified expenses described in section 529(c)(1) of the individual for whose benefit the account is established shall not be taken into account in determining support for such individual for purposes of this section.".

(g) CLERICAL AMENDMENTS.—

(1) The table of parts for subchapter F of chapter 1 of such Code is amended by inserting at the end the following new item:

"PART VIII. INDIVIDUAL DEVELOPMENT ACCOUNTS.".

(2) The table of sections for subchapter B of chapter 68 of such Code is amended by amending the item relating to section 6693 to read as follows:

"Sec. 6693. Failure to provide reports on individual development accounts or annuities or on individual development accounts.".

(h) EFFECTIVE DATE.—The amendments made by this section shall apply to contributions made after the enactment of the Act.

PART D—ADVANCE EITC STATE DEMONSTRATIONS

SEC. 741. ADVANCE PAYMENT OF EARNED INCOME TAX CREDIT THROUGH STATE DEMONSTRATION PROGRAMS.

(A) IN GENERAL.—Section 3507 (relating to the advance payment of the earned income tax credit) of the Internal Revenue Code of 1986 is amended by adding at the end the following subsection (g);

"(g) STATE DEMONSTRATIONS.—

"(1) IN GENERAL.—In lieu of receiving earned income advance amounts from an employer under subsection (a), a participating resident shall receive advance earned income payments from a responsible State agency pursuant to a State Advance Payment Program that is designated pursuant to paragraph (2).

"(2) DESIGNATIONS.—

"(A) IN GENERAL.—From among the States submitting proposals satisfying the requirements of subsection (g)(3), the Secretary (in consultation with the Secretary of Health

and Human Services) may designate not more than 4 State Advance Payment Demonstrations. States selected for the demonstrations may have, in the aggregate, no more than 5 percent of the total number of household participating in the program under the Food Stamp program in the immediately preceding fiscal year, Administrative costs of a State in conducting a demonstration under this section may be included for matching under section 403(a) of the Social Security Act and section 16(a) of the Food Stamp Act of 1977.

"(B) WHEN DESIGNATION MAY BE MADE.—Any designation under this paragraph shall be made no later than December 31, 1995.

"(C) PERIOD FOR WHICH DESIGNATION IS IN EFFECT.—

"(i) IN GENERAL.—Designations made under this paragraph shall be effective for advance earned income payments made after December 31, 1995, and before January 1, 1999.

"(ii) SPECIAL RULES.—

"(I) REVOCATION OF DESIGNATIONS.—The Secretary may revoke the designation under this paragraph if the Secretary determines that the State is not complying substantially with the proposal described in paragraph (3) submitted by the State.

"(II) AUTOMATIC TERMINATION OF DESIGNATIONS.—Any failure by a State to comply with the reporting requirements described in paragraphs (3)(F) and (3)(G) has the effect of immediately terminating the designation under this paragraph (2) and rendering paragraph (5)(A)(ii) inapplicable to subsequent payments.

"(3) PROPOSALS.—No State may be designated under subsection (g)(2) unless the State's proposal for such designation—

"(A) identifies the responsible State agency,

"(B) describes how and when the advance earned income payments will be made by that agency, including a description of any other

State or Federal benefits with which such payments will be coordinated,

"(C) describes how the State will obtain the information on which the amount of advance earned income payments made to each participating resident will be determined in accordance with paragraph (4),

"(D) describes how State residents who will be eligible to receive advance earned income payments will be selected, notified of the opportunity to receive advance earned income payments from the responsible State agency, and given the opportunity to elect to participate in the program,

"(E) describes how the State will verify, in addition to receiving the certifications and statement described in paragraph (7)(D)(iv), the eligibility of participating residents for the earned tax credit,

"(F) commits the State to furnishing to each participating resident to the Secretary by January 31 of each year a written statement showing—

"(i) the name and taxpayer identification number of the participating resident, and

"(ii) the total amount of advance earned income payments made to the participating resident during the prior calendar year,

"(G) commits the State to furnishing to the Secretary by December 1 of each year a written statement showing the name and taxpayer identification number of each participating resident,

"(H) commits the State to treat the advanced earned income payments as described in subsection (g)(5) and any repayments of excessive advance earned income payments as described in subsection (g)(6),

"(I) commits the State to assess the development and implementation of its State Advance Payment Program, including an agreement to share its findings and lessons with other interested States in a manner to be described by the Secretary, and

"(J) is submitted to the Secretary on or before June 30, 1995.

"(4) AMOUNT AND TIMING OF ADVANCE EARNED INCOME PAYMENTS.—

"(A) AMOUNT.—

"(i) IN GENERAL.—The method for determining the amount of advance earned income payments made to each participating resident is to conform to the full extent possible with the provisions of subsection (c).

"(ii) SPECIAL RULE.—A State may, at its election, apply the rules of subsection (c)(2)(B) by substituting 'between 60 percent and 75 percent of the credit percentage in effect under section 32(b)(1) for an individual with the corresponding number of qualifying children' for '60 percent of the credit percentage in effect under section 32(b)(1) for such an eligible individual with 1 qualifying child' in clause (i) and 'the same percentage (as applied in clause (i))' for '60 percent' in clause (ii).

"(B) TIMING.—The frequency of advance earned income payments may be made on the basis of the payroll periods of participating residents, on a single statewide schedule, or on any

other reasonable basis prescribed by the State in its proposal; however, in no event may advance earned income payments be made to any participating resident less frequently than on a calendar-quarter basis.

"(5) PAYMENTS TO BE TREATED AS PAYMENTS OF WITHHOLDING AND FICA TAXES.—

"(A) IN GENERAL.—For purposes of this title, advance earned income payments during any calendar quarter—

"(i) shall neither be treated as a payment of compensation nor be included in gross income, and

"(ii) shall be treated as made out of—

"(I) amounts required to be deducted by the State and withheld for the calendar quarter by the State under section 3401 (relating to wage withholding), and

"(II) amounts required to be deducted for the calendar quarter under section 3102 (relating to FICA employee taxes), and

"(III) amounts of the taxes imposed on the State for the calendar

quarter under section 3111 (relating to FICA employer taxes),

as if the State had paid to the Secretary, on the day on which payments are made to participating residents, an amount equal to such payments.

"(B) ADVANCE PAYMENTS EXCEED TAXES DUE.—If for any calendar quarter the aggregate amount of advance earned income payments made by the responsible State agency under a State Advance Payment Program exceeds the sum of the amounts referred to in subparagraph (A)(ii) (without regard to paragraph (6)(A)), each such advance earned income payment shall be reduced by an amount which bears the same ratio to such excess as such advance earned income payment bears to the aggregate amount of all such advance earned income payments.

"(6) STATE REPAYMENT OF EXCESSIVE ADVANCE EARNED INCOME PAYMENTS.—

"(A) IN GENERAL.—Notwithstanding any other provision of law, in the case of an excessive advance earned income payment a State shall be treated as having deducted and with-

held under section 3401 (relating to wage withholding), and therefore is required to pay to the United States, the repayment amount during the repayment calendar quarter.

"(B) EXCESSIVE ADVANCE EARNED INCOME PAYMENT.—For purposes of this section, an excessive advance income payment is that portion of any advance earned income payment that, when combined with other advance earned income payments previously made to the same participating resident during the same calendar year, exceeds the amount of earned income tax credit to which that participating resident is entitled under section 32 for that year.

"(C) REPAYMENT AMOUNT.—The repayment amount is equal to 50 percent of the excess of—

"(i) excessive advance earned income payments made by a State during a particular calendar year, over

"(ii) the sum of—

"(I) 4 percent of all advance earned income payments made by the State during that calendar year, and

"(II) the excessive advance earned income payments made by the State during that calendar year that have been collected from participating residents by the Secretary.

"(D) REPAYMENT CALENDAR QUARTER.—The repayment calendar quarter is the second calendar quarter of the third calendar year after the calendar year in which an excessive earned income payment is made.

"(7) DEFINITIONS.—For purposes of this section—

"(A) STATE ADVANCE PAYMENT PROGRAM.—The term 'State Advance Payment Program' means the program described in a proposal submitted for designation under paragraph (1) and designated by the Secretary under paragraph (2).

"(B) RESPONSIBLE STATE AGENCY.—The term 'responsible State agency' means the single State agency that will be making the advance earned income payments to residents of the State who elect to participate in a State Advance Payment Program.

"(C) ADVANCE EARNED INCOME PAYMENTS.—The term 'advance earned income payments' means an amount paid by a responsible State agency to residents of the State pursuant to a State Advance Payment Program.

"(D) PARTICIPATING RESIDENT.—The term 'participating resident' means an individual who—

"(i) is a resident of a State that has in effect a designated State Advance Payment Program,

"(ii) makes the election described in paragraph (3)(C) pursuant to guidelines prescribed by the State,

"(iii) certifies to the State the number of qualifying children the individual has, and

"(iv) provides to the State the certifications and statement set forth in subsections (b)(1), (b)(2), (b)(3), and (b)(4) (except that for purposes of this clause (iv), the term 'any employer' shall be substituted for 'another employer' in subsection (b)(3)), along with any other information required by the State.".

(b) TECHNICAL ASSISTANCE.—The Secretaries of Treasury and Health and Human Services shall jointly ensure that technical assistance is provided to State Advance Payment Programs and that these programs are rigorously evaluated.

(c) ANNUAL REPORTS.—The Secretary shall issue annual reports detailing the extent to which—

(1) residents participate in the State Advance Payment Programs,

(2) participating residents file Federal and State tax returns,

(3) participating residents report accurately the amount of the advance earned income payments made to them by the responsible State agency during the year, and

(4) recipients of excessive advance earned income payments repaid those amounts.

The report shall also contain an estimate of the amount of advance earned income payments made by each responsible State agency but not reported on the tax returns of a participating resident and the amount of excessive advance earned income payments.

(d) AUTHORIZATION OF APPROPRIATIONS.—For purposes of providing technical assistance described in subsection (b), preparing the reports described in subsection

(c), and providing grants to States in support of designated State Advance Payment Programs, there are authorized to be appropriated in advance to the Secretary of the Treasury and the Secretary of Health and Human Services a total of $1,400,000 for fiscal years 1996 through 1999.

TITLE VIII—SELF EMPLOYMENT/ MICROENTERPRISE DEMONSTRATIONS

SEC. 801. DEMONSTRATION PROGRAM TO PROVIDE SELF-EMPLOYMENT OPPORTUNITIES TO WELFARE RECIPIENTS AND LOW-INCOME INDIVIDUALS.

(a) IN GENERAL.—The Secretary of Health and Human Services (hereinafter in this section referred to as the "Secretary") and the Administrator of the Small Business Administration (hereinafter in this section referred to as the "Administrator"), shall, subject to the availability of appropriations in advance for this purpose, jointly develop a self-employment/microenterprise demonstration program for at least five years in length that will build on the experience of microenterprise and self-employment programs previously carried out by the Federal Government and other entities. The program shall be designed—

(1) to identify regulatory and other barriers that prevent welfare recipients and low-income individuals from increasing self-sufficiency through self-

TITLE X—EFFECTIVE DATES

SEC. 1001. EFFECTIVE DATES.

(a) IN GENERAL.—Except as otherwise provided and subject to subsection (b), the amendments and repeals made by this Act, other than title VI, shall become effective with respect to periods beginning on or after October 1, 1995.

(b) The Secretary of Health and Human Services may, upon the request of a State, delay the effective date prescribed by subsection (a) with respect to such State upon a showing of circumstances beyond the State's control, but such extension may not extend beyond October 1, 1996.

(c) Notwithstanding any other provision of law, no State shall be found to have failed to comply with any requirement imposed on such State's programs by or pursuant to the amendments made by titles I and II of this Act by reason of its failure to have such program (or requirements) in effect Statewide if such program is in effect Statewide not later than 2 years after the effective date specified in subsection (a), or 2 years after such later date as is approved by the Secretary pursuant to subsection (b).

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