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WELFARE TRANSFORMATION ACT OF 1995

MARCH 15, 1995.—Ordered to be printed

Mr. ARCHER, from the Committee on Ways and Means, submitted the following

REPORT

together with

DISSENTING VIEWS

[To accompany H.R. 1157]

[Including cost estimate of the Congressional Budget Office]

The Committee on Ways and Means, to whom was referred the bill (H.R. 1157) to restore families, promote work, protect endangered children, increase personal responsibility, attack welfare dependency, reduce welfare fraud, and improve child support collections, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

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I. INTRODUCTION

A. PURPOSE AND SCOPE

The Committee bill transforms large parts of the nation's welfare system. The most important change is that the entitlement to cash welfare that has been provided by Title IV–A of the Social Security Act since 1935 is ended. In place of the entitlement concept, the Committee bill creates several block grants that provide States with the funds necessary to accomplish social welfare goals. More specifically, States are given a block grant to provide cash and other benefits to needy families, a block grant to address child abuse, child neglect, family preservation, foster care, and adoption, and a block grant to provide services to seriously disabled children. The Committee bill also limits the provision of welfare benefits to several groups of recipients that, in the Committee's judgment, do not have a justified claim to entitlement benefits. These groups include mothers under age 18 who give birth outside wedlock, families that have been on welfare for more than 5 years, additional children born while families are on welfare, noncitizens, children who are judged to be disabled solely because of age-inappropriate behavior, and drug addicts and alcoholics. Finally, the bill contains major revisions in the Federal-State child support enforcement program. Taken together, the provisions of the Committee bill constitute the most far-reaching reform of the nation's welfare system in over 60 years.

B. BACKGROUND AND NEED FOR LEGISLATION

Since creation of the first welfare entitlement in 1935, the Federal government has gradually expanded the concept of welfare entitlement. As a result, the nation is now faced with a welfare system in which qualifying individuals and families are provided with a package of guaranteed benefits. These benefits often include cash, medical care, and food stamps.

The flaw in this system of entitlements is that it induces dependency in millions of Americans. President Franklin Roosevelt himself warned of this problem. In his message to congress about establishment of the Social Security Act, he stated that the "lessons of history" showed "conclusively that continued dependence upon relief induces a spiritual and moral disintegration fundamentally destructive to the national fibre. To dole out relief in this way is to administer a narcotic, a subtle destroyer of the human spirit."

Consider the current Aid to Families with Dependent Children (AFDC), the nation's major cash welfare program and the program to which Roosevelt was referring in his message to Congress. Although roughly half the 5 million families on AFDC leave the rolls every year, most of them return. In fact, recent research shows that of the 5 million families now on welfare, about 65 percent or

3.2 million will eventually be on welfare for 8 years or more. By anybody's definition, remaining on welfare for 8 years is dependency. Welfare has become a narcotic.

Destroying the narcotic effect of welfare while preserving its function as a safety net for families experiencing temporary financial problems is the major intent of the Committee bill. Based on the fact that it is precisely the permanent guarantee of benefits that induces dependency, the Committee fundamentally alters the nature of the AFDC program by making its benefits temporary and provisional.

Welfare is made temporary by limiting the receipt of benefits to 5 years (although the Committee allows States to exempt up to 10 percent of their caseload from this provision). Welfare is made contingent by requiring recipients to work. The committee bill requires all able-bodied adults who have been on welfare for two years to participate in some activity designed to help them escape welfare. In addition, strict work standards are established in the bill. When fully implemented, the bill will require States to have half their recipients in work programs for 35 hours per week.

A second major reform in the Committee bill is to end the various entitlement programs for child welfare now found in Title IV–E of the Social Security Act. In place of these and a host of other child welfare programs, the Committee bill provides States with a block grant of guaranteed funding for 5 years. This block grant represents a radical departure from the long-standing Congressional policy of giving States a variety of categorical programs addressed to similar policy issues. A recent report from the Congressional Research Service found that Congress had created 38 categorical programs in the general domain of child welfare.

Planned in conjunction with the Opportunities Committee, the Judiciary Committee, and the Banking Committee, the Ways and Means Committee bill uses the money from several programs to provide States with a multi-billion dollar block grant to address child welfare issues. States are thereby given wide discretion in designing their program to help abused and neglected children. The Committee bill contains a variety of safeguards to ensure that States are providing adequate protection to children placed in jeopardy by the actions of their own families.

The Committee bill also combines funds from three child care programs currently under our jurisdiction with funds from child care programs under the jurisdiction of the Opportunities Committee to create a child care block grant. Again, States will have great flexibility in using the child care money to meet the needs of their low-income citizens for child care.

Another entitlement the Committee ends is the entitlement to cash and Medicaid benefits for drug addicts and alcoholics under the Supplemental Security Income program. Over the years, more and more addicts have applied for and received benefits under the SSI program. In 1989, fewer than 20,000 addicts received SSI benefits. But in the next several years, enrollment of addicts exploded to nearly 100,000. If left unchecked, the General Accounting Office projects that by 1999, there will be nearly 200,000 addicts receiving benefits under the SSI program.

This dramatic growth simply underscores a more fundamental issue. Why did Congress create a program in which people who are addicted to drugs, often to illegal drugs, are entitled to benefits from taxpayers? After vigorous debate, the Committee decided that the entitlement itself was unjustified. Thus, the Committee bill ends the right of addicts to both cash and Medicaid benefits. Part of the money saved by ending this entitlement is invested in drug treatment programs and research.

Yet another area of rapid welfare growth addressed by the Committee bill is entitlement of disabled children to cash benefits under the SSI program. As in the case of addicts, the number of children on SSI has exploded in recent years, rising from about 300,000 in 1989 to nearly 900,000 in 1994. If the present trends continue, SSI enrollment of children could reach nearly 1.9 billion by the year 2000 according to the General Accounting Office.

The Committee bill focuses on children who qualify for SSI because of an "Individualized Functional Assessment" (IFA) that purports to detect whether a child behaves in an age-inappropriate manner. A recent GAO report concluded that there were fundamental flaws in the IFA. The report states 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 SSA's ability to assure reasonable consistency in administering the program." By the end of 1994, about 225,000 of the 890,000 children on SSI had qualified under an IFA.

The Committee bill adopts the most straightforward solution to this problem by ending the IFA process. Children who are truly disabled will continue to receive benefits through the reformed reformed program. In fact, the Committee adds a new benefit by creating a block grant for medical and nonmedical services for seriously disabled children.

Another major area of reform taken up by the Committee was welfare benefits for aliens. Since Congress passed the first immigration law in 1882, it has been a fundamental tenet of American immigration policy that 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 U.S. Moreover, every immigration law passed by Congress states clearly that accepting public welfare is cause for deportation.

Yet today there are over 3 million noncitizens on Aid to Families with Dependent Children, Supplemental Security Income, Medicaid, Food Stamps, and other welfare programs. Total Federal spending on welfare for noncitizens exceeds $12 billions per year.

The Committee bill reestablishes American policy on welfare for noncitizens in keeping with legislation passed since the 19th Century by barring most noncitizens from receiving welfare benefits. This approach is based on the principle that immigration is essentially a bargain between the nation and each immigrant who requests permission to enter the country: Aliens are allowed to enter the U.S. and join our economy; in return, the nation asks that immigrants obey our laws, pay taxes if they earn sufficient income,

and avoid welfare until they become citizens. The Committee bill upholds this principle.

Finally, the Committee bill 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 for children over and above the amount being paid today.

The Committee bill attacks this problem by pursuing three goals: establishing uniform tracking procedures; taking strong measures to establish paternity; and creating new and stronger enforcement tools to increase actual child support collections. The bill envisions a child support system in which: all States have similar child support laws, States share information through a Federal child support office, mass processing of information is routine, and interstate cases are handled expeditiously.

Taken together, the provisions of this bill constitute a revolution in American welfare policy. Once again, the principle underlying public aid is that assistance is temporary and individuals must make continuous efforts to reestablish their independence. Welfare would be ended for several groups of people with dubious claims to public benefits. Improved child support payments would increase the likelihood that mothers leaving welfare would be able to maintain their independence. States would assume their rightful place as the architects of the nation's welfare policy. And not least, taxpayers would save at least $30 billion in the next 5 years.

C. LEGISLATIVE HISTORY

Committee Bill

H.R. 1157 was introduced on March 8, 1995, by Mr. Archer, Chairman of the Committee on Ways and Means. H.R. 1157 contains the legislative language reflecting the Committee's actions on welfare reform, including the chairman's mark and all amendments that were approved during markup. The basic welfare reform provisions guiding all the deliberations of the Committee and Subcommittee was H.R. 4, The Personal Responsibility Act of 1994.

The Committee on Ways and Means marked up comprehensive welfare reform legislation on February 28 and March 1, 2, and 3, 1995, and approved several amendments. The Committee formally approved H.R. 1157 and ordered it reported on Wednesday, March 8, 1995.

Subcommittee markup was held February 13–15, 1995 and the Subcommittee bill was favorably reported on February 15, 1995.

Legislative Hearings

The Subcommittee on Human Resources of the Committee on Ways and Means held welfare reform hearings on January 13, 20, 23, 27, 30 and February 2. A joint hearing on child care and child welfare was held with the Subcommittee on Children, Youth and Families of the Committee on Economic and Educational Opportunities on February 3, 1995. In addition, a hearing on child support enforcement was held by the Subcommittee on Human Resources on February 6, 1995.

The Committee on Ways and Means held additional full Committee hearings on the Republican Contract with America legislation, including H.R. 4 (the Personal Responsibility Act welfare reform proposal on which the Committee's action was based) over several days. On January 5, the Committee heard testimony from Speaker Newt Gingrich, on January 10 from Secretary of Health and Human Services Donna Shalala, on January 11 from Virginia Kellogg and others familiar with the current system, and on January 12 from Governors William Weld of Massachusetts, George Pataki of New York and Thomas Carper of Delaware.

II. EXPLANATION OF PROVISIONS

TITLE I. TEMPORARY FAMILY ASSISTANCE BLOCK GRANT

A. BLOCK GRANTS TO STATES (SECTION 101)

Title I of the Committee bill replaces all of Part A of Title IV of the Social Security Act except for Sections 403(h) and 417.

1. Purpose

Present Law

Title IV–A is designed to encourage care of dependent children in their own homes by enabling States to provide cash aid and services, maintain and strengthen family life, and help parents attain maximum self-support consistent with maintaining parental care and protection.

Explanation of Provision

The Committee provision establishes a block grant to increase the flexibility of States in operating a program of aid to families with needy children. The purposes of the program are to help families maintain children in their homes or the homes of relatives, to end the dependence of needy parents on government aid, and to discourage out-of-wedlock births.

Reasons for Change

Converting the Aid to Families with Dependent Children (AFDC) program and associated programs into a block grant provides State with great flexibility in the use of Federal funds to help needy children and their families. In addition, a major problem with current welfare programs is that millions of families remain on welfare for many years. Under the current system, an estimated 65 percent of the families now on welfare will be on the rolls for 8 years or more. Removing the individual entitlement to cash benefits, which is a critical aspect of the block grant approach to social policy, sends a clear message to recipients that benefits are temporary and are not intended to keep families dependent year after year.

2. State plan requirements

Present Law

A State must have an approved State plan for aid and services to needy families containing 43 provisions, ranging from single-agency administration to overpayment recovery rules.

State plans explain the aid and services that are offered by the State. Aid is defined as money payments. For most parents without a child under age 3, States must provide education, work, or train-

ing under the Job Opportunities and Basic Skills (JOBS) program to help needy families with children avoid long-term welfare dependence.

In Fiscal Year 1995, 20 percent of employable (nonexempt) adult recipients must participate in education, work, or training under JOBS, and at least one parent in 50 percent of unemployed-parent families must participate at least 16 hours weekly in an unpaid work experience or other work program.

States must restrict disclosure of information to purposes directly connected to administration of the program and to any connected investigation, prosecution, legal proceeding or audit.

Each State must offer family planning services to all "appropriate" cases, including minors considered sexually active. States may not require acceptance of these services.

States must submit plans that provide that they have in effect an approved child support program. States must also have an approved plan for foster care and adoption assistance.

Explanation of Provision

To be eligible to receive block grant funds, the State must submit to the Secretary of Health and Human Services, and update at least every 3 years, a plan outlining how the State intends to do the following:

Conduct a program designed to provide cash benefits to families with needy children and provide parents in these families with work experience, assistance in finding employment, and other work preparation activities and support services to enable such families to leave the program and become self-sufficient;

Require at least one parent of a child in any family that has received benefits for more than 24 months (whether or not consecutive) to engage in work activities (as defined by the State);

Meet the work participation requirements described in detail below, pertaining to one-parent and two-parent families;

Provide benefits for interstate immigrants if these families are to be treated differently than other families;

Take reasonable steps to restrict the use and disclosure of information about individuals and families receiving benefits under the program;

Take actions to reduce the incidence of out-of-wedlock births; these actions may include providing unmarried mothers and fathers with services to avoid subsequent pregnancies and to provide adequate care to their children; and

Take actions to reduce pregnancies among teenagers; these actions may include provision of education, counseling, and health services to male and female teenagers.

To be eligible to receive block grant funds, a State must also submit a plan to the Secretary that certifies that it will operate a child support enforcement program and a child protection program that includes a foster care program and an adoption assistance program.

Reasons for Change

Under current law, State plans suffer from two major flaws. First, they are too detailed and cumbersome. States wind up wasting time reporting minute details of their programs to the Secretary rather than focusing on the needs of the poor. Second, and more important, the elaborate State plan is based on the philosophy that the Federal government knows best what States should do. The leaner requirements for State plans in the Committee bill reflect a balance between Federal policymakers' interest in ensuring that funds are being spent appropriately and States' interest in investing their resources in delivering services and responding to needs in a flexible manner.

Because a major objective of the block grant approach followed by the Committee is to reduce Federal rules and regulations, the Committee bill deletes nearly all of Title IV–A of the Social Security Act. However, the Committee bill continues the current law requirements that States have a child support enforcement program and a program providing foster care, adoption assistance, and child welfare services.

3. Payments to States

Present Law

AFDC is an entitlement to States. Over the years, because of court rulings, AFDC has evolved into an entitlement for individuals to receive cash benefits. In general, States must give AFDC to all persons whose income and resources are below State-set limits if they are in a class or category eligible under Federal rules. Current law provides permanent authority for appropriations without limit for AFDC benefits, administration, and AFDC/JOBS child care. For benefits and child care, Federal matching rates range among States from 79 percent to 50 percent; for JOBS activities, from 79 percent to 60 percent. Matching for most administrative costs is 50 percent.

For purposes of AFDC, the term "State" includes the District of Columbia, the Commonwealth of Puerto Rico, the U.S. Virgin Islands and Guam. AFDC funds for the last three of these States are capped, and the Federal share is 75 percent. AFDC is authorized but not implemented in American Samoa.

AFDC funds, which are paid quarterly to the State, are to be used in conformity with the State plan. A State may replace a caretaker relative with a protective payee or a guardian or legal representative.

If the Secretary finds that a State has failed to comply with the State plan, she is to withhold all payments from the State (or limit payments to categories not affected by noncompliance). There is no specific penalty for failure to submit a report, although the general noncompliance penalty could apply.

States must have in effect an Income and Eligibility Verification System covering AFDC, Medicaid, unemployment compensation, the food stamp program, and the programs of cash relief for needy aged, blind or disabled adults in the outlying areas. The primary purpose of this system is to reduce fraud by keeping a central

record of the benefits families receive from a variety of public programs.

Explanation of Provision

Each eligible State is entitled to receive from the Secretary for each fiscal year between 1996 and 2000 an amount equal to the State share of the family assistance amount for the year. The current entitlement to services for individuals is eliminated. Funds provided to eligible States are to be used for cash benefits and other programs and services consistent with the purposes of this title.

Beginning in 1998, the grant amount determined under this section is adjusted to reward States that are successful in reducing out-of-wedlock birth rates. A State's grant amount is increased by 5 percent if the State's illegitimacy ratio is at least 1 full percentage point lower than in FY 1995, and by 10 percent if the illegitimacy ratio is at least 2 full percentage points lower than in FY 1995. The illegitimacy ratio is defined as a percentage equal to: the number of out-of-wedlock births plus any increase in the number of abortions in the State in the applicable year divided by the number of births in the State in the applicable year. States submitting data to qualify for this reduction in the illegitimacy ratio must demonstrate to the Secretary that the data they report, including the data on abortions, are reliable.

For each of the years 1997, 1998, 1999, and 2000, $100 million is made available to compensate States that experience population growth. Each State that has an increased population will receive the proportion of the $100 million that equals its proportion of the population increase across all States. This calculation is performed by the Secretary using Census data for the most recently available years. In performing the calculation, States with negative population growth are ignored, with the proviso that the number of dollars they receive in any given year will not decline if their population declines.

The "Family Assistance Amount" is the total amount of money in the block grant and equals $15,355,000,000 for each of the years 1996, 1997, 1998, 1999, and 2000. In addition, the Committee bill contains another $1 billion in 1996 for the Federal "Rainy Day" Loan Fund and $10 million each year for the study outlined in item 8.

"State share" means that for a given fiscal year the State will receive the same proportion of the family assistance amount as it received in funding for AFDC benefits, Emergency Assistance, AFDC administration, and the JOBS program in fiscal year 1994.

"State" includes the several States, the District of Columbia, the Commonwealth of Puerto Rico, the U.S. Virgin Islands, Guam, and American Samoa.

States may use funds in any manner reasonably calculated to accomplish the purpose of this part (except for prohibitions under item 6). Explicitly allowed are noncash aid to mothers under the age of 18 and assistance to low-income households for heating and cooling costs. Nothing in this act is intended to limit in any way the manner in which a State may spend its own funds on aid for needy families.

In the case of families that have lived in a State for less than 12 months, States are authorized to provide them with the benefit level of the State from which they moved.

States may transfer up to 30 percent of the funds paid to the State under this section for activities under any or all of the following:

(A) the child protection block grant program (if passed by Congress);

(B) the social services block grants under title XX;

(C) food and nutrition block grant programs (if passed by Congress); and

(D) the child care and development block grant program (if passed by Congress). Rules of the recipient programs will apply to the transferred funds.

States are allowed to establish an account using their block grant funds for the purpose of saving money from year to year for use in financial emergencies such as recessions. The amount may build up from year to year, and in any given year in which funds in the account reach 120 percent of that year's State share of the block grant, the State may use the amount that exceeds 120 percent as the State deems appropriate.

The Secretary makes quarterly payments to the States and reduces the funds by any amount that is found by audit to be in violation of this part, but the Secretary cannot reduce any quarterly payment by more than 25 percent. Any remaining penalty will be withheld from the State's payments during the following year.

The Secretary must reduce by 3 percent the amount otherwise payable to a State for a fiscal year if the State has not submitted the annual report regarding the use of block grant funds within 6 months after the end of the immediately preceding fiscal year. The penalty is rescinded if the report has been submitted within 12 months.

The Secretary must reduce by 1 percent the amount of a State's annual grant if the State fails to participate in the Income and Eligibility Verification System designed to reduce welfare fraud.

The Secretary must reduce the amount of a State's annual grant by up to 5 percent for a State that fails to meet the Work Participation Standards described in item 5 below. The Secretary will exercise discretion in setting the penalty depending on the severity of the failure to meet the standard, but in no case may the penalty exceed 5 percent of a State's annual grant.

Except as expressly provided, the Secretary may not regulate the conduct of the States or enforce any provisions of this part.

States are encouraged to implement an electronic benefit transfer system for providing benefits and are authorized to use block grant funds for this purpose.

Reasons for Change

States are given guaranteed funding for 5 years so they can make long-term plans without concern that Federal funds will be reduced. Fixed State funding also provides States with an incentive to help recipients leave welfare because, unlike current law, more money will not flow into States that have more recipients on the welfare rolls.

States are permitted to use Federal dollars only in a manner consistent with the purpose of the Federal legislation and not in ways that are specifically proscribed by the bill. However, given the fact that Federal and State policymakers sometimes disagree on welfare policy, the policy followed by the bill is to place some restrictions on how States use Federal dollars but clarify that it is generally not Federal policy to dictate how States will spend their own money.

States are allowed to pay families who have moved from another State in the previous 12 months the cash benefit they would have received in the State from which they moved because research shows that some families move across State lines to maximize welfare benefits. Furthermore, States that want to pay higher benefits should not be deterred from doing so by the fear that they will attract large numbers of recipients from neighboring States.

Given that a major purpose of the Committee bill is to allow States maximum flexibility in the use of Federal dollars, the bill includes a provision that would allow States to transfer up to 30 percent of the funds from any block grant (with the exception of the Child Protection Block Grant) into another block grant.

Some observers have been concerned that, given the bill's generally fixed funding level, States may have trouble paying adequate benefits during recessions and other financial emergencies. Thus, States are allowed to retain money in a kind of savings account each year. The money from this fund, which would be held and controlled by States, could then be used to pay benefits during fiscal emergencies. As an additional incentive to use money efficiently and to help families leave welfare for work, States are allowed, under some circumstances, to use funds from the account as State general revenues. The amount of Federal money that can be used in this way is limited to the account balance that exceeds 120 percent of a given year's State share of the block grant.

To ensure that Federal funds are spent properly, the Secretary is given authority to reduce State grants by the amount of money spent on purposes other than those provided for in the purposes of the block grant. In order to ensure that States submit their annual data report and participate in the Income and Eligibility Verification System, the Secretary is also given authority to reduce State grants by 3 percent and 1 percent respectively, if States do not comply with these requirements. The Secretary must also reduce State grants by up to 5 percent for States that fail to meet the Work Participation Standards set forth in the bill.

The Secretary's power to regulate States is limited because the Committee wants States to have maximum flexibility to design and conduct their own programs for helping needy families.

4. Federal Rainy Day Loan Fund

Present Law

No provision.

Explanation of Provision

The Federal government will establish a fund of $1 billion modeled on the Federal Unemployment Account that is part of the Un-

employment Compensation system. The fund is administered by the Secretary of Health and Human Services, who must deposit into the fund any principal or interest payments received with respect to a loan made under this provision. Funds are to remain available without fiscal year limitation for the purpose of making loans and receiving payments of principal and interest. States must repay their loans, with interest, within 3 years. The rate of interest will equal the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the period to maturity of the loan. At any given time, no State can borrow more from the fund than half its annual share of block grant funds or $100 million, whichever is less. States may borrow from the fund if their total unemployment rate for any given 3 month period is more than 6.5 percent and is at least 110 percent of the same measure in either of the previous 2 years.

Reasons for Change

During recessions and other fiscal emergencies, some States may have difficulty making adequate payments and conducting programs for needy children and their families. To help States meet these contingencies, in addition to the authority to save their own money outlined above, the bill includes a Federal loan fund of $1 billion from which States can borrow on roughly the same terms as they now borrow from the Federal Unemployment Account that is part of the Unemployment Compensation program. In order to encourage financial planning and State-initiated savings for use in fiscal emergencies, States are required to make interest payments on loans. Experience with the State loan account in the Unemployment Compensation program shows that requiring interest payments tempers demand for loans.

5. Mandatory work requirements

Present Law

Required to participate in State programs of Job Opportunities and Basic Skills (JOBS) are most parents with no child under age 3 (exemptions include persons who are ill, incapacitated, or of advanced age, those needed at home because of the illness or incapacity of another household member, persons working 30 hours or more a week, pregnant women past their first trimester, and persons living in areas where the program is not available).

The State JOBS program must include educational activities including high school or the equivalent (combined with training as needed), basic and remedial education to achieve basic literacy, and education for individuals with limited English proficiency; job skills training; job readiness activities; and job development and placement. In addition, States must offer at least two of the following four activities: group and individual job search; on-the-job training; work supplementation (job subsidized by the welfare grant); or community work experience program (CWEP) or another work experience program approved by the Secretary of Health and Human Services.

Federal law sets an overall minimum participation rate for both one- and two-parent families (with an unemployed parent). In FY 1995, 20 percent of all "employable" adults, those not exempt from JOBS, must participate in education, work, or training in order for the State to receive full funding. In addition, at least one parent in 50 percent of unemployed-parent families must participate at least 16 hours weekly in a work experience program, a work supplementation program, on-the-job training or State-designed work program. The participation requirement increases to 60 percent in FY 1996 and to 75 percent in FY 1997 and FY 1998. (In the case of a parent under age 25 without a high school diploma, educational activities may satisfy this participation rule.)

By regulation, 20 hours weekly is the measure of JOBS participation; the number of participants is calculated as the largest number of persons whose combined and averaged hours equal 20. The law allows JOBS programs to require full-time work only by parents without a preschool child (under age 6). A State may not require more than 20 hours of work weekly by a JOBS parent with a child below age 6. However, the law permits States to require full-time school attendance by a mother under age 20 who has not completed high school even if her youngest child is under age 3. (Child care must be "guaranteed" for AFDC recipients who need it in order to engage in schooling, work, or training, regardless of whether they participate in JOBS.)

Explanation of Provision

The following minimum percentages of one-parent families receiving cash assistance must participate in work programs:

Fiscal year	*Minimum percentage*
1996	4
1997	4
1998	8
1999	12
2000	17
2001	29
2002	40
2003 or thereafter	50

Participation rates for a month are measured by the number of one-parent recipient families in which the parent is engaged in work activities for the month, divided by the total number of one-parent families who received cash aid during the month.

If States achieve net caseload reductions, they receive credit for the number of families by which the caseload is reduced for purposes of meeting the one-parent family participation requirements. The minimum participation rate shall be reduced by the percentage by which the number of recipient families during the fiscal year falls below the number of AFDC families in fiscal year 1995.

The following minimum percentages of two-parent families receiving cash assistance must participate in work activities:

Fiscal year	*Minimum percentage*
1996	50
1997	50
1998 and thereafter	90

Participation rates for a month are measured by the number of two-parent recipient families in which a parent is engaged in work

activities for the month, divided by the total number of two-parent families that received cash aid during the month.

The recipient can be counted as engaged in work activities for a month only if she is making progress in qualified activities for at least the following minimum average number of hours per week (of which 20 hours must be spent in employment, work experience, or on-the-job training) during the month.

If the fiscal year is	*The minimum average number of hours is*
1996	20
1997	20
1998	20
1999	25
2000	30
2001	30
2002 and thereafter	35

Although a person would have to work at least 20 hours weekly in order for any hours of their training or education to count toward required participation, the bill does not prohibit a State from offering cash recipients an opportunity to participate in education or training before requiring them to work. In this case, however, participation will not count toward fulfillment of the State mandatory participation rate.

"Work activities" are defined as unsubsidized employment, subsidized employment, subsidized public sector employment or work experience, on-the-job training, job search, education and training directly related to employment, and jobs skills training directly related to employment. Satisfactory attendance at secondary school, at State option, may be included as a work activity for a parent under 20 who has not completed high school.

Recipients in one-parent families who refuse to participate in required work activities would have their cash assistance reduced by an amount to be determined by individual States.

Recipients in two-parent families who fail to work the required number of hours would receive the proportion of their monthly cash grant that equals the proportion of required work hours they actually worked during the month, or less at State option.

As described above, States not meeting the required participation rates would have their overall grant reduced by not more than 5 percent the following fiscal year.

It is the sense of Congress that States should require non-custodial, non-supporting parents under age 18 to fulfill community work obligations beyond the normal school day and appropriate parenting or money management classes (Title V contains a provision requiring States to seek court orders against persons with overdue child support that would require them to participate in a work program designed by the State).

The Secretary is to conduct research on the cost/benefit of the mandatory work program, and to evaluate promising State approaches in employing welfare recipients.

The Secretary must also rank the States in the order of their success in moving recipients into long-term private sector jobs, and review the 3 most and 3 least successful programs. The Department of Health and Human Services will develop these rankings based on data already collected under the bill.

Reasons for Change

Although a major purpose of the reforms contained in this legislation is to expand State flexibility in planning and implementing welfare programs, Congress is intent on requiring adults on welfare to work. In the past, scholars, politicians, reporters, and national leaders believed that requiring welfare parents to work was demeaning. It was not uncommon, as recently as 1988 when the Family Support Act was debated, to hear some Members of Congress claim that making welfare parents work was making them "sing for their supper".

In fact, Republicans were unable to get strong work requirements into the 1988 welfare reform bill. The Reagan Administration, with solid support from House Republicans, did manage to require at least one adult in two-parent families to participate in a work program, but all that was required of one-parent families was participation in a program of some type. Even this requirement was undermined by the combination of generous exemptions and low participation standards. According to the Congressional Budget Office, about 60 percent of all AFDC families are exempt from participation. Even now, more than 6 years after enactment, only 20 percent of the nonexempt caseload is required to participate in any program. The combination of exemptions and weak participation standards means that less than 10 percent of all adults in one-parent families are required to do anything.

Worse, there were a number of restrictions on work in the 1988 bill. Perhaps the most important was that able-bodied adults could not work more hours than the value of their cash benefit divided by the minimum wage. Although the typical welfare family received Food Stamps worth about $3,500 per year and Medicaid coverage worth about $4,000 per year, in addition to their cash benefits of around $4,500 per year, Congress allowed the hours of work calculation to be based only on cash benefits. Thus, for a package of benefits that cost taxpayers at least $12,000 in the median state, welfare parents were allowed to work only for the number of hours linked to their cash benefit. Typically, this procedure resulted in a requirement of about 20 hours per week for a benefit package worth around $12,000 per year. By way of comparison, a full-time minimum wage job pays about $9,000 per year.

Today there is a new attitude in Congress about work. The Committee now believes that almost all able-bodied adults on welfare should work. First, the culture of welfare is long-term dependency on public benefits without being required to return anything to society. Although some observers emphasize the fact that many people leave welfare, the Committee Green Book shows that of all the families now on welfare, about 65 percent (around 3.2 million families) are headed by adults who will eventually be on welfare for 8 years or more. More recent research shows that the average length of stay for all the families on welfare at any given moment is about

13 years. There is simply no way to deny the fact that long-term welfare dependency is a major problem.

Second, the most effective way for able-bodied adults to escape welfare is through work. Although some Members of Congress have criticized "hamburger flipping" jobs as dead-end and low-wage, millions of Americans support families through exactly this type of work. Moreover, Congress has created an impressive array of nonwelfare programs to help families that work at relatively low-wage jobs. Families that leave AFDC are eligible for the Earned Income Tax Credit. Research shows that the typical mother leaving an AFDC work program for a job in the private sector earns about $5 per hour. At this income, a mother with two or more children would be eligible for an EITC of nearly $3500. In addition, the mother would receive more than $1500 in Food Stamps. Thus, her combined income would be $15,000.

Nonetheless, millions of families stay on welfare for eight or more years. The point of the strong work requirements in the Committee bill is to create a welfare system based on the same principle that defines the market economy adults on welfare must eventually join; namely, that income must be earned. Once the Committee bill is adopted, it will not be possible for adults to stay on welfare year after year without working.

Because few States now have work programs capable of accommodating the large number of welfare parents that will need to participate, the Committee provision on mandatory work is phased in over a period of 8 years. In addition, the number of hours adults must work per week is held at 20 hours for the first 3 years and reaches its full level of 35 hours only in 2002. For the first 2 years of the work program, then, States will only need to involve 4 percent of their caseload for 20 hours per week. After 1999, however, the requirements begin increasing. When fully implemented in 2003, States will need to have half their caseload involved in work programs for 35 hours per week.

A feature of the Committee provision that should be emphasized is the treatment of net caseload reductions. If States are able to reduce their caseloads below the 1995 level, the net number by which the caseload has been reduced counts toward fulfillment of the work standard. Thus, if a given State reduces its caseload from 10,000 in 1995 to 9,000 in 2000, the State can count 1,000 adults against its mandatory work participation standard.

The Committee provision emphasizes work over education. Many States have placed adults who receive low test scores in education programs. Research raises a serious question, however, over whether education programs of this type produce good results. Recent publications from the Manpower Demonstration Research Corporation on California's welfare-to-work program (called "GAIN") indicates that counties that emphasized rapid job placement produced more job placements and higher welfare reductions than counties that emphasized basic skills education. Thus, the Committee bill counts education activities toward fulfillment of the participation standards only if the adult is also participating in a work program.

6. Prohibitions

Present Law

Only families with dependent children (under age 18, or 19 at State option if the child is still in secondary school) can participate in the program. AFDC benefits may not be paid to a person receiving old-age assistance (predecessor to Supplemental Security Income (SSI) now available only in Puerto Rico, Guam and the U.S. Virgin Islands), a person receiving SSI, or a person receiving AFDC foster care payments.

Legal aliens are eligible for Federal means-tested benefit programs. States must verify the immigration status of aliens with the Immigration and Naturalization Service. A verification system must cover AFDC, Medicaid, Food Stamps, unemployment compensation, and the program of adult cash aid in the outlying areas. Federal matching funds pay 50 percent of the cost.

As a condition of eligibility, applicants or recipients must cooperate in establishing paternity of a child born out-of-wedlock, in obtaining support payments, and in identifying any third party who may be liable to pay for medical care and services for the child.

Explanation of Provision

Only families with minor children (under 18 years of age or under 19 years of age for full-time students in a secondary school or the equivalent) can participate in the program.

If any block grant funds are sued to provide assistance to a person receiving old-age assistance, a person receiving SSI, or a person receiving payments under the Child Protection Block Grant, then in determining a family's eligibility for Temporary Family Assistance funds, a State may not disregard the amount of assistance provided.

In determining a family's eligibility for Temporary Family Assistance funds, a State may not disregard child support collected by the State and distributed to the family.

Block grant funds may not be used to provide cash benefits to a non-citizen unless the individual is a refugee under section 207 of the Immigration and Nationality Act who has been in the U.S. for under 5 years, a legal permanent resident over age 75 who has lived in the U.S. at least 5 years, or a veteran honorably discharged from the U.S. Armed Forces.

Temporary Family Assistance Block Grant funds may not be used to provide cash benefits to a child born out-of-wedlock to a mother under age 18 or to the mother until the mother reaches age 18 (Medicaid, Food Stamps, and other benefits would continue). States must exempt mothers to whom children are born as a result of rape or incest. Block grant funds can be used to provide non-cash assistance to young mothers and their children.

Block grant funds may not be used to provide cash benefits for a child born to a recipient of cash welfare benefits, or an individual who received cash benefits at any time during the 10-month period ending with the birth of the child (Medicaid, Food Stamps, and other benefits would continue). Mothers to whom children are born as a result of rape or incest are exempted.

Block grant funds may not be used to provide cash benefits for the family of an individual who, after attaining 18 years of age, has received block grant funds for 60 months, whether or not successive; Medicaid, Food Stamps, and other benefits would continue. However, States would be permitted to provide hardship exemptions from the 60-month time limit for up to 10 percent of their caseload.

Block grant funds may not be used to provide cash benefits to persons who fail to cooperate with the State child support enforcement agency in establishing the paternity of any child of the individual.

Block grant funds may not be used to provide cash benefits to a family with an adult who has not assigned to the State rights to child support or spousal support.

If, at the time a family applies for assistance, the paternity of a child in the family has not been established, the State must impose a financial penalty ($50 or 15 percent of the monthly benefits of a family of that size, whichever the State chooses) until the paternity of the child is established. Once paternity is established, all the money withheld as a penalty must be remitted to the family if it is still eligible for aid. Mothers to whom children are born as a result of rape or incest are exempted from this penalty.

Federal welfare benefits that are means-tested must be denied for 10 years to any individual convicted of having fraudulently misrepresented residence in order to obtain benefits or services under two or more programs funded under Title I.

Reasons for Change

Although the major purpose of the block grant approach taken in this bill is to maximize State flexibility, there are specific issues over which the Federal government should maintain a major interest either because the Federal government is responsible for deciding in a general way how Federal dollars should be spent or because there are overriding policy concerns to which all States should respond. Thus, for example, it is the intent of the Committee to ensure that families with children receive benefits under this block grant; any money spent on purposes other than those specified in this title must be repaid to the Federal government. Similarly, States should participate in the Income and Eligibility Verification System to ensure that recipients of block grant benefits do not receive duplicate benefits from other programs. On policy issues, the Committee believes the nation has an overriding interest in reducing illegitimacy rates. Thus, the bill proscribes use of Federal dollars to pay cash benefits (although the money can be used for non-cash benefits) to mothers under age 18 who give birth outside marriage and to pay additional cash to families already on welfare that have additional children. Similarly, because breaking long-term dependency is a central objective of the legislation, the bill disallows expenditure of Federal dollars to provide cash welfare payments to families that have been on welfare for more than 5 years. Because some parents may be incapable of sustained work, States are permitted to give hardship exemptions from this time limit for up to 10 percent of their caseload.

7. Data Collection and Reporting

Present Law

States are required to report the average monthly number of families in each JOBS activity, their types, amounts spent per family, length of JOBS participation and the number of families aided with AFDC/JOBS child care services, the kinds of child care services provided, and sliding fee schedules. States that disallow AFDC for minor mothers in their own living quarters are required to report the number living in their parent's home or in another supervised arrangement.

Explanation of Provision

Each State to which funds are paid under this part is required, not later than 6 months after the end of each fiscal year, to transmit to the Secretary the following aggregate information on families receiving block grant benefits during the fiscal year:

1. The number of adults in the family;
2. The number of children in the family and the average age of children;
3. The basis of the eligibility of families for such assistance;
4. In the case of 2-parent families, the number with unemployed parents;
5. The number of 1-parent families in which the sole parent is a widow or widower, is divorced, is separated, or is never married;
6. The age, race, educational attainment, and employment status of parents;
7. The number of families with earned income and the average monthly earnings;
8. The income of families from the program operated under this part;
9. Whether, at the time of application, the families or anyone in the families receive benefits from the following public programs:
   (A) Housing
   (B) Food Stamps
   (C) Head Start
   (D) Job Training;
10. The number of months the families have been on welfare during their current spell;
11. The total number of months for which benefits have been provided to the families; and
12. Data demonstrating compliance with the State's plan.

A State may comply with the requirement to provide precise numerical information in the report by submitting an estimate which is obtained through the use of scientifically acceptable sampling methods.

The State must also report in its annual data report the percentage of block grant monies used for administrative costs and overhead, the total amount expended by the State during the fiscal year on programs for needy families, and the number of non-custodial parents participating in the work program.

Reasons for Change

The Committee bill is based on the philosophy that the role of the Federal government is to establish the broad guidelines of social policy, to provide States with money to create quality programs, and then to ensure that information on the effectiveness of State programs is publicly available. Thus, States are required to report annual data that can be used both to describe their program and to measure the outcomes of the program. In addition, provisions are made in the bill for nationally representative data to examine program outcomes (see below).

8. Study by the Census Bureau

Present Law

No provision.

Explanation of Provision

The Secretary of the Treasury is to pay the Census Bureau $10 million per year in entitlement funds for years 1996 through 2000 for the purpose of expanding the Survey of Income and Program Participation to evaluate the impact of welfare reforms made by Title I on a random national sample of recipients and, as appropriate, other low-income families. The Census Bureau may use the money in any way it sees fit to improve knowledge about the impact of welfare reform on children and families, but should pay particular attention to the issues of out-of-wedlock birth, welfare dependency, the beginning and end of welfare spells, and the causes of repeat welfare spells.

Reasons for Change

As with the requirement that States must report program data, the purpose of this study is to provide Congress and the nation with reliable information about the effectiveness of State Temporary Family Assistance programs in helping people leave and remain independent of welfare. The study will be conducted in such a way that Congress can get information that represents both national performance and the performance of most States.

9. Audits

Present Law

The Secretary must operate a quality control system to determine the amount of erroneous AFDC payment by a State.

Explanation of Provision

Funds provided under this part are audited in accordance with the Single Audit Act. Although the Committee bill does not contain a specific reference to this Act, all grants over $25,000 per year to States automatically come under the Single Audit Act.

Reasons for Change

The audit procedure is necessary because Congress needs to be certain that States are spending Federal dollars as they were intended to be spent. Block Grant funds are not revenue sharing; they are provided to States for the specific purpose of providing temporary assistance to needy families and then helping them avoid dependency. It is the intent of the Committee to be certain that Federal dollars are used only for these purposes.

B. REPORT ON DATA PROCESSING (SECTION 102)

Present Law

No provision.

Explanation of Provision

The Secretary must report to Congress within 6 months on the status of automatic data processing systems in the States and on what would be required to produce a system capable of tracking participants in public programs over time checking case records across States to determine whether some individuals are participating in public programs in more than one State. The report should include a plan for building on the current automatic data processing systems to produce a system capable of performing these functions as well as an estimate of the time required to put the system in place and the cost of the system.

Reasons for Change

The Committee has received a great deal of testimony in recent years that the automatic data processing capability of States is limited. Given the Committee's interest in getting timely information on program performance, on fraud, on individuals moving on and off the rolls over a period of years, and on similar measures, it seems reasonable to ask the Secretary to conduct careful studies of the various and disparate data requirements of the Temporary Family assistance program and to report to Congress on the strengths and weaknesses of the current system. Based on her study, the Committee would also like the Secretary to provide recommendations about needed improvements and the cost of these improvements. It is the intention of the Committee to conduct hearings on all these issues of data collection during the 104th Congress.

C. CHILD SUPPORT AUDIT PENALTIES (SECTION 103)

Present Law

If a State's child support plan fails to comply substantially with Federal requirements, the Secretary is to reduce its AFDC matching funds (by percentages that rise for successive violations).

An Assistant Secretary for Family Support, appointed by the President by and with consent of the Senate, is to administer AFDC, child support enforcement, and the Jobs Opportunities and Basic Skills (JOBS) program.

Explanation of Provision

The provision for child support review penalties now found in 403(h) of part A of the Social Security Act is retained in the block grant.

The provision for an Assistant Secretary for Family Support now found in section 417 of Part A of the Social Security Act is retained in the block grant.

Reasons for Change

Again, these provisions are not changes in law but rather retention of current provisions. The purpose of retaining the penalty provision is to ensure that States actually conduct a child support program that is in substantial conformity with Federal law.

The provision requiring an Assistant Secretary for Family Support, which also continues current law, aims to ensure that family support programs have high-level representation within the Department of Health and Human Services.

D. CONFORMING AMENDMENTS TO THE SOCIAL SECURITY ACT (SECTION 104)

Present Law

No provision.

Explanation of Provision

This section makes a series of technical amendments that conform the provisions of the Committee bill with various titles of the Social Security Act and provide for the repeal of Part f of Title IV (the JOBS program).

Reasons for Change

The JOBS program is repealed because the funds are included in the block grant and States are given substantial flexibility to create a welfare-to-work program that best meets the needs of the residents of individual States. Other changes are technical amendments necessary to conform provisions of this bill the previous legislation.

E. CONFORMING AMENDMENTS TO OTHER LAWS (SECTION 105)

Present Law

No provision.

Explanation of Provision

A series of technical amendments to conform provisions of the Committee bill to the Internal Revenue Code, the Omnibus Reconciliation Act of 1987, the Housing and Urban-Rural Recovery Act of 1983, the Tax Equity and Fiscal Responsibility Act of 1982, and the Stewart B. McKinney Homeless Assistance Amendments Act of 1988.

Reasons for Change

Changes are technical amendments necessary to conform provisions of this bill to previous legislation.

F. CONTINUED APPLICATION OF CURRENT STANDARDS UNDER MEDICAID PROGRAM (SECTION 106)

Present Law

States must continue Medicaid (or pay premiums for employer-provided health insurance) for 6 months to a family that loses AFDC eligibility because of hours of, or income from, work of the caretaker relative, or because of loss of the earned income disregard after 4 months of work. States must offer an additional 6 months of medical assistance, for which it may require a premium payment if the family's income after child care expenses is not above the poverty guideline. For extended medical aid, families must submit specified reports.

Explanation of Provision

An individual who on enactment was receiving AFDC, was eligible for medical assistance under the State plan under this title, and would be eligible to receive aid or assistance under a State plan approved under part A of title IV but for the prohibition on grant funds being used to provide assistance to noncitizens, minor unwed mothers or their children, and children born to families already on welfare, would continue to be eligible for Medicaid. Families leaving welfare for work would also continue to receive the 1-year Medicaid transition benefit.

Reasons for Change

The Committee has written this provision to ensure that changing eligibility for benefits under the block grant does not change eligibility for Medicaid. The provision has two goals. First, the Committee intends, regardless of what States do about eligibility for benefits under the new block grant, to ensure that families that were eligible for Medicaid under the Aid to Families with Dependent Children program remain eligible for Medicaid. Second, the Committee wants to maintain the transitional Medicaid benefits that are available under current law to recipients who leave welfare because of increased earnings.

G. EFFECTIVE DATE (SECTION 107)

The amendments and repeals made by this title take effect on October 1, 1995. The authority to reduce assistance for certain families that include a child whose paternity is not established will begin 1 year after the effective date or, at the option of the State, 2 years after the effective date.

TITLE II. CHILD PROTECTION BLOCK GRANT PROGRAM

A. ESTABLISHMENT OF PROGRAM (SECTION 201)

1. Purpose

Present Law

Child Welfare Services, now provided for in Title IV–B of the Social Security Act, are designed to help States provide child welfare services, family preservation and community-based family support services, and improve State court procedures related to child welfare.

Title IV–E Foster Care and Title IV–E Adoption Assistance are intended to help States finance foster care and adoption assistance maintenance payments, administration, child placement services, and training related to foster care and adoption assistance.

The purpose of the Title IV–E Independent Living program is to help older foster children make the transition to independent living.

Explanation of Provision

The Subcommittee provision replaces Title IV–B and Title IV–E of the Social Security Act, and several programs under the jurisdiction of other Committees, and establishes a block grant to enable eligible States to carry out child protection programs to:

1. identify and assist families at risk of abusing or neglecting their children;
2. operate a system for receiving reports of abuse or neglect of children;
3. investigate families reported to abuse or neglect their children;
4. assist children and families that are at risk or in crisis through support, treatment, and family preservation services;
5. support children who must be removed from or who cannot live with their families;
6. make timely decisions about permanent living arrangements for children who must be removed from or who cannot live with their families; and
7. provide for continuing evaluation and improvement of child protection laws, regulations, and services.

Reasons for Change

Under current law, Congress has created more than 30 programs to help States provide a range of services designed to help children at risk of abuse or neglect or already the victims of abuse and neglect. The purpose of the block grant is to allow States to have one pool of Federal funds from which to draw in order to implement the particular child welfare activities that best meet the needs of the State. By simplifying the administrative burden placed on States by multiple programs, the Committee intends to reduce paperwork, to allow professionals to focus on providing services to children and families, and to allow States to focus resources where they are most needed.

The Committee has received testimony from numerous witnesses in recent years that States could better protect children and save money if they had more resources to invest in prevention and family preservation. Yet the current child welfare system provides open-ended entitlement money only for children who are removed from their homes. This incentive feature of the current system seems inconsistent with the goal of protecting children in their own families. An important feature of the Child Protection Block Grant is that it makes substantial new sums of money available to States for prevention and family preservation.

2. Eligible States

Present Law

States must have a child welfare services plan developed jointly by the Secretary and the relevant State agency. The State plan must provide for single agency administration and describe services to be provided and geographic areas where services will be available, among numerous other requirements. To receive their full allotment of incentive funds under Title IV–B, States also must comply with extensive Federal Section 427 protections. The State plan also must meet many other requirements, such as setting forth a 5-year statement of goals for family preservation and family support and assuring the review of progress toward those goals. For foster care and adoption assistance, States must submit for approval a Title IV–E plan providing for a foster care and adoption assistance program and satisfying numerous requirements. One of the programs that will be replaced by the Child Protection Block Grant is the Child Abuse Prevention and Treatment Act, which is under the jurisdiction of the Economic and Educational Opportunities Committee. The Act requires States to have in effect a law for reporting known and suspected child abuse and neglect as well as providing for prompt investigation of child abuse and neglect reports, among many other requirements.

Explanation of Provision

An "eligible State" is one that, during the 3-year period that ends on October 1 of the fiscal year, has submitted to the Secretary a plan that describes how the State intends to pursue the purposes described above.

A State plan must include the following:

1. Outline of Child Protection Program including procedures to be used for:

(a) receiving reports of child abuse or neglect;

(b) investigating such reports;

(c) protecting children in families in which child abuse or neglect is found to have occurred;

(d) removing children from dangerous settings;

(e) protecting children in foster care;

(f) promoting timely adoptions;

(g) protecting the rights of families;

(h) preventing child abuse and neglect; and

(j) establishing and responding to citizen review panels.

2. Certification of State law requiring reporting of child abuse and neglect.

3. Certification of State program to investigate child abuse and neglect cases.

4. Certification of State procedures for removal and placement of abused or neglected children.

5. Certification of State procedures for developing and reviewing written plans for permanent placement of each child removed from the family that specifies the goal for achieving a permanent placement for the child in a timely fashion, that the written plan is reviewed every 6 months, and that information about the child is collected regularly and recorded in case records, and a description of such procedures.

6. Certification that when the State begins operating under the block grant on or after October 1, 1995, families receiving adoption assistance payments at that time shall continue to receive adoption assistance payments.

7. Certification of State program to provide Independent Living services to 16–19 year old youths (at State option to age 22) who are in the foster care system but have no family to be returned to for assistance in making the transition to self-sufficient adulthood.

8. Declaration of State child welfare goals. States must, within 3 years of the date of passage, report quantifiable information on whether they are making progress toward achieving their self-defined child protection goals. (See Data Collection and Reporting, item 7 below).

The Secretary of HHS must determine whether the State plan includes all of the elements required above but cannot add new elements or review the adequacy of State procedures.

Reasons for Change

The revised State plan is designed to ensure that States are responsible for planning and implementing the essential elements of an effective and efficient child welfare system without placing undue administrative burdens on States. To ensure continual improvement of their child protection system, States are required to identify goals and to annually report quantifable information on whether they are making progress toward their goals. The role of the Federal government is to ensure that States have a child protection system in place, that information about the effectiveness of the system is made public, and that States exhibit continuous improvement in providing assistance to children whose families abuse or neglect them.

This provision is similar to the requirement of current law that States must submit a written plan outlining their child welfare program before they are eligible for benefits.

3. Grants to States for child protection

Present Law

Titles IV–B and IV–E of the Social Security Act contain several types of funding, including substantial entitlement funding, for

helping States provide assistance to troubled families and their children.

Under Title IV–B and IV–E of the Social Security Act, "State" means the 50 States and the District of Columbia. The Commonwealth of Puerto Rico, the U.S. Virgin Islands, Guam, and American Samoa receive funds through set-sides and under special rules.

Funds must be used, for example, for "protecting and promoting the welfare of children * * * preventing unnecessary separation of children from their families * * * restoring children to their families if they have been removed * * * family preservation services * * * community-based family support services to promote the well-being of children and families and to increase parents' confidence and competence." Foster care maintenance and adoption assistance payments are an open-ended entitlement to individuals.

States that do not comply with Section 427 child protections may not receive their share of Title IV–B appropriations above $141 million. However, effective April 1, 1996, these projections are to become State plan requirements and the incentive funding mechanism will no longer be in effect. Section 1123 of the Social Security Act requires the Secertary to establish by regulation a new Federal review system for child welfare, which would allow penalties for misuse of funds.

Explanation of Provision

The block grant money is guaranteed funding to States. Each eligible State is entitled to receive from the Secretary an amount equal to the State share of the Child Protection Grant amount for fiscal years 1996 through 2000.

The Child Protection Grant amount is composed of both a direct spending component and an appropriated component as follows: $3.930 billion in 1996, $4.195 billion in 1997, $4.507 billion in 1998, $4.767 billion in 1999, and $5.071 billion in 2000 in direct spending, and $514 million in each year 1996–2000 in appropriated spending.

"State share" means each State receives the same proportion of the block grant each year as it received of payments to States by the Federal government for the following selected child welfare programs in either the average of years 1991 through 1994 or in 1994, whichever is greater.

(A) Foster care maintenance, administration, and training;

(B) Adoption assistance maintenance, administration, and training;

(C) Title IV–E independent living awards;

(D) Family violence and prevention services;

(E) Child abuse State grants;

(F) Child abuse community-based prevention grants; and

(G) Child welfare services.

"State" includes the several States, the District of Columbia, the Commonwealth of Puerto Rico, the U.S. Virgin Islands, Guam, and American Samoa.

A State to which funds are paid under this section may use such funds in any manner that the State deems appropriate to accom-

plish the purposes of this part. Permissible spending includes, but is not limited to: abuse and neglect reporting systems, abuse and neglect prevention, family preservation, foster care, adoption, program administration, and training. Unlike the Temporary Family Assistance Block Grant, funds may not be transferred out of the Child Protection Block Grant. Funds may be transferred into the Child Protection Block Grant from other block grants and are then subject to the rules of this part.

A State to which funds are paid under this section for a fiscal year shall expend such funds not later than the end of the immediately succeeding fiscal year. Nothing in this act shall preclude for-profit short and long-term foster care facilities from being eligible to receive funds from this block grant. The Secretary must make payments on a quarterly basis.

The Secretary must reduce amounts otherwise payable to a State by any amount which an audit conducted under the Single Audit Act finds has been used in violation of this part. The Secretary, however, shall not reduce any quarterly payment by more than 25 percent. The amount of misspent funds will be withheld from the State's payments during the following year, if necessary, to recover the full amount of the penalty.

If an audit conducted pursuant to the Single Audit Act finds that a State has reduced its level of expenditures in Fiscal Year 1996 or 1997 below its level of non-Federal expenditures in Fiscal Year 1995 under Title IV–B or Title IV–E, the Secretary must reduce subsequent amounts otherwise payable to the State by an amount equal to the difference between State spending in FY 1995 and the current year.

The Secretary must reduce by 3 percent the amount otherwise payable to a State for a fiscal year if the State has not submitted a report required (see item 7 below) for the immediately preceding fiscal year within 6 months after the end of the year. The penalty may be rescinded if the report is submitted within 12 months.

Except as expressly provided in this part, the Secretary may not regulate the conduct of States under this part or enforce any provision of this part.

Reasons for Change

In exchange for a reduction in Federal paperwork and administrative requirements, States are given smaller increases in funding for child protection than they would receive under current law. Nonetheless, States will receive more than $1.1 billion more in their block grant for the year 2000 than they will receive in 1996. Other than requiring State maintenance of effort for 1996 and 1997, nothing in this Act is intended to limit in any way the manner in which a State may spend its own funds on aid for endangered children and their families.

After consulting with several States, the Committee decided that the fairest way to divide Child Protection Block Grant funds among the States was to give each State the same proportion of block grant funds each year as it received of several programs that are included in the block grant for the year 1994 or for the average of the years 1991–1994, whichever is greater.

States are given great latitude in the use of funds because the bill is based on the understanding that States know best how to help children in troubled families that reside in their State. In the continuum of services that extends from the identification of children who may be victims of abuse or neglect to the treatment of families and the placement of children, States have the flexibility to decide where Federal dollars will do the most good.

Given the Federal responsibility to ensure that funds are spent in accord with Federal purposes, States will lose any expenditures on purposes other than child protection and experience a 3 percent reduction in annual funding if they fail to report the data that will help Congress and the public evaluate program performance.

4. Child protection standards

Present Law

In order to receive its full share of appropriations for child welfare services under subpart 1 of Title IV–B, each State much meet section 427 protections, including requirements that it: conduct an inventory of children in foster care; operate a tracking system for all children in foster care; operate a case review system for all children in foster care; and conduct a service program to reunite foster children with their families if appropriate, or be placed for adoption or another permanent placement. In addition, if Federal appropriations for the program reach $325 million for two consecutive years, States also must implement a preplacement preventive services program to help children remain with their families. (This funding level has never been reached.) Effective April 1, 1996, these provisions are scheduled to become mandatory State plan requirements, rather than funding incentives, under legislation enacted on Oct. 31, 1994 (P.L. 103–432). States also will be required to review their policies and procedures regarding abandoned children and to implement policies and procedures considered necessary to enable permanent decisions to be made expeditiously with regard to placement of such children.

Explanation of Provision

The following standards are included in the bill to indicate what States must do to assure the protection of children and to provide guidance to the Citizen Review Panels:

(A) The primary standard by which child welfare system shall be judged is the protection of children.

(B) Each State shall investigate reports of abuse and neglect promptly.

(C) Children removed from their homes shall have a permanency plan and a dispositional hearing within 3 months after a fact-finding hearing.

(D) All child protection cases with an out-of-home placement shall be reviewed every 6 months unless the child is already in a long-term placement.

Reasons for Change

The standards in the Committee bill are based on standards currently in Section 427 of the Social Security Act and on testimony presented to the Committee. The intent of the Committee standards is to provide the basic protections needed by children who are abused and neglected without requiring States to use extensive financial and human resources documenting their compliance with standards. The wording of the standards in statutory language makes it clear that the intention of the Committee is to guarantee these protections to all endangered children.

5. Citizen review panels

Present Law

No provision.

Explanation of Provision

Each State to which funds are paid under this part must have at least 3 Citizen Review Panels. Each Panel is to be broadly representative of the community from which it is drawn.

The Panels, which must meet at least quarterly, are charged with the responsibility of reviewing cases from the child welfare system to determine whether State and local agencies receiving funds under this program are carrying out activities in accord with the State plan, are achieving the child protection standards, and are meeting any other child welfare criteria that the Panels consider important.

The members and staff of any Panel must not disclose to any person or government agency any information about specific cases. States must afford a Panel access to any information on any case that the Panel desires to review, and shall provide the Panels with staff assistance in performing their duties.

Panels must produce a public report after each meeting and States must include information in their annual report detailing their responses to the panel report and recommendations (see Data Collection and Reporting, item 7 below).

Reasons for Change

The combination of child protection standards, Citizen Review Panels, and annual data reporting constitute the system by which the Federal government tries to ensure that endangered children receive adequate protection from States. By allowing the Panels to have complete access to child protection cases, by requiring Panels to publicize their findings, and by requiring States to respond to criticisms and recommendations of the Panels, the Committee intends to subject States to public criticism and political repercussions if they fail to protect children. This approach is designed by the Committee to replace the current system of expansive Federal regulations and fines.

6. Clearinghouse and hotline on missing and runaway children

Present Law

The Missing Children's Assistance Act, authorized as part of the Juvenile Justice and Delinquency Prevention Act, authorizes a toll-free hotline and national clearinghouse to collect and disseminate information about missing children.

Explanation of Provision

The Secretary of Health and Human Services shall have the authority to continue or establish a national resource and clearinghouse, including a 24-hour toll free telephone hotline, for information on missing children cases. An appropriation of $3 million per fiscal year is authorized for this purpose.

Reasons for Change

Both the Committee on Ways and Means the Committee on Economic and Educational Opportunities that had jurisdiction over the Missing Children's Assistance Act have received extensive information that the clearinghouse and hotline serve the useful purpose of helping parents and others locate missing and exploited children. Thus, the Committee is setting aside $3 million for the Secretary to continue providing these or similar types of help to missing children.

7. Data collection and reporting

President Law

States are not required to report specific child welfare data. For foster care and adoption, States are required to submit statistical reports on children receiving assistance subsidized by Title IV–E of the Social Security Act. In addition, Section 479 establishes a procedure intended to result in a comprehensive national data collection system on foster and adoptive children. Regulations to implement this system were published on Dec. 22, 1993.

Current law provides for about $6 million in research under Title IV–B of the Social Security Act and $9 million under the Child Abuse Prevention and Treatment Act.

Explanation of Provision

Three years after the effective date and annually thereafter, each State to which funds are paid under this part must submit to the Secretary a report containing quantative information on the extent to which the State is making progress toward its child protection program goals.

In addition, each State to which funds are paid under this part must annually submit to the Secretary of Health and Human Services a report that includes the following annual statistics:

1. the number of children reported to the State during the year as abused or neglected;
2. of the number of reported cases of abuse or neglect, the number that were substantiated;

3. of the number of reported cases that were substantiated, (a) the number that received no services under the State program funded under this part; (b) the number that received services under the State program funded under this part; and (c) the number removed from their families;

4. the number of families that received preventive services from the State;

5. of the families receiving preventive services, the number of confirmed reports of abuse or neglect of a child;

6. the number of children who entered foster care under the responsibility of the State;

7. the number of children who exited foster care under the responsibility of the State;

8. types of foster care placements made by State and the number of children in each type of care;

9. average length of foster placements made by State;

10. the age, ethnicity, gender, and family income of children placed in foster care under the responsibility of the State;

11. the reason for making each foster care placement;

12. the number of children in foster care for whom the State has the goal of adoption;

13. the number of children in foster care under the responsibility of the State who were freed for adoption;

14. the number of children in foster care under the responsibility of the State whose adoptions were finalized;

15. the number of disrupted adoptions in the State;

16. the number of children who re-entered foster care under the responsibility of the State;

17. the number of children in foster care under the responsibility of the State for whom there is a permanency plan;

18. quantitative measurements showing whether the State is making progress toward the child welfare goals identified by the State;

19. the number of infants abandoned during the year, the number of these infants who were adopted, and the length of time between abandonment and legal adoption;

20. the number of deaths of children occurring while said children were in custody of the State;

21. the number of deaths of children resulting from child abuse or neglect;

22. the number of children served by the State Independent Living program;

23. other information which the Secretary and a majority of the States agree is appropriate to collect for purposes of this part; and

24. the response of the State to findings and recommendations of the citizen review panels.

States may fulfill the data collection and reporting requirements by collecting the required information on either individual children and families receiving child protection services or by using scientific statistical sampling methods.

Within 6 months after the end of each fiscal year, the Secretary must prepare an annual report on State data for Congress and the public. An appropriation of $10 million per year is authorized for

the Secretary to spend at her discretion on research and training in child welfare.

The Secretary is also provided with $6 million per year for fiscal years 1996–2000 to conduct a national random-sample study of child welfare. The study will have a longitudinal component, yield data reliable at the State level for large States, and should alternate data collection in small States from year-to-year to yield an occasional picture of child welfare in small States. The Secretary has discretion in drawing the sample and in selecting measures, but should carefully consider selecting the sample from all cases of confirmed abuse and neglect and then following each case over several years while obtaining such measures as type of abuse or neglect involved, frequency of contact with agencies, whether the child was separated from the family, types and characteristics of out-of-home placements, number of placements, and average length of placement. Child outcome measures such as school achievement must also be collected.

The Secretary must prepare occasional reports on this study and make them available to the public. The reports should summarize and compare the results of this study with the date reported by States. Tapes of the raw data from the study should be made available to the public at a fee the Secretary thinks appropriate.

Reasons for Change

As discussed previously, the philosophy of this legislation is that the Federal role in the protection of children is to ensure that: a) States have clear standards for child protection; b) Citizen Review Panels examine controversial cases and publicize their views of how the State social service department handled the cases; and c) States report information on the characteristics of their child protection program and data on its performance. Thus, States are required to annually submit extensive data on their program, on services provided to children and families, on average length of stays in foster care, and so forth. The Secretary and the Congress are then responsible for making sure that the data is available to the public and the Committees of Congress to provide oversight.

In addition to State-reported data, the bill provides the Secretary with funds to collect information on the treatment and outcomes of a national sample of children entering the child welfare system. This information will provide Congress and the American public with the first reliable information about the condition and performance of the nation's child welfare system.

8. Removal of barriers to interethnic adoption

Present Law

State law governs adoption and foster care placement. Forty three States require race matching either in regulation, statute, policy or practice. The Metzenbaum Multiethnic Placement Act of 1994 required States to consider race and ethnicity in selecting a foster care or adoptive home, regardless of whether that consideration may cause a delay in or denial of placement of the child.

Explanation of Provision

Section 553 of the Howard M. Metzenbaum Multiethnic Placement Act of 1994 is repealed. In addition, an agency or entity that receives Federal assistance may not deny 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 agency or entity receiving Federal funds can delay or deny the placement of a child for adoption or foster care, or otherwise discriminate in making a placement decision, on the basis of the race, color, or national origin of the adoptive or foster parent or the child involved.

The Secretary of Health and Human Services must not provide relevant placement and administrative funds to an agency or entity that fails to meet this requirement. A State or other entity that violates this provision during a period shall remit to the Secretary all funds that were paid to the State or entity during the period. An action under this paragraph may not be brought more than 2 years after the date the alleged violation occurred.

Reasons for Change

Recent studies show that African-American children wait up to twice as long as white children to be adopted. Given that the majority of States practice race matching, it follows that some of this additional waiting is caused by race matching. Delaying adoption placements is discrimination. It is the intent of the Committee to decrease the length of time children wait to be adopted and to prevent delays in or the denial of placements of children on the basis of race, color, or national origin.

The Committee recognizes the significant benefits derived from adoption for both the child's physical and mental health. It is the intent of the Committee that all children freed for adoption be moved into loving, adoptive homes without delay. Currently, the practice of delaying or denying adoption because of the race, color, or national origin of the child or prospective parent places a false priority on race-consciousness, to the detriment of the welfare of needy children.

9. Audits

Present Law

States must arrange for an independent audit of child welfare services under Titles IV–B and IV–E of the Social Security Act at least once every 3 years. Section 1123 of the Social Security Act requires the Secretary to establish by regulation a new Federal review system for child welfare.

Explanation of Provision

Funds provided under this part are to be audited in accordance with the Single Audit Act. Any funds spent for purposes other than those stated for this block grant will be repaid to the Federal government.

Reasons for Change

The Committee bill and current law both require audits, although the Committee bill requires them somewhat more frequently. Audits are an essential part of the safeguards planned by the Committee to ensure that Federal funds are spent on purposes for which they are intended under the block grant.

B. CONFORMING AMENDMENTS (SECTION 202)

Present Law

No provision.

Explanation of Provision

This section contains technical amendments that conform provisions of the Committee bill to Titles IV–D, IV–E and XVI of the Social Security Act, and to the Omnibus Budget Reconciliation Act of 1993, and provide for the repeal of Section 553 of the Howard M. Metzenbaum Multiethnic Placement Act of 1994.

Reasons for Change

Makes technical amendments necessary to conform provisions of the Committee bill to previous legislation, and repeals Section 553 of the Metzenbaum Multiethnic Placement Act, as described in item 8 above.

C. CONTINUED APPLICATION OF CURRENT STANDARDS UNDER MEDICAID PROGRAM (SECTION 203)

Present Law

Mothers and children on Aid to Families with Dependent Children are categorically eligible for Medicaid. In addition, when families leave AFDC because of earnings, they are provided a one-year transition period of Medicaid coverage.

Explanation of Provision

The purpose of the Committee provision on Medicaid is, with the exception of noncitizens, to maintain the current criteria for coverage. Thus, anyone who would have been eligible when this legislation passed will continue to be eligible. More specifically, even if States lower eligibility criteria in their Temporary Family Assistance program, the criteria for Medicaid eligibility would remain fixed. In addition, those who lose cash welfare coverage—unwed mothers under age 18 and their children, families on welfare for 5 years, children born while their mothers are on welfare—would continue to be covered by Medicaid as long as they continue to meet the income and other criteria. Finally, families that leave welfare due to increased earnings retain coverage.

Reasons for Change

The intent of the Committee provision is precisely not to change Medicaid eligibility. The Committee's policy is that even though parents use up or otherwise lose their eligibility for cash welfare,

they and their families should retain health coverage. Similarly, families leaving welfare should be able to count on the 1-year transition period for Medicaid that is part of current law.

D. EFFECTIVE DATE (SECTION 204)

Unless otherwise indicated in particular sections of the bill, the amendments and repeals made by this title take effect on October 1, 1995.

TITLE III. RESTRICTING WELFARE FOR ALIENS

A. STATEMENTS OF NATIONAL POLICY CONCERNING WELFARE AND IMMIGRATION (SECTION 301)

Present Law

No provisions.

Explanation of Provision

The Congress makes the following statements concerning national policy with respect to welfare and immigration:

1. Self-sufficiency has been a basic principle of United States immigration law since our earliest immigration statutes.
2. It continues to be the immigration policy of the United States that aliens within our borders not depend on public resources to meet their needs, but rather rely on their own capabilities and the resources of their families, their sponsors, and private organizations.
3. Despite the principle of self-sufficiency, aliens have been applying for and receiving public benefits from Federal, State, and local governments at increasing rates.
4. Current eligibility rules for public assistance and unenforceable support agreements have proved wholly incapable of assuring that individual aliens not burden the public benefits system.
5. It is a compelling government interest to enact new eligibility rules and support agreements in order to assure that aliens be self-reliant in accordance with national immigration policy.

Reasons for Change

It is the intent of the Committee to make clear that the reduction of welfare for aliens supports our national traditions and values regarding work, opportunity and self-reliance for those who immigrate to the U.S.

B. INELIGIBILITY OF ALIENS FOR FEDERAL PUBLIC WELFARE ASSISTANCE (SECTION 302)

Present Law

Present law limits alien eligibility for most major Federal assistance programs, including restrictions on, among other programs, Supplemental Security Income, Aid to Families with Dependent Children, and Title XX. Present law is silent on alienage under,

among other programs, school lunch and nutrition, Special Supplemental Food Program for Women, Infants, and Children (WIC), Head Start, migrant health centers, and the earned income tax credits.

Under those programs with restrictions, benefits are generally allowed for permanent resident aliens, refugees, asylees, and parolees, but benefits (other than emergency Medicaid) are denied to nonimmigrants and illegal aliens. Benefits are permitted under AFDC, SSI, unemployment compensation, and nonemergency Medicaid to other aliens permanently residing in the U.S. under color of law (PRUCOL.)

Explanation of Provision

With the exception of individuals specified in item 1 immediately below, the Committee bill makes noncitizens ineligible for benefits under several means-tested programs under Ways and Means jurisdiction. These programs include the Supplemental Security Income Program (Title XVI); the Temporary Family Assistance Block Grant Program (Title IV–A); and the Social Services Block Grant Program (Title XX).

Each Federal agency that administers a program from which noncitizens are to be disqualified must provide general notification to the public and program recipients of the eligibility changes.

Reasons for Change

Since Congress first passed legislation on immigration in the 1880s, it has been a fundamental tenet of American immigration policy that aliens should not be eligible for public welfare benefits. Yet today there are well over 2.8 million noncitizens on Aid to Families with Dependent Children, Supplemental Security Income, Medicaid, and Food Stamps.

Total Federal spending on welfare for noncitizens exceeds $12 billion per year. The Committee bill is based on the principle that immigration is essentially a deal between the nation and each immigrant who requests permission to enter the country: Aliens are allowed to enter the U.S. and join our economy; in return, the nation asks that immigrants obey our laws, pay taxes if they earn sufficient income, and avoid welfare until they become citizens. The Committee bill is designed to uphold this bargain. In addition, the bill serves the purpose of reducing Federal spending by billions of dollars by withholding welfare payments to aliens.

Agencies now providing welfare benefits to noncitizens must take reasonable steps to notify aliens of impending program changes in order to help aliens make arrangements for replacing welfare income with earned income or assistance from relatives, friends, sponsoring organizations, or private charity. Some aliens may also choose to apply for citizenship or return to their country of origin.

1. Refugee, aged, veteran, and temporary current resident exceptions

Present Law

No provisions, except for eligibility governed by a veteran's immigration status and the appropriate alien eligibility test under individual welfare programs.

Explanation of Provision

Aliens admitted to the U.S. under section 207 of the Immigration and Nationality Act will continue to be eligible for welfare until 5 years after their date of arrival in the U.S.

Noncitizens over the age of 75 who have been lawfully admitted for permanent residence and have resided in the U.S. for at least five years remain eligible for welfare programs.

Veterans honorably discharged from the U.S. Armed Forces and residing in the U.S. or one of its territories continue to be eligible for welfare programs on the same basis as citizens.

Noncitizens currently residing in the U.S. and eligible for welfare programs would remain eligible for benefits for 1 year after the date of enactment of this Act.

Reasons for Change

Several exceptions are made to the policy of prohibiting welfare for aliens. People over age 75 who have lived in the U.S. for at least 5 years are allowed to continue receiving benefits because they are often too infirm to work and too old to return to their country of origin. Refugees are allowed to draw welfare benefits for up to 5 years because they are often forced to suddenly leave their country of origin without their personal belongings. Honorably discharged veterans of the U.S. Armed Forces would also remain eligible for welfare benefits. It is the intention of the Committee that non-citizen veterans and other excepted groups residing in U.S. territories or outlying possessions be eligible for benefits that are no greater than those available to citizens residing in those areas. All aliens who would lose benefits under this proposal are allowed to continue receiving benefits for a year in order to provide them with a chance to apply for citizenship, make arrangements for working, or find other means of support.

2. Programs for which noncitizens may be eligible

Present Law

See Present Law description above.

Explanation of Provision

Resident noncitizens would continue to be eligible for the Earned Income Tax Credit (EITC) and Child Protection Block Grant benefits, which fall under Committee on Ways and Means jurisdiction.

Reasons for Change

Noncitizens would remain eligible for the Earned Income Tax Credit in order to encourage work and help them become more pro-

ductive residents and potential citizens. In addition to benefits under the Child Protection Block Grant, noncitizens would remain eligible for public insurance programs to which they have made contributions including Unemployment Compensation, Social Security, Disability Insurance, and Medicare.

C. INELIGIBILITY OF ILLEGAL ALIENS FOR STATE AND LOCAL PUBLIC WELFARE ASSISTANCE (SECTION 303)

Present Law

Under *Plyler* v. *Doe* (457 U.S. 202 (1982)), States may not deny illegal alien children access to public elementary and secondary schools. However, the narrow 5–4 Supreme Court decision clearly implies that illegal aliens may be denied at least some State benefits and that Congress may influence the eligibility of illegal aliens for State benefits. Many, but not all, State general assistance laws currently deny illegal aliens means-tested general assistance.

Explanation of Provision

Aliens not lawfully present in the United States are barred from State and local means-tested public assistance. The Attorney General is authorized to determine the classes of aliens that are subject to this provision, which classes may include groups currently considered to be permanently residing in the U.S. under color of law (PRUCOL). Excepted from this prohibition are (1) emergency medical services and (2) public health assistance for certain immunizations and the testing for and treatment of communicable disease.

Reasons for Change

In order to remove any incentive for illegal immigration, it is a matter of national interest that illegal aliens not receive means-tested public assistance, including State and local public assistance. Exceptions for emergency medical services and immunizations serve public health interests.

D. STATE AND LOCAL ABILITY TO RESTRICT BENEFITS FOR LAWFUL ALIENS (SECTION 304)

Present Law

Under *Graham* v. *Richardson* (403 U.S. 365 (1971)), States are barred from denying legal permanent residents from State-funded assistance that is provided to equally needy citizens.

Explanation of Provision

States are authorized to deny State means-tested assistance to lawfully present aliens other than (1) aliens who have been admitted as refugees during the first 5 years their arrival; (2) permanent resident aliens over age 75 who have resided in the U.S. at least 5 years; (3) honorably discharged veterans; and (4) current residents during the first year after enactment. Excepted from this authority are emergency medical services and public health assist-

ance for certain immunizations and the testing for and treatment of communicable disease.

Reasons for Change

With the exception of refugees, the aged, and those who have served in our Armed Forces, it is the firm intention of Congress to allow States to decide for themselves whether they wish to provide means-tested assistance to noncitizens and, if so, how much and which types to provide. Like the Federal government, States should have the freedom to treat noncitizens differently than citizens. Exceptions for emergency medical services and immunizations serve public health interests. It is the intention of the Committee to permit States to provide non means-tested emergency assistance, such as food, shelter, or other aid in the event of a disaster, as needed.

E. ATTRIBUTION OF SPONSOR'S INCOME AND RESOURCES TO FAMILY-SPONSORED IMMIGRANTS (SECTION 305)

Present Law

In determining whether an alien meets the means test for Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and Food Stamps, the resources and income of an individual who filed an affidavit of support for the alien (and those of the individual's spouse) are taken into account during a designated period after entry. For AFDC and Food Stamps, sponsor-to-alien deeming applies to a sponsored alien seeking assistance within 3 years of entry. Until September 1996, sponsor-to-alien deeming applies to a sponsored alien seeking SSI within 5 years of entry.

Explanation of Provision

If an individual filed an affidavit of support for an alien, the income and resources of the individual and the individual's spouse would be deemed to the alien under all Federal, State and local means-tested public assistance programs until the alien becomes a citizen.

Reasons for Change

Sponsorship agreements reflect a willingness on the part of the sponsor to assume responsibility for the alien while in the U.S. By deeming the income of the sponsor to the alien when determining the alien's eligibility for means-tested public assistance, the importance of sponsorship agreements—including needed financial support—is underscored. In addition, deeming sponsors' income to aliens means it is less likely that taxpayers (including State and local taxpayers) will be called on to pay for public assistance for aliens, in keeping with the purposes of this title.

F. REQUIREMENTS FOR SPONSOR'S AFFIDAVIT OF SUPPORT (SECTIONS 306 AND 307)

Present Law

Under the Immigration and Nationality Act, an alien who is likely to become a public charge may be excluded from entry unless this restriction is waived, as in the case of refugees. By regulation and administrative practice, the State Department and the Immigration and Naturalization Service permit an alien who cannot otherwise meet the public charge requirement to overcome exclusion through an affidavit of support or similar document executed by a sponsor. Various State court decisions have held that these affidavits do not impose a binding obligation on the sponsor to reimburse State agencies providing aid to the sponsored alien.

Explanation of Provision

The document by which individuals agree to sponsor immigrants by making their income available to the immigrant is made legally binding until the immigrant becomes a citizen (the agreements are not now legally binding and last for either 3 or 5 years).

Not later than 90 days after the date of enactment of this Act, the Attorney General, in consultation with the Secretary of State and the Secretary of Health and Human Services, must formulate an affidavit of support consistent with the provisions of this section. Nothing in this section shall be construed to grant third party beneficiary rights to any sponsored alien under an affidavit of support.

The sponsor must notify the Federal government and the State in which the sponsored alien is residing within 30 days of any change of address of the sponsor; individuals failing to give notice are subject to a civil penalty of up to $5,000.

Upon notification that a sponsored alien has received any benefit under any means-tested public assistance program, the appropriate Federal, State, or local official shall request reimbursement from the sponsor in the amount of such assistance. The Attorney General, in consultation with the Secretary of Health and Human Services, will prescribe regulations necessary for requesting reimbursement. If a response indicating the willingness of the sponsor to commence payments is not received within 45 days after the request for reimbursement has been issued, an action may be brought against the sponsor pursuant to the affidavit of support. If the sponsor fails to abide by the repayment terms established, the agency may, within 60 days of such failure, bring an action against the sponsor pursuant to the affidavit of support. No cause of action may be brought under this subsection later than 10 years after the alien last received any benefit under any means-tested Federal, State or local public assistance program.

For purposes of this section, no State court shall decline for lack of jurisdiction to hear any action brought against a sponsor for reimbursement of the cost of any benefit under any Federal, State or local means-tested public assistance program if the sponsored alien received public assistance while residing in the State.

A "sponsor" must be 18 years of age or older, a U.S. citizen or legal permanent resident, and a resident of any State. A "State" includes the several States, the District of Columbia, the Commonwealth of Puerto Rico, the U.S. Virgin Islands, Guam, the Northern Mariana Islands, and American Samoa. A "means-tested public assistance program" is a program of public assistance (including cash, medical care, housing, and food assistance) of Federal, State or local government in which eligibility for benefits or the amount of benefits or both are determined on the basis of income or financial need.

The effective date applies to affidavits of support executed no sooner than 60 and no later than 90 days after the Attorney General formulates an affidavit of support consistent with the provisions of this Act (the Attorney General must formulate the affidavit no later than 90 days after enactment).

Reasons for Change

This change in law is intended to ensure both that the affidavits of support are legally binding and that sponsors—rather than taxpayers—are responsible for providing emergency financial assistance during the entire period between an alien's entry into the United States and the date upon which the alien becomes a U.S. citizen.

G. STATE AFDC AGENCIES REQUIRED TO PROVIDE INFORMATION ON ILLEGAL ALIENS TO THE IMMIGRATION AND NATURALIZATION SERVICE (SECTION 308)

Present Law

Under the Social Security Act, State agencies are required to provide safeguards that restrict the use or disclosure of information concerning Aid to Families with Dependent Children applicants or recipients to purposes connected to the administration of needs-based Federal programs.

Explanation of Provision

Agencies administering the Aid to Families with Dependent Children program must provide the name and address of illegal aliens with children who are citizens or nationals of the U.S. to the Immigration and Naturalization Service.

Reasons for Change

Some illegal female aliens give birth to children while in the United States. By Constitutional law, such children are U.S. citizens and therefore qualify for public benefits. Thus, State agencies that administer the Aid to Families with Dependent Children program are placed in the unusual position of sending checks to mothers who are illegal aliens so they can provide support for citizen children. The purpose of this provision is to provide the name and address of these illegal mothers (and sometimes fathers) to the Immigration and Naturalization Service so appropriate action may be taken.

TITLE IV. SUPPLEMENTAL SECURITY INCOME

A. DENIAL OF SUPPLEMENTAL SECURITY INCOME (SSI) BENEFITS TO DRUG ADDICTS AND ALCOHOLICS (SECTION 401)

Present Law

Under SSI program criteria, drug addiction and alcoholism by themselves constitute an impairment qualifying an individual for cash SSI benefits on the basis of disability. SSI law allows persons whose drug addition or alcoholism is a contributing factor material to their disability to receive benefits if they meet program income and resource requirements. SSI law requires these recipients to have a representative payee, to participate in an approved treatment program when available and appropriate, and to allow their participation in a treatment program to be monitored.

Public Law 103–296 limits SSI cash benefits to 3 years for recipients whose drug addiction or alcoholism is a contributing factor material to their disability. Medicaid benefits are to continue beyond the 3-year limit, as long as the individual remains disabled, unless she was expelled from SSI for noncompliance with treatment.

Explanation of Provision

Under the Committee provision, an individual is not considered disabled if drug addiction or alcoholism is a contributing factor material to his disability. Drug addicts and alcoholics who cannot qualify based on another disabling condition will not be eligible for SSI benefits, effective October 1, 1995.

For 4 years beginning with FY 1997, $100 million of the savings realized from denying cash SSI payments and Medicaid coverage to addicts and alcoholics will be targeted to drug treatment and drug abuse research. Each year, $95 million will be expended through the Federal Capacity Expansion Program (CEP) to expand drug treatment availability and $5 million will be allocated to the National Institute on Drug Abuse to be expended solely on the medication development project to improve drug abuse and drug treatment research.

Reasons for Change

Removing the eligibility of drug addicts and alcoholics will both clarify the intent of the SSI program to serve truly disabled individuals and result in considerable savings to taxpayers. Under current law, drug addicts and alcoholics are eligible to receive monthly checks and Medicaid coverage so long as they do not work. The result is a perverse incentive that affronts working taxpayers and fails to serve the interests of addicts and alcoholics, many of whom use their disability checks to purchase drugs and alcohol and thereby maintain or depend their addictions. The Committee proposal would convert part of the savings to taxpayers into additional Federal funding for drug and alcohol treatment, along with additional treatment research conducted through the National Institute on Drug Abuse.

B. GENERAL RESTRICTIONS ON ELIGIBILITY FOR CASH AND OTHER NEW BENEFITS FOR CERTAIN CHILDREN (SECTION 402)

1. Restrictions on eligibility for cash benefits

Present Law

A needy child under age 18 who has an impairment of comparable severity with that of an adult may be considered disabled and eligible for SSI benefits. To be found disabled, a child must have a medically determinable physical or mental impairment that substantially reduces her ability to independently and effectively engage in age-appropriate activities. This impairment must be expected to result in death or to last for a continuous period of not less than 12 months.

Under the disability determination process for children, individuals whose impairments do not meet or equal the "Listing of Impairments" in Federal regulations are subject to an individualized functional assessment. This assessment examines whether the child can engage in age-appropriate activities effectively. If the child cannot, he or she is determined disabled.

If the child lives at home, the parents' financial resources are deemed available to the child. If the same child is institutionalized, after the first month away from home only the child's own financial resources are deemed to be available for the child's care. The child may then qualify for a reduced ("personal needs allowance") SSI benefit and for Medicaid coverage. Because of these "deeming" rules, some children who could have been cared for at home might remain in institutions because, if they were to return home, they would lose Medicaid benefits. Medicaid "waivers" allow States to disregard the deeming rule, provide Medicaid coverage, and pay for support services to help families keep children at home.

Explanation of Provision

The "comparable severity" test in statute for determining disability of children (defined as individuals under 18) is repealed. "Individualized functional assessments" (IFAs) are no longer grounds for determination of disability. Eligibility, as determined by the Commissioner, for cash benefits or new medical or non-medical services described below will be based solely on meeting or equalling the current Listings of Impairments set forth in the Code of Federal Regulations.

Children may be eligible for cash SSI payments in one of two circumstances:

1. A child who is currently (defined as during the month prior to the first month for which this provision takes effect) receiving cash SSI payments by reason of disability will continue to be eligible for cash SSI benefits if the child has an impairment that meets or equals an impairment specified in the Listing of Impairments cited above. Children receiving cash benefits under the grandfather provision whose financial eligibility is suspended continue to receive cash benefits if financial eligibility is restored.

2. For all other children, a child may only receive cash SSI payments if the child has an impairment which meets or

equals an impairment specified in the Listing of Impairments cited above, and is either in a hospital, skilled nursing facility, residential treatment facility, intermediate care facility for the mentally retarded, or otherwise would be placed in such a facility if the child were not receiving personal assistance necessitated by the impairment. Personal assistance refers to assistance with activities of daily living such as eating and toileting.

See also the exception regarding dependents of members of the U.S. Armed Forces stationed overseas described in item 2a below.

Not later than 1 month after the date of enactment of this Act, the Commissioner of Social Security must notify individuals whose eligibility for continued SSI benefits will terminate because of the provisions that apply to SSI benefits for children.

Each year the Commissioner will review the Listing of Impairments and recommend to Congress any necessary revisions.

Reasons for Change

To target Federal benefits to seriously disabled children, restore objectivity to the evaluation process, and combat fraud and abuse, eligibility criteria for the SSI children's program are changed. Children receiving monthly checks based on an individualized functional assessment are no longer eligible for SSI benefits. This group includes the least disabled SSI recipients. The Committee received extensive testimony about the inducement that cash payments present to some poor families with children who are not severely disabled. Particularly troubling are reports of "coaching" on the part of parents and generally broadened eligibility criteria resulting in a program characterized by explosive growth in enrollment and also mounting costs to taxpayers. As a result of these and similar problems, the number of children on SSI grew from 300,000 in 1989 to 900,000 in 1994 while spending on children grew from $1.2 billion to $4 billion. The SSI program for children is out of control.

Disabled children who would otherwise be institutionalized will continue to receive cash benefits through the SSI program. Cash benefits assist families with severe hardships, and also prevent the institutionalization of children who can be better and less expensively cared for in their own home. A number of States have received waivers under Medicaid law to offer medical coverage to individuals who, absent of the Medicaid waiver, might not qualify for Medicaid benefits. In Iowa, for example, the State operates four Medicaid waiver programs including a program for ill and handicapped children and one for mentally retarded individuals. It is not the intent of the Committee to affect any of the Medicaid waivers States have received to offer Medicaid services to certain individuals.

Under the proposal, cash benefits would continue for severely disabled children currently receiving SSI payments. In addition, severely disabled children would become eligible for additional medical and non-medical services offered through a new SSI block grant.

Most disabled children added to the SSI rolls in future years will qualify for Medicaid and block grant services only, although thousands of children in institutions or who would otherwise be institutionalized but for cash payments will be eligible to receive monthly

cash benefit payments, Medicaid, and additional medical and non-medical services through the block grant. Removing approximately one in four current SSI child beneficiaries and restricting the eligibility criteria for future applicants would result in large savings to taxpayers and target benefits of the program to seriously disabled children.

2. Establishment of program of block grants regarding children with disabilities

Present Law

Generally, SSI children automatically are eligible for Medicaid benefits. Needy children who do not otherwise qualify for SSI may qualify for Aid to Families with Dependent Children (AFDC) benefits. All AFDC recipients automatically qualify for Medicaid benefits. In addition, States must provide Medicaid coverage to infants and children under age 6 in families with income below 133 percent of poverty and children under age 11 (in 1995; under age 18 in 2002) in families with income below 100 percent of poverty.

Individuals with resources of over $2,000 (or couples with resources of over $3,000) are prohibited from receiving SSI benefits; children are deemed to have the resources of their parents.

Explanation of Provision

a. Entitlement to grants

The Commissioner of Social Security will make grants to States for the purpose of providing specified medical and non-medical benefits for children who have an impairment which meets or equals an impairment specified in the Listings of Impairments cited above. Grants are an entitlement to eligible States (defined as States that submit an application for block grant funds) on behalf of qualifying children, not an entitlement to any such child. Block grant funds will be available in FY 1997 and thereafter.

A State's allotment of block grant funds equals the product of 75 percent of the average cash SSI benefit in the State and the number of children in the State receiving non-cash SSI benefits under this section.

A child who is overseas as a dependent of a member of the United States Armed Forces and who is eligible for block grant services but not eligible for cash benefits under the new criteria shall be eligible for cash benefits. Cash benefits cease when the child returns to the United States.

b. Requirements

Each State must establish a program to provide block grant services. The State will submit to the Commissioner an application for the grant. In the application, the State agrees it must spend grant funds to provide authorized services to qualifying children. The application also contains information, agreements, and assurances required by the Commissioner. In providing authorized services, States will make every reasonable effort to obtain payment for the services from other Federal, State, or local programs that provide such services and will expend the grant only to the extent that pay-

ments from other programs are not available. States are not allowed to use funds from the block grant to pay for programs or services offered by the State prior to the establishment of the block grant.

No child who has an impairment which meets or equals an impairment specified in the Listings of Impairments will be denied the opportunity to apply for services and to have his or her case assessed to determine the child's service needs.

c. Authority of the State

States may decide which services may be provided to qualifying individuals using block grant funds by selecting from a list of authorized medical and non-medical services specified by the Commissioner of Social Security.

d. Authorized services

The Commissioner must ensure that services on the list are designed to meet the unique needs of qualifying children that arise from their physical and mental impairments, that both medical and non-medical services are included, and that cash assistance is not available through the block grant.

e. General provisions

Payments under the block grant begin not later than January 1, 1997.

The value of the authorizing services provided through the block grant cannot be taken into account in determining eligibility for, or the amount of, benefits or services under any Federal or Federally-assisted program.

For the purposes of Medicaid, each qualifying child shall be considered to be a recipient of Supplemental Security Income benefits under this title.

States must provide block grant services and are encouraged to use an existing delivery system to administer block grant services.

Reasons for Change

The Committee bill establishes a block grant under which states may provide medical and non-medical services to assist severely disabled children. Medical and non-medical services for which children may be eligible through the block grant must be designed to meet the needs of disabled children. The intent is to assure that taxpayers are protected from continued abuse of the current SSI cash payment, which is not always spent by parents on improving the condition of disabled children. Children eligible for block grant services only and who are overseas as a dependent of a member of the Armed Forces receive cash benefits while they are out of the country.

Services for which disabled children would be eligible are meant to be a supplement to services and benefits already available through Medicaid and other Federal programs or programs established by individual States.

3. Provisions relating to SSI cash benefits and SSI service benefits

a. Continuing disability reviews for disabled children eligible for SSI benefits

Present Law

Public Law 103–296 requires the Secretary to conduct periodic continuing disability reviews (CDRs) of at least 100,000 disabled SSI recipients per year for a period of 3 years (i.e., FY 1996–1998). Public Law 103–296 also specifies that the Social Security Administration must reevaluate under adult disability criteria the eligibility of at least one-third of SSI children who turn age 18 in each of the fiscal years 1996, 1997, and 1998 (the CDR must be completed before these children reach age 19). Federal law requires the Social Security Administration to report on CDRs for children under age 18 no later than October 1, 1998.

Explanation of Provision

In addition to the provisions of current law, at least once every 3 years the Commissioner must conduct continuing disability reviews to redetermine the eligibility for SSI benefits of children receiving benefits. For children who are eligible for benefits and whose medical condition is not expected to improve, the requirement to perform such reviews does not apply.

All children must be reevaluated upon turning 18 years of age. The "minimum number of reviews" and the "sunset" provision of section 207 of the Social Security Independence and Program Improvements Act of 1994 are eliminated.

A review for continuing disability must be performed for all children qualifying for SSI due to low birth weight when the child has received benefits for 12 months.

Reasons for Change

To protect taxpayers against abuse and also to encourage children whose condition improves to become free of government dependence, the Commissioner of Social Security is required to review the eligibility of children already receiving SSI benefits to continue receiving benefits. Experience has shown that children with disabilities do improve and that disability reviews can be cost beneficial.

b. Applicability of Medicaid rules regarding counting of certain assets and trusts for children

Present Law

No provision.

Explanation of Provision

The Committee bill delays eligibility for any child applicant whose parents or guardians, in order to qualify a child for benefits, dispose of assets for less than fair market value within 36 months of the date of application. The provision stipulates that any assets in a trust in which the child has control shall be considered assets

of the child and subject to the 36-month "look-back" rule. The delay (in months) is equal to the amount of assets divided by the SSI standard benefit.

Reason for Change

The intention of the SSI program for children is to provide benefits to low-income severely disabled young people. Families should not be allowed to evade financial deeming levels by divesting assets or placing them in trusts over which the recipient has ultimate control.

4. Conforming Amendments

Present Law

No provision.

Explanation of Provision

A series of technical and conforming amendments to Title XVI of the Social Security Act.

Reasons for Change

Technical amendments necessary to conform provisions of the Committee bill to previous legislation.

5. Temporary eligibility for cash benefits for poor disabled children residing in States applying alternative income eligibility standard under Medicaid

Present Law

Children in hospitals or other medical institutions do not have their parents' resources deemed to them when they are in those institutions. Therefore, these children generally qualify financially for SSI while they are hospitalized. If Medicaid covers half the cost of the bill, the child's benefit amount is reduced to $30. However, if the bill is covered by private insurance, this is not the case and the child receives the full benefit amount.

Explanation of Provision

Children who are eligible solely for medical or non-medical services through the block grant but do not receive coverage under Medicaid because they live in one of the twelve 209(b) States will be eligible for cash SSI benefits until October 1, 1996, when medical services through the block grant become available.

Children receiving SSI cash assistance who are in a hospital or other medical institution and for whom private medical insurance covers the cost of the bill will have their monthly SSI benefit amount reduced to the personal needs allowance of $30.

Generally, the provisions that apply to SSI benefits for children shall apply to cash benefits for months beginning 90 or more days after the date of enactment of this Act, without regard to whether regulations have been issued.

Individuals who were receiving cash SSI payments during the month in which this Act became law but who will not continue to receive cash payments because their disability is not among those in the Listing of Impairments described above will be eligible to continue receiving cash payments only during the first 6 months after the date of enactment of this Act.

Reasons for Change

This provision protects children who are eligible for block grant services but who do not receive coverage under Medicaid because they are living in a State that has more restricted standards for Medicaid than for SSI (the so-called 209(b) States).

The inequity whereby children with the least resources can receive a smaller cash benefit is removed in the case of a child who is in a hospital or institution. These children will continue to be eligible for cash SSI benefits until the block grant services become available.

Families with children who otherwise would no longer be eligible for cash SSI payments after the date of enactment are assisted. Such children will be eligible for an additional 6 months of cash benefits, and also would have an opportunity to apply for medical and non-medical services for which they may be eligible under the SSI block grant established under the proposal.

6. Regulations

Present Law

No provision.

Explanation of the Provision

The Commissioner of Social Security and the Secretary shall issue regulations necessary to implement the provisions on SSI benefits for children not later than 3 months after the date of enactment of this Act.

Reasons for Change

In order to conform SSI practices to the proposed reforms, the Commissioner and Secretary must produce the regulations that provide guidance for implementing the reforms in a timely fashion. The Committee emphasizes its instruction to the Commissioner to issue regulations without delay.

C. EXAMINATION OF MENTAL LISTINGS USED TO DETERMINE ELIGIBILITY OF CHILDREN FOR SSI BENEFITS BY REASON OF DISABILITY (SECTION 403)

Present Law

Section 202 of the Social Security Independence and Program Improvements Act of 1994 established a Childhood Disability Commission to study the desirability and methods of increasing the extent to which benefits are used in the effort to assist disabled children in achieving independence and engaging in substantial gain-

ful activity. The Commission was also charged to examine the effects of the SSI program on disabled children and their families.

Explanation of the Provision

The Childhood Disability Commission must review the mental listings used by SSA to determine child SSI eligibility. The Commission should conduct this investigation to ensure that the criteria in these listings are appropriate and that SSI eligibility is limited to serious disabilities for which Federal assistance is necessary to improve the child's condition or quality of life.

Reasons for Change

It is the intent of the Committee that only children who are severely disabled receive SSI benefits. The Committee has received evidence that some of the current mental listings for children permit questionable allowances. The Committee wants a thorough investigation of these listings to ensure they are appropriate.

D. LIMITATION ON PAYMENTS TO PUERTO RICO, THE VIRGIN ISLANDS, AND GUAM UNDER PROGRAMS OF AID TO THE AGED, BLIND, OR DISABLED (SECTION 404)

Present Law

Under current law, these territories operate an Adult Assistance Program under a capped entitlement which has not been increased since 1988. In addition to Adult Assistance, this capped entitlement funds all AFDC-related programs.

Explanation of the Provision

The Committee bill amends section 1108 of the Social Security Act so that the total amount certified by the Secretary under titles I, X, XIV, and XVI for payment is funded at 1994 Adult Assistance levels.

Reasons for Change

This provision continues funding for Territorial Adult Assistance (the SSI equivalent) at 1994 levels.

E. REPEAL OF MAINTENANCE OF EFFORT REQUIREMENTS APPLICABLE TO OPTIONAL STATE PROGRAMS FOR SUPPLEMENTATION OF SSI BENEFITS (SECTION 405)

Present Law

Federal law passed in 1983 prevents States from reducing their State Supplementary Payment benefits below 1983 levels.

Explanation of the Provision

The Committee provision repeals the maintenance of effort requirements applicable to optional State programs for supplementation of SSI benefits.

Reasons for Change

This provision broadens the States' ability to manage their supplemental benefit programs which provide State-funded benefits to SSI recipients. The Federal government should not have the power to deprive States of their right to manage a program that, under Federal law, is optional.

TITLE V. CHILD SUPPORT ENFORCEMENT

SUBTITLE A: CASE REGISTRIES, ELIGIBILITY FOR SERVICES, AND DISTRIBUTION OF PAYMENTS

1. Case registries; State obligation to provide child support enforcement services (Section 501)

Present Law

States are required to establish paternity for children born out of wedlock if they are recipients of AFDC or Medicaid. States are also required to obtain child support payments from noncustodial parents of children receiving AFDC, Medicaid benefits, or foster care maintenance payments.

States must provide child support collection or paternity determination services to persons not otherwise eligible if the person applies for services.

Federal law requires States to cooperate with other States in establishing paternity (if necessary), locating absent parents, and collecting child support payments.

Explanation of Provision

States must record all child support orders currently handled by a State child support enforcement agency and all orders established or modified on or after October 1, 1998, in a State Case Registry. States must also collect and disburse child support payments being enforced by a State child support enforcement agency, beginning October 1, 1998 using a State disbursement unit. Child support services under the State plan must be available to nonresidents of the State on the same terms as residents.

Reasons for Change

An important problem in the current child support enforcement system is the slowness with which the income of nonresident parents is located. This problem is especially important in interstate cases. One of the major objectives of the Committee bill is to create a system in which the income of nonresident parents can be quickly located, withheld, and disbursed to custodial parents. Two of the elements in this system, both of which are established by this provision, are a registry of all orders in each State and a single State unit responsible for collecting and distributing child support payments that are the responsibility of State child support programs. Because the Committee is particularly interested in addressing interstate child support issues, this section of the bill also requires States to provide identical child support services to residents and nonresidents of the State.

2. Distribution of child support collections (Section 502)

Present Law

To receive AFDC benefits, a custodial parent must assign to the State her right to collect child support payments. This assignment covers current support and any arrearages, and lasts as long as the family receives AFDC. Federal law requires that child support collections be distributed as follows: First, up to the first $50 in current support is paid to the AFDC family (a "disregard" that does not affect the family's AFDC benefit or eligibility status). Second, the Federal and State governments are reimbursed for the AFDC benefit paid to the family in that month. Third, if there is money left, the family receives it up to the amount of the current month's child support obligation. Fourth, if there is still money left, the State keeps it to reimburse itself for any arrears owed to it under the AFDC assignment. If no arrears are owed the State, the money is used to pay arrears to the family; such moneys are considered income under the AFDC program and would reduce the family's AFDC benefit.

Explanation of Provision

In the case of families on public assistance, the Committee provision modifies current law in three major respects. First, the $50 passthrough to families is ended. Second, States are given the option of passing the entire child support payment through to families. If States elect this option, they must pay the Federal share of the collection to the Federal government. In the Committee's third major departure from current law, payments on arrearages that accrued before or after the custodial parent went on welfare are paid first to the family if the family leaves welfare. Only after all arrearages owed to the custodial parent and children have been repaid are arrearages owed to the State and Federal government repaid.

As a general rule, States must pay to the Federal government the Federal share of child support collections for parents on the Temporary Family Assistance program. This share is the State's Medicaid match rate in effect in 1995 or in subsequent years, whichever is greater.

When families leave the Temporary Family Assistance program, States are required to continue providing child support enforcement services subject to the same conditions and on the same basis as in the case of individuals who receive assistance.

Reasons for Change

The $50 passthrough of child support collections to families receiving public assistance poses a significant administrative expense for overburdened State child support agencies. Thus, the Committee bill ends the $50 passthrough. However, to maintain the link between payments by nonresident parents and the support of their children, States are given the option of sending the entire child support payment, minus the Federal share, to the custodial parent and children. If States follow this option, the payments must count as income against welfare benefits.

The key feature of this section of the bill is the change in rules governing distribution of collections in the case of mothers who leave welfare. Under current law, collections above the amount of current child support are kept by the State and Federal governments as repayment for tax dollars that were given to the custodial parent and children in the form of public aid. Under the Committee bill, these arrearage payments are given directly to the custodial parent until all the unpaid support that accumulated both before and after the family went on welfare is paid. This change in law, which will cost the Federal government around $200 million over the first 5 years, is designed to help mothers stay off welfare. Research shows that about 75 percent of the mothers who leave welfare come back on the rolls within 5 years. This feature of the Committee bill will provide a new source of income for mothers trying to work to support their children without relying on public aid. Similarly, the requirement that States continue providing these mothers with child support enforcement services is intended to maintain this new source of income and thereby increase the odds that mothers will be able to support their children without relying on welfare.

The Committee bill includes a rule requiring States to continue paying to the Federal government a portion of child support collections for parents receiving benefits from the Temporary Family Assistance program. Under current law, States are directly reimbursed by the Federal government for a portion of their payments to families under the Aid to Families with Dependent Children program. But the Federal funding provided to States under the new block grant format requires a change in the method of sharing child support collections. The requirement that States provide the Federal government with the percentage of collections that equals the Medicaid matching rate is intended simply to create a mechanism to ensure that both the Federal and State governments continue receiving roughly the same share of collections they receive under current law.

3. Privacy safeguards (Section 503).

Present Law

Federal law limits the use or disclosure of information concerning recipients of Child Support Enforcement Services to purposes connected with administering specified Federal welfare programs.

Explanation of Provision

States must implement safeguards against unauthorized use or disclosure of information relating to proceedings or actions to establish paternity or to enforce child support. These safeguards must include prohibitions on release of information where there is a protective order or where the State has reason to believe a party is at risk of physical or emotional harm from the other party. This provision is effective October 1, 1997.

Reasons for Change

The Committee bill contains numerous safeguards on privacy, several of which will be described below. Much of the information discovered in court proceedings and contained in child support records is confidential. States must therefore have laws and administrative procedures that protect this information from public disclosure.

States should take every precaution to ensure against mistaken identification of nonresident parents, and to ensure that erroneous information is corrected in cases where mistakes in identity have occurred.

SUBTITLE B: LOCATE AND CASE TRACKING

1. State case registry. (Section 511)

Present Law

No provision.

Explanation of Provision

This section of the Committee bill contains the detailed requirements for the new system of locating the income of nonresident parents, for matching this income with a child support order, and for issuing a wage withholding order. Further, States are required to perform these various functions using automatic data processing systems. More specifically, States are required to have an automatic data processing system that:

a. performs the functions of a State Case Registry containing records of each case in which services are being provided by the State agency. The Case Registry must include each case in which an order has been entered or modified on or after October 1, 1998, and must use standard data elements such as name, Social Security number, and other uniform identification numbers and contain other information that the Secretary specifies in regulations;

b. maintains payment records for cases being enforced by the State agency, including amounts of current and past due support owed, amounts collected and distributed, birth date of the child to whom the obligation is owed, and the amount of any lien imposed by the State;

c. establishes, maintains, monitors, and updates case records in the State registry being enforced by the State on the basis of information received from judicial and administrative actions, from proceedings, from orders relating to paternity and support, from data matches, and from other sources;

d. extracts data for purposes of sharing and matching with Federal and State data bases and locator services, including the Federal Parent Locator Service, and with the child support enforcement programs in other States.

States may establish a single registry by linking local registries if the requirements outlined above are met.

Reasons for Change

As explained above, the State Case Registry and the State Disbursement Unit are essential components of the expanded and automated child support enforcement system envisioned by the Committee bill. Given the importance of mass processing of records and information received from many sources, the details on data processing outlined in this section of the bill are essential to the overall functioning of the new system. A major theme of the Committee bill is automation and mass processing of records. The Committee view is that as long as the child support enforcement program functions on a case-by-case basis, the program will continue to be inefficient and ineffective.

2. Collection and disbursement of support payments (Section 512)

Present Law

No provision. But, States may provide that, at the request of either parent, child support payments be made through the child support enforcement agency or the agency that administers the State's income withholding system regardless of whether there is an arrearage. States must charge the parent who requests child support services a fee equal to the cost incurred by the State for these services, up to a maximum of $25 per year.

Explanation of Provision

State child support agencies are required, beginning October 1, 1998, to operate a centralized, automated unit for collection and disbursement of child support under orders enforced by the child support agency. This State Disbursement Unit must be operated directly by the State agency, by two or more State agencies under a regional cooperative agreement, or by a contractor responsible directly to the State agency. The purpose of the Disbursement Unit is to collect and disburse support payments, to generate orders and notices of withholding to employers, to keep an accurate identification of payments, to promptly distribute money to custodial parents or other States, and to furnish parents with a record of the current status of support payments. The Disbursement Unit must distribute all amounts payable within 2 business days after receiving the money and identifying information from the employer. The State Disbursement Unit may be established by linking local disbursement units through an automated information network.

Reasons for Change

The State Disbursement Unit is the third of the three State organizations that form the core of the reformed child support system. Along with the State Case Registry and the Directory of New Hires, the State Disbursement Unit will enable States to locate parents who owe support, issues withholding orders soon after the obligor is hired, process the payment and keep records at a central location, and then distribute the support payments in a timely manner.

The Committee provision requires only that cases being handled by the State agency be processed through the State Disbursement

Unit. Here as elsewhere, the Committee intends to interfere with private, nonsubsidized child support arrangements only when the obligated parent fails to pay support promptly.

3. State directory of new hires (Section 513)

Present Law

No provision.

Explanation of Provision

States are required to establish, by October 1, 1997, a State Directory of New Hires to which employers and labor organizations in the State must furnish a W–4 form for each newly hired employee. Employers must submit the W–4 form within 15 days after the date of hire or on the day the first paycheck is issued. Multistate employees may report to the State in which they have the most employers. The employer or labor organization may submit the report magnetically, electronically, or by first class mail. Government agencies are considered employers for purposes of New Hire reporting.

An employer failing to make a timely report is subject to a $25 fine for each unreported employee. There is also a $500 penalty on employers for every employee for whom they do not transmit a W–4 form if, under the laws of the State, there is shown to be a conspiracy between the employer and the employee to prevent the proper information from being filed.

By October 1, 1997, each State Directory of New Hires must conduct automated matches of the Social Security numbers of reported employees against the Social Security numbers of records in the State Case Registry being enforced by the State agency and report the information on matches to the State child support agency. Then, within 2 business days, the State must issue a withholding order directing the employer to withhold wages in accord with the child support order.

In addition, within 4 working days of receiving the W–4 information from employers, the State Directory of New Hires must furnish the information to the National Directory of New Hires for matching with the records of other State case registry. The State Directory of New Hires must also report quarterly to the National Directory of New Hires information on wages and unemployment compensation (this information is taken directly from a report that States are currently required to submit to the Secretary of Labor).

The State child support agency must use the new hire information for purposes of establishing paternity as well as establishing, modifying, and enforcing child support obligations.

New hire information must also be disclosed to the Temporary Family Assistance, Medicaid, Unemployment Compensation, Food Stamp, and territorial cash assistance programs for income eligibility verification; to the Social Security Administration for use in determining the accuracy of Supplemental Security Income payments under Title XVI and in connection with benefits under Title II of the Social Security Act; to the Secretary of the Treasury for administration of the Earned Income Tax Credit program and for verification of claims concerning employment on tax returns; to

State agencies administering unemployment and workers' compensation programs to assist determinations of the allowability of claims; and to researchers (but without individual identifiers) conducting studies that serve the purposes of the child support enforcement program.

Reasons for Change

The State Case Registry, the State Disbursement Unit, and the State Directory of New Hires comprise the heart of the new child support system envisioned by the Committee bill. Although the New Hire reporting imposes a slight burden on employers, the Committee has attempted to minimize this burden by requiring employers to submit a form (the W–4 form) they must already complete and by allowing them to submit the form at the time of their regular payroll cycle. In addition, the Committee bill contains a much smaller fine on employers that fail to report new hire information than the fine imposed by previous bills. Given the importance of quick reporting of employment and the equally quick issuance of the child support withholding order for the collection of child support payments, the Committee felt it was necessary to impose this small additional burden on employers.

The formation of the National Directory of New Hires will extend the benefits of rapid new hire reporting and wage withholding to interstate cases. The Committee has received extensive information through letters and testimony that the current system of pursuing child support across State lines is far too sluggish to be effective. Here and elsewhere in the bill, the Committee takes strong and innovative action to repair a system that is universally regarded as broken. Data from the Federal Office of Child Support Enforcement show that whereas about 30 percent of child support cases are interstate cases, only 10 percent of collections are from interstate cases. Once the State and National Directories of New Hires are established, the nation will, for the first time, have a rapid response mechanism in place to locate and withhold wages legally obligated for child support payments.

The Committee bill also includes requirements to share income information across programs within the State and with several national agencies in order to reduce fraud in these benefit programs including Temporary Family Assistance, Unemployment Compensation, Supplemental Security Income, and the Earned Income Tax Credit.

4. Amendments concerning income withholding (Section 514)

Present Law

Since November 1, 1990, all new or modified child support orders that were being enforced by the State's child support enforcement agency have been subject to immediate income withholding. If the noncustodial parent's wages are not subject to income withholding (pursuant to the November 1, 1990 provision), such parent's wages would become subject to withholding on the date when support payments are 30 days past due. Since January 1, 1994, the law has required States to use immediate income withholding for all new support orders, regardless of whether a parent has applied for child

support enforcement services. There are two circumstances in which income withholding does not apply: 1) one of the parents demonstrates and the court or administrative agency finds that there is good cause not to do so, or 2) a written agreement is reached between both parents which provides for an alternative arrangement.

States must implement procedures under which income withholding for child support can occur without the need for any amendment to the support order or for any further action by the court or administrative entity that issued the order.

States are also required to implement income withholding in full compliance with all procedural due process requirements of the State, and States must send advance notice to each nonresident parent to whom income withholding applies (with an exception for some States that had income withholding before enactment of this provision that met State due process requirements).

States must extend their income withholding systems to include out-of-State support orders.

Explanation of Provision

States must have laws providing that all child support orders issued or modified before October 1, 1996, which are not otherwise subject to income withholding, will become subject to income withholding immediately if arrearages occur and without the need for judicial or administrative hearing. State law must also allow the child support agency to execute a withholding order through electronic means and without advance notice to the obligor. Employers must remit income withheld within 2 working days after the date such amount would have been paid or credited to the employee.

Reasons for Change

Under present law, most support orders are automatically subject to income withholding. This provision ensures that every child support order, regardless of when it was issued or modified, would be subject to withholding if arrearages occur. This provision is based on the assumption that a key component of successful child support collection is immediate response when obligors begin to miss payments. At the same time, however, the Committee bill continues to provide an exception for parents who reach cooperative agreement on child support and maintain good payment records. The government program intervenes when private arrangements fail.

5. Locator information from interstate networks (Section 515)

Present Law

No provision.

Explanation of Provision

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

Reasons for Change

Child support enforcement programs are dependent on current information on the Social Security number and address of parents who owe or could owe child support. Most adults have drivers' licenses and many, especially those who owe past-due child support, have had involvement with law enforcement. Thus, the Committee bill requires States to make both sources of child support information available to the child support agencies of all States and the Federal government.

6. Expanded Federal parent locator services (Section 516)

Present Law

The law requires that the Federal Parent Locator Service (FPLS), established as part of the child support enforcement program, be used to obtain and transmit information about the whereabouts of any absent parent when that information is to be used for the purpose of enforcing child support.

Upon request, the Secretary must provide to an "authorized person" (i.e., an employ or attorney of a child support agency, a court with jurisdiction over the parties involved, the custodial parent, legal guardian, or attorney of the child) the most recent address and place of employment of any absent parent if the information is contained in the records of the Department of Health and Human Services, or can be obtained from any other department or agency of the United States or of any State. The FPLS also can be used in connection with the enforcement or determination of child custody and in cases of parental kidnapping.

Federal law requires the Secretary of Labor and the Secretary of Health and Human Services to enter into an agreement to give the FPLS prompt access to wage and unemployment compensation claims information useful in locating a noncustodial parent or his employer.

Federal law requires that any department or agency of the United States must be reimbursed for costs incurred by providing such services and that "authorized persons" who request information from FPLS must be charged a fee.

Explanation of Provision

FPLS is already a central component of the Federal child support effort, and is especially useful in interstate cases. The Committee provision, however, would dramatically expand the usefulness of the FPLS by providing it with substantial new sources of timely information that is to be used for the purposes of establishing parentage and establishing, modifying, or enforcing child support obligations. The Committee provision establishes within the FPLS an automated registry known as the Federal Case Registry of Child Support Orders. The Federal Case Registry contains abstracts of child support orders and other information specified by the Secretary (such as names, Social Security numbers or other uniform identification numbers, State case identification numbers, wages or other income, and rights to health care coverage) to identify indi-

viduals who owe or are owed support (or for or against whom support is sought to be established), and the State which has the case.

In addition to the Federal Case Registry, the provision establishes within the FPLS a National Directory of New Hires containing information supplied by the State Directories of New Hires. When fully implemented, the Federal Directory of New Hires will contain identifying information on virtually every person who is hired in the United States. In addition, the Federal Case Registry will contain quarterly data supplied by the State Directory of New Hires on wages and unemployment compensation paid. Provisions are included in the bill to ensure accuracy and to safeguard information in the FPLS from inappropriate disclosure or use.

The Secretary is required to match data in the National Directory of New Hires against the child support order abstracts in the Federal Case Registry of Child Support Orders at least every 2 working days and to report information obtained from matches to the State child support agency responsible for the case within 2 days. The information is to be used for purposes of locating individuals to establish paternity, and to establish, modify, or enforce child support. The Secretary may also compare information across all components of the FPLS to the extent and with the frequency that she determines will be effective.

Finally, as outlined above when describing the State Directory of New Hires, the Secretary will share information from the FPLS with several potential users including State agencies administering the Temporary Family assistance program, the Commissioner of Social Security, and researchers under some circumstances.

The Secretary is authorized to set reasonable rates for reimbursing Federal and State agencies for the costs of providing information to the FPLS and to set reimbursement rates that State and Federal agencies that use information from the FPLS must pay to the Secretary. As in other sections of the Committee bill, this section also contains provisions on restricting the disclosure and use of information.

Reasons for Change

Since the Commission on Interstate Child Support Enforcement published its report nearly three years ago, a national directory of information on child support cases and new hires has been widely viewed as one of the keys to child support reform. The Committee bill contains both of these mechanisms as well as a directory of every child support order in the nation. With this new information, the FPLS will become the hub of information in a vitalized system for improving interstate child support enforcement. Given that interstate cases constitute about 30 percent of the child support caseload but only about 10 percent of collections, the expanded FPLS should greatly improve child support collections. Moreover, better child support collections will enable more mothers to leave and remain off the welfare rolls, thereby fulfilling the most important goal of the Committee bill. Information from the FPLS, especially that on wages and income, may also prove quite useful in reducing fraud in several large and rapidly growing programs under the Committee's jurisdiction.

7. Collection and use of Social Security numbers (Section 517)

Present Law

Federal law requires that in the administration of any law involving the issuance of a birth certificate. States must require each parent to furnish their Social Security number for the birth records. The State is required to make such numbers available to child support agencies in accordance with Federal or State law.

Explanation of Provision

States must have laws requiring that Social Security numbers be placed on applications for professional licenses, commercial drivers licenses, and occupational licenses, and in the records for marriage licenses, divorce decrees, child support orders, and paternity determination or acknowledgment orders.

Reasons for Change

The Social Security number is the key piece of information around which the child support information system is constructed. Not only are new hire and support order matches at the State and Federal level based on Social Security numbers, but so too are most data searches aimed at locating nonpaying parents. Thus, giving child support offices access to new sources for obtaining Social Security numbers is important to successful functioning of several other components of the Committee bill. To promote privacy in keeping Social Security numbers confidential, the provision does not require States to place the numbers directly on the face of the licenses, decrees, or orders. Rather, the number must simply be kept in applications and records that, in most cases, are stored in computer files.

In requiring use of Social Security numbers, the Committee does not intend to alter current law concerning confidentiality of records containing such numbers. Present law provides that Social Security numbers can be used in nonconfidential, public records if those records were nonconfidential and public under State law prior to October 1, 1990.

SUBTITLE C: STREAMLINING AND UNIFORMITY OF PROCEDURES

1. Adoption of uniform State laws (Section 521)

Present Law

States have several options available for pursuing interstate child support cases including direct income withholding, interstate income withholding, and long-arm statutes (which require the use of the court system in the State of the custodial parent). In addition, States use the Uniform Reciprocal Enforcement of Support Act (URESA) and the Revised Uniform Reciprocal Enforcement of Support Act (RURESA) to conduct interstate cases. Among other provisions, these Acts impose a Federal criminal penalty for the willful failure to pay past-due child support to a child who resides in a State other than the State of the obligor.

In 1992, the National Conference of Commissioners on State Uniform Laws approved a new model State law for handling interstate CSE cases. The new Uniform Interstate Family Support Act (UIFSA) is designed to deal with desertion and nonsupport by instituting uniform laws in all 50 States that limit control of a child support case to a single State. This approach ensures that only one child support order from one court or child support agency will be in effect at any given time. It also helps to eliminate jurisdictional disputes between States that are impediments to locating parents and enforcing child support orders across State lines. (As of July 1994, 20 States already had enacted UIFSA.)

Explanation of Provision

By January 1, 1997, all States must have UIFSA and the procedures required for its implementation in effect. The Committee bill contains a few modifications of UIFSA. These include the requirement that UIFSA apply to any case involving an order established or modified in one State that is sought to be modified in another State, a new provision on long-arm statutes and petitioning for modifications of orders, and a requirement that States recognize as valid any method of service of process used in the other State that is valid in the other State.

Reasons for Change

Mandatory passage and use of UIFSA is a cornerstone of a major purpose of the Committee bill—improved child support enforcement in interstate cases. Without uniform laws and procedures governing child support, the success of interstate cases will continue to be severely constrained. Virtually every witness that testified on interstate enforcement before the Committee recommended that UIFSA be made mandatory.

2. Improvements to full faith and credit for child support orders (Section 522)

Present Law

Federal law requires States to treat past-due support obligations as final judgments that are entitled to full faith and credit in every State. This means that a person who has a support order in one State does not have to obtain a second order in another State to obtain support due should the debtor parent move from the issuing court's jurisdiction. P.L. 103–383 restricts a State court's ability to modify a support order issued by another State unless the child and the custodial parent have moved to the State where the modification is sought or have agreed to the modification.

Explanation of Provision

The Committee provision changes and expands the recently enacted Federal law governing full faith and credit for child support orders by adding several provisions. One provision clarifies the definition of a child's home State; another makes several revisions to ensure that full faith and credit laws can be applied consistently

with UIFSA; another clarifies the rules which child support order States must honor when there is more than one order.

Reasons for Change

An important problem in interstate child support cases has been the difficulty of enforcing orders across State lines and confusion about whether particular orders must be honored, especially if the order was issued by a State other than the State in which a custodial parent is trying to have the order enforced. These provisions of the Committee bill clarify these various contradictions and confusions. Once the provision is enacted by every State, there will be little doubt about orders being enforceable across State lines.

3. Administrative enforcement in interstate cases (Section 523)

Present Law

No provision.

Explanation of Provision

Like the previous provision, this provision requires States to have laws that facilitate the enforcement of child support orders across State lines. In this case, State are required to have laws that permit them to send and receive, without registering the underlying order unless the enforcement action is contested by the obligor on the grounds of mistake of fact or invalid order, requests to other States to enforce orders across State lines. The transmission of the order itself serves as certification to the responding State of the arrears amount and of the fact that the initiating State met all procedural due process requirements. No court action is required or permitted by the responding State. In addition, each responding State must, without requiring the case to be transferred to their State, match the case against its data bases, take appropriate action if a match occurs, and send the collections, if any, to the initiating State. State must keep records of the number of requests they receive, the number of cases that result in a collection, and the amount collected. States must respond to interstate requests within 5 days.

Reasons for Change

This provision is simply an additional measure to pursue the goal of improved interstate collection. Strengthening the laws on nonjudicial enforcement across State lines will greatly improve the speed and reduce the expense of enforcing orders in interstate cases. If States do a good job of enacting and then implementing the routine administrative procedures required by the Committee bill, interstate child support collections will improve.

4. Use of forms in interstate enforcement (Section 524)

Present Law

No provision.

Explanation of Provision

The Secretary must issue forms that States must use for income withholding, for imposing liens in interstate cases, and for issuing administrative subpoenas in interstate cases. The forms must be issued by June 30, 1996 and States must be using the forms by October 1, 1996.

Reasons for Change

One reason interstate cases are difficult to work is that States use different legal forms for the same transactions. This provision will ensure that all States are using identical forms for income withholding, lien imposition, and administrative subpoenas, thereby reducing confusion and promoting rapid execution of legal procedures.

5. State laws providing expedited procedures (Section 525)

Present Law

States must have procedures under which expedited processes are in effect under the State judicial system or under State administrative processes for obtaining and enforcing support orders and for establishing paternity.

Explanation of Provision

States must adopt a series of procedures to expedite both the establishment of paternity and the establishment, enforcement, and modification of support:

a. ordering genetic testing in appropriate cases;

b. entering a default order upon a showing of service of process and any other showing required by State law to establish paternity if the putative father refuses to submit to genetic testing and to establish or modify a support order when a parent fails to appear for a hearing;

c. issuing subpoenas to obtain information necessary to establish, modify or enforce an order, with appropriate sanctions for failure to respond to a subpoena;

d. obtaining access to records including: records of other State and local government agencies, law enforcement records, and corrections records, including automated access to records maintained in automated data bases;

e. directing the parties to pay support to the appropriate government entity;

f. ordering income withholding;

g. securing assets to satisfy arrearages by intercepting or seizing periodic or lump sum payment from States or local agencies; these payments include unemployment compensation, workers' compensation, judgements, settlements, lottery winnings, assets held by financial institutions, and public and private retirement funds; and

h. increasing automatically the monthly support due to include amounts to offset arrears.

States must also follow a series of procedural rules that apply to all of the expedited procedures outlined in the preceding section:

a. requiring parties in paternity and child support actions to file and update information about identity, address, and employer with the tribunal and with the State Case Registry before the order is issued so the tribunal can deem due process requirements for notice and service of process to be met in any subsequent action involving the same parties;

b. granting the child support agency and any administrative or judicial tribunal with authority to hear child support and paternity cases, to exert Statewide jurisdiction over the parties, and to grant orders issued in these cases that have Statewide effect; and

c. permitting transfer of cases between administrative areas without additional filing or service of process.

The Secretary of Health and Human Services is prohibited from granting exemptions from Federal requirements in the following areas: paternity establishment, modification of orders, recording orders in State Case Registry, recording Social Security Numbers, interstate enforcement, and expedited procedures.

The automated systems being developed by States are to be used to implement the expedited procedures.

Reasons for Change

Cumbersome court procedures have been a major impediment to the efficient operation of child support systems. Along with automation, expanded sources of information, and the State and national registries and directories, providing child support officials with the authority to bypass court procedures in some cases is a central feature of the Committee bill. If child support agencies can order genetic testing, enter default orders, issue subpoenas for information needed to establish or modify orders, obtain access to financial information, issue income withhold notices, secure assets, and increase monthly payments to secure overdue child support, their ability to quickly and efficiently obtain support payments will be greatly improved.

SUBTITLE D: PATERNITY ESTABLISHMENT

1. State laws concerning paternity establishment (Section 531)

Present Law

Federal law requires States to implement laws under which the child and all other parties must undergo genetic testing upon the request of a party in contested cases. Federal law requires States to implement procedures: (1) for a simple civil process for voluntary paternity acknowledgment, including hospital-based programs; (2) under which the voluntary acknowledgment of paternity creates a rebuttable, or at State option, a conclusive presumption of paternity, and under which such voluntary acknowledgment is admissible as evidence of paternity; (3) under which the voluntary acknowledgment of paternity must be recognized as a basis for seeking a support order without requiring any further proceedings to establish paternity; (4) which provide that any objection to genetic testing results must be made in writing within a specified number of days before any hearing at which such results may be introduced

into evidence, and 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; (5) which create a rebuttable or, at State option, conclusive presumption of paternity upon genetic testing results indicating a threshold probability that the alleged father is the father of the child; (6) that require a default order to be entered in a paternity case upon a showing of service of process on the defendant and any additional showing required by State law; and (7) under which a State must give full faith and credit to a determination of paternity made by any other State, whether established through voluntary acknowledgment or through administrative or judicial processes.

Explanation of Provision

States must strengthen their paternity establishment laws by requiring that paternity may be established until the child reaches age 18 and by requiring the child and all other parties to undergo genetic testing upon the request of a party, where the request is supported by a sworn statement establishing a reasonable possibility of parentage or nonparentage. When the tests are ordered by the State agency, States must pay for the costs, subject to recoupment at State option from the father if paternity is established.

States must have procedures that: create a simple civil process for establishing paternity under which benefits, rights and responsibilities of acknowledgment are explained to unwed parents; establish a paternity acknowledgment program through hospitals and birth record agencies (and other agencies as designated by the Secretary) and that require the agencies to use a uniform affidavit developed by the Secretary that is entitled to full faith and credit in any other State; create a signed acknowledgment of paternity that is considered a legal finding of paternity unless rescinded within 60 days, and thereafter may be challenged in court only on the basis of fraud, duress, or material mistake of fact; allow minors who sign a voluntary acknowledgment to rescind it until age 18 or the date of the first proceeding to establish a support order, visitation, or custody rights; and provide that no judicial or administrative proceedings are required or permitted to ratify an acknowledgment which is not challenged by the parents.

States must also have procedures for: admitting into evidence accredited genetic tests, unless any objection is made within a specified number of days, and if no objection is made, clarifying that test results are admissible without the need for foundation or other testimony; creating a rebuttable or, at State option, conclusive presumption of paternity upon genetic testing results indicating a threshold probability that the alleged father is the father of the child; requiring a default order to be entered in a paternity case upon a showing of service of process on the defendant and any additional showing required by the State law; providing that parties in a contested paternity action are not entitled to a jury trial; requiring issuance of an order for temporary support, upon motion of a party, pending an administrative or judicial determination of parentage, where paternity is indicated by genetic testing or other clear and convincing evidence; providing that bills for pregnancy,

childbirth, and genetic testing are admissible without foundation testimony; ensuring that putative fathers have a reasonable opportunity to initiate paternity action; and providing for voluntary acknowledgments and adjudications of paternity to be filed with the State registry of birth records for data matches with the central registry established by the State.

The Secretary is required to develop an affidavit to be used for voluntary acknowledgment of paternity which includes the Social Security Number of each parent.

Reasons for Change

Like interstate enforcement, paternity establishment is one of the major weaknesses of the current child support system. A significant fraction, perhaps as many as half, of the children on the Aid to Families with Dependent Children program do not have paternity established. Obviously, until paternity is established, child support enforcement cannot even begin. Thus, the Committee bill includes a host of provisions that will result in improved paternity establishment performance by States. These provisions, most of which have already proven effective in one or more States, include procedures that make maximum use of blood tests, encourage early and voluntary establishment of paternity, and avoid formal and time-consuming court procedures.

2. Outreach for voluntary paternity establishment. (Section 532)

Present Law

States are required to regularly and frequently publicize, through public service announcement, the availability of child support enforcement services.

Explanation of Provision

States must publicize the availability and encourage the use of procedures for voluntary establishment of paternity and child support.

Reasons for Change

Several recent studies of innovative State programs indicate that around the time of an out-of-wedlock birth, many fathers are present in the hospital or their location is well-known to mothers. If the putative father is approached at this time and asked to voluntarily acknowledge paternity, he will often do so. Based on these studies of current State programs, the Committee feels it would be well worth the effort for States to make the availability of voluntary paternity acknowledgment procedures as well known as possible.

3. Cooperation by applicants and recipients of temporary family assistance (Section 533)

Present Law

AFDC applicants and recipients are required to cooperate with the State in establishing the paternity of a child and in obtaining

child support payments unless the applicant or recipient is found to have good cause for refusing to cooperate.

Under the "good cause" regulations, the child support agency may determine that it is against the best interests of the child to seek to establish paternity in cases involving incest, rape, or pending procedures for adoption. Moreover, the agency may determine that it is against the best interest of the child to require the mother to cooperate if it is anticipated that such cooperation will result in the physical or emotional harm of the child, parent, or caretaker relative.

Explanation of Provision

Individuals who apply for or receive public assistance under the Temporary Family Assistance Program must cooperate with child support enforcement efforts by providing specific identifying information about the other parent, unless the applicant or recipient is found to have good cause for refusing to cooperate. "Good cause" is defined by States. States may also require the applicant and child to submit to genetic testing. Responsibility for determining failure to cooperate is shifted from the agency that administers the Temporary Family Assistance Program to the agency that administers the child support program.

Reasons for Change

Given the central importance of paternity establishment, the Committee wanted to clarify that unless mothers cooperate with child support officials, they and their children will be refused cash benefits under the Temporary Family Assistance program. The Committee has received testimony that the agency administering the Aid to Families with Dependent Children program may be somewhat lax in ensuring that mothers cooperate with child support officials. For this reason, responsibility for determining whether the mother is cooperating fully is moved from the welfare agency to the child support agency.

SUBTITLE E: PROGRAM ADMINISTRATION AND FUNDING

1. Federal matching payments (Section 541)

Present Law

The Federal Government currently reimburses each State at the rate of 66 percent for the cost of administering its child support enforcement program. The Federal Government also reimburses States 90 percent of the laboratory costs of establishing paternity, and through FY 1995, 90 percent of the costs of developing comprehensive Statewide automated systems. (There is no maintenance of effort provision in current law.)

Explanation of Provision

The Committee bill maintains the Federal matching payment for child support activities at 66 percent. This bill also adds a maintenance of effort requirement that the non-Federal share of IV-D

funding for FY 1997 and succeeding years not be less than such funding for FY 1996.

Reasons for Change

Several of the child bills now before Congress, including the bill introduced last year by the Administration, would increase the Federal matching rate for State expenditures on child support enforcement. However, since the beginning of the child support program in 1975, the Federal government has always spent more money supporting State programs that it has received back in child support payments on behalf of mothers on welfare. By contrast, the sum of Federal reimbursements and the State share of child support collections on behalf of welfare mothers almost always exceeds expenditures for every State. Under these circumstances, it seem reasonable to avoid increasing the basis Federal matching rate. Increasing the matching rate would increase the Federal deficit, an outcome the Committee fervently wished to avoid.

The Committee inserted State maintenance of effort language because with the new incentive system proposed by the Committee, some States could be receiving Federal reimbursement of as high at 90 percent. With high level reimbursement, States might be tempted to reduce investment of their own money.

2. Performance-based incentives and penalties (Section 542)

Present Law

The Federal Government pays States an incentive amount ranging from 6 percent to 10 percent of AFDC and non-AFDC collections.

States are required to meet Federal standards for the establishment of paternity. The standard relates to the percentage obtained by dividing the number of children in the State who are born out of wedlock, are receiving AFDC or child support enforcement services, and for whom paternity has been established by the number of children who are born out of wedlock and are receiving AFDC or child support enforcement services. To meet Federal requirements, this percentage in a State must be at least 75 percent or meet the following standards of improvement from the preceding year: 1) if the State paternity establishment ratio is between 50 and 75 percent, the state ratio must increase by 3 or more percentage points from the ratio of the preceding year; 2) if the State ratio is between 45 and 50, the ratio must increase at least 4 percentage points; 3) if the State ratio is between 40 and 45 percent, it must increase at least 5 percentage points; and 4) if the State ratio is below 40 percent, it must increase at least 6 percentage points.

If an audit finds that the State's child support enforcement program has not substantially complied with the requirements of its State plan, the State is subject to a penalty. In accord with this penalty, the Secretary must reduce a State's AFDC benefit payment by not less than 1 percent nor more than 2 percent for the first failure to comply; by not less than 2 percent nor more than 3 percent for the second consecutive failure to comply; and by not less than 3 percent nor more than 5 percent for third or subsequent consecutive failure to comply.

Explanation of Provision

Beginning in 1999, a new incentive system will be put in place. This system will reward good State performance by increasing the State's basic matching rate of 66 percent by adding up to 12 percentage points for outstanding performance in establishing paternity and by adding up to an additional 12 percentage points for overall performance. The Secretary will design the specific features of the system and, in doing so, will maintain overall Federal reimbursement of State programs through the combined matching rate and incentives at the level projected for the current combined matching and incentive payments to State.

If a State fails to meet a minimum paternity establishment ratio (see below) or fails to submit the data necessary to compute the ratio, and the State fails to take sufficient corrective action, the Secretary must reduce the incentive amounts otherwise payable for the first failure by not less than 3 nor more than 5 percent; for the second failure by not less than 5 nor more than 8 percent; and for the third and subsequent failure by not less than 10 nor more than 15 percent.

The minimum paternity establishment ratio is either 90 percent or: a) if the State paternity establishment ratio is between 50 percent and 90 percent for the fiscal year, the paternity establishment ratio of the State for the immediately preceding fiscal year plus 6 percentage points; or b) if the State ratio is less than 50 percent for a fiscal year, the paternity establishment ratio for the immediately preceding fiscal year plus 10 percentage points.

States are required to recycle incentive payments back into the child support program.

Reasons for Change

Because paternity establishment is such an important determinant of child support performance, the Committee wanted to provide States with both a positive incentive to improve performance as well as a penalty for bad performance. The positive incentive is the 12 percentage point increase in the basic Federal matching rate for good performance; the penalty is the one outlined in this provision. The Committee bill sets 90 percent as the standard, although States are given several years to reach this standard. Once States reach this level of paternity performance, millions of additional children will enjoy the advantages of having their paternity established as well as the improved financial security that will follow from increased child support payments by nonresident parents.

3. Federal and State reviews and audits (Section 543)

Present Law

States are required to maintain a full record of child support collections and disbursements and to maintain an adequate reporting system.

The Secretary must collect and maintain, on a fiscal year basis, up-to-date State-by-State statistics on each of the services provided under the child support enforcement program.

The Secretary is also required to evaluate the implementation of State child support enforcement programs and conduct audits of these programs as necessary, but not less often than once every 3 years (or annually if a State has been found to be out of compliance with program rules).

Explanation of Provision

The Committee provision shifts the focus of child support audits from process to performance outcomes. This goal is accomplished by adding a new State plan provision that requires States to annually review and report to the Secretary, using data from their automatic data processing system, both information adequate to determine the State's compliance with Federal requirements for expedited procedures and timely case processing as well as the information necessary to calculate their levels of accomplishment and rates of improvement on the new performance indicators established by the Committee bill (percentage of cases in which an order was established, percentage of cases in which support is being paid, ratio of child support collected to child support due, and cost-effectiveness of the program). The Secretary is required to determine the amount (if any) of incentives or penalties; the Secretary must also review State reports on compliance with Federal requirements and provide States with recommendations for corrective action. Audits must be conducted at least once every 3 years, or more often in the case of States that fail to meet Federal requirements. The purpose of the audits is to assess the completeness, reliability, accuracy, and security of data reported for use in calculating the performance indicators and to assess the adequacy of financial management of the State program.

These provisions take effect beginning with the calendar quarter that begins 12 months after enactment.

Reasons for Change

The current audit system, like the current incentive system, is ineffective because both are based on process indicators. The flaw in process indicators is that they are only indirect measures of performance—they measure the means by which good performance should be achieved, but not the performance itself. The fundamental change in the Committee bill is to base both incentive payments and audit penalties on actual performance indicators such as paternity establishment ratios, number of child support orders established, and actual child support collected. As a result, States will be able to maximize their incentive payments and avoid penalties only by actually performing well. The overall impact should be increases in child support collections and payments to families.

4. Required reporting procedures (Section 544)

Present Law

The Secretary is required to assist States in establishing adequate reporting procedures and must maintain records of child support enforcement operations and of amounts collected and disbursed, including costs incurred in collecting support payments.

Explanation of Provision

The Secretary is required to establish procedures and uniform definitions for State collection and reporting of required information necessary to measure State compliance with expedited processes and timely case processing as well as the data necessary to perform the incentive calculations.

Reasons for Change

The Committee wants to ensure that Congress will be able to conduct oversight on implementation of the rules on expedited process and timely case processing, two central features of a successful child support system. In addition, the Committee wants to promote the reporting of accurate information that can be used both for reliable calculation of incentive payments and audit penalties and for review by Congressional committees and others interested in the performance of State child support programs.

5. Automated data processing requirements (Section 545)

Present Law

Federal law requires that by October 1, 1995, States have an operational automated data processing and information retrieval system designed to control, account for, and monitor all factors in the support enforcement and paternity determination process, the collection and distribution of support payments, and the costs of all services rendered.

The Federal Government, through FY 1995, reimburses States at a 90 percent matching rate for the costs of developing comprehensive Statewide automated systems.

Explanation of Provision

States are required to have a single Statewide automated data processing and information retrieval system which has the capacity to perform the following functions: to account for Federal, State, and local funds; to maintain data for Federal reporting; to calculate the State's performance for purposes of the incentive and penalty provisions; and to safeguard the integrity, accuracy, and completeness of, and access to, data in the automated systems (including policies restricting access to data).

The statutory provisions for State implementation of Federal automatic data processing requirements are revised to provide that, first, all requirements enacted in or before the Family Support Act of 1988 are to be met by October 1, 1995, and second, that the requirements enacted in the Omnibus Budget Reconciliation Act of 1993 and this bill are met by October 1, 1999. The October 1, 1999 deadline will be extended by one day for each day by which the Secretary fails to meet the deadline for regulations.

The Committee bill provides a 90 percent Federal matching rate for fiscal year 1996 that will be applied to all State activities designed to fulfill the OBRA requirements. For fiscal years 1997 through 2001, the matching rate for the provisions of this bill and other authorized provisions will be the higher of 80 percent or the matching rate generally applicable to the State IV–D program, in-

cluding incentive payments (which could be as high as 90 percent). The Secretary must create procedures to cap these payments at $260,000,000 over 5 years to be distributed among States by a formula set in regulations which takes into account the relative size of State caseloads and the level of automation needed to meet applicable automatic data processing requirements.

Reasons for Change

States appear to be having difficulty implementing the automatic data processing requirements of both the 1988 Family Support Act and the 1993 OBRA legislation. Even so, a number of States with effective data processing systems have shown that remarkable improvements in both total collections and efficiency are possible if the procedures established in the Committee bill are implemented. Although States have a spotty record of implementing the data processing requirements of previous legislation, the potential improvements that could come with effective data processing are worth the risk of imposing the new requirements. As in the past, Congress is offering funding at a high Federal matching rate so that States will develop high quality systems.

It is the intent of the Committee to conduct hearings throughout the 104th Congress to determine whether the new automatic data processing requirements are being effectively implemented. The Committee will also pay careful attention to the timeliness of regulations published by the Secretary.

6. Technical assistance (Section 546)

Present Law

Annual appropriations are made to cover the expenses of the Administration for Children and Families, which includes the Federal Office of Child Support Enforcement (OCSE). Among OCSE's administrative expenses are the costs of providing technical assistance to the States.

Explanation of Provision

The Secretary can use 1 percent of the Federal share of child support collections on behalf of families in the Temporary Family Assistance program from the preceding year to provide technical assistance to the States. Technical assistance can include training of State and Federal staff, research and demonstration programs, and special projects of regional or national significance.

The Secretary must use 2 percent of the Federal share of collections on behalf of Temporary Family Assistance recipients for operation of the Federal Parent Locator Service to the extent that costs of the Parent Locator Service are not recovered by user fees.

Reasons for Change

These changes in current law are intended to provide funding to continue activities that already occur but are expected to expand under the Committee bill.

7. Reports and data collection (Section 547)

Present Law

The Secretary is required to submit to Congress, not later than 3 months after the end of the fiscal year, a complete report on all child support enforcement activities.

Explanation of Provision

The Committee provision amends current data collection and reporting requirements to conform the requirements to changes made by this bill and to eliminate unnecessary and duplicative information. More specifically, States are required to report the following data each fiscal year: the total amount of child support payments collected, the cost of the State and Federal governments of furnishing child support services, the number of cases involving families that became ineligible for aid under part A with respect to whom a child support payment was received, the total amount of current support collected and distributed, the total amount of past due support collected and distributed, and the total amount of support due and unpaid for all fiscal years.

Reasons for Change

This provision streamlines data reporting requirements and keeps data reporting by States to a minimum. Each piece of information is necessary for effective operation of the child support program or to provide the Administration, Congress, and other interested parties with information about program performance.

SUBTITLE F: ESTABLISHMENT AND MODIFICATION OF SUPPORT ORDERS

1. Simplified process for review and adjustment of support orders (Section 551)

Present Law

A child support order legally obligates a noncustodial parent to provide financial support for her child and stipulates the amount of the obligation and how it is to be paid. P.L. 98–378 required States to establish guidelines for establishing child support orders. P.L. 100–485 made the guidelines binding on judges and other officials who had authority to establish support orders. P.L. 100–485 also required States to review and adjust individual child support orders once every 3 years (under certain circumstances). States are required to notify both resident and nonresident parents of their right to a review.

Explanation of Provision

As under present law, States must review and, if appropriate, adjust child support orders enforced by the State child support agency every three years. However, States are given two simplified means by which they can use automated means to accomplish the review. First, States may adjust the order by applying the State guidelines and updating the reward amount. Second, States may

apply a cost of living increase to the order. In either case, both parties must be given an opportunity to contest the adjustment.

States must also review and, upon a showing of a change in circumstances, adjust orders pursuant to the child support guidelines upon request of a party. States are required to give parties one notice of their right to request review and adjustment, which may be included in the order establishing the support amount.

Reasons for Change

When States started to conduct periodic reviews of support orders as required by the Family Support Act, it became clear that the review process imposed a substantial administrative burden on States and on local courts. Consistent with the emphasis on simplified procedures and automatic data processing in the Committee bill, our provision is designed to encourage States to automatically adjust orders by applying either the State child support guidelines or a cost-of-living adjustment to the order. States are also allowed to provide a single notice about the review requirement on the original child support order. The Committee intends for these two provisions—automatic adjustment and one-time notice—to greatly simplify the review process and thereby reduce the administrative burden on States and courts.

SUBTITLE G: ENFORCEMENT OF SUPPORT ORDERS

1. Federal income tax refund offset (Section 561)

Present Law

Since 1981 in AFDC cases, and 1984 in non-AFDC cases, Federal law has required States to implement procedures under which child support agencies can collect child support arrearages through the interception of Federal income tax refunds. Federal rules set different criteria for AFDC and non-AFDC cases. For example, in AFDC cases arrearages may be collected through the income tax offset program regardless of the child's age. In non-AFDC cases, the tax offset program can be used only if the postminor child is disabled (pursuant to the meaning of disability under title II or XVI of the SSA). Moreover, the arrearage in AFDC cases must be only at least $150, whereas the arrearage in non-AFDC cases must be at least $500.

Explanation of Provision

The Internal Revenue Code is amended so that offsets of child support arrears owed to individuals take priority over most debts owed Federal agencies. The revision means that proceeds from tax intercepts will be distributed as follows: first, for Federal education debts and debts to the Department of Health and Human Services; second, for child support owed to individuals; third, for child support arrearages owed to State governments; and fourth for other Federal debts. The Committee provision also amends the Internal Revenue Code so that the order of priority for distribution of tax offsets follows the distribution rules for child support payments specified in subtitle A of this bill.

The bill also eliminates disparate treatment of families not receiving public assistance by repealing provisions applicable only to support arrears not assigned to the State.

The Secretary of the Treasury is given access to information in the National Directory of New Hires for tax purposes.

Reasons for Change

The Federal tax refund offset is one of the most effective tools for collecting past-due child support. As in Subtitle A of the bill, the Committee changed the distribution rules for the tax offset so that mothers who have left welfare will have a higher priority when tax intercept proceeds are distributed. The new rules will make it easier for mothers who have left public aid to continue supporting themselves. The Committee bill also equalizes treatment of AFDC and non-AFDC cases in the tax intercept program in order to promote use of the program and to increase child support collections.

2. Authority to collect child support from Federal employees (Section 562)

Present Law

Federal law allows the wages of Federal employees to be garnished to enforce legal obligations for child support or alimony.

Federal law provides that moneys payable by the United States to any individual are subject to being garnished in order to meet an individual's legal obligation to provide child support or make alimony payments.

Explanation of Provision

The rules governing wage withholding for Federal employees are clarified and simplified. Provisions currently appearing in three sections of Title IV, Part D are brought together. Specifically, the resulting provision will:

a. establish clearly that Federal employees are subject to wage withholding and other legal processes to collect child support;

b. set out rules Federal agencies must follow in responding to notices of wage withholding or other legal processes to collect support;

c. delete existing law governing designation of agents to receive and respond to process and replace with streamlined provisions that require Federal agencies to designate agents and publish their name, title, address and telephone number in the Federal Register annually;

d. require agents, upon receipt of process, to send written notice to the individual involved as soon as possible, but no later than 15 days, and to comply with any notice of wage withholding or respond to other process within 30 days;

e. amend existing law governing allocation of moneys owed by an individual to give priority to child support, to require allocation of available funds, up to the amount owed, among

child support claimants, and to allocate remaining funds to other claimants on a first-come, first-served basis;

f. broaden the definition of income to include funds such as insurance benefits, retirement and pension pay, survivor's benefits, compensation for death and black lung disease, veteran's benefits and workers' compensation; but to exclude from income funds paid to defray expenses incurred in carrying out job duties.

These provisions take effect 6 months after enactment.

Reasons for Change

The Federal government employs nearly 3 million people. These employees work in offices all over the United States. Yet the current procedures for ensuring that these employees participate fully in the nation's child support system are weak. The Committee bill completely revamps the Federal system of responding to child support requests, especially wage withholding. Once these provisions are implemented, the Federal child support system should function more smoothly and efficiently while recovering additional dollars for child support.

3. Enforcement of child support obligations of members of Armed Services (Section 563)

Present Law

Federal law requires allotments from the pay and allowances of any member of the uniformed service when the member fails to pay child (or child and spousal) support payments.

Explanation of Provision

The Secretary of Defense must establish a central personnel locator service that contains residential or, in specified instances, duty addresses of every member of the Armed Services (including retirees, the National Guard, and the Reserves). The locator service must be updated within 30 days of the individual member establishing a new address. Information from the locator service must be made available to the Federal Parent Locator Service. The Secretary of Defense must issue regulations to facilitate granting of leave for members of the Armed Services to attend hearings to establish paternity or to establish child support orders.

The Secretary of each branch of the Armed Forces (including retirees, the Coast Guard, the National Guard, and the Reserves) is required to make child support payments directly to any State to which a custodial parent has assigned support rights as a condition of receiving public assistance. The Secretary of Defense must also ensure that payments to satisfy current support or child support arrears are made from disposable retirement pay. The Secretary of Defense must begin payroll deduction within 30 days or the first pay period after 30 days of receiving a wage withholding order.

Reasons for Change

As in the case of Federal civilian employees, the child support system for the more than 2.5 million members of the Armed Forces,

reserves, and Coast Guard is weak and ineffective. The extensive reform of the child support system for military personnel found in the Committee bill will substantially strengthen the system. Once implemented, the provisions in the Committee bill should increase the payment of child support by members of the Armed Services.

4. Voiding of fraudulent transfers (Section 564)

Present Law

No provision.

Explanation of Provision

States must have in effect the Uniform Fraudulent Conveyance Act of 1981, the Uniform Fraudulent Transfer Act of 1984, or an equivalent law providing for voiding transfers of income or property in order to avoid payment of child support.

Reasons for Change

Some nonresident parents liquidate their property in order to avoid paying child support. Under the Committee bill, such fraudulent transfer of property for the purpose of avoiding child support would become illegal. Even more important, such transfers would be voided, thereby increasing the amount of income or property that could be attached for payment of child support.

5. Suspension of licenses of parents owing past-due support (Section 565)

Present Law

No provision.

Explanation of Provision

The Committee bill contains language expressing the Sense of Congress that States should have laws that provide for suspension of drivers', business, and occupational licenses of parents owing past-due child support.

Reasons for Change

The Committee is aware that a few States have passed mandatory license revocation laws that have been applied to parents owing past-due child support. However, the Committee believes that suspension of drivers' licenses and other licenses could be subject to abuse and that requiring States to pass such laws is too prescriptive. Thus, the Committee elected to urge, but not require, States to pass license revocation laws.

6. Work requirement for persons owing past-due child support (Section 566)

Present Law

No provision.

Explanation of Provision

States must have laws that direct courts to order individuals owing past-due support with respect to a child receiving assistance under the Temporary Family Assistance program either to pay support due or participate in work activities.

Reasons for Change

States can require mothers to fulfill work requirements as a condition of receiving welfare payments. If the mother refuses to participate, her benefits can be reduced or even terminated. The obligation of fathers to work for public benefits that support their children is equal to the obligation of mothers. However, because fathers generally do not receive the welfare payment, it is difficult for States to effectively require fathers to participate in work programs. The Committee intends to at least partially rectify this imbalance in the expectations placed on mothers and fathers by encouraging judges to make fathers either pay the child support they owe or participate in work programs.

7. Definition of support order (Section 567)

Present Law

No provision.

Explanation of Provision

A support order is defined as an order issued by a court or an administrative process that requires support of a child or of a child and the parent with whom the child lives.

Reasons for Change

The term "support order" is used throughout Title IV–D of the Social Security Act but is never defined. The Committee definition includes spousal support if the original child support order includes spousal support.

SUBTITLE H: MEDICAL SUPPORT

1. Expand ERISA definition of medical child support order (Section 571)

Present Law

P.L. 103–66 requires States to adopt laws to require health insurers and employers to enforce orders for medical and child support and forbids health insurers from denying coverage to children who are not living with the covered individual or who were born outside of marriage. Under P.L. 103–66, group health plans are required to honor "qualified medical child support orders."

Explanation of Provision

The provision expands the definition of medical child support order in ERISA to clarify that any judgement, decree, or order that

is issued by a court of competent jurisdiction or by an administrative adjudication has the force and effect of law.

Reasons for Change

The key change in the Committee bill is the provision that administrative adjudications, not just court adjudications, can produce legally binding medical support orders. A large number of States now use administrative procedures and the Committee bill encourages States to expand the use of administrative procedures. Thus, given the widespread and growing use of administrative procedures, the Committee wanted to ensure that medical support orders issued by such procedures would have the full force and effect of law.

SUBTITLE I: ENHANCING RESPONSIBILITY AND OPPORTUNITY OF NONRESIDENTIAL PARENTS

1. Grants to States for access and visitation programs (Section 581)

Present Law

In 1988, Congress authorized the Secretary to fund for FY 1990 and FY 1991 demonstration projects by States to help divorcing or never-married parents cooperate with each other, especially in arranging for visits between the child and the nonresident parent.

Explanation of Provision

The Committee bill authorizes grants to States for access and visitation programs including mediation, counseling, education, development of parenting plans, and visitation enforcement. Visitation enforcement can include monitoring, supervision, neutral drop-off and pick-up, and development of guidelines for visitation and alternative custody agreements.

The Administration for Children and Families at HHS will administer the program. States are required to monitor and evaluate their programs and are given the authority to subcontract the program to courts, local public agencies, or private non-profit agencies. Programs operating under the grant will not have to be Statewide. Funding is authorized as capped spending under section IV–D of the Social Security Act. Projects are required to supplement rather than supplant State funds.

The amount of the grant to a State is either equal to 90 percent of the State expenditures during the year for access and visitation programs or the allotment for the State for the fiscal year. The allotment to the State bears the same ratio to the amount appropriated for the fiscal year as the number of children living in the State with one biological parent divided by the national number of children living with one biological parent. The Administration for Children and Families will adjust allotments to ensure that no State is allotted less than $50,000 for fiscal years 1996 or 1997 or less than $100,000 for any year after 1997.

Reasons for Change

For more than two decades, the Federal government has played a leading role in requiring States to establish and conduct strong child support enforcement programs. The fundamental goal of these programs, of course, is to increase the financial security of children who live with one parent. This goal enjoys nearly universal support among members of Congress and among the American public.

In addition to using government powers to enforcement child support, many members of Congress believe there is a more moderate role for government in assisting the children of divorced or never-married parents in maintaining contact with the nonresident parent. Thus, in 1988 Congress authorized the first demonstration programs to promote visitation between children and nonresident parents. The Committee provision on access and visitation is an extension and expansion of this original provision.

SUBTITLE J: EFFECT OF ENACTMENT

1. Effective dates (Section 591)

Present Law

Not applicable.

Explanation of Provision

Except as noted in the text of the bill for specific provisions, the general effective date for provisions in the bill is October 1, 1996. However, given that many of the changes required by this bill must be approved by State Legislatures, the bill contains a grace period tied to the meeting schedule of State Legislatures. More specifically, in any given State, the bill becomes effective either on October 1, 1996 or on the first day of the first calendar quarter after the close of the first regular session of the State Legislature that begins after the date of enactment of this bill. In the case of States that require a constitutional amendment to comply with the requirements of the bill, the grace period is extended either 1 year after the effective date of the necessary State constitutional amendment or 5 years after the date of enactment of this bill.

Reasons for Change

If Congress requires States to change their laws, it is standard practice for Congress to accommodate effective dates to the meeting schedule of State legislative bodies. The Committee provision is consistent with this practice.

III. VOTES OF THE COMMITTEE

In compliance with clause 2(l)(2)(B) of rule XI of the Rules of the House of Representatives, the following statements are made concerning the votes of the Committee in its consideration of the bill, H.R. 1157.

MOTION TO REPORT THE BILL

The bill, H.R. 1157, as introduced, was ordered favorably reported by recorded vote (22 yeas and 11 nays) on March 3, 1995, with a quorum present. The rollcall vote was as follows:

YEAS	NAYS
Mr. Archer	Mr. Stark
Mr. Crane	Mr. Ford
Mr. Thomas	Mr. Matsui
Mr. Shaw	Mrs. Kennelly
Mrs. Johnson	Mr. Coyne
Mr. Bunning	Mr. Levin
Mr. Houghton	Mr. Cardin
Mr. Herger	Mr. McDermott
Mr. McCrery	Mr. Lewis
Mr. Hancock	Mr. Payne
Mr. Camp	Mr. Neal
Mr. Ramstad	
Mr. Zimmer	
Mr. Nussle	
Mr. Johnson	
Ms. Dunn	
Mr. Collins	
Mr. Portman	
Mr. English	
Mr. Ensign	
Mr. Christensen	
Mr. Kleczka	

VOTES ON AMENDMENTS

The Committee defeated an amendment (15 yeas and 21 nays) offered by Messrs. Levin and Neal to require work and set clear State performance standards based on individual responsibility plans. The amendment was split upon a demand to divide the question and a separate vote was ordered on sections 1–4 only. The rollcall vote was as follows:

YEAS	NAYS
Mr. Gibbons	Mr. Archer
Mr. Rangel	Mr. Crane
Mr. Stark	Mr. Thomas

Mr. Jacobs	Mr. Shaw
Mr. Ford	Mrs. Johnson
Mr. Matsui	Mr. Bunning
Mrs. Kennelly	Mr. Houghton
Mr. Coyne	Mr. Herger
Mr. Levin	Mr. McCrery
Mr. Cardin	Mr. Hancock
Mr. McDermott	Mr. Camp
Mr. Kleczka	Mr. Ramstad
Mr. Lewis	Mr. Zimmer
Mr. Payne	Mr. Nussle
Mr. Neal	Mr. Johnson
	Ms. Dunn
	Mr. Collins
	Mr. Portman
	Mr. English
	Mr. Ensign
	Mr. Christensen

The Committee defeated an amendment (15 yeas and 21 nays) offered by Messrs. Levin and Neal, the same amendment as above, upon a demand to divide the question and a separate vote was ordered on section 5 only.

YEAS	NAYS
Mr. Gibbons	Mr. Archer
Mr. Rangel	Mr. Crane
Mr. Stark	Mr. Thomas
Mr. Jacobs	Mr. Shaw
Mr. Ford	Mrs. Johnson
Mr. Matsui	Mr. Bunning
Mrs. Kennelly	Mr. Houghton
Mr. Coyne	Mr. Herger
Mr. Levin	Mr. McCrery
Mr. Cardin	Mr. Hancock
Mr. McDermott	Mr. Camp
Mr. Kleczka	Mr. Ramstad
Mr. Lewis	Mr. Zimmer
Mr. Payne	Mr. Nussle
Mr. Neal	Mr. Johnson
	Ms. Dunn
	Mr. Collins
	Mr. Portman
	Mr. English
	Mr. Ensign
	Mr. Christensen

The Committee defeated an amendment (13 yeas and 22 nays) offered by Messrs. McDermott and Rangel to require a State not to terminate a recipient's benefits unless it has made available counseling, education, training, substance abuse treatment, health care and day-care. The rollcall vote was as follows:

YEAS	NAYS
Mr. Gibbons	Mr. Archer
Mr. Rangel	Mr. Crane

Mr. Stark	Mr. Thomas
Mr. Ford	Mr. Shaw
Mr. Matsui	Mrs. Johnson
Mrs. Kennelly	Mr. Bunning
Mr. Coyne	Mr. Houghton
Mr. Levin	Mr. Herger
Mr. Cardin	Mr. McCrery
Mr. McDermott	Mr. Hancock
Mr. Kleczka	Mr. Camp
Mr. Lewis	Mr. Ramstad
Mr. Neal	Mr. Zimmer
	Mr. Nussle
	Mr. Johnson
	Ms. Dunn
	Mr. Collins
	Mr. Portman
	Mr. English
	Mr. Ensign
	Mr. Christensen
	Mr. Payne

The Committee defeated an amendment (17 yeas and 19 nays) offered by Mrs. Kennelly to require each State to provide for or to assure the availability of safe day care for the children of parents required to participate in work, education, or training activities. The rollcall vote was as follows:

YEAS	NAYS
Mrs. Johnson	Mr. Archer
Mr. Houghton	Mr. Crane
Mr. Gibbons	Mr. Thomas
Mr. Rangel	Mr. Shaw
Mr. Stark	Mr. Bunning
Mr. Jacobs	Mr. Herger
Mr. Ford	Mr. McCrery
Mr. Matsui	Mr. Hancock
Mrs. Kennelly	Mr. Camp
Mr. Coyne	Mr. Ramstad
Mr. Levin	Mr. Zimmer
Mr. Cardin	Mr. Nussle
Mr. McDermott	Mr. Johnson
Mr. Kleczka	Ms. Dunn
Mr. Lewis	Mr. Collins
Mr. Payne	Mr. Portman
Mr. Neal	Mr. English
	Mr. English
	Mr. Ensign
	Mr. Christensen

The Committee defeated an amendment (11 yeas and 23 nays) offered by Mr. Shaw to strike paragraphs 1 and 3 of the Rangel Amendment to prohibit the replacement of a terminated employee with a person receiving State assistance. The roll call vote was as follows:

YEAS	NAYS
Mr. Archer	Mr. Thomas
Mr. Crane	Mr. Herger
Mr. Shaw	Mr. McCrery
Mrs. Johnson	Mr. Hancock
Mr. Bunning	Mr. Nussle
Mr. Houghton	Mr. Johnson
Mr. Camp	Ms. Dunn
Mr. Ramstad	Mr. Collins
Mr. Zimmer	Mr. Christensen
Mr. English	Mr. Gibbons
Mr. Ensign	Mr. Rangel
	Mr. Stark
	Mr. Jacobs
	Mr. Ford
	Mr. Matsui
	Mrs. Kennelly
	Mr. Coyne
	Mr. Levin
	Mr. Cardin
	Mr. Kleczka
	Mr. Lewis
	Mr. Payne
	Mr. Neal

The Committee defeated an amendment (17 yeas and 17 nays) offered by Mr. Rangel to prohibit the replacement of an employee displaced or on layoff by a person receiving State assistance. The roll call vote was as follows:

YEAS	NAYS
Mrs. Johnson	Mr. Archer
Mr. Houghton	Mr. Crane
Mr. English	Mr. Thomas
Mr. Gibbons	Mr. Shaw
Mr. Rangel	Mr. Bunning
Mr. Stark	Mr. Herger
Mr. Jacobs	Mr. McCrery
Mr. Ford	Mr. Hancock
Mr. Matsui	Mr. Camp
Mrs. Kennelly	Mr. Ramstad
Mr. Coyne	Mr. Zimmer
Mr. Levin	Mr. Nussle
Mr. Cardin	Mr. Johnson
Mr. Kleczka	Ms. Dunn
Mr. Lewis	Mr. Collins
Mr. Payne	Mr. Ensign
Mr. Neal	Mr. Christensen

The Committee defeated an amendment (15 yeas and 19 nays) offered by Mr. Ford to assure basic protections for and equal treatment of children. States must establish uniform eligibility criteria and guarantee equal treatment for all families with children who apply for benefits. The roll call vote was as follows:

YEAS	NAYS
Mr. Gibbons	Mr. Archer
Mr. Rangel	Mr. Crane
Mr. Stark	Mr. Thomas
Mr. Jacobs	Mr. Shaw
Mr. Ford	Mrs. Johnson
Mr. Matsui	Mr. Bunning
Mrs. Kennelly	Mr. McCrery
Mr. Coyne	Mr. Hancock
Mr. Levin	Mr. Camp
Mr. Cardin	Mr. Ramstad
Mr. McCermott	Mr. Zimmer
Mr. Kleczka	Mr. Nussle
Mr. Lewis	Mr. Johnson
Mr. Payne	Ms. Dunn
Mr. Neal	Mr. Collins
	Mr. Portman
	Mr. English
	Mr. Ensign
	Mr. Christensen

The Committee defeated an amendment (14 yeas and 19 nays) offered by Mr. Cardin for Messrs. Matsui and Rangel to amend the Shaw amendment for the formula for State share of block grant funds. The roll call vote was as follows:

YEAS	NAYS
Mr. Gibbons	Mr. Archer
Mr. Rangel	Mr. Crane
Mr. Stark	Mr. Thomas
Mr. Ford	Mr. Shaw
Mr. Matsui	Mrs. Johnson
Mrs. Kennelly	Mr. Bunning
Mr. Coyne	Mr. Houghton
Mr. Levin	Mr. McCrery
Mr. Cardin	Mr. Hancock
Mr. McDermott	Mr. Camp
Mr. Kleczka	Mr. Ramstad
Mr. Lewis	Mr. Zimmer
Mr. Payne	Mr. Nussle
Mr. Neal	Mr. Johnson
	Ms. Dunn
	Mr. Collins
	Mr. Portman
	Mr. Ensign
	Mr. Christensen

The Committee passed an amendment (21 yeas and 15 nays) offered by Mr. McCrery to define the illegitimacy ratio. The roll call vote was as follows:

YEAS	NAYS
Mr. Archer	Mr. Gibbons
Mr. Crane	Mr. Rangel
Mr. Thomas	Mr. Stark
Mr. Shaw	Mr. Jacobs

Mrs. Johnson	Mr. Ford
Mr. Bunning	Mr. Matsui
Mr. Houghton	Mrs. Kennelly
Mr. Herger	Mr. Coyne
Mr. McCrery	Mr. Levin
Mr. Hancock	Mr. Cardin
Mr. Camp	Mr. McDermott
Mr. Ramstad	Mr. Kleczka
Mr. Zimmer	Mr. Lewis
Mr. Nussle	Mr. Payne
Mr. Johnson	Mr. Neal
Ms. Dunn	
Mr. Collins	
Mr. Portman	
Mr. English	
Mr. Ensign	
Mr. Christensen	

The Committee defeated an amendment (14 yeas and 21 nays) offered by Mr. Ford to prevent unfunded local mandates. The roll call vote was as follows:

YEAS	NAYS
Mr. Gibbons	Mr. Archer
Mr. Rangel	Mr. Crane
Mr. Stark	Mr. Thomas
Mr. Ford	Mr. Shaw
Mr. Matsui	Mrs. Johnson
Mrs. Kennelly	Mr. Bunning
Mr. Coyne	Mr. Houghton
Mr. Levin	Mr. Herger
Mr. Cardin	Mr. McCrery
Mr. McDermott	Mr. Hancock
Mr. Kleczka	Mr. Camp
Mr. Lewis	Mr. Ramstad
Mr. Payne	Mr. Zimmer
Mr. Neal	Mr. Nussle
	Mr. Johnson
	Ms. Dunn
	Mr. Collins
	Mr. Portman
	Mr. English
	Mr. Ensign
	Mr. Christensen

The Committee defeated an amendment (14 yeas and 21 nays) offered by Mr. Cardin to establish a State match requirement for Federal temporary family assistance block grant funds. The roll call vote was as follows:

YEAS	NAYS
Mr. Gibbons	Mr. Archer
Mr. Rangel	Mr. Crane
Mr. Stark	Mr. Thomas
Mr. Ford	Mr. Shaw
Mr. Matsui	Mrs. Johnson

Mrs. Kennelly	Mr. Bunning
Mr. Coyne	Mr. Houghton
Mr. Levin	Mr. Herger
Mr. Cardin	Mr. McCrery
Mr. McDermott	Mr. Hancock
Mr. Kleczka	Mr. Camp
Mr. Lewis	Mr. Ramstad
Mr. Payne	Mr. Zimmer
Mr. Neal	Mr. Nussle
	Mr. Johnson
	Ms. Dunn
	Mr. Collins
	Mr. Portman
	Mr. English
	Mr. Ensign
	Mr. Christensen

The Committee defeated an amendment (13 yeas and 23 nays) offered by Mr. Levin to increase the Federal Rainy Day Fund from $1 billion to $5 billion and allow States to borrow from the fund if an area of the State is declared a national disaster area. The roll call vote was as follows:

YEAS	NAYS
Mr. Gibbons	Mr. Archer
Mr. Rangel	Mr. Crane
Mr. Stark	Mr. Thomas
Mr. Ford	Mr. Shaw
Mr. Matsui	Mrs. Johnson
Mrs. Kennelly	Mr. Bunning
Mr. Coyne	Mr. Houghton
Mr. Levin	Mr. Herger
Mr. Cardin	Mr. McCrery
Mr. McDermott	Mr. Hancock
Mr. Lewis	Mr. Camp
Mr. Payne	Mr. Ramstad
Mr. Neal	Mr. Zimmer
	Mr. Nussle
	Mr. Johnson
	Ms. Dunn
	Mr. Collins
	Mr. Portman
	Mr. English
	Mr. Ensign
	Mr. Christensen
	Mr. Jacobs
	Mr. Kleczka

The Committee defeated an amendment (15 yeas and 21 nays) offered by Mr. Levin to establish a policy on benefits to teen parents. The roll call vote was as follows:

YEAS	NAYS
Mr. Gibbons	Mr. Archer
Mr. Rangel	Mr. Crane
Mr. Stark	Mr. Thomas

Mr. Jacobs	Mr. Shaw
Mr. Ford	Mrs. Johnson
Mr. Matsui	Mr. Bunning
Mrs. Kennelly	Mr. Houghton
Mr. Coyne	Mr. Herger
Mr. Levin	Mr. McCrery
Mr. Cardin	Mr. Hancock
Mr. McDermott	Mr. Camp
Mr. Kleczka	Mr. Ramstad
Mr. Lewis	Mr. Zimmer
Mr. Payne	Mr. Nussle
Mr. Neal	Mr. Johnson
	Ms. Dunn
	Mr. Collins
	Mr. Portman
	Mr. English
	Mr. Ensign
	Mr. Christensen

The Committee defeated an amendment (14 nays and 22 yeas) offered by Mr. McDermott to leave to the States the discretion in decisions regarding teen mothers and cash assistance. The roll call vote was as follows:

YEAS	NAYS
Mr. Gibbons	Mr. Archer
Mr. Rangel	Mr. Crane
Mr. Stark	Mr. Thomas
Mr. Jacobs	Mr. Shaw
Mr. Ford	Mrs. Johnson
Mr. Matsui	Mr. Bunning
Mrs. Kennelly	Mr. Houghton
Mr. Coyne	Mr. Herger
Mr. Levin	Mr. McCrery
Mr. Cardin	Mr. Hancock
Mr. McDermott	Mr. Camp
Mr. Kleczka	Mr. Ramstad
Mr. Lewis	Mr. Zimmer
Mr. Payne	Mr. Nussle
	Mr. Johnson
	Ms. Dunn
	Mr. Collins
	Mr. Portman
	Mr. English
	Mr. Ensign
	Mr. Christensen
	Mr. Neal

The Committee passed a substitute (19 yeas and 17 nays) offered by Mr. Shaw as amended by Ms. Dunn to an amendment offered by Mrs. Kennelly to withhold benefits to mothers until paternity of a child has been established. Ms. Dunn's amendment would allow a remittance of monies once paternity has been established. The roll call vote was as follows:

YEAS	NAYS
Mr. Archer	Mrs. Johnson
Mr. Crane	Mr. Houghton
Mr. Thomas	Mr. Gibbons
Mr. Shaw	Mr. Rangel
Mr. Bunning	Mr. Stark
Mr. Herger	Mr. Jacobs
Mr. McCrery	Mr. Ford
Mr. Hancock	Mr. Matsui
Mr. Camp	Mrs. Kennelly
Mr. Ramstad	Mr. Coyne
Mr. Zimmer	Mr. Levin
Mr. Nussle	Mr. Cardin
Mr. Johnson	Mr. McDermott
Ms. Dunn	Mr. Kleczka
Mr. Collins	Mr. Lewis
Mr. Portman	Mr. Payne
Mr. English	Mr. Neal
Mr. Ensign	
Mr. Christensen	

The Committee defeated an amendment (13 yeas and 22 nays) offered by Mr. Rangel to assure the safety of children in foster care. The roll call vote was as follows:

YEAS	NAYS
Mr. Rangel	Mr. Archer
Mr. Stark	Mr. Crane
Mr. Ford	Mr. Thomas
Mr. Matsui	Mr. Shaw
Mrs. Kennelly	Mrs. Johnson
Mr. Coyne	Mr. Bunning
Mr. Levin	Mr. Houghton
Mr. Cardin	Mr. Herger
Mr. McDermott	Mr. McCrery
Mr. Kleczka	Mr. Hancock
Mr. Lewis	Mr. Camp
Mr. Payne	Mr. Ramstad
Mr. Neal	Mr. Zimmer
	Mr. Nussel
	Mr. Johnson
	Ms. Dunn
	Mr. Collins
	Mr. Portman
	Mr. English
	Mr. Ensign
	Mr. Christensen
	Mr. Jacobs

The Committee defeated an amendment (13 yeas and 21 nays) offered by Mr. Matsui on adoption assistance. The roll call vote was as follows:

YEAS	NAYS
Mr. Rangel	Mr. Archer
Mr. Jacobs	Mr. Crane

Mr. Ford	Mr. Thomas
Mr. Matsui	Mr. Shaw
Mrs. Kennelly	Mrs. Johnson
Mr. Coyne	Mr. Bunning
Mr. Levin	Mr. Houghton
Mr. Cardin	Mr. Herger
Mr. McDermott	Mr. McCrery
Mr. Kleczka	Mr. Hancock
Mr. Lewis	Mr. Camp
Mr. Payne	Mr. Ramstad
Mr. Neal	Mr. Zimmer
	Mr. Nussle
	Mr. Johnson
	Ms. Dunn
	Mr. Collins
	Mr. Portman
	Mr. English
	Mr. Ensign
	Mr. Christensen

The Committee defeated an amendment (14 yeas and 21 nays) offered by Messrs. Ford and Matsui to strike Title II but consolidate the discretionary programs proposed to be repealed by Title II into Title IV–B programs with no loss of funding. The roll call vote was as follows:

YEAS	NAYS
Mr. Gibbons	Mr. Archer
Mr. Stark	Mr. Crane
Mr. Jacobs	Mr. Thomas
Mr. Ford	Mr. Shaw
Mr. Matsui	Mrs. Johnson
Mrs. Kennelly	Mr. Bunning
Mr. Coyne	Mr. Houghton
Mr. Levin	Mr. Herger
Mr. Cardin	Mr. McCrery
Mr. McDermott	Mr. Hancock
Mr. Kleczka	Mr. Camp
Mr. Lewis	Mr. Ramstad
Mr. Payne	Mr. Zimmer
Mr. Neal	Mr. Nussle
	Mr. Johnson
	Ms. Dunn
	Mr. Collins
	Mr. Portman
	Mr. English
	Mr. Ensign
	Mr. Christensen

The Committee defeated an amendment (15 yeas and 21 nays) offered by Messrs. Matsui and Levin to maintain entitlement status for foster care maintenance payments and for adoption assistance payments. The roll call vote was as follows:

YEAS	NAYS
Mr. Gibbons	Mr. Archer

Mr. Rangel	Mr. Crane
Mr. Stark	Mr. Thomas
Mr. Jacobs	Mr. Shaw
Mr. Ford	Mrs. Johnson
Mr. Matsui	Mr. Bunning
Mrs. Kennelly	Mr. Houghton
Mr. Coyne	Mr. Herger
Mr. Levin	Mr. McCrery
Mr. Cardin	Mr. Hancock
Mr. McDermott	Mr. Camp
Mr. Kleczka	Mr. Ramstad
Mr. Lewis	Mr. Zimmer
Mr. Payne	Mr. Nussle
Mr. Neal	Mr. Johnson
	Ms. Dunn
	Mr. Collins
	Mr. Portman
	Mr. English
	Mr. Ensign
	Mr. Christensen

The Committee defeated an amendment (15 yeas and 20 nays) offered by Mr. Cardin as a substitute to the Johnson amendment to establish a State match requirement for Federal child protection block grant funds. The roll call vote was as follows:

YEAS	NAYS
Mr. Gibbons	Mr. Archer
Mr. Rangel	Mr. Crane
Mr. Stark	Mr. Thomas
Mr. Jacobs	Mr. Shaw
Mr. Ford	Mrs. Johnson
Mr. Matsui	Mr. Bunning
Mrs. Kennelly	Mr. Herger
Mr. Coyne	Mr. McCrery
Mr. Levin	Mr. Hancock
Mr. Cardin	Mr. Camp
Mr. McDermott	Mr. Ramstad
Mr. Kleczka	Mr. Zimmer
Mr. Lewis	Mr. Nussle
Mr. Payne	Mr. Johnson
Mr. Neal	Ms. Dunn
	Mr. Collins
	Mr. Portman
	Mr. English
	Mr. Ensign
	Mr. Christensen

The Committee passed an amendment (27 yeas and 8 nays) offered by Mrs. Johnson that States shall not reduce the State share of spending on Title II programs (based on Fiscal Year 1994 spending) for the first two years of the block grant. The roll call vote was as follows:

YEAS	NAYS
Mr. Archer	Mr. Bunning

Mr. Crane
Mr. Thomas
Mr. Shaw
Mrs. Johnson
Mr. McCrery
Mr. Camp
Mr. Ramstad
Ms. Dunn
Mr. Portman
Mr. English
Mr. Ensign
Mr. Gibbons
Mr. Rangel
Mr. Stark
Mr. Jacobs
Mr. Ford
Mr. Matsui
Mrs. Kennelly
Mr. Coyne
Mr. Levin
Mr. Cardin
Mr. McDermott
Mr. Kleczka
Mr. Lewis
Mr. Payne
Mr. Neal

Mr. Herger
Mr. Hancock
Mr. Zimmer
Mr. Nussle
Mr. Johnson
Mr. Collins
Mr. Christensen

The Committee defeated an amendment (13 yeas and 15 nays) offered by Mrs. Kennelly to prevent transfer of child protection funds, or from using child protection block grant funds to provide services other than those specified if there has been an increase in the length of stay of children in foster care, a decrease in the number of children placed in adoptive homes, an increase in the number of child fatalities while under State care, or a court order against the State. The roll call vote was as follows:

YEAS

Mr. Shaw
Mrs. Johnson
Mr. Houghton
Mr. Zimmer
Mr. Rangel
Mr. Ford
Mrs. Kennelly
Mr. Levin
Mr. Cardin
Mr. McDermott
Mr. Kleczka
Mr. Payne
Mr. Neal

NAYS

Mr. Archer
Mr. Crane
Mr. Bunning
Mr. McCrery
Mr. Hancock
Mr. Camp
Mr. Ramstad
Mr. Johnson
Ms. Dunn
Mr. Collins
Mr. Portman
Mr. English
Mr. Ensign
Mr. Christensen
Mr. Matsui

The Committee passed (19 yeas and 17 nays) the reconsideration of Kennelly amendment to prevent the transfer of child protection

block grant funds to other block grants. The roll call vote was as follows:

YEAS	NAYS
Mr. Shaw	Mr. Archer
Mrs. Johnson	Mr. Crane
Mr. Houghton	Mr. Thomas
Mr. Zimmer	Mr. Bunning
Mr. Gibbons	Mr. Herger
Mr. Rangel	Mr. McCrery
Mr. Stark	Mr. Hancock
Mr. Jacobs	Mr. Camp
Mr. Ford	Mr. Ramstad
Mr. Matsui	Mr. Nussle
Mrs. Kennelly	Mr. Johnson
Mr. Coyne	Ms. Dunn
Mr. Levin	Mr. Collins
Mr. Cardin	Mr. Portman
Mr. McDermott	Mr. English
Mr. Kleczka	Mr. Ensign
Mr. Lewis	Mr. Christensen
Mr. Payne	
Mr. Neal	

The Committee defeated an amendment (16 yeas and 20 nays) offered by Messrs. Ford and Matsui to encourage adoption through an increase of funds for those States that have an increased number of adoptions. The rollcall vote was as follows:

YEAS	NAYS
Mr. Ensign	Mr. Archer
Mr. Gibbons	Mr. Crane
Mr. Rangel	Mr. Thomas
Mr. Stark	Mr. Shaw
Mr. Jacobs	Mrs. Johnson
Mr. Ford	Mr. Bunning
Mr. Matsui	Mr. Houghton
Mrs. Kennelly	Mr. Herger
Mr. Coyne	Mr. McCrery
Mr. Levin	Mr. Hancock
Mr. Cardin	Mr. Camp
Mr. McDermott	Mr. Ramstad
Mr. Kleczka	Mr. Zimmer
Mr. Lewis	Mr. Nussle
Mr. Payne	Mr. Johnson
Mr. Neal	Ms. Dunn
	Mr. Collins
	Mr. Portman
	Mr. English
	Mr. Christensen

The Committee defeated an amendment (13 yeas and 23 nays) offered by Mr. Stark to retain benefits for legal immigrants who pay taxes. The rollcall vote was as follows:

YEAS	NAYS
Mr. Gibbons	Mr. Archer
Mr. Rangel	Mr. Crane
Mr. Stark	Mr. Thomas
Mr. Ford	Mr. Shaw
Mr. Matsui	Mrs. Johnson
Mrs. Kennelly	Mr. Bunning
Mr. Coyne	Mr. Houghton
Mr. Levin	Mr. Herger
Mr. Cardin	Mr. McCrery
Mr. McDermott	Mr. Hancock
Mr. Kleczka	Mr. Camp
Mr. Lewis	Mr. Ramstad
Mr. Neal	Mr. Zimmer
	Mr. Nussle
	Mr. Johnson
	Ms. Dunn
	Mr. Collins
	Mr. Portman
	Mr. English
	Mr. Ensign
	Mr. Christensen
	Mr. Jacobs
	Mr. Payne

The Committee defeated an amendment (11 yeas and 21 nays) offered by Mr. McDermott to retain Medicaid eligibility for legal aliens. The rollcall vote was as follows:

YEAS	NAYS
Mr. Gibbons	Mr. Archer
Mr. Stark	Mr. Crane
Mr. Ford	Mr. Thomas
Mr. Matsui	Mr. Shaw
Mr. Coyne	Mrs. Johnson
Mr. Levin	Mr. Bunning
Mr. Cardin	Mr. Houghton
Mr. McDermott	Mr. Herger
Mr. Kleczka	Mr. McCrery
Mr. Lewis	Mr. Hancock
Mr. Neal	Mr. Camp
	Mr. Ramstad
	Mr. Nussle
	Mr. Johnson
	Ms. Dunn
	Mr. Collins
	Mr. Portman
	Mr. Ensign
	Mr. Christensen
	Mr. Jacobs
	Mr. Payne

The Committee defeated an amendment (12 yeas and 22 nays) offered by Mr. Cardin to provide substance abuse treatment to SSI drug addicts and alcoholics. The roll call vote was as follows:

YEAS	NAYS
Mr. Gibbons	Mr. Archer
Mr. Rangel	Mr. Crane
Mr. Stark	Mr. Shaw
Mr. Ford	Mrs. Johnson
Mr. Matsui	Mr. Bunning
Mr. Coyne	Mr. Houghton
Mr. Levin	Mr. Herger
Mr. Cardin	Mr. McCrery
Mr. McDermott	Mr. Hancock
Mr. Lewis	Mr. Camp
Mr. Payne	Mr. Ramstad
Mr. Neal	Mr. Zimmer
	Mr. Nussle
	Mr. Johnson
	Ms. Dunn
	Mr. Collins
	Mr. Portman
	Mr. English
	Mr. Ensign
	Mr. Christensen
	Mr. Jacobs
	Mr. Kleczka

The Committee defeated an amendment (10 yeas and 24 nays) offered by Mr. Rangel to retain Medicaid benefits for drug addicts and alcoholics made ineligible for SSI benefits. The roll call vote was as follows:

YEAS	NAYS
Mr. Gibbons	Mr. Archer
Mr. Rangel	Mr. Crane
Mr. Stark	Mr. Thomas
Mr. Jacobs	Mr. Shaw
Mr. Ford	Mrs. Johnson
Mr. Matsui	Mr. Bunning
Mr. Coyne	Mr. Houghton
Mr. Levin	Mr. Herger
Mr. McDermott	Mr. McCrery
Mr. Lewis	Mr. Hancock
	Mr. Camp
	Mr. Ramstad
	Mr. Zimmer
	Mr. Nussle
	Mr. Johnson
	Ms. Dunn
	Mr. Collins
	Mr. Portman
	Mr. English
	Mr. Ensign
	Mr. Christensen
	Mr. Kleczka
	Mr. Payne
	Mr. Neal

The Committee defeated an amendment (15 yeas, 20 nays, and 1 present) offered by Mr. Levin to grandfather cash benefits for children losing SSI due to the repeal of IFA eligibility if those children would meet or equal the listings. The roll call vote was as follows:

YEAS	NAYS
Mr. Gibbons	Mr. Archer
Mr. Rangel	Mr. Crane
Mr. Stark	Mr. Thomas
Mr. Jacobs	Mr. Shaw
Mr. Ford	Mrs. Johnson
Mr. Matsui	Mr. Bunning
Mrs. Kennelly	Mr. Houghton
Mr. Coyne	Mr. Herger
Mr. Levin	Mr. McCrery
Mr. Cardin	Mr. Hancock
Mr. McDermott	Mr. Camp
Mr. Kleczka	Mr. Ramstad
Mr. Lewis	Mr. Zimmer
Mr. Payne	Mr. Nussle
Mr. Neal	Mr. Johnson
	Ms. Dunn
	Mr. Collins
	Mr. Portman
	Mr. English
	Mr. Christensen

Mr. Ensign was recorded on this vote as present.

The Committee defeated an amendment (13 yeas and 20 nays) offered by Mr. Neal requiring States to have procedures under which liens are imposed against real and personal property of persons who owe child support in that State or in another State, and the ability to do so by electronic means. The roll call vote was as follows:

YEAS	NAYS
Mr. Gibbons	Mr. Archer
Mr. Jacobs	Mr. Crane
Mr. Ford	Mr. Thomas
Mr. Matsui	Mr. Shaw
Mrs. Kennelly	Mrs. Johnson
Mr. Coyne	Mr. Bunning
Mr. Levin	Mr. Houghton
Mr. Cardin	Mr. Herger
Mr. McDermott	Mr. McCrery
Mr. Kleczka	Mr. Camp
Mr. Lewis	Mr. Ramstad

Mr. Payne	Mr. Zimmer
Mr. Neal	Mr. Nussle
	Mr. Johnson
	Ms. Dunn
	Mr. Collins
	Mr. Portman
	Mr. English
	Mr. Ensign
	Mr. Christensen

The Committee defeated an amendment (17 nays, 17 yeas, and 1 present) offered by Mrs. Kennelly to require States to have laws authorizing the suspension or restriction of professional, recreational and driver's licenses of individuals refusing to enter into an agreement to pay child support. The roll call vote was as follows:

YEAS	NAYS
Mr. Camp	Mr. Archer
Mr. Zimmer	Mr. Crane
Mr. Nussle	Mr. Thomas
Mr. Gibbons	Mr. Shaw
Mr. Stark	Mrs. Johnson
Mr. Jacobs	Mr. Bunning
Mr. Ford	Mr. Houghton
Mr. Matsui	Mr. Herger
Mrs. Kennelly	Mr. Hancock
Mr. Coyne	Mr. Ramstad
Mr. Levin	Mr. Johnson
Mr. Cardin	Ms. Dunn
Mr. McDermott	Mr. Collins
Mr. Kleczka	Mr. Portman
Mr. Lewis	Mr. English
Mr. Payne	Mr. Ensign
Mr. Neal	Mr. Christensen

Mr. McCrery was recorded on this vote as present.

The Committee defeated an amendment (12 yeas and 23 nays) offereed by Mr. Neal to provide to the appropriate child support enforcement agency access to Federal tax return information, and eliminate the requirement that Federal return information will be disclosed only if it is not reasonably available from another source. The roll call vote was as follows:

YEAS	NAYS
Mr. Gibbons	Mr. Archer
Mr. Stark	Mr. Crane
Mr. Jacobs	Mr. Thomas
Mr. Ford	Mr. Shaw
Mr. Matsui	Mrs. Johnson
Mrs. Kennelly	Mr. Bunning
Mr. Coyne	Mr. Houghton
Mr. Levin	Mr. Herger
Mr. McDermott	Mr. McCrery
Mr. Kleczka	Mr. Hancock

Mr. Lewis	Mr. Camp
Mr. Neal	Mr. Ramstad
	Mr. Zimmer
	Mr. Nussle
	Mr. Johnson
	Ms. Dunn
	Mr. Collins
	Mr. Portman
	Mr. English
	Mr. Ensign
	Mr. Christensen
	Mr. Cardin
	Mr. Payne

The Committee defeated an amendment (14 yeas and 21 nays) offered by Mr. McDermott to devote the savings from the welfare reform bill to reduce the national deficit. The roll call vote was as follows:

YEAS	NAYS
Mr. Gibbons	Mr. Archer
Mr. Stark	Mr. Crane
Mr. Jacobs	Mr. Thomas
Mr. Ford	Mr. Shaw
Mr. Matsui	Mrs. Johnson
Mrs. Kennelly	Mr. Bunning
Mr. Coyne	Mr. Houghton
Mr. Levin	Mr. Herger
Mr. Cardin	Mr. McCrery
Mr. McDermott	Mr. Hancock
Mr. Kleczka	Mr. Camp
Mr. Lewis	Mr. Ramstad
Mr. Payne	Mr. Zimmer
Mr. Neal	Mr. Nussle
	Mr. Johnson
	Ms. Dunn
	Mr. Collins
	Mr. Portman
	Mr. English
	Mr. Ensign
	Mr. Christensen

The Committee defeated an amendment in the nature of a substitute (13 yeas and 21 nays) by Messrs. Gibbons and Ford to replace the bill H.R. 1157 with the Democratic Alternative. The roll call was as follows:

YEAS	NAYS
Mr. Gibbons	Mr. Archer
Mr. Stark	Mr. Crane
Mr. Jacobs	Mr. Thomas
Mr. Ford	Mr. Shaw
Mr. Matsui	Mrs. Johnson
Mrs. Kennelly	Mr. Bunning
Mr. Coyne	Mr. Houghton
Mr. Levin	Mr. Herger

Mr. Cardin
Mr. McDermott
Mr. Lewis
Mr. Payne
Mr. Neal

Mr. McCrery
Mr. Hancock
Mr. Camp
Mr. Ramstad
Mr. Zimmer
Mr. Nussle
Mr. Johnson
Ms. Dunn
Mr. Collins
Mr. Portman
Mr. English
Mr. Ensign
Mr. Christensen

Mr. Kleczka voted pass on this roll call vote.

IV. Budget Effects of the Bill

A. COMMITTEE ESTIMATE OF BUDGETARY EFFECTS

In compliance with clause 7(a) of rule XIII of the Rules of the House of Representatives, the following statement is made:

The Committee agrees with the estimate prepared by the Congressional Budget Office (CBO) which is included below.

B. STATEMENT REGARDING NEW BUDGET AUTHORITY AND TAX EXPENDITURES

In compliance with clause 2(l)(3)(B) of Rule XI of the Rules of the House of Representatives, the Committee states that the Committee bill results in net decreased budget authority for direct spending programs relative to current law, net increased budget authority for discretionary programs relative to current law, and no new or increased tax expenditures or revenues.

C. COST ESTIMATE PREPARED BY THE CONGRESSIONAL BUDGET OFFICE

In compliance with clause 2(l)(3)(C) of Rule XI of the Rules of the House of Representatives requiring a cost estimate prepared by the Congressional Budget Office, the following report prepared by CBO is provided.

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, March 15, 1995.

Hon. BILL ARCHER,
Chairman, Committee on Ways and Means,
House of Representatives, Washington, DC

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 1157, the Welfare Transformation Act of 1995, as ordered reported by the House Committee on Ways and Means on March 8, 1995.

The bill would affect direct spending and thus would be subject to pay-as-you-go procedures under section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985.

If you wish further details on this estimate, we will be pleased to provide them.

Sincerely,

JUNE E. O'NEILL, *Director.*

Enclosure.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

1. Bill number H.R. 1157.
2. Bill title: Welfare Transformation Act of 1995.

3. Bill status: As ordered reported by the House Committee on Ways and Means on March 8, 1995.

4. Bill purpose: To restore families, promote work, protect endangered children, increase personal responsibility, attack welfare dependency, reduce welfare fraud, and improve child support collections.

5. Estimated cost to the Federal Government:

Direct spending

The bill would affect federal outlays in the following mandatory programs: Family Support Payments, Foster Care and Adoption Assistance, Family Preservation and Support, Supplemental Security Income, Food Stamps, Medicaid. Additional funds would be devoted to certain drug treatment programs without the need for annual appropriations. The following table shows projected outlays for these programs under current law, the changes that would stem from the bill, and the projected outlays for each program if the bill were enacted.

[Outlays by fiscal years, in millions of dollars]

	1995	1996	1997	1998	1999	2000
Projected spending under current law:						
Family Support Payments [1]	18,223	18,544	19,048	19,534	20,132	20,793
Foster Care/Adoption Assistance and Family Preservation [2]	3,540	4,146	4,508	4,930	5,356	5,809
Supplemental Security Income	24,322	24,497	29,894	32,967	36,109	42,749
Food Stamps	25,120	25,930	27,400	28,900	30,390	32,030
Medicaid	89,216	99,292	110,021	122,060	134,830	148,116
Drug Treatment Program [3]	0	0	0	0	0	0
Total	160,421	172,409	190,871	208,391	226,817	249,497
Proposed changes:						
Family Support Payments [1]	0	−1,926	−2,519	−2,909	−3,513	−4,109
Foster Care/Adoption Assistance and Family Preservation [2]	0	366	−75	−202	−348	−485
Supplemental Security Income	0	−1,308	−4,642	−5,054	−5,358	−6,289
Food Stamps	0	225	1,057	1,216	1,475	1,810
Medicaid	0	−106	−598	−601	−640	−672
Drug Treatment Programs [3]	0	0	45	80	100	100
Total	0	−2,749	−6,732	−7,470	−8,284	−9,645
Projected spending under H.R. 1157:						
Family Support Payments [1]	18,223	16,618	16,529	16,625	16,619	16,684
Foster Care/Adoption Assistance and Family Preservation [2]	3,540	4,512	4,433	4,728	5,008	5,324
Supplemental Security Income	24,322	23,189	25,252	27,913	30,751	36,460
Food Stamps	25,120	26,155	28,457	30,116	31,865	33,840
Medicaid	89,216	99,186	109,423	121,459	134,190	147,444
Drug Treatment Program [3]	0	0	45	80	100	100
Total	160,421	169,660	184,139	200,921	218,533	239,852

[1] Under current law, Family Support Payments includes spending on the Aid to Families with Dependent Children (AFDC) program, AFDC-related child care, administrative costs for child support enforcement, net federal savings from child support collections, and the Job Opportunities and Basic Skills Training program (JOBS). Under proposed law, Family Support Payments would include spending on the Temporary Assistance for Needy Families Block Grant, administrative costs for child support enforcement, and net federal savings from child support collections.

[2] Under current law, Foster Care/Adoption Assistance and Family Preservation refers to direct spending authorized through Titles IV–B and IV–E of the Social Security Act. Under proposed law, Foster Care/Adoption Assistance and Family Preservation refers to direct spending that would be authorized through the Child Protection Block Grant.

[3] These funds, which are not subject to annual appropriation, would constitute an additional source of funding for two treatment programs that are currently funded wholly through discretionary appropriations.

Note.—Details may not add to totals because of rounding.

The direct spending costs of this bill fall within budget functions 500, 550, 600, and 750.

Authorization of appropriations

H.R. 1157 would replace the authorizations of appropriations for existing child welfare services under Part B of Title IV of the Social Security Act with a discretionary portion of the Child Protection Block Grant. The following table shows the estimated authorizations of appropriations and outlays under current law, the changes proposed in H.R. 1157, and the authorizations of appropriations and estimated outlays under the bill.

[By fiscal years, in millions of dollars]

	1995	1996	1997	1998	1999	2000
Authorization level under current law:						
Estimated authorization	336	336	337	337	337	338
Estimated outlays	303	329	335	337	337	337
Proposed changes:						
Estimated authorization	0	191	190	190	190	189
Estimated outlays	0	204	202	190	190	190
Authorization level under H.R. 1157:						
Estimated authorization	336	527	527	527	527	527
Estimated outlays	303	533	537	527	527	527

The bill's costs associated with authorizations of appropriations fall within budget function 500.

6. Basis of estimate: CBO estimates the enactment of H.R. 1157 would reduce direct spending outlays by $2.7 billion in 1996 and $9.6 billion in 2000. Outlays for discretionary programs would increase by $0.2 billion in each year. These estimates incorporate the economic and technical assumptions from CBO's March 1995 baseline and assume an enactment date of October 1, 1995. The remainder of this section outlines the methodology used for these estimates. The attached tables detail the estimates for each title of this bill.

Title I: Temporary Assistance for Needy Families Block Grant

Title I of H.R. 1157 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 two current entitlement programs—Aid to Families with Dependent Children (AFDC) and the Job Opportunities and Basic Skills Training program (JOBS)—into a single block grant with a fixed funding level. The conversion to a fixed funding level would generate net federal outlay savings of $0.8 billion in 1996 and $2.0 billion in 2000 (see Table 1). In addition, the bill would repeal related child care programs with projected federal outlays of $1.1 billion in 1996 and $1.4 billion in 2000. The committee's intent is that federal funding for child care activities would be provided through a separate block grant that is proposed in H.R. 999, a bill ordered reported by the Economic and Educational Opportunities Committee on February 23, 1995.

Effect of the block grant on cash and training assistance. The new Temporary Assistance for Needy Families Block Grant 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 $15.355 billion annually through 2000. Each state would be entitled to a portion of the grant based on its share of AFDC and JOBS spending in fiscal 1994. The total amount of federal spending could be adjusted through three provisions. In 1997 and subsequent years, the bill would provide $100 million to account for population growth, bringing the block grant total to $15.455 billion. Second, the bill would authorize a loan fund (called the Rainy Day Fund) with an initial balance of $1.0 billion from which states could borrow during economic downturns. States would repay borrowed amounts, with interest, within three years.[1] Finally, the block grant could increase—by up to 10 percent—if states were successful in lowering an "illegitimacy ratio",[2] which could be achieved by reducing the number of out-of-wedlock births or limiting the growth in the number of abortions performed. Based on a review of birth statistics from the 1980s, CBO assumes states would not be successful in reducing the ratio, and consequently, would not be awarded higher block grant amounts.

CBO estimates federal savings in Title I by comparing current law projections of AFDC and JOBS spending with the block grant levels. In 1996, CBO projects that under current law the federal government would spend $16.1 billion on AFDC benefits, AFDC administration, AFDC-emergency assistance, and the JOBS program, or $0.9 billion more than the states would spend under the block grant. By 2000, the gap between spending projected under current law ($18.0 billion) and spending permitted under the block grant ($15.5 billion) would grow to $2.6 billion.

Effect of the block grant on the Food Stamp and Medicaid programs. The federal savings estimated from the block grant conversion was reduced to account for higher estimated spending in the Food Stamp program. CBO estimates that enactment of Title I 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 an estimated 33 cents. CBO estimates cash provided by federal, state, and local governments would decline relative to current projections by $2.3 billion in 2000, generating a food stamp cost in that year of $0.7 billion—assuming no change in food stamp law.[3]

CBO estimates no change in Medicaid spending associated with Title I, which reflects the bill's stated intention to preserve current standards for Medicaid. How states implement these new programs would determine the ultimate impact on the Medicaid program. The requirement that states continue to provide Medicaid benefits to all individuals who currently are eligible for AFDC may increase

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[1] CBO estimates the creation of the Rainy Day Loan Fund would not generate additional outlays. Although up to $1.0 billion would be made available to states for loans, CBO assumes that every state borrowing funds would repay its loans with interest. Therefore, the program would involve no long-run loss to the federal government, and under the credit reform provisions of the Balanced Budget Act, it would have no cost.

[2] The illegitimacy ratio would be defined as the number of out-of-wedlock births plus the increase (if any) if the number of abortions performed in a state relative to the preceding year divided by the total number of births in the state.

[3] This estimate assumes that one-third of states would continue to spend at levels projected by CBO under current law. The remaining two-thirds of states would follow the federal example and freeze their spending on cash benefits at their 1994 levels.

the administrative burden in states agencies. In order to meet this requirement, states that dramatically alter their AFDC programs would need to conduct two Medicaid eligibility determinations based on both the old and new welfare eligibility rules.

The creation of the block grant could affect Medicaid spending in a second way. Granting funds for cash assistance (with no requirement for state spending) while leaving Medicaid as a shared federal-state responsibility would provide states seeking to maximize federal assistance with an incentive to spend more money on Medicaid. Under proposed law, a state dollar spent on cash assistance would no longer generate a federal matching payment while a state dollar spent on Medicaid would. Consequently, states could decide to expand Medicaid eligibility, financing the expansion with state dollars that otherwise would have been devoted to cash assistance. CBO has little basis upon which to predict such behavior and therefore has not estimated any change in Medicaid spending.

Criteria for state participation. 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 families with minor children. States could, however, transfer up to 30 percent of Temporary Assistance for Needy Families Block Grant to supplement other grants, including the Child Protection Block Grant, Social Services Block Grant, and the Child Care and Development Block Grant. CBO's estimate assumes states would not make sizable transfers. Finally, the bill would not require states to spend any of their own resources to obtain the funds.

As a condition of accepting the funds, states would have to insure no federal dollars would be provided to certain families and individuals. Groups ineligible to receive block grant monies would include most non-citizens, children born while their mothers were receiving welfare, families headed by a mother who is under age 18 and who gave birth outside of marriage, and most families who have received cash assistance for more than 60 months since October 1, 1995. The bill also would require states to lower benefit payments to families with a child born outside of marriage for whom paternity is not established.

If every state strictly adopted the rules outlined in H.R. 1157, 2.8 million families would lose some or all of their federal and state benefits—with losses totalling $2.8 billion in 2000 relative to current rules. The effect of these policies would rise substantially after 2000 because families would begin to encounter the 60-month lifetime limitation on cash benefits. By 2003, cash payments to families with dependent children could decline by as much as 50 percent relative to current projections. The actual effect of these prohibitions on families is uncertain because H.R. 1157 would permit states and localities to provide cash assistance to such groups with their own resources. The inclusion of these policies in the legislation did not affect the CBO estimate of federal costs because the provisions would not directly change the amount of block grant funds disbursed to the states.

Other provisions of Title I would require states to provide work and training activities for an increasing percentage of block grant recipients or face penalties of up to five percent of the state's share

of the grant. Beginning in 1996, states would have to involve 4 percent of families with one adult member and 50 percent of families with two adult members in work experience programs. Those rates would ultimately reach 50 percent for families with one adult and 90 percent for families with two adults. States would engage participants in a more narrow set of programs than exists under the current JOBS program, with approved activities including unsubsidized or subsidized employment, work experience programs, and on-the-job training. The literature on welfare-to-work programs, as well as the experience with the JOBS program to date, indicates that states are unlikely to obtain such high rates of participation. CBO's estimate assumes each of the 54 jurisdictions would fail the mandatory work requirement beginning in 1998 when the participation rate for two-adult families would reach 90 percent. Consistent with current practice, CBO assumes that the Secretary would impose small penalties (less than one-half of one percent of the block grant) on non-complying states.

Title II: Child Protection Block Grant

Title II would repeal many of the existing programs for child protection services and replace them with a block grant to states. For direct spending programs, CBO estimates the costs and savings of Title II relative to CBO's March 1995 baseline. For discretionary programs subject to annual appropriations, CBO estimates the change in the level authorized to be appropriated in Title II relative to authorizations of appropriations in current law. Outlays are estimated using historical spending patterns of these and similar programs. Estimated outlays assume full appropriation of authorized amounts.

Title II would amend Part B of Title IV of the Social Security Act to create a new block grant to states for child protective services. The bill would replace existing programs for child welfare services in Title IV–B and would repeal Title IV–E, which authorizes payments to states for foster care and adoption assistance. These two title contain both direct spending and authorizations of appropriations. Direct spending programs include Foster Care maintenance payments, administrative services, and training; Adoption maintenance payments, administrative services, and training; Independent Living; and Family Preservation. CBO estimates that, under current law, outlays for these programs would total $3.4 billion in 1996 and $5.8 billion in 2000 (see Table 2).

The discretionary programs that would no longer be authorized include Child Welfare Services, for which $325 million is authorized to be appropriated in each fiscal year, and Child Welfare research and training, which is authorized to be appropriated at such sums as many be necessary for each fiscal year.

The new Child Protection Block Grant would be made up of two parts—a direct spending part and a part subject to annual appropriation. The bill states that each eligible state would be entitled to its share of the "child protection amount," which is stated in the bill for fiscal years 1996 through 2000. The share for any state would be the greater of (1) the amount paid to the state in fiscal years 1991 through 1994 as a fraction of the total amount paid to all states in these years for a specified set of programs, or (2) the

amount paid to the state in fiscal year 1994 as a fraction of the total amount paid to all states for fiscal year 1994 for the same set of programs. Because some states would have a larger fraction of the total amount under (1) and others will have a larger fraction under (2), the sum of all the state shares would be greater than 100 percent of the child protection amount. Based on actual federal obligation levels from fiscal years 1991 through 1994, CBO estimates that the sum of the state shares would be 105.5 percent of the child protection amount. Therefore, under the language of H.R. 1157 as ordered reported, states would be entitled to 5.5 percent more than the amount stated for the child protection amount. CBO estimates the additional amount to which states would be entitled to be $216 million in fiscal year 1996 and $279 million in fiscal year 2000.[4]

In addition to this entitlement amount, each eligible state would be entitled to its share of an additional grant subject to annual appropriation. The bill authorizes an amount not to exceed $514 million for each fiscal year through 200 for this additional grant.

Title II would appropriate $6 million in each of fiscal years 1996 through 2000 to the Secretary of Health and Human Services to be used for a National Random Sample Study of Child Welfare. Finally, the bill would authorize to be appropriated $10 million in each fiscal year for research and training in child welfare and $3 million for each fiscal year for a clearinghouse and hotline on missing and runaway children.

Title III: Restricting welfare for aliens

Title III of H.R. 1157 would bar most legal aliens from receiving benefits in three programs: Supplemental Security Income (SSI), the new program of temporary assistance for needy families, and social services block grants under Title XX of the Social Security Act. The last program is already a block grant to the states, and the second—the successor to the family support program—would be turned into a block grant under Title I of H.R. 1157. Because those grants are simply set at a fixed dollar total, barring legal aliens from receiving some of those dollars results in no additional savings to the federal government. The title will directly affect SSI, however, as well as two programs that are not listed in the bill, Medicaid and food stamps. Net savings are expected to equal between $2.5 billion and $2.8 billion a year in 1997 through 2000 (see Table 3).

In general, legal aliens are now eligible for SSI and other benefits administered by the federal government. Most aliens, other than refugees, do not receive benefits during their first few years in the U.S., however, because administrators must deem a portion of a sponsor's income to an alien in determining the alien's eligibility for the first three years or five years after arrival. H.R. 1157 would eliminate federal benefits altogether for most legal aliens. Exceptions would be made for groups that make up about one-quarter of aliens on the SSI rolls: refugees who have been in the country for less than 5 years, immigrants aged 75 years or older

[4] CBO understands from conversations with committee staff that the committee intended to limit the entitlement to states to the child protection amount and that future versions of the bill will reflect this intent.

who have been lawfully admitted for at least 5 years, and veterans of the U.S. military. All other legal aliens now on SSI would be allowed to continue receiving benefits for one year after enactment.

CBO bases its estimate on administrative records for the SSI program. These data suggested that non-citizens accounted for about 700,000 recipients or 11 percent of that program's population in 1994, and that their numbers might be expected to continue to grow in the absence of a change in policy. The administrative data, though, are of uncertain quality. These data are not likely to reflect some changes in citizenship status (such as naturalization) that may have occurred since the date of initial application for benefits. In the past, it has not been important for agencies to keep citizenship status up-to-date so long as they have verified that the recipient is, in fact, legally eligible. That problem is thought to be particularly acute for SSI, where some beneficiaries identified as aliens have been on the program for many years. CBO assumes that about one-fifth of SSI beneficiaries coded as aliens are in fact naturalized citizens.

CBO estimates the number of SSI recipients removed from the rolls by projecting the future caseload in the absence of policy change, subtracting the three groups (certain refugees and aged persons and veterans) exempted under the bill, and assuming that some of the remainder will be spurred to become naturalized. The rest, estimated by CBO at slightly more than a half million legal aliens, would be cut from the SSI rolls. Multiplying by the average benefits paid to legal aliens—assumed to equal 1994 levels plus subsequent cost-of-living adjustments, or about $4,200 per alien in 1997—yields annual federal budgetary savings of between $2 billing and $3 billion a year.

Similar estimates for the AFDC program suggest that about 600,000 persons (many of them immigrant parents of citizen children) would be cut from that program under H.R. 1157's restrictions on benefits for legal aliens. Because the AFDC program would be abolished and turned into a block grant to the states under Title I, the provisions of Title III do not generate any independent savings in that program. However, estimating the change in caseloads is important because AFDC, like SSI, serves as a path to Medicaid eligibility. Although many aliens barred from SSI or family support will have other ways to get Medicaid eligibility under current law—chiefly the requirement that Medicaid cover poor children and "medically needy" adults—some will not. Overall, CBO gauges that roughly two-fifths of the aliens dropped from the two programs will also lose Medicaid coverage, leading to savings in that program of $500 million a year.

Finally, under current law, aliens losing SSI or family support income may qualify for larger food stamp benefits. CBO assumes that only a fraction of the SSI or family support loss will be made up at the state and local level through general assistance programs. For aliens participating in food stamps, food stamp benefits are estimated to increase by about 33 cents for each dollar of cash income lost. Extra food stamp costs would be approximately $300 million a year.

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 some recipients, and—as previously noted—some persons coded as aliens are certainly naturalized citizens by now. Second, it is hard to judge how many non-citizens would react to the legislation by becoming citizens. Most legal aliens now on the rolls are eligible to become citizens; the fact that they have not may be attributable, in part, to the lack of a strong financial incentive. After all, legal immigrants have not heretofore been barred from most jobs, from eligibility for benefits, or from most other privileges except voting. More than 80 percent of legal aliens on SSI are eligible to become naturalized, but because the naturalization process takes time and effort, CBO assumes that only one-third of those whose benefits are eliminated will become citizens by the year 2000.

Title III also contains several other provisions without direct effects on the federal budget. Beginning with sponsorship agreements executed within 3 months after enactment, the bill would make such agreements legally binding. Specifically, any agency of government—federal, state, or local—could sue to recover from sponsors any monies spent on legal aliens for up to 10 years after the benefits are paid. Since the federal government is barred from making such payments in any event, no enforcement actions or recoveries are expected in the 1996–2000 period. Title III would also direct state and local governments to bar any illegal aliens from receiving benefits in means-tested programs. It would permit them to deny benefits to legal aliens but require them to adopt deeming rules in any event.

Title IV: Supplemental Security Income

Title IV has two distinct provisions. The first tightens SSI eligibility requirements for many drug addicts and alcoholics; the second revamps SSI benefits for disabled children.

Drug addicts and alcoholics. For many years, the Social Security Administration (SSA) has been required to identify certain drug addicts and alcoholics (DA&As) in the SSI program, when the substance abuse is a material contributing factor to the finding of disability. Special provisions apply to those recipients: they must comply with treatment if available, they must have representative payees, and (as a result of legislation enacted last year) they can receive a maximum of 36 months' benefits. About 100,000 recipients classified as drug addicts and alcoholics received benefits in December 1994.

CBO assumes that, under current law, the DA&A caseload would grow to about 190,000 by 1997, fall in 1998 (as the first wave of terminations under last year's legislation occurs), then resume climbing gradually. Under H.R. 1157, DA&As would be removed from the rolls on October 1, 1995, unless they had another disabling condition, and future awards would cease.

Estimating the number of DA&As who already have or will soon develop another disabling condition is a thorny issue. A sample of 1994 awards with a primary diagnosis of substance abuse found that two-thirds identified a secondary disabling condition (predominantly mental rather than physical). That fact must be interpreted with caution. In order to be worth noting, the secondary condition

must be quite severe—but not necessarily disabling in its own right. On the other hand, there is no requirement to record secondary conditions: some of the one-third for whom none was recorded undoubtedly had them. And the health of many DA&A recipients certainly deteriorates over time, with or without continued substance abuse. Thus, CBO assumes that only about one-quarter of DA&A recipients would be permanently terminated from the program; the rest could requalify by documenting that they have another sufficiently disabling condition. Multiplying the number of recipients terminated times an average benefit yields savings of approximately $250 million to $300 million a year in SSI benefits (see Table 4).

Besides saving on benefits, the Social Security Administration will also be freed from the requirement to maintain contracts with referral and monitoring agencies (RMAs) for its SSI recipients. Those agencies monitor addicts' and alcoholics' treatment status and often serve as representative payees. Savings are estimated at about $150 million to $200 million a year in 1997 through 2000. Savings in 1996, however, are uncertain, as SSA will likely have to pay cancellation penalties.

The legislation would also eliminate Medicaid coverage for DA&As terminated from the SSI program, resulting in another $100 million a year or so in savings. And because former SSI recipients would experience a reduction in their cash income, food stamp costs under current law would increase slightly—by approximately $30 million a year. Beginning in 1997, H.R. 1157 would grant an extra $100 million a year in funding to two drug treatment and research programs—specifically, $95 million to the Federal Capacity Expansion Program and $5 million to an ongoing project of the National Institute on Drug Abuse.

Disabled Children. H.R. 1157 would restructure the SSI program for disabled children. Under current law, poor children may qualify for the SSI program and its federal cash benefits of up to $458 a month in two ways. They may suffer from one or more specific impairments (with accompanying clinical findings) that are listed in regulation, or they may qualify through an individualized functional assessment (IFA) that determines whether an unlisted impairment seriously limits the child from performing activities normal for his or her age.

H.R. 1157 would eliminate IFAs as a basis for receipt. Most children now on the rolls as a result of an IFA (roughly a quarter of the 900,000 children on SSI) would be terminated, and future IFA-based awards barred. Thus, the program would be restricted to those who met or equaled the listings. Furthermore, the bill would also treat those now on the rolls and those seeking benefits in the future differently. Those who now collect benefits could continue to receive cash benefits if they have conditions found to meet or equal the listings. Those applying after enactment would be granted cash benefits only if they are institutionalized or if they can show that they need personal assistance (defined in the accompanying report as "assistance with eating, bathing, etc.") without which they would be at risk of institutionalization. Other children who meet or equal the listings would not receive cash benefits, but would be eligible to receive services administered by their state using monies

from a new block grant program. States would choose which services to finance from a list of allowable services promulgated by the Commissioner of SSA.

CBO estimated the cost of this provision by judging how many present and future children would likely qualify for cash and services under the new criteria. CBO relied extensively on SSA program data and on analyses conducted by the General Accounting Office of the total caseload and of recent awards. Approximately 900,000 children now collect SSI benefits, and CBO projects that the number would reach 1.25 million in 2000 if policies were unchanged. CBO estimates that about 80 percent of children now receiving benefits would continue receiving benefits because they meet or equal the listings. (Some of the children now on the rolls who qualified via an IFA are assumed to meet the listings.) Of children who would be awarded benefits in the future under current policies, CBO assumes that slightly more than two-thirds would meet or equal the listings and that, in turn, 30 percent of those children would meet the "personal assistance" criterion for cash benefits.

The number of disabled children meeting a "personal assistance" criterion is uncertain. Administrative data list the recipient's primary impairment but contain few clues about its severity or the possible presence of multiple impairments. CBO estimated how many SSI recipients might meet such a criterion based on an analysis of the 1990 Health Interview Survey, which queried respondents about SSI receipt and (for school-aged respondents) about their inability to meet basic personal needs—defined generally as eating, bathing, dressing, toilet functions, and mobility—without assistance. Parents of children younger than school age, however, were not queried about such needs. CBO assumed that the growth in SSI since 1990 had taken place mostly among the less-severely-impaired population, but that most SSI recipients under age 6 would meet the personal assistance criterion. That analysis underpins CBO's assumption that about 30 percent of children who met or equaled the listings would still qualify under the proposed criteria. Ultimately, CBO assumed that there would be approximately a half-million child recipients of cash benefits in 2000 under the proposal, in contrast to 1.25 million if current policies remain unchanged.

Savings in cash benefits relative to current law are estimated by multiplying the number of children assumed to lose cash benefits by the average benefit. That average benefit was about $430 a month in December 1994 and would grow with inflation thereafter. Total savings in cash benefits equal nearly $1 billion in 1996 and $4.7 billion in 2000.

The block grant to the states would begin in 1997. The amount of the block grant would equal the number of "qualified children" (the number of children who were certified through the disability determination process to meet or equal the listings as well as SSI's financial criteria), minus those who actually received cash benefits, times 75 percent of the average cash benefit in the most recently available 12-month period. As fewer children receive cash benefits, the block grant will grow in size, although it will never exceed the benefits saved. Consistent with its estimate of the SSI benefits

saved, CBO estimates that the block grant will grow from $0.4 billion in 1997 to $1.5 billion in 2000.

The cutbacks in children's SSI benefits would affect spending in other programs. Food stamp outlays would increase, under current law, to replace a portion of the cash income lost by the children's families. Effects on two other programs, however, are omitted from CBO's estimate. Under current law, approximately half of the disabled children losing SSI benefits would be likely to end up on the AFDC program; because that program would be abolished in Title I and replaced by a fixed block grant to the states, however, no extra spending would result. The cutback in children's SSI benefits would have only negligible effects on the Medicaid program. H.R. 1157 would explicitly preserve Medicaid eligibility for all "qualified children" (those who have been through the disability determination process and found to meet the income and medical criteria), whether they receive cash benefits or are eligible solely for the services financed by the block grants. Therefore, the only children at risk of losing their Medicaid coverage are those removed from the SSI program by the elimination of IFAs. Most of those children, however, would qualify for Medicaid independently of SSI—either through their eligibility for the program of temporary assistance to needy families (the successor to the AFDC program) or their poverty status.

H.R. 1157 would make many other changes to the SSI program for disabled children. It steps up requirements for continuing disability reviews (CDRs), applies asset divestiture rules now used by the Medicaid program to children in SSI, and requires studies of the listing of impairments by the Commission on Childhood Disability and the Commissioner of SSA. All of those changes either have no budgetary effect, or their effects are embedded in CBO's estimates of the savings of other provisions. In particular, CBO assumes that DCRs will serve as the vehicle to move many children from cash benefits to services, as their maturation and therapy enable them to meet more of their personal needs without special assistance. Although the language of the bill is not clear, the estimate assumes that such a conversion—that is, switching a child from cash to services—would not be treated as a "termination" of SSI benefits. That distinction is important, because terminations generally cannot be carried out under current law without clinical evidence of medical improvement in the beneficiary's condition. If the courts were to hold instead that such an action amounted to a termination, the estimated savings in cash benefits would be reduced by about $200 million in 200 and by grater amounts in later years.

Other SSI Changes. H.R. 1157 would require that SSI recipients who are hospitalized for a month or more, and for whom private insurance is paying any portion of the bill, receive only $30 a month in cash. That policy already applies to persons whose medical bills are paid by Medicaid. CBO estimates that this policy change would affect approximately 10,000 SSI recipients in an average month and would save approximately $50 million to $65 million annually..

The bill also restores a block grant to Puerto Rico, the Virgin Islands, and Guam that substitutes for the SSI program in those ter-

ritories. Under Section 1108 of the Social Security Act, that amount under current law is set at $19 million a year. Title I of H.R. 1157 would repeal that grant, and CBO's estimate of that title therefore includes $19 million in savings. Title IV restores it, at a cost of $19 million a year, for no net budgetary effect.

Finally, H.R. 1157 would repeal section 1618 of the Social Security Act, which contains the maintenance of effort requirements for state supplementation of SSI benefits. Most states voluntarily supplement the incomes of their SSI beneficiaries; section 1618 essentially stipulates that, having begun to do so, they must continue to do so. In 1993, States augmented the benefits of approximately 2.8 million SSI beneficiaries at a total annual cost to the states of about $4 billion. If states use their new latitude to cut back their supplementation, the direct effects would appear in state budgets, not the federal budget. CBO judges that any effects on the federal budget would be roughly offsetting. The federal government could save slightly in SSI benefits if qualified persons choose not to bother applying for small federal benefits when state supplementation is no longer offered; it could pay more in food stamp benefits if recipients' income falls; and it could spend less for Medicaid if some people who qualify for that program exclusively through state supplements lose their coverage.

SSI Administrative Costs. Several provisions of Titles III and IV would affect the administrative costs of the SSI program. Those costs are funded out of an overall discretionary appropriation that limits total administrative expenses of the Social Security Administration. The most significant burdens would be those involved in checking citizenship status and conducting continuing disability reviews (CDRs). Title III would presumably require SSA to check the citizenship status of all SSI beneficiaries—those coded as citizens as well as those identified as aliens—to verify their continued eligibility for benefits. Title IV would require SSA to conduct far more continuing CDRs than it currently does for SSI beneficiaries; CDRs typically cost $1,000 or more and may or may not result in termination. Because aggregate discretionary spending is controlled by fixed dollar caps, those new requirements would need to be offset elsewhere.

Title V: Child support enforcement

Title V would change many aspects of the operation and financing of the federal and state child support enforcement system. CBO estimates that Title V would decrease federal spending by less than $0.1 billion in 2000 (see Table 5). Its key provisions 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, and authorize new spending on automated systems. 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.

Using reports on the performance of various enforcement strategies at the state level, CBO estimates that child support collections received by families on cash assistance in 2000 would increase under the bill by roughly 10 percent over current expectations

(from $3.5 billion to $3.8 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 of improving collections further. Given the collections estimates described above, CBO projects that the enforcement proposals in H.R. 1157 would result in savings of roughly $0.2 billion in 2000 through shared child support collections, as well as, reduced spending in food stamps and Medicaid.

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 cash assistance family, without affecting the level of the welfare benefit. In essence, the current policy means that 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. Eliminating the $50 child support payment—beginning in 1997—would save the federal government more than $0.1 billion annually.

The savings from the enforcement measures and the elimination of the $50 passthrough would be largely offset by a number of other provisions that would increase federal outlays. First, H.R. 1157 would authorize further improvements in states' automated systems at an estimated annual cost of $0.1 billion. Second, the bill would limit the amount of collected child support that the state and federal governments would retain to reimburse themselves for past welfare payments made to custodial families, at an annual cost of approximately $50 million. Third, the bill would authorize about $50 million annually to provide technical assistance to states and to operate a computer system designed to locate non-custodial parents. Finally, the bill would change federal cost sharing in enforcing child support. Although individual states would see their share of federal funds change relative to current law, CBO estimates that the new funding formula would be cost neutral to federal budget.

7. Pay-as-you-go considerations: The Balanced Budget and Emergency Deficit Control Act of 1985 sets up pay-as-you-go procedures for legislation affecting direct spending or receipts through 1998. The pay-as-you-go effects of the bill are as follows.

[By fiscal years, in million of dollars]

	1995	1996	1997	1998
Outlays	0	−2,749	−6,732	−7,470
Receipts	(1)	(1)	(1)	(1)

[1] Not applicable.

8. Estimated cost to the State and local governments: In general, H.R. 1157 mandates no new or additional spending by state and local governments and gives those governments the freedom to cut back on some spending that they already incur. It is possible that state and local government will opt to spend more on certain activities, but that choice would be made by them.

Titles I and II of H.R. 1157 would change the structure of federal funding for cash assistance, foster care, adoption assistance, and job training for recipients of welfare benefits. The bill would repeal the federal entitlement for these programs to individuals and would allow states to spend a specified amount of federal money provided in a block grant with a greater degree of flexibility. To the extent that demand or eligibility for these programs increases above the level of federal funding, states could choose to increase their own spending to keep pace or could reduce the amount of benefits or limit eligibility to maintain current levels of spending.

Title III's provisions, which would eliminate federal welfare benefits for most legal aliens, likewise could increase or decrease state and local spending, depending on a variety of factors. State and local government spending for legal immigrants would automatically be reduced by eliminating legal aliens' eligibility for several joint federal/state programs: AFDC, Medicaid, and SSI (which is typically supplemented by states). Legal immigrants cut off from federal benefits, however, might turn to state- and locally-funded general assistance (GA) and general medical assistance (GMA) programs instead, raising the demand for such benefits. But H.R. 1157 grants state and local governments the authority to deny public assistance benefits (defined as cash, food, housing, or medical benefits, but not emergency medical care or immunizations) to legal aliens—an authority that they now lack under Supreme Court decisions. H.R. 1157 also requires state and local governments to deny such benefits to illegal aliens.

Title IV, dealing with Supplemental Security Income, imposes relatively few requirements on states and relaxes some current ones. The proposed removal of drug addicts and alcoholics from the SSI and Medicaid rolls would probably boost demand for general assistance payments but trim states' costs for Medicaid, with uncertain overall effects. Cutbacks in cash SSI benefits to disabled children will probably increase demands on state and local welfare programs, but those are extensively restructured by Title I in a way that affords states great latitude in determining future spending on such populations. The new block grants for services to disabled children will be state-administered, permitting states to offer services chosen from a list authorized by the Commissioner of SSA. Finally, the proposed repeal of section 1618 (the maintenance of effort requirements that now apply to optional state supplementation of SSI benefits) would grant states a latitude that they now lack, though it is not clear how many would rush to take advantage.

Title V would increase child support collections and reduce the reliance on welfare for certain families. CBO estimates the provisions would reduce state and local spending by $0.3 billion in 2000.

9. Estimate comparison: None.

10. Previous CBO estimate: None.

11. Estimate prepared by: John Tapogna (Titles I and V), Kathy Ruffing (Titles III and IV), Dorothy Rosenbaum (Title II), and Robin Rudowitz (Medicaid).

12. Estimate approved by: Paul N. Van de Water, Assistant Director for Budget Analysis.

SUMMARY TABLE: COST ESTIMATE OF H.R. 1157, SUMMARY OF TITLES 1–V—THE WELFARE TRANSFORMATION ACT OF 1995

[(By fiscal year, in millions of dollars]

	1996	1997	1998	1999	2000
Title I: Temporary family assistance block grant:					
Creation of block grant: Direct spending					
Budget authority	(884)	(910)	(1,266)	(1,620)	(1,987)
Outlays	(820)	(861)	(1,226)	(1,590)	(1,957)
Repeal IV–A child care: Direct spending:					
Budget authority	(1,155)	(1,210)	(1,260)	(1,310)	(1,365)
Outlays	(1,095)	(1,205)	(1,255)	(1,305)	(1,360)
Title II: Child protection block grant:					
Direct spending:					
Budget authority	(70)	(157)	(250)	(400)	(537)
Outlays	366	(75)	(202)	(348)	(485)
Total authorization of appropriations:					
Budget authority	191	190	190	190	189
Outlays	204	202	190	190	190
Title III: Restricting Benefits for Legal Aliens:					
Direct spending:					
Budget authority	(40)	(2,470)	(2,560)	(2,560)	(2,780)
Outlays	(40)	(2,470)	(2,560)	(2,560)	(2,780)
Title IV: SSI reforms:					
Direct spending:					
Budget authority	(1,341)	(2,062)	(2,208)	(2,478)	(3,017)
Outlays	(1,199)	(2,073)	(2,248)	(2,451)	(2,996)
Title V: Child support reforms:					
Direct spending:					
Budget authority	30	(48)	21	(30)	(67)
Outlays	39	(48)	21	(30)	(67)
Totals: Titles I–V:					
Direct spending:					
Budget authority	(3,451)	(6,857)	(7,523)	(8,398)	(9,753)
Outlays	(2,749)	(6,732)	(7,470)	(8,284)	(9,645)
Total authorization of appropriations:					
Budget authority	191	190	190	190	189
Outlays	204	202	190	190	190

Note: Numbers in parentheses are negative numbers.

TABLE 1.—COST ESTIMATE OF H.R. 1157, TITLE I TEMPORARY ASSISTANCE FOR NEEDY FAMILIES BLOCK GRANT

[By fiscal year, in millions of dollars]

	1996	1997	1998	1999	2000
Creation of block grant:					
Repeal AFDC, Emergency Assistance, and JOBS Programs:					
Family Support Payments:					
Budget Authority	(16,299)	(16,645)	(17,051)	(17,535)	(18,072)
Outlays	(16,099)	(16,595)	(17,011)	(17,505)	(18,042)
Food Stamps:					
Budget Authority	50	270	320	500	670
Outlays	50	270	320	500	670
Medicaid:					
Budget Authority	(1)	(1)	(1)	(1)	(1)
Outlays	(1)	(1)	(1)	(1)	(1)
Authorize Temporary Family Assistance Block Grant: Family Support Payments:					
Budget Authority	15,355	15,355	15,355	15,355	15,355
Outlays	15,227	15,355	15,355	15,355	15,355
State Population Adjustment Fund: Family Support Payments:					
Budget Authority	0	100	100	100	100
Outlays	0	100	100	100	100

TABLE 1.—COST ESTIMATE OF H.R. 1157, TITLE I TEMPORARY ASSISTANCE FOR NEEDY FAMILIES BLOCK GRANT—Continued

[By fiscal year, in millions of dollars]

	1996	1997	1998	1999	2000
Evaluation of Block Grant: Family Support Payments:					
Budget Authority	10	10	10	10	10
Outlays	2	9	10	10	10
Establish Rainy Day Fund: Family Support Payments:					
Budget Authority	0	0	0	0	0
Outlays	0	0	0	0	0
Penalties for State Failure to Meet Work Requirements: Family Support Payments:					
Budget Authority	0	0	0	(50)	(50)
Outlays	0	0	0	(50)	(50)
Direct Spending Subtotal by Account, Creation of Block Grant:					
Family Support Payments:					
Budget Authority	(934)	(1,180)	(1,586)	(2,120)	(2,657)
Outlays	(870)	(1,131)	(1,546)	(2,090)	(2,627)
Food Stamp Program:					
Budget Authority	50	270	320	500	670
Outlays	50	270	320	500	670
Medicaid:					
Budget Authority	(1)	(1)	(1)	(1)	(1)
Outlays	(1)	(1)	(1)	(1)	(1)
Direct Spending Subtotal all Accounts, Creation of Block Grant:					
Budget Authority	(884)	(910)	(1,266)	(1,620)	(1,987)
Outlays	(820)	(861)	(1,226)	(1,590)	(1,957)
Repeal certain child care programs:					
Repeal IV–A, Transitional, and At-Risk Child Care: Family Support Payments:					
Budget Authority	(1,155)	(1,210)	(1,260)	(1,310)	(1,365)
Outlays	(1,095)	(1,205)	(1,255)	(1,305)	(1,360)
Total direct spending, Title I:					
Family Support Payments:					
Budget Authority	(2,089)	(2,390)	(2,846)	(3,430)	(4,022)
Outlays	(1,965)	(2,336)	(2,801)	3,395)	(3,987)
Food Stamps:					
Budget Authority	50	270	320	500	670
Outlays	50	270	320	500	670
Medicaid:					
Budget Authority	(1)	(1)	(1)	(1)	(1)
Outlays	(1)	(1)	(1)	(1)	(1)
Total, all accounts:					
Budget Authority	(2,039)	(2,120)	(2,526)	(2,930)	(3,352)
Outlays	(1,915)	(2,066)	(2,481)	(2,895)	(3,317)

[1] The effect of legislation holding Medicaid beneficiaries harmless on the Medicaid budget is unclear. States may implement such provisions in a number of ways potentially resulting in small costs, small savings, or budget neutrality. The impact of the legislation would be largely determined by the implementing regulations.

Note.—Numbers in parentheses are negative numbers.

TABLE 2—COST ESTIMATE OF H.R. 1157, TITLE II CHILD PROTECTION BLOCK GRANT PROGRAM

(By fiscal years, in millions of dollars]

	1996	1997	1998	1999	2000
Direct spending:					
Foster Care/Adoption Assistance and Family Preservation					
Repeal Title IV-B and IV–E of the Social Security Act:					
Budget authority	(4,222)	(4,589)	(5,011)	(5,435)	(5,893)

TABLE 2—COST ESTIMATE OF H.R. 1157, TITLE II CHILD PROTECTION BLOCK GRANT PROGRAM—Continued

(By fiscal years, in millions of dollars]

	1996	1997	1998	1999	2000
Outlays	(3,367)	(4,479)	(4,930)	(5,356)	(5,809)
Authorize Child Protection Block Grant:					
Budget authority	3,930	4,195	4,507	4,767	5,071
Outlays	3,537	4,169	4,476	4,741	5,041
Child Protection Block Grant additional entitlement to States [1]					
Budget authority	216	231	248	262	279
Outlays	195	229	246	261	277
National Random Sample Study of Child Welfare:					
Budget Authority	6	6	6	6	6
Outlays	1	6	6	6	6
Total direct spending, title II:					
Foster Care Adoption Assistance and Family Preservation:					
Budget authority	(0)	(157)	(250)	(400)	(537)
Outlays	366	(75)	(202)	(348)	(485)
Authorization of appropriations:					
Replace Child Welfare Services under current law Part B of Title IV of the Social Security Act:					
Authorization level	(325)	(325)	(325)	(325)	(325)
Estimated Outlays	(260)	(315)	(325)	(325)	(325)
Replace Child Welfare Research and Training under curret law Part B of Title IV of the Social Security Act:					
Estimated authorization level	(11)	(12)	(12)	(12)	(13)
Estimated Outlays	(2)	(9)	(12)	(12)	(12)
Authorize Additional Block Grant for Child Proection:					
Authorization level	514	514	514	514	514
Estimated Outlays	463	514	514	514	514
Clearinghouse and hotline on missing and runaway children:					
Authorization level	3	3	3	3	3
Estimated Outlays	1	3	3	3	3
Child Welfare Research and Training:					
Authorization level	10	10	10	10	10
Estimated Outlays	2	10	10	10	10
Total authorization of appropriations:					
Estimated authorization level	191	190	190	190	189
Estimated outlays	204	202	190	190	190

[1] The current language of H.R. 1157 entitles each state to its share of the ''child protection amount.'' The amount is stated for each fiscal year. The state share, however, is defined as the greater of (1) the state's share of the amount paid for a set of programs in fiscal years 1991 through 1994, or (2) the state's share of the amount for the same set of programs in fiscal year 1994. Because the sum of these state shares wold be greater than 100 percent, CBO estimates the amount of the entitlement to states to be higher than the child protection amount. Based on conversations with staff members of the Ways and Means Committee. CBO understands the committee intends to change this language to limit the entitlement to states to the amount stated in the bill.

Notes.—Numbers in parentheses are in negative numbers.
Details may not add to totals due to rounding.

TABLE 3: COST ESTIMATE OF H.R. 1157, TITLE III—RESTRICTING BENEFITS FOR LEGAL ALIENS

[By fiscal year, in millions of dollars]

	1996	1997	1998	1999	2000
Supplemental security income:					
Budget authority	(50)	(2,250)	(2,350)	(2,350)	(2,600)
Outlays	(50)	(2,250)	(2,350)	(2,350)	(2,600)
Medicaid: [1]					
Budget authority	0	(500)	(500)	(500)	(500)
Outlays	0	(500)	(500)	(500)	(500)
Family support payments, child protection block grant, and title XX block grant:					
Budget authority	([2])	([2])	([2])	([2])	([2])
Outlays	([2])	([2])	([2])	([2])	([2])

TABLE 3: COST ESTIMATE OF H.R. 1157, TITLE III—RESTRICTING BENEFITS FOR LEGAL ALIENS—Continued

[By fiscal year, in millions of dollars]

	1996	1997	1998	1999	2000
Food stamp offsets: [3]					
Budget authority	10	280	290	290	320
Outlays	10	280	290	290	320
Total direct spending title III:					
Supplemental security income:					
Budget authority	(50)	(2,250)	(2,350)	(2,350)	(2,600)
Outlays	(50)	(2,250)	(2,350)	(2,350)	(2,600)
Food Stamp Program:					
Budget authority	10	280	290	290	320
Outlays	10	280	290	290	320
Medicaid:					
Budget authority	0	(500)	(500)	(500)	(500)
Outlays	0	(500)	(500)	(500)	(500)
Total, all accounts:					
Budget authority	(40)	(2,470)	(2,560)	(2,560)	(2,780)
Outlays	(40)	(2,470)	(2,560)	(2,560)	(2,780)

[1] The total savings from eliminating all legal aliens from Medicaid would be larger (approximately $2 billion a year over the 1997–2000 period). However, such a provision is not a part of H.R. 1157 but is in the jurisdiction of the Commerce Committee. Thus, these figures represent only the portion of Medicaid savings that would result directly from the removal of legal aliens from SSI and family support, two provisions that are contained in H.R. 1157.

[2] These programs assumed to be block-granted at fixed dollar amount. No additional savings from denying benefits to legal aliens.

[3] Additional costs due to legal aliens' loss of income from SSI. Assumes that they continue to be eligible for food stamps, a program that is within the jurisdiction of the Agriculture Committee.

Note: Numbers in parentheses are negative numbers.

TABLE 4—COST ESTIMATE OF H.R. 1157, TITLE IV—SUPPLEMENTAL SECURITY INCOME REFORMS

[By fiscal year, in millions of dollars]

	1996	1997	1998	1999	2000
Denial of SSI benefits to drug addicts and alcoholics:					
Supplemental security income benefits:					
Budget authority	(277)	(243)	(215)	(249)	(260)
Outlays	(277)	(243)	(215)	(249)	(260)
Supplemental security income RMA costs:[1]					
Budget authority	(142)	(186)	(166)	(193)	(214)
Outlays	([1])	(142)	(186)	(166)	(193)
Family support payments:					
Budget authority	([2])	([2])	([2])	([2])	([2])
Outlays	([2])	([2])	([2])	([2])	([2])
Food stamps:					
Budget authority	30	30	25	30	30
Outlays	30	30	25	30	30
Medicaid:					
Budget authority	(106)	(96)	(89)	(108)	(117)
Outlays	(106)	(96)	(89)	(108)	(117)
Additional funding for Treatment:[3]					
Budget authority	0	100	100	100	100
Outlays	0	45	80	100	100
Subtotal, provision:					
Budget authority	(495)	(395)	(345)	(420)	(461)
Outlays	(353)	(406)	(385)	(393)	(440)
SSI benefits to certain children:					
Supplemental security income:					
Budget authority	(950)	(2,384)	(3,059)	(3,704)	(4,685)
Outlays	(950)	(2,384)	(3,059)	(3,704)	(4,685)
Family support payments:					
Budget authority	([2])	([2])	([2])	([2])	([2])
Outlays	([2])	([2])	([2])	([2])	([2])
Food stamps:					
Budget authority	135	340	440	535	680
Outlays	135	340	440	535	680
Medicaid:					
Budget authority	([4])	([4])	([4])	([4])	([4])

TABLE 4—COST ESTIMATE OF H.R. 1157, TITLE IV—SUPPLEMENTAL SECURITY INCOME REFORMS—Continued

[By fiscal year, in millions of dollars]

	1996	1997	1998	1999	2000
Outlays	([4])	([4])	([4])	([4])	([4])
Block grant (SSI):					
Budget authority	0	413	792	1,152	1,495
Outlays	0	413	792	1,152	1,495
Subtotal, provision:					
Budget authority	(815)	(1,631)	(1,827)	(2,017)	(2,510)
Outlays	(815)	(1,631)	(1,827)	(2,017)	(2,510)
Other SSI provisions: Supplemental security income:					
Budget authority	(31)	(36)	(36)	(41)	(46)
Outlays	(31)	(36)	(36)	(41)	(46)
Total direct spending, title IV:					
Supplemental security income:					
Budget authority	(1,400)	(2,436)	(2,684)	(3,035)	(3,710)
Outlays	(1,258)	(2,392)	(2,704)	(3,008)	(3,689)
Food Stamp Program:					
Budget Authority	(106)	(96)	(89)	(108)	(117)
Outlays	165	370	465	565	710
Medicaid:					
Outlays	(106)	(96)	(89)	(108)	(117)
Drug treatment program for former SSI recipients:					
Budget authority	0	100	100	100	100
Outlays	0	45	80	100	100
Total, all accounts:					
Budget authority	(1,341)	(2,062)	(2,208)	(2,478)	(3,017)
Outlays	(1,199)	(2,073)	(2,248)	(2,451)	(2,996)

[1] Costs for contracts with referral and monitoring agencies (RMAs). Because such contracts are negotiated a year in advance, cancellation penalties may preclude savings in 1996.

[2] These programs are assumed to be block-granted at fixed dollar amount. No additional costs from cutting SSI beneficiaries.

[3] These additional funds, not subject to appropriation, would be directed through two existing programs: the Federal Capacity Expansion Program and research activities at the National Institute on Drug Abuse.

[4] H.R. 1157 explicitly maintains Medicaid eligibility for children receiving SSI, whether they qualify for cash or for services (through the block grants to states). CBO assumes that most disabled children removed from the SSI program entirely would nevertheless retain Medicaid coverage through their eligibility for the Temporary Family Assistance Block Grant (the successor to the AFDC program, as established in Title I) or their poverty status.

Note: Numbers in parentheses are negative numbers.

TABLE 5: COST ESTIMATE OF H.R. 1157, TITLE V, CHILD SUPPORT

[Budget authority and outlays, by fiscal years, in millions of dollars]

	1996	1997	1998	1999	2000
State obligation to provide services:					
Family Support Payments [1]	0	0	0	3	11
Food Stamp program	0	0	0	0	0
Medicaid	0	0	0	0	0
Subtotal, provision	0	0	0	3	11
Distribute pre-AFDC arrears to family first:					
Family Support Payments	0	0	19	40	65
Food Stamp program	0	0	(3)	(7)	(12)
Medicaid	0	0	0	0	0
Subtotal, provision	0	0	16	33	53
Eliminate $50 passthrough payment to families:					
Family Support Payments	0	(260)	(280)	(290)	(300)
Food Stamp program	0	140	150	150	160
Medicaid	0	0	0	0	0
Subtotal, provision	0	(120)	(130)	(140)	(140)
State directory of new hires:					
Family Support Payments	0	0	11	(9)	(14)

TABLE 5: COST ESTIMATE OF H.R. 1157, TITLE V, CHILD SUPPORT—Continued

[Budget authority and outlays, by fiscal years, in millions of dollars]

	1996	1997	1998	1999	2000
Food Stamp program	0	0	(2)	(10)	(15)
F6659					
Subtotal, provision	0	0	1	(38)	(60)
Adoption of uniform state laws:					
Family Support Payments	0	10	1	(8)	(12)
Food Stamp program	0	0	(1)	(3)	(5)
Medicaid	0	0	(2)	(4)	(7)
Subtotal, provision	0	10	(2)	(15)	(24)
State laws providing expedited services:					
Family Support Payments	0	0	0	(18)	(38)
Food Stamp program	0	0	0	(6)	(14)
Medicaid	0	0	0	(6)	(14)
Subtotal, provision	0	0	0	(30)	(66)
State laws concerning paternity:					
Family Support Payments	0	(16)	(18)	(20)	(22)
Food Stamp program	0	(3)	(3)	(4)	(4)
Medicaid	0	(2)	(2)	(3)	(3)
Subtotal, provision	0	(21)	(23)	(27)	(29)
Performance-based incentives:					
Family Support Payments [1]	0	0	0	0	0
Food Stamp program	0	0	0	0	0
Medicaid	0	0	0	0	0
Subtotal, provision	0	0	0	0	0
Federal and state reviews and audits:					
Family Support Payments	0	3	3	3	3
Food Stamp program	0	0	0	0	0
Medicaid	0	0	0	0	0
Subtotal, provision	0	3	3	3	3
Automated data processing development:					
Family Support Payments	0	28	59	84	84
Food Stamp program	0	0	0	0	0
Medicaid	0	0	0	0	0
Subtotal, provision	0	28	59	84	84
Automated data processing operation and maintenance:					
Family Support Payments	3	12	55	52	52
Food Stamp program	0	0	0	0	0
Medicaid	0	0	0	0	0
Subtotal, provision	3	12	55	52	52
Technical assistance to state programs:					
Family Support Payments	36	40	42	45	49
Food Stamp program	0	0	0	0	0
Medicaid	0	0	0	0	0
Subtotal, provision	36	40	42	45	49
Total direct spending, title V:					
Budget authority and outlays:					
Family Support Payments	39	(183)	(108)	(118)	(122)
Food Stamp program	0	137	141	120	110

TABLE 5: COST ESTIMATE OF H.R. 1157, TITLE V, CHILD SUPPORT—Continued

[Budget authority and outlays, by fiscal years, in millions of dollars]

	1996	1997	1998	1999	2000
Medicaid	0	(2)	(12)	(32)	(55)
Total	39	(48)	21	(30)	(67)

Note.—Numbers in parentheses are negative numbers.

[1] Family support payments is the budgetary account that includes AFDC, child support administrative cost and the net federal savings from child support collections.

V. OTHER MATTERS REQUIRED TO BE DISCUSSED UNDER THE RULES OF THE HOUSE

A. Committee Oversight Findings and Recommendations

In compliance with clause 2(l)(3)(A) of rule XI of the Rules of the House of Representatives, the Committee reports that the need for this legislation was confirmed by the oversight hearings of the Subcommittee on Human Resources.

In the 104th Congress, the Subcommittee held a total of 8 hearings on: cost of welfare; role of entitlements, block grants; illegitimacy and welfare; welfare dependency and welfare-to-work programs; changing eligibility for supplemental security income; child care and child welfare; and child support enforcement. The hearings were as follows:

On January 13, 1995, the Subcommittee held a hearing on costs of welfare, role of entitlements, and block grants. The purpose of the hearing was to examine the growth of spending on means-tested programs and the role of entitlements in this growth as well as the use of block grants as a strategy for controlling Federal spending and for returning authority and flexibility in designing programs for the poor to State governments.

On January 20, 1995, the Subcommittee held a hearing on illegitimacy and welfare to review historical changes in rates of illegitimacy and the role illegitimacy has played in recent years in the growth of the welfare rolls.

On January 23, 1995, the Subcommittee held a hearing on welfare dependency and welfare-to-work programs, examining evidence regarding the length of stays on welfare and the effectiveness of programs that provide education, training, job search, and work experience in helping families leave welfare.

On January 27, 1995, the Subcommittee held a hearing on changing eligibility for supplemental security income, and focused on the effects of reduced benefits for aliens, drug addicts, and children.

On January 30, and February 2, 1995, the Subcommittee continued the hearings on welfare reform with testimony from Members of Congress and numerous public witnesses.

On February 3, 1995, the Subcommittee joined with the Subcommittee on Children, Youth and Families of the Committee on Educational and Economic Opportunities, to hold a hearing on child care and child welfare issues. The focus of the hearing was how to better serve working families, and abused and neglected children, by streamlining federal child care and child welfare programs.

On February 6, 1995, the Subcommittee held a hearing on child support enforcement. This hearing focused on how to increase the number of non-paying parents who are located as well as how to

increase the number of paternities established and the amount of child support that is paid by non-custodial parents.

B. Summary of Findings and Recommendations of the Government Reform and Oversight Committee

In compliance with clause 2(l)(3)(D) of rule XI of the Rules of the House of Representatives, the Committee states that no oversight findings or recommendations have been submitted to the Committee on Government Reform and Oversight regarding the subject of this bill.

C. Inflationary Impact Statement

In compliance with clause 2(l)(4) of rule XI of the Rules of the House of Representatives, the Committee states that the provisions of the bill are not expected to have an overall inflationary impact on the economy.

VI. CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

SOCIAL SECURITY ACT

* * * * * * *

TITLE II—FEDERAL OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE BENEFITS

* * * * * * *

EVIDENCE, PROCEDURE, AND CERTIFICATION FOR PAYMENT

SEC. 205. (a) * * *

* * * * * * *

(c)(1) * * *

(2)(A) * * *

* * * * * * *

(C)(i) It is the policy of the United States that any State (or political subdivision thereof) may, in the administration of any tax, general public assistance, driver's license, or motor vehicle registration law within its jurisdiction, utilize the social security account numbers issued by the Commissioner of Social Security for the purpose of establishing the identification of individuals affected by such law, and [may require] *shall require* any individual who is or appears to be so affected to furnish to such State (or political subdivision thereof) or any agency thereof having administrative responsibility for the law involved, the social security account number (or numbers, if he has more than one such number) issued to him by the Commissioner of Social Security.

(ii) In the administration of any law involving the issuance of a birth certificate, each State shall require each parent to furnish to such State (or political subdivision thereof) or any agency thereof having administrative responsibility for the law involved, the social security account number (or numbers, if the parent has more than one such number) issued to the parent unless the State (in accordance with regulations prescribed by the Commissioner of Social Security) finds good cause for not requiring the furnishing of such number. *In the administration of any law involving the issuance of a marriage certificate or license, each State shall require each party named in the certificate or license to furnish to the State (or politi-*

cal subdivision thereof) or any State agency having administrative responsibility for the law involved, the social security number of the party. The State shall make numbers furnished under this subclause available to the agency administering the State's plan under part D of title IV in accordance with Federal or State law and regulation. Such numbers shall not be recorded on the birth certificate. A State shall not use any social security account number, obtained with respect to the issuance by the State of a birth certificate, for any purpose other than for the enforcement of child support orders in effect in the State, unless section 7(a) of the Privacy Act of 1974 does not prohibit the State from requiring the disclosure of such number, by reason of the State having adopted, before January 1, 1975, a statute or regulation requiring such disclosure.

* * * * * * *

(vi) For purposes of clause (i) of this subparagraph, an agency of a State (or political subdivision thereof) charged with the administration of any general public assistance driver's license, or motor vehicle registration law which did not use the social security account number for identification under a law or regulation adopted before January 1, 1975, [may] *shall* require an individual to disclose his or her social security number to such agency solely for the purpose of administering the laws referred to in clause (i) above and for the purpose of responding to requests for information from *an agency administering a program funded under part A of title IV or* an agency operating pursuant to the provisions of part [A or D of title IV of this Act[*D of such title.*

* * * * * * *

(ix) An agency of a State (or a political subdivision thereof) charged with the administration of any law concerning the issuance of renewal of a license concerning the issuance or renewal of a license, certificate, permit, or other authorization to engage in a profession, an occupation, or a commercial activity shall require all applicants for issuance or renewal of the license, certificate, permit, or other authorization to provide the applicant's social security number to the agency for the purpose of administering such laws, and for the purpose of responding to requests for information from an agency operating pursuant to part D of title IV.

(x) All divorce decrees, support orders, and paternity determinations issued, and all paternity acknowledgments made, in each State shall include the social security number of each party to the decree, order, determination, or acknowledgment in the records relating to the matter.

* * * * * * *

BENEFITS AT AGE 72 FOR CERTAIN UNINSURED INDIVIDUALS

Eligibility

SEC. 228. (a) * * *

* * * * * * *

Suspension for Months in Which Cash Payments Are Made Under Public Assistance

(d) The benefit to which any individual is entitled under this section for any month shall not be paid for such month if—

(1) such individual receives aid or assistance in the form of money payments in such month under a State plan approved under title I, X, XIV, or XVI, or *under a State program funded under* part A of title IV, or

* * * * * * *

TITLE III—GRANTS TO STATES FOR UNEMPLOYMENT COMPENSATION ADMINISTRATION

* * * * * * *

PROVISIONS OF STATE LAWS

SEC. 303. (a) The Secretary of Labor shall make no certification for payment to any State unless he finds that the law of such State, approved by the Secretary of Labor under the Federal Unemployment Tax Act, includes provision for—

(1) * * *

* * * * * * *

(8) Effective July 1, 1941, the expenditure of all moneys received pursuant to section 302 of this title solely for the purposes and in the amounts found necessary by the Secretary of Labor for the proper and efficient administration of such State law; **[**and**]**

(9) Effective July 1, 1941, the replacement, within a reasonable time, of any moneys received pursuant to section 302 of this title, which, because of any action or contingency, have been lost or have been expended for purposes other than, or in amounts in excess of, those found necessary by the Secretary of Labor for the proper administration of such State law **[**.**]** *; and*

(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 453(i)(3), and compliance with such provisions as such Secretary may find necessary to ensure the correctness and verification of such reports.

* * * * * * *

TITLE IV—GRANTS TO STATES FOR AID AND SERVICES TO NEEDY FAMILIES WITH CHILDREN AND FOR CHILD-WELFARE SERVICES

[PART A—AID TO FAMILIES WITH DEPENDENT CHILDREN

[APPROPRIATION

[SEC. 401. For the purpose of encouraging the care of dependent children in their own homes or in the homes of relatives by enabling each State to furnish financial assistance and rehabilitation

and other services, as far as practicable under the conditions in such State, to needy dependent children and the parents or relatives with whom they are living to help maintain and strengthen family life and to help such parents or relatives to attain or retain capability for the maximum self-support and personal independence consistent with the maintenance of continuing parental care and protection, there is hereby authorized to be appropriated for each fiscal year a sum sufficient to carry out the purposes of this part. The sums made available under this section shall be used for making payments to States which have submitted, and had approved by the Secretary, State plans for aid and services to needy families with children.

[STATE PLANS FOR AID AND SERVICES TO NEEDY FAMILIES WITH CHILDREN

[SEC. 402. (a) A State plan for aid and services to needy families with children must—

[(1) provide that it shall be in effect in all political subdivisions of the State, and, if administered by them, be mandatory upon them;

[(2) provide for financial participation by the State;

[(3) either provide for the establishment or designation of a single State agency to administer the plan, or provide for the establishment or designation of a single State agency to supervise the administration of the plan;

[(4) provide for granting an opportunity for a fair hearing before the State agency to any individual whose claim for aid to families with dependent children is denied or is not acted upon with reasonable promptness;

[(5) provide such methods of administration (including after January 1, 1940, methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Secretary shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods) as are found by the Secretary to be necessary for the proper and efficient operation of the plan;

[(6) provide that the State agency will make such reports, in such form and containing such information, as the Secretary may from time to time require, and comply with such provisions as the Secretary may from time to time find necessary to assure the correctness and verification of such reports;

[(7) except as may be otherwise provided in paragraph (8) or (31) and section 415, provide that the State agency—

[(A) shall, in determining need, take into consideration any other income and resources of any child or relative claiming aid to families with dependent children, or of any other individual (living in the same home as such child and relative) whose needs the State determines should be considered in determining the need of the child or relative claiming such aid;

[(B) shall determine ineligible for aid any family the combined value of whose resources (reduced by any obligations or debts with respect to such resources) exceeds

$1,000 or such lower amount as the State may determine, but not including as a resource for purposes of this subparagraph (i) a home owned and occupied by such child, relative, or other individual and so much of the family member's ownership interest in one automobile as does not exceed such amount as the Secretary may prescribe, (ii) under regulations prescribed by the Secretary, burial plots (one for each such child, relative, and other individual), and funeral agreements (iii) for such period or periods of time as the Secretary may prescribe, real property which the family is making a good-faith effort to dispose of, but any aid payable to the family for any such period shall be conditioned upon such disposal, and any payments of such aid for that period shall (at the time of the disposal) be considered overpayments to the extent that they would not have been made had the disposal occurred at the beginning of the period for which the payments of such aid were made, or (iv) for the month of receipt and the following month, any refund of Federal income taxes made to such family by reason of section 32 of the Internal Revenue Code of 1986 (relating to earned income credit), and any payment made to such family by an employer under section 3507 of such Code (relating to advance payment of earned income credit), or (iv) for the month of receipt and the following month, any refund of Federal income taxes made to such family by reason of section 32 of the Internal Revenue Code of 1986 (relating to earned income credit), and any payment made to such family by an employer under section 3507 of such Code (relating to advance payment of earned income credit); and

[(C) may, in the case of a family claiming or receiving aid under this part for any month, take into consideration as income (to the extent the State determines appropriate, as specified in such plan, and notwithstanding any other provision of law)—

[(i) an amount not to exceed the value of the family's monthly allotment of food stamp coupons, to the extent such value duplicates the amount for food included in the maximum amount that would be payable under the State plan to a family of the same composition with no other income; and

[(ii) an amount not to exceed the value of any rent or housing subsidy provided to such family, to the extent such value duplicates the amount for housing included in the maximum amount that would be payable under the State plan to a family of the same composition with no other income;

[(8)(A) provide that, with respect to any month, in making the determination under paragraph (7), the State agency—

[(i) shall disregard all of the earned income of each dependent child receiving aid to families with dependent children who is (as determined by the State in accordance with standards prescribed by the Secretary) a full-time student or a part-time student who is not a full-time em-

ployee attending a school, college, or university, or a course of vocational or technical training designed to fit him for gainful employment;

[(ii) shall disregard from the earned income of any child or relative applying for or receiving aid to families with dependent children, or of any other individual (living in the same home as such relative and child) whose needs are taken into account in making such determination, the first $90 of the total of such earned income for such month;

[(iii) after applying the other clauses of this subparagraph, shall disregard from the earned income of any child, relative, or other individual specified in clause (ii), an amount equal to expenditures for care in such month for a dependent child, or an incapacitated individual living in the same home as the dependent child, receiving aid to families with dependent children and requiring such care for such month, to the extent that such amount (for each such dependent child or incapacitated individual) does not exceed $175 (or such lesser amount as the Secretary may prescribe in the case of an individual not engaged in full-time employment or not employed throughout the month), or, in the case such child is under age 2, $200

[(iv) shall disregard from the earned income of any child or relative receiving aid to families with dependent children, or of any other individual (living in the same home as such relative and child) whose needs are taken into account in making such determination, an amount equal to (I) the first $30 of the total of such earned income not disregarded under any other clause of this subparagraph plus (II) one-third of the remainder thereof

[(v) may disregard the income of any dependent child applying for or receiving aid to families with dependent children which is derived from a program carried out under the Job Training Partnership Act (as originally enacted), but only in such amounts, and for such period of time (not to exceed six months with respect to earned income) as the Secretary may provide in regulations;

[(vi) shall disregard the first $50 of any child support payments for such month received in that month, and the first $50 of child support payments for each prior month received in that month if such payments were made by the absent parent in the month when due, with respect to the dependent child or children in any family applying for or receiving aid to families with dependent children (including support payments collected and paid to the family under section 457(b));

[(vii) may disregard all or any part of the earned income of a dependent child who is a full-time student and who is applying for aid to families with dependent children, but only if the earned income of such child is excluded for such month in determining the family's total income under paragraph (18); and

[(viii) shall disregard any refund of Federal income taxes made to a family receiving aid to families with de-

pendent children by reason of section 32 of the Internal Revenue Code of 1986 (relating to earned income tax credit) and any payment made to such a family by an employer under section 3507 of such Code (relating to advance payment of earned income credit); and

[(B) provide that (with respect to any month) the State agency—

[(i) shall not disregard, under clause (ii), (iii), or (iv) of subparagraph (A), any earned income of any one of the persons specified in subparagraph (A)(ii) if such person—

[(I) terminated his employment or reduced his earned income without good cause within such period (of not less than thirty days) preceding such month as may be prescribed by the Secretary;

[(II) refused without good cause, within such period preceding such month as may be prescribed by the Secretary, to accept employment in which he is able to engage which is offered through the public employment offices of the State, or is otherwise offered by an employer if the offer of such employer is determined by the State or local agency administering the State plan, after notification by the employer, to be a bona fide offer of employment; or

[(III) failed without good cause to make a timely report (as prescribed by the State plan pursuant to paragraph (14)) to the State agency of earned income received in such month; and

[(ii)(I) shall not disregard—

[(a) under subclause (II) of subparagraph (A)(iv), in a case where such subclause has already been applied to the income of the persons involved for four consecutive months while they were receiving aid under the plan, or

[(b) under subclause (I) of subparagraph (A)(iv), in a case where such subclause has already been applied to the income of the persons involved for twelve consecutive months while they were receiving aid under the plan,

any earned income of any of the persons specified in subparagraph (A)(ii), if, with respect to such month, the income of the persons so specified was in excess of their need, as determined by the State agency pursuant to paragraph (7) (without regard to subparagraph (A)(iv) of this paragraph), unless the persons received aid under the plan in one or more of the four months preceding such month; and

[(II) in the case of the earned income of a person with respect to whom subparagraph (A)(iv) has been applied for four consecutive months, shall not apply the provisions of subclause (II) of such subparagraph to any month after such month, or apply the provisions of subclause (I) of such subparagraph to any month after the eighth month following such month, for so long as he continues to receive aid under the plan, and shall not apply the provi-

sions of either such subclause to any month thereafter until the expiration of an additional period of twelve consecutive months during which he is not a recipient of such aid; and

[(C) provide that in implementing this paragraph the term "earned income" shall mean gross earned income, prior to any deductions for taxes or for any other purposes;

(9) provide safeguards which restrict the use or disclosure of information concerning applicants or recipients to purposes directly connected with (A) the administration of the plan of the State approved under this part (including activities under part F), the plan or program of the State under part B, D, or E of this title or under title I, X, XIV, XVI, XIX, or XX, or the supplemental security income program established by title XVI, (B) any investigation, prosecution, or criminal or civil proceeding, conducted in connection with the administration of any such plan or program, (C) the administration of any other Federal or federally assisted program which provides assistance, in cash or in kind, or services, directly to individuals on the basis of need, (D) any audit or similar activity conducted in connection with the administration of any such plan or program by any governmental entity which is authorized by law to conduct such audit or activity, and (E) reporting and providing information pursuant to paragraph (16) to appropriate authorities with respect to known or suspected child abuse or neglect; and the safeguards so provided shall prohibit disclosure, to any committee or legislative body (other than an entity referred to in clause (D) with respect to an activity referred to in such clause), of any information which identifies by name or address any such applicant or recipient; but such safeguards shall not prevent the State agency or the local agency responsible for the administration of the State plan in the locality (whether or not the State has enacted legislation allowing public access to Federal welfare records) from furnishing a State or local law enforcement officer, upon his request, with the current address of any recipient if the officer furnishes the agency with such recipient's name and social security account number and satisfactorily demonstrates that such recipient is a fugitive felon, that the location or apprehension of such felon is within the officer's official duties, and that the request is made in the proper exercise of those duties;

[(10)(A) provide that all individuals wishing to make application for aid to families with dependent children shall have opportunity to do so, and that aid to families with dependent children shall, subject to paragraphs (25) and (26), be furnished with reasonable promptness to all eligible individuals; and

[(B) provide that an application for aid under the plan will be effective no earlier than the date such application is filed with the State agency or local agency responsible for the administration of the State plan, and the amount payable for the month in which the application becomes effective, if such application becomes effective after the first day of such month, shall bear the same ratio to the amount which would be payable if

the application had been effective on the first day of such month as the number of days in the month including and following the effective date of the application bears to the total number of days in such month;

[(11) provide for prompt notice (including the transmittal of all relevant information) to the State child support collection agency (established pursuant to part D of this title) of the furnishing of aid to families with dependent children with respect to a child who has been deserted or abandoned by a parent (including a child born out of wedlock without regard to whether the paternity of such child has been established);

[(12) provide, effective October 1, 1950, that no aid will be furnished any individual under the plan with respect to any period with respect to which he is receiving old-age assistance under the State plan approved under section 2 of this Act;

[(13) provide, at the option of the State and with respect to such category or categories as the State may select and identify in the State plan, that—

[(A) except as provided in subparagraph (B), the State agency (i) will determine a family's eligibility for aid for a month on the basis of the family's income, composition, resources, and other similar relevant circumstances during such month, and (ii) will determine the amount of such aid on the basis of the income and other relevant circumstances in the first or, at the option of the State (but only where the Secretary determines it to be appropriate) second month preceding such month; and

[(B) in the case of the first month, or at the option of the State (but only where the Secretary determines it to be appropriate), the first and second months, in a period of consecutive months for which aid is payable, the State agency will determine the amount of aid on the basis of the family's income and other relevant circumstances in such first or second month;

[(14) at the option of the State and with respect to such category or categories as the State may select and identify in the plan, provide that—

[(A) the State agency will require each family to which the State provides (or, but for paragraph (22) or (32), would provide) aid to families with dependent children, as a condition to the continued receipt of such aid (or to continuing to be deemed to be a recipient of such aid), to report to the State agency monthly (or less frequently in the case of such categories of recipients as the State may select) on—

[(i) the income of the family, the composition of the family, and other relevant circumstances during the prior month; and

[(ii) the income and resources the family expects to receive, or any changes in circumstances affecting continued eligibility for, or amount of benefits, the family expects to occur, in that month or in future months; and

[(B) in addition to any action that may be appropriate based on other reports or information received by the State agency, the State agency will—

[(i) take prompt action to adjust the amount of assistance payable, as may be appropriate, on the basis of the information contained in the report (or upon the failure of the family to submit a timely report); and

[(ii) give the family an appropriate explanatory notice concurrent with any action taken under clause (i);

[(15) provide (A) for the development of a program, for each appropriate relative and dependent child receiving aid under the plan and for each appropriate individual (living in the same home asm a relative and child receiving such aid) whose needs are taken into account in making the determination under paragraph (7), for preventing or reducing the incidence of births out of wedlock and otherwise strengthening family life, and for implementing such program by assuring that in all appropriate cases (including minors who can be considered to be sexually active) family planning services are offered to them and are provided promptly (directly or under arrangements with others) to all individuals voluntarily requesting such services, but acceptance of family planning services provided under the plan shall be voluntary on the part of such members and individuals and shall not be a prerequisite to eligibility for or the receipt of any other service under the plan; and (B) to the extent that services provided under this paragraph are furnished by the staff of the State agency or the local agency administering the State plan in each of the political subdivisions of the State, for the establishment of a single organizational unit in such State or local agency, as the case may be, responsible for the furnishing of such services;

[(16) provide that the State agency will—

[(A) report to an appropriate agency or official, known or suspected instances of physical or mental injury, sexual abuse or exploitation, or negligent treatment or maltreatment of a child receiving aid under this part under circumstances which indicate that the child's health or welfare is threatened thereby; and

[(B) provide such information with respect to a situation described in subparagraph (A) as the State agency may have;

[(17) provide that if a child or relative applying for or receiving aid to families with dependent children, or any other person whose need the State considers when determining the income of a family, receives in any month an amount of earned or unearned income which, together with all other income for that month not excluded under paragraph (8), exceeds the State's standard of need applicable to the family of which he is a member—

[(A) such amount of income shall be considered income to such individual in the month received, and the family of which such person is a member shall be ineligible for aid under the plan for the whole number of months that equals (i) the sum of such amount and all other income re-

ceived in such month, not excluded under paragraph (8), divided by (ii) the standard of need applicable to such family, and

[(B) any income remaining (which amount is less than the applicable monthly standard) shall be treated as income received in the first month following the period of ineligibility specified in subparagraph (A);

except that the State may at its option recalculate the period of ineligibility otherwise determined under subparagraph (A) (but only with respect to the remaining months in such period) in any one or more of the following cases: (i) an event occurs which, had the family been receiving aid under the State plan for the month of the occurrence, would result in a change in the amount of aid payable for such month under the plan, or (ii) the income received has become unavailable to the members of the family for reasons that were beyond the control of such members, or (iii) the family incurs, becomes responsible for, and pays medical expenses (as allowed by the State) in a month of ineligibility determined under subparagraph (A) (which expenses may be considered as an offset against the amount of income received in the first month of such ineligibility);

[(18) provide that no family shall be eligible for aid under the plan for any month if, for that month, the total income of the family (other than payments under the plan), without application of paragraph (8), other than paragraph (8)(A)(v) or 8(A)(viii), exceeds 185 percent of the State's standard of need for a family of the same composition, except that in determining the total income of the family the State may exclude any earned income of a dependent child who is a full-time student, in such amounts and for such period of time (not to exceed 6 months) as the State may determine;

[(19) provide—

[(A) that the State has in effect and operation a job opportunities and basic skills training program which meets the requirements of part F;

[(B) that—

[(i) the State will (except as otherwise provided in this paragraph or part F), to the extent that the program is available in the political subdivision involved and State resources otherwise permit—

[(I) require all recipients of aid to families with dependent children in such subdivision with respect to whom the State guarantees child care in accordance with section 402(g) to participate in the program; and

[(II) allow applicants for and recipients of aid to families with dependent children (and individuals who would be recipients of such aid if the State had not exercised the option under section 407(b)(2)(B)(i)) who are not required under subclause (I) to participate in the program to do so on a voluntary basis;

[(ii) in determining the priority of participation by individuals from among those groups described in clauses (i), (ii), (iii), and (iv) of section 403(l)(2)(B), the State will give first consideration to applicants for or recipients of aid to families with dependent children within any such group who volunteer to participate in the program;

[(iii) if an exempt participant drops out of the program without good cause after having commenced participation in the program, he or she shall thereafter not be given priority so long as other individuals are actively seeking to participate; and

[(iv) the State need not require or allow participation of an individual in the program if as a result of such participation the amount payable to the State for quarters in a fiscal year with respect to the program would be reduced pursuant to section 403(l)(2);

[(C) that an individual may not be required to participate in the program if such individual—

[(i) is ill, incapacitated, or of advanced age;

[(ii) is needed in the home because of the illness or incapacity of another member of the household;

[(iii) subject to subparagraph (D)—

[(I) is the parent or other relative of a child under 3 years of age (or, if so provided in the State plan, under any age that is less than 3 years but not less than one year) who is personally providing care for the child, or

[(II) is the parent or other relative personally providing care for a child under 6 years of age, unless the State assures that child care in accordance with section 402(g) will be guaranteed and that participation in the program by the parent or relative will not be required for more than 20 hours a week;

[(iv) works 30 or more hours a week;

[(v) is a child who is under age 16 or attends, full-time, an elementary, secondary, or vocational (or technical) school;

[(vi) is pregnant if it has been medically verified that the child is expected to be born in the month in which such participation would otherwise be required or within the 6-month period immediately following such month; or

[(i) resides in an area of the State where the program is not available;

[(D) that, in the case of a family eligible for aid to families with dependent children by reason of the unemployment of the parent who is the principal earner, subparagraph (C)(iii) shall apply only to one parent, except that, in the case of such a family, the State may at its option make such subparagraph inapplicable to both of the parents (and require their participation in the program) if

child care in accordance with section 402(g) is guaranteed with respect to the family;

[(E) that—

[(i) to the extent that the program is available in the political subdivision involved and State resources otherwise permit, in the case of a custodial parent who has not attained 20 years of age, has not successfully completed a high-school education (or its equivalent), and is required to participate in the program (including an individual who would otherwise be exempt from participation in the program solely by reason of subparagraph (C)(iii)), the State agency (subject to clause (ii)) will require such parent to participate in an educational activity; and

[(ii) the State agency may—

[(I) require a parent described in clause (i) (notwithstanding the part-time requirement in subparagraph (C)(iii)(II)) to participate in educational activities directed toward the attainment of a high school diploma or its equivalent on a full-time (as defined by the educational provider) basis,

[(II) establish criteria in accordance with regulations of the Secretary under which custodial parents described in clause (i) who have not attained 18 years of age may be exempted from the school attendance requirement under such clause, or

[(III) require a parent described in clause (i) who is age 18 or 19 to participate in training or work activities (in lieu of the educational activities under such clause) if such parent fails to make good progress in successfully completing such educational activities or if it is determined (prior to any assignment of the individual to such educational activities) pursuant to an educational assessment that participation in such educational activities is inappropriate for such parent;

[(F) that—

[(i) if the parent or other caretaker relative or any dependent child in the family is attending (in good standing) an institution of higher education (as defined in section 481(a) of the Higher Education Act of 1965), or a school or course of vocational or technical training (not less than half time) consistent with the individual's employment goals, and is making satisfactory progress in such institution, school, or course, at the time he or she would otherwise commence participation in the program under this section, such attendance may constitute satisfactory participation in the program (by that caretaker or child) so long as it continues and is consistent with such goals;

[(ii) any other activities in which an individual described in clause (i) participates may not be permitted

to interfere with the school or training described in that clause;

[(iii) the costs of such school or training shall not constitute federally reimbursable expenses for purposes of section 403; and

[(iv) the costs of day care, transportation, and other services which are necessary (as determined by the State agency) for such attendance in accordance with section 402(g) are eligible for Federal reimbursement;

[(G) that—

[(i) if an individual who is required by the provisions of this paragraph to participate in the program or who is so required by reason of the State's having exercised the option under subparagraph (D) fails without good cause to participate in the program or refuses without good cause to accept employment in which such individual is able to engage which is offered through the public employment offices of the State, or is otherwise offered by an employer if the offer of such employer is determined to be a bona fide offer of employment—

[(I) the needs of such individual (whether or not section 407 applies) shall not be taken into account in making the determination with respect to his or her family under paragraph (7) of this subsection, and if such individual is a parent or other caretaker relative, payments of aid for any dependent child in the family in the form of payments of the type described in section 406(b)(2) (which in such a case shall be without regard to clauses (A) through (D) thereof) will be made unless the State agency, after making reasonable efforts, is unable to locate an appropriate individual to whom such payments can be made; and

[(II) if such individual is a member of a family which is eligible for aid to families with dependent children by reason of section 407, and his or her spouse is not participating in the program, the needs of such spouse shall also not be taken into account in making such determination;

[(ii) any sanction described in clause (i) shall continue—

[(I) in the case of the individual's first failure to comply, until the failure to comply ceases;

[(II) in the case of the individual's second failure to comply, until the failure to comply ceases or 3 months (whichever is longer); and

[(III) in the case of any subsequent failure to comply, until the failure to comply ceases or 6 months (whichever is longer);

[(iii) the State will promptly remind any individual whose failure to comply has continued for 3 months, in writing, of the individual's option to end the sanction by terminating such failure; and

[(iv) no sanction shall be imposed under this subparagraph—

[(I) on the basis of the refusal of an individual described in subparagraph (C)(iii)(II) to accept employment, if the employment would require such individual to work more than 20 hours a week, or

[(II) on the basis of the refusal of an individual to participate in the program or accept employment, if child care (or day care for any incapacitated individual living in the same home as a dependent child) is necessary for an individual to participate in the program or accept employment, such care is not available, and the State agency fails to provide such care; and

[(H) the State agency may require a participant in the program to accept a job only if such agency assures that the family of such participant will experience no net loss of cash income resulting from acceptance of the job; and any costs incurred by the State agency as a result of this subparagraph shall be treated as expenditures with respect to which section 403(a)(1) or 403(a)(2) applies;

[(20) provide that the State has in effect a State plan for foster care and adoption assistance approved under part E of this title;

[(21) provide—

[(A) that, for purposes of this part, participation in a strike shall not constitute good cause to leave, or to refuse to seek or accept employment; and

[(B)(i) that aid to families with dependent children is not payable to a family for any month in which any caretaker relative with whom the child is living is, on the last day of such month, participating in a strike, and (ii) that no individual's needs shall be included in determining the amount of aid payable for any month to a family under the plan if, on the last day of such month, such individual is participating in a strike;

[(22) provide that the State agency will promptly take all necessary steps to correct any overpayment or underpayment of aid under the State plan, and, in the case of—

[(A) an overpayment to an individual who is a current recipient of such aid (including a current recipient whose overpayment occurred during a prior period of eligibility), recovery will be made by repayment by the individual or by reducing the amount of any future aid payable to the family of which he is a member, except that such recovery shall not result in the reduction of aid payable for any month, such that the aid, when added to such family's liquid resources and to its income (without application of paragraph (8)), is less than 90 percent of the amount payable under the State plan to a family of the same composition with no other income (and, in the case of an individual to whom no payment is made for a month solely by reason of recovery of an overpayment, such individual shall be deemed to be a recipient of aid for such month);

[(B) an overpayment to any individual who is no longer receiving aid under the plan, recovery shall be made by appropriate action under State law against the income or resources of the individual or the family; and

[(C) an underpayment, the corrective payment shall be disregarded in determining the income of the family, and shall be disregarded in determining its resources in the month the corrective payment is made and in the following month;

except that no recovery need be attempted or carried out under subparagraph (B) in any case, other than a case involving fraud on the part of the recipient, where (as determined by the State agency in accordance with criteria for determining cost-effectiveness, and with dollar limitations, which shall be prescribed by the Secretary in regulations) the cost of recovery would equal or exceed the amount of the overpayment involved;

[(23) provide that by July 1, 1969, the amounts used by the State to determine the needs of individuals will have been adjusted to reflect fully changes in living costs since such amounts were established, and any maximums that the State imposes on the amount of aid paid to families will have been proportionately adjusted;

[(24) provide that if an individual is receiving benefits under title XVI or his costs in a foster family home or child-care institution are covered by the foster care maintenance payments being made to his or her minor parent as provided in section 475(4)(B), then, for the period for which such benefits are received or such costs are so covered, such individual shall not be regarded as a member of a family for purposes of determining the amount of the benefits of the family under this title and his income and resources shall not be counted as income and resources of a family under this title;

[(25) provide that information is requested and exchanged for purposes of income and eligibility verification in accordance with a State system which meets the requirements of section 1137 of this Act;

[(26) provide that, as a condition of eligibility for aid, each applicant or recipient will be required—

[(A) to assign the State any rights to support from any other person such applicant may have (i) in his own behalf or in behalf of any other family member for whom the applicant is applying for or receiving aid, and (ii) which have accrued at the time such assignment is executed;

[(B) to cooperate with the State (i) in establishing the paternity of a child born out of wedlock with respect to whom aid is claimed, and (ii) in obtaining support payments for such applicant and for a child with respect to whom such aid is claimed, or in obtaining any other payments or property due such applicant or such child, unless (in either case) such applicant or recipient is found to have good cause for refusing to cooperate as determined by the State agency in accordance with standards prescribed by the Secretary, which standards shall take into consider-

ation the best interests of the child on whose behalf aid is claimed; and that, if the relative with whom a child is living is found to be ineligible because of failure to comply with the requirements of subparagraphs (A) and (B) of this paragraph, any aid for which such child is eligible will be provided in the form of protective payments as described in section 406(b)(2) (without regard to clauses (A) through (D) of such section) unless the State agency, after making reasonable efforts, is unable to locate an appropriate individual to whom such payments can be made; and

[(C) to cooperate with the State in identifying, and providing information to assist the State in pursuing, any third party who may be liable to pay for care and services available under the State's plan for medical assistance under title XIX, unless such individual has good cause for refusing to cooperate as determined by the State agency in accordance with standards prescribed by the Secretary, which standards shall take into consideration the best interests of the individuals involved; but the State shall not be subject to any financial penalty in the administration or enforcement of this subparagraph as a result of any monitoring, quality control, or auditing requirements;

[(27) provide that the State has in effect a plan approved under part D and operates a child support program in substantial compliance with such plan;

[(28) provide that, in determining the amount of aid to which an eligible family is entitled, any portion of the amounts collected in any particular month as child support pursuant to a plan approved under part D, and retained by the State under section 457, which (under the State plan approved under this part as in effect both during July 1975 and during that particular month) would not have caused a reduction in the amount of aid paid to the family if such amounts had been paid directly to the family, shall be added to the amount of aid otherwise payable to such family under the State plan approved under this part;

[(30) at the option of the State, provide for the establishment and operation, in accordance with an (initial and annually updated) advance automated data processing planning document approved under subsection (e), of an automated statewide management information system designed effectively and efficiently, to assist management in the administration of the State plan for aid to families with dependent children approved under this part, so as (A) to control and account for (i) all the factors in the total eligibility determination process under such plan for aid (including but not limited to (I) identifiable correlation factors (such as social security numbers, names, dates of birth, home addresses, and mailing addresses (including postal ZIP codes), of all applicants and recipients of such aid and the relative with whom any child who is such an applicant or recipient is living) to assure sufficient compatibility among the systems of different jurisdictions to permit periodic screening to determine whether an individual is or has been receiving benefits from more than one jurisdiction, (II) checking

records of applicants and recipients of such aid on a periodic basis with other agencies, both intra- and inter-State, for determination and verification of eligibility and payment pursuant to requirements imposed by other provisions of this Act), (ii) the costs, quality, and delivery of funds and services furnished to applicants for and recipients of such aid, (B) to notify the appropriate officials of child support, food stamp, social service, and medical assistance programs approved under title XIX whenever the case becomes ineligible or the amount of aid or services is changed, and (C) to provide for security against unauthorized access to, or use of, the data in such system;

[(31) provide that, in making the determination for any month under paragraph (7), the State agency shall take into consideration so much of the income of the dependent child's stepparent living in the same home as such child as exceeds the sum of (A) the first $90 of the total of such stepparent's earned income for such month, (B) the State's standard of need under such plan for a family of the same composition as the stepparent and those other individuals living in the same household as the dependent child and claimed by such stepparent as dependents for purposes of determining his Federal personal income tax liability but whose needs are not taken into account in making the determination under paragraph (7), (C) amounts paid by the stepparent to individuals not living in such household and claimed by him as dependents for purposes of determining his Federal personal income tax liability, and (D) payments by such stepparent of alimony or child support with respect to individuals not living in such household;

[(32) provide that no payment of aid shall be made under the plan for any month if the amount of such payment, as determined in accordance with the applicable provisions of the plan and of this part, would be less than $10, but an individual with respect to whom a payment of aid under the plan is denied solely by reason of this paragraph is deemed to be a recipient of aid but shall not be eligible to participate in a community work experience program;

[(33) provide that in order for any individual to be considered a dependent child, a caretaker relative whose needs are to be taken into account in making the determination under paragraph (7), or any other person whose needs should be taken into account in making such a determination with respect to the child or relative, such individual must be either (A) a citizen, or (B) an alien lawfully admitted for permanent residence or otherwise permanently residing in the United States under color of law (including any alien who is lawfully present in the United States as a result of the application of the provisions of section 207(c) of the Immigration and Nationality Act (or of section 203(a)(7) of such Act prior to April 1, 1980), or as a result of the application of the provisions of section 208 or 212(d)(5) of such Act);

[(34) provide that both the standard of need applied to a family and the amount of aid determined to be payable, when not a whole dollar amount, shall be rounded to the next lower whole dollar amount;

[(36) provide, at the option of the State, that in making the determination for any month under paragraph (7), the State agency shall not include as income any support or maintenance assistance furnished to or on behalf of the family which (as determined under regulations of the Secretary by such State agency as the chief executive officer of the State may designate) is based on need for such support and maintenance, including assistance received to assist in meeting the costs of home energy (including both heating and cooling), and which is (A) assistance furnished in kind by a private nonprofit agency, or (B) assistance furnished by a supplier of home heating oil or gas, by an entity whose revenues are primarily derived on a rate-of-return basis regulated by a State or Federal governmental entity, or by a municipal utility providing home energy;

[(37) provide that if any family becomes ineligible to receive aid to families with dependent children because of hours of or income from employment of the caretaker relative or because of paragraph (8)(B)(ii)(II), having received such aid in at least 3 of the 6 months immediately preceding the month in which such ineligibility begins, the family shall remain eligible for medical assistance under the State's plan approved under title XIX for an extended period or periods as provided in section 1925, and that the family will be appropriately notified of such extension (in the State agency's notice to the family of the termination of its eligibility for such aid) as required by section 1925(a)(2);

[(38) provide that in making the determination under paragraph (7) with respect to a dependent child and applying paragraph (8), the State agency shall (except as otherwise provided in this part) include—

[(A) any parent of such child, and

[(B) any brother or sister of such child, if such brother or sister meets the conditions described in clauses (1) and (2) of section 406(a) or in section 407(a),

if such parent, brother, or sister is living in the same home as the dependent child, and any income of or available for such parent, brother, or sister shall be included in making such determination and applying such paragraph with respect to the family (notwithstanding section 205(j), in the case of benefits provided under title II);

[(39) provide that in making the determination under paragraph (7) with respect to a dependent child whose parent is under the age of 18, the State agency shall (except as otherwise provided in this part) include any income of such minor's own parents who are living in the same home as such minor and dependent child, to the same extent that income of a stepparent is included under paragraph (31);

[(40) provide, if the State has elected to establish and operate a fraud control program under section 416, that the State will submit to the Secretary (with such revisions as may from time to time be necessary) a description of and budget for such program, and will operate such program in full compliance with that section;

[(41) provide that aid to families with dependent children will be provided under the plan with respect to dependent children of unemployed parents in accordance with section 407;

[(42) provide that if, under section 407(b)(2)(B)(i), the State limits the number of months for which a family may receive aid to families with dependent children, the State shall provide medical assistance to all members of the family under the State's plan approved under title XIX, without time limitation;

[(43) at the option of the State, provide that—

[(A) subject to subparagraph (B), in the case of any individual who is under the age of 18 and has never married, and who has a dependent child in his or her care (or is pregnant and is eligible for aid to families with dependent children under the State plan)—

[(i) such individual may receive aid to families with dependent children under the plan for the individual and such child (or for herself in the case of a pregnant woman) only if such individual and child (or such pregnant woman) reside in a place of residence maintained by a parent, legal guardian, or other adult relative of such individual as such parent's, guardian's, or adult relative's own home, or reside in a foster home, maternity home, or other adult-supervised supportive living arrangement; and

[(ii) such aid (where possible) shall be provided to the parent, legal guardian, or other adult relative on behalf of such individual and child; and

[(B) subparagraph (A) does not apply in the case where—

[(i) such individual has no parent or legal guardian of his or her own who is living and whose whereabouts are known;

[(ii) no living parent or legal guardian of such individual allows the individual to live in the home of such parent or guardian;

[(iii) the State agency determines that the physical or emotional health or safety of such individual or such dependent child would be jeopardized if such individual and such dependent child lived in the same residence with such individual's own parent or legal guardian;

[(iv) such individual lived apart from his or her own parent or legal guardian for a period of at least one year before either the birth of any such dependent child or the individual having made application for aid to families with dependent children under the plan; or

[(v) the State agency otherwise determines (in accordance with regulations issued by the Secretary) that there is good cause for waiving such subparagraph;

[(44) provide that the State agency shall—

[(A) be responsible for assuring that the benefits and services under the programs under this part, part D, and part F are furnished in an integrated manner, and

[(B) consistent with the provisions of this title, ensure that all applicants for and recipients of aid to families with dependent children are encouraged, assisted, and required to cooperate in the establishment of paternity and the enforcement of child support obligations, and are notified of the paternity establishment and child support services for which they may be eligible; and

[(45) provide (in accordance with regulations issued by the Secretary) for appropriate measures to detect fraudulent applications for aid to families with dependent children prior to the establishment of eligibility for such aid.

The Secretary may waive any of the requirements imposed under or in connection with paragraphs (13) and (14) of this subsection to the extent necessary to make such requirements compatible with the corresponding reporting and budgeting requirements by the Food Stamp Act of 1977.

[(b) The Secretary shall approve any plan which fulfills the conditions specified in subsection (a), except that he shall not approve any plan which imposes as a condition of eligibility for aid to families with dependent children, a residence requirement which denies aid with respect to any child residing in the State (1) who has resided in the State for one year immediately preceding the application for such aid, or (2) who was born within one year immediately preceding the application, if the parent or other relative with whom the child is living has resided in the State for one year immediately preceding the birth.

[(c) The Secretary shall, on the basis of his review of the reports received from the States under paragraph (15) of subsection (a), compile such data as he believes necessary and from time to time publish his findings as to the effectiveness of the programs developed and administered by the States under such paragraph. The Secretary shall annually report to the Congress (with the first such report being made on or before July 1, 1970) on the programs developed and administered by each State under such paragraph (15).

[(e)(1) The Secretary shall not approve the initial and annually updated advance automated data processing planning document, referred to in subsection (a)(30), unless he finds that such document, when implemented, will generally carry out the objectives of the statewide management system referred to in such subsection, and such document—

[(A) provides for the conduct of, and reflects the results of, requirements analysis studies, which include consideration of the program mission, functions, organization, services, constraints, and current support, of, in, or relating to, such system,

[(B) contains a description of the proposed statewide management system, including a description of information flows, input data, and output reports and uses,

[(C) sets forth the security and interface requirements to be employed in such statewide management system,

[(D) describes the projected resource requirements for staff and other needs, and the resources available or expected to be available to meet such requirements,

[(E) includes cost-benefit analyses of each alternative management system, data processing services and equipment, and a cost allocation plan containing the basis for rates, both direct and indirect, to be in effect under such statewide management system,

[(F) contains an implementation plan with charts of development events, testing descriptions, proposed acceptance criteria, and backup and fallback procedures to handle possible failure of contingencies, and

[(G) contains a summary of proposed improvement of such statewide management system in terms of qualitative and quantitative benefits.

[(2)(A) The Secretary shall, on a continuing basis, review, assess, and inspect the planning, design, and operation of, statewide management information systems referred to in section 403(a)(3)(B), with a view to determining whether, and to what extent, such systems meet and continue to meet requirements imposed under such section and the conditions specified under subsection (a)(30) of this section.

[(B) If the Secretary finds with respect to any statewide management information system referred to in section 403(a)(3)(B) that there is a failure substantially to comply with criteria, requirements, and other undertakings, prescribed by the advance automated data processing planning document theretofore approved by the Secretary with respect to such system, then the Secretary shall suspend his approval of such document until there is no longer any such failure of such system to comply with such criteria, requirements, and other undertakings so prescribed.

[(C) If the Secretary determines that such a system has not been implemented by the State by the date specified for implementation in the State's advance automated data processing planning document, then the Secretary shall reduce payments to such State, in accordance with section 403(b), in an amount equal to 40 percent of the expenditures referred to in section 403(a)(3)(B) with respect to which payments were made to the State under section 403(a)(3)(B). The Secretary may extend the deadline for implementation if the State demonstrates to the satisfaction of the Secretary that the State cannot implement such system by the date specified in such planning document due to circumstances beyond the State's control.

[(f)(1) For temporary disqualification of certain newly legalized aliens from receiving aid to families with dependent children, see subsection (h) of section 245A of the Immigration and Nationality Act, subsection (f) of section 210 of such Act, and subsection (d)(7) of section 210A of such Act.

[(2) In any case where an alien disqualified from receiving aid under such subsection (h), (f), or (d)(7) is the parent of a child who is not so disqualified and who (without any adjustment of status under such section 245A, 210, or 210A) is considered a dependent child under subsection (a)(33), or is the brother or sister of such a child, subsection (a)(38) shall not apply, and the needs of such alien shall not be taken into account in making the determination under subsection (a)(7) with respect to such child, but the income of such alien (if he or she is the parent of such child) shall be included in

making such determination to the same extent that income of a stepparent is included under subsection (a)(31).

[(g)(1)(A)(i) Each State agency must guarantee child care in accordance with subparagraph (B)—

[(I) for each family with a dependent child requiring such care, to the extent that such care is determined by the State agency to be necessary for an individual in the family to accept employment or remain employed; and

[(II) for each individual participating in an education and training activity (including participation in a program that meets the requirements of subsection (a)(19) and part F) if the State agency approves the activity and determines that the individual is satisfactorily participating in the activity.

[(ii) Each State agency must guarantee child care, subject to the limitations described in this section, to the extent that such care is determined by the State agency to be necessary for an individual's employment in any case where a family has ceased to receive aid to families with dependent children as a result of increased hours of, or increased income from, such employment or by reason of subsection (a)(8)(B)(ii)(II).

[(iii) A family shall only be eligible for child care provided under clause (ii) for a period of 12 months after the last month for which the family received aid to families with dependent children under this part.

[(iv) A family shall not be eligible for child care provided under clause (ii) unless the family received aid to families with dependent children in at least 3 of the 6 months immediately preceding the month in which the family became ineligible for such aid.

[(v) A family shall not be eligible for child care provided under clause (ii) unless the family includes a child who is (or, if needy, would be) a dependent child.

[(vi) A family shall not be eligible for child care provided under clause (ii) for any month beginning after the caretaker relative who is a member of the family has—

[(I) without good cause, terminated his or her employment; or

[(II) refused to cooperate with the State in establishing and enforcing his or her child support obligations, without good cause as determined by the State agency in accordance with standards prescribed by the Secretary which shall take into consideration the best interests of the child for whom child care is to be provided.

[(vii) A family shall contribute to child care provided under clause (ii) in accordance with a sliding scale formula which shall be established by the State agency based on the family's ability to pay.

[(B) The State agency may guarantee child care by—

[(i) providing such care directly;

[(ii) arranging the care through providers by use of purchase of service contracts, or vouchers;

[(iii) providing cash or vouchers in advance to the caretaker relative in the family;

[(iv) reimbursing the caretaker relative in the family; or(v) adopting such other arrangements as the agency deems appropriate.

When the State agency arranges for child care, the agency shall take into account the individual needs of the child.

[(C)(i) Subject to clause (ii), the State agency shall make payment for the cost of child care provided with respect to a family in an amount that is the lesser of—

[(I) the actual cost of such care; and

[(II) the dollar amount of the child care disregard for which the family is otherwise eligible under subsection (a)(8)(A)(iii), or (if higher) an amount established by the State.

[(ii) The State agency may not reimburse the cost of child care provided with respect to a family in an amount that is greater than the applicable local market rate (as determined by the State in accordance with regulations issued by the Secretary).

[(D) The State may not make any change in its method of reimbursing child care costs which has the effect of disadvantaging families receiving aid under the State plan on the date of the enactment of this section by reducing their income or otherwise.

[(E) The value of any child care provided or arranged (or any amount received as payment for such care or reimbursement for costs incurred for the care) under this paragraph—

[(i) shall not be treated as income for purposes of any other Federal or federally-assisted program that bases eligibility for or the amount of benefits upon need, and

[(ii) may not be claimed as an employment-related expense for purposes of the credit under section 21 of the Internal Revenue Code of 1986.

[(2) In the case of any individual participating in the program under part F, each State agency (in addition to guaranteeing child care under paragraph (1)) shall provide payment or reimbursement for such transportation and other work-related expenses (including other work-related supportive services), as the State determines are necessary to enable such individual to participate in such program.

[(3)(A)(i) In the case of amounts expended for child care pursuant to paragraph (1)(A) by any State to which section 1108 does not apply, the applicable rate for purposes of section 403(a) shall be the Federal medical assistance percentage (as defined in section 1905(b)).

[(ii) In the case of amounts expended for child care pursuant to paragraph (1)(A)(ii) (relating to the provision of child care for certain families which cease to receive aid under this part) by any State to which section 1108 applies, the applicable rate for purposes of section 403(a) shall be the Federal medical assistance percentage (as defined in section 1118).

[(B) In the case of any amounts expended by the State agency for child care under this subsection, only such amounts as are within such limits as the State may prescribe (subject to the limitations of paragraph (1)(C)) shall be treated as amounts for which payment may be made to a State under this part and they may be so treated only to the extent that—

[(i) such amounts do not exceed the applicable local market rate (as determined by the State in accordance with regulations issued by the Secretary);

[(ii) the child care involved meets applicable standards of State and local law; and(iii) in the case of child care, the entity providing such care allows parental access.

[(4) The State must establish procedures to ensure that center-based child care will be subject to State and local requirements designed to ensure basic health and safety, including fire safety, protections. The State must also endeavor to develop guidelines for family day care. The State must provide the Secretary with a description of such State and local requirements and guidelines.

[(5) By October 1, 1992, the Secretary shall report to the Congress on the nature and content of State and local standards for health and safety.

[(6)(A) The Secretary shall make grants to States to improve their child care licensing and registration requirements and procedures, to enforce standards with respect to child care provided to children under this part, and to provide for the training of child care providers.

[(B) Subject to subparagraph (C), the Secretary shall make grants to each State under subparagraph (A) in proportion to the number of children in the State receiving aid under the State plan approved under subsection (a).

[(C) The Secretary may not make grants to a State under subparagraph (A) unless the State provides matching funds in an amount that is not less than 10 percent of the amount of the grant.

[(D) For grants under this paragraph, there is authorized to be appropriated to the Secretary $13,000,000 for each of the fiscal years 1990 and 1991, and $50,000,000 for each of fiscal years 1992, 1993, and 1994.

[(E) Each State to which the Secretary makes a grant under this paragraph shall expend not less than 50 percent of the amount of the grant to provide for the training of child care providers.

[(7) Activities under this subsection and subsection (i) shall be coordinated in each State with existing early childhood education programs in that State, including Head Start programs, preschool programs funded under chapter 1 of the Education Consolidation and Improvement Act of 1981, and school and nonprofit child care programs (including community-based organizations receiving funds designated for preschool programs for handicapped children).

[(h)(1) Each State shall reevaluate the need standard and payment standard under its plan at least once every 3 years, in accordance with a schedule established by the Secretary, and report the results of the reevaluation to the Secretary and the public at such time and in such form and manner as the Secretary may require.

[(2) The report required by paragraph (1) shall include a statement of—

[(A) the manner in which the need standard of the State is determined,

[(B) the relationship between the need standard and the payment standard (expressed as a percentage or in any other manner determined by the Secretary to be appropriate), and

[(C) any changes in the need standard or the payment standard in the preceding 3-year period.

[(3) The Secretary shall report promptly to the Congress the results of the reevaluations required by paragraph (1).

[(i)(1) Each State agency may, to the extent that it determines that resources are available, provide child care in accordance with paragraph (2) to any low income family that the State determines—

[(A) is not receiving aid under the State plan approved under this part;

[(B) needs such care in order to work; and

[(C) would be at risk of becoming eligible for aid under the State plan approved under this part if such care were not provided.

[(2) The State agency may provide child care pursuant to paragraph (1) by—

[(A) providing such care directly;

[(B) arranging such care through providers by use of purchase of service contracts or vouchers;

[(C) providing cash or vouchers in advance to the family;

[(D) reimbursing the family; or(E) adopting such other arrangements as the agency deems appropriate.

[(3)(A) A family provided with child care under paragraph (1) shall contribute to such care in accordance with a sliding scale formula established by the State agency based on the family's ability to pay.

[(B) The State agency shall make payment for the cost of child care provided under paragraph (1) with respect to a family in an amount that is the lesser of—

[(i) the actual cost of such care; and

[(ii) the applicable local market rate (as determined by the State in accordance with regulations issued by the Secretary).

[(4) The value of any child care provided or arranged (or any amount received as payment for such care or reimbursement for costs incurred for the care) under this subsection—

[(A) shall not be treated as income or as a deductible expense for purposes of any other Federal or federally assisted program that bases eligibility for or amount of benefits upon need; and

[(B) may not be claimed as an employment-related expense for purposes of the credit under section 21 of the Internal Revenue Code of 1986.

[(5) Amounts expended by the State agency for child care under paragraph (1) shall be treated as amounts for which payment may be made to a State under section 403(n) only to the extent that—

[(A) such amounts are paid in accordance with paragraph (3)(B);

[(B) the care involved meets applicable standards of State and local law;

[(C) the provider of the care—

[(i) in the case of a provider who is not an individual that provides such care solely to members of the family of the individual, is licensed, regulated, or registered by the State or locality in which the care is provided; and

[(ii) allows parental access; and(D) such amounts are not used to supplant any other Federal or State funds used for child care services.

[(6)(A)(i) Each State shall prepare reports annually, beginning with fiscal year 1993, on the activities of the State carried out with funds made available under section 403(n).

[(ii) The State shall make available for public inspection within the State copies of each report required by this paragraph, shall transmit a copy of each such report to the Secretary, and shall provide a copy of each such report, on request, to any interested public agency.

[(iii) The Secretary shall annually compile, and submit to the Congress, the State reports transmitted to the Secretary pursuant to clause (ii).

[(B) Each report prepared and transmitted by a State under subparagraph (A) shall set forth with respect to child care services provided under this subsection—

[(i) showing separately for center-based child care services, group home child care services, family child care services, and relative care services, the number of children who received such services and the average cost of such services;

[(ii) the criteria applied in determining eligibility or priority for receiving services, and sliding fee schedules;

[(iii) the child care licensing and regulatory (including registration) requirements in effect in the State with respect to each type of service specified in clause (i); and

[(iv) the enforcement policies and practices in effect in the State which apply to licensed and regulated child care providers (including providers required to register).

[(C) Within 12 months after the date of the enactment of this subsection, the Secretary shall establish uniform reporting requirements for use by the States in preparing the information required by this paragraph, and make such other provision as may be necessary or appropriate to ensure that compliance with this subsection will not be unduly burdensome on the States.

[(D) Not later than July 1, 1992, the Secretary shall issue a report on the implementation of this subsection, based on such information as as has been made available to the Secretary by the States.

[PAYMENT TO STATES

[SEC. 403. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for aid and services to needy families with children, for each quarter, beginning with the quarter commencing October 1, 1958—

[(1) in the case of any State other than Puerto Rico, the Virgin Islands, Guam, and American Samoa, an amount equal to the sum of the following proportions of the total amounts expended during such quarter as aid to families with dependent children under the State plan—

[(A) five-sixths of such expenditures, not counting so much of any expenditure with respect to any month as exceeds the product of $18 multiplied by the total number of

recipients of aid to families with dependent children for such month (which total number, for purposes of this subsection, means (i) the number of individuals with respect to whom such aid in the form of money payments is paid for such month, plus (ii) the number of individuals, not counted under clause (i), with respect to whom payments described in section 406(b)(2) are made in such month and included as expenditures for purposes of this paragraph or paragraph (2)); plus

[(B) the Federal percentage of the amount by which such expenditures exceed the maximum which may be counted under clause (A), not counting so much of any expenditure with respect to any month as exceeds (i) the product of $32 multiplied by the total number of recipients of aid to families with dependent children (other than such aid in the form of foster care) for such month, plus (ii) the product of $100 multiplied by the total number of recipients of aid to families with dependent children in the form of foster care for such month; and

[(2) in the case of Puerto Rico, the Virgin Islands, Guam, and American Samoa, an amount equal to one-half of the total of the sums expended during such quarter as aid to families with dependent children under the State plan, not counting so much of any expenditure with respect to any month as exceeds $18 multiplied by the total number of recipients of such aid for such month; and

[(3) in the case of any State, 50 percent of the total amounts expended during such quarter as found necessary by the Secretary for the proper and efficient administration of the State plan, except that no payment shall be made with respect to amounts expended in connection with the provision of any service described in section 2002(a) other than services furnished pursuant to section 402(g); and

[(5) in the case of any State, an amount equal to 50 per centum of the total amount expended under the State plan during such quarter as emergency assistance to needy families with children.

No payment shall be made under this subsection with respect to amounts paid to supplement or otherwise increase the amount of aid to families with dependent children found payable in accordance with section 402(a)(13) if such amount is determined to have been paid by the State in recognition of the current or anticipated needs of a family (other than with respect to the first or first and second months of eligibility), but any such amount, if determined to have been paid by the State in recognition of the difference between the current or anticipated needs of a family for a month based upon actual income or other relevant circumstances for such month, and the needs of such family for such month based upon income and other relevant circumstances as retrospectively determined under section 402(a)(13)(A)(ii), shall not be considered income within the meaning of section 402(a)(13) for the purpose of determining the amount of aid in the succeeding months.

[(b) The method of computing and paying such amounts shall be as follows:

[(1) The Secretary shall, prior to the beginning of each quarter, estimate the amount to be paid to the State for such quarter under the provisions of subsection (a), such estimate to be based on (A) a report filed by the State containing its estimate of the total sum to be expended in such quarter in accordance with the provisions of such subsection and stating the amount appropriated or made available by the State and its political subdivisions for such expenditures in such quarter, and if such amount is less than the State's proportionate share of the total sum of such estimated expenditures, the source or sources from which the difference is expected to be derived, (B) records showing the number of dependent children in the State, and (C) such other investigation as the Secretary may find necessary.

[(2) The Secretary shall then certify to the Secretary of the Treasury the amount so estimated by the Secretary, (A) reduced or increased, as the case may be, by any sum by which he finds that his estimate for any prior quarter was greater or less than the amount which should have been paid to the State for such quarter, (B) reduced by a sum equivalent to the pro rata share to which the United States is equitably entitled, as determined by the Secretary, of the net amount recovered during any prior quarter by the State or any political subdivision thereof with respect to aid to families with dependent children furnished under the State plan, and (C) reduced by such amount as is necessary to provide the "appropriate reimbursement of the Federal Government" that the State is required to make under section 457 out of that portion of child support collections retained by it pursuant to such section; except that such increases or reductions shall not be made to the extent that such sums have been applied to make the amount certified for any prior quarter greater or less than the amount estimated by the Secretary for such prior quarter.

[(3) The Secretary of the Treasury shall thereupon, through the Fiscal Service of the Department of the Treasury and prior to audit or settlement by the General Accounting Office, pay to the State, at the time or times fixed by the Secretary, the amount so certified.

[(e) In order to assist in obtaining the information needed to carry out subsection (b)(1) and otherwise to perform his duties under this part, the Secretary shall establish uniform reporting requirements under which each State will be required periodically to furnish such information and data as the Secretary may determine to be necessary to ensure that sections 402(a)(37), 402(a)(43), and 402(g)(1)(A), are being effectively implemented, including at a minimum the average monthly number of families assisted under each such section, the types of such families, the amounts expended with respect to such families, and the length of time for which such families are assisted. The information and data so furnished with respect to families assisted under section 402(g) shall be separately stated with respect to families who have earnings and those who do not, and with respect to families who are receiving aid under the State plan and those who are not.

[(f) Notwithstanding any other provision of this section, the amount payable to any State under this part for quarters in a fiscal year shall with respect to quarters in fiscal years beginning after June 30, 1973, be reduced by 1 per centum (calculated without regard to any reduction under section 403(g)) of such amount if such State—

[(1) in the immediately preceding fiscal year failed to carry out the provisions of section 402(a)(15)(B) as pertain to requiring the offering and arrangement for provision of family planning services; or

[(2) in the immediately preceding fiscal year (but, in the case of the fiscal year beginning July 1, 1972, only considering the third and fourth quarters thereof), failed to carry out the provisions of section 402(a)(15)(B) of the Social Security Act with respect to any individual who, within such period or periods as the Secretary may prescribe, has been an applicant for or recipient of aid to families with dependent children under the plan of the State approved under this part.

[(k)(1) Each State with a plan approved under part F shall be entitled to payments under subsection (l) for any fiscal year in an amount equal to the sum of the applicable percentages (specified in such subsection) of its expenditures to carry out the program under part F (subject to limitations prescribed by or pursuant to such part or this section on expenditures that may be included for purposes of determining payment under subsection (l)), but such payments for any fiscal year in the case of any State may not exceed the limitation determined under paragraph (2) with respect to the State.

[(2) The limitation determined under this paragraph with respect to a State for any fiscal year is—

[(A) the amount allotted to the State for fiscal year 1987 under part C of this title as then in effect, plus

[(B) the amount that bears the same ratio to the amount specified in paragraph (3) for such fiscal year as the average monthly number of adult recipients (as defined in paragraph (4)) in the State in the preceding fiscal year bears to the average monthly number of such recipients in all the States for such preceding year.

[(3) The amount specified in this paragraph is—

[(A) $600,000,000 in the case of the fiscal year 1989,

[(B) $800,000,000 in the case of the fiscal year 1990,

[(C) $1,000,000,000 in the case of each of the fiscal years 1991, 1992, and 1993,

[(D) $1,100,000,000 in the case of the fiscal year 1994,

[(E) $1,300,000,000 in the case of the fiscal year 1995, and

[(F) $1,000,000,000 in the case of the fiscal year 1996 and each succeeding fiscal year,

reduced by the aggregate amount allotted to all the States for fiscal year 1987 pursuant to part C of this title as then in effect.

[(4) For purposes of this subsection, the term "adult recipient" in the case of any State means an individual other than a dependent child (unless such child is the custodial parent of another dependent child) whose needs are met (in whole or in part) with payments of aid to families with dependent children.

[(5) None of the funds available to a State for purposes of the programs or activities conducted under part F shall be used for construction.

[(l)(1)(A) In lieu of any payment under subsection (a), the Secretary shall pay to each State with a plan approved under section 482(a) (subject to the limitation determined under section 482(i)(2)) with respect to expenditures by the State to carry out a program under part F (including expenditures for child care under section 402(g)(1)(A)(i), but only in the case of a State with respect to which section 1108 applies), an amount equal to—

[(i) with respect to so much of such expenditures in a fiscal year as do not exceed the State's expenditures in the fiscal year 1987 with respect to which payments were made to such State from its allotment for such fiscal year pursuant to part C of this title as then in effect, 90 percent; and

[(ii) with respect to so much of such expenditures in a fiscal year as exceed the amount described in clause (i)—

[(I) 50 percent, in the case of expenditures for administrative costs made by a State in operating such a program for such fiscal year (other than the personnel costs for staff employed full-time in the operation of such program) and the costs of transportation and other work- related supportive services under section 402(g)(2), and

[(II) the greater of 60 percent or the Federal medical assistance percentage (as defined in section 1118 in the case of any State to which section 1108 applies, or as defined in section 1905(b) in the case of any other State), in the case of expenditures made by a State in operating such a program for such fiscal year (other than for costs described in subclause (I)).

[(B) With respect to the amount for which payment is made to a State under subparagraph (A)(i), the State's expenditures for the costs of operating a program established under part F may be in cash or in kind, fairly evaluated.

[(2)(A) Notwithstanding paragraph (1), the Secretary shall pay to a State an amount equal to 50 percent of the expenditures made by such State in operating its program established under part F (in lieu of any different percentage specified in paragraph (1)(A)) if less than 55 percent of such expenditures are made with respect to individuals who are described in subparagraph (B).

[(B) An individual is described in this paragraph if the individual—

[(i)(I) is receiving aid to families with dependent children, and

[(II) has received such aid for any 36 of the preceding 60 months;

[(ii)(I) makes application for aid to families with dependent children, and

[(II) has received such aid for any 36 of the 60 months immediately preceding the most recent month for which application has been made;

[(iii) is a custodial parent under the age of 24 who (I) has not completed a high school education and, at the time of application for aid to families with dependent children, is not en-

rolled in high school (or a high school equivalency course of instruction), or (II) had little or no work experience in the preceding year; or

[(iv) is a member of a family in which the youngest child is within 2 years of being ineligible for aid to families with dependent children because of age.

[(C) This paragraph may be waived by the Secretary with respect to any State which demonstrates to the satisfaction of the Secretary that the characteristics of the caseload in that State make it infeasible to meet the requirements of this paragraph, and that the State is targeting other long-term or potential long-term recipients.

[(D) The Secretary shall biennially submit to the Congress any recommendations for modifications or additions to the groups of individuals described in subparagraph (B) that the Secretary determines would further the goal of assisting long-term or potential long-term recipients of aid to families with dependent children to achieve self-sufficiency, which recommendations shall take into account the particular characteristics of the populations of individual States.

[(3)(A) Notwithstanding paragraph (1), the Secretary shall pay to a State an amount equal to 50 percent of the expenditures made by such State in a fiscal year in operating its program established under part F (in lieu of any different percentage specified in paragraph (1)(A)) if the State's participation rate (determined under subparagraph (B)) for the preceding fiscal year does not exceed or equal—

[(i) 7 percent if the preceding fiscal year is 1990;

[(ii) 7 percent if such year is 1991;

[(iii) 11 percent if such year is 1992;

[(iv) 11 percent if such year is 1993;

[(v) 15 percent if such year is 1994; and

[(vi) 20 percent if such year is 1995.

[(B)(i) The State's participation rate for a fiscal year shall be the average of its participation rates for computation periods (as defined in clause (ii)) in such fiscal year.

[(ii) The computation periods shall be—

[(I) the fiscal year, in the case of fiscal year 1990,

[(II) the first six months, and the seventh through twelfth months, in the case of fiscal year 1991,

[(III) the first three months, the fourth through sixth months, the seventh through ninth months, and the tenth through twelfth months, in the case of fiscal years 1992 and 1993, and

[(IV) each month, in the case of fiscal years 1994 and 1995.

[(iii) The State's participation rate for a computation period shall be the number, expressed as a percentage, equal to—

[(I) the average monthly number of individuals required or allowed by the State to participate in the program under part F who have participated in such program in months in the computation period, plus the number of individuals required or allowed by the State to participate in such program who have so participated in that month in such period for which the number of such participants is the greatest, divided by

[(II) twice the average monthly number of individuals required to participate in such period (other than individuals described in subparagraph (C)(iii)(I) or (D) of section 402(a)(19) with respect to whom the State has exercised its option to require their participation).

For purposes of this subparagraph, an individual shall not be considered to have satisfactorily participated in the program under part F solely by reason of such individual being registered to participate in such program.

[(C) Notwithstanding any other provision of this paragraph, no State shall be subject to payment under this paragraph (in lieu of paragraph (1)(A)) for failing to meet any participation rate required under this paragraph with respect to any fiscal year before 1991.

[(D) For purposes of this paragraph, an individual shall be determined to have participated in the program under part F, if such individual has participated in accordance with such requirements, consistent with regulations of the Secretary, as the State shall establish.

[(E) If the Secretary determines that the State has failed to achieve the participation rate for any fiscal year specified in the numbered clauses of subparagraph (A), he may waive, in whole or in part, the reduction in the payment rate otherwise required by such subparagraph if he finds that—

[(i) the State is in conformity with section 402(a)(19) and part F;

[(ii) the State has made a good faith effort to achieve the applicable participation rate for such fiscal year; and

[(iii) the State has submitted a proposal which is likely to achieve the applicable participation rate for the current fiscal year and the subsequent fiscal years (if any) specified therein.

[(4)(A)(i) Subject to subparagraph (B), in the case of any family eligible for aid to families with dependent children by reason of the unemployment of the parent who is the principal earner, the State agency shall require that at least one parent in any such family participate, for a total of at least 16 hours a week during any period in which either parent is required to participate in the program, in a work supplementation program, a community work experience or other work experience program, on-the-job training, or a State designed work program approved by the Secretary, as such programs are described in section 482(d)(1). In the case of a parent under age 25 who has not completed high school or an equivalent course of education, the State may require such parent to participate in educational activities directed at the attainment of a high school diploma (or equivalent) or another basic education program in lieu of one or more of the programs specified in the preceding sentence.

[(ii) For purposes of clause (i), an individual participating in a community work experience program under section 482 shall be considered to have met the requirement of such clause if he participates for the number of hours in any month equal to the monthly payment of aid to families with dependent children to the family of which he is a member, divided by the greater of the Federal or the applicable State minimum wage (and the portion of such monthly payment for which the State is reimbursed by a child sup-

port collection shall not be taken into account in determining the number of hours that such individual may be required to work).

[(B) The requirement under subparagraph (A) shall not be considered to have been met by any State if the requirement is not met with respect to the following percentages of all families in the State eligible for aid to families with dependent children by reason of the unemployment of the parent who is the principal earner:

[(i) 40 percent, in the case of the average of each month in fiscal year 1994,

[(ii) 50 percent, in the case of the average of each month in fiscal year 1995,

[(iii) 60 percent, in the case of the average of each month in fiscal year 1996, and

[(iv) 75 percent in the case of the average of each month in each of the fiscal years 1997 and 1998.

[(C) The percentage of participants for any month in a fiscal year for purposes of the preceding sentence shall equal the average of—

[(i) the number of individuals described in subparagraph (A)(i) who have met the requirement prescribed therein, divided by

[(ii) the total number of principal earners described in such subparagraph (but excluding those in families who have been recipients of aid for 2 months or less if, during the period that the family received aid, at least one parent engaged in intensive job search).

[(D) If the Secretary determines that the State has failed to meet the requirement under subparagraph (A) (determined with respect to the percentages prescribed in subparagraph (B)), he may waive, in whole or in part, any penalty if he finds that—

[(i) the State is operating a program in conformity with section 402(a)(19) and part F,

[(ii) the State has made a good faith effort to meet the requirement of subparagraph (A) but has been unable to do so because of economic conditions in the State (including significant numbers of recipients living in remote locations or isolated rural areas where the availability of work sites is severely limited), or because of rapid and substantial increases in the caseload that cannot reasonably be planned for, and

[(iii) the State has submitted a proposal which is likely to achieve the required percentage of participants for the subsequent fiscal years.

[(m)(1) During the 12-month period beginning on July 1, 1988 (in this subsection referred to as the "moratorium period"), the Secretary shall not impose any reductions in payments to States pursuant to subsection (i) (or prior regulations), or pursuant to any comparable provision of law relating to the programs under this part in Puerto Rico, Guam, the Virgin Islands, American Samoa, or the Northern Mariana Islands.

[(2) During the moratorium period—

[(A) the Secretary and the States shall continue to operate the quality control systems in effect under this part, and to calculate the error rates under the provisions referred to in paragraph (1), including the process of requesting and reviewing waivers; and

[(B) the Departmental Grant Appeals Board shall, notwithstanding paragraph (1), review disallowances for fiscal year 1981 and thereafter and hear appeals with respect thereto (but collection of disallowances owed as a result of Departmental Grant Appeals Board decisions shall not occur).

[(n)(1) In addition to any payment under subsection (a) or (l), each State shall be entitled to payment from the Secretary of an amount equal to the lesser of—

[(A) the Federal medical assistance percentage (as defined in section 1905(b)) of the expenditures by the State in providing child care services pursuant to section 402(i), and in administering the provision of such child care services, for any fiscal year; and

[(B) the limitation determined under paragraph (2) with respect to the State for the fiscal year.

[(2)(A) The limitation determined under this paragraph with respect to a State for any fiscal year is the amount that bears the same ratio to the amount specified in subparagraph (B) for such fiscal year as the number of children residing in the State in the second preceding fiscal year bears to the number of children residing in the United States in the second preceding fiscal year.

[(B) The amount specified in this subparagraph is—

[(i) $300,000,000 for fiscal year 1991;

[(ii) $300,000,000 for fiscal year 1992;

[(iii) $300,000,000 for fiscal year 1993;

[(iv) $300,000,000 for fiscal year 1994; and

[(v) $300,000,000 for fiscal year 1995, and for each fiscal year thereafter.

[(C) If the limitation determined under subparagraph (A) with respect to a State for a fiscal year exceeds the amount paid to the State under this subsection for the fiscal year, the limitation determined under this paragraph with respect to the State for the immediately succeeding fiscal year shall be increased by the amount of such excess.

[(3) Amounts appropriated for a fiscal year to carry out this part shall be made available for payments under this subsection for such fiscal year.

[OPERATION OF STATE PLANS

[SEC. 404. (a) In the case of any State plan for aid and services to needy families with children which has been approved by the Secretary, if the Secretary, after reasonable notice and opportunity for hearing to the State agency administering or supervising the administration of such plan, finds—

[(1) that the plan has been so changed as to impose any residence requirement prohibited by section 402(b), or that in the administration of the plan any such prohibited requirement is imposed, with the knowledge of such State agency, in a substantial number of cases; or

[(2) that in the administration of the plan there is a failure to comply substantially with any provision required by section 402(a) to be included in the plan;

the Secretary shall notify such State agency that further payments will not be made to the State (or, in his discretion, that payments

will be limited to categories under or parts of the State plan not affected by such failure) until the Secretary is satisfied that such prohibited requirement is no longer so imposed, and that there is no longer any such failure to comply. Until he is so satisfied he shall make no further payments to such State (or shall limit payments to categories under or parts of the State plan not affected by such failure).

[(b) No payment to which a State is otherwise entitled under this part for any period before September 1, 1962, shall be withheld by reason of any action taken pursuant to a State statute which requires that aid be denied under the State plan approved under this part with respect to a child because of the conditions in the home in which the child resides; nor shall any such payment be withheld for any period beginning on or after such date by reason of any action taken pursuant to such a statute if provision is otherwise made pursuant to a State statute for adequate care and assistance with respect to such child.

[(c) No State shall be found, prior to January 1, 1977, to have failed substantially to comply with the requirements of section 402(a)(27) if, in the judgment of the Secretary, such State is making a good faith effort to implement the program required by such section.

[(d) After December 31, 1976, in the case of any State which is found to have failed substantially to comply with the requirements of section 402(a)(27), the reduction in any amount payable to such State required to be imposed under section 403(h) shall be imposed in lieu of any reduction, with respect to such failure, which would otherwise be required to be imposed under this section.

[USE OF PAYMENTS FOR BENEFIT OF CHILD

[SEC. 405. Whenever the State agency has reason to believe that any payments of aid to families with dependent children made with respect to a child are not being or may not be used in the best interests of the child, the State agency may provide for such counseling and guidance services with respect to the use of such payments and the management of other funds by the relative receiving such payments as it deems advisable in order to assure use of such payments in the best interests of such child, and may provide for advising such relative that continued failure to so use such payments will result in substitution therefor of protective payments as provided under section 406(b)(2), or in seeking appointment of a guardian or legal representative as provided in section 1111, or in the imposition of criminal or civil penalties authorized under State law if it is determined by a court of competent jurisdiction that such relative is not using or has not used for the benefit of the child any such payments made for that purpose; and the provision of such services or advice by the State agency (or the taking of the action specified in such advice) shall not serve as a basis for withholding funds from such State under section 404 and shall not prevent such payments with respect to such child from being considered aid to families with dependent children.

[DEFINITIONS

[SEC. 406. When used in this part—

[(a) The term "dependent child" means a needy child (1) who has been deprived of parental support or care by reason of the death, continued absence from the home (other than absence occasioned solely by reason of the performance of active duty in the uniformed services of the United States), or physical or mental incapacity of a parent, and who is living with his father, mother, grandfather, grandmother, brother, sister, stepfather, stepmother, stepbrother, stepsister, uncle, aunt, first cousin, nephew, or niece, in a place of residence maintained by one or more of such relatives as his or their own home, and (2) who is (A) under the age of eighteen, or (B) at the option of the State, under the age of nineteen and a full-time student in a secondary school (or in the equivalent level of vocational or technical training), if, before he attains age nineteen, he may reasonably be expected to complete the program of such secondary school (or such training);

[(b) The term "aid to families with dependent children" means money payments with respect to a dependent child or dependent children, or, at the option of the State, a pregnant woman but only if it has been medically verified that the child is expected to be born in the month such payments are made or within the three-month period following such month of payment, and who, if such child had been born and was living with her in the month of payment, would be eligible for aid to families with dependent children, and includes (1) money payments to meet the needs of the relative with whom any dependent child is living (and the spouse of such relative if living with him and if such relative is the child's parent and the child is a dependent child by reason of the physical or mental incapacity of a parent or is a dependent child under section 407), and (2) payments with respect to any dependent child (including payments to meet the needs of the relative, and the relative's spouse, with whom such child is living, and the needs of any other individual living in the same home if such needs are taken into account in making the determination under section 402(a)(7)) which do not meet the preceding requirements of this subsection, but which would meet such requirements except that such payments are made to another individual who (as determined in accordance with standards prescribed by the Secretary) is interested in or concerned with the welfare of such child or relative, or are made on behalf of such child or relative directly to a person furnishing food, living accommodations, or other goods, services, or items to or for such child, relative, or other individual, but only with respect to a State whose State plan approved under section 402 includes provision for—

[(A) determination by the State agency that the relative of the child with respect to whom such payments are made has such inability to manage funds that making payments to him would be contrary to the welfare of the child and, therefore, it is necessary to provide such aid with respect to such child and relative through payments described in this clause (2);

[(B) undertaking and continuing special efforts to develop greater ability on the part of the relative to manage funds in such manner as to protect the welfare of the family;

[(C) periodic review by such State agency of the determination under clause (A) to ascertain whether conditions justifying

such determination still exist, with provision for termination of such payments if they do not and for seeking judicial appointment of a guardian or other legal representative, as described in section 1111, if and when it appears that the need for such payments is continuing, or is likely to continue, beyond a period specified by the Secretary; and

[(D) opportunity for a fair hearing before the State agency on the determination referred to in clause (A) for any individual with respect to whom it is made.

Payments with respect to a dependent child which are intended to enable the recipient to pay for specific goods, services, or items recognized by the State agency as a part of the child's need under the State plan may (in the discretion of the State or local agency administering the plan in the political subdivision) be made, pursuant to a determination referred to in clause (2)(A), in the form of checks drawn jointly to the order of the recipient and the person furnishing such goods, services, or items and negotiable only upon endorsement by both such recipient and such person; and payments so made shall be considered for all of the purposes of this part to be payments described in clause (2). Whenever payments with respect to a dependent child are made in the manner described in clause (2) (including payments described in the preceding sentence), a statement of the specific reasons for making such payments in that manner (on which the determination under clause (2)(A) was based) shall be placed in the file maintained with respect to such child by the State or local agency administering the State plan in the political subdivision. Payments of the type described in clause (2) shall not be subject to the requirements of clauses (A) through (D) of such clause (2), when they are made in the manner described in clause (2) at the request of the family member to whom payment would otherwise be made in an unrestricted manner.

[(c) The term "relative with whom any dependent child is living" means the individual who is one of the relatives specified in subsection (a) and with whom such child is living (within the meaning of such subsection) in a place of residence maintained by such individual (himself or together with any one or more of the other relatives so specified) as his (or their) own home.

[(e)(1) The term "emergency assistance to needy families with children" means any of the following, furnished for a period not in excess of 30 days in any 12-month period, in the case of a needy child under the age of 21 who is (or, within such period as may be specified by the Secretary, has been) living with any of the relatives specified in subsection (a)(1) in a place of residence maintained by one or more of such relatives as his or their own home, but only where such child is without available resources, the payments, care, or services involved are necessary to avoid destitution of such child or to provide living arrangements in a home for such child, and such destitution or need for living arrangements did not arise because such child or relative refused without good cause to accept employment or training for employment—

[(A) money payments, payments in kind, or such other payments as the State agency may specify with respect to, or medical care or any other type of remedial care recognized under

State law (for which such individual is not entitled to medical assistance under the State plan under title XIX) on behalf of, such child or any other member of the household in which he is living, and

[(B) such services as may be specified by the Secretary;

but only with respect to a State whose State plan approved under section 402 includes provision for such assistance.

[(2) Emergency assistance as authorized under paragraph (1) may be provided under the conditions specified in such paragraph to migrant workers with families in the State or in such part or parts thereof as the State shall designate.

[(f) Notwithstanding the provisions of subsection (b), the term "aid to families with dependent children" does not mean payments with respect to a parent (or other individual whose needs such State determines should be considered in determining the need of the child or relative claiming aid under the plan of such State approved under this part) of a child who fails to cooperate with any agency or official of the State in obtaining such support payments for such child. Nothing in this subsection shall be construed to make an otherwise eligible child ineligible for protective payments because of the failure of such parent (or such other individual) to so cooperate.

[(g) Notwithstanding the provisions of subsection (b), the term "aid to families with dependent children" does not mean any—

[(1) amount paid to meet the needs of an unborn child; or

[(2) amount paid (or by which a payment is increased) to meet the needs of a woman occasioned by or resulting from her pregnancy, unless, as has been medically verified, the woman's child is expected to be born in the month such payments are made (or increased) or within the three-month period following such month of payment.

[(h) Each dependent child, and each relative with whom such a child is living (including the spouse of such relative as described in subsection (b)), who becomes ineligible for aid to families with dependent children as a result (wholly or partly) of the collection or increased collection of child or spousal support under part D, and who has received such aid in at least three of the six months immediately preceding the month in which such ineligibility begins, shall be deemed to be a recipient of aid to families with dependent children for purposes of title XIX for an additional four calendar months beginning with the month in which such ineligibility begins.

[DEPENDENT CHILDREN OF UNEMPLOYED PARENTS

[SEC. 407. (a) The term "dependent child" shall, notwithstanding section 406(a), include a needy child who meets the requirements of section 406(a)(2), who has been deprived of parental support or care by reason of the unemployment (as determined in accordance with standards prescribed by the Secretary) of the parent who is the principal earner, and who is living with any of the relatives specified in section 406(a)(1) in a place of residence maintained by one or more of such relatives as his (or their) own home.

[(b)(1) In providing for the provision of aid to families with dependent children under the State's plan approved under section

402, in the case of families that include dependent children within the meaning of subsection (a) of this section, as required by section 402(a)(41), the State's plan—

[(A) subject to paragraph (2), shall require the payment of aid to families with dependent children with respect to a dependent child as defined in subsection (a) when—

[(i) whichever of such child's parents is the principal earner has not been employed (as determined in accordance with standards prescribed by the Secretary) for at least 30 days prior to the receipt of such aid,

[(ii) such parent has not without good cause, within such period (of not less than 30 days) as may be prescribed by the Secretary, refused a bona fide offer of employment or training for employment, and

[(iii)(I) such parent has 6 or more quarters of work (as defined in subsection (d)(1)), no more than 4 of which may be quarters of work defined in subsection (d)(1)(B), in any 13-calendar-quarter period ending within one year prior to the application for such aid or (II) such parent received unemployment compensation under an unemployment compensation law of a State or of the United States, or such parent was qualified (within the meaning of subsection (d)(3)) for unemployment compensation under the unemployment compensation law of the State, within one year prior to the application for such aid; and

[(B) shall provide—

[(i) for such assurances as will satisfy the Secretary that unemployed parents of dependent children as defined in subsection (a) will participate or apply for participation in a program under part F (unless the program is not available in the area where the parent is living) within 30 days after receipt of aid with respect to such children;

[(ii) for entering into cooperative arrangements with the State agency responsible for administering or supervising the administration of vocational education in the State, designed to assure maximum utilization of available public vocational education services and facilities in the State in order to encourage the retraining of individuals capable of being retrained;

[(iii) for the denial of aid to families with dependent children to any child or relative specified in subsection (a) with respect to any week for which such child's parent described in subparagraph (A)(i) qualifies for unemployment compensation under an unemployment compensation law of a State or of the United States, but refuses to apply for or accept such unemployment compensation;

[(iv) for the reduction of the aid to families with dependent children otherwise payable to any child or relative specified in subsection (a) by the amount of any unemployment compensation that such child's parent described in subparagraph (A)(i) receives under an unemployment compensation law of a State or of the United States; and

[(v) that, if and for so long as the child's parent described in subparagraph (A)(i), unless meeting a condition

of section 402(a)(19)(C), is, without good cause, not participating (or available for participation) in a program under part F, or if exempt under such section by reason of clause (vii) thereof or because there has not been established or provided under part F a program in which such parent can effectively participate, is not registered with the public employment offices in the State, the needs of such parent shall not be taken into account in determining the need of such parent's family under section 402(a)(7), and the needs of such parent's spouse shall not be so taken into account unless such spouse is participating in such a program, or if not participating solely by reason of section 402(a)(19)(C)(vii) or because there has not been established or provided under part F a program in which such spouse can effectively participate, is registered with the public employment offices of the State; and if neither parents' needs are so taken into account, the payment provisions of section 402(a)(19)(G)(i)(I) shall apply.

[(2)(A) In carrying out the program under this section, a State may design its program to reflect the individual needs of the State and to emphasize education, training, and employment services for unemployed parents and their spouses who are eligible for aid to families with dependent children by reason of this section, to the extent provided under this paragraph.

[(B)(i) Subject to clauses (ii) and (iii), with respect to the requirement under section 402(a)(41), a State may, at its option, limit the number of months with respect to which a family receives aid to families with dependent children to the extent determined appropriate by the State for the operation of its program under this section.

[(ii)(I) A State may not limit the number of months under clause (i) for which a family may receive aid to families with dependent children unless it provides in its plan assurances to the Secretary that it has a program (that meets such requirements as the Secretary may in regulation prescribe) for providing education, training, and employment services (including any activity authorized under section 402(a)(19) or under part F) in order to assist parents of children described in subsection (a) in preparing for and obtaining employment.

[(II) In exercising the option under clause (i), a State plan may not provide for the denial of aid to families with dependent children to a family otherwise eligible for such aid for any month unless the family has received such aid (on the basis of the unemployment of the parent who is the principal earner) in at least 6 of the preceding 12 months.

[(III) Any family that is otherwise eligible for aid to families with dependent children that does not receive such aid in any month solely by reason of the State exercising the option under clause (i) shall be deemed, for purposes of determining the period under paragraph (1)(A)(iii)(I), to be receiving such aid in such month.

[(iii) Each State which, on September 26, 1988, has a program in effect under this section shall continue to operate such program without a time limitation.

[(C) With respect to the participation in the program under section 402(a)(19) and part F of a family eligible for aid to families with dependent children by reason of this section, a State may, at its option—

[(i) except as otherwise provided in such section and such part, require that any parent participating in such program engage in program activities for up to 40 hours per week; and

[(ii) provide for the payment of aid to families with dependent children at regular intervals of no greater than one month but after the performance of assigned program activities.

[(c) Notwithstanding any other provisions of this section, expenditures pursuant to this section shall be excluded from aid to families with dependent children (A) where such expenditures are made under the plan with respect to any dependent child as defined in subsection (a), (i) for any part of the 30-day period referred to in subsection (b)(1)(A)(i), or (ii) for any period prior to the time when the parent satisfies subsection (b)(1)(A)(ii), and (B) if, and for as long as, no action is taken (after the 30-day period referred to in subsection (b)(1)(B)(i), under the program therein specified, to undertake appropriate steps directed towards the participation of such parent in a program under part F.

[(d) For purposes of this section—

[(1) the term "quarter of work" with respect to any individual means (A) a calendar quarter in which such individual received earned income of not less than $50 (or which is a "quarter of coverage" as defined in section 213(a)(2)), or in which such individual participated in a program under part F, (B) at the option of the State, a calendar quarter in which such individual attended, full-time, an elementary school, a secondary school, or a vocational or technical training course (approved by the Secretary) that is designed to prepare the individual for gainful employment, or in which such individual participated in an education or training program established under the Job Training Partnership Act, and (C) a calendar quarter ending before October 1990 in which such individual participated in a community work experience program under section 409 (as in effect for a State immediately before the effective date for that State of the amendments made by title II of the Family Support Act of 1988 or the work incentive program established under part C (as in effect for a State immediately before such effective date);

[(2) the term "calendar quarter" means a period of 3 consecutive calendar months ending on March 31, June 30, September 30, or December 31;

[(3) an individual shall, for purposes of subsection (b)(1)(A)(iii), be deemed qualified for unemployment compensation under the State's unemployment compensation law if—

[(A) he would have been eligible to receive such unemployment compensation upon filing application, or

[(B) he performed work not covered under such law and such work, if it had been covered, would (together with any covered work he performed) have made him eligible to receive such unemployment compensation upon filing application; and

[(4) the phrase "whichever of such child's parents is the principal earner", in the case of any child, means whichever parent, in a home in which both parents of such child are living, earned the greater amount of income in the 24-month period the last month of which immediately precedes the month in which an application is filed for aid under this part on the basis of the unemployment of a parent, for each consecutive month for which the family receives such aid on that basis.

Notwithstanding section 402(a)(1), a State that chooses to exercise the option provided under paragraph (1)(B) may provide that the definition of calendar quarter under such option apply in one or more political subdivisions of the State.

[(e) The Secretary and the Secretary of Labor shall jointly enter into an agreement with each State which is able and willing to do so for the purpose of (1) simplifying the procedures to be followed by unemployed parents and other unemployed persons in such State in participating in a program under part F and in registering with public employment offices (under this section and otherwise) or in connection with applications for unemployment compensation, by reducing the number of locations or agencies where such persons must go in order to participate in or register for such programs and in connection with such applications, and (2) providing where possible for a single registration satisfying this section and the requirements of both part F and the applicable unemployment compensation laws.

[SEC. 408. AFDC QUALITY CONTROL SYSTEM.—

[(a) IN GENERAL.—In order to improve the accuracy of payments of aid to families with dependent children, the Secretary shall establish and operate a quality control system under which the Secretary shall determine, with respect to each State, the amount (if any) of the disallowance required to be repaid to the Secretary due to erroneous payments made by the State in carrying out the State plan approved under this part.

[(b) REVIEW OF CASES.—

[(1) STATE REVIEW.—

[(A) IN GENERAL.—Each State with a plan approved under this part shall for each fiscal year, in accordance with the time schedule and methodology prescribed in regulations issued under paragraphs (1) and (2) of subsection (h)—

[(i) review a sample of cases in the State with respect to which a payment has been made under such plan during the fiscal year; and

[(ii) determine the level of erroneous payments for the State for the fiscal year.

[(B) Effects of failure to complete review in a timely manner.—

[(i) SECRETARY CONDUCTS REVIEW.—If a State fails to conduct and complete, on a timely basis, a review required by subparagraph (A), or otherwise fails to cooperate with the Secretary in implementing this subsection, the Secretary, directly or through contractual or such other arrangements as the Secretary may find appropriate, shall conduct the review and establish

the error rate for the State for the fiscal year on the basis of the best data reasonably available to the Secretary, in accordance with the statistical methods that would apply if the review were conducted by the State.

[(ii) STATE INCURS COSTS OF REVIEW.—The amount that would otherwise be payable under this part to a State for which the Secretary conducts a review under clause (i) shall be reduced by the costs incurred by the Secretary in conducting the review.

[(2) REVIEW BY THE SECRETARY.—The Secretary shall review a subsample of the cases reviewed by the State, or by the Secretary with respect to the State, under paragraph (1).

[(3) NOTIFICATION OF DIFFERENCE CASES.—Upon completion of the review under paragraph (2), the Secretary shall notify the State of any case in the subsample which the Secretary finds involves erroneous payments, and which the State's review determined to be correct (in this section referred to as a "difference case").

[(4) ESTABLISHMENT OF QUALITY CONTROL REVIEW PANEL.—The Secretary shall by regulation establish a Quality Control Review Panel to review difference cases.

[(5) RESOLUTION OF DIFFERENCE CASES.—

[(A) IN GENERAL.—The State may seek review by the Panel of any difference case, within the time period prescribed in regulations issued under subsection (h)(3).

[(B) PROCEDURAL RULES.—The State and the Secretary may submit such documentation to the Panel as the State or the Secretary finds appropriate to substantiate its position. The findings of the Panel shall be made on the record, within the time period prescribed in regulations issued under subsection (h)(4).

[(C) STATUS OF DECISIONS OF THE QUALITY CONTROL REVIEW PANEL.—The decisions of the Panel shall constitute the decisions of the Secretary for purposes of establishing the State's error rate for the fiscal year.

[(D) APPEALABILITY OF DECISIONS OF THE QUALITY CONTROL REVIEW PANEL.—The decisions of the Panel shall not be appealable, except as provided in subsection (k).

[(c) IDENTIFICATION OF ERRONEOUS PAYMENTS.—

[(1) APPLY PROVISIONS OF STATE PLAN.—Except as provided in paragraph (2), in determining whether a payment is an erroneous payment, the State and the Secretary shall apply all relevant provisions of the State plan approved under this part.

[(2) TREATMENT OF PROVISIONS OF STATE PLAN THAT ARE INCONSISTENT WITH FEDERAL LAW.—

[(A) IN GENERAL.—If a provision of a State plan approved under this part is inconsistent with a provision of Federal law or regulations, and the Secretary has notified the State of the inconsistency, the provision of Federal law or regulations shall control.

[(B) EXCEPTION.—Subparagraph (A) shall not apply with respect to a payment of the State if—

[(i) it is necessary for the State to enact a law in order to remove an inconsistency described in subpara-

graph (A), the Secretary has advised the State that the State will be allowed a reasonable period in which to enact such a law, and the payment was made during such period; or

[(ii) the State agency made the payment in compliance with a court order.

[(3) CERTAIN PAYMENTS NOT CONSIDERED ERRONEOUS.—For purposes of this section, a payment by a State shall not be considered an erroneous payment if the payment is in error solely by reason of—

[(A) the State's failure to implement properly changes in Federal statute within 6 months after the effective date of such changes or, if later, 6 months after the issuance of final regulations (including regulations in interim final form) if such regulations are reasonably necessary to construe or apply the Federal statutory change;

[(B) the State's reliance upon and correct use of erroneous information provided by the Secretary about matters of fact;

[(C) the State's reliance upon and correct use of written statements of Federal policy provided to the State by the Secretary;

[(D) the occurrence of an event in the State that—

[(i) results in the declaration by the President or the Governor of the State of a state of emergency or major disaster; and

[(ii) directly affects the State agency's ability to make correct payments under the State plan approved under this part; or

[(E) the failure of a family to submit monthly reports to the State pursuant to section 402(a)(14), if the failure did not affect the amount of the payment.

[(4) CERTAIN PAYMENTS CONSIDERED ERRONEOUS.—Notwithstanding any other provision of this section, a payment shall be considered an erroneous payment if the payment is made to a family—

[(A) which has failed without good cause to assign support rights as required by section 402(a)(26); or

[(B) any member of which is a recipient of aid under a State plan approved under this part and does not have a social security account number (unless an application for a social security account number for the family member has been filed within 30 days after the date of application for such aid).

[(d) DETERMINATION OF ERROR RATES.—

[(1) IN GENERAL.—The Secretary shall, in accordance with this subsection, determine an error rate for each State for the fiscal year involved, based on the reviews under paragraphs (1) and (2) of subsection (b) and the decisions of the Quality Control Review Panel under subsection (b)(5).

[(2) ERROR RATE FORMULA.—Except as provided in paragraph (3), the State's error rate for a fiscal year is—

[(A) the ratio of—

[(i) the erroneous payments of the State for the fiscal year; to

[(ii) the total payments of aid under the State plan approved under this part for the fiscal year; reduced by

[(B) the amount by which—

[(i) the national average underpayment rate for the fiscal year; exceeds

[(ii) the underpayment rate of the State for the fiscal year.

[(3) APPLICATION OF REDUCTION TO SUBSEQUENT FISCAL YEAR.—At the request of a State, the Secretary shall apply the reduction described in paragraph (2)(B) in determining the State's error rate for either of the 2 following fiscal years instead of in determining the State's error rate for the fiscal year to which the reduction would otherwise apply.

[(e) NOTIFICATION TO STATES OF ERROR RATES.—The Secretary shall notify each State of the error rate of the State determined under subsection (d), within the time period precribed in regulations issued under subsection (h)(5).

[(f) IMPOSITION OF DISALLOWANCES.—If a State's error rate for the fiscal year exceeds the national average error rate for the fiscal year, the Secretary shall impose a disallowance on the State for the fiscal year in an amount equal to—

[(1) the product of—

[(A) the State's total payments of aid to families with dependent children for the fiscal year;

[(B) the Federal medical assistance percentage applicable to the State for purposes of section 1118;

[(C) the lesser of—

[(i) the ratio of—

[(I) the amount by which the State's error rate for the fiscal year exceeds the national average error rate for the fiscal year; to

[(II) the national average error rate for the fiscal year; or

[(ii) 1; and

[(D) the amount by which the State's error rate for the fiscal year exceeds the national average error rate for the fiscal year;

reduced by

[(2) the product of—

[(A) the ratio of—

[(i) the amount by which the State's error rate for the fiscal year exceeds the national average error rate for the fiscal year; and

[(ii) the State's error rate for the fiscal year;

[(B) the overpayments recovered by the State in the fiscal year; and

[(C) the Federal medical assistance percentage applicable to the State for purposes of section 1118;

and further reduced by

[(3) the product of—

[(A) the calculation described in paragraphs (1) and (2); and

[(B) the percentage by which—

[(i) the State's rate of child support collections for the fiscal year; exceeds

[(ii) the lesser of—

[(I) the national average rate of child support collections for the fiscal year; or

[(II) the average of the State's child support collection rates for each of the 3 fiscal years preceding the fiscal year.

[(g) NOTIFICATION TO STATES OF AMOUNTS OF DISALLOWANCES.—The Secretary shall notify each State on which the Secretary imposes a disallowance the amount of the disallowance, within the time period prescribed in regulations issued under subsection (h)(6).

[(h) REGULATIONS.—The Secretary, after consultation with the chief executives of the States, shall by regulation prescribe—

[(1) the periods within which—

[(A) the reviews required by paragraphs (1) and (2) of subsection (b) are to begin and be completed; and

[(B) the results of the review required by subsection (b)(1) are to be reported to the Secretary;

[(2) matters relating to the selection and size of the samples to be reviewed under paragraphs (1) and (2) of subsection (b), and the methodology for making statistically valid estimates of each State's error rate;

[(3) the period within which a State may seek review by the Quality Control Review Panel of a difference case;

[(4) the period within which a difference case appealed by a State is to be resolved by the Quality Control Review Panel;

[(5) the period, after the completion of the reviews required by paragraphs (1) and (2) of subsection (b) and the resolution by the Quality Control Review Panel of any difference cases appealed by a State, within which the Secretary is to notify the State of the error rate of the State for the fiscal year involved; and

[(6) the period within which the Secretary is to notify a State of any disallowance.

[(i) PAYMENT OF DISALLOWANCES.—

[(1) PAYMENT OPTIONS.—Within 45 days after the date a State is notified of a disallowance pursuant to subsection (g), the State shall, at the option of the State—

[(A) pay the Secretary the amount of the disallowance; or

[(B) enter into an agreement with the Secretary under which the State will make quarterly payments to the Secretary over a period not to exceed 30 months beginning not later than the first quarter beginning after the date the State receives the notice, in amounts sufficient to repay the disallowance with interest by the end of such period.

[(2) AUTHORITY TO ADJUST STATE MATCHING PAYMENTS.—If a State fails to pay the amount of a disallowance imposed on the State, in the manner required by the applicable subparagraph

of paragraph (1), the Secretary shall reduce the amount to be paid to the State under section 403(a) by amounts sufficient to recover the amount of the disallowance with interest.

[(3) INTEREST ON UNPAID DISALLOWANCES.—

[(A) RATE OF INTEREST.—Interest on the unpaid amount of a disallowance shall accrue at the overpayment rate established under section 6621(a)(1) of the Internal Revenue Code of 1986.

[(B) ACCRUAL OF INTEREST.—

[(i) IN GENERAL.—Except as provided in clause (ii), interest on the unpaid amount of a State's disallowance shall accrue beginning 45 days after the date the State receives notice of the disallowance.

[(ii) EXCEPTION.—If the State appeals the imposition of a disallowance under this section to the Departmental Appeals Board and the Board does not decide the appeal within 90 days after the date of the State's notice of appeal, interest shall not accrue on the unpaid amount of the disallowance during the period beginning on such 90th day and ending on the date of the Board's final decision on the appeal, except to the extent that the Board finds that the State caused or requested the delay.

[(j) ADMINISTRATIVE REVIEW OF DISALLOWANCES.—

[(1) IN GENERAL.—Within 60 days after the date a State receives notice of a disallowance imposed under this section, the State may appeal the imposition of the disallowance, in whole or in part, to the Departmental Appeals Board established in the Department of Health and Human Services, by filing an appeal with the Board.

[(2) PROCEDURAL RULES.—The Board shall consider a State's appeal on the basis of such documentation as the State may submit and as the Board may require to support the final decision of the Board. In deciding whether to uphold a disallowance or any portion thereof, the Board shall conduct a thorough review of the issues and take into account all relevant evidence. In rendering its final decision, the Board shall incorporate by reference any findings of the Quality Control Review Panel that were made in connection with the determination of the error rate and the amount of the disallowance, and such findings shall not be reviewable by the Board.

[(k) JUDICIAL REVIEW OF DISALLOWANCES.—

[(1) IN GENERAL.—Within 90 days after the date of a final decision by the Departmental Appeals Board with respect to the imposition of a disallowance on a State under this section, the State may obtain judicial review of the final decision (and the findings of the Quality Control Review Panel incorporated into the final decision) by filing an action in—

[(A) the district court of the United States for the judicial district in which the principal or headquarters office of the State agency is located; or

[(B) the United States District Court for the District of Columbia.

[(2) PROCEDURAL RULES.—The district court in which an action is filed shall review the final decision of the Board on the record established in the administrative proceeding, in accordance with the standards of review prescribed by subparagraphs (A) through (E) of section 706(2) of title 5, United States Code. The review shall be on the basis of the documents and supporting data submitted to the Board (or to the Quality Control Review Panel, in the case of any finding by the Panel which is at issue in the appeal).

[(l) REFUND OF DISALLOWANCES IMPOSED IN ERROR.—If the Secretary, directly or indirectly, receives from a State part or all of the amount of a disallowance imposed on the State under this section, and part or all of the disallowance is finally determined to have been imposed in error, the Secretary shall refund to the State the amount received by reason of the error, with interest which shall accrue from the date of receipt at the rate described in subsection (i)(3)(A).

[(m) DEFINITIONS.—As used in this section:

[(1) NATIONAL AVERAGE ERROR RATE.—The term "national average error rate" for a fiscal year means the greater of—

[(A) the ratio of—

[(i) the total amount of erroneous payments made by all States for the fiscal year; to

[(ii) the total amount of aid paid by all the States for the fiscal year under plans approved under this part; or

[(B) 4 percent.

[(2) UNDERPAYMENT RATE.—The term "underpayment rate", with respect to a State for a fiscal year, means the ratio of—

[(A) the total amounts of aid that should have been but were erroneously not paid for the fiscal year to recipients of aid under the State plan approved under this part; to

[(B) the total amount of aid paid under such plan for the fiscal year.

[(3) NATIONAL AVERAGE UNDERPAYMENT RATE.—The term "national average underpayment rate" for a fiscal year means the ratio of—

[(A) the total amounts of aid that should have been but were erroneously not paid for a fiscal year to all recipients of aid under State plans approved under this part; to

[(B) the total amount of aid paid for the fiscal year under all State plans approved under this part.

[(4) CHILD SUPPORT COLLECTION RATE.—The term "child support collection rate", with respect to a State for a fiscal year, means the ratio of—

[(A) the sum of the number of cases reported by the agency administering the State plan approved under part D for each quarter in the fiscal year for which—

[(i) an assignment was made under section 402(a)(26); and

[(ii) a collection was made under the State's plan approved under part D; to

[(B) the sum of the number of cases reported by such agency for each quarter in the fiscal year under which an assignment was made under section 402(a)(26).

[(5) NATIONAL CHILD SUPPORT COLLECTION RATE.—The term "national child support collection rate" for a fiscal year means the ratio of—

[(A) the sum of the number of cases described in paragraph (4)(A) reported by all States for quarters in the fiscal year; to

[(B) the sum of the number of cases described in paragraph (4)(B) reported by all States for quarters in the fiscal year.

[(6) ERRONEOUS PAYMENTS.—The term "erroneous payments" means the sum of overpayments to eligible families and payments to ineligible families made in carrying out a plan approved under this part.

[EXCLUSION FROM AFDC UNIT OF CHILD FOR WHOM FEDERAL, STATE, OR LOCAL FOSTER CARE MAINTENANCE OR ADOPTION ASSISTANCE PAYMENTS ARE MADE

[SEC. 409. (a) Notwithstanding any other provision of this title (other than subsection (b))—

[(1) a child with respect to whom foster care maintenance payments or adoption assistance payments are made under part E or under State or local law shall not, for the period for which such payments are made, be regarded as a member of a family for purposes of determining the amount of benefits of the family under this part; and

[(2) the income and resources of such child shall be excluded from the income and resources of a family under this part.

[(b) Subsection (a) shall not apply in the case of a child with respect to whom adoption assistance payments are made under part E or under State or local law, if application of such subsection would reduce the benefits under this part of the family of which the child would otherwise be regarded as a member.

[FOOD STAMP DISTRIBUTION

[SEC. 410. (a) Any State plan for aid and services to needy families with children may (but is not required under this title or any other provision of Federal law to) provide for the institution of procedures, in any or all areas of the State, by the State agency administering or supervising the administration of such plan under which any household participating in the food stamp program established by the Food Stamp Act of 1977, as amended, will be entitled, if it so elects, to have the charges, if any, for its coupon allotment under such program deducted from any aid, in the form of money payments, which is (or, except for the deduction of such charge, would be) payable to or with respect to such household (or any member or members thereof) under such plan and have its coupon allotment distributed to it with such aid.

[(b) Any deduction made pursuant to an option provided in accordance with subsection (a) shall not be considered to be a payment described in section 406(b)(2).

[(c) Notwithstanding any other provision of law, no agency which is designated as a State agency for any State under or pursuant to the Food Stamp Act of 1977, as amended, shall be regarded as having failed to comply with any requirement imposed by or pursuant to such Act solely because of the failure, of the State agency administering or supervising the administration of the State plan (approved under this part) of such State, to institute or carry out a procedure, described in subsection (a).

[PRORATING SHELTER ALLOWANCE OF AFDC FAMILY LIVING WITH ANOTHER HOUSEHOLD

[SEC. 412. A State plan for aid and services to needy families with children may provide that, in determining the need of any dependent child or relative claiming aid who is living with other individuals (not claiming aid together with such child or relative) as a household (as defined, for purposes of this section, by the Secretary), the amount included in the standard of need, and the payment standard, applied to such child or relative for shelter, utilities, and similar needs may be prorated on a reasonable basis, in such manner and under such circumstances as the State may determine to be appropriate. For purposes of any method of proration used by a State under this section, there shall not be included as a member of a household an individual receiving benefits under title XVI in any month to whom the one-third reduction prescribed by section 1612(a)(2)(A)(i) is applied.

[TECHNICAL ASSISTANCE FOR DEVELOPING MANAGEMENT INFORMATION SYSTEMS

[SEC. 413. The Secretary shall provide such technical assistance to States as he determines necessary to assist States to plan, design, develop, or install and provide for the security of, the management information systems referred to in section 403(a)(3)(B) of this Act.

[ATTRIBUTION OF SPONSOR'S INCOME AND RESOURCES TO ALIEN

[SEC. 415. (a) For purposes of determining eligibility for and the amount of benefits under a State plan approved under this part for an individual who is an alien described in clause (B) of section 402(a)(33), the income and resources of any person who (as a sponsor of such individual's entry into the United States) executed an affidavit of support or similar agreement with respect to such individual, and the income and resources of the sponsor's spouse, shall be deemed to be the unearned income and resources of such individual (in accordance with subsections (b) and (c)) for a period of three years after the individual's entry into the United States, except that this section is not applicable if such individual is a dependent child and such sponsor (or such sponsor's spouse) is the parent of such child.

[(b)(1) The amount of income of a sponsor (and his spouse) which shall be deemed to be the unearned income of an alien for any month shall be determined as follows:

[(A) the total amount of earned and unearned income of such sponsor and such sponsor's spouse (if such spouse is living with the sponsor) shall be determined for such month;

[(B) the amount determined under subparagraph (A) shall be reduced by an amount equal to the sum of—

[(i) the lesser of (I) 20 percent of the total of any amounts received by the sponsor and his spouse in such month as wages or salary or as net earnings from self-employment, plus the full amount of any costs incurred by them in producing self-employment income in such month, or (II) $175;

[(ii) the cash needs standard established by the State under its plan for a family of the same size and composition as the sponsor and those other individuals living in the same household as the sponsor who are claimed by him as dependents for purposes of determining his Federal personal income tax liability but whose needs are not taken into account in making a determination under section 402(a)(7);

[(iii) any amounts paid by the sponsor (or his spouse) to individuals not living in such household who are claimed by him as dependents for purposes of determining his Federal personal income tax liability; and

[(iv) any payments of alimony or child support with respect to individuals not living in such household.

[(2) The amount of resources of a sponsor (and his spouse) which shall be deemed to be the resources of an alien for any month shall be determined as follows:

[(A) the total amount of the resources (determined as if the sponsor were applying for aid under the State plan approved under this part) of such sponsor and such sponsor's spouse (if such spouse is living with the sponsor) shall be determined; and

[(B) the amount determined under subparagraph (A) shall be reduced by $1,500.

[(c)(1) Any individual who is an alien and whose sponsor was a public or private agency shall be ineligible for aid under a State plan approved under this part during the period of three years after his or her entry into the United States, unless the State agency administering such plan determines that such sponsor either no longer exists or has become unable to meet such individual's needs; and such determination shall be made by the State agency based upon such criteria as it may specify in the State plan, and upon such documentary evidence as it may therein require. Any such individual, and any other individual who is an alien (as a condition of his or her eligibility for aid under a State plan approved under this part during the period of three years after his or her entry into the United States), shall be required to provide to the State agency administering such plan such information and documentation with respect to his sponsor as may be necessary in order for the State agency to make any determination required under this section, and to obtain any cooperation from such sponsor necessary for any such determination. Such alien shall also be required to provide to the State agency such information and documentation as it may re-

quest and which such alien or his sponsor provided in support of such alien's immigration application.

[(2) The Secretary shall enter into agreements with the Secretary of State and the Attorney General whereby any information available to them and required in order to make any determination under this section will be provided by them to the Secretary (who may, in turn, make such information available, upon request, to a concerned State agency), and whereby the Secretary of State and Attorney General will inform any sponsor of an alien, at the time such sponsor executes an affidavit of support or similar agreement, of the requirements imposed by this section.

[(d) Any sponsor of an alien, and such alien, shall be jointly and severally liable for an amount equal to any overpayment of aid under the State plan made to such alien during the period of three years after such alien's entry into the United States, on account of such sponsor's failure to provide correct information under the provisions of this section, except where such sponsor was without fault, or where good cause of such failure existed. Any such overpayment which is not repaid to the State or recovered in accordance with the procedures generally applicable under the State plan to the recoupment of overpayments shall be withheld from any subsequent payment to which such alien or such sponsor is entitled under any provision of this Act.

[(e)(1) In any case where a person is the sponsor of two or more alien individuals who are living in the same home, the income and resources of such sponsor (and his spouse), to the extent they would be deemed the income and resources of any one of such individuals under the preceding provisions of this section, shall be divided into two or more equal shares (the number of shares being the same as the number of such alien individuals) and the income and resources of each such individual shall be deemed to include one such share.

[(2) Income and resources of a sponsor (and his spouse) which are deemed under this section to be the income and resources of any alien individual in a family shall not be considered in determining the need of other family members except to the extent such income or resources are actually available to such other members.

[(f)The provisions of this section shall not apply with respect to any alien who is—

[(1) admitted to the United States as a result of the application, prior to April 1, 1980, of the provisions of section 203(a)(7) of the Immigration and Nationality Act;

[(2) admitted to the United States as a result of the application, after March 31, 1980, of the provisions of section 207(c) of such Act;

[(3) paroled into the United States as a refugee under section 212(d)(5) of such Act;

[(4) granted political asylum by the Attorney General under section 208 of such Act; or

[(5) a Cuban and Haitian entrant, as defined in section 501(e) of the Refugee Education Assistance Act of 1980 (Public Law 96-422).

[FRAUD CONTROL

[SEC. 416. (a) Any State, in the administration of its State plan approved under section 402, may elect to establish and operate a fraud control program in accordance with this section.

[(b) Under any such program, if an individual who is a member of a family applying for or receiving aid under the State plan approved under section 402 is found by a Federal or State court or pursuant to an administrative hearing meeting requirements determined in regulations of the Secretary, on the basis of a plea of guilty or nolo contendere or otherwise, to have intentionally—

[(1) made a false or misleading statement or misrepresented, concealed, or withheld facts, or

[(2) committed any act intended to mislead, misrepresent, conceal, or withhold facts or propound a falsity,

for the purpose of establishing or maintaining the family's eligibility for aid under such State plan or of increasing (or preventing a reduction in) the amount of such aid, then the needs of such individual shall not be taken into account in making the determination under section 402(a)(7) with respect to his or her family (A) for a period of 6 months upon the first occasion of any such offense, (B) for a period of 12 months upon the second occasion of any such offense, and (C) permanently upon the third or a subsequent occasion of any such offense.

[(c) The State agency involved shall proceed against any individual alleged to have committed an offense described in subsection (b) either by way of administrative hearing or by referring the matter to the appropriate authorities for civil or criminal action in a court of law. The State agency shall coordinate its actions under this section with any corresponding actions being taken under the food stamp program in any case where the factual issues involved arise from the same or related circumstances.

[(d) Any period for which sanctions are imposed under subsection (b) shall remain in effect, without possibility of administrative stay, unless and until the finding upon which the sanctions were imposed is subsequently reversed by a court of appropriate jurisdiction; but in no event shall the duration of the period for which such sanctions are imposed be subject to review.

[(e) The sanctions provided under subsection (b) shall be in addition to, and not in substitution for, any other sanctions which may be provided for by law with respect to the offenses involved.

[(f) Each State which has elected to establish and operate a fraud control program under this section must provide all applicants for aid to families with dependent children under its approved State plan, at the time of their application for such aid, with a written notice of the penalties for fraud which are provided for under this section.

[PART B—CHILD AND FAMILY SERVICES

[Subpart 1—Child Welfare Services

[APPROPRIATION

[SEC. 420. (a) For the purpose of enabling the United States, through the Secretary, to cooperate with State public welfare agencies in establishing, extending, and strengthening child welfare services, there is authorized to be appropriated for each fiscal year the sum of $325,000,000.

[(b) Funds appropriated for any fiscal year pursuant to the authorization contained in subsection (a) shall be included in the appropriation Act (or supplemental appropriation Act) for the fiscal year preceding the fiscal year for which such funds are available for obligation. In order to effect a transition to this method of timing appropriation action, the preceding sentence shall apply notwithstanding the fact that its initial application will result in the enactment in the same year (whether in the same appropriation Act or otherwise) of two separate appropriations, one for the then current fiscal year and one for the succeeding fiscal year.

[ALLOTMENTS TO STATES

[SEC. 421. (a) The sum appropriated pursuant to section 420 for each fiscal year shall be allotted by the Secretary for use by cooperating State public welfare agencies which have plans developed jointly by the State agency and the Secretary as follows: He shall first allot $70,000 to each State, and shall then allot to each State an amount which bears the same ratio to the remainder of such sum as the product of (1) the population of the State under the age of twenty-one and (2) the allotment percentage of the State (as determined under this section) bears to the sum of the corresponding products of all the States.

[(b) The "allotment percentage" for any State shall be 100 per centum less the State percentage; and the State percentage shall be the percentage which bears the same ratio to 50 per centum as the per capita income of such State bears to the per capita income of the United States; except that (1) the allotment percentage shall in no case be less than 30 per centum or more than 70 per centum, and (2) the allotment percentage shall be 70 per centum in the case of Puerto Rico, the Virgin Islands, Guam, and American Samoa.

[(c) The allotment percentage for each State shall be promulgated by the Secretary between October 1 and November 30 of each even-numbered year, on the basis of the average per capita income of each State and of the United States for the three most recent calendar years for which satisfactory data are available from the Department of Commerce. Such promulgation shall be conclusive for each of the two fiscal years in the period beginning October 1 next succeeding such promulgation.

[(d) For purposes of this section, the term "United States" means the fifty States and the District of Columbia.

[STATE PLANS FOR CHILD WELFARE SERVICES

[SEC. 422. (a) In order to be eligible for payment under this subpart, a State must have a plan for child welfare services which has been developed jointly by the Secretary and the State agency designated pursuant to subsection (b)(1), and which meets the requirements of subsection (b).

[(b) Each plan for child welfare services under this subpart shall—

[(1) provide that (A) the individual or agency that administers or supervises the administration of the State's services program under title XX will administer or supervise the administration of the plan (except as otherwise provided in section 103(d) of the Adoption Assistance and Child Welfare Act of 1980), and (B) to the extent that child welfare services are furnished by the staff of the State agency or local agency administering the plan, a single organizational unit in such State or local agency, as the case may be, will be responsible for furnishing such child welfare services;

[(2) provide for coordination between the services provided for children under the plan and the services and assistance provided under title XX, under the State plan approved under part A of this title, under the State plan approved under subpart 2 of this part, under the State plan approved under part E of this title, and under other State programs having a relationship to the program under this subpart, with a view to provision of welfare and related services which will best promote the welfare of such children and their families;

[(3) provide that the standards and requirements imposed with respect to child day care under title XX shall apply with respect to day care services under this part, except insofar as eligibility for such services is involved;

[(4) provide for the training and effective use of paid paraprofessional staff, with particular emphasis on the full-time or part-time employment of persons of low income, as community service aides, in the administration of the plan, and for the use of nonpaid or partially paid volunteers in providing services and in assisting any advisory committees established by the State agency;

[(5) contain a description of the services to be provided and specify the geographic areas where such services will be available;

[(6) contain a description of the steps which the State will take to provide child welfare services and to make progress in—

[(A) covering additional political subdivisions,

[(B) reaching additional children in need of services, and

[(C) expanding and strengthening the range of existing services and developing new types of services,—galong with a description of the State's child welfare services staff development and training plans;

[(7) provide, in the development of services for children, for utilization of the facilities and experience of voluntary agencies

in accordance with State and local programs and arrangements, as authorized by the State;

[(8) provide that the agency administering or supervising the administration of the plan will furnish such reports, containing such information, and participate in such evaluations, as the Secretary may require;

[(9) provide assurances that the State—

[(A) since June 17, 1980, has completed an inventory of all children who, before the inventory, had been in foster care under the responsibility of the State for 6 months or more, which determined—

[(i) the appropriateness of, and necessity for, the foster care placement;

[(ii) whether the child could or should be returned to the parents of the child or should be freed for adoption or other permanent placement; and

[(iii) the services necessary to facilitate the return of the child or the placement of the child for adoption or legal guardianship;

[(B) is operating, to the satisfaction of the Secretary—

[(i) a statewide information system from which can be readily determined the status, demographic characteristics, location, and goals for the placement of every child who is (or, within the immediately preceding 12 months, has been) in foster care;

[(ii) a case review system (as defined in section 475(5)) for each child receiving foster care under the supervision of the State;

[(iii) a service program designed to help children—

[(I) where appropriate, return to families from which they have been removed; or

[(II) be placed for adoption, with a legal guardian, or if adoption or legal guardianship is determined not to be appropriate for a child, in some other planned, permanent living arrangement; and

[(iv) a preplacement preventive services program designed to help children as risk of foster care placement remain with their families; and

[(C)(i) has reviewed (or within 12 months after the date of the enactment of this paragraph will review) State policies and administrative and judicial procedures in effect for children abandoned at or shortly after birth (including policies and procedures providing for legal representation of such children); and

[(ii) is implementing (or within 24 months after the date of the enactment of this paragraph will implement) such policies and procedures as the State determines, on the basis of the review described in clause (i), to be necessary to enable permanent decisions to be made expeditiously with respect to the placement of such children; and

[(10) contain a description, developed after consultation with tribal organizations (as defined in section 4 of the Indian Self-Determination and Education Assistance Act) in the State, of

the specific measures taken by the State to comply with the Indian Child Welfare Act.

[PAYMENT TO STATES

[SEC. 423. (a) From the sums appropriated therefor and the allotment under this subpart, subject to the conditions set forth in this section and in section 427, the Secretary shall from time to time pay to each State that has a plan developed in accordance with section 422 an amount equal to 75 per centum of the total sum expended under the plan (including the cost of administration of the plan) in meeting the costs of State, district, county, or other local child welfare services.

[(b) The method of computing and making payments under this section shall be as follows:

[(1) The Secretary shall, prior to the beginning of each period for which a payment is to be made, estimate the amount to be paid to the State for such period under the provisions of this section.

[(2) From the allotment available therefor, the Secretary shall pay the amount so estimated, reduced or increased, as the case may be, by any sum (not previously adjusted under this section) by which he finds that his estimate of the amount to be paid the State for any prior period under this section was greater or less than the amount which should have been paid to the State for such prior period under this section.

[(c)(1) No payment may be made to a State under this part, for any fiscal year beginning after September 30, 1979, with respect to State expenditures made for (A) child day care necessary solely because of the employment, or training to prepare for employment, of a parent or other relative with whom the child involved is living, (B) foster care maintenance payments, and (C) adoption assistance payments, to the extent that the Federal payment with respect to those expenditures would exceed the total amount of the Federal payment under this part for fiscal year 1979.

[(2) Expenditures made by a State for any fiscal year which begins after September 30, 1979, for foster care maintenance payments shall be treated for purposes of making Federal payments under this part with respect to expenditures for child welfare services, as if such foster care maintenance payments constituted child welfare services of a type to which the limitation imposed by paragraph (1) does not apply; except that the amount payable to the State with respect to expenditures made for other child welfare services and for foster care maintenance payments during any such year shall not exceed 100 per centum of the amount of the expenditures made for child welfare services for which payment may be made under the limitation imposed by paragraph (1) as in effect without regard to this paragraph.

[(d) No payment may be made to a State under this part in excess of the payment made under this part for fiscal year 1979, for any fiscal year beginning after September 30, 1979, if for the latter fiscal year the total of the State's expenditures for child welfare services under this part (excluding expenditures for activities specified in subsection (c)(1)) is less than the total of the State's expend-

itures under this part (excluding expenditures for such activities) for fiscal year 1979.

[REALLOTMENT

[SEC. 424. (a) IN GENERAL.—Subject to subsection (b), the amount of any allotment to a State under section 421 for any fiscal year which the State certifies to the Secretary will not be required for carrying out the State plan developed as provided in section 422 shall be available for reallotment from time to time, on such dates as the Secretary may fix, to other States which the Secretary determines (1) have need in carrying out their State plans so developed for sums in excess of those previously allotted to them under section 421 and (2) will be able to use such excess amounts during such fiscal year. Such reallotments shall be made on the basis of the State plans so developed, after taking into consideration the population under the age of twenty-one, and the per capita income of each such State as compared with the population under the age of twenty-one, and the per capita income of all such States with respect to which such a determination by the Secretary has been made. Any amount so reallotted to a State shall be deemed part of its allotment under section 421.

[(b) EXCEPTION RELATING TO FOSTER CHILD PROTECTIONS.—The Secretary shall not reallot under subsection (a) of this section any amount that is withheld or recovered from a State due to the failure of the State to meet the requirements of section 422(b)(9).

[DEFINITIONS

[SEC. 425. (a)(1) For purposes of this title, the term "child welfare services" means public social services which are directed toward the accomplishment of the following purposes: (A) protecting and promoting the welfare of all children, including handicapped, homeless, dependent, or neglected children; (B) preventing or remedying, or assisting in the solution of problems which may result in, the neglect, abuse, exploitation, or delinquency of children; (C) preventing the unnecessary separation of children from their families by identifying family problems, assisting families in resolving their problems, and preventing breakup of the family where the prevention of child removal is desirable and possible; (D) restoring to their families children who have been removed, by the provision of services to the child and the families; (E) placing children in suitable adoptive homes, in cases where restoration to the biological family is not possible or appropriate; and (F) assuring adequate care of children away from their homes, in cases where the child cannot be returned home or cannot be placed for adoption.

[(2) Funds expended by a State for any calendar quarter to comply with the statistical report required by section 476(b), and funds expended with respect to nonrecurring costs of adoption proceedings in the case of children placed for adoption with respect to whom assistance is provided under a State plan for adoption assistance approved under part E of this title, shall be deemed to have been expended for child welfare services.

[(b) For other definitions relating to this part and to part E of this title, see section 475 of this Act.

[RESEARCH, TRAINING, OR DEMONSTRATION PROJECTS

[SEC. 426. (a) There are hereby authorized to be appropriated for each fiscal year such sums as the Congress may determine—

[(1) for grants by the Secretary—

[(A) to public or other nonprofit institutions of higher learning, and to public or other nonprofit agencies and organizations engaged in research or child-welfare activities, for special research or demonstration projects in the field of child welfare which are of regional or national significance and for special projects for the demonstration of new methods or facilities which show promise of substantial contribution to the advancement of child welfare;

[(B) to State or local public agencies responsible for administering, or supervising the administration of, the plan under this part, for projects for the demonstration of the utilization of research (including findings resulting therefrom) in the field of child welfare in order to encourage experimental and special types of welfare services; and

[(C) to public or other nonprofit institutions of higher learning for special projects for training personnel for work in the field of child welfare, including traineeships described in section with such stipends and allowances as may be permitted by the Secretary; and

[(2) for contracts or jointly financed cooperative arrangements with States and public and other organizations and agencies for the conduct of research, special projects, or demonstration projects relating to such matters.

[(b)(1) There are authorized to be appropriated $4,000,000 for each of the fiscal years 1988, 1989, and 1990 for grants by the Secretary to public or private nonprofit entities submitting applications under this subsection for the purpose of conducting demonstration projects under this subsection to develop alternative care arrangements for infants who do not have health conditions that require hospitalization and who would otherwise remain in inappropriate hospital settings.

[(2) The demonstration projects conducted under this section may include—

[(A) multidisciplinary projects designed to prevent the inappropriate hospitalization of infants and to allow infants described in paragraph (1) to remain with or return to a parent in a residential setting, where appropriate care for the infant and suitable treatment for the parent (including treatment for drug or alcohol addiction) may be assured, with the goal (where possible) of rehabilitating the parent and eliminating the need for such care for the infant;

[(B) multidisciplinary projects that assure appropriate, individualized care for such infants in a foster home or other nonmedical residential setting in cases where such infant does not require hospitalization and would otherwise remain in inappropriate hospital settings, including projects to demonstrate methods to recruit, train, and retain foster care families; and

[(C) such other projects as the Secretary determines will best serve the interests of such infants and will serve as mod-

els for projects that agencies or organizations in other communities may wish to develop.

[(3) In the case of any project which includes the use of funds authorized under this subsection for the care of infants in foster homes or other non-medical residential settings away from their parents, there shall be developed for each such infant a case plan of the type described in section 475(1) (to the extent that such infant is not otherwise covered by such a plan), and each such project shall include a case review system of the type described in section 475(5) (covering each such infant who is not otherwise subject to such a system).

[(4) In evaluating applications from entities proposing to conduct demonstration projects under this subsection, the Secretary shall give priority to those projects that serve areas most in need of alternative care arrangements for infants described in paragraph (1).

[(5) No project may be funded unless the application therefor contains assurances that it will—

[(A) provide for adequate evaluation;

[(B) provide for coordination with local governments;

[(C) provide for community education regarding the inappropriate hospitalization of infants;

[(D) use, to the extent practical, other available private, local, State, and Federal sources for the provision of direct services; and

[(E) meet such other criteria as the Secretary may prescribe.

[(6) Grants may be used to pay the costs of maintenance and of necessary medical and social services (to the extent that these costs are not otherwise paid for under other titles of this Act), and for such other purposes as the Secretary may allow.

[(7) The Secretary shall provide training and technical assistance to grantees, as requested.

[(c) Payments of grants or under contracts or cooperative arrangements under this section may be made in advance or by way of reimbursement, and in such installments, as the Secretary may determine; and shall be made on such conditions as the Secretary finds necessary to carry out the purposes of the grants, contracts, or other arrangements.

[FOSTER CARE PROTECTION REQUIRED FOR ADDITIONAL FEDERAL PAYMENTS

[SEC. 427. (a) If, for any fiscal year after fiscal year 1979, there is appropriated under section 420 a sum in excess of $141,000,000, a State shall not be eligible for payment from its allotment in an amount greater than the amount for which it would be eligible if such appropriation were equal to $141,000,000, unless such State—

[(1) has conducted an inventory of all children who have been in foster care under the responsibility of the State for a period of six months preceding the inventory, and determined the appropriateness of, and necessity for, the current foster placement, whether the child can be or should be returned to his parents or should be freed for adoption, and the services necessary to facilitate either the return of the child or the placement of the child for adoption or legal guardianship; and

[(2) has implemented and is operating to the satisfaction of the Secretary—

[(A) a statewide information system from which the status, demographic characteristics, location, and goals for the placement of every child in foster care or who has been in such care within the preceding twelve months can readily be determined;

[(B) a case review system (as defined in section 475(5)) for each child receiving foster care under the supervision of the State; and

[(C) a service program designed to help children, where appropriate, return to families from which they have been removed or be placed for adoption or legal guardianship.

[(b) If, for each of any two consecutive fiscal years after the fiscal year 1979, there is appropriated under section 420 a sum equal to $325,000,000, each State's allotment amount for any fiscal year after such two consecutive fiscal years shall be reduced to an amount equal to its allotment amount for the fiscal year 1979, unless such State—

[(1) has completed an inventory of the type specified in subsection (a)(1);

[(2) has implemented and is operating the program and systems specified in subsection (a)(2); and

[(3) has implemented a preplacement preventive service program designed to help children remain with their families.

[(c) Any amounts expended by a State for the purpose of complying with the requirements of subsection (a) or (b) shall be conclusively presumed to have been expended for child welfare services.

[PAYMENTS TO INDIAN TRIBAL ORGANIZATIONSFNS

[SEC. 428. (a) The Secretary may, in appropriate cases (as determined by the Secretary) make payments under this subpart directly to an Indian tribal organization within any State which has a plan for child welfare services approved under this subpart. Such payments shall be made in such manner and in such amounts as the Secretary determines to be appropriate.

[(b) Amounts paid under subsection (a) shall be deemed to be a part of the allotment (as determined under section 421) for the State in which such Indian tribal organization is located.

[(c) For purposes of this section—

[(1) the term "tribal organization" means the recognized governing body of any Indian tribe, or any legally established organization of Indians which is controlled, sanctioned, or chartered by such governing body; and

[(2) the term "Indian tribe" means any tribe, band, nation, or other organized group or community of Indians (including any Alaska Native village or regional or village corporation as defined in or established pursuant to the Alaska Native Claims Settlement Act (Public Law 92–203; 85 Stat. 688)) which (A) is recognized as eligible for the special programs and services provided by the United States to Indians because of their status as Indians, or (B) is located on, or in proximity to, a Federal or State reservation or rancheria.

[CHILD WELFARE TRAINEESHIPS

[SEC. 429. The Secretary may approve an application for a grant to a public or nonprofit institution for higher learning to provide traineeships with stipends under section 426(a)(1)(C) only if the application—

[(1) provides assurances that each individual who receives a stipend with such traineeship (in this section referred to as a "recipient") agrees—

[(A) to participate in training at a public or private nonprofit child welfare agency on a regular basis (as determined by the Secretary) for the period of the traineeship;

[(B) to be employed for a period of years equivalent to the period of the traineeship, in a public or private nonprofit child welfare agency in any State, within a period of time (determined by the Secretary in accordance with regulations) after completing the postsecondary education for which the traineeship was awarded;

[(C) to furnish to the institution and the Secretary evidence of compliance with subparagraphs (A) and (B); and

[(D) if the recipient fails to comply with subparagraph (A) or (B) and does not qualify for any exception to this subparagraph which the Secretary may prescribe in regulations, to repay to the Secretary all (or an appropriately prorated part) of the amount of the stipend, plus interest, and, if applicable, reasonable collection fees (in accordance with regulations promulgated by the Secretary);

[(2) provides assurances that the institution will—

[(A) enter into agreements with child welfare agencies for onsite training of recipients;

[(B) permit an individual who is employed in the field of child welfare services to apply for a traineeship with a stipend if the traineeship furthers the progress of the individual toward the completion of degree requirements; and

[(C) develop and implement a system that, for the 3-year period that begins on the date any recipient completes a child welfare services program of study, tracks the employment record of the recipient, for the purpose of determining the percentage of recipients who secure employment in the field of child welfare services and remain employed in the field.

[Subpart 2—Family Preservation and Support Services

[SEC. 430. PURPOSES; LIMITATIONS ON AUTHORIZATIONS OF APPROPRIATIONS; RESERVATION OF CERTAIN AMOUNTS.

[(a) PURPOSES; LIMITATIONS ON AUTHORIZATION OF APPROPRIATIONS.—For the purpose of encouraging and enabling each State to develop and establish, or expand, and to operate a program of family preservation services and community-based family support services, there are authorized to be appropriated to the Secretary the amounts described in subsection (b) for the fiscal years specified in subsection (b).

[(b) DESCRIPTION OF AMOUNTS.—The amount described in this subsection is—

[(1) for fiscal year 1994, $60,000,000;

[(2) for fiscal year 1995, $150,000,000;

[(3) for fiscal year 1996, $225,000,000;

[(4) for fiscal year 1997, $240,000,000; or

[(5) for fiscal year 1998, the greater of—

[(A) $255,000,000; or

[(B) the amount described in this subsection for fiscal year 1997, increased by the inflation percentage applicable to fiscal year 1998.

[(c) INFLATION PERCENTAGE.—For purposes of subsection (b)(5)(B) of this section, the inflation percentage applicable to any fiscal year is the percentage (if any) by which—

[(1) the average of the Consumer Price Index (as defined in section 1(f)(5) of the Internal Revenue Code of 1986) for the 12-month period ending on December 31 of the immediately preceding fiscal year; exceeds

[(2) the average of the Consumer Price Index (as so defined) for the 12-month period ending on December 31 of the 2nd preceding fiscal year.

[(d) RESERVATION OF CERTAIN AMOUNTS.—

[(1) EVALUATION, RESEARCH, TRAINING, AND TECHNICAL ASSISTANCE.—The Secretary shall reserve $2,000,000 of the amount described in subsection (b) for fiscal year 1994, and $6,000,000 of the amounts so described for each of fiscal years 1995, 1996, 1997, and 1998, for expenditure by the Secretary—

[(A) for research, training, and technical assistance related to the program under this subpart; and

[(B) for evaluation of State programs funded under this subpart and any other Federal, State, or local program, regardless of whether federally assisted, that is designed to achieve the same purposes as the program under this subpart.

[(2) STATE COURT ASSESSMENTS.—The Secretary shall reserve $5,000,000 of the amount described in subsection (b) for fiscal year 1995, and $10,000,000 of the amounts so described for each of fiscal years 1996, 1997, and 1998, for grants under section 13712 of the Omnibus Budget Reconciliation Act of 1993.

[(3) INDIAN TRIBES.—The Secretary shall reserve 1 percent of the amounts described in subsection (b) for each fiscal year, for allotment to Indian tribes in accordance with section 433(a).

[SEC. 431. DEFINITIONS.

[(a) IN GENERAL.—As used in this subpart:

[(1) FAMILY PRESERVATION SERVICES.—The term "family preservation services" means services for children and families designed to help families (including adoptive and extended families) at risk or in crisis, including—

[(A) service programs designed to help children—

[(i) where appropriate, return to families from which they have been removed; or

[(ii) be placed for adoption, with a legal guardian, or, if adoption or legal guardianship is determined not

to be appropriate for a child, in some other planned, permanent living arrangement;

[(B) preplacement preventive services programs, such as intensive family preservation programs, designed to help children at risk of foster care placement remain with their families;

[(C) service programs designed to provide followup care to families to whom a child has been returned after a foster care placement;

[(D) respite care of children to provide temporary relief for parents and other caregivers (including foster parents); and

[(E) services designed to improve parenting skills (by reinforcing parents' confidence in their strengths, and helping them to identify where improvement is needed and to obtain assistance in improving those skills) with respect to matters such as child development, family budgeting, coping with stress, health, and nutrition.

[(2) FAMILY SUPPORT SERVICES.—The term "family support services" means community-based services to promote the well-being of children and families designed to increase the strength and stability of families (including adoptive, foster, and extended families), to increase parents' confidence and competence in their parenting abilities, to afford children a stable and supportive family environment, and otherwise to enhance child development.

[(3) STATE AGENCY.—The term "State agency" means the State agency responsible for administering the program under subpart 1.

[(4) STATE.—The term "State" includes an Indian tribe or tribal organization, in addition to the meaning given such term for purposes of subpart 1.

[(5) TRIBAL ORGANIZATION.—The term "tribal organization" means the recognized governing body of any Indian tribe.

[(6) INDIAN TRIBE.—The term "Indian tribe" means any Indian tribe (as defined in section 482(i)(5)) and any Alaska Native organization (as defined in section 482(i)(7)(A)).

[(b) OTHER TERMS.—For other definitions of other terms used in this subpart, see section 475.

[SEC. 432. STATE PLANS.

[(a) PLAN REQUIREMENTS.—A State plan meets the requirements of this subsection if the plan—

[(1) provides that the State agency shall administer, or supervise the administration of, the State program under this subpart;

[(2)(A)(i) sets forth the goals intended to be accomplished under the plan by the end of the 5th fiscal year in which the plan is in operation in the State, and (ii) is updated periodically to set forth the goals intended to be accomplished under the plan by the end of each 5th fiscal year thereafter;

[(B) describes the methods to be used in measuring progress toward accomplishment of the goals;

[(C) contains assurances that the State—

[(i) after the end of each of the 1st 4 fiscal years covered by a set of goals, will perform an interim review of progress toward accomplishment of the goals, and on the basis of the interim review will revise the statement of goals in the plan, if necessary, to reflect changed circumstances; and

[(ii) after the end of the last fiscal year covered by a set of goals, will perform a final review of progress toward accomplishment of the goals, and on the basis of the final review (I) will prepare, transmit to the Secretary, and make available to the public a final report on progress toward accomplishment of the goals, and (II) will develop (in consultation with the entities required to be consulted pursuant to subsection (b)) and add to the plan a statement of the goals intended to be accomplished by the end of the 5th succeeding fiscal year;

[(3) provides for coordination, to the extent feasible and appropriate, of the provision of services under the plan and the provision of services or benefits under other Federal or federally assisted programs serving the same populations;

[(4) contains assurances that not more than 10 percent of expenditures under the plan for any fiscal year with respect to which the State is eligible for payment under section 434 for the fiscal year shall be for administrative costs, and that the remaining expenditures shall be for programs of family preservation services and community-based family support services with significant portions of such expenditures for each such program;

[(5) contains assurances that the State will—

[(A) annually prepare, furnish to the Secretary, and make available to the public a description (including separate descriptions with respect to family preservation services and community-based family support services) of—

[(i) the service programs to be made available under the plan in the immediately succeeding fiscal year;

[(ii) the populations which the programs will serve; and

[(iii) the geographic areas in the State in which the services will be available; and

[(B) perform the activities described in subparagraph (A)—

[(i) in the case of the 1st fiscal year under the plan, at the time the State submits its initial plan; and

[(ii) in the case of each succeeding fiscal year, by the end of the 3rd quarter of the immediately preceding fiscal year;

[(6) provides for such methods of administration as the Secretary finds to be necessary for the proper and efficient operation of the plan;

[(7)(A) contains assurances that Federal funds provided to the State under this subpart will not be used to supplant Federal or non-Federal funds for existing services and activities which promote the purposes of this subpart; and

[(B) provides that the State will furnish reports to the Secretary, at such times, in such format, and containing such information as the Secretary may require, that demonstrate the State's compliance with the prohibition contained in subparagraph (A); and

[(8) provides that the State agency will furnish such reports, containing such information, and participate in such evaluations, as the Secretary may require.

[(b) APPROVAL OF PLANS.—

[(1) IN GENERAL.—The Secretary shall approve a plan that meets the requirements of subsection (a) only if the plan was developed jointly by the Secretary and the State, after consultation by the State agency with appropriate public and nonprofit private agencies and community-based organizations with experience in administering programs of services for children and families (including family preservation and family support services).

[(2) PLANS OF INDIAN TRIBES.—

[(A) EXEMPTION FROM INAPPROPRIATE REQUIREMENTS.—The Secretary may exempt a plan submitted by an Indian tribe from any requirement of this section that the Secretary determines would be inappropriate to apply to the Indian tribe, taking into account the resources, needs, and other circumstances of the Indian tribe.

[(B) SPECIAL RULE.—Notwithstanding subparagraph (A) of this paragraph, the Secretary may not approve a plan of an Indian tribe under this subpart to which (but for this subparagraph) an allotment of less than $10,000 would be made under section 433(a) if allotments were made under section 433(a) to all Indian tribes with plans approved under this subpart with the same or larger numbers of children.

[SEC. 433. ALLOTMENTS TO STATES.

[(a) INDIAN TRIBES.—From the amount reserved pursuant to section 430(d)(3) for any fiscal year, the Secretary shall allot to each Indian tribe with a plan approved under this subpart an amount that bears the same ratio to such reserved amount as the number of children in the Indian tribe bears to the total number of children in all Indian tribes with State plans so approved, as determined by the Secretary on the basis of the most current and reliable information available to the Secretary.

[(b) TERRITORIES.—From the amount described in section 430(b) for any fiscal year that remains after applying section 430(d) for the fiscal year, the Secretary shall allot to each of the jurisdictions of Puerto Rico, Guam, the Virgin Islands, the Northern Mariana Islands, and American Samoa an amount determined in the same manner as the allotment to each of such jurisdictions is determined under section 421.

[(c) OTHER STATES.—

[(1) IN GENERAL.—From the amount described in section 430(b) for any fiscal year that remains after applying section 430(d) and subsection (b) of this section for the fiscal year, the Secretary shall allot to each State (other than an Indian tribe) which is not specified in subsection (b) of this section an

amount equal to such remaining amount multiplied by the food stamp percentage of the State for the fiscal year.

[(2) FOOD STAMP PERCENTAGE DEFINED.—

[(A) IN GENERAL.—As used in paragraph (1) of this subsection, the term "food stamp percentage" means, with respect to a State and a fiscal year, the average monthly number of children receiving food stamp benefits in the State for months in the 3 fiscal years referred to in subparagraph (B) of this paragraph, as determined from sample surveys made under section 16(c) of the Food Stamp Act of 1977, expressed as a percentage of the average monthly number of children receiving food stamp benefits in the States described in such paragraph (1) for months in such 3 fiscal years, as so determined.

[(B) FISCAL YEARS USED IN CALCULATION.—For purposes of the calculation pursuant to subparagraph (A), the Secretary shall use data for the 3 most recent fiscal years, preceding the fiscal year for which the State's allotment is calculated under this subsection, for which such data are available to the Secretary.

[SEC. 434. PAYMENTS TO STATES.

[(a) ENTITLEMENT.—

[(1) GENERAL RULE.—Except as provided in paragraph (2) of this subsection, each State which has a plan approved under this subpart shall be entitled to payment of the lesser of—

[(A) 75 percent of the total expenditures by the State for activities under the plan during the fiscal year or the immediately succeeding fiscal year; or

[(B) the allotment of the State under section 433 for the fiscal year.

[(2) SPECIAL RULE.—Upon submission by a State to the Secretary during fiscal year 1994 of an application in such form and containing such information as the Secretary may require (including, if the State is seeking payment of an amount pursuant to subparagraph (B) of this paragraph, a description of the services to be provided with the amount), the State shall be entitled to payment of an amount equal to the sum of—

[(A) such amount, not exceeding $1,000,000, from the allotment of the State under section 433 for fiscal year 1994, as the State may require to develop and submit a plan for approval under section 432; and

[(B) an amount equal to the lesser of—

[(i) 75 percent of the expenditures by the State for services to children and families in accordance with the application and the expenditure rules of section 432(a)(4); or

[(ii) the allotment of the State under section 433 for fiscal year 1994, reduced by any amount paid to the State pursuant to subparagraph (A) of this paragraph.

[(b) PROHIBITIONS.—

[(1) NO USE OF OTHER FEDERAL FUNDS FOR STATE MATCH.—Each State receiving an amount paid under paragraph (1) or (2)(B) of subsection (a) may not expend any Federal funds to

meet the costs of services described in this subpart not covered by the amount so paid.

[(2) AVAILABILITY OF FUNDS.—A State may not expend any amount paid under subsection (a)(1) for any fiscal year after the end of the immediately succeeding fiscal year.

[(c) DIRECT PAYMENTS TO TRIBAL ORGANIZATIONS OF INDIAN TRIBES.—The Secretary shall pay any amount to which an Indian tribe is entitled under this section directly to the tribal organization of the Indian tribe.

[SEC. 435. EVALUATIONS.

[(a) EVALUATIONS.—

[(1) IN GENERAL.—The Secretary shall evaluate the effectiveness of the programs carried out pursuant to this subpart in accomplishing the purposes of this subpart, and may evaluate any other Federal, State, or local program, regardless of whether federally assisted, that is designed to achieve the same purposes as the program under this subpart, in accordance with criteria established in accordance with paragraph (2).

[(2) CRITERIA TO BE USED.—In developing the criteria to be used in evaluations under paragraph (1), the Secretary shall consult with appropriate parties, such as—

[(A) State agencies administering programs under this part and part E;

[(B) persons administering child and family services programs (including family preservation and family support programs) for private, nonprofit organizations with an interest in child welfare; and

[(C) other persons with recognized expertise in the evaluation of child and family services programs (including family preservation and family support programs) or other related programs.

[(b) COORDINATION OF EVALUATIONS.—The Secretary shall develop procedures to coordinate evaluations under this section, to the extent feasible, with evaluations by the States of the effectiveness of programs under this subpart.]

PART A—BLOCK GRANTS TO STATES FOR TEMPORARY ASSISTANCE FOR NEEDY FAMILIES

SEC. 401. PURPOSE.

The purpose of this part is to increase the flexibility of States in operating a program designed to—

(1) provide assistance to needy families so that the children in such families may be cared for in their homes or in the homes of relatives;

(2) end the dependence of needy parents on government benefits by promoting work and marriage; and

(3) discourage out-of-wedlock births.

SEC. 402. ELIGIBLE STATES; STATE PLAN.

(a) IN GENERAL.—As used in this part, the term "eligible State" means, with respect to a fiscal year, a State that, during the 3-year

period immediately preceding the fiscal year, has submitted to the Secretary a plan that includes the following:

(1) OUTLINE OF FAMILY ASSISTANCE PROGRAM.—A written document that outlines how the State intends to do the following:

(A) Conduct a program designed to—

(i) provide cash benefits to needy families with children; and

(ii) provide parents of children in such families with work experience, assistance in finding employment, and other work preparation activities and support services that the State considers appropriate to enable such families to leave the program and become self-sufficient.

(B) Require at least 1 parent of a child in any family which has received benefits for more than 24 months (whether or not consecutive) under the program to engage in work activities (as defined by the State).

(C) Ensure that parents receiving assistance under the program engage in work activities in accordance with section 404.

(D) Treat interstate immigrants, if families including such immigrants are to be treated differently than other families.

(E) Take such reasonable steps as the State deems necessary to restrict the use and disclosure of information about individuals and families receiving benefits under the program.

(F) Take actions to reduce the incidence of out-of-wedlock births, which may include providing unmarried mothers and unmarried fathers with services which will help them—

(i) avoid subsequent pregnancies; and

(ii) provide adequate care to their children.

(G) Reduce teenage pregnancy, including (at the option of the State) through the provision of education, counseling, and health services to male and female teenagers.

(2) CERTIFICATION THAT THE STATE WILL OPERATE A CHILD SUPPORT ENFORCEMENT PROGRAM.—A certification by the Governor of the State that, during the fiscal year, the State will operate a child support enforcement program under the State plan approved under part D, in a manner that complies with the requirements of such part.

(3) CERTIFICATION THAT THE STATE WILL OPERATE A CHILD PROTECTION PROGRAM.—A certification by the Governor of the State that, during the fiscal year, the State will operate a child protection program in accordance with part B, which includes a foster care program and an adoption assistance program.

(b) DETERMINATIONS.—The Secretary shall determine whether a plan submitted pursuant to subsection (a) contains the material required by subsection (a).

SEC. 403. PAYMENTS TO STATES.

(a) ENTITLEMENTS.—

(1) GRANTS FOR FAMILY ASSISTANCE.—

(A) IN GENERAL.—Each eligible State shall be entitled to receive from the Secretary for each fiscal year specified in subsection (b)(1) a grant in an amount equal to the State share of the family assistance amount for the fiscal year.

(B) GRANT INCREASED TO REWARD STATES THAT REDUCE OUT-OF-WEDLOCK BIRTHS.—The amount of the grant payable to a State under subparagraph (A) for fiscal year 1998 or any succeeding fiscal year shall be increased by—

(i) 5 percent if the illegitimacy ratio of the State for the fiscal year is at least 1 percentage point lower than the illegitimacy ratio of the State for fiscal year 1995; or

(ii) 10 percent if the illegitimacy ratio of the State for the fiscal year is at least 2 percentage points lower than the illegitimacy ratio of the State for fiscal year 1995.

(2) SUPPLEMENTAL GRANTS TO ADJUST FOR POPULATION INCREASES.—In addition to any grant under paragraph (1), each eligible State shall be entitled to receive from the Secretary for each of fiscal years 1997, 1998, 1999, and 2000, a grant in an amount equal to the State proportion of $100,000,000.

(b) DEFINITIONS.—As used in this section:

(1) FAMILY ASSISTANCE AMOUNT.—The term "family assistance amount" means $15,355,000,000 for each of fiscal years 1996, 1997, 1998, 1999, and 2000.

(2) STATE SHARE.—The term "State share" means—

(A) the amount paid to the State under section 403 of this title (as in effect before October 1, 1995) for fiscal year 1994 (other than with respect to amounts expended for child care under subsection (g) or (i) of such section); divided by

(B) the total amount paid to all of the States under such section for fiscal year 1994 (other than with respect to amounts expended for such child care).

(3) ILLEGITIMACY RATIO.—The term "illegitimacy ratio" means, with respect to a State and a fiscal year—

(A) the sum of—

(i) the number of out-of-wedlock births that occurred in the State during the most recent fiscal year for which such information is available; and

(ii) the amount (if any) by which the number of abortions performed in the State during the most recent fiscal year for which such information is available exceeds the number of abortions performed in the State during the fiscal year that immediately precedes such most recent fiscal year; divided by

(B) the number of births that occurred in the State during the most recent fiscal year for which such information is available.

(4) STATE PROPORTION.—The term "State proportion" means, with respect to a fiscal year, the amount that bears the same ratio to the amount specified in subsection (a)(2) as the increase (if any) in the population of the State for the most recent fiscal year for which such information is available over the population of the State for the fiscal year that immediately precedes

such most recent fiscal year bears to the total increase in the population of all States which have such an increase in population, as determined by the Secretary using data from the Bureau of the Census.

(5) FISCAL YEAR.—The term "fiscal year" means any 12-month period ending on September 30 of a calendar year.

(6) STATE.—The term "State" includes the several States, the District of Columbia, the Commonwealth of Puerto Rico, the United States Virgin Islands, Guam, and American Samoa.

(c) USE OF GRANT.—

(1) IN GENERAL.—A State to which a grant is made under this section may use the grant in any manner that is reasonably calculated to accomplish the purpose of this part, subject to this part, including to provide noncash assistance to mothers who have not attained 18 years of age and their children and to provide low income households with assistance in meeting home heating and cooling costs.

(2) AUTHORITY TO TREAT INTERSTATE IMMIGRANTS UNDER RULES OF FORMER STATE.—A State to which a grant is made under this section may apply to a family the rules of the program operated under this part of another State if the family has moved to the State from the other State and has resided in the State for less than 12 months.

(3) AUTHORITY TO USE PORTION OF GRANT FOR OTHER PURPOSES.—

(A) IN GENERAL.—A State may use not more than 30 percent of the amount of the grant made to the State under this section for a fiscal year to carry out a State program pursuant to any or all of the following provisions of law:

(i) Part B of this title.

(ii) Title XX of this Act.

(iv) Any provision of law, enacted into law during the 104th Congress, under which grants are made to States for food and nutrition.

(iv) The Child Care and Development Block Grant Act of 1990.

(B) APPLICABLE RULES.—Any amount paid to the State under this part that is used to carry out a State program pursuant to a provision of law specified in subparagraph (A) shall not be subject to the requirements of this part, but shall be subject to the requirements that apply to Federal funds provided directly under the provision of law to carry out the program.

(4) AUTHORITY TO RESERVE CERTAIN AMOUNTS FOR EMERGENCY BENEFITS.—

(A) IN GENERAL.—A State may reserve amounts paid to the State under this section for any fiscal year for the purpose of providing emergency assistance under the State program operated under this part.

(B) AUTHORITY TO USE EXCESS RESERVES FOR ANY PURPOSE.—During a fiscal year, a State may use for any purpose deemed appropriate by the State amounts held in reserve under subparagraph (A) to the extent exceeding 120

percent of the amount of the grant payable to the State under this section for the fiscal year.

(5) IMPLEMENTATION OF ELECTRONIC BENEFIT TRANSFER SYSTEM.—A State to which a grant is made under this section is encouraged to implement an electronic benefit transfer system for providing assistance under the State program funded under this part, and may use the grant for such purpose.

(d) TIMING OF PAYMENTS.—The Secretary shall pay each grant payable to a State under this section in quarterly installments.

(e) PENALTIES.—

(1) FOR USE OF GRANT IN VIOLATION OF THIS PART.—

(A) IN GENERAL.—If an audit conducted pursuant to chapter 75 of title 31, United States Code, finds that an amount paid to a State under this section for a fiscal year has been used in violation of this part, then the Secretary shall reduce the amount of the grant otherwise payable to the State under this section for the immediately succeeding fiscal year by the amount so used.

(B) LIMITATION ON AMOUNT OF PENALTY.—In carrying out subparagraph (A), the Secretary shall not reduce any quarterly payment by more than 25 percent.

(C) CARRYFORWARD OF UNRECOVERED PENALTIES.—To the extent that subparagraph (B) prevents the Secretary from recovering during a fiscal year the full amount of a penalty imposed on a State under subparagraph (A) for a prior fiscal year, the Secretary shall apply subparagraph (A) to the grant otherwise payable to the State under this section for the immediately succeeding fiscal year.

(2) FOR FAILURE TO SUBMIT REQUIRED REPORT.—

(A) IN GENERAL.—If the Secretary determines that a State has not, within 6 months after the end of a fiscal year, submitted the report required by section 406 for the fiscal year, the Secretary shall reduce by 3 percent the amount of the grant that would (in the absence of this subsection, subsection (a)(1)(B) of this section, and section 404(c)(2)) be payable to the State under subsection (a)(1)(A) for the immediately succeeding fiscal year.

(B) RESCISSION OF PENALTY.—The Secretary shall rescind a penalty imposed on a State under subparagraph (A) with respect to a report for a fiscal year if the State submits the report before the end of the immediately succeeding fiscal year.

(C) FOR FAILURE TO PARTICIPATE IN THE INCOME AND ELIGIBILITY VERIFICATION SYSTEM.—If the Secretary determines that a State program funded under this part is not participating during a fiscal year in the income and eligibility verification system required by section 1137, the Secretary shall reduce by 1 percent the amount of the grant that would (in the absence of this subsection, subsection (a)(1)(B) of this section, and section 404(c)(2)) be payable to the State under subsection (a)(1)(A) for the fiscal year.

(f) LIMITATION ON FEDERAL AUTHORITY.—The Secretary may not regulate the conduct of States under this part or enforce any provision of this part, except to the extent expressly provided in this part.

(g) FEDERAL RAINY DAY FUND.—

(1) ESTABLISHMENT.—There is hereby established in the Treasury of the United States a revolving loan fund which shall be known as the "Federal Rainy Day Fund".

(2) DEPOSITS INTO FUND.—

(A) APPROPRIATION.—Out of any money in the Treasury of the United States not otherwise appropriated, $1,000,000,000 are hereby appropriated for fiscal year 1996 for payment to the Federal Rainy Day Fund.

(B) LOAN REPAYMENTS.—The Secretary shall deposit into the fund any principal or interest payment received with respect to a loan made under this subsection.

(3) AVAILABILITY.—Amounts in the fund are authorized to remain available without fiscal year limitation for the purpose of making loans and receiving payments of principal and interest on such loans, in accordance with this subsection.

(4) USE OF FUND.—

(A) LOANS TO QUALIFIED STATES.—

(i) IN GENERAL.—The Secretary shall make loans from the fund to any qualified State for a period to maturity of not more than 3 years.

(ii) RATE OF INTEREST.—The Secretary shall charge and collect interest on any loan made under clause (i) at a rate equal to the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the period to maturity of the loan.

(iii) MAXIMUM LOAN.—The amount of any loan made to a State under clause (i) during a fiscal year shall not exceed the lesser of—

(I) 50 percent of the amount of the grant payable to the State under this section for the fiscal year; or

(II) $100,000,000.

(B) QUALIFIED STATE DEFINED.—A State is a qualified State for purposes of subparagraph (A) if the unemployment rate of the State (as determined by the Bureau of Labor Statistics) for the most recent 3-month period for which such information is available is—

(i) more than 6.5 percent; and

(ii) at least 110 percent of such rate for the corresponding 3-month period in either of the 2 immediately preceding calendar years.

(h)(1) Notwithstanding any other provision of this Act, if a State's program operated under part D is found as a result of a review conducted under section 452(a)(4) not to have complied substantially with the requirements of such part for any quarter beginning after September 30, 1983, and the Secretary determines that the State's program is not complying substantially with such requirements at the time such finding is made, the amounts otherwise payable to the State under this part for such quarter and each subsequent quarter, prior to the first quarter throughout which the State program is found to be in substantial compliance with such requirements, shall be reduced (subject to paragraph (2)) by—

(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 such finding made as a result of such a review, or

(C) not less than three nor more than five percent, if the finding is the third or a subsequent consecutive such finding made as a result of such a review.

(2)(A) The reductions required under paragraph (1) shall be suspended for any quarter if—

(i) the State submits a corrective action plan, within a period prescribed by the Secretary following notice of the finding under paragraph (1), which contains steps necessary to achieve substantial compliance within a time period which the Secretary finds to be appropriate;

(ii) the Secretary approves such corrective action plan (and any amendments thereto) as being sufficient to achieve substantial compliance; and

(iii) the Secretary finds that the corrective action plan (and any amendment thereto approved by the Secretary under clause (ii)), is being fully implemented by the State and that the State is progressing in accordance with the timetable contained in the plan to achieve substantial compliance with such requirements.

(B) A suspension of the penalty under subparagraph (A) shall continue until such time as the Secretary determines that—

(i) the State has achieved substantial compliance,

(ii) the State is no longer implementing its corrective action plan, or

(iii) the State is implementing or has implemented its corrective action plan but has failed to achieve substantial compliance within the appropriate time period (as specified in subparagraph (A)(i)).

(C)(i) In the case of a State whose penalty suspension ends pursuant to subparagraph (B)(i), the penalty shall not be applied.

(ii) In the case of a State whose penalty suspension ends pursuant to subparagraph (B)(ii), the penalty shall be applied as if the suspension had not occurred.

(iii) In the case of a State whose penalty suspension ends pursuant to subparagraph (B)(iii), the penalty shall be applied to all quarters ending after the expiration of the time period specified in such subparagraph (and prior to the first quarter throughout which the State program is found to be in substantial compliance).

(3) For purposes of this subsection, section 402(a)(27), and section 452(a)(4), a State which is not in full compliance with the requirements of this part shall be determined to be in substantial compliance with such requirements only if the Secretary determines that any noncompliance with such requirements is of a technical nature which does not adversely affect the performance of the child support enforcement program.

SEC. 404. MANDATORY WORK REQUIREMENTS.

(a) PARTICIPATION RATE REQUIREMENTS.—

(1) REQUIREMENT APPLICABLE TO 1-PARENT FAMILIES RECEIVING ASSISTANCE.—

(A) IN GENERAL.—A State to which a grant is made under section 403 for a fiscal year shall achieve the mini-

mum participation rate specified in the following table for the fiscal year with respect to 1-parent families receiving assistance under the State program funded under this part:

If the fiscal year is:	***The minimum participation rate is:***
1996	*4*
1997	*4*
1998	*8*
1999	*212*
2000	*17*
2001	*29*
2002	*40*
2003 or thereafter	*50.*

(B) PRO RATA REDUCTION OF PARTICIPATION RATE FOR CASELOAD REDUCTIONS.—The minimum participation rate otherwise required by subparagraph (A) for a fiscal year shall be reduced by a percentage equal to the percentage (if any) by which the number of families receiving assistance during the fiscal year under the State program funded under this part is less than the number of families that received aid under the State plan approved under part A of this title (as in effect before the effective date of this part) during the fiscal year immediately preceding such effective date.

(C) PARTICIPATION RATE.—For purposes of this paragraph:

(i) AVERAGE MONTHLY RATE.—The participation rate of a State for a fiscal year is the average of the participation rates of the State for each month in the fiscal year.

(ii) MONTHLY PARTICIPATION RATES.—The participation rate of a State for a month is—

(I) the number of 1-parent families which receive cash assistance under the State program funded under this part and in which the parent is engaged in work activities for the month; divided by

(II) the total number of 1-parent families which receive cash assistance under the State program funded under this part during the month and in which the parent has attained 18 years of age.

(2) REQUIREMENT APPLICABLE TO 2-PARENT FAMILIES.—

(A) IN GENERAL.—A State to which a grant is made under section 403 for a fiscal year shall achieve the minimum participation rate specified in the following table for the fiscal year with respect to 2-parent families receiving assistance under the State program funded under this part:

If the fiscal year is:	***The minimum participation rate is:***
1996	*50*
1997	*50*
1998 or thereafter	*90.*

(B) PARTICIPATION RATE.—For purposes of this paragraph:

(i) AVERAGE MONTHLY RATE.—The participation rate of a State for a fiscal year is the average of the partici-

pation rates of the State for each month in the fiscal year.

(ii) MONTHLY PARTICIPATION RATES.—The participation rate of a State for a month is—

(I) the number of 2-parent families which receive cash assistance under the State program funded under this part and in which at least 1 parent is engaged in work activities for the month; divided by

(II) the total number of 2-parent families receiving cash assistance under the State program funded under this part during the month.

(b) DEFINITIONS.—As used in this section:

(1) ENGAGE IN WORK ACTIVITIES.—The term "engage in work activities" means, with respect to parent and a month, to make progress in work activities for at least the minimum average number of hours per week specified in the following table during the month, not fewer than 20 hours per week of which are attributable to an activity described in subparagraph (A), (B), (C), or (D) of paragraph (2):

If the month is in fiscal year:	***The minimum average number of hours per week is:***
1996	*20*
1997	*20*
1998	*20*
1999	*25*
2000	*30*
2001	*30*
2002	*35*
2003 or thereafter	*35.*

(2) WORK ACTIVITIES.—The term "work activities" means—

(A) unsubsidized employment;

(B) subsidized employment;

(C) subsidized public sector employment or work experience;

(D) on-the-job training;

(E) job search;

(F) education and training directly related to employment;

(G) job skills training directly related to employment; or

(H) at the option of the State, satisfactory attendance at secondary school, in the case of a parent who has not completed secondary school and who has not attained 20 years of age.

(3) FISCAL YEAR.—The term "fiscal year" means any 12-month period ending on September 30 of a calendar year.

(c) PENALTIES.—

(1) AGAINST INDIVIDUALS.—

(A) APPLICABLE TO 1-PARENT FAMILIES.—A State to which a grant is made under section 403 for a fiscal year shall ensure that the amount of cash assistance paid under the State program funded under this part to a recipient of assistance under the program who is the parent in a 1-parent family and who refuses to engage in work activities required under this section shall be less than the amount of

cash assistance that would otherwise be paid to the recipient under the program, subject to such good cause and other exceptions as the State may establish.

(B) APPLICABLE TO 2-PARENT FAMILIES.—A State to which a grant is made under section 403 for a fiscal year shall reduce the amount of cash assistance otherwise payable to a 2-parent family for a month under the State program funded under this part with respect to a parent in the family who is not engaged in work activities required under this section, pro rata (or more, at the option of the State) with respect to any period during the month for which the parent is not so engaged.

(2) AGAINST STATES.—If the Secretary determines that a State to which a grant is made under section 403 for a fiscal year has failed to comply with subsection (a) of this section for the fiscal year, the Secretary shall reduce by not more than 5 percent the amount of the grant that would (in the absence of this paragraph and subsections (a)(1)(B) and (e) of section 403) be payable to the State under section 403(a)(1)(A) for the immediately succeeding fiscal year.

(d) RULE OF INTERPRETATION.—This section shall not be construed to prohibit a State from offering recipients of assistance under the State program funded under this part an opportunity to participate in an education or training program before requiring the recipients to work or engage in a work program.

(e) SENSE OF THE CONGRESS THAT STATES SHOULD IMPOSE CERTAIN REQUIREMENTS ON NONCUSTODIAL, NONSUPPORTING MINOR PARENTS.—It is the sense of the Congress that the States should require noncustodial, nonsupporting parents who have not attained 18 years of age to fulfill community work obligations and attend appropriate parenting or money management classes after school.

(f) RESEARCH.—The Secretary shall conduct research on the costs and benefits of State activities under this section.

(g) EVALUATION OF INNOVATIVE APPROACHES TO EMPLOYING RECIPIENTS OF ASSISTANCE.—The Secretary shall evaluate innovative approaches to employing recipients of assistance under State programs funded under this part.

(h) ANNUAL RANKING OF STATES AND REVIEW OF MOST AND LEAST SUCCESSFUL WORK PROGRAMS.—

(1) ANNUAL RANKING OF STATES.—The Secretary shall rank the States to which grants are paid under section 403 in the order of their success in moving recipients of assistance under the State program funded under this part into long-term private sector jobs.

(2) ANNUAL REVIEW OF MOST AND LEAST SUCCESSFUL WORK PROGRAMS.—The Secretary shall review the programs of the 3 States most recently ranked highest under paragraph (1) and the 3 States most recently ranked lowest under paragraph (1) that provide parents with work experience, assistance in finding employment, and other work preparation activities and support services to enable the families of such parents to leave the program and become self-sufficient.

SEC. 405. PROHIBITIONS.

(a) IN GENERAL.—

(1) NO ASSISTANCE FOR FAMILIES WITHOUT A MINOR CHILD.—A State to which a grant is made under section 403 may not use any part of the grant to provide assistance to a family, unless the family includes a minor child.

(2) CERTAIN PAYMENTS NOT TO BE DISREGARDED IN DETERMINING THE AMOUNT OF ASSISTANCE TO BE PROVIDED TO A FAMILY.—

(A) INCOME SECURITY PAYMENTS.—If a State to which a grant is made under section 403 uses any part of the grant to provide assistance for any individual who is receiving a payment under a State plan for old-age assistance approved under section 2, a State program funded under part B that provides cash payments for foster care, or the supplemental security income program under title XVI (other than service benefits provided through the use of a grant made under part C of such title), then the State may not disregard the payment in determining the amount of assistance to be provided to the family of which the individual is a member under the State program funded under this part.

(B) CERTAIN SUPPORT PAYMENTS.—A State to which a grant is made under section 403 may not disregard an amount distributed to a family under section 457(a)(1)(A) in determining the income of the family for purposes of eligibility for assistance under the State program funded under this part.

(3) NO ASSISTANCE FOR CERTAIN ALIENS.—Notwithstanding subsection (c)(1), a State to which a grant is made under section 403 may not use any part of the grant to provide assistance for an individual who is not a citizen or national of the United States, unless—

(A)(i) the individual is admitted to the United States as a refugee under section 207 of the Immigration and Nationality Act; and

(ii) 5 years has elapsed since the date the individual arrived in the United States;

(B) the individual—

(i) is lawfully admitted to the United States for permanent residence;

(ii) has attained 75 years of age; and

(iii) has resided in the United States for at least 5 years; or

(C) the individual is honorably discharged from the Armed Forces of the United States.

(4) NO ASSISTANCE FOR OUT-OF-WEDLOCK BIRTHS TO MINORS.—

(A) GENERAL RULE.—a State to which a grant is made under section 403 may not use any part of the grant to provide cash benefits for a child born out-of-wedlock to an individual who has not attained 18 years of age, or for the individual, until the individual attains such age.

(B) EXCEPTION FOR RAPE OR INCEST.—Subparagraph (A) shall not apply with respect to a child who is born as a result of rape or incest.

(5) NO ADDITIONAL ASSISTANCE FOR CHILDREN BORN TO FAMILIES RECEIVING ASSISTANCE.—

(A) GENERAL RULE.—A State to which a grant is made under section 403 may not use any part of the grant to provide cash benefits for a minor child who is born to—

(i) a recipient of benefits under the program operated under this part; or

(ii) a person who received such benefits at any time during the 10-month period ending with the birth of the child.

(B) EXCEPTION FOR RAPE OR INCEST.—Subparagraph (A) shall not apply with respect to a child who is born as a result of rape or incest.

(6) NO ASSISTANCE FOR MORE THAN 5 YEARS.—

(A) IN GENERAL.—A State to which a grant is made under section 403 may not use any part of the grant to provide cash benefits for the family of an individual who, after attaining 18 years of age, has received benefits under the program operated under this part for 60 months (whether or not consecutive) after the effective date of this part, except as provided under subparagraph (B).

(B) HARDSHIP EXCEPTION.—

(i) IN GENERAL.—The State may exempt a family from the application of subparagraph (A) by reason of hardship.

(ii) LIMITATION.—The number of families with respect to which an exemption made by a State under clause (i) is in effect shall not exceed 10 percent of the number of families to which the State is providing assistance under the program operated under this part.

(7) NO ASSISTANCE FOR FAMILIES NOT COOPERATING IN PATERNITY ESTABLISHMENT.—Notwithstanding subsection (c)(1), a State to which a grant is made under section 403 may not use any part of the grant to provide assistance to a family that includes an individual whom the agency responsible for administering the State plan approved under part D determines is not cooperating with the State in establishing the paternity of any child of the individual.

(8) NO ASSISTANCE FOR FAMILIES NOT ASSIGNING SUPPORT RIGHTS TO THE STATE.—Notwithstanding subsection (c)(1), a State to which a grant is made under section 403 may not use any part of the grant to provide assistance to a family that includes an individual who has not assigned to the State any rights the individual may have (on behalf of the individual or of any other person for whom the individual has applied for or is receiving such assistance) to support from any other person for any period for which the individual receives such assistance.

(9) WITHHOLDING OF PORTION OF ASSISTANCE FOR FAMILIES WHICH INCLUDE A CHILD WHOSE PATERNITY IS NOT ESTABLISHED.—

(A) IN GENERAL.—A State to which a grant is made under section 403 may not fail to—

(i) withhold assistance under the State program funded under this part from a family which includes

a child whose paternity is not established, in an amount equal to $50 or 15 percent of the amount of the amount of the assistance that would (in the absence of this paragraph) be provided to the family with respect to the child, whichever the State elects; or

(ii) provide to the family the total amount of assistance so withheld once the paternity of the child is established, if the family is then eligible for such assistance.

(B) EXCEPTION FOR RAPE OR INCEST.—Subparagraph (A) shall not apply with respect to a child who is born as a result of rape or incest.

(10) DENIAL OF ASSISTANCE FOR 10 YEARS TO A PERSON CONVICTED OF FRAUDULENTLY MISREPRESENTING RESIDENCE TO A WELFARE PROGRAM.—A State to which a grant is made under section 403 may not use any part of the grant to provide assistance to an individual during the 10-year period that begins with the date the individual is convicted in Federal or State court of making a fraudulent statement or representation with respect to the place of residence of the person in order to receive benefits or services under 2 or more programs that are funded under this part.

(b) MINOR CHILD DEFINED.—As used in subsection (a), the term "minor child" means an individual—

(1) who has not attained 18 years of age; or

(2) who—

(A) has not attained 19 years of age; and

(B) is a full-time student in a secondary school (or in the equivalent level of vocational or technical training).

SEC. 406. DATA COLLECTION AND REPORTING.

(a) IN GENERAL.—Each State to which a grant is made under section 403 for a fiscal year shall, not later than 6 months after the end of the fiscal year, transmit to the Secretary the following aggregate information on families to which assistance was provided during the fiscal year under the State program operated under this part:

(1) The number of adults in the families.

(2) The number of children in the families and the average age of the children.

(3) The basis of the eligibility of the families for such assistance.

(4) In the case of 2-parent families, the number with unemployed parents.

(5) The number of 1-parent families in which the parent is a widow or widower, is divorced, is separated, or has never married.

(6) The age, race, educational attainment, and employment status of the parents in the families.

(7) The number of the families with earned income, and the average monthly earnings of the families.

(8) The income of the families from the program.

(9) Whether, at the time of application for assistance under the program, the families or any member of the families receives benefits under any of the following:

(A) Any housing program.

(B) The food stamp program under the Food Stamp Act of 1977.

(C) The Head Start programs carried out under the Head Start Act.

(D) Any job training program.

(10) The number of months, since the most recent application for assistance under the program, for which such assistance has been provided to the families.

(11) The total number of months for which assistance has been provided to the families under the program.

(12) Any other data necessary to indicate whether the State is in compliance with the plan most recently submitted by the State pursuant to section 402.

(b) AUTHORITY OF STATES TO USE ESTIMATES.—A State may comply with the requirement to provide precise numerical information described in subsection (a) by submitting an estimate which is obtained through the use of scientifically acceptable sampling methods.

(c) REPORT ON USE OF FEDERAL FUNDS TO COVER ADMINISTRATIVE COSTS AND OVERHEAD.—The report required by subsection (a) for a fiscal year shall include a statement of the percentage of the funds paid to the State under this part for the fiscal year that are used to cover administrative costs or overhead.

(d) REPORT ON STATE EXPENDITURES ON PROGRAMS FOR NEEDY FAMILIES.—The report required by subsection (a) for a fiscal year shall include a statement of the total amount expended by the State during the fiscal year on programs for needy families.

(e) REPORT ON NONCUSTODIAL PARENTS PARTICIPATING IN WORK ACTIVITIES.—The report required by subsection (a) for a fiscal year shall include the number of noncustodial parents in the State who participated in work activities (as defined in section 404(b)(1)) during the fiscal year.

SEC. 407. STUDY BY THE CENSUS BUREAU.

(a) IN GENERAL.—The Bureau of the Census shall expand the Survey of Income and Program Participation as necessary to obtain such information as will enable interested persons to evaluate the impact of the amendments made by title I of the Welfare Transformation Act of 1995 on a random national sample of recipients of assistance under State programs funded under this part and (as appropriate) other low income families, and in doing so, shall pay particular attention to the issues of out-of-wedlock birth, welfare dependency, the beginning and end of welfare spells, and the causes of repeat welfare spells.

(b) APPROPRIATION.—Out of any money in the Treasury of the United States not otherwise appropriated, the Secretary of the Treasury shall pay to the Bureau of the Census $10,000,000 for each of fiscal years 1996, 1997, 1998, 1999, and 2000 to carry out subsection (a).

[ASSISTANT SECRETARY FOR FAMILY SUPPORT

[SEC. 417.**]**

SEC. 408. ASSISTANT SECRETARY FOR FAMILY SUPPORT.

The programs under this part[, part D, and part F] *and part D* shall be administered by an Assistant Secretary for Family Support within the Department of Health and Human Services, who shall be appointed by the President, by and with the advice and consent of the Senate, and who shall be in addition to any other Assistant Secretary of Health and Human Services provided for by law.

PART B—BLOCK GRANTS TO STATES FOR THE PROTECTION OF CHILDREN

SEC. 421. PURPOSE.

The purpose of this part is to enable eligible States to carry out a child protection program to—

(1) identify and assist families at risk of abusing or neglecting their children;

(2) operate a system for receiving reports of abuse or neglect of children;

(3) investigate families reported to abuse or neglect their children;

(4) provide support, treatment, and family preservation services to families which are, or are at risk of, abusing or neglecting their children;

(5) support children who must be removed from or who cannot live with their families;

(6) make timely decisions about permanent living arrangements for children who must be removed from or who cannot live with their families; and

(7) provide for continuing evaluation and improvement of child protection laws, regulations, and services.

SEC. 422. ELIGIBLE STATES.

(a) IN GENERAL.—As used in this part, the term "eligible State" means, with respect to a fiscal year, a State that, during the 3-year period immediately preceding the fiscal year, has submitted to the Secretary a plan that includes the following:

(1) OUTLINE OF CHILD PROTECTION PROGRAM.—A written document that outlines the activities the State intends to conduct to achieve the purpose of this part, including the procedures to be used for—

(A) receiving reports of child abuse or neglect;

(B) investigating such reports;

(C) protecting children in families in which child abuse or neglect is found to have occurred;

(D) removing children from dangerous settings;

(E) protecting children in foster care;

(F) promoting timely adoptions;

(G) protecting the rights of families;

(H) preventing child abuse and neglect; and

(I) establishing and responding to citizen review panels under section 425.

(2) CERTIFICATION OF STATE LAW REQUIRING THE REPORTING OF CHILD ABUSE AND NEGLECT.—A certification that the State has in effect laws that require public officials and other profes-

sionals to report actual or suspected instances of child abuse or neglect.

(3) CERTIFICATION OF STATE PROGRAM TO INVESTIGATE CHILD ABUSE AND NEGLECT CASES.—A certification that the State has in effect a program to investigate child abuse and neglect cases.

(4) CERTIFICATION OF STATE PROCEDURES FOR REMOVAL AND PLACEMENT OF ABUSED OR NEGLECTED CHILDREN.—A certification that the State has in effect procedures for removal from families and placement of abused or neglected children.

(5) CERTIFICATION OF STATE PROCEDURES FOR DEVELOPING AND REVIEWING WRITTEN PLANS FOR PERMANENT PLACEMENT OF REMOVED CHILDREN.—A certification that the State has in effect procedures for ensuring that a written plan is prepared for children who have been removed from their families, which specifies the goal for achieving a permanent placement for the child in a timely fashion, for ensuring that the written plan is reviewed every 6 months, and for ensuring that information about such children is collected regularly and recorded in case records, and a description of such procedures.

(6) CERTIFICATION THAT THE STATE WILL CONTINUE TO HONOR ADOPTION ASSISTANCE AGREEMENTS.—A certification that the State will honor any adoption assistance agreement (as defined in section 475(3), as in effect immediately before the effective date of this part) entered into by an agency of the State, that is in effect as of such effective date.

(7) CERTIFICATION OF STATE PROGRAM TO PROVIDE INDEPENDENT LIVING SERVICES.—A certification that the State has in effect a program to provide independent living services to individuals in the child protection program of the State who have attained 16 years of age but have not attained 20 (or, at the option of the State, 22) years of age, and who do not have a family to which to be returned for assistance in making the transition to self-sufficient adulthood.

(8) IDENTIFICATION OF CHILD PROTECTION GOALS.—The quantitative goals of the State child protection program.

(b) DETERMINATIONS.—The Secretary shall determine whether a plan submitted pursuant to subsection (a) contains the material required by subsection (a). The Secretary may not require a State to include in such a plan any material not described in subsection (a), and may not review the adequacy of State procedures.

SEC. 423. GRANTS TO STATES FOR CHILD PROTECTION.

(a) ENTITLEMENT.—

(1) IN GENERAL.—Each eligible State shall be entitled to receive from the Secretary for each fiscal year specified in subsection (b)(1) a grant in an amount equal to the State share of the child protection amount for the fiscal year.

(2) ADDITIONAL GRANT.—

(A) IN GENERAL.—In addition to a grant under paragraph (1) of this subsection, the Secretary shall pay to each eligible State for each fiscal year specified in subsection (b)(1) an amount equal to the State share of the amount (if any) appropriated pursuant to subparagraph (B) of this paragraph for the fiscal year.

(B) LIMITATION ON AUTHORIZATION OF APPROPRIATIONS.—For grants under subparagraph (A), there are authorized to be appropriated to the Secretary an amount not to exceed $514,000,000 for each fiscal year specified in subsection (b)(1).

(b) DEFINITIONS.—As used in this section:

(1) CHILD PROTECTION AMOUNT.—The term "child protection grant amount" means—

(A) $3,930,000,000 for fiscal year 1996;

(B) $4,195,000,000 for fiscal year 1997;

(C) $4,507,000,000 for fiscal year 1998;

(D) $4,767,000,000 for fiscal year 1999; and

(E) $5,071,000,000 for fiscal year 2000.

(2) STATE SHARE.—

(A) IN GENERAL.—The term "State share" means the greater of—

(i)(I) the total amount paid to the State under the provisions of law specified in subparagraph (B) for fiscal years 1991, 1992, 1993, and 1994; divided by

(II) the total amount paid to all of the States under such provisions of law for such fiscal years; or

(ii)(I) the amount paid to the State under the provisions of law specified in subparagraph (B) for fiscal year 1994; divided by

(II) the total amount paid to all of the States under such provisions of law for fiscal year 1994.

(B) PROVISIONS OF LAW.—The provisions of law specified in this subparagraph are the following (as in effect immediately before the effective date of this part):

(i) Section 474(a) (other than subparagraphs (C) and (D) of paragraph (3)) of this Act.

(ii) Section 304 of the Family Violence Prevention and Services Act.

(iii) Section 107(a) of the Child Abuse Prevention and Treatment Act.

(iv) Section 201(d) of the Child Abuse Prevention and Treatment Act.

(v) Section 423 of this Act.

(3) STATE.—The term "State" includes the several States, the District of Columbia, the Commonwealth of Puerto Rico, the United States Virgin Islands, Guam, and American Samoa.

(c) USE OF GRANT.—

(1) IN GENERAL.—A State to which a grant is made under this section may use the grant in any manner that the State deems appropriate to accomplish the purpose of this part, including setting up abuse and neglect reporting systems, abuse and neglect prevention, family preservation, foster care, adoption, program administration, and training.

(2) TIMING OF EXPENDITURES.—A State to which a grant is made under this section for a fiscal year shall expend the total amount of the grant not later than the end of the immediately succeeding fiscal year.

(3) RULE OF INTERPRETATION.—This part shall not be interpreted to prohibit short- and long-term foster care facilities operated for profit from receiving funds provided under this part.

(d) TIMING OF PAYMENTS.—The Secretary shall pay each eligible State the amount of the grant payable to the State under this section in quarterly installments.

(e) PENALTIES.—

(1) FOR USE OF GRANT IN VIOLATION OF THIS PART.—

(A) IN GENERAL.—If an audit conducted pursuant to chapter 75 of title 31, United States Code, finds that an amount paid to a State under this section for a fiscal year has been used in violation of this part, then the Secretary shall reduce the amount of the grant that would (in the absence of this subsection) be payable to the State under this section for the immediately succeeding fiscal year by the amount so used.

(B) LIMITATION.—In carrying out subparagraph (A), the Secretary shall not reduce any quarterly payment by more than 25 percent.

(C) CARRYFORWARD OF UNRECOVERED PENALTY.—To the extent that subparagraph (B) prevents the Secretary from recovering during a fiscal year the full amount of a penalty imposed on a State under subparagraph (A) for a prior fiscal year, the Secretary shall apply subparagraph (A) to the grant otherwise payable to the State under this section for the immediately succeeding fiscal year.

(2) FOR FAILURE TO MAINTAIN EFFORT.—If an audit conducted pursuant to chapter 75 of title 31, United States Code, finds that the amount expended by a State (other than from amounts provided by the Federal Government) during fiscal year 1996 or 1997 to carry out the State program funded under this part is less than the total amount expended by the State (other than from amounts provided by the Federal Government) during fiscal year 1995 under parts B and E of this title, then the Secretary shall reduce the amount of the grant that would (in the absence of this subsection) be payable to the State under this section for the immediately succeeding fiscal year by the amount of the difference.

(3) FOR FAILURE TO SUBMIT REQUIRED REPORT.—

(A) IN GENERAL.—The Secretary shall reduce by 3 percent the amount of the grant that would (in the absence of this subsection) be payable to a State under this section for a fiscal year if the Secretary determines that the State has not submitted the report required by section 427(b) for the immediately preceding fiscal year, within 6 months after the end of the immediately preceding fiscal year.

(B) RESCISSION OF PENALTY.—The Secretary shall rescind a penalty imposed on a State under subparagraph (A) with respect to a report for a fiscal year if the State submits the report before the end of the immediately succeeding fiscal year.

(f) LIMITATION ON FEDERAL AUTHORITY.—Except as expressly provided in this part, the Secretary may not regulate the conduct of States under this part or enforce any provision of this part.

SEC. 424. CHILD PROTECTION STANDARDS.

Each State to which a grant is made under section 423 shall operate a child protection program in accordance with the following standards in order to assure the protection of children:

(1) The primary standard by which a State child welfare system shall be judged is the protection of children.

(2) Each State shall investigate reports of abuse and neglect promptly.

(3) Children removed from their homes shall have a permanency plan and a dispositional hearing by a court or a court-appointed body within 3 months after a fact-finding hearing.

(4) All child protection cases in which the child is placed outside the home shall be reviewed every 6 months unless the child is in a long-term placement.

SEC. 425. CITIZEN REVIEW PANELS.

(a) ESTABLISHMENT.—Each State to which a grant is made under section 423 shall establish at least 3 citizen review panels.

(b) COMPOSITION.—Each panel established under subsection (a) shall be broadly representative of the community from which drawn.

(c) FREQUENCY OF MEETINGS.—Each panel established under subsection (a) shall meet not less frequently than quarterly.

(d) DUTIES.—

(1) IN GENERAL.—Each panel established under subsection (a) shall, by examining specific cases, determine the extent to which the State and local agencies responsible for carrying out activities under this part are doing so in accordance with the State plan, with the child protection standards set forth in section 424, and with any other criteria that the panel considers important to ensure the protection of children.

(2) CONFIDENTIALITY.—The members and staff of any panel established under subsection (a) shall not disclose to any person or government any information about any specific child protection case with respect to which the panel is provided information.

(e) STATE ASSISTANCE.—Each State that establishes a panel under subsection (a) shall afford the panel access to any information on any case that the panel desires to review, and shall provide the panel with staff assistance in performing its duties.

(f) REPORTS.—Each panel established under subsection (a) shall make a public report of its activities after each meeting.

SEC. 426. CLEARINGHOUSE AND HOTLINE ON MISSING AND RUNAWAY CHILDREN.

(a) IN GENERAL.—The Secretary shall establish and operate a clearinghouse of information on children who are missing or have run away from home, including a 24-hour toll-free telephone hotline which may be contacted for information on such children.

(b) LIMITATION ON AUTHORIZATION OF APPROPRIATIONS.—To carry out subsection (a), there are authorized to be appropriated to the Secretary not to exceed $3,000,000 for each fiscal year.

SEC. 427. DATA COLLECTION AND REPORTING.

(a) ANNUAL REPORTS ON STATE CHILD WELFARE GOALS.—On the date that is 3 years after the effective date of this part and annually

thereafter, each State to which a grant is made under section 423 shall submit to the Secretary a report that contains quantitative information on the extent to which the State is making progress toward achieving the goals of the State child protection program.

(b) ANNUAL STATE DATA REPORTS.—Each State to which a grant is made under section 423 shall annually submit to the Secretary of Health and Human Services a report that includes the following:

(1) The number of children who were reported to the State during the year as abused or neglected.

(2) Of the number of children described in paragraph (1), the number with respect to whom such reports were substantiated.

(3) Of the number of children described in paragraph (2)—

(A) the number that did not receive services during the year under the State program funded under this part;

(B) the number that received services during the year under the State program funded under this part; and

(C) the number that were removed from their families during the year.

(4) The number of families that received preventive services from the State during the year.

(5) Of the number of families described in paragraph (4), the number with respect to whom there is a confirmed report of abuse or neglect of a child.

(6) The number of children who entered foster care under the responsibility of the State during the year.

(7) The number of children in foster care under the responsibility of the State who exited from foster care during the year.

(8) The types of foster care placements made by the State during the year, and the number of children in each type of placement.

(9) The average length of the foster care placements made by the State during the year.

(10) The age, ethnicity, gender, and family income of the children placed in foster care under the responsibility of the State during the year.

(11) The reasons for making foster care placements during the year.

(12) The number of children in foster care under the responsibility of the State with respect to whom the State has the goal of adoption.

(13) The number of children in foster care under the responsibility of the State who were freed for adoption during the year.

(14) The number of children in foster care under the responsibility of the State whose adoptions were finalized during the year.

(15) The number of disrupted adoptions in the State during the year.

(16) The number of children who re-entered foster care under the responsibility of the State during the year.

(17) The number of children in foster care under the responsibility of the State for whom there is a permanency plan.

(18) Quantitative measurements showing whether the State is making progress toward the child protection goals identified by the State under section 422(a)(8).

(19) The number of infants abandoned in the State during the year, and the number of such infants who were legally adopted during the year and the length of time between the discovery of the abandonment and such adoption.

(20) The number of children who died during the year while in foster care under the responsibility of the State.

(21) The number of deaths in the State during the year resulting from child abuse or neglect.

(22) The number of children served by the independent living program of the State.

(23) Any other information which the Secretary and a majority of the States agree is appropriate to collect for purposes of this part.

(24) The response of the State to the findings and recommendations of the citizen review panels established by the State pursuant to section 425.

(c) AUTHORITY OF STATES TO USE ESTIMATES.—A State may comply with a requirement to provide precise numerical information described in subsection (b) by submitting an estimate which is obtained through the use of scientifically acceptable sampling methods.

(d) ANNUAL REPORT BY THE SECRETARY.—Within 6 months after the end of each fiscal year, the Secretary shall prepare a report based on information provided by the States for the fiscal year pursuant to subsection (b), and shall make the report and such information available to the Congress and the public.

SEC. 428. RESEARCH AND TRAINING.

(a) IN GENERAL.—The Secretary shall conduct research and training in child welfare.

(b) LIMITATION ON AUTHORIZATION OF APPROPRIATIONS.—To carry out subsection (a), there are authorized to be appropriated to the Secretary not to exceed $10,000,000 for each fiscal year.

SEC. 429. NATIONAL RANDOM SAMPLE STUDY OF CHILD WELFARE.

(a) IN GENERAL.—The Secretary shall conduct a national study based on random samples of children who are at risk of child abuse or neglect, or are determined by States to have been abused or neglected.

(b) REQUIREMENTS.—The study required by subsection (a) shall—

(1) have a longitudinal component; and

(2) yield data reliable at the State level for as many States as the Secretary determines is feasible.

(c) PREFERRED CONTENTS.—In conducting the study required by subsection (a), the Secretary should—

(1) collect data on the child protection programs of different small States or (different groups of such States) in different years to yield an occasional picture of the child protection programs of such States;

(2) carefully consider selecting the sample from cases of confirmed abuse or neglect; and

(3) follow each case for several years while obtaining information on, among other things—

(A) the type of abuse or neglect involved;

(B) the frequency of contact with State or local agencies;

(C) whether the child involved has been separated from the family, and, if so, under what circumstances;

(D) the number, type, and characteristics of out-of-home placements of the child; and

(E) the average duration of each placement.

(d) REPORTS.—

(1) IN GENERAL.—From time to time, the Secretary shall prepare reports summarizing the results of the study required by subsection (a), and should include in such reports a comparison of the results of the study with the information reported by States under section 427.

(2) AVAILABILITY.—The Secretary shall make available to the public any report prepared under paragraph (1), in writing or in the form of an electronic data tape.

(3) AUTHORITY TO CHARGE FEE.—The Secretary may charge and collect a fee for the furnishing of reports under paragraph (2).

(e) FUNDING.—Out of any money in the Treasury of the United States not otherwise appropriated, the Secretary of the Treasury shall pay to the Secretary of Health and Human Services $6,000,000 for each of fiscal years 1996 through 2000 to carry out this section.

SEC. 430. REMOVAL OF BARRIERS TO INTERETHNIC ADOPTION.

(a) PURPOSE.—The purpose of this section is to decrease the length of time that children wait to be adopted and to prevent discrimination in the placement of children on the basis of race, color, or national origin.

(b) MULTIETHNIC PLACEMENTS.—

(1) PROHIBITION.—A State or other entity that receives funds from the Federal Government and is involved in adoption or foster care placements may not—

(A) deny 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; or

(B) delay or deny the placement of a child for adoption or into foster care, or otherwise discriminate in making a placement decision, on the basis of the race, color, or national origin of the adoptive or foster parent, or the child, involved.

(2) PENALTIES.—

(A) STATE VIOLATORS.—A State that violates paragraph (1) during a period shall remit to the Secretary all funds that were paid to the State under this part during the period.

(B) PRIVATE VIOLATORS.—Any other entity that violates paragraph (1) during a period shall remit to the Secretary all funds that were paid to the entity during the period by a State from funds provided under this part.

(3) PRIVATE CAUSE OF ACTION.—

(A) IN GENERAL.—Any individual who is aggrieved by a violation of paragraph (1) by a State or other entity may bring an action seeking relief in any United States district court.

(B) STATUTE OF LIMITATIONS.—An action under this paragraph may not be brought more than 2 years after the date the alleged violation occurred.

PART D—CHILD SUPPORT AND ESTABLISHMENT OF PATERNITY

APPROPRIATION

SEC. 451. For the purpose of enforcing the support obligations owed by absent parents to their children and the spouse (or former spouse) with whom such children are living, locating absent parents, establishing paternity, obtaining child and spousal support, and assuring that assistance in obtaining support will be available under this part to all children (whether or not eligible for [aid] *assistance under a State program funded* under part A) for whom such assistance is requested, there is hereby authorized to be appropriated for each fiscal year a sum sufficient to carry out the purposes of this part.

DUTIES OF THE SECRETARY

SEC. 452. (a) The Secretary shall establish, within the Department of Health and Human Services a separate organizational unit, under the direction of a designee of the Secretary, who shall report directly to the Secretary and who shall—

(1) * * *

* * * * * * *

[(4) evaluate the implementation of State programs established pursuant to such plan, conduct such audits of State programs established under the plan approved under this part as may be necessary to assure their conformity with the requirements of this part, and, not less often than once every three years (or not less often than annually in the case of any State to which a reduction is being applied under section 403(h)(1), or which is operating under a corrective action plan in accordance with section 403(h)(2)), conduct a complete audit of the programs established under such plan in each State and determine for the purposes of the penalty provision of section 403(h) whether the actual operation of such programs in each State conforms to the requirements of this part;]

(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 subsection (g) of this section and section 458;

(B) review annual reports submitted pursuant to section 454(15)(A) and, as appropriate, provide to the State comments, recommendations for additional or alternative corrective actions, and technical assistance; and

(C) conduct audits, in accordance with the government auditing standards of the Comptroller General of the United States—

(i) at least once every 3 years (or more frequently, in the case of a State which fails to meet the requirements of this part, 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 in calculating performance indicators under subsection (g) of this section and section 458;

(ii) of the adequacy of financial management of the State program operated under the State plan approved under this part, including assessments of—

(I) whether Federal and other funds made available to carry out the State program are being appropriately expended, and are properly and fully accounted for; and

(II) whether collections and disbursements of support payments are carried out correctly and are fully accounted for; and

(iii) for such other purposes as the Secretary may find necessary;

(5) assist States in establishing adequate reporting procedures and maintain records of the operations of programs established pursuant to this part in each State, *and establish procedures to be followed by States for collecting and reporting information required to be provided under this part, and establish uniform definitions (including those necessary to enable the measurement of State compliance with the requirements of this part relating to expedited processes and timely case processing) to be applied in following such procedures*;

* * * * * * *

(7) provide technical assistance to the States to help them establish effective systems for collecting child and spousal support and establishing paternity, *and develop an affidavit to be used for the voluntary acknowledgment of paternity which shall include the social security number of each parent*;

* * * * * * *

(9) operate the *Federal* Parent Locator Service established by section 453; **[**and**]**

(10) not later than three months after the end of each fiscal year, beginning with the year 1977, submit to the Congress a full and complete report on all activities undertaken pursuant to the provisions of this part, which report shall include, but not be limited to, the following:

(A) total program costs and collections set forth in sufficient detail to show the cost to the States and the Federal Government, the distribution of collections to families, State and local governmental units, and the Federal Government; and an identification of the financial impact of the provisions of **[**this part;**]** *this part, including—*

(i) the total amount of child support payments collected as a result of services furnished during the fiscal year to individuals receiving services under this part;

(ii) the cost to the States and to the Federal Government of so furnishing the services; and

(iii) the number of cases involving families—

(I) who became ineligible for assistance under State programs funded under part A during a month in the fiscal year; and

(II) with respect to whom a child support payment was received in the month;

(B) costs and staff associated with the Office of Child Support Enforcement;

(C) the following data, [with the data required under each clause being separately stated for cases] *separately stated for (1) cases* where the child is receiving [aid to families with dependent children (or foster care maintenance payments under part E)] *assistance under a State program funded under part A or cash payments under a State program funded under part B* , [cases where the child was formerly receiving] *or formerly received* such [aid] *assistance* or payments and the State is continuing to collect support assigned to it [under section 402(a)(26) or 471(a)(17)] *pursuant to section 405(a)(8) or 1912*, and (2) all other cases under this part:

(i) the total number of cases in which a support obligation has been established in the fiscal year for which the report is submitted[, and the total amount of such obligations];

(ii) the total number of cases in which a support obligation has been established[, and the total amount of such obligations];

(iii) the number of cases [described in clause (i) in which support was collected during such fiscal year, and the total amount of such collections;] *in which support was collected during the fiscal year;*

[(iv) the number of cases described in clause (ii) in which support was collected during such fiscal year, and the total amount of such collections; and]

(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

[(v)] *(vii)* the number of child support cases filed in each State in such fiscal year, and the amount of the collections made in each State in such fiscal year, on behalf of children residing in another State or against parents residing in another State;

* * * * * * *

(F) the number of cases, by State, in which an applicant for or recipient of [aid under a State plan approved] *assistance under a State program funded* under part A has refused to cooperate in identifying and locating the absent parent and the number of cases in which refusal so to cooperate is based on good cause (as determined [in accordance with the standards referred to in section 402(a)(26)(B)(ii)] *by the State*);

(G) data, by State, [on the use of Federal courts and] on use of the Internal Revenue Service for collections, the number of court orders on which collections were made, the number of paternity determinations made and the number of parents located, in sufficient detail to show the cost and benefits to the States and to the Federal Government;

(H) the major problems encountered which have delayed or prevented implementation of the provisions of this part during the fiscal year last ending prior to the submission of such report; and

(I) the amount of administrative costs which are expended in each functional category of expenditures, including establishment of paternity[.]*; and*

(11) not later than June 30, 1996, promulgate forms to be used by States in interstate cases for—

(A) collection of child support through income withholding;

(B) imposition of liens; and

(C) administrative subpoenas.

[The information contained in any such report under subparagraph (A) shall specifically include (i) the total amount of child support payments collected as a result of services furnished during the fiscal year involved to individuals under section 454(6), (ii) the cost to the States and to the Federal Government of furnishing such services to those individuals, and (iii) the extent to which the furnishing of such services was successful in providing sufficient support to those individuals to assure that they did not require assistance under the State plan approved under part A.]

(b) The Secretary shall, upon the request of any State having in effect a State plan approved under this part, certify to the Secretary of the Treasury for collection pursuant to the provisions of section 6305 of the Internal Revenue Code of 1954 the amount of any child support obligation (including any support obligation with respect to the parent who is living with the child and receiving aid under the State plan approved under part A) which is assigned to such State or is undertaken to be collected by such State pursuant to section [454(6)] *454(4).* No amount may be certified for collection under this subsection except the amount of the delinquency under a court or administrative order for support and upon a showing by the State that such State has made diligent and reasonable efforts to collect such amounts utilizing its own collection mechanisms, and upon an agreement that the State will reimburse the Secretary of the Treasury for any costs involved in making the collection. All reimbursements shall be credited to the appropriation accounts which bore all or part of the costs involved in making the collections. The Secretary after consultation with the Secretary of the Treasury may, by regulation, establish criteria for accepting amounts for collection and for making certification under this subsection including imposing such limitations on the frequency of making such certifications under this subsection.

* * * * * * *

(d)(1) * * *

* * * * * * *

(3) The Secretary may waive any requirement of paragraph (1) or any condition specified under section 454(16) with respect to a State if—

(A) * * *

(B)(i) the waiver meets the criteria of paragraphs (1), (2), and (3) of section [1115(c)] *1115(b)*, or

* * * * * * *

(g)(1) A State's program under this part shall be found, for purposes of section 403(h), not to have complied substantially with the requirements of this part unless, for any fiscal year beginning on or after October 1, 1994, *its overall performance in child support enforcement is satisfactory (as defined in section 458(b) and regulations of the Secretary), and* its paternity establishment percentage for such fiscal year is based on reliable data and (rounded to the nearest whole percentage point) equals or exceeds—

(A) * * *

* * * * * * *

(2) For purposes of this section—

(A) the term "[paternity establishment percentage] *IV–D paternity establishment percentage*" means, with respect to a State [(or all States, as the case may be)] for a fiscal year, the ratio (expressed as a percentage) that the total number of children—

(i) who have been born out of wedlock during the fiscal year,

(ii)(I) except as provided in the last sentence of this paragraph, with respect to whom *assistance is being provided under the State program funded under part A or* aid is being paid under the State's plan approved under part [A or E] *B* as of the end of the fiscal year, or (II) with respect to whom services are being provided under the State's plan approved under this part or [E] *B* fiscal year pursuant to an application submitted under section [454(6)] *454(4)(A)(ii)*, and

(iii) the paternity of whom has been established or acknowledged during the fiscal year,

bears to the total number of children born out of wedlock and (except as provided in such last sentence) with respect to whom aid was being paid under the State's plan approved under part A or [E] *B* as of the end of the preceding fiscal year or with respect to whom services were being provided under the State's plan approved under this part or [E] *B* as of the end of the preceding fiscal year pursuant to an application submitted under section [454(6)] *454(4)(A)(ii)*; and

(B) the term "reliable data" means the most recent data available which are found by the Secretary to be reliable for purposes of this section.

For purposes of subparagraph (A), the total number of children shall not include any child [who is a dependent child by reason of the death of a parent] *with respect to whom assistance is being pro-*

vided under the State program funded under part A unless paternity is established for such child or any child with respect to whom an applicant or recipient is found *by the State agency administering the State plan approved under this part* to have good cause for refusing to cooperate [under section 402(a)(26)] *pursuant to section 405(a)(8)* or any child with respect to whom the State agency administering the plan under part E determines (as provided in section 454(4)(B)) that it is against the best interests of such child to do so.

(3)[(A) The requirements of this subsection are in addition to and shall not supplant any other requirement (that is not inconsistent with such requirements) established in regulations by the Secretary for the purpose of determining (for purposes of section 403(h)) whether the program of a State operated under this part shall be treated as complying substantially with the requirements of this part.

[(B)] *(A)* The Secretary may modify the requirements of this subsection to take into account such additional variables as the Secretary identifies (including [the percentage of children born out-of-wedlock in a State] *the percentage of children in a State who are born out of wedlock or for whom support has not been established*) that affect the ability of a State to meet the requirements of this subsection.

[(C)] *(B)* The Secretary shall submit an annual report to the Congress that sets forth the data upon which the paternity establishment percentages *and overall performance in child support enforcement* for States for a fiscal year are based, lists any additional variables the Secretary has identified under subparagraph (A), and describes State performance in establishing paternity *and securing support*.

(h) The standards required by subsection (a)(1) shall include standards establishing time limits governing the period or periods within which a State must accept and respond to requests (from States, jurisdictions thereof, or individuals who apply for services furnished by the State agency under this part or with respect to whom an assignment [under section 402(a)(26)] *pursuant to section 405(a)(8)* is in effect) for assistance in establishing and enforcing support orders, including requests to locate absent parents, establish paternity, and initiate proceedings to establish and collect child support awards.

* * * * * * *

(j) Out of any money in the Treasury of the United States not otherwise appropriated, there is hereby appropriated to the Secretary for each fiscal year an amount equal to 1 percent of the total amount paid to the Federal Government pursuant to section 457(a) during the immediately preceding fiscal year (as determined on the basis of the most recent reliable data available to the Secretary as of the end of the 3rd calendar quarter following the end of such preceding fiscal year), to cover costs incurred by the Secretary for—

(1) information dissemination and technical assistance to States, training of State and Federal staff, staffing studies, and related activities needed to improve programs under this part (including technical assistance concerning State automated systems required by this part); and

(2) research, demonstration, and special projects of regional or national significance relating to the operation of State programs under this part.

FEDERAL PARENT LOCATOR SERVICE

SEC. 453. (a) The Secretary shall establish and conduct a *Federal* Parent Locator Service, under the direction of the designee of the Secretary referred to in section 452(a), which shall be used to obtain and transmit to any authorized person (as defined in subsection (c)) [information as to the whereabouts of any absent parent when such information is to be used to locate such parent for the purpose of enforcing support obligations against such parent.] *, for the purpose of establishing parentage, establishing, setting the amount of, modifying, 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 the individual's social security number (or numbers), most recent address, and the name, address, and employer identification number of the 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).

(b) Upon request, filed in accordance with subsection (d) of any authorized person (as defined in subsection (c)) for the [social security account number (or numbers, if the individual involved has more than one such number) and the most recent address and place of employment of any absent parent] *information described in subsection (a)*, the Secretary shall, notwithstanding any other provision of law, provide through the *Federal* Parent Locator Service such information to such person, if such information—

(1) * * *

* * * * * * *

(e)(1) * * *

(2) Notwithstanding any other provision of law, whenever the individual who is the head of any department, agency, or instrumentality of the United States receives a request from the Secretary for information authorized to be provided by the Secretary under this section, such individual shall promptly cause a search to be made of the files and records maintained by such department, agency, or instrumentality with a view to determining whether the information requested is contained in any such files or records. If such search discloses the information requested, such individual shall immediately transmit such information to the Secretary, except that if any information is obtained the disclosure of which would contravene national policy or security interests of the United States or the confidentiality of census data, such information shall not be transmitted and such individual shall immediately notify the Secretary. If such search fails to disclose the information requested, such individual shall immediately so notify the Secretary. The costs incurred by any such department, agency, or instrumentality of the

United States or of any State in providing such information to the Secretary shall be reimbursed by him *in an amount which the Secretary determines to be reasonable payment for the information exchange (which amount shall not include payment for the costs of obtaining, compiling, or maintaining the information).* Whenever such services are furnished to an individual specified in subsection (c)(3), a fee shall be charged such individual. The fee so charged shall be used to reimburse the Secretary or his delegate for the expense of providing such services.

* * * * * * *

(g) The Secretary may reimburse Federal and State agencies for the costs incurred by such entities in furnishing information requested by the Secretary under this section in an amount which the Secretary determines to be reasonable payment for the information exchange (which amount shall not include payment for the costs of obtaining, compiling, or maintaining the information).

(h) FEDERAL CASE REGISTRY OF CHILD SUPPORT ORDERS.—

(1) IN GENERAL.—Not later than October 1, 1998, in order to assist States in administering programs under State plans approved under this part and programs funded under part A, and for the other purposes specified in this section, the Secretary shall establish and maintain in the Federal Parent Locator Service an automated registry (which shall be known as the "Federal Case Registry of Child Support Orders"), which shall contain abstracts of support orders and other information described in paragraph (2) with respect to each case in each State 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 information referred to in paragraph (1) with respect to a case shall be such information as the Secretary may specify in regulations (including the 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 the case.

(i) NATIONAL DIRECTORY OF NEW HIRES.—

(1) IN GENERAL.—In order to assist States in administering programs under State plans approved under this part and programs funded under part A, and for the other purposes specified in this section, the Secretary shall, not later than October 1, 1996, establish and maintain in the Federal Parent Locator Service an automated directory to be known as the National Directory of New Hires, which shall contain the information supplied pursuant to section 453A(h).

(2) ADMINISTRATION OF FEDERAL TAX LAWS.—The Secretary of the Treasury shall have access to the information in the Federal Directory of New Hires for purposes of administering section 32 of the Internal Revenue Code of 1986, or the advance payment of the earned income tax credit under section 3507 of such Code, and verifying a claim with respect to employment in a tax return.

(j) INFORMATION COMPARISONS AND OTHER DISCLOSURES.—

(1) VERIFICATION BY SOCIAL SECURITY ADMINISTRATION.—

(A) The Secretary shall transmit information on individuals and employers 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 possible, and report to the Secretary, the following information supplied by the Secretary pursuant to subparagraph (A):

(i) The name, social security number, and birth date of each such individual.

(ii) The employer identification number of each such employer.

(2) INFORMATION COMPARISONS.—For the purpose of locating individuals in a paternity establishment case or a case involving the establishment, modification, or enforcement of a support order, the Secretary shall—

(A) compare information in the National Directory of New Hires against information in the support order abstracts in the Federal Case Registry of Child Support Orders not less often than every 2 business days; and

(B) within 2 such days after such a comparison reveals a match with respect to an individual, report the information to the State agency responsible for the case.

(3) INFORMATION COMPARISONS AND DISCLOSURES OF INFORMATION IN ALL REGISTRIES FOR TITLE IV PROGRAM PURPOSES.—To the extent and with the frequency that the Secretary determines to be effective in assisting States to carry out their responsibilities under programs operated under this part and programs funded under part A, the Secretary shall—

(A) compare the information in each component of the Federal Parent Locator Service maintained under this section against the information in each other such component (other than the comparison required by paragraph (2)), and report instances in which such a comparison reveals a match with respect to an individual to State agencies operating such programs; and

(B) disclose information in such registries to such State agencies.

(4) PROVISION OF NEW HIRE INFORMATION TO THE SOCIAL SECURITY ADMINISTRATION.—The National Directory of New Hires shall provide the Commissioner of Social Security with all information in the National Directory, which shall be used to determine the accuracy of payments under the supplemental security income program under title XVI and in connection with benefits under title II.

(5) RESEARCH.—The Secretary may provide access to information reported by employers pursuant to section 453A(b) for research purposes found by the Secretary to be likely to contribute to achieving the purposes of part A or this part, but without personal identifiers.

(k) FEES.—

(1) FOR SSA VERIFICATION.—The Secretary shall reimburse the Commissioner of Social Security, at a rate negotiated be-

tween the Secretary and the Commissioner, for the costs incurred by the Commissioner in performing the verification services described in subsection (j).

(2) FOR INFORMATION FROM STATE DIRECTORIES OF NEW HIRES.—The Secretary shall reimburse costs incurred by State directories of new hires in furnishing information as required by subsection (j)(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 information).

(3) FOR INFORMATION FURNISHED TO STATE AND FEDERAL AGENCIES.—A State or Federal agency that receives information from the Secretary pursuant to this section shall reimburse the Secretary for costs incurred by the Secretary in furnishing the information, at rates which the Secretary determines to be reasonable (which rates shall include payment for the costs of obtaining, verifying, maintaining, and comparing the information).

(l) RESTRICTION ON DISCLOSURE AND USE.—Information in the Federal Parent Locator Service, and information resulting from comparisons using such information, shall not be used or disclosed except as expressly provided in this section, subject to section 6103 of the Internal Revenue Code of 1986.

(m) 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 Federal Parent Locator Service; and

(2) restrict access to confidential information in the Federal Parent Locator Service to authorized persons, and restrict use of such information to authorized purposes.

(n) Out of any money in the Treasury of the United States not otherwise appropriated, there is hereby appropriated to the Secretary for each fiscal year an amount equal to 2 percent of the total amount paid to the Federal Government pursuant to section 457(a) during the immediately preceding fiscal year (as determined on the basis of the most recent reliable data available to the Secretary as of the end of the 3rd calendar quarter following the end of such preceding fiscal year), to cover costs incurred by the Secretary for operation of the Federal Parent Locator Service under this section, to the extent such costs are not recovered through user fees.

(o) SUPPORT ORDER DEFINED.—As used in this part, the term "support order" means an order issued by a court or an administrative process established under State law that requires support and maintenance of a child or of a child and the parent with whom the child is living.

SEC. 453A. STATE DIRECTORY OF NEW HIRES.

(a) ESTABLISHMENT.—

(1) IN GENERAL.—Not later than October 1, 1997, each State shall establish an automated directory (to be known as the "State Directory of New Hires") which shall contain information supplied in accordance with subsection (b) by employers and labor organizations on each newly hired employee.

(2) DEFINITIONS.—As used in this section:

(A) EMPLOYEE.—The term "employee"—

(i) means an individual who is an employee within the meaning of chapter 24 of the Internal Revenue Code of 1986; and

(ii) does not include an employee of a Federal or State agency performing intelligence or counterintelligence functions, if the head of such agency has determined that reporting pursuant to paragraph (1) with respect to the employee could endanger the safety of the employee or compromise an ongoing investigation or intelligence mission.

(B) GOVERNMENTAL EMPLOYERS.—The term "employer" includes any governmental entity.

(C) LABOR ORGANIZATION.—The term "labor organization" shall have the meaning given such term in section 2(5) of the National Labor Relations Act), and includes any entity (also known as a "hiring hall") which is used by the organization and an employer to carry out requirements described in section 8(f)(3) of such Act of an agreement between the organization and the employer.

(b) EMPLOYER INFORMATION.—

(1) REPORTING REQUIREMENT.—Each employer shall furnish to the Directory of New Hires of the State in which a newly hired employee works a report that contains the name, address, and social security number of the employee, and the name of, and identifying number assigned under section 6109 of the Internal Revenue Code of 1986 to, the employer.

(2) TIMING OF REPORT.—The report required by paragraph (1) with respect to an employee shall be made not later than the later of—

(A) 15 days after the date the employer hires the employee; or

(B) the date the employee first receives wages or other compensation from the employer.

(c) REPORTING FORMAT AND METHOD.—Each report required by subsection (b) shall be made on a W–4 form or the equivalent, and may be transmitted by first class mail, magnetically, or electronically.

(d) CIVIL MONEY PENALTIES ON NONCOMPLYING EMPLOYERS.—

(1) IN GENERAL.—An employer that fails to comply with subsection (b) with respect to an employee shall be subject to a civil money penalty of—

(A) $25; or

(B) $500 if, under State law, the failure is the result of a conspiracy between the employer and the employee to not supply the required report or to supply a false or incomplete report.

(2) APPLICABILITY OF SECTION 1128.—Section 1128 (other than subsections (a) and (b) thereof) shall apply to a civil money penalty under paragraph (1) of this subsection in the same manner as such section applies to a civil money penalty or proceeding under section 1128A(a).

(e) INFORMATION COMPARISONS.—

(1) IN GENERAL.—Not later than October 1, 1997, an agency designated by the State shall, directly or by contract, conduct

automated comparisons of the social security numbers reported by employers pursuant to subsection (b) and the social security numbers appearing in the records of the State case registry.

(2) NOTICE OF MATCH.—When an information comparison conducted under paragraph (1) reveals a match with respect to the social security number of an individual required to provide support under a support order, the State Directory of New Hires shall provide the agency administering the State plan approved under this part of the appropriate State with the name, address, and social security number of the employee to whom the social security number is assigned, and the name of, and identifying number assigned under section 6109 of the Internal Revenue Code of 1986 to, the employer.

(g) TRANSMISSION OF WAGE WITHHOLDING NOTICES.—

(1) IN GENERAL.—Within 2 business days after the date information regarding a newly hired employee is entered into the State Directory of New Hires, the State agency enforcing the employee's child support obligation shall transmit a notice to the employer of the employee directing the employer to withhold from the wages of the employee an amount equal to the monthly (or other periodic) child support obligation of the employee, unless the employee's wages are not subject to withholding pursuant to section 466(b)(3).

(2) BUSINESS DAY DEFINED.—As used in paragraph (1) and subsection (h), the term "business day" means a day on which State offices are open for regular business.

(h) TRANSMISSION OF INFORMATION TO THE NATIONAL DIRECTORY OF NEW HIRES.—

(1) IN GENERAL.—Within 4 business days after the State Directory of New Hires receives information from employers pursuant to this section, the State Directory of New Hires shall furnish the information to the National Directory of New Hires.

(2) WAGE AND UNEMPLOYMENT COMPENSATION INFORMATION.—The State Directory of New Hires shall, on a quarterly basis, furnish to the National Directory of New Hires extracts of the reports required under section 303(a)(6) to be made to the Secretary of Labor concerning the wages and unemployment compensation paid to individuals, by such dates, in such format, and containing such information as the Secretary of Health and Human Services shall specify in regulations.

(i) OTHER USES OF NEW HIRE INFORMATION.—

(1) LOCATION OF CHILD SUPPORT OBLIGORS.—The agency administering the State plan approved under this part shall use information received pursuant to subsection (f) to locate individuals for purposes of establishing paternity and establishing, modifying, and enforcing child support obligations.

(2) VERIFICATION OF ELIGIBILITY FOR CERTAIN PROGRAMS.—A State agency responsible for administering a program specified in section 1137(b) shall have access to information reported by employers pursuant to subsection (b) of this section for purposes of verifying eligibility for the program.

(3) ADMINISTRATION OF EMPLOYMENT SECURITY AND WORKERS COMPENSATION.—State agencies operating employment security and workers' compensation programs shall have access to infor-

mation reported by employers pursuant to subsection (b) for the purposes of administering such programs.

STATE PLAN FOR CHILD AND SPOUSAL SUPPORT

SEC. 454. A State plan for child and spousal support must—

(1) * * *

* * * * * * *

[(4) provide that such State will undertake—

[(A) in the case of a child born out of wedlock with respect to whom an assignment under section 402(a)(26) or section 1912 is effective, to establish the paternity of such child, unless the agency administering the plan of the State under part A of this title determines in accordance with the standards prescribed by the Secretary pursuant to section 402(a)(26)(B) that it is against the best interests of the child to do so, or, in the case of such a child with respect to whom an assignment under section 1912 is in effect, the State agency administering the plan approved under title XIX determines pursuant to section 1912(a)(1)(B) that it is against the best interests of the child to do so, and

[(B) in the case of any child with respect to whom such assignment is effective, including an assignment with respect to a child on whose behalf a State agency is making foster care maintenance payments under part E, to secure support for such child from his parent (or from any other person legally liable for such support), and from such parent for his spouse (or former spouse) receiving aid to families with dependent children or medical assistance under a State plan approved under title XIX (but only if a support obligation has been established with respect to such spouse, and only if the support obligation established with respect to the child is being enforced under the plan), utilizing any reciprocal arrangements adopted with other States (unless the agency administering the plan of the State under part A or E of this title determines in accordance with the standards prescribed by the Secretary pursuant to section 402(a)(26)(B) that it is against the best interests of the child to do so), except that when such arrangements and other means have proven ineffective, the State may utilize the Federal courts to obtain or enforce court orders for support;]

(4) provide that the State will—

(A) provide services relating to the establishment of paternity or the establishment, modification, or enforcement of child support obligations, as appropriate, under the plan with respect to—

(i) each child for whom cash assistance is provided under the State program funded under part A of this title, benefits or services are provided under the State program funded under part B of this title, or medical assistance is provided under the State plan approved under title XIX, unless the State agency administering

the plan determines (in accordance with paragraph (27)) that it is against the best interests of the child to do so; and

(ii) any other child, if an individual applies for such services with respect to the child; and

(B) enforce any support obligation established with respect to—

(i) a child with respect to whom the State provides services under the plan; or

(ii) the custodial parent of such a child.

(5) provide that (A) in any case in which support payments are collected for an individual with respect to whom an assignment [under section 402(a)(26)] *pursuant to section 405(a)(8)* is effective, such payments shall be made to the State for distribution pursuant to section 457 and shall not be paid directly to the family, and the individual will be notified on a monthly basis (or on a quarterly basis for so long as the Secretary determines with respect to a State that requiring such notice on a monthly basis would impose an unreasonable administrative burden) of the amount of the support payments collected; [except that this paragraph shall not apply to such payments for any month following the first month in which the amount collected is sufficient to make such family ineligible for assistance under the State plan approved under part A;] and (B) in any case in which support payments are collected for an individual pursuant to the assignment made under section 1912, such payments shall be made to the State for distribution pursuant to section 1912, except that this clause shall not apply to such payments for any month after the month in which the individual ceases to be eligible for medical assistance;

(6) provide that [(A) the child support collection or paternity determination services established under the plan shall be made available to any individual not otherwise eligible for such services upon application filed by such individual with the State, including support collection services for the spouse (or former spouse) with whom the absent parent's child is living (but only if a support obligation has been established with respect to such spouse, and only if the support obligation established with respect to the child is being enforced under the plan),]

(A) services under the plan shall be made available to nonresidents on the same terms as to residents;

(B) an application fee for furnishing such services shall be imposed *on individuals not receiving assistance under any State program funded under part A*, which shall be paid by the individual applying for such services, or recovered from the absent parent, or paid by the State out of its own funds (the payment of which from State funds shall not be considered as an administrative cost of the State for the operation of the plan, and shall be considered income to the program), the amount of which (i) will not exceed $25 (or such higher or lower amount (which shall be uniform for all States) as the Secretary may determine to be appropriate for any fiscal year to reflect increases or

decreases in administrative costs), and (ii) may vary among such individuals on the basis of ability to pay (as determined by the State)**[**,**]***;*

(C) a fee of not more than $25 may be imposed in any case where the State requests the Secretary of the Treasury to withhold past-due support owed to or on behalf of such individual from a tax refund pursuant to section 464(a)(2)**[**,**]***;*

(D) a fee (in accordance with regulations of the Secretary) for performing genetic tests may be imposed on any individual who is not a recipient of **[**aid under a State plan approved**]** *assistance under a State program funded* under part A**[**,**]***;* and

(E) any costs in excess of the fees so imposed may be collected—

(i) from the parent who owes the child or spousal support obligation involved, or

(ii) at the option of the State, from the individual to whom such services are made available, but only if such State has in effect a procedure whereby all persons in such State having authority to order child or spousal support are informed that such costs are to be collected from the individual to whom such services were made available;

* * * * * * *

(8) provide that the agency administering the plan will establish a service to locate absent parents utilizing—

(A) all sources of information and available records, and

[(B) the Parent Locator Service in the Department of Health and Human Services;**]**

(B) the Federal Parent Locator Service established under section 453;

(9) provide that the State will, in accordance with standards prescribed by the Secretary, cooperate with any other State—

(A) * * *

* * * * * * *

(C) in securing compliance by an absent parent residing in such State (whether or not permanently) with an order issued by a court of competent jurisdiction against such parent for the support and maintenance of the child or children or the parent of such child or children with respect to whom aid is being provided under the plan of such other State, **[**and**]**

(D) in carrying out other functions required under a plan approved under this part; *and*

(E) no later than October 1, 1996, in using the forms promulgated pursuant to section 452(a)(11) for income withholding, imposition of liens, and issuance of administrative subpoenas in interstate child support cases;

* * * * * * *

(14)*(A)* comply with such bonding requirements, for employees who receive, disburse, handle, or have access to, cash, as the Secretary shall by regulations prescribe;

[(15)**]***(B)* maintain methods of administration which are designed to assure that persons responsible for handling cash receipts shall not participate in accounting or operating functions which would permit them to conceal in the accounting records the misuse of cash receipts (except that the Secretary shall by regulations provide for exceptions to this requirement in the case of sparsely populated areas where the hiring of unreasonable additional staff would otherwise be necessary);

(15) provide for—

(A) a process for annual reviews of and reports to the Secretary on the State program operated under the State plan approved under this part, which shall include such information as may be necessary to measure State compliance with Federal requirements for expedited procedures and timely case processing, using such standards and procedures as are required by the Secretary, under which the State agency will determine the extent to which the program is operated in compliance with this part; and

(B) a process of extracting from the automated data processing system required by paragraph (16) 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.

(16) provide**[**, at the option of the State,**]** for the establishment *and operation by the State agency,* in accordance with an (initial and annually updated) advance automated data processing planning document approved under section 452(d), of a statewide automated data processing and information retrieval system *meeting the requirements of section 454A* designed effectively and efficiently to assist management in the administration of the State plan, **[**in the State and localities thereof, so as (A)**]** *so as* to control, account for, and monitor **[**(i)**]** all the factors in the support enforcement collection and paternity determination process under such plan **[**(including, but not limited to, (I) identifiable correlation factors (such as social security numbers, names, dates of birth, home addresses and mailing addresses (including postal ZIP codes) of any individual with respect to whom support obligations are sought to be established or enforced and with respect to any person to whom such support obligations are owing) to assure sufficient compatibility among the systems of different jurisdictions to permit periodic screening to determine whether such individual is paying or is obligated to pay support in more than one jurisdiction, (II) checking of records of such individuals on a periodic basis with Federal, intra- and inter-State, and local agencies, (III) maintaining the data necessary to meet the Federal reporting requirements on a timely basis, and (IV) delinquency and enforcement activities), (ii) the collection and distribution of sup-

port payments (both intra- and inter-State), the determination, collection, and distribution of incentive payments both inter- and intra-State, and the maintenance of accounts receivable on all amounts owed, collected and distributed, and (iii) the costs of all services rendered, either directly or by interfacing with State financial management and expenditure information, (B) to provide interface with records of the State's aid to families with dependent children program in order to determine if a collection of a support payment causes a change affecting eligibility for or the amount of aid under such program, (C) to provide for security against unauthorized access to, or use of, the data in such system, (D) to facilitate the development and improvement of the income withholding and other procedures required under section 466(a) through the monitoring of support payments, the maintenance of accurate records regarding the payment of support, and the prompt provision of notice to appropriate officials with respect to any arrearages in support payments which may occur, and (E) to provide management information on all cases under the State plan from initial referral or application through collection and enforcement;**]***;*

* * * * * * *

(22) in order for the State to be eligible to receive any incentive **[**payments**]** *adjustments* under section 458, provide that, if one or more political subdivisions of the State participate in the costs of carrying out activities under the State plan during any period, each such subdivision shall be entitled to receive an appropriate share (as determined by the State) of any such **[**incentive payments made to the State for such period**]** *any increases in Federal payments to the State resulting from such incentive adjustments*, taking into account the efficiency and effectiveness of the activities carried out under the State plan by such political subdivision;

(23) provide that the State will regularly and frequently publicize, through public service announcements, the availability of child support enforcement services under the plan and otherwise, including information as to any application fees for such services and a telephone number or postal address at which further information may be obtained *and will publicize the availability and encourage the use of procedures for voluntary establishment of paternity and child support by means the State deems appropriate*; **[**and

[(24) provide that if the State, as of the date of the enactment of this paragraph, does not have in effect an automated data processing and information retrieval system meeting all of the requirements of paragraph (16), the State—

[(A) will submit to the Secretary by October 1, 1991, for review and approval by the Secretary within 9 months after submittal an advance automated data processing planning document of the type referred to in such paragraph; and

[(B) will have in effect by October 1, 1995, an operational automated data processing and information retrieval system, meeting all the requirements of that paragraph, which has been approved by the Secretary.**]**

(24) provide that the State will have in effect an automated data processing and information retrieval system—

(A) by October 1, 1995, which meets 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, 1999, which meets all requirements of this part enacted on or before the date of the enactment of the Welfare Transformation Act of 1995, except that such deadline shall be extended by 1 day for each day (if any) by which the Secretary fails to meet the deadline imposed by section 545(a)(3) of such Act.

(25) will have in effect safeguards, applicable to all confidential information handled by the State agency, that are 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;

(B) prohibitions against the release of information on the whereabouts of one party to another party against whom a protective order with respect to the former party has been entered; and

(C) prohibitions against the release of information on the whereabouts of one party to another party if the State has reason to believe that the release of the information may result in physical or emotional harm to the former party;

(26) provide that, on and after October 1, 1998, the State agency will—

(A) operate, in accordance with section 454B, a State disbursement unit for the collection and disbursement of child support under support orders being enforced under this part; and

(B) have sufficient State staff (consisting of State employees) and (at State option) contractors reporting directly to the State agency to—

(i) monitor and enforce support collections through the unit (including carrying out the automated data processing responsibilities described in section 454A(g)); and

(ii) take the actions described in section 466(c)(1) in appropriate cases;

(27) provide that the State agency responsible for administering the State plan—

(A) shall require each individual who has applied for or is receiving assistance under the State program funded under part A to cooperate with the State in establishing the paternity of, and in establishing, modifying, or enforcing a support order for, any child of the individual by providing the State agency with the name of, and such other information as the State agency may require with respect to, the father of the child, subject to such good cause and other exceptions as the State may establish; and

(B) may require the individual and the child to submit to genetic tests; and

(28) provide that the State shall use the definitions established under section 452(a)(5) in collecting and reporting information as required under this part.

The State may allow the jurisdiction which makes the collection involved to retain any application fee under paragraph (6)(B) or any late payment fee under paragraph (21).

SEC. 454A. AUTOMATED DATA PROCESSING.

(a) IN GENERAL.—In order for a State to meet the requirements of this section, the State agency administering the State program under this part 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 with the frequency and in the manner required by or under this part.

(b) PROGRAM MANAGEMENT.—The automated system required by this section shall perform such functions as the Secretary may specify relating to management of the State program under this part, including—

(1) controlling and accounting for use of Federal, State, and local funds in carrying out the program; and

(2) maintaining the data necessary to meet Federal reporting requirements under this part 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 by this section, which shall include the following (in addition to such other safeguards as the Secretary may specify 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 the State program under this part; and

(B) specify the data which may be used for particular program purposes, and the personnel permitted access to such data.

(2) SYSTEMS CONTROLS.—Systems controls (such as passwords or blocking of fields) to ensure strict adherence to the policies described in 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.—Procedures to ensure that all personnel (including State and local agency staff and contractors) who may have access to or be required to use confidential program data are informed of applicable requirements and penalties (including those in section 6103 of the Internal Revenue Code of 1986), and are adequately trained in security procedures.

(5) PENALTIES.—Administrative penalties (up to and including dismissal from employment) for unauthorized access to, or disclosure or use of, confidential data.

(e) STATE CASE REGISTRY OF CHILD SUPPORT ORDERS.—

(1) CONTENTS.—The automated system required by this section shall include a registry (which shall be known as the "State case registry") that contains records with respect to—

(A) each case in which services are being provided by the State agency under the State plan approved under this part; and

(B) each support order established or modified in the State on or after October 1, 1998.

(2) LINKING OF LOCAL REGISTRIES.—The State case registry may be established by linking local case registries of support orders through an automated information network, subject to this section.

(3) USE OF STANDARDIZED DATA ELEMENTS.—Such records shall use standardized data elements for both parents (such as names, social security numbers and other uniform identification numbers, dates of birth, and case identification numbers), and contain such other information (such as on case status) as the Secretary may require.

(4) PAYMENT RECORDS.—Each case record in the State case registry with respect to which services are being provided under the State plan approved under this part and with respect to which a support order has been established shall include a record of—

(A) the amount of monthly (or other periodic) support owed under the order, and other amounts (including arrears, interest or late payment penalties, and fees) due or overdue under the order;

(B) any amount described in subparagraph (A) that has been collected;

(C) the distribution of such collected amounts;

(D) the birth date of any child for whom the order requires the provision of support; and

(E) the amount of any lien imposed pursuant to section 466(a)(4).

(5) UPDATING AND MONITORING.—The State agency operating the automated system required by this section shall promptly establish and maintain, and regularly monitor, case records in the State case registry with respect to which services are being

provided under the State plan approved under this part, 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 comparison with Federal, State, or local sources of information;

(C) information on support collections and distributions; and

(D) any other relevant information.

(f) INFORMATION COMPARISONS AND OTHER DISCLOSURES OF INFORMATION.—The State shall use the automated system required by this section to extract information from (at such times, and in such standardized format or formats, as may be required by the Secretary), to share and compare information with, and to receive information from, other data bases and information comparison services, in order to obtain (or provide) information necessary to enable the State agency (or the Secretary or other State or Federal agencies) to carry out this part, subject to section 6103 of the Internal Revenue Code of 1986. Such information comparison activities shall include the following:

(1) FEDERAL CASE REGISTRY OF CHILD SUPPORT ORDERS.—Furnishing to the Federal Case Registry of Child Support Orders established under section 453(h) (and update as necessary, with information including notice of expiration of orders) the minimum amount of information on child support cases recorded in the State case registry that is necessary to operate the registry (as specified by the Secretary in regulations).

(2) FEDERAL PARENT LOCATOR SERVICE.—Exchanging information with the Federal Parent Locator Service for the purposes specified in section 453.

(3) TEMPORARY FAMILY ASSISTANCE AND MEDICAID AGENCIES.—Exchanging information with State agencies (of the State and of other States) administering programs funded under part A, programs operated under State plans under title XIX, and other programs designated by the Secretary, as necessary to perform State agency responsibilities under this part and under such programs.

(4) INTRA- AND INTERSTATE INFORMATION COMPARISONS.—Exchanging information 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.

(g) COLLECTION AND DISTRIBUTION OF SUPPORT PAYMENTS.—

(1) IN GENERAL.—The State shall use the automated system required by this section, to the maximum extent feasible, to assist and facilitate the collection and disbursement of support payments through the State disbursement unit operated under section 454B, through the performance of functions, including, at a minimum—

(A) transmission of orders and notices to employers (and other debtors) for the withholding of wages (and other income)—

(i) within 2 business days after receipt (from a court, another State, an employer, the Federal Parent Locator Service, or another source recognized by the State) of notice of, and the income source subject to, such withholding; and

(ii) using uniform formats prescribed by the Secretary;

(B) ongoing monitoring to promptly identify failures to make timely payment of support; and

(C) automatic use of enforcement procedures (including procedures authorized pursuant to section 466(c)) where payments are not timely made.

(2) BUSINESS DAY DEFINED.—As used in paragraph (1), the term "business day" means a day on which State offices are open for regular business.

(h) EXPEDITED ADMINISTRATIVE PROCEDURES.—The automated system required by this section shall be used, to the maximum extent feasible, to implement the expedited administrative procedures required by section 466(c).

SEC. 454B. COLLECTION AND DISBURSEMENT OF SUPPORT PAYMENTS.

(a) STATE DISBURSEMENT UNIT.—

(1) IN GENERAL.—In order to meet the requirement of section 454(26) on and after October 1, 1998, the State agency must establish and operate a unit (which shall be known as the "State disbursement unit") for the collection and disbursement of payments under support orders in all cases being enforced by the State pursuant to section 454(4).

(2) OPERATION.—The State disbursement unit shall be operated—

(A) directly by the State agency (or 2 or more State agencies under a regional cooperative agreement), or (to the extent appropriate) by a contractor responsible directly to the State agency; and

(B) in coordination with the automated system established by the State pursuant to section 454A.

(3) LINKING OF LOCAL DISBURSEMENT UNITS.—The State disbursement unit may be established by linking local disbursement units through an automated information network, subject to this section.

(b) REQUIRED PROCEDURES.—The State disbursement 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 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 any parent, upon request, timely information on the current status of support payments under an order requiring payments to be made by or to the parent.

(c) TIMING OF DISBURSEMENTS.—The State disbursement unit shall distribute all amounts payable under section 457(a) within 2 business days after receipt from the employer or other source of periodic income, if sufficient information identifying the payee is provided.

(d) BUSINESS DAY DEFINED.—As used in this section, the term "business day" means a day on which State offices are open for regular business.

PAYMENTS TO STATES

SEC. 455. (a)(1) [From] *Subject to subsection (c), from* the sums appropriated therefor, the Secretary shall pay to each State for each quarter an amount—

(A) equal to the percent specified in paragraph (2) of the total amounts expended by such State during such quarter for the operation of the plan approved under section 454,

(B) equal to [90 percent] *the percent specified in paragraph (3)* (rather than the percent specified in subparagraph (A)) of [so much of] the sums expended during such quarter as are attributable to the planning, design, development, installation or enhancement of an automatic data processing and information retrieval system (including in such sums the full cost of the hardware components of such system) [which the Secretary finds meets the requirements specified in section 454(16), or meets such requirements without regard to clause (D) thereof, and], *and*

(C) equal to 90 percent (rather than the percentage specified in subparagraph (A)) of so much of the sums expended during such quarter as are attributable to laboratory costs incurred in determining paternity;

except that no amount shall be paid to any State on account of amounts expended to carry out an agreement which it has entered into pursuant to section 463. In determining the total amounts expended by any State during a quarter, for purposes of this subsection, there shall be excluded an amount equal to the total of any fees collected or other income resulting from services provided under the plan approved under this part.

[(2) The percent applicable to quarters in a fiscal year for purposes of paragraph (1)(A) is—

[(A) 70 percent for fiscal years 1984, 1985, 1986, and 1987,

[(B) 68 percent for fiscal years 1988 and 1989, and

[(C) 66 percent for fiscal year 1990 and each fiscal year thereafter.]

(2) The percent specified in this paragraph for any quarter is 66 percent.

(3)(A) The Secretary shall pay to each State, for each quarter in fiscal year 1996, 90 percent of so much of the State expenditures described in paragraph (1)(B) as the Secretary finds are for a system meeting the requirements specified in section 454(16).

(B)(i) The Secretary shall pay to each State, for each quarter in fiscal years 1997 through 2001, the percentage specified in clause (ii) of so much of the State expenditures described in paragraph (1)(B) as the Secretary finds are for a system meeting the requirements of sections 454(16) and 454A.

(ii) The percentage specified in this clause is the greater of—

(I) 80 percent; or

(II) the percentage otherwise applicable to Federal payments to the State under subparagraph (A) (as adjusted pursuant to section 458).

* * * * * * *

(c) MAINTENANCE OF EFFORT.—Notwithstanding subsection (a), the total expenditures under the State plan approved under this part for fiscal year 1997 and each succeeding fiscal year, reduced by the percentage specified in paragraph (2) for the fiscal year shall not be less than such total expenditures for fiscal year 1996, reduced by 66 percent.

* * * * * * *

SUPPORT OBLIGATIONS

SEC. 456. (a)(1) The support rights assigned to the State [under section 402(a)(26)] *pursuant to section 405(a)(8)* or secured on behalf of a child receiving [foster care maintenance payments] *benefits or services under a State program funded under part B* shall constitute an obligation owed to such State by the individual responsible for providing such support. Such obligation shall be deemed for collection purposes to be collectible under all applicable State and local processes.

* * * * * * *

(b) A debt which is a child support obligation assigned to a State [under section 402(a)(26)] *pursuant to section 405(a)(8)* is not released by a discharge in bankruptcy under title 11, United States Code.

[DISTRIBUTION OF PROCEEDS

[SEC. 457. (a) The amounts collected as child support by a State pursuant to a plan approved under this part during the 15 months beginning July 1, 1975, shall be distributed as follows:

[(1) 40 per centum of the first $50 of such amounts as are collected periodically which represent monthly support payments shall be paid to the family without any decrease in the amount paid as assistance to such family during such month;

[(2) such amounts as are collected periodically which are in excess of any amount paid to the family under paragraph (1) which represent monthly support payments shall be retained by the State to reimburse it for assistance payments to the family during such period (with appropriate reimbursement of the Federal Government to the extent of its participation in the financing);

[(3) such amounts as are in excess of amounts retained by the State under paragraph (2) and are not in excess of the amount required to be paid during such period to the family by a court order shall be paid to the family; and

[(4) such amounts as are in excess of amounts required to be distributed under paragraphs (1), (2), and (3) shall be (A) retained by the State (with appropriate reimbursement of the Federal Government to the extent of its participation in the fi-

nancing) as reimbursement for any past assistance payments made to the family for which the State has not been reimbursed or (B) if no assistance payments have been made by the State which have not been repaid, such amounts shall be paid to the family.

[(b) The amounts collected as support by a State pursuant to a plan approved under this part during any fiscal year beginning after September 30, 1976, shall (subject to subsection (d)) be distributed as follows:

[(1) of such amounts as are collected periodically which represent monthly support payments, the first $50 of any payments for a month received in that month, and the first $50 of payments for each prior month received in that month which were made by the absent parent in the month when due, 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) such amounts as are collected periodically which are in excess of any amount paid to the family under paragraph (1) and which represent monthly support payments shall be retained by the State to reimburse it for assistance payments to the family during such period (with appropriate reimbursement of the Federal Government to the extent of its participation in the financing);

[(3) such amounts as are in excess of amounts retained by the State under paragraph (2) and are not in excess of the amount required to be paid during such period to the family by a court or administrative order shall be paid to the family; and

[(4) such amounts as are in excess of amounts required to be distributed under paragraphs (1), (2), and (3) shall be (A) retained by the State (with appropriate reimbursement of the Federal Government to the extent of its participation in the financing) as reimbursement for any past assistance payments made to the family for which the State has not been reimbursed or (B) if no assistance payments have been made by the State which have not been repaid, such amounts shall be paid to the family.

[(c) Whenever a family with respect to which child support enforcement services have been provided pursuant to section 454(4) ceases to receive assistance under part A of this title, the State shall provide appropriate notice to the family and continue to provide such services, and pay any amount of support collected, subject to the same conditions and on the same basis as in the case of the individuals to whom services are furnished pursuant to section 454(6), except that no application or other request to continue services shall be required of a family to which this subsection applies, and the provisions of section 454(6)(B) may not be applied.

[(d) Notwithstanding the preceding provisions of this section, amounts collected by a State as child support for months in any period on behalf of a child for whom a public agency is making foster care maintenance payments under part E—

[(1) shall be retained by the State to the extent necessary to reimburse it for the foster care maintenance payments made

with respect to the child during such period (with appropriate reimbursement of the Federal Government to the extent of its participation in the financing);

[(2) shall be paid to the public agency responsible for supervising the placement of the child to the extent that the amounts collected exceed the foster care maintenance payments made with respect to the child during such period but not the amounts required by a court or administrative order to be paid as support on behalf of the child during such period; and the responsible agency may use the payments in the manner it determines will serve the best interests of the child, including setting such payments aside for the child's future needs or making all or a part thereof available to the person responsible for meeting the child's day-to-day needs; and

[(3) shall be retained by the State, if any portion of the amounts collected remains after making the payments required under paragraphs (1) and (2), to the extent that such portion is necessary to reimburse the State (with appropriate reimbursement to the Federal Government to the extent of its participation in the financing) for any past foster care maintenance payments (or payments of aid to families with dependent children) which were made with respect to the child (and with respect to which past collections have not previously been retained);

and any balance shall be paid to the State agency responsible for supervising the placement of the child, for use by such agency in accordance with paragraph (2).

[INCENTIVE PAYMENTS TO STATES

[SEC. 458. (a) In order to encourage and reward State child support enforcement programs which perform in a cost-effective and efficient manner to secure support for all children who have sought assistance in securing support, whether such children reside within the State or elsewhere and whether or not they are eligible for aid to families with dependent children under a State plan approved under part A of this title, and regardless of the economic circumstances of their parents, the Secretary shall, from support collected which would otherwise represent the Federal share of assistance to families of absent parents, pay to each State for each fiscal year, on a quarterly basis (as described in subsection (e)) beginning with the quarter commencing October 1, 1985, an incentive payment in an amount determined under subsection (b).

[(b)(1) Except as provided in paragraphs (2), (3), and (4), the incentive payment shall be equal to—

[(A) 6 percent of the total amount of support collected under the plan during the fiscal year in cases in which the support obligation involved is assigned to the State pursuant to section 402(a)(26) or section 471(a)(17) (with such total amount for any fiscal year being hereafter referred to in this section as the State's "AFDC collections" for that year), plus

[(B) 6 percent of the total amount of support collected during the fiscal year in all other cases under this part (with such total amount for any fiscal year being hereafter referred to in

this section as the State's "non-AFDC collections" for that year).

[(2) If subsection (c) applies with respect to a State's AFDC collections or non-AFDC collections for any fiscal year, the percent specified in paragraph (1)(A) or (B) (with respect to such collections) shall be increased to the higher percent determined under such subsection (with respect to such collections) in determining the State's incentive payment under this subsection for that year.

[(3) The dollar amount of the portion of the State's incentive payment for any fiscal year which is determined on the basis of its non-AFDC collections under paragraph (1)(B) (after adjustment under subsection (c) if applicable) shall in no case exceed—

[(A) the dollar amount of the portion of such payment which is determined on the basis of its AFDC collections under paragraph (1)(A) (after adjustment under subsection (c) if applicable) in the case of fiscal year 1986 or 1987;

[(B) 105 percent of such dollar amount in the case of fiscal year 1988;

[(C) 110 percent of such dollar amount in the case of fiscal year 1989; or

[(D) 115 percent of such dollar amount in the case of fiscal year 1990 or any fiscal year thereafter.

[(4) The Secretary shall make such additional payments to the State under this part, for fiscal year 1986 or 1987, as may be necessary to assure that the total amount of payments under this section and section 455(a)(1)(A) for such fiscal year is no less than 80 percent of the amount that would have been payable to that State and its political subdivisions for such fiscal year under this section and section 455(a)(1)(A) if those sections (including the amendment made by section 5(c)(2)(A) of the Child Support Enforcement Amendments of 1984) had remained in effect as they were in effect for fiscal year 1985.

[(c) If the total amount of a State's AFDC collections or non-AFDC collections for any fiscal year bears a ratio to the total amount expended by the State in that year for the operation of its plan approved under section 454 for which payment may be made under section 455 (with the total amount so expended in any fiscal year being hereafter referred to in this section as the State's "combined AFDC/non-AFDC administrative costs" for that year) which is equal to or greater than 1.4, the relevant percent specified in subparagraph (A) or (B) of subsection (b)(1) (with respect to such collections) shall be increased to—

[(1) 6.5 percent, plus

[(2) one-half of 1 percent for each full two-tenths by which such ratio exceeds 1.4;

except that the percent so specified shall in no event be increased (for either AFDC collections or non-AFDC collections) to more than 10 percent. For purposes of the preceding sentence, laboratory costs incurred in determining paternity in any fiscal year may at the option of the State be excluded from the State's combined AFDC/non-AFDC administrative costs for that year.

[(d) In computing incentive payments under this section, support which is collected by one State at the request of another State shall be treated as having been collected in full by each such State, and

any amounts expended by the State in carrying out a special project assisted under section 455(e) shall be excluded.

[(e) The amounts of the incentive payments to be made to the various States under this section for any fiscal year shall be estimated by the Secretary at or before the beginning of such year on the basis of the best information available. The Secretary shall make such payments for such year, on a quarterly basis (with each quarterly payment being made no later than the beginning of the quarter involved), in the amounts so estimated, reduced or increased to the extent of any overpayments or underpayments which the Secretary determines were made under this section to the States involved for prior periods and with respect to which adjustment has not already been made under this subsection. Upon the making of any estimate by the Secretary under the preceding sentence, any appropriations available for payments under this section shall be deemed obligated.

[CONSENT BY THE UNITED STATES TO GARNISHMENT AND SIMILAR PROCEEDINGS FOR ENFORCEMENT OF CHILD SUPPORT AND ALIMONY OBLIGATIONS

[SEC. 459. (a) Notwithstanding any other provision of law (including section 207), effective January 1, 1975, moneys (the entitlement to which is based upon remuneration for employment) due from, or payable by, the United States or the District of Columbia (including any agency, subdivision, or instrumentality thereof) to any individual, including members of the armed services, shall be subject, in like manner and to the same extent as if the United States or the District of Columbia were a private person, to legal process brought for the enforcement, against such individual of his legal obligations to provide child support or make alimony payments.

[(b) Service of legal process brought for the enforcement of an individual's obligation to provide child support or make alimony payments shall be accomplished by certified or registered mail, return receipt requested, or by personal service, upon the appropriate agent designated for receipt of such service of process pursuant to regulations promulgated pursuant to section 461 (or, if no agent has been designated for the governmental entity having payment responsibility for the moneys involved, then upon the head of such governmental entity). Such process shall be accompanied by sufficient data to permit prompt identification of the individual and the moneys involved.

[(c) No Federal employee whose duties include responding to interrogatories pursuant to requirements imposed by section 461(b)(3) shall be subject under any law to any disciplinary action or civil or criminal liability or penalty for, or on account of, any disclosure of information made by him in connection with the carrying out of any of his duties which pertain (directly or indirectly) to the answering of any such interrogatory.

[(d) Whenever any person, who is designated by law or regulation to accept service of process to which the United States is subject under this section, is effectively served with any such process or with interrogatories relating to an individual's child support or alimony payment obligations, such person shall respond thereto

within thirty days (or within such longer period as may be prescribed by applicable State law) after the date effective service thereof is made, and shall, as soon as possible but not later than fifteen days after the date effective service is so made of any such process, send written notice that such process has been so served (together with a copy thereof) to the individual whose moneys are affected thereby at his duty station or last-known home address.

[(e) Governmental entities affected by legal processes served for the enforcement of an individual's child support or alimony payment obligations shall not be required to vary their normal pay and disbursement cycles in order to comply with any such legal process.

[(f) Neither the United States, any disbursing officer, nor governmental entity shall be liable with respect to any payment made from moneys due or payable from the United States to any individual pursuant to legal process regular on its face, if such payment is made in accordance with this section and the regulations issued to carry out this section.]

SEC. 457. DISTRIBUTION OF COLLECTED SUPPORT.

(a) IN GENERAL.—An amount collected on behalf of a family as support by a State pursuant to a plan approved under this part shall be distributed as follows:

(1) FAMILIES RECEIVING ASSISTANCE UNDER STATE PROGRAM FUNDED UNDER PART A.—In the case of a family receiving assistance under the State program funded under part A, the State shall—

(A) retain, or distribute to the family, the State share of the amount; and

(B) pay to the Federal Government the Federal share of the amount.

(2) FAMILIES THAT FORMERLY RECEIVED ASSISTANCE UNDER STATE PROGRAM FUNDED UNDER PART A.—In the case of a family that formerly received assistance under the State program funded under part A:

(A) CURRENT SUPPORT PAYMENTS.—To the extent that the amount does not exceed the amount required to be paid to the family for the month in which collected, the State shall distribute the amount to the family.

(B) PAYMENTS OF ARREARAGES.—To the extent that the amount exceeds the amount required to be paid to the family for the month in which collected, the State shall distribute the amount as follows:

(i) DISTRIBUTION TO THE FAMILY TO SATISFY ARREARAGES THAT ACCRUED BEFORE OR AFTER THE FAMILY RECEIVED ASSISTANCE.—The State shall distribute the amount to the family to the extent necessary to satisfy any support arrears with respect to the family that accrued before or after the family received assistance under the State program funded under part A or the State plan approved under part A of this title (as in effect before October 1, 1996).

(ii) REIMBURSEMENT OF GOVERNMENTS FOR ASSISTANCE PROVIDED TO THE FAMILY.—To the extent that clause (i) does not apply to the amount, the State shall retain the State share of the amount, and pay to the

Federal Government the Federal share of the amount, to the extent necessary to reimburse amounts paid to the family as assistance under the State program funded under part A or as aid to families with dependent children under the State plan approved under part A of this title (as in effect before October 1, 1996).

(iii) DISTRIBUTION OF THE REMAINDER TO THE FAMILY.—To the extent that neither clause (i) nor clause (ii) applies to the amount, the State shall distribute the amount to the family.

(3) FAMILIES THAT NEVER RECEIVED ASSISTANCE.—In the case of any other family, the State shall distribute the amount to the family.

(b) DEFINITIONS.—As used in subsection (a):

(1) FEDERAL SHARE.—The term "Federal share" means, with respect to a State, the greatest Federal medical assistance percentage in effect for the State for fiscal year 1995 or any succeeding fiscal year.

(2) FEDERAL MEDICAL ASSISTANCE PERCENTAGE.—The term "Federal medical assistance percentage" means—

(A) the Federal medical assistance percentage (as defined in section 1118), in the case of Puerto Rico, the Virgin Islands, Guam, and American Samoa; or

(B) the Federal medical assistance percentage (as defined in section 1905(b)) in the case of any other State.

(3) STATE SHARE.—The term "State share" means 100 percent minus the Federal share.

(c) CONTINUATION OF SERVICES FOR FAMILIES CEASING TO RECEIVE ASSISTANCE UNDER THE STATE PROGRAM FUNDED UNDER PART A.—When a family with respect to which services are provided under a State plan approved under this part ceases to receive assistance under the State program funded under part A, the State shall provide appropriate notice to the family and continue to provide such services, subject to the same conditions and on the same basis as in the case of individuals to whom services are furnished under section 454, except that an application or other request to continue services shall not be required of such a family and section 454(6)(B) shall not apply to the family.

SEC. 458. INCENTIVE ADJUSTMENTS TO MATCHING RATE.

(a) INCENTIVE ADJUSTMENTS.—

(1) IN GENERAL.—Beginning with fiscal year 1999, the Secretary shall increase the percent specified in section 455(a)(2) that applies to payments to a State under section 455(a)(1)(A) for each quarter in a fiscal year by a factor reflecting the sum of the applicable incentive adjustments (if any) determined in accordance with regulations under this section with respect to the paternity establishment percentage of the State for the immediately preceding fiscal year and with respect to overall performance of the State in child support enforcement during such preceding fiscal year.

(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 a State must attain to qualify for an incentive adjustment under this section; and

(ii) the amounts of incentive adjustment that shall be awarded to a State that achieves specified accomplishment or improvement levels, which amounts shall be graduated, ranging up to—

(I) 12 percentage points, in connection with paternity establishment; and

(II) 12 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 the 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) REDUCTION OF INCENTIVE ADJUSTMENT IN CERTAIN CASES.—

(A) IN GENERAL.—If the Secretary finds, as a result of an audit conducted under section 452(a)(4)(C) that the paternity establishment percentage of a State does not meet the requirement of subparagraph (B) for a fiscal year and that the State has failed to take sufficient corrective action, or that the data submitted by the State under section 454(15)(B) is incomplete or unreliable, the Secretary shall reduce the amount (if any) of the incentive adjustment due the State for the fiscal year—

(i) in the case of the 1st such finding, by not less than 3 percent and not more than 5 percent;

(ii) in the case of the 2nd such finding, by not less than 5 percent and not more than 8 percent; or

(iii) in the case of the 3rd or subsequent such finding, by not less than 10 percent and not more than 15 percent.

(B) REQUIREMENT.—The requirement of this subparagraph is that the paternity establishment percentage of the State for the fiscal year must be not less than—

(i) 90 percent;

(ii) the paternity establishment percentage of the State for the immediately preceding fiscal year plus 6 percentage points, if the paternity establishment per-

centage of the State for the fiscal year is not less than 50 percent and less than 90 percent; or

(iii) the paternity establishment percentage of the State for the immediately preceding fiscal year plus 10 percentage points, if the paternity establishment percentage of the State for the fiscal year is less than 50 percent.

(5) RECYCLING OF INCENTIVE ADJUSTMENT.—A State to which funds are paid by the Federal Government as a result of an incentive adjustment under this section shall expend the funds in the State program under this part within 2 years after the date of the payment.

(b) DEFINITIONS.—As used in this section:

(1) PATERNITY ESTABLISHMENT PERCENTAGE.—The term "paternity establishment percentage" means, with respect to a State and a fiscal year—

(A) the total number of children in the State who were born out of wedlock, who have not attained 1 year of age and for whom paternity is established or acknowledged during the fiscal year; divided by

(B) the total number of children born out of wedlock in the State during the fiscal year.

(2) OVERALL PERFORMANCE IN CHILD SUPPORT ENFORCEMENT.—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 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 (after consultation with the States).

SEC. 459. CONSENT BY THE UNITED STATES TO INCOME WITHHOLDING, GARNISHMENT, AND SIMILAR PROCEEDINGS FOR ENFORCEMENT OF CHILD SUPPORT AND ALIMONY OBLIGATIONS.

(a) CONSENT TO SUPPORT ENFORCEMENT.—Notwithstanding any other provision of law (including section 207 of this Act and section 5301 of title 38, United States Code), effective January 1, 1975, moneys (the entitlement to which is based upon remuneration for employment) due from, or payable by, the United States or the District of Columbia (including any agency, subdivision, or instrumentality thereof) to any individual, including members of the Armed Forces of the United States, shall be subject, in like manner and to the same extent as if the United States or the District of Columbia were a private person, to withholding in accordance with State law enacted pursuant to subsections (a)(1) and (b) of section 466 and regulations of the Secretary under such subsections, and to any other legal process brought, by a State agency administering a program under a State plan approved under this part or by an individ-

ual obligee, to enforce the legal obligation of the individual to provide child support or alimony.

(b) CONSENT TO REQUIREMENTS APPLICABLE TO PRIVATE PERSON.—With respect to notice to withhold income pursuant to subsection (a)(1) or (b) of section 466, or any other order or process to enforce support obligations against an individual (if the order or process contains or is accompanied by sufficient data to permit prompt identification of the individual and the moneys involved), each governmental entity specified in subsection (a) shall be subject to the same requirements as would apply if the entity were a private person, except as otherwise provided in this section.

(c) DESIGNATION OF AGENT; RESPONSE TO NOTICE OR PROCESS—

(1) DESIGNATION OF AGENT.—The head of each agency subject to this section shall—

(A) designate an agent or agents to receive orders and accept service of process in matters relating to child support or alimony; and

(B) annually publish in the Federal Register the designation of the agent or agents, identified by title or position, mailing address, and telephone number.

(2) RESPONSE TO NOTICE OR PROCESS.—If an agent designated pursuant to paragraph (1) of this subsection receives notice pursuant to State procedures in effect pursuant to subsection (a)(1) or (b) of section 466, or is effectively served with any order, process, or interrogatory, with respect to an individual's child support or alimony payment obligations, the agent shall—

(A) as soon as possible (but not later than 15 days) thereafter, send written notice of the notice or service (together with a copy of the notice or service) to the individual at the duty station or last-known home address of the individual;

(B) within 30 days (or such longer period as may be prescribed by applicable State law) after receipt of a notice pursuant to such State procedures, comply with all applicable provisions of 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 interrogatory, respond to the order, process, or interrogatory.

(d) PRIORITY OF CLAIMS.—If a governmental entity specified in subsection (a) receives notice or is served with process, as provided in this section, concerning amounts owed by an individual to more than 1 person—

(1) support collection under section 466(b) must be given priority over any other process, as provided in section 466(b)(7);

(2) allocation of moneys due or payable to an individual among claimants under section 466(b) shall be governed by section 466(b) and the regulations prescribed under such section; and

(3) 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.

(e) NO REQUIREMENT TO VARY PAY CYCLES.—A governmental entity that is affected by legal process served for the enforcement of an individual's child support or alimony payment obligations shall not be required to vary its normal pay and disbursement cycle in order to comply with the legal process.

(f) RELIEF FROM LIABILITY.—

(1) Neither the United States, nor the government of the District of Columbia, nor any disbursing officer shall be liable with respect to any payment made from moneys due or payable from the United States to any individual pursuant to legal process regular on its face, if the payment is made in accordance with this section and the regulations issued to carry out this section.

(2) No Federal employee whose duties include taking actions necessary to comply with the requirements of subsection (a) with regard to any individual shall be subject under any law to any disciplinary action or civil or criminal liability or penalty for, or on account of, any disclosure of information made by the employee in connection with the carrying out of such actions.

(g) REGULATIONS.—Authority to promulgate regulations for the implementation of this section shall, insofar as this section applies to moneys due from (or payable by)—

(1) the United States (other than the legislative or judicial branches of the Federal Government) or the government of the District of Columbia, be vested in the President (or the designee of the President);

(2) the legislative branch of the Federal Government, be vested jointly in the President pro tempore of the Senate and the Speaker of the House of Representatives (or their designees), and

(3) the judicial branch of the Federal Government, be vested in the Chief Justice of the United States (or the designee of the Chief Justice).

(h) MONEYS SUBJECT TO PROCESS.—

(1) IN GENERAL.—Subject to paragraph (2), 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 the individual, whether the compensation is denominated as wages, salary, commission, bonus, pay, allowances, or otherwise (including severance pay, sick pay, and incentive pay);

(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;

(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;

(III) as compensation for death under any Federal program;

(IV) under any Federal program established to provide "black lung" benefits; or

(V) by the Secretary of Veterans Affairs as pension, or as compensation for a service-connected disability or death (except any compensation paid by the Secretary to a member of the Armed Forces who is in receipt of retired or retainer pay if the member has waived a portion of the retired pay of the member in order to receive the compensation); and

(iii) worker's compensation benefits paid under Federal or State law; but

(B) do not include any payment—

(i) by way of reimbursement or otherwise, to defray expenses incurred by the individual in carrying out duties associated with the employment of the individual; or

(ii) as allowances for members of the uniformed services payable pursuant to chapter 7 of title 37, United States Code, as prescribed by the Secretaries concerned (defined by section 101(5) of such title) as necessary for the efficient performance of duty.

(2) CERTAIN AMOUNTS EXCLUDED.—In determining the amount of any moneys due from, or payable by, the United States to any individual, there shall be excluded amounts which—

(A) are owed by the individual to the United States;

(B) are required by law to be, and are, deducted from the remuneration or other payment involved, including Federal employment taxes, and fines and forfeitures ordered by court-martial;

(C) are properly withheld for Federal, State, or local income tax purposes, if the withholding of the amounts is authorized or required by law and if amounts withheld are not greater than would be the case if the individual claimed all dependents to which he was entitled (the withholding of additional amounts pursuant to section 3402(i) of the Internal Revenue Code of 1986 may be permitted only when the individual presents evidence of a tax obligation which supports the additional withholding),

(D) are deducted as health insurance premiums;

(E) are deducted as normal retirement contributions (not including amounts deducted for supplementary coverage); or

(F) are deducted as normal life insurance premiums from salary or other remuneration for employment (not including amounts deducted for supplementary coverage).

(i) DEFINITIONS.—As used in this section:

(1) UNITED STATES.—The term "United States" includes any department, agency, or instrumentality of the legislative, judicial, or executive branch of the Federal Government, the United States Postal Service, the Postal Rate Commission, any Federal

corporation created by an Act of Congress that is wholly owned by the Federal Government, and the governments of the territories and possessions of the United States.

(2) CHILD SUPPORT.—The term "child support", when used in reference to the legal obligations of an individual to provide such support, means periodic payments of funds for the support and maintenance of a child or children with respect to which the individual has such an obligation, and (subject to and in accordance with State law) includes payments to provide for health care, education, recreation, clothing, or to meet other specific needs of such a child or children, and includes attorney's fees, interest, and court costs, when and to the extent that the same are expressly made recoverable as such pursuant to a decree, order, or judgment issued in accordance with applicable State law by a court of competent jurisdiction.

(3) ALIMONY.—The term "alimony", when used in reference to the legal obligations of an individual to provide the same, means periodic payments of funds for the support and maintenance of the spouse (or former spouse) of the individual, and (subject to and in accordance with State law) includes separate maintenance, alimony pendente lite, maintenance, and spousal support, and includes attorney's fees, interest, and court costs when and to the extent that the same are expressly made recoverable as such pursuant to a decree, order, or judgment issued in accordance with applicable State law by a court of competent jurisdiction. Such term does not include any payment or transfer of property or its value by an individual to the spouse or a former spouse of the individual in compliance with any community property settlement, equitable distribution of property, or other division of property between spouses or former spouses.

(4) PRIVATE PERSON.—The term "private person" means a person who does not have sovereign or other special immunity or privilege which causes the person not to be subject to legal process.

(5) LEGAL PROCESS.—The term "legal process" means any writ, order, summons, or other similar process in the nature of garnishment—

(A) which is issued by—

(i) a court of competent jurisdiction in any State, territory, or possession of the United States;

(ii) a court of competent jurisdiction in any foreign country with which the United States has entered into an agreement which requires the United States to honor the process; or

(iii) an authorized official pursuant to an order of such a court of competent jurisdiction or pursuant to State or local law; and

(B) which is directed to, and the purpose of which is to compel, a governmental entity which holds moneys which are otherwise payable to an individual to make a payment from the moneys to another party in order to satisfy a legal obligation of the individual to provide child support or make alimony payments.

* * * * * * *

[REGULATIONS PERTAINING TO GARNISHMENTS

[SEC. 461. (a) Authority to promulgate regulations for the implementation of the provisions of section 459 shall, insofar as the provisions of such section are applicable to moneys due from (or payable by)—

[(1) the executive branch of the Government (including in such branch, for the purposes of this subsection, the territories and possessions of the United States, the United States Postal Service, the Postal Rate Commission, any wholly owned Federal corporation created by an Act of Congress, and the government of the District of Columbia), be vested in the President (or his designee),

[(2) the legislative branch of the Government, be vested jointly in the President pro tempore of the Senate and the Speaker of the House of Representatives (or their designees), and

[(3) the judicial branch of the Government, be vested in the Chief Justice of the United States (or his designee).

[(b) Regulations promulgated pursuant to this section shall—

[(1) in the case of those promulgated by the executive branch of the Government, include a requirement that the head of each agency thereof shall cause to be published, in the appendix of the regulations so promulgated, (A) his designation of an agent or agents to accept service of process, identified by title of position, mailing address, and telephone number, and (B) an indication of the data reasonably required in order for the agency promptly to identify the individual with respect to whose moneys the legal process is brought,

[(2) in the case of regulations promulgated for the legislative and judicial branches of the Government set forth, in the appendix to the regulations so promulgated, (A) the name, position, address, and telephone number of the agent or agents who have been designated for service of process, and (B) an indication of the data reasonably required in order for such entity promptly to identify the individual with respect to whose moneys the legal process is brought, and

[(3) provide that (A) in the case of regulations promulgated by the executive branch of the Government, each head of a governmental entity (or his designee) shall respond to relevant interrogatories, if authorized by the law of the State in which legal process will issue, prior to formal issuance of such process, upon a showing of the applicant's entitlement to child support or alimony payments, and (B) in the case of regulations promulgated for the legislative and judicial branches of the Government, the person or persons designated as agents for service of process in accordance with paragraph (2) shall respond to relevant interrogatories if authorized by the law of the State in which legal process will issue, prior to formal issuance of legal process, upon a showing of the applicant's entitlement to child support or alimony payments.

[(c) In the event that a governmental entity, which is authorized under this section or regulations issued to carry out this section to accept service of process, pursuant to the provisions of subsection

(a), is served with more than one legal process with respect to the same moneys due or payable to any individual, then such moneys shall be available to satisfy 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.

[DEFINITIONS

[SEC. 462. For purposes of section 459—

[(a) The term "United States" means the Federal Government of the United States, consisting of the legislative branch, the judicial branch, and the executive branch thereof, and each and every department, agency, or instrumentality of any such branch, including the United States Postal Service, the Postal Rate Commission, any wholly owned Federal corporation created by an Act of Congress, any office, commission, bureau, or other administrative subdivision or creature thereof, and the governments of the territories and possessions of the United States.

[(b) The term "child support", when used in reference to the legal obligations of an individual to provide such support, means periodic payments of funds for the support and maintenance of a child or children with respect to which such individual has such an obligation, and (subject to and in accordance with State law) includes but is not limited to, payments to provide for health care, education, recreation, clothing, or to meet other specific needs of such a child or children; such term also includes attorney's fees, interest, and court costs, when and to the extent that the same are expressly made recoverable as such pursuant to a decree, order, or judgment issued in accordance with applicable State law by a court of competent jurisdiction.

[(c) The term "alimony", when used in reference to the legal obligations of an individual to provide the same, means periodic payments of funds for the support and maintenance of the spouse (or former spouse) of such individual, and (subject to and in accordance with State law) includes but is not limited to, separate maintenance, alimony pendente lite, maintenance, and spousal support; such term also includes attorney's fees, interest, and court costs when and to the extent that the same are expressly made recoverable as such pursuant to a decree, order, or judgment issued in accordance with applicable State law by a court of competent jurisdiction. Such term does not include any payment or transfer of property or its value by an individual to his spouse or former spouse in compliance with any community property settlement, equitable distribution of property, or other division of property between spouses or former spouses.

[(d) The term "private person" means a person who does not have sovereign or other special immunity or privilege which causes such person not to be subject to legal process.

[(e) The term "legal process" means any writ, order, summons, or other similar process in the nature of garnishment, which—

[(1) is issued by (A) a court of competent jurisdiction within any State, territory, or possession of the United States, (B) a court of competent jurisdiction in any foreign country with which the United States has entered into an agreement which

requires the United States to honor such process, or (C) an authorized official pursuant to an order of such a court of competent jurisdiction or pursuant to State or local law, and

[(2) is directed to, and the purpose of which is to compel, a governmental entity, which holds moneys which are otherwise payable to an individual, to make a payment from such moneys to another party in order to satisfy a legal obligation of such individual to provide child support or make alimony payments.

[(f) Entitlement of an individual to any money shall be deemed to be "based upon remuneration for employment", if such money consists of—

[(1) compensation paid or payable for personal services of such individual, whether such compensation is denominated as wages, salary, commission, bonus, pay, or otherwise, and includes but is not limited to, severance pay, sick pay, and incentive pay, but does not include awards for making suggestions, or

[(2) periodic benefits (including a periodic benefit as defined in section 228(h)(3) of this Act) or other payments to such individual under the insurance system established by title II of this Act or any other system or fund established by the United States (as defined in subsection (a)) 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 himself or any other individual (not including any payment as compensation for death under any Federal program, any payment under any Federal program established to provide "black lung" benefits, any payment by the Secretary of Veterans Affairs as pension, or any payments by the Secretary of Veterans Affairs as compensation for a service-connected disability or death, except any compensation paid by the Secretary of Veterans Affairs 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), and does not consist of amounts paid, by way of reimbursement or otherwise, to such individual by his employer to defray expenses incurred by such individual in carrying out duties associated with his employment.

[(g) In determining the amount of any moneys due from, or payable by, the United States to any individual, there shall be excluded amounts which—

[(1) are owed by such individual to the United States,

[(2) are required by law to be, and are, deducted from the remuneration or other payment involved, including but not limited to, Federal employment taxes, and fines and forfeitures ordered by court-martial,

[(3) are properly withheld for Federal, State, or local income tax purposes, if the withholding of such amounts is authorized or required by law and if amounts withheld are not greater than would be the case if such individual claimed all dependents to which he was entitled (the withholding of additional amounts pursuant to section 3402(i) of the Internal Revenue Code of 1954 may be permitted only when such individual pre-

sents evidence of a tax obligation which supports the additional withholding),

[(4) are deducted as health insurance premiums,

[(5) are deducted as normal retirement contributions (not including amounts deducted for supplementary coverage), or

[(6) are deducted as normal life insurance premiums from salary or other remuneration for employment (not including amounts deducted for supplementary coverage).]

USE OF FEDERAL PARENT LOCATOR SERVICE IN CONNECTION WITH THE ENFORCEMENT OR DETERMINATION OF CHILD CUSTODY AND IN CASES OF PARENTAL KIDNAPING OF A CHILD

SEC. 463. (a) The Secretary shall enter into an agreement with any State which is able and willing to do so, under which the services of the *Federal* Parent Locator Service established under section 453 shall be made available to such State for the purpose of determining the whereabouts of any absent parent or child when such information is to be used to locate such parent or child for the purpose of—

(1) * * *

* * * * * * *

(e) The Secretary shall enter into an agreement with the Central Authority designated by the President in accordance with section 7 of the International Child Abduction Remedies Act, under which the services of the *Federal* Parent Locator Service established under section 453 shall be made available to such Central Authority upon its request for the purpose of locating any parent or child on behalf of an applicant to such Central Authority within the meaning of section 3(1) of that Act. The *Federal* Parent Locator Service shall charge no fees for services requested pursuant to this subsection.

* * * * * * *

COLLECTION OF PAST-DUE SUPPORT FROM FEDERAL TAX REFUNDS

SEC. 464. [(a)] *(a) OFFSET AUTHORIZED.*—(1) Upon receiving notice from a State agency administering a plan approved under this part that a named individual owes past-due support [which has been assigned to such State pursuant to section 402(a)(26) or section 471(a)(17)], 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 past-due support, shall concurrently send notice to such individual that the withholding has been made (including in or with such notice a notification to any other person who may have filed a joint return with such individual of the steps which such other person may take in order to secure his or her proper share of the refund), and shall pay such amount to the State agency (together with notice of the individual's home address) for distribution [in accordance with section 457(b)(4) or (d)(3)] *as provided in paragraph (2).*

[(2)(A) Upon receiving notice from a State agency administering a plan approved under this part that a named individual owes past-due support (as that term is defined for purposes of this paragraph under subsection (c)) which such State has agreed to collect under section 454(6), and that the State agency has sent notice to such individual in accordance with paragraph (3)(A), 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 such past-due support, and shall concurrently send notice to such individual that the withholding has been made, including in or with such notice a notification to any other person who may have filed a joint return with such individual of the steps which such other person may take in order to secure his or her proper share of the refund. The Secretary of the Treasury shall pay the amount withheld to the State agency, and the State shall pay to the Secretary of the Treasury any fee imposed by the Secretary of the Treasury to cover the costs of the withholding and any required notification. The State agency shall, subject to paragraph (3)(B), distribute such amount to or on behalf of the child to whom the support was owed.

[(B) This paragraph shall apply only with respect to refunds payable under section 6402 of the Internal Revenue Code of 1954 after December 31, 1985.]

(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), in the case of past-due support assigned to a State pursuant to requirements imposed pursuant to section 405(a)(8); 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.

(3)(A) Prior to notifying the Secretary of the Treasury under paragraph (1) [or (2)] that an individual owes past-due support, the State shall send notice to such individual that a withholding will be made from any refund otherwise payable to such individual. The notice shall also (i) instruct the individual owing the past-due support of the steps which may be taken to contest the State's determination that past-due support is owed or the amount of the past-due support, and (ii) provide information, as may be prescribed by the Secretary of Health and Human Services by regulation in consultation with the Secretary of the Treasury, with respect to procedures to be followed, in the case of a joint return, to protect the share of the refund which may be payable to another person.

(B) If the Secretary of the Treasury determines that an amount should be withheld under paragraph (1) [or (2)], and that the refund from which it should be withheld is based upon a joint return, the Secretary of the Treasury shall notify the State that the withholding is being made from a refund based upon a joint return, and shall furnish to the State the names and addresses of each taxpayer filing such joint return. In the case of a withholding [under paragraph (2)] *on account of past-due support described in para-*

graph (2)(B), the State may delay distribution of the amount withheld until the State has been notified by the Secretary of the Treasury that the other person filing the joint return has received his or her proper share of the refund, but such delay may not exceed six months.

(C) If the other person filing the joint return with the named individual owing the past-due support takes appropriate action to secure his or her proper share of a refund from which a withholding was made under paragraph (1) [or (2)], the Secretary of the Treasury shall pay such share to such other person. The Secretary of the Treasury shall deduct the amount of such payment from amounts subsequently payable to the State agency to which the amount originally withheld from such refund was paid.

(D) In any case in which an amount was withheld under paragraph (1) [or (2)] and paid to a State, and the State subsequently determines that the amount certified as past-due support was in excess of the amount actually owed at the time the amount withheld is to be distributed to or on behalf of the child, the State shall pay the excess amount withheld to the named individual thought to have owed the past-due support (or, in the case of amounts withheld on the basis of a joint return, jointly to the parties filing such return).

[(b)(1)] *(b) REGULATIONS.*—The Secretary of the Treasury shall issue regulations, approved by the Secretary of Health and Human Services, prescribing the time or times at which States must submit notices of past-due support, the manner in which such notices must be submitted, and the necessary information that must be contained in or accompany the notices. The regulations shall be consistent with the provisions of subsection (a)(3), shall specify the minimum amount of past-due support to which the offset procedure established by subsection (a) may be applied, and the fee that a State must pay to reimburse the Secretary of the Treasury for the full cost of applying the offset procedure, and shall provide that the Secretary of the Treasury will advise the Secretary of Health and Human Services, not less frequently than annually, of the States which have furnished notices of past-due support under subsection (a), the number of cases in each State with respect to which such notices have been furnished, the amount of support sought to be collected under this subsection by each State, and the amount of such collections actually made in the case of each State. Any fee paid to the Secretary of the Treasury pursuant to this subsection may be used to reimburse appropriations which bore all or part of the cost of applying such procedure.

[(2) In the case of withholdings made under subsection (a)(2), the regulations promulgated pursuant to this subsection shall include the following requirements:

[(A) The withholding shall apply only in the case where the State determines that the amount of the past-due support which will be owed at the time the withholding is to be made, based upon the pattern of payment of support and other enforcement actions being pursued to collect the past-due support, is equal to or greater than $500. The State may limit the $500 threshold amount to amounts of past-due support accrued since the time that the State first began to enforce the child

support order involved under the State plan, and may limit the application of the withholding to past-due support accrued since such time.

[(B) The fee which the Secretary of the Treasury may impose to cover the costs of the withholding and notification may not exceed $25 per case submitted.]

[(c)(1) Except as provided in paragraph (2), as] *(c) DEFINITION.—As* used in this part the term "past-due support" means the amount of a delinquency, determined under a court order, or an order of an administrative process established under State law, for support and maintenance of a child, or of a child and the parent with whom the child is living.

[(2) For purposes of subsection (a)(2), the term "past-due support" means only past-due support owed to or on behalf of a qualified child (or a qualified child and the parent with whom the child is living if the same support order includes support for the child and the parent).

[(3) For purposes of paragraph (2), the term "qualified child" means a child—

[(A) who is a minor; or

[(B)(i) who, while a minor, was determined to be disabled under title II or XVI; and

[(ii) for whom an order of support is in force.]

* * * * * * *

REQUIREMENT OF STATUTORILY PRESCRIBED PROCEDURES TO IMPROVE EFFECTIVENESS OF CHILD SUPPORT ENFORCEMENT

SEC. 466. (a) In order to satisfy section 454(20)(A), each State must have in effect laws requiring the use of the following procedures, consistent with this section and with regulations of the Secretary, to increase the effectiveness of the program which the State administers under this part:

[(1) Procedures described in subsection (b) for the withholding from income of amounts payable as support.]

(1) INCOME WITHHOLDING.—

(A) UNDER ORDERS ENFORCED UNDER THE STATE PLAN.—Procedures 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 the wages of a person with a support obligation imposed by a support order issued (or modified) in the State before October 1, 1996, if not otherwise subject to withholding under subsection (b), shall become subject to withholding as provided in subsection (b) if arrearages occur, without the need for a judicial or administrative hearing.

* * * * * * *

(3) Procedures under which the State child support enforcement agency shall request, and the State shall provide, that for the purpose of enforcing a support order under any State plan approved under this part—

(A) * * *

(B) the amount by which such refund is reduced shall be distributed in accordance with section 457(b)(4) or (d)(3) in the case of overdue support assigned to a State pursuant to section [402(a)(26) or 471(a)(17)] *405(a)(8)*, or, [in the case of overdue support which a State has agreed to collect under section 454(6)] *in any other case*, shall be distributed, after deduction of any fees imposed by the State to cover the costs of collection, to the child or parent to whom such support is owed; and

* * * * * * *

[(5)(A)(i) Procedures which permit the establishment of the paternity of any child at any time prior to such child's eighteenth birthday.

[(ii) As of August 16, 1984, the requirement of clause (i) shall also apply to any child for whom paternity has not yet been established and any child for whom a paternity action was brought but dismissed because a statute of limitations of less than 18 years was then in effect in the State.

[(B) Procedures under which the State is required (except in cases where the individual involved has been found under section 402(a)(26)(B) to have good cause for refusing to cooperate) to require the child and all other parties, in a contested paternity case, to submit to genetic tests upon the request of any such party.

[(C) Procedures for a simple civil process for voluntarily acknowledging paternity under which the State must provide that the rights and responsibilities of acknowledging paternity are explained and ensure that due process safeguards are afforded. Such procedures must include a hospital-based program for the voluntary acknowledgment of paternity during the period immediately before or after the birth of a child.

[(D) Procedures under which the voluntary acknowledgment of paternity creates a rebuttable, or at the option of the State, conclusive presumption of paternity, and under which such voluntary acknowledgment is admissible as evidence of paternity.

[(E) Procedures under which the voluntary acknowledgment of paternity must be recognized as a basis for seeking a support order without requiring any further proceedings to establish paternity.

[(F) Procedures which provide that (i) any objection to genetic testing results must be made in writing within a specified number of days before any hearing at which such results may be introduced into evidence, and (ii) 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.

[(G) Procedures which create a rebuttable or, at the option of the State, conclusive presumption of paternity upon genetic testing results indicating a threshold probability that the alleged father is the father of the child.

[(H) Procedures requiring a default order to be entered in a paternity case upon a showing of service of process on the defendent and any additional showing required by State law.]

(5) PROCEDURES CONCERNING PATERNITY ESTABLISHMENT.—

(A) ESTABLISHMENT PROCESS AVAILABLE FROM BIRTH UNTIL AGE 18.—

(i) Procedures which permit the establishment of the paternity of a child at any time before the child attains 18 years of age.

(ii) As of August 16, 1984, clause (i) shall also apply to a child for whom paternity has not been established or for whom a paternity action was brought but dismissed because a statute of limitations of less than 18 years was then in effect in the State.

(B) PROCEDURES CONCERNING GENETIC TESTING.—

(i) GENETIC TESTING REQUIRED IN CERTAIN CONTESTED CASES.—Procedures under which the State is required, in a contested paternity case, to require the child and all other parties (other than individuals found under section 454(27) to have good cause for refusing to cooperate) to submit to genetic tests upon the request of any such party if the request is supported by a sworn statement by the party—

(I) alleging paternity, and setting forth facts establishing a reasonable possibility of the requisite sexual contact between the parties; or

(II) denying paternity, and setting forth facts establishing a reasonable possibility of the nonexistence of sexual contact between the parties.

(ii) OTHER REQUIREMENTS.—Procedures which require the State agency, in any case in which the agency orders genetic testing—

(I) to pay costs of such tests, subject to recoupment (where the State so elects) from the alleged father if paternity is established; and

(II) to obtain additional testing in any case where an original test result is contested, upon request and advance payment by the contestant.

(C) VOLUNTARY PATERNITY ACKNOWLEDGMENT.—

(i) SIMPLE CIVIL PROCESS.—Procedures for a simple civil process for voluntarily acknowledging paternity under which the State must provide that, before a mother and a putative father can sign an acknowledgment of paternity, the mother and the putative father must be given notice, orally, in writing, and in a language that each can understand, of the alternatives to, the legal consequences of, and the rights (including, if 1 parent is a minor, any rights afforded due to minority status) and responsibilities that arise from, signing the acknowledgment.

(ii) HOSPITAL-BASED PROGRAM.—Such procedures must include a hospital-based program for the voluntary acknowledgment of paternity focusing on the period immediately before or after the birth of a child.

(iii) PATERNITY ESTABLISHMENT SERVICES.—

(I) STATE-OFFERED SERVICES.—Such procedures must require the State agency responsible for

maintaining birth records to offer voluntary paternity establishment services.

(II) REGULATIONS.—

(aa) SERVICES OFFERED BY HOSPITALS AND BIRTH RECORD AGENCIES.—The Secretary shall prescribe regulations governing voluntary paternity establishment services offered by hospitals and birth record agencies.

(bb) SERVICES OFFERED BY OTHER ENTITIES.—The Secretary shall prescribe regulations specifying the types of other entities that may offer voluntary paternity establishment services, and governing the provision of such services, which shall include a requirement that such an entity must use the same notice provisions used by, use the same materials used by, provide the personnel providing such services with the same training provided by, and evaluate the provision of such services in the same manner as the provision of such services is evaluated by, voluntary paternity establishment programs of hospitals and birth record agencies.

(iv) USE OF FEDERAL PATERNITY ACKNOWLEDGMENT AFFIDAVIT.—Such procedures must require the State and those required to establish paternity to use only the affidavit developed under section 452(a)(7) for the voluntary acknowledgment of paternity, and to give full faith and credit to such an affidavit signed in any other State.

(D) STATUS OF SIGNED PATERNITY ACKNOWLEDGMENT.—

(i) LEGAL FINDING OF PATERNITY.—Procedures under which a signed acknowledgment of paternity is considered a legal finding of paternity, subject to the right of any signatory to rescind the acknowledgment within 60 days.

(ii) CONTEST.—Procedures under which, after the 60-day period referred to in clause (i), a signed acknowledgment of paternity may be challenged in court only on the basis of fraud, duress, or material mistake of fact, with the burden of proof upon the challenger, and under which the legal responsibilities (including child support obligations) of any signatory arising from the acknowledgment may not be suspended during the challenge, except for good cause shown.

(iii) RESCISSION.—Procedures under which, after the 60-day period referred to in clause (i), a minor who has signed an acknowledgment of paternity other than in the presence of a parent or court-appointed guardian ad litem may rescind the acknowledgment in a judicial or administrative proceeding, until the earlier of—

(I) attaining the age of majority; or

(II) the date of the first judicial or administrative proceeding brought (after the signing) to estab-

lish a child support obligation, visitation rights, or custody rights with respect to the child whose paternity is the subject of the acknowledgment, and at which the minor is represented by a parent or guardian ad litem, or an attorney.

(E) BAR ON ACKNOWLEDGMENT RATIFICATION PROCEEDINGS.—Procedures under which judicial or administrative proceedings are not required or permitted to ratify an unchallenged acknowledgment of paternity.

(F) ADMISSIBILITY OF GENETIC TESTING RESULTS.—Procedures—

(i) requiring the admission into evidence, for purposes of establishing paternity, of the results of any genetic test that is—

(I) of a type generally acknowledged as reliable by accreditation bodies designated by the Secretary; and

(II) performed by a laboratory approved by such an accreditation body;

(ii) requiring an objection to genetic testing results to be made in writing not later than a specified number of days before any hearing at which the results may be introduced into evidence (or, at State option, not later than a specified number of days after receipt of the results); and

(iii) making the test results admissible as evidence of paternity without the need for foundation testimony or other proof of authenticity or accuracy, unless objection is made.

(G) PRESUMPTION OF PATERNITY IN CERTAIN CASES.—Procedures which create a rebuttable or, at the option of the State, conclusive presumption of paternity upon genetic testing results indicating a threshold probability that the alleged father is the father of the child.

(H) DEFAULT ORDERS.—Procedures requiring a default order to be entered in a paternity case upon a showing of service of process on the defendant and any additional showing required by State law.

(I) NO RIGHT TO JURY TRIAL.—Procedures providing that the parties to an action to establish paternity are not entitled to a trial by jury.

(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 or for testing on behalf of the child.

(L) STANDING OF PUTATIVE FATHERS.—Procedures ensuring that the putative father has a reasonable opportunity to initiate a paternity action.

(M) FILING OF ACKNOWLEDGMENTS AND ADJUDICATIONS IN STATE REGISTRY OF BIRTH RECORDS.—Procedures under which voluntary acknowledgments and adjudications of paternity by judicial or administrative processes are filed with the State registry of birth records for comparison with information in the State case registry.

* * * * * * *

[(10)(A) Procedures to ensure that, beginning 2 years after the date of the enactment of this paragraph, if the State determines (pursuant to a plan indicating how and when child support orders in effect in the State are to be periodically reviewed and adjusted) that a child support order being enforced under this part should be reviewed, the State must, at the request of either parent subject to the order, or of a State child support enforcement agency, initiate a review of such order, and adjust such order, as appropriate, in accordance with the guidelines established pursuant to section 467(a).

[(B) Procedures to ensure that, beginning 5 years after the date of the enactment of this paragraph or such earlier date as the State may select, the State must implement a process for the periodic review and adjustment of child support orders being enforced under this part under which the order is to be reviewed not later than 36 months after the establishment of the order or the most recent review, and adjusted, as appropriate, in accordance with the guidelines established pursuant to section 467(a), unless—

[(i) in the case of an order with respect to an individual with respect to whom an assignment under section 402(a)(26) is in effect, 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 and neither parent has requested review; and

[(ii) in the case of any other order being enforced under this part, neither parent has requested review.

[(C) Procedures to ensure that the State notifies each parent subject to a child support order in effect in the State that is being enforced under this part—

[(i) of any review of such order, at least 30 days before the commencement of such review; and

[(ii) of the right of such parent under subparagraph (B) to request the State to review such order; and

[(iii) of a proposed adjustment (or determination that there should be no change) in the child support award amount, and such parent is afforded not less than 30 days after such notification to initiate proceedings to challenge such adjustment (or determination).]

(10) REVIEW AND ADJUSTMENT OF SUPPORT ORDERS.—Procedures under which the State shall review and adjust each support order being enforced under this part. Such procedures shall provide the following:

(A) The State shall review and, as appropriate, adjust the support order every 3 years.

(B)(i) The State may elect to review and, if appropriate, adjust an order pursuant to subparagraph (A) by—

(I) reviewing and, if appropriate, adjusting the order in accordance with the guidelines established pursuant to section 467(a) if the amount of the child support award under the order differs from the amount that would be awarded in accordance with the guidelines; or

(II) applying a cost-of-living adjustment to the order in accordance with a formula developed by the State and permit either party to contest the adjustment, within 30 days after the date of the notice of the adjustment, by making a request for review and, if appropriate, adjustment of the order in accordance with the child support guidelines established pursuant to section 467(a).

(ii) Any adjustment under clause (i) shall be made without a requirement for proof or showing of a change in circumstances.

(C) The State may use automated methods (including automated comparisons with wage or State income tax data) to identify orders eligible for review, conduct the review, identify orders eligible for adjustment, apply the appropriate adjustment to the orders eligible for adjustment under the threshold established by the State.

(D) The State shall, at the request of either parent subject to such an order or of any State child support enforcement agency, review and, if appropriate, adjust the order in accordance with the guidelines established pursuant to section 467(a) based upon a substantial change in the circumstances of either parent.

(E) The State shall provide notice to the parents subject to such an order informing them of their right to request the State to review and, if appropriate, adjust the order pursuant to subparagraph (D). The notice may be included in the order.

* * * * * * *

(12) USE OF STATE CASE REGISTRY AND DISBURSEMENT UNIT.—Procedures under which the State shall establish and operate a State case registry in accordance with section 454A(e) and a State disbursement unit in accordance with section 454B.

(13) LOCATOR INFORMATION FROM INTERSTATE NETWORKS.—Procedures to ensure that all Federal and State agencies conducting activities under this part have access to any system used by the State to locate an individual for purposes relating to motor vehicles or law enforcement.

(14) RECORDING OF SOCIAL SECURITY NUMBERS IN CERTAIN FAMILY MATTERS.—Procedures requiring that the social security number of—

(A) any applicant for a professional license, commercial driver's license, occupational license, or marriage license be recorded on the application; and

(B) any individual who is subject to a divorce decree, support order, or paternity determination or acknowledgment be placed in the records relating to the matter.

(15) ADMINISTRATIVE ENFORCEMENT IN INTERSTATE CASES.—Procedures under which—

(A)(i) the State shall respond within 5 business days to a request made by another State to enforce a support order; and

(ii) the term "business day" means a day on which State offices are open for regular business;

(B) the State may, by electronic or other means, transmit to another State a request for assistance in a case involving the enforcement of a support order, which request—

(i) shall include such information as will enable the State to which the request is transmitted to compare the information about the case to the information in the data bases of the State;

(ii) shall constitute a certification by the requesting State—

(I) of the amount of support under the order the payment of which is in arrears; and

(II) that the requesting State has complied with all procedural due process requirements applicable to the case.

(C) if the State provides assistance to another State pursuant to this paragraph with respect to a case, neither State shall consider the case to be transferred to the caseload of such other State; and

(D) the State shall maintain records of—

(i) the number of such requests for assistance received by the State;

(ii) the number of cases for which the State collected support in response to such a request; and

(iii) the amount of such collected support.

(16) PROCEDURES TO ENSURE THAT PERSONS OWING PAST-DUE SUPPORT WORK OR HAVE A PLAN FOR PAYMENT OF SUCH SUPPORT.—

(A) Procedures requiring the State, in any case in which an individual owes past-due support with respect to a child receiving assistance under a State program funded under part A, to seek a court order that requires the individual to—

(i) pay such support in accordance with a plan approved by the court; or

(ii) if the individual is subject to such a plan and is not incapacitated, participate in such work activities (as defined in section 404(b)(1)) as the court deems appropriate.

(B) As used in subparagraph (A), the term "past-due support" means the amount of a delinquency, determined under a court order, or an order of an administrative process established under State law, for support and maintenance of a child, or of a child and the parent with whom the child is living.

Notwithstanding section 454(20)(B), the procedures which are required under paragraphs (3), (4), (6), and (7) need not be used or applied in cases where the State determines (using guidelines which are generally available within the State and which take into account the payment record of the absent parent, the availability of other remedies, and other relevant considerations) that such use or application would not carry out the purposes of this part or would be otherwise inappropriate in the circumstances.

(b) The procedures referred to in subsection (a)(1)*(A)* (relating to the withholding from income of amounts payable as support) must provide for the following:

(1) * * *

(2) Such withholding must be provided without the necessity of any application therefor in the case of a child (whether or not eligible for **[**aid**]** *assistance under a State program funded* under part A) with respect to whom services are already being provided under the State plan under this part, and must be provided in accordance with this subsection on the basis of an application for services under the State plan in the case of any other child in whose behalf a support order has been issued or modified in the State. In either case such withholding must occur without the need for any amendment to the support order involved or for any further action (other than those actions required under this part) by the court or other entity which issued such order.

* * * * * * *

(5) Such withholding must be administered by **[**a public agency designated by the State, and the amounts withheld must be expeditiously distributed by the State or such agency in accordance with section 457 under procedures (specified by the State) adequate to document payments of support and to track and monitor such payments, except that the State may establish or permit the establishment of alternative procedures for the collection and distribution of such amounts (under the supervision of such public agency) otherwise than through such public agency so long as the entity making such collection and distribution is publicly accountable for its actions taken in carrying out such procedures, and so long as such procedures will assure prompt distribution, provide for the keeping of adequate records to document payments of support, and permit the tracking and monitoring of such payments.**]** *the State through the State disbursement unit established pursuant to section 454B, in accordance with the requirements of section 454B.*

(6)(A)(i) The employer of any absent parent to whom paragraph (1) applies, upon being given notice as described in clause (ii), must be required to withhold from such absent parent's wages the amount specified by such notice (which may include a fee, established by the State, to be paid to the employer unless waived by such employer) and pay such amount (after deducting and retaining any portion thereof which represents the fee so established) **[**to the appropriate agency (or other entity authorized to collect the amounts withheld under the alternative procedures described in paragraph (5)) for distribution in accordance with section 457.**]** *to the State disbursement unit*

within 2 business days after the date the amount would (but for this subsection) have been paid or credited to the employee, for distribution in accordance with this part.

(ii) The notice given to the employer shall *be in a standard format prescribed by the Secretary, and* contain only such information as may be necessary for the employer to comply with the withholding order.

(iii) As used in this subparagraph, the term "business day" means a day on which State offices are open for regular business.

* * * * * * *

(D) Provision must be made for the imposition of a fine against [any employer who discharges from employment, refuses to employ, or takes disciplinary action against any absent parent subject to wage withholding required by this subsection because of the existence of such withholding and the obligations or additional obligations which it imposes upon the employer.] *any employer who—*

(i) discharges from employment, refuses to employ, or takes disciplinary action against any absent parent subject to wage withholding required by this subsection because of the existence of such withholding and the obligations or additional obligations which is imposes upon the employer; or

(ii) fails to withhold support from wages, or to pay such amounts to the State disbursement unit in accordance with this subsection.

* * * * * * *

(11) Procedures under which the agency administering the State plan approved under this part may execute a withholding order through electronic means and without advance notice to the obligor.

[(c) Any State may at its option, under its plan approved under section 454, establish procedures under which support payments under this part will be made through the State agency or other entity which administers the State's income withholding system in any case where either the absent parent or the custodial parent requests it, even though no arrearages in child support payments are involved and no income withholding procedures have been instituted; but in any such case an annual fee for handling and processing such payments, in an amount not exceeding the actual costs incurred by the State in connection therewith or $25, whichever is less, shall be imposed on the requesting parent by the State.]

[(d) If] *(d) EXEMPTIONS FROM REQUIREMENTS.—*

(1) IN GENERAL.—Subject to paragraph (2), if a State demonstrates to the satisfaction of the Secretary, through the presentation to the Secretary of such data pertaining to caseloads, processing times, administrative costs, and average support collections, and such other data or estimates as the Secretary may specify, that the enactment of any law or the use of any procedure or procedures required by or pursuant to this section will not increase the effectiveness and efficiency of the State child support enforcement program, the Secretary may exempt the State, subject to the Secretary's continuing review and to termination of the exemption should circumstances change,

from the requirement to enact the law or use the procedure or procedures involved.

(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) section 454A (concerning recording of orders in the State case registry);

(D) subsection (a)(14) (concerning recording of social security numbers);

(E) subsection (a)(15) (concerning interstate enforcement); or

(F) subsection (c) (concerning expedited procedures), other than paragraph (1)(A) thereof (concerning establishment or modification of support amount).

(e) For purposes of this section, the term "overdue support" means the amount of a delinquency pursuant to an obligation determined under a court order, or an order of an administrative process established under State law, for support and maintenance of a minor child which is owed to or on behalf of such child, or for support and maintenance of the absent parent's spouse (or former spouse) with whom the child is living if and to the extent that spousal support (with respect to such spouse or former spouse) would be included for purposes of [paragraph (4) or (6) of section 454] *section 454(4)*. At the option of the State, overdue support may include amounts which otherwise meet the definition in the first sentence of this subsection but which are owed to or on behalf of a child who is not a minor child. The option to include support owed to children who are not minors shall apply independently to each procedure specified under this section.

(e) UNIFORM INTERSTATE FAMILY SUPPORT ACT.—

(1) ENACTMENT AND USE.—In order to satisfy section 454(20)(A) on or after January 1, 1997, each State must have in effect the Uniform Interstate Family Support Act, as approved by the National Conference of Commissioners on Uniform State Laws in August 1992 (with the modifications and additions specified in this subsection), and the procedures required to implement such Act.

(2) EXPANDED APPLICATION.—The State law enacted pursuant to paragraph (1) shall be applied to any case involving an order which is established or modified in a State and which is sought to be modified or enforced in another State.

(3) JURISDICTION TO MODIFY ORDERS.—The State law enacted pursuant to paragraph (1) of this subsection shall contain the following provision in lieu of section 611(a)(1) of the Uniform Interstate Family Support Act:

"(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".

(4) SERVICE OF PROCESS.—The State law enacted pursuant to paragraph (1) shall provide that, in any proceeding subject to the law, process may be served (and proved) upon persons in the State by any means acceptable in any State which is the initiating or responding State in the proceeding.

(f) LAWS VOIDING FRAUDULENT TRANSFERS.—In order to satisfy section 454(20)(A), each State must have in effect—

(1)(A) the Uniform Fraudulent Conveyance Act of 1981;

(B) the Uniform Fraudulent Transfer Act of 1984; or

(C) 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

(2) procedures under which, 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—

(A) seek to void such transfer; or

(B) obtain a settlement in the best interests of the child support creditor.

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ENCOURAGEMENT OF STATES TO ADOPT SIMPLE CIVIL PROCESS FOR VOLUNTARILY ACKNOWLEDGING PATERNITY AND A CIVIL PROCEDURE FOR ESTABLISHING PATERNITY IN CONTESTED CASES

SEC. 468. In the administration of the child support enforcement program under this part, each State is encouraged to establish and implement [a simple civil process for voluntarily acknowledging paternity and] a civil procedure for establishing paternity in contested cases.

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SEC. 469A. GRANTS TO STATES FOR ACCESS AND VISITATION PROGRAMS.

(a) IN GENERAL.—The Administration for Children and Families shall make grants under this section to enable 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 pick-up), and development of guidelines for visitation and alternative custody arrangements.

(b) AMOUNT OF GRANT—.The amount of the grant to be made to a State under this section for a fiscal year shall be an amount equal to the lesser of—

(1) 90 percent of State expenditures during the fiscal year for activities described in subsection (a); or

(2) the allotment of the State under subsection (c) for the fiscal year.

(c) ALLOTMENTS TO STATES.—

(1) IN GENERAL.—The allotment of a State for a fiscal year is the amount that bears the same ratio to the amount appropriated pursuant to subsection (f) for the fiscal year as the number of children in the State living with only 1 biological parent bears to the total number of such children in all States.

(2) MINIMUM ALLOTMENT.—The Administration for Children and Families shall adjust allotments to States under paragraph (1) as necessary to ensure that no State is allotted less than—

(A) $50,000 for fiscal year 1996 or 1997; or

(B) $100,000 for any succeeding fiscal year.

(d) NO SUPPLANTATION OF STATE EXPENDITURES FOR SIMILAR ACTIVITIES.—A State to which a grant is made under this section may not use the grant to supplant expenditures by the State for activities specified in subsection (a), but shall use the grant to supplement such expenditures at a level at least equal to the level of such expenditures for fiscal year 1995.

(e) STATE ADMINISTRATION.— Each State to which a grant is made under this section—

(1) may administer State programs funded with the grant, directly or through grants to or contracts with courts, local public agencies, or non-profit private entities;

(2) shall not be required to operate such programs on a statewide basis; and

(3) shall monitor, evaluate, and report on such programs in accordance with regulations prescribed by the Secretary.

[PART E—FEDERAL PAYMENTS FOR FOSTER CARE AND ADOPTION ASSISTANCE

PURPOSE: APPROPRIATION

[SEC. 470. For the purpose of enabling each State to provide, in appropriate cases, foster care and transitional independent living programs for children who otherwise would be eligible for assistance under the State's plan approved under part A and adoption assistance for children with special needs, there are authorized to be appropriated for each fiscal year (commencing with the fiscal year which begins October 1, 1980) such sums as may be necessary to carry out the provisions of this part. The sums made available under this section shall be used for making payments to States which have submitted, and had approved by the Secretary, State plans under this part.

[STATE PLAN FOR FOSTER CARE AND ADOPTION ASSISTANCE

[SEC. 471. (a) In order for a State to be eligible for payments under this part, it shall have a plan approved by the Secretary which—

[(1) provides for foster care maintenance payments in accordance with section 472 and for adoption assistance in accordance with section 473;

[(2) provides that the State agency responsible for administering the program authorized by subpart 1 of part B of this title shall administer, or supervise the administration of, the program authorized by this part;

[(3) provides that the plan shall be in effect in all political subdivisions of the State, and, if administered by them, be mandatory upon them;

[(4) provides that the State shall assure that the programs at the local level assisted under this part will be coordinated with the programs at the State or local level assisted under parts A and B of this title, under title XX of this Act, and under any other appropriate provision of Federal law;

[(5) provides that the State will, in the administration of its programs under this part, use such methods relating to the establishment and maintenance of personnel standards on a merit basis as are found by the Secretary to be necessary for the proper and efficient operation of the programs, except that the Secretary shall exercise no authority with respect to the selection, tenure of office, or compensation of any individual employed in accordance with such methods;

[(6) provides that the State agency referred to in paragraph (2) (hereinafter in this part referred to as the "State agency") will make such reports, in such form and containing such information as the Secretary may from time to time require, and comply with such provisions as the Secretary may from time to time find necessary to assure the correctness and verification of such reports;

[(7) provides that the State agency will monitor and conduct periodic evaluations of activities carried out under this part;

[(8) provides safeguards which restrict the use of or disclosure of information concerning individuals assisted under the State plan to purposes directly connected with (A) the administration of the plan of the State approved under this part, the plan or program of the State under part A, B, or D of this title (including activities under part F) or under title I, V, X, XIV, XVI (as in effect in Puerto Rico, Guam, and the Virgin Islands), XIX, or XX, or the supplemental security income program established by title XVI, (B) any investigation, prosecution, or criminal or civil proceeding, conducted in connection with the administration of any such plan or program, (C) the administration of any other Federal or federally assisted program which provides assistance, in cash or in kind, or services, directly to individuals on the basis of need, (D) any audit or similar activity conducted in connection with the administration of any such plan or program by any governmental agency which is authorized by law to conduct such audit or activity, and (E) reporting and providing information pursuant to paragraph (9) to appropriate authorities with respect to known or suspected child abuse or neglect; and the safeguards so provided shall prohibit disclosure, to any committee or legislative body (other than an agency referred to in clause (D) with respect to an activity referred to in such clause), of any information which identifies by name or address any such applicant or recipient; except that nothing contained herein shall preclude a State from providing standards which restrict disclosures to purposes more limited than those specified herein, or which, in the case of adoptions, prevent disclosure entirely;

[(9) provides that the State agency will—

[(A) report to an appropriate agency or official, known or suspected instances of physical or mental injury, sexual abuse or exploitation, or negligent treatment or maltreatment of a child receiving aid under part B or this part under circumstances which indicate that the child's health or welfare is threatened thereby; and

[(B) provide such information with respect to a situation described in subparagraph (A) as the State agency may have;

[(10) provides for the establishment or designation of a State authority or authorities which shall be responsible for establishing and maintaining standards for foster family homes and child care institutions which are reasonably in accord with recommended standards of national organizations concerned with standards for such institutions or homes, including standards related to admission policies, safety, sanitation, and protection of civil rights, and provides that the standards so established shall be applied by the State to any foster family home or child care institution receiving funds under this part or part B of this title;

[(11) provides for periodic review of the standards referred to in the preceding paragraph and amounts paid as foster care maintenance payments and adoption assistance to assure their continuing appropriateness;

[(12) provides for granting an opportunity for a fair hearing before the State agency to any individual whose claim for benefits available pursuant to this part is denied or is not acted upon with reasonable promptness;

[(13) provides that the State shall arrange for a periodic and independently conducted audit of the programs assisted under this part and part B of this title, which shall be conducted no less frequently than once every three years;

[(14) provides (A) specific goals (which shall be established by State law on or before October 1, 1982) for each fiscal year (commencing with the fiscal year which begins on October 1, 1983) as to the maximum number of children (in absolute numbers or as a percentage of all children in foster care with respect to whom assistance under the plan is provided during such year) who, at any time during such year, will remain in foster care after having been in such care for a period in excess of twenty-four months, and (B) a description of the steps which will be taken by the State to achieve such goals;

[(15) effective October 1, 1983, provides that, in each case, reasonable efforts will be made (A) prior to the placement of a child in foster care, to prevent or eliminate the need for removal of the child from his home, and (B) to make it possible for the child to return to his home;

[(16) provides for the development of a case plan (as defined in section 475(1)) for each child receiving foster care maintenance payments under the State plan and provides for a case review system which meets the requirements described in section 475(5)(B) with respect to each such child; and

[(17) provides that, where appropriate, all steps will be taken, including cooperative efforts with the State agencies ad-

ministering the plans approved under parts A and D, to secure an assignment to the State of any rights to support on behalf of each child receiving foster care maintenance payments under this part.

[(b) The Secretary shall approve any plan which complies with the provisions of subsection (a) of this section. However, in any case in which the Secretary finds, after reasonable notice and opportunity for a hearing, that a State plan which has been apporoved by the Secretary no longer complies with the provisions of subsection (a), or that in the administration of the plan there is a substantial failure to comply with the provisions of the plan, the Secretary shall notify the State that further payments will not be made to the State under this part, or that such payments will be made to the State but reduced by an amount which the Secretary determines appropriate, until the Secretary is satisfied that there is no longer any such failure to comply, and until he is so satisfied he shall make no further payments to the State, or shall reduce such payments by the amount specified in his notification to the State.

[FOSTER CARE MAINTENANCE PAYMENTS PROGRAM

[SEC. 472. (a) Each State with a plan approved under this part shall make foster care maintenance payments (as defined in section 475(4)) under this part with respect to a child who would meet the requirements of section 406(a) or of section 407 but for his removal from the home of a relative (specified in section 406(a)), if—

[(1) the removal from the home occurred pursuant to a voluntary placement agreement entered into by the child's parent or legal guardian, or was the result of a judicial determination to the effect that continuation therein would be contrary to the welfare of such child and (effective October 1, 1983) that reasonable efforts of the type described in section 471(a)(15) have been made;

[(2) such child's placement and care are the responsibility of (A) the State agency administering the State plan approved under section 471, or (B) any other public agency with whom the State agency administering or supervising the administration of the State plan approved under section 471 has made an agreement which is still in effect;

[(3) such child has been placed in a foster family home or child-care institution as a result of the voluntary placement agreement or judicial determination referred to in paragraph (1); and

[(4) such child—

[(A) received aid under the State plan approved under section 402 in or for the month in which such agreement was entered into or court proceedings leading to the removal of such child from the home were initiated, or

[(B)(i) would have received such aid in or for such month if application had been made therefor, or (ii) had been living with a relative specified in section 406(a) within six months prior to the month in which such agreement was entered into or such proceedings were initiated, and would have received such aid in or for such month if in

such month he had been living with such a relative and application therefor had been made.

In any case where the child is an alien disqualified under section 245A(h), 210(f), or 210A(d)(7) of the Immigration and Nationality Act from receiving aid under the State plan approved under section 402 in or for the month in which such agreement was entered into or court proceedings leading to the removal of the child from the home were instituted, such child shall be considered to satisfy the requirements of paragraph (4) (and the corresponding requirements of section 473(a)(2)(B)), with respect to that month, if he or she would have satisfied such requirements but for such disqualification.

[(b) Foster care maintenance payments may be made under this part only on behalf of a child described in subsection (a) of this section who is—

[(1) in the foster family home of an individual, whether the payments therefor are made to such individual or to a public or nonprofit private child-placement or child-care agency, or

[(2) in a child-care institution, whether the payments therefor are made to such institution or to a public or nonprofit private child-placement or child-care agency, which payments shall be limited so as to include in such payments only those items which are included in the term "foster care maintenance payments" (as defined in section 475(4)).

[(c) For the purposes of this part, (1) the term "foster family home" means a foster family home for children which is licensed by the State in which it is situated or has been approved, by the agency of such State having responsibility for licensing homes of this type, as meeting the standards established for such licensing; and (2) the term "child-care institution" means a nonprofit private child-care institution, or a public child-care institution which accommodates no more than twenty-five children, which is licensed by the State in which it is situated or has been approved, by the agency of such State responsible for licensing or approval of institutions of this type, as meeting the standards established for such licensing, but the term shall not include detention facilities, forestry camps, training schools, or any other facility operated primarily for the detention of children who are determined to be delinquent.

[(d) Notwithstanding any other provision of this title, Federal payments may be made under this part with respect to amounts expended by any State as foster care maintenance payments under this section, in the case of children removed from their homes pursuant to voluntary placement agreements as described in subsection (a), only if (at the time such amounts were expended) the State has fulfilled all of the requirements of section 427(b).

[(e) No Federal payment may be made under this part with respect to amounts expended by any State as foster care maintenance payments under this section, in the case of any child who was removed from his or her home pursuant to a voluntary placement agreement as described in subsection (a) and has remained in voluntary placement for a period in excess of 180 days, unless there has been a judicial determination by a court of competent jurisdiction (within the first 180 days of such placement) to the effect that such placement is in the best interests of the child.

[(f) For the purposes of this part and part B of this title, (1) the term "voluntary placement" means an out-of-home placement of a minor, by or with participation of a State agency, after the parents or guardians of the minor have requested the assistance of the agency and signed a voluntary placement agreement; and (2) the term "voluntary placement agreement" means a written agreement, binding on the parties to the agreement, between the State agency, any other agency acting on its behalf, and the parents or guardians of a minor child which specifies, at a minimum, the legal status of the child and the rights and obligations of the parents or guardians, the child, and the agency while the child is in placement.

[(g) In any case where—

[(1) the placement of a minor child in foster care occurred pursuant to a voluntary placement agreement entered into by the parents or guardians of such child as provided in subsection (a), and

[(2) such parents or guardians request (in such manner and form as the Secretary may prescribe) that the child be returned to their home or to the home of a relative,

the voluntary placement agreement shall be deemed to be revoked unless the State agency opposes such request and obtains a judicial determination, by a court of competent jurisdiction, that the return of the child to such home would be contrary to the child's best interests.

[(h) For purposes of titles XIX and XX, any child with respect to whom foster care maintenance payments are made under this section shall be deemed to be a dependent child as defined in section 406 and shall be deemed to be a recipient of aid to families with dependent children under part A of this title. For purposes of the preceding sentence, a child whose costs in a foster family home or child-care institution are covered by the foster care maintenance payments being made with respect to his or her minor parent, as provided in section 475(4)(B), shall be considered a child with respect to whom foster care maintenance payments are made under this section.

[ADOPTION ASSISTANCE PROGRAM

[SEC. 473. (a)(1)(A) Each State having a plan approved under this part shall enter into adoption assistance agreements (as defined in section 475(3)) with the adoptive parents of children with special needs.

[(B) Under any adoption assistance agreement entered into by a State with parents who adopt a child with special needs, the State—

[(i) shall make payments of nonrecurring adoption expenses incurred by or on behalf of such parents in connection with the adoption of such child, directly through the State agency or through another public or nonprofit private agency, in amounts determined under paragraph (3), and

[(ii) in any case where the child meets the requirements of paragraph (2), may make adoption assistance payments to such parents, directly through the State agency or through another public or nonprofit private agency, in amounts so determined.

[(2) For purposes of paragraph (1)(B)(ii), a child meets the requirements of this paragraph if such child—

[(A)(i) at the time adoption proceedings were initiated, met the requirements of section 406(a) or section 407 or would have met such requirements except for his removal from the home of a relative (specified in section 406(a)), either pursuant to a voluntary placement agreement with respect to which Federal payments are provided under section 474 (or 403) or as a result of a judicial determination to the effect that continuation therein would be contrary to the welfare of such child,

[(ii) meets all of the requirements of title XVI with respect to eligibility for supplemental security income benefits, or

[(iii) is a child whose costs in a foster family home or childcare institution are covered by the foster care maintenance payments being made with respect to his or her minor parent as provided in section 475(4)(B),

[(B)(i) received aid under the State plan approved under section 402 in or for the month in which such agreement was entered into or court proceedings leading to the removal of such child from the home were initiated, or

[(ii)(I) would have received such aid in or for such month if application had been made therefor, or (II) had been living with a relative specified in section 406(a) within six months prior to the month in which such agreement was entered into or such proceedings were initiated, and would have received such aid in or for such month if in such month he had been living with such a relative and application therefor had been made, or

[(iii) is a child described in subparagraph (A)(ii) or (A)(iii), and

[(C) has been determined by the State, pursuant to subsection (c) of this section, to be a child with special needs.

The last sentence of section 472(a) shall apply, for purposes of subparagraph (B), in any case where the child is an alien described in that sentence.

[(3) The amount of the payments to be made in any case under clauses (i) and (ii) of paragraph (1)(B) shall be determined through agreement between the adoptive parents and the State or local agency administering the program under this section, which shall take into consideration the circumstances of the adopting parents and the needs of the child being adopted, and may be readjusted periodically, with the concurrence of the adopting parents (which may be specified in the adoption assistance agreement), depending upon changes in such circumstances. However, in no case may the amount of the adoption assistance payment made under clause (ii) of paragraph (1)(B) exceed the foster care maintenance payment which would have been paid during the period if the child with respect to whom the adoption assistance payment is made had been in a foster family home.

[(4) Notwithstanding the preceding paragraph, (A) no payment may be made to parents with respect to any child who has attained the age of eighteen (or, where the State determines that the child has a mental or physical handicap which warrants the continuation of assistance, the age of twenty-one), and (B) no payment may be

made to parents with respect to any child if the State determines that the parents are no longer legally responsible for the support of the child or if the State determines that the child is no longer receiving any support from such parents. Parents who have been receiving adoption assistance payments under this section shall keep the State or local agency administering the program under this section informed of circumstances which would, pursuant to this subsection, make them ineligible for such assistance payments, or eligible for assistance payments in a different amount.

[(5) For purposes of this part, individuals with whom a child (who has been determined by the State, pursuant to subsection (c), to be a child with special needs) is placed for adoption in accordance with applicable State and local law shall be eligible for such payments, during the period of the placement, on the same terms and subject to the same conditions as if such individuals had adopted such child.

[(6)(A) For purposes of paragraph (1)(B)(i), the term ''nonrecurring adoption expenses'' means reasonable and necessary adoption fees, court costs, attorney fees, and other expenses which are directly related to the legal adoption of a child with special needs and which are not incurred in violation of State or Federal law.

[(B) A State's payment of nonrecurring adoption expenses under an adoption assistance agreement shall be treated as an expenditure made for the proper and efficient administration of the State plan for purposes of section 474(a)(3)(E).

[(b) For purposes of titles XIX and XX, any child—

[(1)(A) who is a child described in subsection (a)(2), and

[(B) with respect to whom an adoption assistance agreement is in effect under this section (whether or not adoption assistance payments are provided under the agreement or are being made under this section), including any such child who has been placed for adoption in accordance with applicable State and local law (whether or not an interlocutory or other judicial decree of adoption has been issued), or

[(2) with respect to whom foster care maintenance payments are being made under section 472,

shall be deemed to be a dependent child as defined in section 406 and shall be deemed to be a recipient of aid to families with dependent children under part A of this title in the State where such child resides. For purposes of the preceding sentence, a child whose costs in a foster family home or child-care institution are covered by the foster care maintenance payments being made with respect to his or her minor parent, as provided in section 475(4)(B), shall be considered a child with respect to whom foster care maintenance payments are being made under section 472.

[(c) For purposes of this section, a child shall not be considered a child with special needs unless—

[(1) the State has determined that the child cannot or should not be returned to the home of his parents; and

[(2) the State had first determined (A) that there exists with respect to the child a specific factor or condition (such as his ethnic background, age, or membership in a minority or sibling group, or the presence of factors such as medical conditions or

physical, mental, or emotional handicaps) because of which it is reasonable to conclude that such child cannot be placed with adoptive parents without providing adoption assistance under this section or medical assistance under title XIX, and (B) that, except where it would be against the best interests of the child because of such factors as the existence of significant emotional ties with prospective adoptive parents while in the care of such parents as a foster child, a reasonable, but unsuccessful, effort has been made to place the child with appropriate adoptive parents without providing adoption assistance under this section or medical assistance under title XIX.

[PAYMENTS TO STATES; ALLOTMENTS TO STATES

[SEC. 474. (a) For each quarter beginning after September 30, 1980, each State which has a plan approved under this part (subject to the limitations imposed by subsection (b)) shall be entitled to a payment equal to the sum of—

[(1) an amount equal to the Federal medical assistance percentage (as defined in section 1905(b) of this Act) of the total amount expended during such quarter as foster care maintenance payments under section 472 for children in foster family homes or child-care institutions; plus

[(2) an amount equal to the Federal medical assistance percentage (as defined in section 1905(b) of this Act) of the total amount expended during such quarter as adoption assistance payments under section 473 pursuant to adoption assistance agreements; plus

[(3) an amount equal to the sum of the following proportions of the total amounts expended during such quarter as found necessary by the Secretary for the provision of child placement services and for the proper and efficient administration of the State plan—

[(A) 75 per centum of so much of such expenditures as are for the training (including both short-and long-term training at educational institutions through grants to such institutions or by direct financial assistance to students enrolled in such institutions) of personnel employed or preparing for employment by the State agency or by the local agency administering the plan in the political subdivision,

[(B) 75 percent of so much of such expenditures (including travel and per diem expenses) as are for the short-term training of current or prospective foster or adoptive parents and the members of the staff of State-licensed or State-approved child care institutions providing care to foster and adopted children receiving assistance under this part, in ways that increase the ability of such current or prospective parents, staff members, and institutions to provide support and assistance to foster and adopted children, whether incurred directly by the State or by contract,

[(C) 50 percent of so much of such expenditures as are for the planning, design, development, or installation of statewide mechanized data collection and information retrieval systems (including 50 percent of the full amount of

expenditures for hardware components for such systems) but only to the extent that such systems—

[(i) meet the requirements imposed by regulations promulgated pursuant to section 479(b)(2);

[(ii) to the extent practicable, are capable of interfacing with the State data collection system that collects information relating to child abuse and neglect;

[(iii) to the extent practicable, have the capability of interfacing with, and retrieving information from, the State data collection system that collects information relating to the eligibility of individuals under part A (for the purposes of facilitating verification of eligibility of foster children); and

[(iv) are determined by the Secretary to be likely to provide more efficient, economical, and effective administration of the programs carried out under a State plan approved under part B or this part; and

[(D) 50 percent of so much of such expenditures as are for the operation of the statewide mechanized data collection and information retrieval systems referred to in subparagraph (C); and

[(E) one-half of the remainder of such expenditures; plus

[(4) an amount equal to the sum of—

[(A) so much of the amounts expended by such State to carry out programs under section 477 as do not exceed the basic amount for such State determined under section 477(e)(1); and

[(B) the lesser of—

[(i) one-half of any additional amounts expended by such State for such programs; or

[(ii) the maximum additional amount for such State under such section 477(e)(1).

[(b)(1) Notwithstanding the provisions of subsections (a)(1) and (a)(3), the aggregate of the sums payable thereunder to any State (other than a State subject to limitation under section 1108(a)) with respect to expenditures relating to foster care, for the calendar quarters in any of the fiscal years 1981 through 1992 in which the conditions set forth in paragraph (2) are met, shall not exceed the State's allotment for such year.

[(2)(A) The limitation in paragraph (1) shall apply—

[(i) with respect to fiscal year 1981, only if the amount appropriated under section 420 for such fiscal year is equal to or greater than $163,550,000;

[(ii) with respect to fiscal year 1982, only if the amount appropriated under section 420 for such fiscal year is equal to or greater than $220,000,000;

[(iii) with respect to each of the fiscal years 1983 through 1989, only if the amount appropriated under section 420 for such fiscal year is equal to $266,000,000; and

[(iv) with respect to each fiscal year succeeding the fiscal year 1989, only if $325,000,000 is appropriated under section 420 for such succeeding fiscal year.

[(B) The limitations set forth in paragraph (1) with respect to the fiscal years 1981 through 1992 shall apply only if the required

appropriation is made in advance in an appropriation Act (as authorized under section 420(b)) for the fiscal year preceding the fiscal year to which the limitation would apply.

[(3) For purposes of this subsection, a State's allotment for any fiscal year shall be the greater of—

[(A) the amount determined under paragraph (4);

[(B) an amount which bears the same ratio to $100,000,000 as the under age eighteen population of such State bears to the under age eighteen population of the fifty States and the District of Columbia; or

[(C) at the option of the State, an amount determined under paragraph (5), but only in the case of a State which meets the requirements of such paragraph (5).

[(4) For purposes of paragraph (3)(A), a State's allotment shall be determined as follows:

[(A) The allotment for any State for fiscal year 1980 shall be an amount equal to such State's base amount (as determined under subparagraph (C)) increased by 21.2 percent.

[(B) The allotment for any State for each of the fiscal years 1981 through 1992 shall be an amount equal to such State's allotment for the preceding fiscal year, increased or decreased by a percentage equal to twice the percentage increase or decrease (as the case may be) (but not to exceed an increase or decrease of 10 percent) in the Consumer Price Index prepared by the Department of Labor, and used in determining cost-of-living adjustments under section 215(i) of this Act, for the second quarter of the preceding fiscal year as compared to such index for the second quarter of the second preceding fiscal year. For purposes of this subparagraph the Consumer Price Index for any quarter shall be the arithmetical mean of such index for the three months in such quarter.

[(C) The base amount shall be equal to the amount of the Federal funds payable to such State for fiscal year 1978 under section 403 on account of expenditures for aid with respect to which Federal financial participation is authorized in payments pursuant to section 408 (including administrative expenditures attributable to the provision of such aid as determined by the Secretary) and for those States which in fiscal year 1978 did not make foster care maintenance payments under section 408 on behalf of children otherwise eligible for such payment, solely because their foster care was provided by related persons, shall be equal to the total amount of Federal funds the State would have been entitled to be paid under section 403 on account of expenditures pursuant to section 408 for that fiscal year if such payments had been made. In the event that there is a dispute between any State and the Secretary as to the amount of such expenditures for such fiscal year, then, until the beginning of the fiscal year immediately following the fiscal year in which the dispute is finally resolved, the base amount shall be deemed to be the amount of Federal funds which would have been payable under section 403 if the amount of such expenditures were equal to the amount thereof claimed by the State.

[(5)(A) For purposes of paragraph (3)(C), a State's allotment for any fiscal year ending after September 30, 1980, and before October 1, 1992, may, at the option of the State (and if the State meets the requirements of subparagraphs (B) and (C)), be determined by application of the provisions of paragraph (4) with the following modifications:

[(i) The base amount for purposes of determining an allotment for any such fiscal year shall be equal to the base amount determined under paragraph (4)(C) increased by a percentage equal to the percentage by which the average monthly number of children in such State receiving aid with respect to which Federal financial participation is authorized in payments pursuant to section 408, or receiving foster care maintenance payments with respect to which Federal financial participation is authorized under this part, for such fiscal year exceeds the average monthly number of such children for fiscal year 1978.

[(ii) For purposes of clause (i), the percentage determined under such clause shall not exceed 33.1 percent in the case of fiscal year 1981, 46.4 percent in the case of fiscal year 1982, 61.1 percent in the case of fiscal year 1983, or 77.2 percent in the case of each of fiscal years 1984 through 1992.

[(B) No State may exercise the option to have its allotment amount determined under the provisions of this paragraph unless, for fiscal year 1978, the average monthly number of children in such State receiving aid for which Federal financial participation is authorized in payments pursuant to section 408 as a percentage of the under age eighteen population of such State, was less than the average such percentage for the fifty States and the District of Columbia.

[(C) No State may exercise the option to have its allotment determined under this paragraph for any fiscal year other than fiscal year 1981 after the first fiscal year (after fiscal year 1978) with respect to which the average monthly number of children in such State receiving aid for which Federal financial participation is authorized in payments pursuant to section 408 or receiving foster care maintenance payments for which Federal financial participation is authorized under this part, as a percentage of the under age eighteen population of such State, was equal to or greater than the average such percentage for the fifty States and the District of Columbia for the fiscal year 1978. Any allotment determined under this paragraph for a State which opted to have its allotment so determined under this paragraph for the fiscal year prior to the first fiscal year for which its option may not be exercised by reason of the preceding sentence shall be considered to be such State's allotment for such prior fiscal year for purposes of determining allotments for subsequent fiscal years under paragraph (4).

[(D) In determining the number of children receiving aid for which Federal financial participation is authorized in payments under section 408 or under this part, for any fiscal year, with respect to any State and with respect to the national average for purposes of subparagraphs (B) and (C), there shall be included those children with respect to whom foster care maintenance payments were not made under section 408F or this part (though they were otherwise eligible for such payments) solely because their foster

care was provided by related persons. In the event that there is a dispute between any State and the Secretary as to the number of such children (with respect to whom foster care maintenance payments were not made) for any fiscal year, then until the beginning of the fiscal year immediately following the fiscal year in which the dispute is finally resolved, determinations under subparagraphs (B) and (C) shall be made on the basis of the number of such children claimed by the State.

[(E) The Secretary shall promulgate an interim allotment amount for purposes of this paragraph for each fiscal year for each State exercising its option to have its allotment determined under this paragraph, based on the most recent satisfactory data available, not later than six months after the beginning of such fiscal year. The amount of such allotment shall be adjusted, and the final allotment amount shall be promulgated, based on the most recent satisfactory data available, not later than nine months after the end of such fiscal year.

[(6) Except in the case of a State which loses the option of having its allotment determined under paragraph (5) by reason of the provisions of paragraph (5)(C), and subject to the provisions of such paragraph (5)(C), the amount of any allotment as determined in accordance with subparagraph (A), (B), or (C) of paragraph (3) for any fiscal year for any State shall be determined in accordance with the provisions of such subparagraph, without regard to the amount of such State's allotment for any prior fiscal year as determined in accordance with another such subparagraph.

[(c)(1) Except as provided in paragraphs (3) and (4), for any of the fiscal years 1981 through 1992 during which the limitation under subsection (b)(1) is in effect, sums available to a State from its allotment under subsection (b) for carrying out this part, which the State does not claim as reimbursement for expenditures in such year pursuant to subsection (a) of this section, may be claimed by the State as reimbursement for expenditures in such year pursuant to part B of this title, in addition to sums available pursuant to section 420 for carrying out part B.

[(2) Except as provided in paragraphs (3) and (4), for any of the fiscal years 1981 through 1992 during which the limitation under subsection (b)(1) is not in effect, a State may claim as reimbursement for expenditures for such year pursuant to part B of this title, in addition to amounts claimed under section 420, an amount equal to the amount by which the State's allotment amount for such fiscal year (as determined under subsection (b)(3)) exceeds the amount claimed by such State for such fiscal year as reimbursement for expenses relating to foster care under subsection (a); except that the total amount claimed by such State for such fiscal year under this paragraph, when added to the amount that such State receives for such fiscal year under section 420, may not exceed the amount that would have been payable to such State under section 420 for such fiscal year if the relevant amount described in subsection (b)(2)(A) had been appropriated for such fiscal year.

[(3) The provisions of paragraphs (1) and (2) shall not apply for any fiscal year with respect to any State which, with respect to such fiscal year, exercised its option to have its allotment amount determined under subsection (b)(5).

[(4)(A) No State may claim an amount under the provisions of this subsection as reimbursement for expenditures for any fiscal year pursuant to part B of this title to the extent that such amount, plus the amount claimed by such State for such fiscal year under section 420, exceeds the amount which would be allotted to such State under part B if the amount appropriated under section 420 were $141,000,000, unless such State has met the requirements set forth in section 427(a).

[(B) If, for each of any two consecutive fiscal years, there is appropriated under section 420 a sum equal to $325,000,000, no State may claim any amount under the provisions of this subsection as reimbursement for expenditures for any succeeding fiscal year pursuant to part B of this title unless such State has met the requirements set forth in section 427(b).

[(C) If, for each of any two fiscal years during which the limitation under subsection (b)(1) is not in effect, the total amount claimed by a State as reimbursement for expenditures pursuant to part B under this subsection and under section 420 equals the amount which would be allotted to such State for such fiscal year under part B if the amount appropriated under section 420 were $325,000,000, such State may not claim any amount under the provisions of paragraph (2) as reimbursement for expenditures for any succeeding fiscal year pursuant to part B of this title unless such State has met the requirements set forth in section 427(b).

[(b)(1) The Secretary shall, prior to the beginning of each quarter, estimate the amount to which a State will be entitled under subsections (a) for such quarter, such estimates to be based on (A) a report filed by the State containing its estimate of the total sum to be expended in such quarter in accordance with subsection (a), and stating the amount appropriated or made available by the State and its political subdivisions for such expenditures in such quarter, and if such amount is less than the State's proportionate share of the total sum of such estimated expenditures, the source or sources from which the difference is expected to be derived, (B) records showing the number of children in the State receiving assistance under this part, and (C) such other investigation as the Secretary may find necessary.

[(2) The Secretary shall then pay to the State, in such installments as he may determine, the amounts so estimated, reduced or increased to the extent of any overpayment or underpayment which the Secretary determines was made under this section to such State for any prior quarter and with respect to which adjustment has not already been made under this subsection.

[(3) The pro rata share to which the United States is equitably entitled, as determined by the Secretary, of the net amount recovered during any quarter by the State or any political subdivision thereof with respect to foster care and adoption assistance furnished under the State plan shall be considered an overpayment to be adjusted under this subsection.

[(4)(A) Within 60 days after receipt of a State claim for expenditures pursuant to subsection (a), the Secretary shall allow, disallow, or defer such claim.

[(B) Within 15 days after a decision to defer such a State claim, the Secretary shall notify the State of the reasons for the deferral

and of the additional information necessary to determine the allowability of the claim.

[(C) Within 90 days after receiving such necessary information (in readily reviewable form), the Secretary shall—

[(i) disallow the claim, if able to complete the review and determine that the claim is not allowable, or

[(ii) in any other case, allow the claim, subject to disallowance (as necessary)—

[(I) upon completion of the review, if it is determined that the claim is not allowable; or

[(II) on the basis of findings of an audit or financial management review.

[(c) Automated Data Collection Expenditures.—The Secretary shall treat as necessary for the proper and efficient administration of the State plan all expenditures of a State necessary in order for the State to plan, design, develop, install, and operate data collection and information retrieval systems described in subsection (a)(3)(C), without regard to whether the systems may be used with respect to foster or adoptive children other than those on behalf of whom foster care maintenance payments or adoption assistance payments may be made under this part.

[DEFINITIONS

[SEC. 475. As used in this part or part B of this title:

[(1) The term "case plan" means a written document which includes at least the following:

[(A) A description of the type of home or institution in which a child is to be placed, including a discussion of the appropriateness of the placement and how the agency which is responsible for the child plans to carry out the voluntary placement agreement entered into or judicial determination made with respect to the child in accordance with section 472(a)(1).

[(B) A plan for assuring that the child receives proper care and that services are provided to the parents, child, and foster parents in order to improve the conditions in the parents' home, facilitate return of the child to his own home or the permanent placement of the child, and address the needs of the child while in foster care, including a discussion of the appropriateness of the services that have been provided to the child under the plan.

[(C) To the extent available and accessible, the health and education records of the child, including—

[(i) the names and addresses of the child's health and educational providers;

[(ii) the child's grade level performance;

[(iii) the child's school record;

[(iv) assurances that the child's placement in foster care takes into account proximity to the school in which the child is enrolled at the time of placement;

[(v) a record of the child's immunizations;

[(vi) the child's known medical problems;

[(vii) the child's medications; and

[(viii) any other relevant health and education information concerning the child determined to be appropriate by the State agency.

Where appropriate, for a child age 16 or over, the case plan must also include a written description of the programs and services which will help such child prepare for the transition from foster care to independent living.

[(2) The term "parents" means biological or adoptive parents or legal guardians, as determined by applicable State law.

[(3) The term "adoption assistance agreement" means a written agreement, binding on the parties to the agreement, between the State agency, other relevant agencies, and the prospective adoptive parents of a minor child which at a minimum (A) specifies the nature and amount of any payments, services, and assistance to be provided under such agreement, and (B) stipulates that the agreement shall remain in effect regardless of the State of which the adoptive parents are residents at any given time. The agreement shall contain provisions for the protection (under an interstate compact approved by the Secretary or otherwise) of the interests of the child in cases where the adoptive parents and child move to another State while the agreement is effective.

[(4)(A) The term "foster care maintenance payments" means payments to cover the cost of (and the cost of providing) food, clothing, shelter, daily supervision, school supplies, a child's personal incidentals, liability insurance with respect to a child, and reasonable travel to the child's home for visitation. In the case of institutional care, such term shall include the reasonable costs of administration and operation of such institution as are necessarily required to provide the items described in the preceding sentence.

[(B) In cases where—

[(i) a child placed in a foster family home or child-care institution is the parent of a son or daughter who is in the same home or institution, and

[(ii) payments described in subparagraph (A) are being made under this part with respect to such child,

the foster care maintenance payments made with respect to such child as otherwise determined under subparagraph (A) shall also include such amounts as may be necessary to cover the cost of the items described in that subparagraph with respect to such son or daughter.

[(5) The term "case review system" means a procedure for assuring that—

[(A) each child has a case plan designed to achieve placement in the least restrictive (most family like) and most appropriate setting available and in close proximity to the parents' home, consistent with the best interest and special needs of the child, which—

[(i) if the child has been placed in a foster family home or child-care institution a substantial distance from the home of the parents of the child, or in a State different from the State in which such home is located,

sets forth the reasons why such placement is in the best interests of the child, and

[(ii) if the child has been placed in foster care outside the State in which the home of the parents of the child is located, requires that, periodically, but not less frequently than every 12 months, a caseworker on the staff of the State agency of the State in which the home of the parents of the child is located, or of the State in which the child has been placed, visit such child in such home or institution and submit a report on such visit to the State in which the home of the parents of the child is located,

[(B) the status of each child is reviewed periodically but no less frequently than once every six months by either a court or by administrative review (as defined in paragraph (6)) in order to determine the continuing necessity for and appropriateness of the placement, the extent of compliance with the case plan, and the extent of progress which has been made toward alleviating or mitigating the causes necessitating placement in foster care, and to project a likely date by which the child may be returned to the home or placed for adoption or legal guardianship,

[(C) with respect to each such child, procedural safeguards will be applied, among other things, to assure each child in foster care under the supervision of the State of a dispositional hearing to be held, in a family or juvenile court or another court (including a tribal court) of competent jurisdiction, or by an administrative body appointed or approved by the court, no later than eighteen months after the original placement (and not less frequently than every 12 months thereafter during the continuation of foster care), which hearing shall determine the future status of the child (including, but not limited to, whether the child should be returned to the parent, should be continued in foster care for a specified period, should be placed for adoption, or should (because of the child's special needs or circumstances) be continued in foster care on a permanent or long-term basis) and, in the case of a child described in subparagraph (A)(ii), whether the out-of-State placement continues to be appropriate and in the best interests of the child, and, in the case of a child who has attained age 16, the services needed to assist the child to make the transition from foster care to independent living; and procedural safeguards shall also be applied with respect to parental rights pertaining to the removal of the child from the home of his parents, to a change in the child's placement, and to any determination affecting visitation privileges of parents; and

[(D) a child's health and education record (as described in paragraph (1)(A)) is reviewed and updated, and supplied to the foster parent or foster care provider with whom the child is placed, at the time of each placement of the child in foster care.

[(6) The term "administrative review" means a review open to the participation of the parents of the child, conducted by a panel of appropriate persons at least one of whom is not responsible for the case management of, or the delivery of services to, either the child or the parents who are the subject of the review.

[TECHNICAL ASSISTANCE;DATA COLLECTION AND EVALUATION

[SEC. 476. (a) The Secretary may provide technical assistance to the States to assist them to develop the programs authorized under this part and shall periodically (1) evaluate the programs authorized under this part and part B of this title and (2) collect and publish data pertaining to the incidence and characteristics of foster care and adoptions in this country.

[(b) Each State shall submit statistical reports as the Secretary may require with respect to children for whom payments are made under this part containing information with respect to such children including legal status, demographic characteristics, location, and length of any stay in foster care.

[INDEPENDENT LIVING INITIATIVES

[SEC. 477. (a)(1) Payments shall be made in accordance with this section for the purpose of assisting States and localities in establishing and carrying out programs designed to assist children described in paragraph (2) who have attained age 16 in making the transition from foster care to independent living. Any State which provides for the establishment and carrying out of one or more such programs in accordance with this section for a fiscal year shall be entitled to receive payments under this section for such fiscal year, in an amount determined under subsection (e).

[(2) A program established and carried out under paragraph (1)—

[(A) shall be designed to assist children with respect to whom foster care maintenance payments are being made by the State under this part,

[(B) may at the option of the State also include any or all other children in foster care under the responsibility of the State, and

[(C) may at the option of the State also include any child who has not attained age 21 to whom foster care maintenance payments were previously made by a State under this part and whose payments were discontinued on or after the date such child attained age 16, and any child who previously was in foster care described in subparagraph (B) and for whom such care was discontinued on or after the date such child attained age 16; and a written transitional independent living plan of the type described in subsection (d)(6) shall be developed for such child as a part of such program.

[(b) The State agency administering or supervising the administration of the State's programs under this part shall be responsible for administering or supervising the administration of the State's programs described in subsection (a). Payment under this section shall be made to the State, and shall be used for the purpose of conducting and providing in accordance with this section (directly

or under contracts with local governmental entities or private nonprofit organizations) the activities and services required to carry out the program or programs involved.

[(c) In order for a State to receive payments under this section for any fiscal year, the State agency must submit to the Secretary, in such manner and form as the Secretary may prescribe, a description of the program together with satisfactory assurances that the program will be operated in an effective and efficient manner and will otherwise meet the requirements of this section. In the case of payments for fiscal year 1987, such description and assurances must be submitted within 90 days after the Secretary promulgates regulations as required under subsection (i), and in the case of payments for any succeeding fiscal year, such description and assurances must be submitted prior to February 1 of such fiscal year.

[(d) In carrying out the purpose described in subsection (a), it shall be the objective of each program established under this section to help the individuals participating in such program to prepare to live independently upon leaving foster care. Such programs may include (subject to the availability of funds) programs to—

[(1) enable participants to seek a high school diploma or its equivalent or to take part in appropriate vocational training;

[(2) provide training in daily living skills, budgeting, locating and maintaining housing, and career planning;

[(3) provide for individual and group counseling;

[(4) integrate and coordinate services otherwise available to participants;

[(5) provide for the establishment of outreach programs designed to attract individuals who are eligible to participate in the program;

[(6) provide each participant a written transitional independent living plan which shall be based on an assessment of his needs, and which shall be incorporated into his case plan, as described in section 475(1); and

[(7) provide participants with other services and assistance designed to improve their transition to independent living.

[(e)(1)(A) The basic amount to which a State shall be entitled under section 474(a)(4) for fiscal year 1987 and any succeeding fiscal year shall be an amount which bears the same ratio to the basic ceiling for such fiscal year as such State's average number of children receiving foster care maintenance payments under this part in fiscal year 1984 bears to the total of the average number of children receiving such payments under this part for all States for fiscal year 1984.

[(B) The maximum additional amount to which a State shall be entitled under section 474(a)(4) for fiscal year 1991 and any succeeding fiscal year shall be an amount which bears the same ratio to the additional ceiling for such fiscal year as the basic amount of such State bears to $45,000,000.

[(C) As used in this section:

[(i) The term "basic ceiling" means—

[(I) for fiscal year 1990, $50,000,000; and

[(II) for each fiscal year other than fiscal year 1990, $45,000,000.

[(ii) The term "additional ceiling" means—

[(I) for fiscal year 1991, $15,000,000; and

[(II) for any succeeding fiscal year, $25,000,000.

[(2) If any State does not apply for funds under this section for any fiscal year within the time provided in subsection (c), the funds to which such State would have been entitled for such fiscal year shall be reallocated to one or more other States on the basis of their relative need for additional payments under this section (as determined by the Secretary).

[(3) Any amounts payable to States under this section shall be in addition to amounts payable to States under subsections (a)(1), (a)(2), and (a)(3) of section 474, and shall supplement and not replace any other funds which may be available for the same general purposes in the localities involved. Amounts payable under this section may not be used for the provision of room or board.

[(f) Payments made to a State under this section for any fiscal year—

[(1) shall be used only for the specific purposes described in this section;

[(2) may be made on an estimated basis in advance of the determination of the exact amount, with appropriate subsequent adjustments to take account of any error in the estimates; and

[(3) shall be expended by such State in such fiscal year or in the succeeding fiscal year.

Notwithstanding paragraph (3), payments made to a State under this section for the fiscal year 1987 and unobligated may be expended by such State in the fiscal year 1989.

[(g)(1) Not later than the first January 1 following the end of each fiscal year, each State shall submit to the Secretary a report on the programs carried out during such fiscal year with the amounts received under this section. Such report—

[(A) shall be in such form and contain such information as may be necessary to provide an accurate description of such activities, to provide a complete record of the purposes for which the funds were spent, and to indicate the extent to which the expenditure of such funds succeeded in accomplishing the purpose described in subsection (a); and

[(B) shall specifically contain such information as the Secretary may require in order to carry out the evaluation under paragraph (2).

[(2)(A) Not later than July 1, 1988, the Secretary shall submit an interim report on the activities carried out under this section.

[(B) Not later than March 1, 1989, the Secretary, on the basis of the reports submitted by States under paragraph (1) for the fiscal years 1987 and 1988, and on the basis of such additional information as the Secretary may obtain or develop, shall evaluate the use by States of the payments made available under this section for such fiscal year with respect to the purpose of this section, with the objective of appraising the achievements of the programs for which such payments were made available, and developing comprehensive information and data on the basis of which decisions can be made with respect to the improvement of such programs and the necessity for providing further payments in subsequent

years. The Secretary shall report such evaluation to the Congress. As a part of such evaluation, the Secretary shall include, at a minimum, a detailed overall description of the number and characteristics of the individuals served by the programs, the various kinds of activities conducted and services provided and the results achieved, and shall set forth in detail findings and comments with respect to the various State programs and a statement of plans and recommendations for the future.

[(h) Notwithstanding any other provision of this title, payments made and services provided to participants in a program under this section, as a direct consequence of their participation in such program, shall not be considered as income or resources for purposes of determining eligibility (or the eligibility of any other persons) for aid under the State's plan approved under section 402 or 471, or for purposes of determining the level of such aid.

[(i) The Secretary shall promulgate final regulations for implementing this section within 60 days after the date of the enactment of this section

[COLLECTION OF DATA RELATING TO ADOPTION AND FOSTER CARE

[SEC. 479. (a)(1) Not later than 90 days after the date of the enactment of this subsection, the Secretary shall establish an Advisory Committee on Adoption and Foster Care Information (in this section referred to as the "Advisory Committee") to study the various methods of establishing, administering, and financing a system for the collection of data with respect to adoption and foster care in the United States.

[(2) The study required by paragraph (1) shall—

[(A) identify the types of data necessary to—

[(i) assess (on a continuing basis) the incidence, characteristics, and status of adoption and foster care in the United States, and

[(ii) develop appropriate national policies with respect to adoption and foster care;

[(B) evaluate the feasibility and appropriateness of collecting data with respect to privately arranged adoptions and adoptions arranged through private agencies without assistance from public child welfare agencies;

[(C) assess the validity of various methods of collecting data with respect to adoption and foster care; and

[(D) evaluate the financial and administrative impact of implementing each such method.

[(3) Not later than October 1, 1987, the Advisory Committee shall submit to the Secretary and the Congress a report setting forth the results of the study required by paragraph (1) and evaluating and making recommendations with respect to the various methods of establishing, administering, and financing a system for the collection of data with respect to adoption and foster care in the United States.

[(4)(A) Subject to subparagraph (B), the membership and organization of the Advisory Committee shall be determined by the Secretary.

[(B) The membership of the Advisory Committee shall include representatives of—

[(i) private, nonprofit organizations with an interest in child welfare (including organizations that provide foster care and adoption services),

[(ii) organizations representing State and local governmental agencies with responsibility for foster care and adoption services,

[(iii) organizations representing State and local governmental agencies with responsibility for the collection of health and social statistics,

[(iv) organizations representing State and local judicial bodies with jurisdiction over family law,

[(v) Federal agencies responsible for the collection of health and social statistics, and

[(vi) organizations and agencies involved with privately arranged or international adoptions.

[(5) After the date of the submission of the report required by paragraph (3), the Advisory Committee shall cease to exist.

[(b)(1)(A) Not later than July 1, 1988, the Secretary shall submit to the Congress a report that—

[(i) proposes a method of establishing, administering, and financing a system for the collection of data relating to adoption and foster care in the United States,

[(ii) evaluates the feasibility and appropriateness of collecting data with respect to privately arranged adoptions and adoptions arranged through private agencies without assistance from public child welfare agencies, and

[(iii) evaluates the impact of the system proposed under clause (i) on the agencies with responsibility for implementing it.

[(B) The report required by subparagraph (A) shall—

[(i) specify any changes in law that will be necessary to implement the system proposed under subparagraph (A)(i), and

[(ii) describe the type of system that will be implemented under paragraph (2) in the absence of such changes.

[(2) Not later than December 31, 1988, the Secretary shall promulgate final regulations providing for the implementation of—

[(A) the system proposed under paragraph (1)(A)(i), or

[(B) if the changes in law specified pursuant to paragraph (1)(B)(i) have not been enacted, the system described in paragraph (1)(B)(ii).

Such regulations shall provide for the full implementation of the system not later than October 1, 1991.

[(c) Any data collection system developed and implemented under this section shall—

[(1) avoid unnecessary diversion of resources from agencies responsible for adoption and foster care;

[(2) assure that any data that is collected is reliable and consistent over time and among jurisdictions through the use of uniform definitions and methodologies;

[(3) provide comprehensive national information with respect to—

[(A) the demographic characteristics of adoptive and foster children and their biological and adoptive or foster parents,

[(B) the status of the foster care population (including the number of children in foster care, length of placement, type of placement, availability for adoption, and goals for ending or continuing foster care),

[(C) the number and characteristics of—

[(i) children placed in or removed from foster care,

[(ii) children adopted or with respect to whom adoptions have been terminated, and

[(iii) children placed in foster care outside the State which has placement and care responsibility, and'

[(D) the extent and nature of assistance provided by Federal, State, and local adoption and foster care programs and the characteristics of the children with respect to whom such assistance is provided; and

[(4) utilize appropriate requirements and incentives to ensure that the system functions reliably throughout the United States.

[PART F—JOB OPPORTUNITIES AND BASIC SKILLS TRAINING PROGRAM

[PURPOSE AND DEFINITIONS

[SEC. 481. (a) PURPOSE.—It is the purpose of this part to assure that needy families with children obtain the education, training, and employment that will help them avoid long-term welfare dependence.

[(b) MEANING OF TERMS.—Except to the extent otherwise specifically indicated, terms used in this part shall have the meanings given them in or under part A.

[ESTABLISHMENT AND OPERATION OF STATE PROGRAMS

[SEC. 482. (a) STATE PLANS FOR JOB OPPORTUNITIES AND BASIC SKILLS TRAINING PROGRAMS.—(1)(A) As a condition of its participation in the program of aid to families with dependent children under part A, each State shall establish and operate a job opportunities and basic skills training program (in this part referred to as the "program") under a plan approved by the Secretary as meeting all of the requirements of this part and section 402(a)(19), and shall, in accordance with regulations prescribed by the Secretary, periodically (but not less frequently than every 2 years) review and update its plan and submit the updated plan for approval by the Secretary.

[(B) A State plan for establishing and operating the program must describe how the State intends to implement the program during the period covered by the plan, and must indicate, through cross-references to the appropriate provisions of this part and part A, that the program will be operated in accordance with such provision of law. In addition, such plan must contain (i) an estimate of the number of persons to be served by the program, (ii) a description of the services to be provided within the State and the political subdivisions thereof, the needs to be addressed through the provision of such services, the extent to which such services are expected to be made available by other agencies on a nonreimbursable basis, and the extent to which such services are

to be provided or funded by the program, and (iii) such additional information as the Secretary may require by regulation to enable the Secretary to determine that the State program will meet all of the requirements of this part and part A.

[(C) The Secretary shall consult with the Secretary of Labor on general plan requirements and on criteria to be used in approving State plans under this section.

[(D)(i) Not later than October 1, 1992, each State shall make the program available in each political subdivision of such State where it is feasible to do so, after taking into account the number of prospective participants, the local economy, and other relevant factors.

[(ii) If a State determines that it is not feasible to make the program available in each such subdivision, the State plan must provide appropriate justification to the Secretary.

[(2) The State agency that administers or supervises the administration of the State's plan approved under section 402 shall be responsible for the administration or supervision of the administration of the State's program.

[(3) Federal funds made available to a State for purposes of the program shall not be used to supplant non-Federal funds for existing services and activities which promote the purpose of this part. State or local funds expended for such purpose shall be maintained at least at the level of such expenditures for the fiscal year 1986.

[(b) ASSESSMENT AND REVIEW OF NEEDS AND SKILLS OF PARTICIPANTS; EMPLOYABILITY PLAN.—(1)(A) The State agency must make an initial assessment of the educational, child care, and other supportive services needs as well as the skills, prior work experience, and employability of each participant in the program under this part, including a review of the family circumstances. The agency may also review the needs of any child of the participant.

[(B) On the basis of such assessment, the State agency, in consultation with the participant, shall develop an employability plan for the participant. The employability plan shall explain the services that will be provided by the State agency and the activities in which the participant will take part under the program, including child care and other supportive services, shall set forth an employment goal for the participant, and shall, to the maximum extent possible and consistent with this section, reflect the respective preferences of such participant. The plan must take into account the participant's supportive services needs, available program resources, and local employment opportunities. The employability plan shall not be considered a contract.

[(2) Following the initial assessment and review and the development of the employability plan with respect to any participant in the program, the State agency may require the participant (or the adult caretaker in the family of which the participant is a member) to negotiate and enter into an agreement with the State agency that specifies such matters as the participant's obligations under the program, the duration of participation in the program, and the activities to be conducted and the services to be provided in the course of such participation. If the State agency exercises the option under the preceding sentence, the State agency must give the participant such assistance as he or she may require in reviewing and understanding the agreement.

[(3) The State agency may assign a case manager to each participant and the participant's family. The case manager so assigned must be responsible for assisting the family to obtain any services which may be needed to assure effective participation in the program.

[(c) PROVISION OF PROGRAM AND EMPLOYMENT INFORMATION.—(1) The State agency must ensure that all applicants for and recipients of aid to families with dependent children are encouraged, assisted, and required to fulfill their responsibilities to support their children by preparing for, accepting, and retaining such employment as they are capable of performing.

[(2) The State agency must inform all applicants for and recipients of aid to families with dependent children of the education, employment, and training opportunities, and the support services (including child care and health coverage transition options), for which they are eligible, the obligations of the State agency, and the rights, responsibilities, and obligations of participants in the program.

[(3) The State agency must—

[(A) provide (directly or through arrangements with others) information on the types and locations of child care services reasonably accessible to participants in the program,

[(B) inform participants that assistance is available to help them select appropriate child care services, and

[(C) on request, provide assistance to participants in obtaining child care services.

[(4) The State agency must inform applicants for and recipients of aid to families with dependent children of the grounds for exemption from participation in the program and the consequences of refusal to participate if not exempt, and provide other appropriate information with respect to such participation.

[(5) Within one month after the State agency gives a recipient of aid to families with dependent children the information described in the preceding provisions of this paragraph, the State agency must notify such recipient of the opportunity to indicate his or her desire to participate in the program, including a clear description of how to enter the program.

[(d) SERVICES AND ACTIVITIES UNDER THE PROGRAM.—(1)(A) In carrying out the program, each State shall make available a broad range of services and activities to aid in carrying out the purpose of this part. Such services and activities—

[(i) shall include—

[(I) educational activities (as appropriate), including high school or equivalent education (combined with training as needed), basic and remedial education to achieve a basic literacy level, and education for individuals with limited English proficiency;

[(II) job skills training;

[(III) job readiness activities to help prepare participants for work; and

[(IV) job development and job placement; and

[(ii) must also include at least 2 of the following:

[(I) group and individual job search as described in subsection (g);

[(II) on-the-job training;

[(III) work supplementation programs as described in subsection (e); and

[(IV) community work experience programs as described in subsection (f) or any other work experience program approved by the Secretary.

[(B) The State may also offer to participants under the program (i) postsecondary education in appropriate cases, and (ii) such other education, training, and employment activities as may be determined by the State and allowed by regulations of the Secretary.

[(2) If the State requires an individual who has attained the age of 20 years and has not earned a high school diploma (or equivalent) to participate in the program, the State agency shall include educational activities consistent with his or her employment goals as a component of the individual's participation in the program, unless the individual demonstrates a basic literacy level, or the employability plan for the individual identifies a long-term employment goal that does not require a high school diploma (or equivalent). Any other services or activities to which such a participant is assigned may not be permitted to interfere with his or her participation in an appropriate educational activity under this subparagraph.

[(3) Notwithstanding any other provision of this section, the Secretary shall permit up to 5 States to provide services under the program, on a voluntary or mandatory basis, to non- custodial parents who are unemployed and unable to meet their child support obligations. Any State providing services to non-custodial parents pursuant to this paragraph shall evaluate the provision of such services, giving particular attention to the extent to which the provision of such services to those parents is contributing to the achievement of the purpose of this part, and shall report the results of such evaluation to the Secretary.

[(e) WORK SUPPLEMENTATION PROGRAM.—(1) Any State may institute a work supplementation program under which such State, to the extent it considers appropriate, may reserve the sums that would otherwise be payable to participants in the program as aid to families with dependent children and use such sums instead for the purpose of providing and subsidizing jobs for such participants (as described in paragraph (3)(C)(i) and (ii)), as an alternative to the aid to families with dependent children that would otherwise be so payable to them.

[(2)(A) Notwithstanding section 406 or any other provision of law, Federal funds may be paid to a State under part A, subject to this subsection, with respect to expenditures incurred in operating a work supplementation program under this subsection.

[(B) Nothing in this part, or in any State plan approved under part A, shall be construed to prevent a State from operating (on such terms and conditions and in such cases as the State may find to be necessary or appropriate) a work supplementation program in accordance with this subsection and section 484.

[(C) Notwithstanding section 402(a)(23) or any other provision of law, a State may adjust the levels of the standards of need under the State plan as the State determines to be necessary and appro-

priate for carrying out a work supplementation program under this subsection.

[(D) Notwithstanding section 402(a)(1) or any other provision of law, a State operating a work supplementation program under this subsection may provide that the need standards in effect in those areas of the State in which such program is in operation may be different from the need standards in effect in the areas in which such program is not in operation, and such State may provide that the need standards for categories of recipients may vary among such categories to the extent the State determines to be appropriate on the basis of ability to participate in the work supplementation program.

[(E) Notwithstanding any other provision of law, a State may make such further adjustments in the amounts of the aid to families with dependent children paid under the plan to different categories of recipients (as determined under subparagraph (D)) in order to offset increases in benefits from needs-related programs (other than the State plan approved under part A) as the State determines to be necessary and appropriate to further the purposes of the work supplementation program.

[(F) In determining the amounts to be reserved and used for providing and subsidizing jobs under this subsection as described in paragraph (1), the State may use a sampling methodology.

[(G) Notwithstanding section 402(a)(8) or any other provision of law, a State operating a work supplementation program under this subsection (i) may reduce or eliminate the amount of earned income to be disregarded under the State plan as the State determines to be necessary and appropriate to further the purposes of the work supplementation program, and (ii) during one or more of the first 9 months of an individual's employment pursuant to a program under this section, may apply to the wages of the individual the provisions of subparagraph (A)(iv) of section 402(a)(8) without regard to the provisions of subparagraph (B)(ii)(II) of such section.

[(3)(A) A work supplementation program operated by a State under this subsection may provide that any individual who is an eligible individual (as determined under subparagraph (B)) shall take a supplemented job (as defined in subparagraph (C)) to the extent that supplemented jobs are available under the program. Payments by the State to individuals or to employers under the work supplementation program shall be treated as expenditures incurred by the State for aid to families with dependent children except as limited by paragraph (4).

[(B) For purposes of this subsection, an eligible individual is an individual who is in a category which the State determines should be eligible to participate in the work supplementation program, and who would, at the time of placement in the job involved, be eligible for aid to families with dependent children under an approved State plan if such State did not have a work supplementation program in effect.

[(C) For purposes of this section, a supplemented job is—

[(i) a job provided to an eligible individual by the State or local agency administering the State plan under part A; or

[(ii) a job provided to an eligible individual by any other employer for which all or part of the wages are paid by such State or local agency.

A State may provide or subsidize under the program any job which such State determines to be appropriate.

[(D) At the option of the State, individuals who hold supplemented jobs under a State's work supplementation program shall be exempt from the retrospective budgeting requirements imposed pursuant to section 402(a)(13)(A)(ii) (and the amount of the aid which is payable to the family of any such individual for any month, or which would be so payable but for the individual's participation in the work supplementation program, shall be determined on the basis of the income and other relevant circumstances in that month).

[(4) The amount of the Federal payment to a State under section 403 for expenditures incurred in making payments to individuals and employers under a work supplementation program under this subsection shall not exceed an amount equal to the amount which would otherwise be payable under such section if the family of each individual employed in the program established in such State under this subsection had received the maximum amount of aid to families with dependent children payable under the State plan to such a family with no income (without regard to adjustments under paragraph (2)) for the lesser of (A) 9 months, or (B) the number of months in which such individual was employed in such program.

[(5)(A) Nothing in this subsection shall be construed as requiring the State or local agency administering the State plan to provide employee status to an eligible individual to whom it provides a job under the work supplementation program (or with respect to whom it provides all or part of the wages paid to the individual by another entity under such program), or as requiring any State or local agency to provide that an eligible individual filling a job position provided by another entity under such program be provided employee status by such entity during the first 13 weeks such individual fills that position.

[(B) Wages paid under a work supplementation program shall be considered to be earned income for purposes of any provision of law.

[(6) Any State that chooses to operate a work supplementation program under this subsection shall provide that any individual who participates in such program, and any child or relative of such individual (or other individual living in the same household as such individual) who would be eligible for aid to families with dependent children under the State plan approved under part A if such State did not have a work supplementation program, shall be considered individuals receiving aid to families with dependent children under the State plan approved under part A for purposes of eligibility for medical assistance under the State plan approved under title XIX.

[(7) No individual receiving aid to families with dependent children under a State plan shall be excused by reason of the fact that such State has a work supplementation program from any requirement of this part relating to work requirements, except during periods in which such individual is employed under such work supplementation program.

[(f) COMMUNITY WORK EXPERIENCE PROGRAM.—(1)(A) Any State may establish a community work experience program in accordance with this subsection. The purpose of the community work experience program is to provide experience and training for individuals not otherwise able to obtain employment, in order to assist them to move into regular employment. Community work experience programs shall be designed to improve the employability of participants through actual work experience and training and to enable individuals employed under community work experience programs to move promptly into regular public or private employment. The facilities of the State public employment offices may be utilized to find employment opportunities for recipients under this program. Community work experience programs shall be limited to projects which serve a useful public purpose in fields such as health, social service, environmental protection, education, urban and rural development and redevelopment, welfare, recreation, public facilities, public safety, and day care. To the extent possible, the prior training, experience, and skills of a recipient shall be used in making appropriate work experience assignments.

[(B)(i) A State that elects to establish a community work experience program under this subsection shall operate such program so that each participant (as determined by the State) either works or undergoes training (or both) with the maximum number of hours that any such individual may be required to work in any month being a number equal to the amount of the aid to families with dependent children payable with respect to the family of which such individual is a member under the State plan approved under this part, divided by the greater of the Federal minimum wage or the applicable State minimum wage (and the portion of a recipient's aid for which the State is reimbursed by a child support collection shall not be taken into account in determining the number of hours that such individual may be required to work).

[(ii) After an individual has been assigned to a position in a community work experience program under this subsection for 9 months, such individual may not be required to continue in that assignment unless the maximum number of hours of participation is no greater than (I) the amount of the aid to families with dependent children payable with respect to the family of which such individual is a member under the State plan approved under this part (excluding any portion of such aid for which the State is reimbursed by a child support payment), divided by (II) the higher of (a) the Federal minimum wage or the applicable State minimum wage, whichever is greater, or (b) the rate of pay for individuals employed in the same or similar occupations by the same employer at the same site.

[(C) Nothing contained in this subsection shall be construed as authorizing the payment of aid to families with dependent children as compensation for work performed, nor shall a participant be entitled to a salary or to any other work or training expense provided under any other provision of law by reason of his participation in a program under this subsection.

[(D) Nothing in this part or in any State plan approved under this part shall be construed to prevent a State from operating (on such terms and conditions and in such cases as the State may find

to be necessary or appropriate) a community work experience program in accordance with this subsection and subsection (d).

[(E) Participants in community work experience programs under this subsection may perform work in the public interest (which otherwise meets the requirements of this subsection) for a Federal office or agency with its consent, and, notwithstanding section 1342 of title 31, United States Code, or any other provision of law, such agency may accept such services, but such participants shall not be considered to be Federal employees for any purpose.

[(2) After each 6 months of an individual's participation in a community work experience program under this subsection, and at the conclusion of each assignment of the individual under such program, the State agency must provide a reassessment and revision, as appropriate, of the individual's employability plan.

[(3) The State agency shall provide coordination among a community work experience program operated pursuant to this subsection, any program of job search under subsection (g), and the other employment-related activities under the program established by this section so as to insure that job placement will have priority over participation in the community work experience program, and that individuals eligible to participate in more than one such program are not denied aid to families with dependent children on the grounds of failure to participate in one such program if they are actively and satisfactorily participating in another. The State agency may provide that part-time participation in more than one such program may be required where appropriate.

[(4) In the case of any State that makes expenditures in the form described in paragraph (1) under its State plan approved under section 482(a)(1), expenditures for the operation and administration of the program under this section may not include, for purposes of section 403, the cost of making or acquiring materials or equipment in connection with the work performed under a program referred to in paragraph (1) or the cost of supervision of work under such program, and may include only such other costs attributable to such programs as are permitted by the Secretary.

[(g) JOB SEARCH PROGRAM.—(1) The State agency may establish and carry out a program of job search for individuals participating in the program under this part.

[(2) Notwithstanding section 402(a)(19)(B)(i), the State agency may require job search by an individual applying for or receiving aid to families with dependent children (other than an individual described in section 402(a)(19)(C) who is not an individual with respect to whom section 402(a)(19)(D) applies)—

[(A) subject to the next to last sentence of this paragraph, beginning at the time such individual applies for aid to families with dependent children and continuing for a period (prescribed by the State) of not more than 8 weeks (but this requirement may not be used as a reason for any delay in making a determination of an individual's eligibility for such aid or in issuing a payment to or on behalf of any individual who is otherwise eligible for such aid); and

[(B) at such time or times after the close of the period prescribed under subparagraph (A) as the State agency may deter-

mine but not to exceed a total of 8 weeks in any period of 12 consecutive months.

In no event may an individual be required to participate in job search for more than 3 weeks before the State agency conducts the assessment and review with respect to such individual under subsection (b)(1)(A). Job search activities in addition to those required under the preceding provisions of this paragraph may be required only in combination with some other education, training, or employment activity which is designed to improve the individual's prospects for employment.

[(3) Job search by an individual under this subsection shall in no event be treated, for any purpose, as an activity under the program if the individual has participated in such job search for 4 months out of the preceding 12 months.

[(h) DISPUTE RESOLUTION PROCEDURES.—Each State shall establish a conciliation procedure for the resolution of disputes involving an individual's participation in the program and (if the dispute involved is not resolved through conciliation) shall provide an opportunity for a hearing with respect to the dispute, which hearing may be provided through a hearing process established for purposes of resolving disputes with respect to the program or through the provision of a hearing pursuant to section 402(a)(4); but in no event shall aid to families with dependent children be suspended, reduced, discontinued, or terminated as a result of a dispute involving an individual's participation in the program until such individual has an opportunity for a hearing that meets the standards set forth by the United States Supreme Court in Goldberg v. Kelly, 397 U.S. 254 (1970).

[(i) SPECIAL PROVISIONS RELATING TO INDIAN TRIBES.—(1) Within 6 months after the date of the enactment of the Family Support Act of 1988, an Indian tribe or Alaska Native organization may apply to the Secretary to conduct a job opportunities and basic skills training program to carry out the purpose of this subsection. If the Secretary approves such tribe's or organization's application, the maximum amount that may be paid to the State under section 403(l) in which such tribe or organization is located shall be reduced by the Secretary in accordance with paragraph (2) and an amount equal to the amount of such reduction shall be paid directly to such tribe or organization (without the requirement of any nonfederal share) for the operation of such program. In determining whether to approve an application from an Alaska Native organization, the Secretary shall consider whether approval of the application would promote the efficient and nonduplicative administration of job opportunities and basic skills training programs in the State.

[(2) The amount of the reduction under paragraph (1) with respect to any State in which is located an Indian tribe or Alaska Native organization with an application approved under such paragraph shall be an amount equal to the amount that bears the same ratio to the maximum amount that could be paid under section 403(l) to the State as—

[(A) the number of adult Indians receiving aid to families with dependent children who reside on the reservation or with-

in the designated service area bears to the number of all such adult recipients in the State, or

[(B) the number of adult Alaska Natives receiving aid to families with dependent children who reside within the boundaries of such Alaska Native organization bears to the number of all such adult recipients in the State of Alaska.

[(3) The job opportunities and basic skills training program set forth in the application of an Indian tribe or Alaska Native organization under paragraph (1) need not meet any requirement of the program under this part or under section 402(a)(19) that the Secretary determines is inappropriate with respect to such job opportunities and basic skills training program.

[(4) The job opportunities and basic skills training program of any Indian tribe or Alaska Native organization may be terminated voluntarily by such tribe or Alaska Native organization or may be terminated by the Secretary upon a finding that the tribe or Alaska Native organization is not conducting such program in substantial conformity with the terms of the application approved by the Secretary, and the maximum amount that may be paid under section 403(l) to the State within which the tribe or Alaska Native organization is located (as reduced pursuant to paragraph (1)) shall be increased by any portion of the amount retained by the Secretary with respect to such program (and not payable to such tribe or Alaska Native organization for obligations already incurred). The reduction under paragraph (1) shall in no event apply to a State for any fiscal year beginning after such program is terminated if no other such program remains in operation in the State.

[(5) For purposes of this subsection, an Indian tribe is any tribe, band, nation, or other organized group or community of Indians that—

[(A) is recognized as eligible for the special programs and services provided by the United States to Indians because of their status as Indians; and

[(B) for which a reservation (as defined in paragraph (6)) exists.

[(6) For purposes of this subsection, a reservation includes Indian reservations, public domain Indian allotments, and former Indian reservations in Oklahoma.

[(7) For purposes of this subsection—

[(A) an Alaska Native organization is any organized group of Alaska Natives eligible to operate a Federal program under Public Law 93–638 or such group's designee;

[(B) the boundaries of an Alaska Native organization shall be those of the geographical region, established pursuant to section 7(a) of the Alaska Native Claims Settlement Act, within which the Alaska Native organization is located (without regard to the ownership of the land within the boundaries);

[(C) the Secretary may approve only one application from an Alaska Native organization for each of the 12 geographical regions established pursuant to section 7(a) of the Alaska Native Claims Settlement Act; and

[(D) any Alaska Native, otherwise eligible or required to participate in a job opportunities and basic skills training program, residing within the boundaries of an Alaska Native orga-

nization whose application has been approved by the Secretary, shall be eligible to participate in the job opportunities and basic skills training program administered by such Alaska Native organization.

[(8) Nothing in this subsection shall be construed to grant or defer any status or powers other than those expressly granted in this subsection or to validate or invalidate any claim by Alaska Natives of sovereign authority over lands or people.

[COORDINATION REQUIREMENTS

[SEC. 483. (a)(1) The Governor of each State shall assure that program activities under this part are coordinated in that State with programs operated under the Job Training Partnership Act and with any other relevant employment, training, and education programs available in that State. Appropriate components of the State's plan developed under section 482(a)(1) which relate to job training and work preparation shall be consistent with the coordination criteria specified in the Governor's coordination and special services plan required under section 121 of the Job Training Partnership Act.

[(2) The State plan so developed shall be submitted to the State job training coordinating council not less than 60 days before its submission to the Secretary, for the purpose of review and comment by the council. Concurrent with submission of the plan to the State job training coordinating council, the proposed State plan shall be published and made reasonably available to the general public through local news facilities and public announcements, in order to provide the opportunity for review and comment.

[(3) The comments and recommendations of the State job training coordinating council under paragraph (2) shall be transmitted to the Governor of the State.

[(b) The Secretary of Health and Human Services shall consult with the Secretaries of Education and Labor on a continuing basis for the purpose of assuring the maximum coordination of education and training services in the development and implementation of the program under this part.

[(c) The State agency responsible for administering or supervising the administration of the State plan approved under part A shall consult with the State education agency and the agency responsible for administering job training programs in the State in order to promote coordination of the planning and delivery of services under the program with programs operated under the Job Training Partnership Act and with education programs available in the State (including any program under the Adult Education Act.

[PROVISIONS GENERALLY APPLICABLE TO PROVISION OF SERVICES

[SEC. 484. (a) In assigning participants in the program under this part to any program activity, the State agency shall assure that—

[(1) each assignment takes into account the physical capacity, skills, experience, health and safety, family responsibilities, and place of residence of the participant;

[(2) no participant will be required, without his or her consent, to travel an unreasonable distance from his or her home or remain away from such home overnight;

[(3) individuals are not discriminated against on the basis of race, sex, national origin, religion, age, or handicapping condition, and all participants will have such rights as are available under any applicable Federal, State, or local law prohibiting discrimination;

[(4) the conditions of participation are reasonable, taking into account in each case the proficiency of the participant and the child care and other supportive services needs of the participant; and

[(5) each assignment is based on available resources, the participant's circumstances, and local employment opportunities.

[(b) Appropriate workers' compensation and tort claims protection must be provided to participants on the same basis as they are provided to other individuals in the State in similar employment (as determined under regulations of the Secretary).

[(c) No work assignment under the program shall result in—

[(1) the displacement of any currently employed worker or position (including partial displacement such as a reduction in the hours of nonovertime work, wages, or employment benefits), or result in the impairment of existing contracts for services or collective bargaining agreements;

[(2) the employment or assignment of a participant or the filling of a position when (A) any other individual is on layoff from the same or any equivalent position, or (B) the employer has terminated the employment of any regular employee or otherwise reduced its workforce with the effect of filling the vacancy so created with a participant subsidized under the program; or

[(3) any infringement of the promotional opportunities of any currently employed individual.

Funds available to carry out the program under this part may not be used to assist, promote, or deter union organizing. No participant may be assigned under section 482(e) or (f) to fill any established unfilled position vacancy.

[(d)(1) The State shall establish and maintain (pursuant to regulations jointly issued by the Secretary and the Secretary of Labor) a grievance procedure for resolving complaints by regular employees or their representatives that the work assignment of an individual under the program violates any of the prohibitions described in subsection (c). A decision of the State under such procedure may be appealed to the Secretary of Labor for investigation and such action as such Secretary may find necessary.

[(2) The State shall hear complaints with respect to working conditions and workers' compensation, and wage rates in the case of individuals participating in community work experience programs described in section 482(f), under the State's fair hearing process. A decision of the State under such process may be appealed to the Secretary of Labor under such conditions as the joint regulations issued under subsection (f) may provide.

[(e) The provisions of this section apply to any work-related programs and activities under this part, and under any other work-related programs and activities authorized (in connection with the AFDC program) under section 1115.

[(f) The Secretary of Health and Human Services and the Secretary of Labor shall jointly prescribe and issue regulations for the purpose of implementing and carrying out the provisions of this section, in accordance with the timetable established in section 203(a) of the Family Support Act of 1988.

[CONTRACT AUTHORITY

[SEC. 485. (a) The State agency that administers or supervises the administration of the State's plan approved under section 402 shall carry out the programs under this part directly or through arrangements or under contracts with administrative entities under section 4(2) of the Job Training Partnership Act, with State and local educational agencies, and with other public agencies or private organizations (including community-based organizations as defined in section 4(5) of such Act).

[(b) Arrangements and contracts entered into under subsection (a) may cover any service or activity (including outreach) to be made available under the program to the extent that the service or activity is not otherwise available on a nonreimbursable basis.

[(c) The State agency and private industry councils (as established under section 102 of the Job Training Partnership Act) shall consult on the development of arrangements and contracts under the program established under a plan approved under section 482(a)(1), and under programs established under such Act.

[(d) In selecting service providers, the State agency shall take into account appropriate factors which may include past performance in providing similar services, demonstrated effectiveness, fiscal accountability, ability to meet performance standards, and such other factors as the State may determine to be appropriate.

[(e) The State agency shall use the services of each private industry council to identify and provide advice on the types of jobs available or likely to become available in the service delivery area (as defined in the Job Training Partnership Act) of the council, and shall ensure that the State program provides training in any area for jobs of a type which are, or are likely to become, available in the area.

[INITIAL STATE EVALUATIONS

[SEC. 486. (a) With the objective of—

[(1) providing an in-depth assessment of potential participants in the program under this part in each State, so as to furnish an accurate picture on which to base estimates of future demands for services in conducting such program and to improve the efficiency of targeting under such program,

[(2) assuring that training for recipients of aid under such program will be realistically geared to labor market demands and that the program will produce individuals with marketable skills, while avoiding duplication and redundancy in the delivery of services, and

[(3) otherwise assuring that States will have the information needed to carry out the purposes of the program,

each State may undertake and carry out an evaluation of demographic characteristics of potential participants in the program under this part within the 12-month period beginning on the date of the enactment of the Family Support Act of 1988 Such evaluation shall be carried out in each State by the agency which administers the State's program approved under section 402.

[(b) In carrying out the evaluation under subsection (a) the State shall give particular attention to the current and anticipated demands of the labor market or markets within the State, the types of training which are needed to meet those demands, and any changes in the current service delivery systems which may be needed to satisfy the requirements of the program under this part.

[(c) The evaluation shall be structured so as to produce accurate and usable information on the age, family status, educational and literacy levels, duration of eligibility for aid to families with dependent children, and work experience of the individuals and families who are potential participants in the program under this part, including the actual numbers of such individuals and families in each such category.

[(d) The Secretary of Health and Human Services, in consultation with the Secretary of Labor, shall provide each State with such technical assistance and data as it may need in order to carry out its evaluation under subsection (a); and each State shall transmit its evaluation to the Secretary by the close of the 12-month period specified in such subsection. The Secretary of Health and Human Services shall take such evaluations into account in developing performance standards.

[(e) As used in this section, the term "potential participants" with respect to any State's program under this part means collectively all individuals in such State who are recipients of aid to families with dependent children under part A and who are members of the target populations identified in section 403(l)(2).

[PERFORMANCE STANDARDS

[SEC. 487. (a) Not later than 4 years after the effective date specified in section 204(a) of the Family Support Act of 1988 , the Secretary shall—

[(1) in consultation with the Secretary of Labor, representatives of organizations representing Governors, State and local program administrators, educators, State job training coordinating councils, community-based organizations, recipients, and other interested persons, develop criteria for performance standards with respect to the programs established pursuant to this part that are based, in part, on the results of the studies conducted under section 203(c) of such Act, and the initial State evaluations (if any) performed under section 486 of this Act; and

[(2) submit his recommendations with respect to performance standards developed under paragraph (1) to the appropriate committees of jurisdiction of the Congress, which recommendations shall be made with respect to specific measurements of outcomes and be based on the degree of success which

may reasonably be expected of States in helping individuals to increase earnings, achieve self-sufficiency, and reduce welfare dependency, and shall not be measured solely by levels of activity or participation.

Performance standards developed with respect to the program under this part shall be reviewed periodically by the Secretary and modified to the extent necessary.

[(b) The Secretary may collect information from the States to assist in the development of performance standards under subsection (a), and shall include in his regulations (issued pursuant to section 203(a) of the Family Support Act of 1988 with respect to the program under this part) provisions establishing uniform reporting requirements under which States must furnish periodically information and data, including information and data (for each program activity) on the average monthly number of families assisted, the types of such families, the amounts spent per family, the length of their participation, and such other matters as the Secretary may determine.

[(c) The Secretary shall develop and transmit to the Congress, for appropriate legislative action, a proposal for measuring State progress, providing technical assistance to enable States to meet performance standards, and modifying the Federal matching rate to reflect the relative effectiveness of the various States in carrying out the program.]

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TITLE X—GRANTS TO STATES FOR AID TO THE BLIND

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STATE PLANS FOR AID TO THE BLIND

SEC. 1002. (a) A State plan for aid to the blind must (1) except to the extent permitted by the Secretary with respect to services, provide that it shall be in effect in all political subdivisions of the State, and, if administered by them, be mandatory upon them; (2) provide for financial participation by the State; (3) either provide for the establishment or designation of a single State agency to administer the plan, or provide for the establishment or designation of a single State agency to supervise the administration of the plan; (4) provide (A) for granting an opportunity for a fair hearing before the State agency to any individual whose claim for aid to the blind is denied or is not acted upon with reasonable promptness, and (B) that if the State plan is administered in each of the political subdivisions of the State by a local agency and such local agency provides a hearing at which evidence may be presented prior to a hearing before the State agency, such local agency may put into effect immediately upon issuance its decision upon the matter considered at such hearing; (5) provide (A) such methods of administration (including after January 1, 1940, methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Secretary shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods) as are found by the Secretary to be necessary for the proper and efficient oper-

ation of the plan, and (B) for the training and effective use of paid subprofessional staff, with particular emphasis on the full-time or part-time employment of recipients and other persons of low-income, as community service aides, in the administration of the plan and for the use of nonpaid or partially paid volunteers in a social service volunteer program in providing services to applicants and recipients and in assisting any advisory committees established by the State agency; (6) provide that the State agency will make such reports, in such form and containing such information, as the Secretary may from time to time require, and comply with such provisions as the Secretary may from time to time find necessary to assure the correctness and verification of such reports; and (7) provide that no aid will be furnished any individual under the plan with respect to any period with respect to which he is receiving oldage assistance under the State plan approved under section 2 of this Act or [aid to families with dependent children under the State plan approved under section 402 of this Act]; (8) provide that the State agency shall, in determining need, take into consideration any other income and resources of the individual claiming aid to the blind, as well as any expenses reasonably attributable to the earning of any such income, except that, in making such determination, the State agency (A) shall disregard the first $85 per month of earned income, plus one-half of earned income in excess of $85 per month, (B) shall, for a period not in excess of twelve months, and may, for a period not in excess of thirty-six months, disregard such additional amounts of other income and resources, in the case of an individual who has a plan for achieving self-support approved by the State agency, as may be necessary for the fulfillment of such plan, and (C) may, before disregarding the amounts referred to in clauses (A) and (B), disregard not more than $7.50 of any income; (9) provide safeguards which permit the use or disclosure of information concerning applicants or recipients only (A) to public officials who require such information in connection with their official duties, or (B) to other persons for purposes directly connected with the administration of the State plan; (10) provide that, in determining whether an individual is blind, there shall be an examination by a physician skilled in diseases of the eye or by an optometrist, whichever the individual may select; (11) effective July 1, 1951, provide that all individuals wishing to make application for aid to the blind shall have opportunity to do so, and that aid to the blind shall be furnished with reasonable promptness to all eligible individuals; (12) effective July 1, 1953, provide, if the plan includes payments to individuals in private or public institutions, for the establishment or designation of a State authority or authorities which shall be responsible for establishing and maintaining standards for such institutions; (13) provide a description of the services (if any) which the State agency makes available (using whatever internal organizational arrangement it finds appropriate for this purpose) to applicants for and recipients of aid to the blind to help them attain self-support or self-care, including a description of the steps taken to assure, in the provision of such services, maximum utilization of other agencies providing similar or related services; and (14) provide that information is requested and exchanged for purposes of income and eligibility verification in

accordance with a State system which meets the requirements of section 1137 of this Act.

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LIMITATION ON PAYMENTS TO PUERTO RICO, THE VIRGIN ISLANDS, GUAM, AND AMERICAN SAMOA

SEC. 1108. [(a) The total amount certified by the Secretary of Health and Human Services under titles I, X, XIV, and XVI, and under parts A and E of title IV (exclusive of any amounts on account of services and items to which subsection (b) or, in the case of part A of title IV, section 403(k) applies)—

[(1) for payment to Puerto Rico shall not exceed—

[(A) $12,500,000 with respect to the fisdcal year 1968,

[(B) $15,000,000 with respect to the fiscal year 1969,

[(C) $18,000,000 with respect to the fiscal year 1970,

[(D) $21,000,000 with respect to the fiscal year 1971,

[(E) $24,000,000 with respect to each of the fiscal years 1972 through 1978,

[(F) $72,000,000 with respect to each of the fiscal years 1979 through 1988, or

[(G) $82,000,000 with respect to the fiscal year 1989 and each fiscal year therafter;

[(2) for payment to the Virgin Islands shall not exceed—

[(A) $425,000 with respect to the fiscal year 1968,

[(B) $500,000 with respect to the fiscal year 1969,

[(C) $600,000 with respect to the fiscal year 1970,

[(D) $700,000 with respect to the fiscal year 1971,

[(E) $800,000 with respect to each of the fiscal years 1972 through 1978,

[(F) $2,400,000 with respect to each of the fiscal years 1979 through 1988, or

[(G) $2,800,000 with respect to the fiscal year 1989 and each fiscal year thereafter;

[(3) for payment to Guam shall not exceed—

[(A) $575,000 with respect to the fiscal year 1968,

[(B) $690,000 with respedt to the fiscal year 1969,

[(C) $825,000 with respect to the fiscal year 1970,

[(D) $960,000 with respect to the fiscal year 1971,

[(E) $1,100,000 with respect to each of the fiscal years 1972 through 1978,

[(F) $3,300,000 with respect to each of the fiscal years 1979 through 1988, or

[(G) $3,800,000 with respect to the fiscal year 1989 and each fiscal year therafter.

Each jurisdiction specified in this subsection may use in its program under title XX any sums avaialble to it under this subsection which are not needed to carry out the programs specified in this subsection.

[(b) The total amount certified by the Secretary under part A of title IV, on account of family planning services with respect to any fiscal year—

[(1) for payment to Puerto Rico shall not exceed $2,000,000,

[(2) for payment to the Virgin Islands shall not exceed $65,000, and

[(3) for payment to Guam shall not exceed $90,000.

[(c)] *(a) PROGRAMS OF AID TO THE AGED, BLIND, OR DISABLED.— The total amount certified by the Secretary of Health and Human Services and under titles I, X, XIV, and XVI (as in effect without regard to the amendment made by section 301 of the Social Security Amendments of 1972)—*

(1) for payment to Puerto Rico shall not exceed $18,053,940;

(2) for payment to the Virgin Islands shall not exceed $473,659; and

(3) for payment to Guam shallnot exceed $900,719.

(b) MEDICAID PROGRAMS.— The total amount certified by the Secretary under title XIX with respect to a fiscal year for payment to—

(1) * * *

* * * * * * *

[(d) The total amount certified by the Secretary under parts A and E of title IV with respect to a fiscal year for payment to American Samoa (exclusive of any amounts on account of services and items to which, in the case of part A of such title, section 403(k) applies) shall not exceed $1,000,000.

[(e) Notwithstanding the provisions of section 421, and until such time as the Congress may by appropriation or other law otherwise provide, the Secretary shall, in lieu of the initial allotment specified in such sections, allot such smaller amounts to Guam, American Samoa, and the Trust Territory of the Pacific Islands as he may deem appropriate.]

AMOUNTS DISREGARDED NOT TO BE TAKEN INTO ACCOUNT IN DETERMINING ELIGIBILITY OF OTHER INDIVIDUALS

SEC. 1109. Any amount which is disregarded (or set aside for future needs) in determining the eligibility of and amount of the aid or assistance for any individual under a State plan approved under title I, X, XIV, XVI, or XIX, [or part A of title IV,] shall not be taken into consideration in determining the eligibility of and amount of aid or assistance for any other individual under a State plan approved under any other of such titles.

* * * * * * *

DEMONSTRATION PROJECTS

SEC. 1115. (a) In the case of any experimental, pilot, or demonstration project which, in the judgment of the Secretary, is likely to assist in promoting the objectives of title I, X, XIV, XVI, or XIX, or part [A or] D of title IV, in a State or States—

(1) the Secretary may waive compliance with any of the requirements of section 2, [402,] 454, 1002, 1402, 1602, or 1902, as the case may be, to the extent and for the period he finds necessary to enable such State or States to carry out such project, and

(2) costs of such project which would not otherwise be included as expenditures under section 3, [403,] 455, 1003, 1403, 1603, or 1903, as the case may be, and which are not included as part of the costs of projects under section 1110, shall,

to the extent and for the period prescribed by the Secretary, be regarded as expenditures under the State plan or plans approved under such title, or for administration of such State plan or plans, as may be appropriate.

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ADMINISTRATIVE AND JUDICIAL REVIEW OF CERTAIN ADMINISTRATIVE DETERMINATIONS

SEC. 1116. (a)(1) Whenever a State plan is submitted to the Secretary by a State for approval under title I, X, XIV, XVI, or XIX, [or part A of title IV,] he shall, not later than 90 days after the date the plan is submitted to him, make a determination as to whether it conforms to the requirements for approval under such title. The 90-day period provided herein may be extended by written agreement of the Secretary and the affected State.

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(3) Any State which is dissatisfied with a final determination made by the Secretary on such a reconsideration or a final determination of the secretary under section 4, [404,] 1004, 1404, 1604, or 1904 may, within 60 days after it has been notified of such determination, file with the United States court of appeals for the circuit in which such State is located a petition for review of such determination. A copy of the petition shall be forthwith transmitted by the clerk of the court to the Secretary. The Secretary thereupon shall file in the court the record of the proceedings on which he based his determination as provided in section 2112 of title 28, United States Code.

* * * * * * *

(d) Whenever the Secretary determines that any item or class of items on account of which Federal financial participation is claimed under title I, X, XIV, XVI, or XIX, [or part A of title IV,] shall be disallowed for such participation, the State shall be entitled to and upon request shall receive a reconsideration of the disallowance.

* * * * * * *

ALTERNATIVE FEDERAL PAYMENT WITH RESPECT TO PUBLIC ASSISTANCE EXPENDITURES

SEC. 1118. In the case of any State which has in effect a plan approved under title XIX for any calendar quarter, the total of the payments to which such State is entitled for such quarter, and for each succeeding quarter in the same fiscal year (which for purposes of this section means the 4 calendar quarters ending with September 30), under paragraphs (1) and (2) of sections 3(a), [403(a),] 1003(a), 1403(a), and 1603(a) shall, at the option of the State, be determined by application of the Federal medical assistance percentage (as defined in section 1905), instead of the percentages provided under each such section, to the expenditures under its State plans approved under titles I, X, XIV, and XVI, [and part A of title IV,] which would be included in determining the amounts of the Federal payments to which such State is entitled under such sections, but without regard to any maximum on the dollar amounts

per recipient which may be counted under such sections. For purposes of the preceding sentence, the term "Federal medical assistance percentage" shall, in the case of Puerto Rico, the Virgin Islands, and Guam, mean 75 per centum, [and shall, in the case of American Samoa, mean 75 per centum with respect to part A of title IV].

FEDERAL PARTICIPATION IN PAYMENTS FOR REPAIRS TO HOME OWNED BY RECIPIENT OF AID OR ASSISTANCE

SEC. 1119. In the case of an expenditure for repairing the home owned by an individual who is receiving aid or assistance, other than medical assistance to the aged, under a State plan approved under title I, X, XIV, or XVI [or part A of title IV] if—

(1) * * *

* * * * * * *

the amounts paid to any such State for any quarter under section 3(a), [403(a)], 1003(a), 1403(a), or 1603(a) shall be increased by 50 per centum of such expenditures, except that the excess above $500 expended with respect to any one home shall not be included in determining such expenditures.

* * * * * * *

APPLICANTS OR RECIPIENTS UNDER PUBLIC ASSISTANCE PROGRAMS NOT TO BE REQUIRED TO MAKE ELECTION RESPECTING CERTAIN VETERANS' BENEFITS

SEC. 1133. (a) Notwithstanding any other provision of law (but subject to subsection (b)), no individual who is an applicant for or recipient of aid or assistance under a State plan approved under title I, X, XIV, or X, XIV, or XVI, [or part A of title IV, [or part A of title IV,] of benefits under the Supplemental Security Income program established by title XVI shall—

(1) * * *

* * * * * * *

[PILOT PROJECTS TO DEMONSTRATE THE USE OF INTEGRATED SERVICE DELIVERY SYSTEMS FOR HUMAN SERVICES PROGRAMS

[SEC. 1136. (a) In order to develop and demonstrate ways of improving the delivery of services to individuals and families who need them under the various human services programs, by eliminating programmatic fragmentation and thereby assuring that an applicant for services under any one such program will be informed of and have access to all of the services which may be available to him or his family under the other human services programs being carried out in the community involved, any State having an approved plan under part A of title IV may, subject to the provisions of this section, establish and conduct one or more pilot projects to demonstrate the use of integrated service delivery systems for human services programs in that State or in one or more political subdivisions thereof.

[(b) The integration of service delivery systems for human services programs in any State or locality under a pilot project established under this section shall involve or include—

[(1) the development of a common set of terms for use in all of the human services programs involved;

[(2) the development for each applicant of a single comprehensive family profile which is suitable for use under all of the human services programs involved;

[(3) the establishment and maintenance of a single resources directory by which the citizens of the community involved may be informed of and gain access to the services which are available under all such programs;

[(4) the development of a unified budget and budgeting process, and a unified accounting system, with standardized audit procedures;

[(5) the implementation of unified planning, needs assessment, and evaluation;

[(6) the consolidation of agency locations and related transportation services:

[(7) the standardization of procedures for purchasing services from nongovernmental sources;

[(8) the creation of communications linkages among agencies to permit the serving of individual and family needs across program and agency lines;

[(9) the development, to the maximum extent possible, of uniform application and eligibility determination procedures; and

[(10) any other methods, arrangements, and procedures which the Secretary determines are necessary or desirable for, and consistent with, the establishment and operation of an integrated service delivery system.

[(c)(1) Any State which desires to establish and conduct a pilot project under this section, after having published a description of the proposed project and invited comments thereon from interested persons in the community or communities which would be affected, shall submit an application to the Secretary (in such form and containing such information as the Secretary may require) within 6 months after the date of the enactment of this section. The proposed project may be statewide in operation or may be limited to one or more political subdivisions of the State; and the application shall in any event include or be accompanied by satisfactory assurances that the project as proposed would be permitted under applicable State and local law.

[(2) The Secretary shall consider all applications and accompanying comments and materials which are submitted under paragraph (1), and, no later than 9 months after the date of the enactment of this section, shall approve no fewer than 3 nor more than 5 of the proposed projects (including one such project to be operated on a statewide basis). In considering and approving such applications the Secretary shall take into account the size and characteristics of the population that would be served by each proposed project, the desirability of wide geographic distribution among the projects, the number and nature of the human services programs which are in active operation in the various communities involved, and such other factors as may tend to indicate whether or not a particular proposed project would provide a useful and effective demonstration of the value of an integrated service delivery system. Each

project approved under this paragraph shall be deemed for purposes of this section to begin on the first day of the month following the month in which the application with respect to such project is approved.

[(3) The Secretary shall approve any application for a project under this section only after determining that the conduct of such project will not lower or restrict the levels of aid, assistance, benefits, or services, or the income or resource standards, deductions, or exclusions, under any of the human services programs involved, and will not delay the provision of aid, assistance, benefits, or services under any of such programs.

[(d)(1) Any State whose application is approved under subsection (c) may submit to the Secretary a request for the waiver of any requirement which would otherwise apply with respect to the proposed project under any of the laws governing the human services programs to be included in the project; and—

[(A) if the law involved is within the jurisdiction of the Secretary and authority to grant the waiver involved is otherwise available to the Secretary under this title, title IV, or any other provision of law, the Secretary shall approve such request upon a determination that the waiver is necessary for the project to provide a useful and effective demonstration of the value of an integrated service delivery system; and

[(B) if the law involved is within the jurisdiction of a Federal agency other than the Department of Health and Human Services and authority to grant the waiver involved is available to the head of such other agency under that law or any other provision of law, the Secretary shall transmit such request (on behalf of the requesting State) to the head of such other agency, who shall approve such request upon a determination that the waiver is necessary for the project to provide a useful and effective demonstration of the value of an integrated service delivery system and who shall certify such approval to the Secretary.

[(2) If under the law governing any of the human services programs included within a project there are provisions establishing safeguards which limit or restrict the use or disclosure of information (concerning applicants for or recipients of benefits or services) which has been obtained or developed by the agency involved in the conduct of that program, and a waiver of such provisions is granted under paragraph (1) in order to make such information available for purposes of the project—

[(A) the State shall provide each applicant for and recipient of aid, assistance, benefits, or services under the proposed integrated service delivery system with a clear and readily comprehensible notice that such information may be disclosed to and used by project personnel, or exchanged with the other agencies having responsibility for human services programs included within the project;

[(B) the State shall take such steps as may be necessary to ensure that the information disclosed will be used only for purposes of, and by persons directly connected with, such project; and

[(C) the State's application with respect to the project under subsection (c) shall contain or be accompanied by satisfactory assurances that the preceding requirements of this paragraph will be fully complied with.

[(e) The Secretary shall from time to time pay to each State which has an approved pilot project under this section, in such manner and according to such schedule as may be agreed upon by the Secretary and such State, amounts equal in the aggregate to—

[(1) 90 percent of the costs incurred by such State and its political subdivisions in carrying out such project during the first 18 months after the date on which the project begins,

[(2) 80 percent of any such costs incurred during the 12-month period beginning with the nineteenth month after such date, and

[(3) 70 percent of any such costs incurred during the 12-month period beginning with the thirty-first month after such date.

[(f)(1) for purposes of this section, the term "human services program" includes the program of aid to families with dependent children under part A of title IV, the supplemental security income benefits program under title XVI, the Federal food stamp program, and any other Federal or federally assisted program (other than a program under the Rehabilitation Act of 1973) which provides aid, assistance, or benefits based wholly or partly on need or on income-related qualifications to specified classes or types of individuals or families or which is designed to help in crisis or emergency situations by meeting the basic human needs of individuals or families whose own resources are insufficient for that purpose.

[(2) In carrying out this section the Secretary shall regularly consult with the Secretary of Labor, the Secretary of Agriculture, the Secretary of Housing and Urban Development, and the head of any other Federal agency having jurisdiction over or responsibility for one or more human services programs, in order to ensure that the administrative efforts of the various agencies involved are coordinated with respect to all of the pilot projects being carried out under this section.

[(g) The Secretary shall require each State which is carrying out a pilot project under this section to submit periodic reports on the progress of such project, giving particular attention to the cost-effectiveness of the integrated service delivery system involved and the extent to which such system is improving the delivery of services. No pilot project under this section shall be conducted for a period of longer than 42 months. The first such report shall be submitted no later than 3 months after the date on which the project begins.

[(h) The Secretary shall from time to time submit to the Congress a report on the progress and current status of each of the approved pilot projects under this section. Each such report shall reflect the periodic reports theretofore submitted to the Secretary by the States involved under subsection (g), and shall contain such additional comments, findings, and recommendations with respect to the operation of the program under this section as the Secretary may determine to be appropriate.

[(i) The Comptroller General shall, at such time or times as he determines to be appropriate, review and evaluate any or all of the pilot projects undertaken pursuant to this section, and shall from time to time report to the Congress on the results of such reviews and evaluations together with his findings and recommendations with respect thereto.

[(j) There are authorized to be appropriated, for the four-fiscal-year period beginning with the fiscal year 1985, such sums, not to exceed $8,000,000 in the aggregate, as may be necessary to carry out this section.]

INCOME AND ELIGIBILITY VERIFICATION SYSTEM

SEC. 1137. (a) * * *

(b) The programs which must participate in the income and eligibility verification system are—

[(1) the aid to families with dependent children program under part A of title IV of this Act;]

(1) any State program funded under part A of title IV of this Act;

* * * * * * *

(d) The requirements of this subsection, with respect to an income and eligibility verification system of a State, are as follows:

(1)(A) * * *

(B) [In this subsection—

[(i) in the case of the program described in subsection (b)(1), any reference to an individual's eligibility for benefits under the program shall be considered a reference to the individual's being considered a dependent child or to the individual's being treated as a caretaker relative or other person whose needs are to be taken into account in making the determination under section 402(a)(7),

[(ii) in] *In this subsection, in* the case of the program described in subsection (b)(4)—

[(I)] *(i)* any reference to an individual's eligibility for benefits under the program shall be considered a reference to the individual's eligibility to participate in the program as a member of a household, and

[(II)] *(ii)* any reference to an individual's eligibility for benefits under the program shall be considered a reference to the individual's eligibility to participate in the program as a member of a household, and

[(III)] *(iii)* the term "satisfactory immigration status" means an immigration status which does not make the individual ineligible for benefits under the applicable program.

TITLE XIV—GRANTS TO STATES FOR AID TO THE PERMANENTLY AND TOTALLY DISABLED

* * * * * * *

STATE PLANS FOR AID TO THE PERMANENTLY AND TOTALLY DISABLED

SEC. 1402. (a) A State plan for aid to the permanently and totally disabled must (1) except to the extent permitted by the Secretary

with respect to services, provide that it shall be in effect in all political subdivisions of the State, and, if administered by them, be mandatory upon them; (2) provide for financial participation by the State; (3) either provide for the establishment or designation of a single State agency to administer the plan, or provide for the establishment or designation of a single State agency to supervise the administration of the plan; (4) provide (A) for granting an opportunity for a fair hearing before the State agency to any individual whose claim for aid to the permanently and totally disabled is denied or is not acted upon with reasonable promptness, and (B) that if the State plan is administered in each of the political subdivisions of the State by a local agency and such local agency provides a hearing at which evidence may be presented prior to a hearing before the State agency, such local agency may put into effect immediately upon issuance its decision upon the matter considered at such hearing; (5) provide (A) such methods of administration (including methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Secretary shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods) as are found by the Secretary to be necessary for the proper and efficient operation of the plan, and (B) for the training and effective use of paid subprofessional staff, with particular emphasis on the full-time or part-time employment of recipients and other persons of low income, as community service aides, in the administration of the plan and for the use of nonpaid or partially paid volunteers in a social service volunteer program in providing service to applicants and recipients and in assisting any advisory committees established by the State agency; (6) provide that the State agency will make such reports in such form and containing such information, as the Secretary may from time to time require, and comply with such provisions as the Secretary may from time to time find necessary to assure the correctness and verification of such reports; (7) provide that no aid will be furnished any individual under the plan with respect to any period with respect to which he is receiving old-age assistance under the State plan approved under section 2 of this Act, [aid to families with dependent children under the State plan approved under section 402 of this Act] *assistance under a State program funded under part A of title IV,* or aid to the blind under the State plan approved under section 1002 of this Act; (8) provide that the State agency shall, in determining need, take into consideration any other income and resources of an individual claiming aid to the permanently and totally disabled, as well as any expenses reasonably attributable to the earning of any such income; except that, in making such determination, (A) the State agency may disregard not more than $7.50 of any income, (B) of the first $80 per month of additional income which is earned the State agency may disregard not more than the first $20 thereof plus one-half of the remainder, and (C) the State agency may, for a period not in excess of 36 months, disregard such additional amounts of the other income and resources, in the case of an individual who has a plan for achieving self-support approved by the State agency, as may be necessary for the fulfillment of such plan, but only with respect to

the part or parts of such period during substantially all of which he is actually undergoing vocational rehabilitation; (9) provide safeguards which permit the use or disclosure of information concerning applicants or recipients only (A) to public officials who require such information in connection with their official duties, or (B) to other persons for purposes directly connected with the administration of the State plans;[5] (10) provide that all individuals wishing to make application for aid to the permanently and totally disabled shall have opportunity to do so, and that aid to the permanently and totally disabled shall be furnished with reasonable promptness to all eligible individuals; (11) effective July 1, 1953, provide, if the plan includes payments to individuals in private or public institutions, for the establishment or designation of a State authority or authorities which shall be responsible for establishing and maintaining standards for such institutions; (12) provide a description of the services (if any) which the State agency makes available (using whatever internal organizational arrangement if finds appropriate for this purpose) to applicants for and recipients of aid to the permanently and totally disabled to help them attain self-support or self-care, including a description of the steps taken to assure, in the provision of such services, maximum utilization of other agencies providing similar or related series; and (13) provide that information is requested and exchanged for purposes of income and eligibility verification in accordance with a State system which meets the requirements of section 1137 of this Act.

* * * * * * *

TITLE XVI—SUPPLEMENTAL SECURITY INCOME FOR THE AGED, BLIND, AND DISABLED

* * * * * * *

STATE PLANS FOR AID TO THE AGED, BLIND, OR DISABLED

SEC. 1602. (a) A State plan for aid to the aged, blind, or disabled, must—

(1) * * *

* * * * * * *

(11) provide that no aid or assistance will be furnished any individual under the plan with respect to any period with respect to which he is receiving assistance under the State plan approved under title I or [aid under the State plan approved] *assistance under a State program funded* under part A of title IV or under title X or XIV;

* * * * * * *

PART A—DETERMINATION OF BENEFITS

ELIGIBILITY FOR AND AMOUNT OF BENEFITS

Definition of Eligible Individual

SEC. 1611. (a) * * *

Amounts of Benefits

(b)(1) The *cash* benefit under this title for an individual who does not have an eligible spouse shall be payable at the rate of $1,752 (or, if greater, the amount determined under section 1617) for the calendar year 1974 and any calendar year thereafter, reduced by the amount of income, not excluded pursuant to section 1612(b), of such individual.

(2) The *cash* benefit under this title for an individual who has an eligible spouse shall be payable at the rate of $2,628 (or, if greater, the amount determined under section 1617) for the calendar year 1974 and any calendar year thereafter, reduced by the amount of income, not excluded pursuant to section 1612(b), of such individual and spouse.

Period for Determination of Benefits

(c)(1) An individual's eligibility for [a benefit] *benefits* under this title for a month shall be determined on the basis of the individual's (and eligible spouse's, if any) income, resources, and other relevant characteristics in such month, and, except as provided in paragraphs (2), (3), (4), (5), and (6) the amount of [such benefit] *the cash benefit under this title* shall be determined for such month on the basis of income and other characteristics in the first or, if the Secretary so determines, second month preceding such month. Eligibility for [and the amount of such benefits] *benefits under this title and the amount of any cash benefit under this title* shall be redetermined at such time or times as may be provided by the Secretary.

(2) The amount of [such benefit] *the cash benefit* for the month in which an application for *cash* benefits becomes effective (or, if the Secretary so determines, for such month and the following month) and for any month immediately following a month of ineligibility for such *cash* benefits (or, if the Secretary so determines, for such month and the following month) shall—

(A) be determined on the basis of the income of the individual and the eligible spouse, if any, of such individual and other relevant circumstances in such month; and

(B) in the case of the month in which an application becomes effective or the first month following a period of ineligibility, if such application becomes effective, or eligibility is restored, after the first day of such month, bear the same ratio to the amount of the *cash* benefit which would have been payable to such individual if such application had become effective, or eligibility had been restored, on the first day of such month as the number of days in such month including and following the effective date of such application or restoration of eligibility bears to the total number of days in such month.

(3) For purposes of this subsection, an increase in the benefit amount payable under title II (over the amount payable in the preceding month, or, at the election of the Commissioner of Social Security, the second preceding month) to an individual receiving *cash* benefits under this title shall be included in the income used to determine the *cash* benefit under this title of such individual for any month which is—

(A) the first month in which the benefit amount payable to such individual under this title is increased pursuant to section 1617, or

(B) at the election of the Commissioner of Social Security, the month immediately following such month.

* * * * * * *

(5) Notwithstanding paragraphs (1) and (2), any income which is paid to or on behalf of an individual in any month pursuant to [(A) a State plan approved under part A of title IV of this Act (relating to aid to families with dependent children), (B) section 472 of this Act (relating to foster care assistance),] *(A) a State program funded under part A of title IV, (B) the State program funded under part B of title IV,* (C) section 412(e) of the Immigration and Nationality Act (relating to assistance for refugees), (D) section 501(a) of Public Law 96–422 (relating to assistance for Cuban and Haitian entrants), or (E) the Act of November 2, 1921 (42 Stat. 208), as amended (relating to assistance furnished by the Bureau of Indian Affairs), shall be taken into account in determining the amount of the *cash* benefit under this title of such individual (and his eligible spouse, if any) only for that month, and shall not be taken into account in determining the amount of the benefit for any other month.

* * * * * * *

Limitation on Eligibility of Certain Individuals

(e)(1)(A) * * *

(B) In any case where an eligible individual or his eligible spouse (if any) is, throughout any month (subject to subparagraph (G)), in a hospital, extended care facility, nursing home, or intermediate care facility receiving payments (with respect to such individual or spouse) under a State plan approved under title XIX *or under any health insurance policy issued by a private provider of such insurance*, or an eligible individual is a child described in section 1614(f)(2)(B), the *cash* benefit under this title for such individual for such month shall be payable (subject to subparagraph (E))—

(i) * * *

* * * * * * *

(G) A person may be an eligible individual or eligible spouse for purposes of this title, and subparagraphs (A) and (B) shall not apply, with respect to any particular month throughout which he or she is an inmate of a public institution the primary purpose of which is the provision of medical or psychiatric care, or which is a hospital, extended care facility, nursing home, or intermediate care facility receiving payments (with respect to such individual or spouse) under a State plan approved under title XIX, if it is determined in accordance with subparagraph (H) that—

(i) * * *

* * * * * * *

The *cash* benefit of any person under this title (including State supplementation if any) for each month to which this subparagraph applies shall be payable, without interruption of benefit payments

and on the date the benefit involved is regularly due, at the rate that was applicable to such person in the month prior to the first month throughout which he or she is in the institution or facility.

* * * * * * *

[(3)(A) No person who is an aged, blind, or disabled individual solely by reason of disability (as determined under section 1614(a)(3)) shall be an eligible individual or eligible spouse for purposes of this title with respect to any month if such individual is medically determined to be a drug addict or an alcoholic unless such individual is undergoing any treatment that may be appropriate for his condition as a drug addict or alcoholic (as the case may be) at an institution or facility approved for purposes of this paragraph by the Commissioner of Social Security (so long as such treatment is available) and demonstrates that he is complying with the terms, conditions, and requirements of such treatment and with requirements imposed by the Commissioner of Social Security under subparagraph (B).

[(B) The Commissioner of Social Security shall provide for the monitoring and testing of all individuals who are receiving benefits under this title and who as a condition of such benefits are required to be undergoing treatment and complying with the terms, conditions, and requirements thereof as described in subparagraph (A), in order to assure such compliance and to determine the extent to which the imposition of such requirement is contributing to the achievement of the purposes of this title. The Commissioner of Social Security shall annually submit to the Congress a full and complete report on his activities under this paragraph.]

* * * * * * *

RESOURCES

Exclusions From Resources

SEC. 1613. (a) * * *

* * * * * * *

[Notification of Medicaid Policy Restricting Eligibility of Institutionalized Individuals for Benefits Based on Disposal of Resources for Less Than Fair Market Value

[(c)(1) At the time an individual (and the individual's eligible spouse, if any) applies for benefits under this title, and at the time the eligibility of an individual (and such spouse, if any) for such benefits is redetermined, the Commissioner of Social Security shall—

[(A) inform such individual of the provisions of section 1917(c) providing for a period of ineligibility for benefits under title XIX for individuals who make certain dispositions of resources for less than fair market value, and inform such individual that information obtained pursuant to subparagraph (B) will be made available to the State agency administering a State plan under title XIX (as provided in paragraph (2)); and

[(B) obtain from such individual information which may be used by the State agency in determining whether or not a pe-

riod of ineligibility for such benefits would be required by reason of section 1917(c) if such individual (or such spouse, if any) enters a medical institution or nursing facility.

[(2) The Commissioner of Social Security shall make the information obtained under paragraph (1)(B) available, on request, to any State agency administering a State plan approved under title XIX.]

TREATMENT OF CERTAIN ASSETS AND TRUSTS IN ELIGIBILITY DETERMINATIONS FOR CHILDREN

(c) Subsections (c) and (d) of section 1917 shall apply to determinations of eligibility for benefits under this title in the case of an individual who has not attained 18 years of age in the same manner as such subsections apply to determinations of eligibility for medical assistance under a State plan under title XIX, except that—

(1) the amount described in section 1917(c)(1)(E)(i)(II) shall be the amount of cash benefits payable under this title to an eligible individual who does not have an eligible spouse and who has no income or resources;

(2) the look-back date specified in section 1917(c)(1)(B) shall be the date that is 36 months before the date the individual has applied for benefits under this title; and

(3) any assets in a trust over which the individual has control shall be considered assets of the individual.

* * * * * * *

MEANING OF TERMS

Aged, Blind, or Disabled Individual

SEC. 1614. (a)(1) For purposes of this title, the term "aged, blind, or disabled individual" means an individual who—

(A) * * *

(B)(i) * * *

(ii) is a child who is a citizen of the United States, who is living with a parent of the child who is a member of the Armed Forces of the United States assigned to permanent duty ashore outside the United States, and who, for the month before the parent reported for such assignment, received a *cash* benefit under this title.

* * * * * * *

(3)(A)*(i)* An individual *who has attained 18 years of age* shall be considered to be disabled for purposes of this title if [he] *the individual* is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment 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 twelve months [(or, in the case of an individual under the age of 18, if he suffers from any medically determinable physical or mental impairment of comparable severity)].

(ii) An individual who has not attained 18 years of age shall be considered to be disabled for purposes of this title for a month if—

(I) the individual—

(aa) is eligible for cash benefits under this title by reason of disability for the month before the first month for which this clause is in effect and meets all non-disability-related requirements for eligibility for cash benefits under this title; and

(bb) the individual has any medically determinable physical or mental impairment (or combination of impairments) that meets the requirements, applicable to individuals who have not attained 18 years of age, of the Listings of Impairments set forth in appendix 1 of subpart P of part 404 of title 20, Code of Federal Regulations (revised as of April 1, 1994), or that is equivalent in severity to such an impairment (or such a combination of impairments); or

(II) the individual—

(aa) is not described in subclause (I)(aa); and

(bb) has an impairment (or combination of impairments) described in subclause (I)(bb) as a result of which the individual—

(1) is in a hospital, skilled nursing facility, nursing facility, residential treatment facility, intermediate care facility for the mentally retarded, or other medical institution; or

(2) would be required to be placed in such an institution if the individual were not receiving personal assistance necessitated by the impairment (or impairments).

* * * * * * *

(G)*(i)* In making determinations with respect to disability under this title, the provisions of sections 221(h), 221(k), and 223(d)(5) shall apply in the same manner as they apply to determinations of disability under title II.

(ii)(I) Not less frequently than once every 3 years, the Commissioner shall redetermine the eligibility for cash benefits under this title and for services under part C—

(aa) of each individual who has not attained 18 years of age and is eligible for such cash benefits by reason of disability; and

(bb) of each qualifying child (as defined in section 1646(3)).

(II) Subclause (I) shall not apply to an individual if the individual has an impairment (or combination of impairments) which is (or are) not expected to improve.

(iii)(I) The Commissioner shall redetermine the eligibility of a qualified individual for supplemental security income benefits under this title by reason of disability, by applying the criteria used in determining eligibility for such benefits of applicants who have attained 18 years of age.

(II) The redetermination required by subclause (I) with respect to a qualified individual shall be conducted during the 1-year period that begins on the date the qualified individual attains 18 years of age.

(III) As used in this clause, the term "qualified individual" means an individual who attains 18 years of age and is a recipient of cash benefits under this title by reason of disability or of services under part C.

(IV) A redetermination under subclause (I) of this clause shall be considered a substitute for a review required under any other provision of this subparagraph.

* * * * * * *

(I) Notwithstanding subparagraph (A), an individual shall not be considered to be disabled for purposes of this title if alcoholism or drug addiction would (but for this subparagraph) be a contributing factor material to the Commissioner's determination that the individual is disabled.

(4) A recipient of benefits based on disability *or impairment* under this title may be determined not to be entitled to such benefits on the basis of a finding that the physical or mental impairment on the basis of which such benefits are provided has ceased, does not exist, or is not disabling only if such finding is supported by—

(A) * * *

* * * * * * *

(C) substantial evidence which demonstrates that, as determined on the basis of new or improved diagnostic techniques or evaluations, the individual's impairment or combination of impairments is not as disabling as it was considered to be at the time of the most recent prior decision that he or she was under a disability *or impairment* or continued to be under a disability *or impairment*, and that therefore the individual is able to engage in substantial gainful activity; or

(D) substantial evidence (which may be evidence on the record at the time any prior determination of the entitlement to benefits based on disability *or impairment* was made, or newly obtained evidence which relates to that determination) which demonstrates that a prior determination was in error.

Nothing in this paragraph shall be construed to require a determination that an individual receiving benefits based on disability *or impairment* under this title is entitled to such benefits if the prior determination was fraudulently obtained or if the individual is engaged in substantial gainful activity, cannot be located, or fails, without good cause, to cooperate in a review of his or her entitlement or to follow prescribed treatment which would be expected to restore his or her ability to engage in substantial gainful activity. Any determination under this paragraph shall be made on the basis of all the evidence available in the individual's case file, including new evidence concerning the individual's prior or current condition which is presented by the individual or secured by the Commissioner of Social Security. Any determination made under this paragraph shall be made on the basis of the weight of the evidence and on a neutral basis with regard to the individual's condition, without any initial inference as to the presence or absence of disability *or impairment* being drawn from the fact that the individual has previously been determined to be disabled.

Income and Resources of Individuals Other Than Eligible Individuals and Eligible Spouses

(f)(1) For purposes of determining eligibility for [and the amount of benefits] *benefits under this title and the amount of any cash*

benefit under this title for any individual who is married and whose spouse is living with him in the same household but is not an eligible spouse, such individual's income and resources shall be deemed to include any income and resources of such spouse, whether or not available to such individual, except to the extent determined by the Commissioner of Social Security to be inequitable under the circumstances.

(2)(A) For purposes of determining eligibility for [and the amount of benefits] *benefits under this title and the amount of any cash benefit* for any individual who is a child under age 18, such individual's income and resources shall be deemed to include any income and resources of a parent of such individual (or the spouse of such a parent) who is living in the same household as such individual, whether or not available to such individual, except to the extent determined by the Commissioner of Social Security to be inequitable under the circumstances.

* * * * * * *

(3) For purposes of determining eligibility for [and the amount of benefits] *benefits under this title and the amount of any cash benefit under this title* for any individual who is an alien, such individual's income and resources shall be deemed to include the income and resources of his sponsor and such sponsor's spouse (if such alien has a sponsor) as provided in section 1621. Any such income deemed to be income of such individual shall be treated as unearned income of such individual.

* * * * * * *

OPTIONAL STATE SUPPLEMENTATION

SEC. 1616. (a) * * *

* * * * * * *

(e)(1) Each State shall establish or designate one or more State or local authorities which shall establish, maintain, and insure the enforcement of standards for any category of institutions, foster homes, or group living arrangements in which (as determined by the State) a significant number of recipients of *cash* supplemental security income benefits is residing or is likely to reside. Such standards shall be appropriate to the needs of such recipients and the character of the facilities involved, and shall govern such matters as admission policies, safety, sanitation, and protection of civil rights.

* * * * * * *

[OPERATION OF STATE SUPPLEMENTATION PROGRAMS

[SEC. 1618. (a) In order for any State which makes supplementary payments of the type described in section 1616(a) (including payments pursuant to an agreement entered into under section 212(a) of Public Law 93–66), on or after June 30, 1977, to be eligible for payments pursuant to title XIX with respect to expenditures for any calendar quarter which begins—

[(1) after June 30, 1977, or, if later,

[(2) after the calendar quarter in which it first makes such supplementary payments,

such State must have in effect an agreement with the Commissioner of Social Security whereby the State will—

[(3) continue to make such supplementary payments, and

[(4) maintain such supplementary payments at levels which are not lower than the levels of such payments in effect in December 1976, or, if no such payments were made in that month, the levels for the first subsequent month in which such payments were made.

[(b) The Commissioner of Social Security shall not find that a State has failed to meet the requirements imposed by paragraph (4) of subsection (a) with respect to the levels of its supplementary payments for a particular month or months if the State's expenditures for such payments in the twelve-month period (within which such month or months fall) beginning on the effective date of any increase in the level of supplemental security income benefits pursuant to section 1617 are not less than its expenditures for such payments in the preceding twelve-month period.

[(c) Any State which satisfies the requirements of this section solely by reason of subsection (b) for a particular month or months in any 12-month period (described in such subsection) ending on or after June 30, 1982, may elect, with respect to any month in any subsequent 12-month period (so described), to apply subsection (a)(4) as though the reference to December 1976 in such subsection were a reference to the month of December which occurred in the 12-month period immediately preceding such subsequent period.

[(d) The Commissioner of Social Security shall not find that a State has failed to meet the requirements imposed by paragraph (4) of subsection (a) with respect to the levels of its supplementary payments for any portion of the period July 1, 1980, through June 30, 1981, if the State's expenditures for such payments in that twelve-month period were not less than its expenditures for such payments for the period July 1, 1976, through June 30, 1977 (or, if the State made no supplementary payments in the period July 1, 1976, through June 30, 1977, the expenditures for the first twelve-month period extending from July 1 through June 30 in which the State made such payments).

[(e)(1) For any particular month after March 1983, a State which is not treated as meeting the requirements imposed by paragraph (4) of subsection (a) by reason of subsection (b) shall be treated as meeting such requirements if and only if—

[(A) the combined level of its supplementary payments (to recipients of the type involved) and the amounts payable (to or on behalf of such recipients) under section 1611(b) of this Act and section 211(a)(1)(A) of Public Law 93–66, for that particular month,

is not less than—

[(B) the combined level of its supplementary payments (to recipients of the type involved) and the amounts payable (to or on behalf of such recipients) under section 1611(b) of this Act and section 211(a)(1)(A) of Public Law 93–66, for March 1983, increased by the amount of all cost-of-living adjustments under section 1617 (and any other benefit increases under this title)

which have occurred after March 1983 and before that particular month.

[(2) In determining the amount of any increase in the combined level involved under paragraph (1)(B) of this subsection, any portion of such amount which would otherwise be attributable to the increase under section 1617(c) shall be deemed instead to be equal to the amount of the cost-of-living adjustment which would have occurred in July 1983 (without regard to the 3- percent limitation contained in section 215(i)(1)(B)) if section 111 of the Social Security Amendments of 1983 had not been enacted.

[(f) The Commissioner of Social Security shall not find that a State has failed to meet the requirements imposed by subsection (a) with respect to the levels of its supplementary payments for the period January 1, 1984, through December 31, 1985, if in the period January 1, 1986, through December 31, 1986, its supplementary payment levels (other than to recipients of benefits determined under section 1611(e)(1)(B)) are not less than those in effect in December 1976, increased by a percentage equal to the percentage by which payments under section 1611(b) of this Act and section 211(a)(1)(A) of Public Law 93-66 have been increased as a result of all adjustments under section 1617(a) and (c) which have occurred after December 1976 and before February 1986.

[(g) In order for any State which makes supplementary payments of the type described in section 1616(a) (including payments pursuant to an agreement entered into under section 212(a) of Public Law 93–66) to recipients of benefits determined under section 1611(e)(1)(B), on or after October 1, 1987, to be eligible for payments pursuant to title XIX with respect to any calendar quarter which begins—

[(1) after October 1, 1987, or, if later

[(2) after the calendar quarter in which it first makes such supplementary payments to recipients of benefits so determined,

such State must have in effect an agreement with the Commissioner of Social Security whereby the State will—

[(3) continue to make such supplementary payments to recipients of benefits so determined, and

[(4) maintain such supplementary payments to recipients of benefits so determined at levels which assure (with respect to any particular month beginning with the month in which this subsection is first effective) that—

[(A) the combined level of such supplementary payments and the amounts payable to or on behalf of such recipients under section 1611(e)(1)(B) for that particular month,

is not less than—

[(B) the combined level of such supplementary payments and the amounts payable to or on behalf of such recipients under section 1611(e)(1)(B) for October 1987 (or, if no such supplementary payments were made for that month, the combined level for the first subsequent month for which such payments were made), increased—

[(i) in a case to which clause (i) of such section 1611(e)(1)(B) applies or (with respect to the individual or spouse who is in the hospital, home, or facility in-

volved) to which clause (ii) of such section applies, by $5, and

[(ii) in a case to which clause (iii) of such section 1611(e)(1)(B) applies, by $10.]

* * * * * * *

ATTRIBUTION OF SPONSOR'S INCOME AND RESOURCES TO ALIENS

SEC. 1621. (a) For purposes of determining eligibility for [and the amount of benefits] *benefits under this title and the amount of any cash benefit under this title* under this title for an individual who is an alien, the income and resources of any person who (as a sponsor of such individual's entry into the United States) executed an affidavit of support or similar agreement with respect to such individual, and the income and resources of the sponsor's spouse, shall be deemed to be the income and resources of such individual (in accordance with subsections (b) and (c)) for a period of 5 years after the individual's entry into the United States. Any such income deemed to be income of such individual shall be treated as unearned income of such individual.

* * * * * * *

PART B—PROCEDURAL AND GENERAL PROVISIONS

PAYMENTS AND PROCEDURES

Payment of Benefits

SEC. 1631. (a)(1) * * *

(2)(A)(i) * * *

(ii)[(I)] Upon a determination by the Commissioner of Social Security that the interest of such individual would be served thereby, such payments shall be made, regardless of the legal competency or incompetency of the individual or eligible spouse, to another individual, or an organization, with respect to whom the requirements of subparagraph (B) have been met (in this paragraph referred to as such individual's "representative payee") for the use and benefit of the individual or eligible spouse.

[(II) In the case of an individual eligible for benefits under this title by reason of disability, if alcoholism or drug addiction is a contributing factor material to the Commissioner's determination that the individual is disabled, the payment of such benefits to a representative payee shall be deemed to serve the interest of the individual under this title. In any case in which such payment is so deemed under this subclause to serve the interest of an individual, the Commissioner of Social Security shall include, in the individual's notification of such eligibility, a notice that alcoholism or drug addiction is a contributing factor material to the Commissioner's determination that the individual is disabled and that the Commissioner of Social Security is therefore required to pay the individual's benefits to a representative payee.]

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(B)(i) * * *

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[(vii) In the case of an individual eligible for benefits under this title by reason of disability, if alcoholism or drug addiction is a contributing factor material to the Commissioner's determination that the individual is disabled, when selecting such individual's representative payee, preference shall be given to—

[(I) a community-based nonprofit social service agency licensed or bonded by the State;

[(II) a Federal, State, or local government agency whose mission is to carry out income maintenance, social service, or health care-related activities;

[(III) a State or local government agency with fiduciary responsibilities; or

[(IV) a designee of an agency (other than of a Federal agency) referred to in the preceding subclauses of this clause, if the Commissioner of Social Security deems it appropriate,

unless the Commissioner of Social Security determines that selection of a family member would be appropriate.]

[(viii)] *(vii)* Subject to clause [(ix)] *(viii)*, if the Commissioner of Social Security makes a determination described in subparagraph (A)(ii) with respect to any individual's benefit and determines that direct payment of the benefit to the individual would cause substantial harm to the individual, the Commissioner of Social Security may defer (in the case of initial entitlement) or suspend (in the case of existing entitlement) direct payment of such benefit to the individual, until such time as the selection of a representative payee is made pursuant to this subparagraph.

[(ix)] *(viii)*(I) Except as provided in subclause (II), any deferral or suspension of direct payment of a benefit pursuant to clause [(viii)] *(vii)* shall be for a period of not more than 1 month.

(II) Subclause (I) shall not apply in any case in which the individual or eligible spouse is, as of the date of the Commissioner's determination, legally incompetent, under the age of 15 years[, or (if alcoholism or drug addiction is a contributing factor material to the Commissioner's determination that the individual is disabled) is eligible for benefits under this title by reason of disability.].

[(x)] *(ix)* Payment pursuant to this subparagraph of any benefits which are deferred or suspended pending the selection of a representative payee shall be made to the individual, or to the representative payee upon such selection, as a single sum or over such period of time as the Commissioner of Social Security determines is in the best interests of the individual entitled to such benefits.

[(xi)] *(x)* Any individual who is dissatisfied with a determination by the Commissioner of Social Security to pay such individual's benefits to a representative payee under this title, or with the designation of a particular person to serve as representative payee, shall be entitled to a hearing by the Commissioner of Social Security, and to judicial review of the Commissioner's final decision, to the same extent as is provided in subsection (c).

[(xii)] *(xi)* In advance of the first payment of an individual's benefit to a representative payee under subparagraph (A)(ii), the Commissioner of Social Security shall provide written notice of the Commissioner's initial determination to make any such payment.

Such notice shall be provided to such individual, except that, if such individual—

(I) is under the age of 15,

(II) is an unemancipated minor under the age of 18, or

(III) is legally incompetent,

then such notice shall be provided solely to the legal guardian or legal representative of such individual.

[(xiii)] *(xii)* Any notice described in clause [(xii)] *(xi)* shall be clearly written in language that is easily understandable to the reader, shall identify the person to be designated as such individual's representative payee, and shall explain to the reader the right under clause [(xi)] *(x)* of such individual or of such individual's legal guardian or legal representative—

(I) * * *

* * * * * * *

(7)(A) In any case where—

(i) an individual is a recipient of *cash* benefits based on disability or blindness under this title,

* * * * * * *

(8)(A) In any case in which an administrative law judge has determined after a hearing as provided in subsection (c) that an individual is entitled to [benefits based on disability or blindness under this title] *benefits under this title (other than by reason of age)* and the Commissioner of Social Security has not issued his final decision in such case within 110 days after the date of the administrative law judge's determination, such benefits shall be currently paid for the months during the period beginning with the month in which such 110-day period expires and ending with the month in which such final decision is issued.

* * * * * * *

Hearings and Review

(c)(1)(A) The Commissioner of Social Security is directed to make findings of fact, and decisions as to the rights of any individual applying for [payment] *benefits* under this title. Any such decision by the Commissioner of Social Security which involves a determination of disability and which is in whole or in part unfavorable to such individual shall contain a statement of the case, in understandable language, setting forth a discussion of the evidence, and stating the Commissioner's determination and the reason or reasons upon which it is based. The Commissioner of Social Security shall provide reasonable notice and opportunity for a hearing to any individual who is or claims to be an eligible individual or eligible spouse and is in disagreement with any determination under this title with respect to eligibility of such individual for benefits, or the amount of such individual's benefits, if such individual requests a hearing on the matter in disagreement within sixty days after notice of such determination is received, and, if a hearing is held, shall, on the basis of evidence adduced at the hearing affirm, modify, or reverse his findings of fact and such decision. The Commissioner of Social Security is further authorized, on the Commissioner's own motion, to hold such hearings and to conduct such in-

vestigations and other proceedings as the Commissioner may deem necessary or proper for the administration of this title. In the course of any hearing, investigation, or other proceeding, the Commissionermay administer oaths and affirmations, examine witnesses, and receive evidence. Evidence may be received at any hearing before the Commissioner of Social Security even though inadmissible under the rules of evidence applicable to court procedure. The Commissioner of Social Security shall specifically take into account any physical, mental, educational, or linguistic limitation of such individual (including any lack of facility with the English language) in determining, with respect to the eligibility of such individual for benefits under this title, whether such individual acted in good faith or was at fault, and in determining fraud, deception, or intent.

(B)(i) A failure to timely request review of an initial adverse determination with respect to an application for any [payment] *benefits* under this title or an adverse determination on reconsideration of such an initial determination shall not serve as a basis for denial of a subsequent application for any [payment] *benefits* under this title if the applicant demonstrates that the applicant, or any other individual referred to in subparagraph (A), failed to so request such a review acting in good faith reliance upon incorrect, incomplete, or misleading information, relating to the consequences of reapplying for [payments] *benefits* in lieu of seeking review of an adverse determination, provided by any officer or employee of the Social Security Administration or any State agency acting under section 221.

(ii) In any notice of an adverse determination with respect to which a review may be requested under subparagraph (A), the Commissioner of Social Security shall describe in clear and specific language the effect on possible eligibility to receive [payments] *benefits* under this title of choosing to reapply in lieu of requesting review of the determination.

* * * * * * *

Applications and Furnishing of Information

(e)(1)(A) * * *

(B) The requirements prescribed by the Commissioner of Social Security pursuant to subparagraph (A) shall require that eligibility for benefits under this title will not be determined solely on the basis of declarations by the applicant concerning eligibility factors or other relevant facts, and that relevant information will be verified from independent or collateral sources and additional information obtained as necessary in order to assure that such benefits are only provided to eligible individuals (or eligible spouses) and that the [amounts of such benefits] *amounts of cash benefits under this title* are correct. For this purpose and for purposes of federally administered supplementary payments of the type described in section 1616(a) of this Act (including payments pursuant to an agreement entered into under section 212(a) of Public Law 93–66), the Commissioner of Social Security shall, as may be necessary, request and utilize information available pursuant to section 6103(l)(7) of the Internal Revenue Code of 1954, and any informa-

tion which may be available from State systems under section 1137 of this Act, and shall comply with the requirements applicable to States (with respect to information available pursuant to section 6103(l)(7)(B) of such Code) under subsections (a)(6) and (c) of such section 1137.

* * * * * * *

(2) In case of the failure by any individual to submit a report of events and changes in circumstances relevant to eligibility for or amount of *cash* benefits under this title as required by the Commissioner of Social Security under paragraph (1), or delay by any individual in submitting a report as so required, the Commissioner of Social Security (in addition to taking any other action the Commissioner may consider appropriate under paragraph (1)) shall reduce any *cash* benefits which may subsequently become payable to such individual under this title by—

(A) * * *

* * * * * * *

[(6)**]** *(7)*(A)(i) The Secretary shall immediately redetermine the eligibility of an individual for *cash* benefits under this title if there is reason to believe that fraud or similar fault was involved in the application of the individual for such benefits, unless a United States attorney, or equivalent State prosecutor, with jurisdiction over potential or actual related criminal cases, certifies, in writing, that there is a substantial risk that such action by the Secretary with regard to recipients in a particular investigation would jeopardize the criminal prosecution of a person involved in a suspected fraud.

* * * * * * *

[(7)**]** *(8)*(A) The Secretary shall request the Immigration and Naturalization Service or the Centers for Disease Control to provide the Secretary with whatever medical information, identification information, and employment history either such entity has with respect to any alien who has applied for benefits under title XVI to the extent that the information is relevant to any determination relating to eligibility for such benefits under title XVI.

* * * * * * *

Reimbursement to States for Interim Assistance Payments

(g)(1) * * *

(2) For purposes of this subsection, the term "benefits" with respect to any individual means **[**supplemental security income**]** *cash* benefits under this title, and any State supplementary payments under section 1616 or under section 212 of Public Law 93–66 which the Commissioner of Social Security makes on behalf of a State (or political subdivision thereof), that the Commissioner of Social Security has determined to be due with respect to the individual at the time the Commissioner of Social Security makes the first payment of benefits with respect to the period described in clause (A) or (B) of paragraph (3). A cash advance made pursuant to subsection

(a)(4)(A) shall not be considered as the first payment of benefits for purposes of the preceding sentence.

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DETERMINATIONS OF MEDICAID ELIGIBILITY

SEC. 1634. (a) * * *

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[(e) Each person to whom benefits under this title by reason of disability are not payable for any month solely by reason of clause (i) or (v) of section 1611(e)(3)(A) shall be treated, for purposes of title XIX, as receiving benefits under this title for the month.]

SEC. 1635. OUTREACH PROGRAM FOR CHILDREN.

(a) ESTABLISHMENT.—The Commissioner of Social Security shall establish and conduct an ongoing program of outreach to children who are potentially eligible for benefits under this title [by reason of disability or blindness].

* * * * * * *

PART C—BLOCK GRANTS TO STATES FOR CHILDREN WITH DISABILITIES

SEC. 1641. ENTITLEMENT TO GRANTS.

Each State that meets the requirements of section 1642 for fiscal year 1997 or any subsequent fiscal year shall be entitled to receive from the Commissioner for the fiscal year a grant in an amount equal to the allotment (as defined in section 1646(1)) of the State for the fiscal year.

SEC. 1642. REQUIREMENTS.

(a) IN GENERAL.—A State meets the requirements of this section for a grant under section 1641 for a fiscal year if by the date specified by the Commissioner, the State submits to the Commissioner an application for the grant that is in such form, is made in such manner, and contain such agreements, assurances, and information as the Commissioner determines to be necessary to carry out this part, and if the application contains an agreement by the State in accordance with the following:

(1) The grant will not be expended for any purpose other than providing authorized services (as defined in section 1646(2)) to qualifying children (as defined in section 1646(3)).

(2)(A) In providing authorized services, the State will make every reasonable effort to obtain payment for the services from other Federal or State programs that provide payment for such services and from private entities that are legally liable to make the payments pursuant to insurance policies, prepaid plans, or other arrangements.

(B) The State will expend the grant only to the extent that payments from the programs and entities described in subparagraph (A) are not available for authorized services provided by the State.

(3) The State will comply with the condition described in subsection (b).

(4) The State will comply with the condition described in subsection (c).

(b) MAINTENANCE OF EFFORT.—

(1) IN GENERAL.—The condition referred to in subsection (a)(3) for a State for a fiscal year is that, with respect to the purposes described in paragraph (2), the State will maintain expenditures of non-Federal amounts for such purposes at a level that is not less than the following, as applicable:

(A) For the first fiscal year for which the State receives a grant under section 1641, an amount equal to the difference between—

(i) the average level of such expenditures maintained by the State for the 2-year period preceding October 1, 1995 (except that, if such first fiscal year is other than fiscal year 1997, the amount of such average level shall be increased to the extent necessary to offset the effect of inflation occurring after October 1, 1995); and

(ii) the aggregate of non-Federal expenditures made by the State for such 2-year period pursuant to section 1618 (as such section was in effect for such period).

(B) For each subsequent fiscal year, the amount applicable under subparagraph (A) increased to the extent necessary to offset the effect of inflation occurring after the beginning of the fiscal year to which such subparagraph applies.

(2) RELEVANT PURPOSES.—The purposes described in this paragraph are any purposes designed to meet (or assist in meeting) the unique needs of qualifying children that arise from physical and mental impairments, including such purposes that are authorized to be carried out under title XIX.

(3) RULE OF CONSTRUCTION.—With respect to compliance with the agreement made by a State pursuant to paragraph (1), the State has discretion to select, from among the purposes described in paragraph (2), the purposes for which the State expends the non-Federal amounts reserved by the State for such compliance.

(4) USE OF CONSUMER PRICE INDEX.—Determinations under paragraph (1) of the extent of inflation shall be made through use of the consumer price index for all urban consumers, U.S. city average, published by the Bureau of Labor Statistics.

(c) ASSESSMENT OF NEED FOR SERVICES.—The condition referred to in subsection (a)(4) for a State for a fiscal year is that each qualifying child will be permitted to apply for authorized services, and will be provided with an opportunity to have an assessment conducted to determine the need of such child for authorized services.

SEC. 1643. AUTHORITY OF STATE.

The following decisions are in the discretion of a State with respect to compliance with an agreement made by the State under section 1642(a)(1):

(1) Decisions regarding which of the authorized services are provided.

(2) Decisions regarding who among qualifying children in the State receives the services.

(3) Decisions regarding the number of services provided for the qualifying child involved and the duration of the services.

SEC. 1644. AUTHORIZED SERVICES.

(a) AUTHORITY OF COMMISSIONER.—The Commissioner, subject to subsection (b), shall issue regulations designating the purposes for which grants under section 1641 are authorized to be expended by the States.

(b) REQUIREMENTS REGARDING SERVICES.—The Commissioner shall ensure that the purposes authorized under subsection (a)—

(1) are designed to meet (or assist in meeting) the unique needs of qualifying children that arise from physical and mental impairments;

(2) include medical and nonmedical services; and

(3) do not include the provision of cash benefits.

SEC. 1645. GENERAL PROVISIONS.

(a) ISSUANCE OF REGULATIONS.—Regulations under this part shall be issued in accordance with procedures established for the issuance of substantive rules under section 553 of title 5, United States Code. Payments under grants under section 1641 for fiscal year 1997 shall begin not later than January 1, 1997, without regard to whether final rules under this part have been issued and without regard to whether such rules have taken effect.

(b) PROVISIONS REGARDING OTHER PROGRAMS.—

(1) INAPPLICABILITY OF VALUE OF SERVICES.—The value of authorized services provided under this part shall not be taken into account in determining eligibility for, or the amount of, benefits or services under any Federal or federally-assisted program.

(2) MEDICAID PROGRAM.—For purposes of title XIX, each qualifying child shall be considered to be a recipient of supplemental security income benefits under this title. The preceding sentence applies on and after the date of the enactment of this part.

(c) USE BY STATES OF EXISTING DELIVERY SYSTEMS.—With respect to the systems utilized by the States to deliver services to individuals with disabilities (including systems utilized before the date of the enactment of the Welfare Transformation Act of 1995), it is the sense of the Congress that the States should utilize such systems in providing authorized services under this part.

(d) REQUIRED PARTICIPATION OF STATES.—Subparagraphs (C)(i) and (E)(i)(I) of section 205(c)(2) shall not apply to a State that does not participate in the program established in this part for fiscal year 1997 or any succeeding fiscal year.

SEC. 1646. DEFINITIONS.

As used in this part:

(1) ALLOTMENT.—The term "allotment" means, with respect to a State and a fiscal year, the product of—

(A) an amount equal to the difference between—

(i) the number of qualifying children in the State (as determined for the most recent 12-month period for which data are available to the Commissioner); and

(ii) the number of qualifying children in the State receiving cash benefits under this title by reason of disability (as so determined); and

(B) an amount equal to 75 percent of the mean average of the respective annual totals of cash benefits paid under this title to each qualifying child described in subparagraph (A)(ii) (as so determined).

(2) AUTHORIZED SERVICE.—The term "authorized service" means each purpose authorized by the Commissioner under section 1644(a).

(3) QUALIFYING CHILD.—

(A) IN GENERAL.—The term "qualifying child" means an individual who—

(i) has not attained 18 years of age; and

(ii) is (or, but for section 1614(a)(3)(A)(ii)(II)(bb), would be) eligible for cash benefits under this title by reason of disability.

(B) RESPONSIBILITIES OF COMMISSIONER.—The Commissioner shall provide for determinations of whether individuals meet the criteria established in subparagraph (A) for status as qualifying children. Such determinations shall be made in accordance with the provisions otherwise applicable under this title with respect to such criteria.

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TITLE XIX—GRANTS TO STATES FOR MEDICAL ASSISTANCE PROGRAMS

* * * * * * *

STATE PLANS FOR MEDICAL ASSISTANCE

SEC. 1902. (a) A State plan for medical assistance must—

(1) * * *

* * * * * * *

(61) provide that the State must demonstrate that it operates a medicaid fraud and abuse control unit described in section 1903(q) that effectively carries out the functions and requirements described in such section, as determined in accordance with standards established by the Secretary, unless the State demonstrates to the satisfaction of the Secretary that the effective operation of such a unit in the State would not be cost-effective because minimal fraud exists in connection with the provision of covered services to eligible individuals under the State plan, and that beneficiaries under the plan will be protected from abuse and neglect in connection with the provision of medical assistance under the plan without the existence of such a unit; **[**and**]**

(62) provide for a program for the distribution of pediatric vaccines to program-registered providers for the immunization of vaccine-eligible children in accordance with section 1928**[**.**]***; and*

(63) provide for continuing to administer eligibility standards with respect to individuals who are (or seek to be) eligible for medical assistance based on the application of section 1931.

* * * * * * *

(c) Notwithstanding subsection (b), the Secretary shall not approve any State plan for medical assistance [if—

[(1) the State has in effect, under its plan established under part A of title IV, payment levels that are less than the payment levels in effect under such plan on May 1, 1988; or

[(2) the State requires individuals described in subsection (l)(1) to apply for benefits under such part as a condition of applying for, or receiving, medical assistance under this title.] *if the State requires individuals described in subsection (l)(1) to apply for assistance under the State program funded under part A of title IV as a condition of applying for or receiving medical assistance under this title.*

* * * * * * *

PAYMENT TO STATES

SEC. 1903. (a) * * *

* * * * * * *

(i) Payment under the preceding provisions of this section shall not be made—

(1) * * *

* * * * * * *

[(9) with respect to any amount of medical assistance for pregnant women and children described in section 1902(a)(10)(A)(ii)(IX), if the State has in effect, under its plan established under part A of title IV, payment levels that are less than the payment levels in effect under such plan on July 1, 1987;]

* * * * * * *

CONTINUED APPLICATION OF AFDC STANDARDS

SEC. 1931. (a) For purposes of applying this title on and after October 1, 1995, with respect to a State—

(1) except as provided in paragraph (2), any reference in this title (or other provision of law in relation to the operation of this title) to a provision of title IV of this Act, or a State plan under a part of such title, shall be considered a reference to such provision or plan as in effect as of March 7, 1995, with respect to the State and eligibility for medical assistance under this title shall be determined as if such provision or plan (as in effect as of such date) had remained in effect on and after October 1, 1995; and

(2) any reference in section 1902(a)(5) or 1902(a)(55) to a State plan approved under part A of title IV shall be deemed a reference to a State program funded under such part (as in effect on and after October 1, 1995).

(b) In the case of a waiver of a provision of title IV in effect with respect to a State as of March 7, 1995, if the waiver affects eligi-

bility of individuals for medical assistance under this title, such waiver may continue to be applied, at the option of the State, in relation to this title after the date the waiver would otherwise expire.

REFERENCES TO LAWS DIRECTLY AFFECTING MEDICAID PROGRAM

SEC. [1931] 1932. (a) AUTHORITY OR REQUIREMENTS TO COVER ADDITIONAL INDIVIDUALS.—For provisions of law which make additional individuals eligible for medical assistance under this title, subject to section 1931(a), see the following:

*(1) * * **

* * * * * * *

SECTION 508 OF THE UNEMPLOYMENT COMPENSATION AMENDMENTS OF 1976

SEC. 508. STATE EMPLOYMENT OFFICES TO SUPPLY DATA IN AID OF ADMINISTRATION OF AFDC AND CHILD SUPPORT PROGRAMS.

*(a) * * **

* * * * * * *

[(b) PROVISION FOR REIMBURSEMENT OF EXPENSES.—For purposes of section 403 of the Social Security Act, expenses incurred to reimburse State employment offices for furnishing information requested of such offices pursuant to the third sentence of section 3(a) of the Act entitled "An Act to provide for the establishment of a national employment system and for cooperation with the States in the promotion of such system, and for other purposes", approved June 6, 1933 (29 U.S.C. 49b(a), by a State or local agency administering a State plan approved under part A of title IV of the Social Security Act shall be considered to constitute expenses incurred in the administration of such State plan; and for purposes of section 455 of the Social Security Act, expenses incurred to reimburse State employment offices for furnishing information so requested by a State or local agency charged with the duty of carrying out a State plan for child support approved under part D of title IV of the Social Security Act shall be considered to constitute expenses incurred in the administration of such State plan.]

(b) PROVISION FOR REIMBURSEMENT OF EXPENSES.—For purposes of section 455 of the Social Security Act, expenses incurred to reimburse State employment offices for furnishing information requested of such offices—

(1) pursuant to the third sentence of section 3(a) of the Act entitled "An Act to provide for the establishment of a national employment system and for cooperation with the States in the promotion of such system, and for other purposes", approved June 6, 1933 (29 U.S.C. 49b(a)),

(2) by a State or local agency charged with the duty of carrying a State plan for child support approved under part D of title IV of the Social Security Act,

shall be considered to constitute expenses incurred in the administration of such State plan.

INTERNAL REVENUE CODE OF 1986

Subtitle A—Income Taxes

CHAPTER 1—NORMAL TAXES AND SURTAXES

Subchapter A—Determination of Tax Liability

* * * * * * *

PART F—RULES FOR COMPUTING TARGETED JOB CREDITS

* * * * * * *

SEC. 51. AMOUNT OF CREDIT.

(a) * * *

* * * * * * *

(d) MEMBERS OF TARGETED GROUPS.—

For purposes of this subpart—

(1) * * *

* * * * * * *

(9) ELIGIBLE WORK INCENTIVE EMPLOYEES.—

The term "eligible work incentive employee" means an individual who has been certified by the designated local agency as**[**—

[(A) being eligible for financial assistance under part A of title IV of the Social Security Act and as having continually received such financial assistance during the 90-day period which immediately precedes the date on which such individual is hired by the employer, or

[(B) having been placed in employment under a work incentive program established under section 432(b)(1) or 445 of the Social Security Act.**]** *being eligible for financial assistance under part A of title IV of the Social Security Act and as having continually received such financial assistance during the 90-day period which immediately precedes the date on which such individual is hired by the employer.*

* * * * * * *

Subtitle C—Employment Taxes

* * * * * * *

CHAPTER 23—FEDERAL UNEMPLOYMENT TAX ACT

* * * * * * *

SEC. 3304. APPROVAL OF STATE LAWS.

(a) REQUIREMENTS.

The Secretary of Labor shall approve any State law submitted to him, within 30 days of such submission, which he finds provides that—

(1) * * *

* * * * * * *

(16) (A) wage information contained in the records of the agency administering the State law which is necessary (as determined by the [Secretary of Health, Education, and Welfare] *Secretary of Health and Human Services* in regulations) for purposes of determining an individual's eligibility for aid or services, or the amount of such aid or services, under a State plan for aid and services to needy families with children approved under part A of title IV of the Social Security Act, shall be made available to a State or political subdivision thereof when such information is specifically requested by such State or political subdivision for such purposes, [and]

(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 Secretary) as necessary for the purposes of the National Directory of New Hires established under section 453(i) of the Social Security Act, and

[(B)] *(C)* such safeguards are established as are necessary (as determined by the [Secretary of Health, Education, and Welfare] *Secretary of Health and Human Services* in regulations) to insure that [such information is used only for the purposes authorized under subparagraph (A);] *information furnished under subparagraph (A) or (B) is used only for the purposes authorized under such subparagraph;*

* * * * * * *

Subtitle F—Procedure and Administration

* * * * * * *

CHAPTER 65—ABATEMENTS, CREDITS, AND REFUNDS

Subchapter A—Procedure in General

* * * * * * *

SEC. 6402. AUTHORITY TO MAKE CREDITS OR REFUNDS.

(a) * * *

* * * * * * *

(c) OFFSET OF PAST-DUE SUPPORT AGAINST OVERPAYMENTS.—

The amount of any overpayment to be refunded to the person making the overpayment shall be reduced by the amount of any past-due support (as defined in section 464(c) of the Social Security Act) owed by that person of which the Secretary has been notified by a State in accordance with section 464 of the Social Security Act. The Secretary shall remit the amount by which the overpayment is so reduced to the State collecting such support and notify

the person making the overpayment that so much of the overpayment as was necessary to satisfy his obligation for past-due support has been paid to the State. [A reduction under this subsection shall be applied first to satisfy any past-due support which has been assigned to the State under section 402(a)(26) or 471(a)(17) of the Social Security Act, and shall be applied to satisfy any other past-due support after any other reductions allowed by law (but before a credit against future liability for an internal revenue tax) have been made.] *A reduction under this subsection shall be after any other reduction allowed by subsection (d) with respect to the Department of Health and Human Services and the Department of Education with respect to a student loan and before any other reduction allowed by law and before such overpayment is credited to the future liability for tax of such person pursuant to subsection (b). A reduction under this subsection shall be assigned to the State with respect to past-due support owned to individuals for periods such individuals were receiving assistance under part A or B of title IV of the Social Security Act only after satisfying all other past-due support.* This subsection shall be applied to an overpayment prior to its being credited to a person's future liability for an internal revenue tax.

(d) COLLECTION OF DEBTS OWED TO FEDERAL AGENCIES.—

(1) * * *

(2) PRIORITIES FOR OFFSET.—[Any overpayment] *Except in the case of past-due legally enforceable debts owed to the Department of Health and Human Services or to the Department of Education with respect to a student loan, any overpayment* by a person shall be reduced pursuant to this subsection after such overpayment is reduced pursuant to subsection (c) [with respect to past-due support collected pursuant to an assignment under section 402(a)(26) of the Social Security Act] and before such overpayment is credited to the future liability for tax of such person pursuant to subsection (b). If the Secretary receives notice from a Federal agency or agencies of more than one debt subject to paragraph (1) that is owed by a person to such agency or agencies, any overpayment by such person shall be applied against such debts in the order in which such debts accrued.

* * * * * * *

OMNIBUS BUDGET RECONCILIATION ACT OF 1987

* * * * * * *

TITLE IX—INCOME SECURITY AND RELATED PROGRAMS

* * * * * * *

Subtitle B—Provisions Relating to Public Assistance and Unemployment Compensation

PART 1—AFDC AND SSI AMENDMENTS

* * * * * * *

[SEC. 9121. DEMONSTRATION OF FAMILY INDEPENDENCE PROGRAM.

[(a) IN GENERAL.—Upon application of the State of Washington and approval by the Secretary of Health and Human Services, the State of Washington (in this section referred to as the "State") may conduct a demonstration project in accordance with this section for the purpose of testing whether the operation of its Family Independence Program enacted in May 1987 (in this section referred to as the "Program"), as an alternative to the AFDC program under title IV of the Social Security Act, would more effectively break the cycle of poverty and provide families with opportunities for economic independence and strengthened family functioning.

[(b) NATURE OF PROJECT.—Under the demonstration project conducted under this section—

[(1) every individual eligible for aid under the State plan approved under section 402(a) of the Social Security Act shall be eligible to enroll in the Program, which shall operate simultaneously with the AFDC program so long as there are individuals who qualify for the latter;

[(2) cash assistance shall be furnished in a timely manner to all eligible individuals under the Program (and the State may not make expenditures for services under the Program until it has paid all necessary cash assistance), with no family receiving less in cash benefits than it would have received under the AFDC program;

[(3) individuals may be required to register, undergo assessment, and participate in work, education, or training under the Program, except that—

[(A) work or training may not be required in the case of—

[(i) a single parent of a child under six months of age, or more than one parent of such a child in a two-parent family,

[(ii) a single parent with a child of any age who has received assistance for less than six months,

[(iii) a single parent with a child under three years of age who has received assistance for less than three years,

[(iv) an individual under 16 years of age or over 64 years of age,

[(v) an individual who is incapacitated, temporarily ill, or needed at home to care for an impaired person, or

[(vi) an individual who has not yet been individually notified in writing of such requirement or of the expi-

ration of his or her exempt status under this subparagraph;

[(B) participation in work or training shall in any case be voluntary during the first two years of the Program, and may thereafter be made mandatory only in counties where more than 50 percent of the enrollees can be placed in employment within three months after they are job ready;

[(C) in no case shall the work and training aspect of the Program be mandated in any county where the unemployment level is at least twice the State average; and

[(D) mandated work shall not include work in any position created by a reduction in the work force, a bona fide labor dispute, the decertification of a bargaining unit, or a new job classification which subverts the intention of the Program;

[(4) there shall be no change in existing State law which would eliminate guaranteed benefits or reduce the rights of applicants or enrollees; and

[(5) the Program shall include due process guarantees and procedures no less than those which are available to participants in the AFDC program under Federal law and regulation and under State law.

[(c) WAIVERS.—The Secretary shall (with respect to the project under this section) waive compliance with any requirements contained in title IV of the Social Security Act which (if applied) would prevent the State from carrying out the project or effectively achieving its purpose, or with the requirements of sections 1902(a)(1), 1902(e)(1), and 1916 of that Act (but only to the extent necessary to enable the State to carry out the Program as enacted by the State in April 1987).

[(d) FUNDING.—

[(1) The Secretary, under section 403(b) or 1903(d) of the Social Security Act, shall reimburse the State for its expenditures under the Program—

[(A) at a rate equal to the Federal matching rate applicable to the State under section 403(a)(1) (or 1118) of the Social Security Act, for cash assistance, medical assistance, and child care provided to enrollees;

[(B) at a rate equal to the applicable Federal matching rate under section 403(a)(3) of such Act, for administrative expenses; and

[(C) at the rate of 75 percent for an evaluation plan approved by the Secretary.

[(2) As a condition of approval of the project under this section, the State must provide assurances satisfactory to the Secretary that the total amount of Federal reimbursement over the period of the project will not exceed the anticipated Federal reimbursements (over that period) under the AFDC and Medicaid programs; but this paragraph shall not prevent the State from claiming reimbursement for additional persons who would qualify for assistance under the AFDC program, for costs attributable to increases in the State's payment standard, or for any other federally-matched benefits or services.

[(e) EVALUATION.—The State must satisfy the Secretary that the Program will be evaluated using a reasonable methodology.

[(f) DURATION OF PROJECT.—

[(1) The project under this section shall begin on the date on which the first individual is enrolled in the Program and (subject to paragraph (2)) shall end five years after that date.

[(2) The project may be terminated at any time, on six months written notice, by the State or (upon a finding that the State has materially failed to comply with this section) by the Secretary.

[SEC. 9122. CHILD SUPPORT DEMONSTRATION PROGRAM IN NEW YORK STATE.

[(a) IN GENERAL.—Upon application by the State of New York and approval by the Secretary of Health and Human Services (in this section referred to as the "Secretary"), the State of New York (in this section referred to as the "State") may conduct a demonstration program in accordance with this section for the purpose of testing a State program as an alternative to the program of Aid to Families with Dependent Children under title IV of the Social Security Act.

[(b) NATURE OF PROGRAM.—Under the demonstration program conducted under this section—

[(1) all custodial parents of dependent children who are eligible for supplements under the State plan approved under section 402(a) of the Social Security Act (and such other types or classes of such parents as the State may specify) may elect to receive benefits under the State's Child Support Supplement Program in lieu of supplements under such plan; and

[(2) the Federal Government will pay to the State with respect to families receiving benefits under the State's Child Support Supplement Program the same amounts as would have been payable with respect to such families under sections 403 and 1903 of the Social Security Act as if the families were receiving aid and medical assistance under the State plans in effect with respect to such sections.

[(c) WAIVERS.—The Secretary shall (with respect to the program under this section) waive compliance with any requirements contained in title IV of the Social Security Act which (if applied) would prevent the State from carrying out the program or effectively achieving its purpose.

[(d) CONDITIONS OF APPROVAL.—As a condition of approval of the program under this section, the State shall—

[(1) provide assurances satisfactory to the Secretary that the State—

[(A) will continue to make assistance available to all eligible children in the State who are in need of financial support, and

[(B) will continue to operate an effective child support enforcement program;

[(2) agree—

[(A) to have the program evaluated, and

[(B) to report interim findings to the Secretary at such times as the Secretary shall provide; and

[(3) satisfy the Secretary that the program will be evaluated using a reasonable methodology that can determine whether changes in work behavior and changes in earnings are attributable to participation in the program.

[(e) APPLICATION PROCESS.—In order to participate in the program under this section, the State must submit an application under this section not later than two years after the date of enactment of this Act. The Secretary shall approve or disapprove the application of the State not later than 90 days after the date of its submission. If the application is disapproved, the Secretary shall provide to the State a statement of the reasons for such disapproval, of the changes needed to obtain approval, and of the date by which the State may resubmit the application.

[(f) EFFECTIVE DATE.—The program under this section shall commence not later than the first day of the third calendar quarter beginning on or after the date on which the application of the State is approved in accordance with subsection (e).

[(g) DURATION OF PROGRAM.—

[(1) Except as provided in paragraph (2), if the Secretary approves the application of the State, the demonstration program under this section shall be conducted for a period not to exceed five years.

[(2)(A) The Governor of the State may before the end of the period described in paragraph (1) terminate the demonstration program under this section if the Governor finds that the program is not successful in testing the State's Child Support Supplement Program as an alternative to the program under title IV of the Social Security Act. The Governor shall notify the Secretary of the decision to terminate the program not less than three months prior to the date of such termination.

[(B) The Secretary may terminate the program before the end of such period if the Secretary finds that the program is not in compliance with the terms of the application. The Secretary shall notify the Governor of the decision to terminate the program not less than three months prior to the date of such termination.]

* * * * * * *

SECTION 221 OF THE HOUSING AND URBAN-RURAL RECOVERY ACT OF 1983

[CONSIDERATION OF UTILITY PAYMENTS MADE BY TENANTS IN ASSISTED HOUSING

[SEC. 221. Notwithstanding any other provision of law, for purposes of determining eligibility, or the amount of benefits payable, under part A of title IV of the Social Security Act, any utility payment made in lieu of any rental payment by a person living in a dwelling unit in a lower income housing project assisted under the United States Housing Act of 1937 or section 236 of the National Housing Act shall be considered to be a shelter payment.]

SECTION 159 OF THE TAX EQUITY AND FISCAL RESPONSIBILITY ACT OF 1982

[EXCLUSION FROM INCOME

[SEC. 159. Notwithstanding any other provision of law, payments which are made, under a statutorily established State program, to meet certain needs of children receiving aid under the State's plan approved under part A of title IV of the Social Security Act, if—

[(1) the payments are made to such children by the State agency administering such plan, but are made without Federal financial participation (under section 430(a) of such Act or otherwise), and

[(2) the State program has been continuously in effect since before January 1, 1979,

shall be excluded from the income of such children and their families for purposes of section 402(a)(17) of such Act, and for all the other purposes of such part A and of such plan, effective on the date of the enactment of this Act.]

SECTION 202 OF THE SOCIAL SECURITY AMENDMENTS OF 1967

[EARNINGS EXEMPTION FOR RECIPIENTS OF AID TO FAMILIES WITH DEPENDENT CHILDREN

SEC. 202. (a) * * *

* * * * * * *

[(d) Effective, with respect to quarters beginning after June 30, 1968, in determining the need of individuals claiming aid under a State plan approved under part A of title IV of the Social Security Act, the State shall apply the provisions of such part notwithstanding any provisions of law (other than such Act) requiring the State to disregard earned income of such individuals in determining need under such State plan.]

SECTION 233 OF THE SOCIAL SECURITY ACT AMENDMENTS OF 1994

[SEC. 233. NEW HOPE DEMONSTRATION PROJECT.

[(a) IN GENERAL.—The Secretary of Health and Human Services (in this section referred to as the "Secretary") shall provide for a demonstration project for a qualified program to be conducted in Milwaukee, Wisconsin, in accordance with this section.

[(b) PAYMENTS.—For each calendar quarter in which there is a qualified program approved under this subsection, the Secretary shall pay to the operator of the qualified program, for no more than 20 calendar quarters, an amount equal to the aggregate amount that would otherwise have been payable to the State with respect to participants in the program for such calendar quarter, in the absence of the program, for cash assistance and child care under part A of title IV of the Social Security Act, for medical assistance under title XIX of such Act, and for administrative expenses related to such assistance. The amount payable to the operator of the pro-

gram under this section shall not include the costs of evaluating the effects of the program.

[(c) DEMONSTRATION PROJECT DESCRIBED.—For purposes of this section, the term "qualified program" means a program operated—

[(1) by The New Hope Project, Inc., a private, not-for-profit corporation incorporated under the laws of the State of Wisconsin (in this section referred to as the "operator"), which offers low-income residents of Milwaukee, Wisconsin, employment, wage supplements, child care, health care, and counseling and training for job retention or advancement; and

[(2) in accordance with an application submitted by the operator of the program and approved by the Secretary based on the Secretary's determination that the application satisfies the requirements of subsection (d).

[(d) CONTENTS OF APPLICATION.—The operator of the qualified program shall provide, in its application to conduct a demonstration project for the program, that the following terms and conditions will be met:

[(1) The operator will develop and implement an evaluation plan designed to provide valid and reliable information on the impact and implementation of the program. The evaluation plan will include adequately sized groups of project participants and control groups assigned at random.

[(2) The operator will develop and implement a plan addressing the services and assistance to be provided by the program, the timing and determination of payments from the Secretary to the operator of the program, and the roles and responsibilities of the Secretary and the operator with respect to meeting the requirements of this paragraph.

[(3) The operator will specify a reliable methodology for determining expenditures to be paid to the operator by the Secretary, with assistance from the Secretary in calculating the amount that would otherwise have been payable to the State in the absence of the program, pursuant to subsection (b).

[(4) The operator will issue an interim and final report on the results of the evaluation described in paragraph (1) to the Secretary at such times as required by the Secretary.

[(e) EFFECTIVE DATE.—This section shall take effect on the first day of the first calendar quarter that begins after the date of the enactment of this Act.]

SECTION 903 OF THE STEWART B. MCKINNEY HOMELESS ASSISTANCE AMENDMENTS ACT OF 1988

SEC. 903. DEMONSTRATION PROJECTS TO REDUCE NUMBER OF HOMELESS AFDC FAMILIES IN WELFARE HOTELS.

(a) IN GENERAL.—In order to enable States to provide housing for homeless families who are recipients of [aid to families with dependent children under a State plan approved] *assistance under a State program funded* under part A of title IV of the Social Security Act in transitional facilities instead of in commercial or similar transient facilities, at least 2 but not more than 3 States may undertake and carry out demonstration projects in accordance with this section. States may use public or private nonprofit agencies in

carrying out demonstration projects in accordance with this section. Demonstration projects under this section shall meet such conditions and requirements as the Secretary of Health and Human Services (in this section referred to as the "Secretary") shall prescribe.

* * * * * * *

(c) PROJECT REQUIREMENTS.—The Secretary shall not approve an application received from a State for a demonstration project under this section unless the State agency that administers the program of [aid to families with dependent children in the State under a State plan approved] *assistance in the State under a State program funded* under part A of title IV of the Social Security Act demonstrates that the project will—

(1) provide housing in transitional facilities only to homeless families who are recipients of aid to families with dependent children under the State plan and who reside in commercial or similar transient facilities;

* * * * * * *

SECTION 13712 OF THE OMNIBUS BUDGET RECONCILIATION ACT OF 1993

[SEC. 13712. ENTITLEMENT FUNDING FOR STATE COURTS TO ASSESS AND IMPROVE HANDLING OF PROCEEDINGS RELATING TO FOSTER CARE AND ADOPTION.

[(a) IN GENERAL.—The Secretary shall make grants, in accordance with this section, to the highest State courts in States participating in the program under part E of title IV of the Social Security Act, for the purpose of enabling such courts—

[(1) to conduct assessments, in accordance with such requirements as the Secretary shall publish, of the role, responsibilities, and effectiveness of State courts in carrying out State laws requiring proceedings (conducted by or under the supervision of the courts)—

[(A) that implement parts B and E of title IV of such Act;

[(B) that determine the advisability or appropriateness of foster care placement;

[(C) that determine whether to terminate parental rights; and

[(D) that determine whether to approve the adoption or other permanent placement of a child; and

[(2) to implement changes deemed necessary as a result of the assessments.

[(b) APPLICATIONS.—In order to be eligible for a grant under this section, a highest State court shall submit to the Secretary an application at such time, in such form, and including such information and assurances as the Secretary shall require.

[(c) ALLOTMENTS.—

[(1) IN GENERAL.—Each highest State court which has an application approved under subsection (b), and is conducting assessment activities in accordance with this section, shall be entitled to payment, for each of fiscal years 1995 through 1998,

from amounts reserved pursuant to section 430(d)(2) of the Social Security Act, of an amount equal to the sum of—

[(A) for fiscal year 1995, $75,000 plus the amount described in paragraph (2) for fiscal year 1995; and

[(B) for each of fiscal years 1996 through 1998, $85,000 plus the amount described in paragraph (2) for each of such fiscal years.

[(2) FORMULA.—The amount described in this paragraph for any fiscal year is the amount that bears the same ratio to the amount reserved pursuant to section 430(d)(2) of the Social Security Act for the fiscal year (reduced by the dollar amount specified in paragraph (1) of this subsection for the fiscal year) as the number of individuals in the State who have not attained 21 years of age bears to the total number of such individuals in all States the highest State courts of which have approved applications under subsection (b).

[(d) USE OF GRANT FUNDS.—Each highest State court which receives funds paid under this section may use such funds to pay—

[(1) any or all costs of activities under this section in fiscal year 1995; and

[(2) not more than 75 percent of the cost of activities under this section in each of fiscal years 1996, 1997, and 1998.]

SECTION 9442 OF THE OMNIBUS BUDGET RECONCILIATION ACT OF 1986

SEC. 9442. MATERNAL AND CHILD HEALTH AND ADOPTION CLEARINGHOUSE.

The Secretary of Health and Human Services shall establish, either directly or by grant or contract, a National Adoption Information Clearinghouse. The Clearinghouse shall—

(1) * * *

* * * * * * *

(4) upon the establishment of an adoption and foster care data collection system pursuant to section 479 of the Social Security Act (*as in effect before October 1, 1995*), disseminate the data and information made available through that system.

SECTION 553 OF THE HOWARD M. METZENBAUM MULTIETHNIC PLACEMENT ACT OF 1994

[SEC. 553. MULTIETHNIC PLACEMENTS.

[(a) ACTIVITIES.—

[(1) PROHIBITION.—An agency, or entity, that receives Federal assistance and is involved in adoption or foster care placements may not—

[(A) categorically deny to any person the opportunity to become an adoptive or a foster parent, solely on the basis of the race, color, or national origin of the adoptive or foster parent, or the child, involved; or

[(B) delay or deny the placement of a child for adoption or into foster care, or otherwise discriminate in making a placement decision, solely on the basis of the race, color,

or national origin of the adoptive or foster parent, or the child, involved.

[(2) PERMISSIBLE CONSIDERATION.—An agency or entity to which paragraph (1) applies may consider the cultural, ethnic, or racial background of the child and the capacity of the prospective foster or adoptive parents to meet the needs of a child of this background as one of a number of factors used to determine the best interests of a child.

[(3) DEFINITION.—As used in this subsection, the term "placement decision" means the decision to place, or to delay or deny the placement of, a child in a foster care or an adoptive home, and includes the decision of the agency or entity involved to seek the termination of birth parent rights or otherwise make a child legally available for adoptive placement.

[(b) EQUITABLE RELIEF.—Any individual who is aggrieved by an action in violation of subsection (a), taken by an agency or entity described in subsection (a), shall have the right to bring an action seeking relief in a United States district court of appropriate jurisdiction.

[(c) FEDERAL GUIDANCE.—Not later than 6 months after the date of the enactment of this Act, the Secretary of Health and Human Services shall publish guidance to concerned public and private agencies and entities with respect to compliance with this subpart.

[(d) DEADLINE FOR COMPLIANCE.—

[(1) IN GENERAL.—Except as provided in paragraph (2), an agency or entity that receives Federal assistance and is involved with adoption or foster care placements shall comply with this subpart not later than six months after publication of the guidance referred to in subsection (c), or one year after the date of enactment of this Act, whichever occurs first.

[(2) AUTHORITY TO EXTEND DEADLINE.—If a State demonstrates to the satisfaction of the Secretary that it is necessary to amend State statutory law in order to change a particular practice that is inconsistent with this subpart, the Secretary may extend the compliance date for the State a reasonable number of days after the close of the first State legislative session beginning after the date the guidance referred to in subsection (c) is published.

[(e) NONCOMPLIANCE DEEMED A CIVIL RIGHTS VIOLATION.—Noncompliance with this subpart is deemed a violation of title VI of the Civil Rights Act of 1964.

[(f) NO EFFECT ON INDIAN CHILD WELFARE ACT OF 1978.—Nothing in this section shall be construed to affect the application of the Indian Child Welfare Act of 1978 (25 U.S.C. 1901 et seq.).]

SOCIAL SECURITY INDEPENDENCE AND PROGRAM IMPROVEMENTS ACT OF 1994

* * * * * * *

TITLE II—PROGRAM IMPROVEMENTS RELATING TO OASDI AND SSI

SEC. 201. RESTRICTIONS ON PAYMENT OF BENEFITS BASED ON DISABILITY TO SUBSTANCE ABUSERS.

(a) * * *

* * * * * * *

(c) DEMONSTRATION PROJECTS.—

(1) IN GENERAL.—The Secretary of Health and Human Services shall develop and carry out demonstration projects designed to explore innovative referral, monitoring, [and] treatment approaches with respect to[—

(A)] individuals who are entitled to disability insurance benefits or child's, widow's, or widower's insurance benefits based on disability under title II of the Social Security Act, and

[(B) individuals who are eligible for supplemental security income benefits under title XVI of such Act based solely on disability,]

in cases in which alcoholism or drug addiction is a contributing factor material to the Secretary's determination that individuals are under a disability. The Secretary may include in such demonstration projects individuals who are not described in [either subparagraph (A) or subparagraph (B)] *the preceding sentence* if the inclusion of such individuals is necessary to determine the efficacy of various monitoring, referral, and treatment approaches for individuals described in [subparagraph (A) or (B)] *the preceding sentence.*

* * * * * * *

SEC. 202. COMMISSION ON CHILDHOOD DISABILITY.

(a) * * *

* * * * * * *

(e) STUDY BY THE COMMISSION.—(1) * * *

(2) The study described in paragraph (1) shall include issues of—

(A) * * *

* * * * * * *

(F) the effects of the supplemental security income program on disabled children and their families; [and]

(G) whether the criteria in the mental disorders listings in the Listings of Impairments set forth in appendix 1 of subpart P of part 404 of title 20, Code of Federal Regulations, are appropriate to ensure that eligibility of individuals who have not attained 18 years of age for cash benefits under the supplemental security income program by reason of disability is limited to those who have serious disabilities and for whom such benefits are necessary to improve their condition or quality of life; and

[(G)] *(H)* such other issues that the Secretary determines to be appropriate.

* * * * * * *

[SEC. 207. DISABILITY REVIEW REQUIRED FOR SSI RECIPIENTS WHO ARE 18 YEARS OF AGE.

[(a) DISABILITY REVIEW REQUIREMENT.—

[(1) IN GENERAL.—The applicable State agency or the Secretary of Health and Human Services (as may be appropriate) shall redetermine the eligibility of a qualified individual for supplemental security income benefits under title XVI of the Social Security Act by reason of disability, by applying the criteria used in determining eligibility for such benefits of applicants who have attained 18 years of age.

[(2) WHEN CONDUCTED.—The redetermination required by paragraph (1) with respect to a qualified individual shall be conducted during the 1-year period that begins on the date the qualified individual attains 18 years of age.

[(3) MINIMUM NUMBER OF REVIEWS.—The Secretary shall conduct redeterminations under paragraph (1) with respect to not less than ⅓ of qualified individuals in each of fiscal years 1996, 1997, and 1998.

[(4) QUALIFIED INDIVIDUAL DEFINED.—As used in this paragraph, the term "qualified individual" means a recipient of supplemental security income benefits under title XVI of the Social Security Act by reason of disability who attains 18 years of age in or after the 9th month after the month in which this Act is enacted.

[(5) SUBSTITUTE FOR A CONTINUING DISABILITY REVIEW.—A redetermination under paragraph (1) of this subsection shall be considered a substitute for a review required under section 1614(a)(3)(G) of the Social Security Act.

[(6) SUNSET.—Paragraph (1) shall have no force or effect after October 1, 1998.

[(b) REPORT TO THE CONGRESS.—Not later than October 1, 1998, the Secretary of Health and Human Services shall submit to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate a report on the activities conducted under subsection (a).]

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SECTION 1738B OF TITLE 28, UNITED STATES CODE

§ 1738B. Full faith and credit for child support orders

(a) GENERAL RULE.—The appropriate authorities of each State—

(1) shall enforce according to its terms a child support order made consistently with this section by a court of another State; and

(2) shall not seek or make a modification of such an order except in accordance with [subsection (e)] *subsections (e), (f), and (i).*

(b) DEFINITIONS.—In this section:

"child" means—

(A) a person under 18 years of age; and

(B) a person 18 or more years of age with respect to whom a child support order has been issued pursuant to the laws of a State.

"child's State" means the State in which a child resides.

"child support" means a payment of money, continuing support, or arrearages or the provision of a benefit (including payment of health insurance, child care, and educational expenses) for the support of a child.

"child's home State" means the State in which a child lived with a parent or a person acting as parent for at least six consecutive months immediately preceding the time of filing of a petition or comparable pleading for support and, if a child is less than six months old, the State in which the child lived from birth with any of them. A period of temporary absence of any of them is counted as part of the six-month period.

"child support order"—

(A) means a judgment, decree, or order of a court requiring the payment of child support in periodic amounts or in a lump sum; and

* * * * * * *

(c) REQUIREMENTS OF CHILD SUPPORT ORDERS.—A child support order made is made *by a court of a State* consistently with this section if—

(1) a court that makes the order, pursuant to the laws of the State in which the court is located *and subsections (e), (f), and (g)*—

(A) has subject matter jurisdiction to hear the matter and enter such an order; and

* * * * * * *

(d) CONTINUING JURISDICTION.—A court of a State that has made a child support order consistently with this section has continuing, exclusive jurisdiction over the order if the State is the child's State or the residence of any *individual* contestant unless the court of another State, acting in accordance with [subsection (e)] *subsections (e) and (f)*, has made a modification of the order.

(e) AUTHORITY TO MODIFY ORDERS.—A court of a State may [make a modification of a child support order with respect to a child that is made] *modify a child support order issued* by a court of another State if—

(1) the court has jurisdiction to make such a child support order *pursuant to subsection (i)*; and

(2)(A) the court of the other State no longer has continuing, exclusive jurisdiction of the child support order because that State no longer is the child's State or the residence of any *individual* contestant; or

(B) each *individual* contestant has filed written consent [to that court's making the modification and assuming] *with the State of continuing, exclusive jurisdiction for a court of another State to modify the order and assume* continuing, exclusive jurisdiction over the order.

(f) RECOGNITION OF CHILD SUPPORT ORDERS.—If one or more child support orders have been issued in this or another State with regard to an obligor and a child, a court shall apply the following rules in determining which order to recognize for purposes of continuing, exclusive jurisdiction and enforcement:

(1) If only one court has issued a child support order, the order of that court must be recognized.

(2) If two or more courts have issued child support orders for the same obligor and child, and only one of the courts would have continuing, exclusive jurisdiction under this section, the order of that court must be recognized.

(3) If two or more courts have issued child support orders for the same obligor and child, and only one of the courts would have continuing, exclusive jurisdiction under this section, an order issued by a court in the current home State of the child must be recognized, but if an order has not been issued in the current home State of the child, the order most recently issued must be recognized.

(4) If two or more courts have issued child support orders for the same obligor and child, and none of the courts would have continuing, exclusive jurisdiction under this section, a court may issue a child support order, which must be recognized.

(5) The court that has issued an order recognized under this subsection is the court having continuing, exclusive jurisdiction.

[(f)] *(g)* ENFORCEMENT OF [PRIOR] *MODIFIED* ORDERS.—A court of a State that no longer has continuing, exclusive jurisdiction of a child support order may enforce the order with respect to nonmodifiable obligations and unsatisfied obligations that accrued before the date on which a modification of the order is made under [subsection (e)] *subsections (e) and (f).*

[(g)] *(h)* CHOICE OF LAW.—

(1) IN GENERAL.—In a proceeding to establish, modify, or enforce a child support order, the forum State's law shall apply except as provided in paragraphs (2) and (3).

(2) LAW OF STATE OF ISSUANCE OF ORDER.—In interpreting a child support order *including the duration of current payments and other obligations of support*, a court shall apply the law of the State of the court that issued the order.

(3) PERIOD OF LIMITATION.—In an action to enforce *arrears under* a child support order, a court shall apply the statute of limitation of the forum State or the State of the court that issued the order, whichever statute provides the longer period of limitation.

(i) REGISTRATION FOR MODIFICATION.—If there is no individual contestant or child residing in the issuing State, the party or support enforcement agency seeking to modify, or to modify and enforce, a child support order issued in another State shall register that order in a State with jurisdiction over the nonmovant for the purpose of modification.

SECTION 123 OF THE FAMILY SUPPORT ACT OF 1988

SEC. 123. AUTOMATED TRACKING AND MONITORING SYSTEMS MADE MANDATORY.

(a) * * *

* * * * * * *

[(c) REPEAL OF 90-PERCENT FEDERAL REIMBURSEMENT RATE FOR AUTOMATED DATA SYSTEMS.—Effective September 30, 1995, section

455(a)(1) of such Act (as amended by section 112(a) of this Act) is amended—

[(1) by striking subparagraphs (A) and (B);

[(2) by redesignating subparagraph (C) as subparagraph (A);

[(3) in subparagraph (A) (as so redesignated)—

[(A) by striking "(rather than the percentage specified in subparagraph (A))"; and

[(B) by inserting "and" after the semicolon; and

[(4) by inserting after subparagraph (A) (as so redesignated) the following new subparagraph:

["(B) equal to the percent specified in paragraph (2) of the total amounts expended by such State during such quarter for the operation of the plan approved under section 454;".]

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SECTION 5520a OF TITLE 5, UNITED STATES CODE

§ 5520a. Garnishment of pay

(a) * * *

* * * * * * *

(h)(1) * * *

(2) A legal process to which an agency is subject under [sections 459, 461, and 462 of the Social Security Act (42 U.S.C. 659, 661, and 662)] *section 459 of the Social Security Act (42 U.S.C. 659)* for the enforcement of the employee's legal obligation to provide child support or make alimony payments, shall have priority over any legal process to which an agency is subject under this section.

(i) The provisions of this section shall not modify or supersede the provisions of [sections 459, 461, and 462 of the Social Security Act (42 U.S.C. 659, 661, and 662)] *section 459 of the Social Security Act (42 U.S.C. 659)* concerning legal process brought for the enforcement of an individual's legal obligations to provide child support or make alimony payments.

* * * * * * *

SECTION 1408 OF TITLE 10, UNITED STATES CODE

§ 1408. Payment of retired or retainer pay in compliance with court orders

(a) DEFINITIONS.—In this section:

(1) The term "court" means—

(A) any court of competent jurisdiction of any State, the District of Columbia, the Commonwealth of Puerto Rico, Guam, American Samoa, the Virgin Islands, the Northern Mariana Islands, and the Trust Territory of the Pacific Islands;

(B) any court of the United States (as defined in section 451 of title 28) having competent jurisdiction; [and]

(C) any court of competent jurisdiction of a foreign country with which the United States has an agreement requir-

ing the United States to honor any court order of such country[.]*; and*

(D) any administrative or judicial tribunal of a State competent to enter orders for support or maintenance (including a State agency administering a program under a State plan approved under part D of title IV of the Social Security Act), and, for purposes of this subparagraph, the term "State" includes the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, and American Samoa.

(2) The term "court order" means a final decree of divorce, dissolution, annulment, or legal separation issued by a court, or a court ordered, ratified, or approved property settlement incident to such a decree (including a final decree modifying the terms of a previously issued decree of divorce, dissolution, annulment, or legal separation, or a court ordered, ratified, or approved property settlement incident to such previously issued decree), *or a court order for the payment of child support not included in or accompanied by such a decree or settlement,* which—

(A) is issued in accordance with the laws of the jurisdiction of that court;

* * * * * * *

(d) PAYMENTS BY SECRETARY CONCERNED TO *(OR FOR BENEFIT OF)* SPOUSE OR FORMER SPOUSE.—(1) After effective service on the Secretary concerned of a court order providing for the payment of child support or alimony or, with respect to a division of property, specifically providing for the payment of an amount of the disposable retired pay from a member to the spouse or a former spouse of the member, the Secretary shall make payments (subject to the limitations of this section) from the disposable retired pay of the member to the spouse or former spouse *(or for the benefit of such spouse or former spouse to a State disbursement unit established pursuant to section 454B of the Social Security Act 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)* in an amount sufficient to satisfy the amount of child support and alimony set forth in the court order and, with respect to a division of property, in the amount of disposable retired pay specifically provided for in the court order. *In the case of a spouse or former spouse who, pursuant to section 405(a)(8) of the Social Security Act (42 U.S.C. 605(a)(8)), assigns to a State the rights of the spouse or former spouse to receive support, the Secretary concerned may make the child support payments referred to in the preceding sentence to that State in amounts consistent with that assignment of rights.* In the case of a member entitled to receive retired pay on the date of the effective service of the court order, such payments shall begin not later than 90 days after the date of effective service. In the case of a member not entitled to receive retired pay on the date of the effective service of the court order, such payments shall begin not later than 90 days after

the date on which the member first becomes entitled to receive retired pay.

* * * * * * *

(6) In the case of a court order or an order of an administrative process established under State law for which effective service is made on the Secretary concerned on or after the date of the enactment of this paragraph and which provides for payments from the disposable retired pay of a member to satisfy the amount of child support set forth in the order, the authority provided in paragraph (1) to make payments from the disposable retired pay of a member to satisfy the amount of child support set forth in a court order or an order of an administrative process established under State law shall apply to payment of any amount of child support arrearages set forth in that order as well as to amounts of child support that currently become due.

* * * * * * *

(i) CERTIFICATION DATE.—It is not necessary that the date of a certification of the authenticity or completeness of a copy of a court order or an order of an administrative process established under State law for child support received by the Secretary concerned for the purposes of this section be recent in relation to the date of receipt by the Secretary.

[(i)**]** *(j)* REGULATIONS.—The Secretaries concerned shall prescribe uniform regulations for the administration of this section.

(k) RELATIONSHIP TO OTHER LAWS.—In any case involving an order providing for payment of child support (as defined in section 459(i)(2) of the Social Security Act) by 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 such Act.

SECTION 609 OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974

ADDITIONAL STANDARDS FOR GROUP HEALTH PLANS

SEC. 609. (a) GROUP HEALTH PLAN COVERAGE PURSUANT TO MEDICAL CHILD SUPPORT ORDERS.—

(1) IN GENERAL.—Each group health plan shall provide benefits in accordance with the applicable requirements of any qualified medical child support order.

(2) DEFINITIONS.—For purposes of this subsection—

(A) * * *

(B) MEDICAL CHILD SUPPORT ORDER.—The term "medical child support order" means any judgment, decree, or order (including approval of a settlement agreement) **[**issued by a court of competent jurisdiction**]** which—

(i) provides for child support with respect to a child of a participant under a group health plan or provides for health benefit coverage to such a child, is made pursuant to a State domestic relations law (including a community property law), and relates to benefits under such plan, or

(ii) enforces a law relating to medical child support described in section 1908 of the Social Security Act (as added by section 13822 of the Omnibus Budget Reconciliation Act of 1993) with respect to a group health plan**[.]**,

if such judgment, decree, or order (I) is issued by a court of competent jurisdiction or (II) is issued by an administrative adjudicator and has the force and effect of law under applicable State law.

* * * * * * *

VII. DISSENTING VIEWS OFFERED BY REP. PETE STARK, REP. HAROLD FORD, AND REP JIM MCDERMOTT

[See Matthew 25: 31–46.]

Jesus said:

"When the Son of Man comes in his glory and all the angels with him, he will sit on his throne in heavenly glory. All the nations will be gathered before him, and he will separate the people one from another as a shepherd separates the sheep from the goats. He will put the sheep on his right and the goats on his left.

"Then the King will say to those on his right, 'Come, you who are blessed by my Father; take your inheritance, the kingdom prepared for you since the creation of the world. For I was hungry and you gave me something to eat, I was thirsty and you gave me something to drink, I was a stranger and you invited me in, I needed clothes and you clothed me, I was sick and you looked after me, I was in prison and you came to visit me.'

"Then the righteous will answer him, 'Lord, when did we see you hungry and feed you, or thirsty and give you something to drink? When did we see you a stranger and invite you in, or needing clothes and clothe you? When did we see you sick or in prison and go to visit you?'

"The King will reply, 'I tell you the truth, whatever you did for one of the least of these brothers of mine, you did for me.'

"Then he will say to those on his left, 'Depart from me, you who are cursed, into the eternal fire prepared for the devil and his angels. For I was hungry and you gave me nothing to eat, I was thirsty and you gave me nothing to drink, I was a stranger and you did not invite me in, I needed clothes and you did not clothe me, I was sick and in prison and you did not look after me.'

"They also will answer, 'Lord, when did we see you hungry or thirsty or a stranger or needing clothes or sick or in prison, and did not help you?'

"He will reply, 'I tell you the truth, whatever you did not do for one of the least of these, you did not do for me.'

"Then they will go away to eternal punishment, but the righteous to eternal life."

PETER STARK.
HAROLD FORD.
JIM MCDERMOTT.

VIII. DISSENTING VIEWS OFFERED BY REP. SAM GIBBONS, REP. HAROLD FORD, REP. JIM McDERMOTT, REP. WILLIAM COYNE, REP. RICHARD NEAL, REP. BARBARA KENNELLY, REP. SANDER LEVIN, REP. L.F. PAYNE, REP. BENJAMIN CARDIN, REP. ROBERT MATSUI, REP. PETE STARK, REP. CHARLES RANGEL, AND REP. JOHN LEWIS

The Republican welfare reform proposal, embodied in this legislation, fails to deliver what the American people want: a welfare system that expects parents to work to support their families but that protects vulnerable children. For that reason alone, we cannot support this legislation.

Certainly, there are aspects of the current system that are cruel to children. Democrats want to reform those rights away. But the Republican bill is weak on work and tough on children. It takes families from welfare to nowhere. In these dissenting views we explain why and describe our own proposal for revolutionizing our nation's welfare system—without using America's children as "crash test dummies."

Republicans howl at the suggestion that their bill is cruel to children. Let these ten examples speak for themselves.

The Republican bill punishes the child—until the mother is 18 years old—for being born out-of-wedlock to a young parent (Title I).

The Republican bill punishes a child—for his entire childhood—for the sin of being born to a family on welfare, even though the child did not ask to be born (Title I).

The Republican bill punishes a child—by denying cash aid—when a State drags its feet on paternity establishment (Title I).

The Republican bill leaves children twisting in the wind—with no cash support—if the State runs out of Federal money (Title I).

The Republican bill does not assure safe child care for children when their parents work (Title I).

The Republican bill allows children to die while in State care without requiring any State accountability beyond reporting the death (Title II).

The Republican bill throws some medically-disabled children off SSI because of bureaucratic technicalities (Title IV).

The Republican bill denies SSI benefits to children who didn't become disabled soon enough (Title IV).

The Republican bill eliminates our most precious national entitlement—that foster care will be guaranteed to any child who is abused or neglected (Title II).

And, finally, the Republican bill cuts aid to poor children to pay for tax cuts for the rich.

Clearly, this bill is cruel. By contrast, the Democratic alternative offered in the Committee on Ways and Means markup is based on tough love: play by the rules—and the rules will be demanding—and we will help you. But only if you play by our new rules.

Those new rules establish work as the cornerstone of our welfare system, ensure parental responsibility while also protecting children, encourage State flexibility without totally abdicating federal oversight, and protect taxpayer resources by applying fairness and common sense. In the remainder of these views, the shortcomings of the Republican bill are noted, and the DEMOCRATIC alternative discussed.

I. WELFARE REFORM MUST—FIRST AND FOREMOST—BE ABOUT WORKS

A. THE REPUBLICAN CONTRACT JUST DOESN'T MEASURE UP

The American people want a tough, but fair, welfare system; one that, for most families, replaces the welfare check with a paycheck. The Contract with America—and this bill—proposes a tough and mean welfare system. It punishes children and does little to convert our check-writing welfare bureaucracy into an aggressive job placement service. Some of this bill's shortcomings are:

First, it's weak on work.—The Contract—and the Committee bill—take State flexibility to a counterproductive extreme. By and large, we can leave to the States the decision about who will participate and when. But, the Republican bill subjects only 4 percent of the caseload to a work requirement in 1996. And, it lets States do nothing for two years—then cut people off cold turkey without a safety net—and call this success. Simply put, the Republican bill will hurt children and fails to deliver on what the American people want: a real work-based welfare system. State flexibility? Yes. Total abdication of Federal accountability? No.

A real work requirement means that far fewer families will be exempt from work requirements. It also means State programs that serve significantly more of the caseload. At he Federal level, our job is to articulate the broad philosophy—that we want work for wages to be part of the experience of most families on welfare. But, DEMOCRATS cannot support a policy—reflected in the Contract with America—that gives billions of dollars to the States without ever making certain that they use the money to put more people to work. That would be foolish.

Second, there is no requirement for education, training, and support services.—If we truly want welfare families to support themselves, education, training, and job placement services must be a part of each State program. That doesn't mean each recipient must be entitled to each and every service. but, given what we know about the serious educational and training deficiencies of long-term welfare recipients—and our desire to help most of these families find a job—we would be setting ourselves up for failure if we allowed, as the Contract does, States to require work without the ancillary services that research shows us are the key to success. That means balancing our desire to extend flexibility to the States with our instinct for what constitutes a humane program.

Third, no certainty of child care for mothers who are required to work.—DEMOCRATS have deep concerns about Republican proposals to block grant child care funds. Block grants, with fewer resources, would be counterproductive at a time when our desire is to dramatically increase the number of AFDC families who are working. If we are serious about moving families off of welfare and into work *permanently,* then States are likely to need new funds for child care. All families who are making the transition from AFDC to employment should continue to receive child care and health care as needed, and beyond the one year of transitional aid now provided.

Welfare reform should give States the flexibility to continue to experiment with such programs, with the Federal Government sharing the cost. Simply put, you cannot ask a single parent with young children to work—and do so full-time—if she does not have safe, affordable, reliable child care to back her up.

B. WHAT DEMOCRATS MEAN BY A WORK-BASED WELFARE SYSTEM

Let's turn now to the Democratic plan. It is the cornerstone of the constructive welfare-to-work strategy. Our plan adheres to three basic principles:

First, the number one priority is work.—Anyone who can work should move to work as quickly as possible. From the very first day on welfare, recipients would be required to aggressively prepare for work and look for a job. After two years, recipients would be required to work or lose cash assistance.

In an effort to fulfill this requirement, an up-front assessment of the qualifications and needs of each family would be performed when the family applies for assistance. The assessment would include career counseling and result in a self-sufficiency plan for each adult AFDC recipient who enters the system.

Second, let's measure outcomes, for a change, not process.—We waste a lot of time and energy today making sure each step along the way is completed, never paying close enough attention to whether we actually achieved what we set out to accomplish. For once, let's set clear and specific measures of performance for State work and training programs and base our Federal contribution on how well the State does. How would DEMOCRATS measure that success? We'd base future funding on:

Whether States prepare recipients to work and help them find work, and how long the recipient stays at work;

whether the plan States develop for serving each family was actually carried out and resulted in a job;

whether States meet participation requirements each year; and

whether families achieve self-sufficiency, measured by changes in the child poverty rate and improvements in family income.

One caution is in order here. When we set this system up—focusing on outcomes—we must be certain that we don't just encourage States to "cream" off those job-ready families who would have left welfare on their own. We have made that mistake before. The AFDC program is full of families who only need AFDC to help them through a temporary crisis. They'll be on their feet—and back

at work—in only a few months. Our challenge is to find jobs for those who are the least likely to find a permanent alternative to welfare and who—over time—are going to consume most of our welfare dollars.

Third, there is considerable room for more State flexibility.—States make a good argument that too much Federal involvement in the details of their program hamstrings their ability to be creative and tailor their efforts to unique circumstances. Generally, States should be free to design their work and training program and the citizens of the State should hold the Governor accountable. There is a delicate balance here, however, because it is also in our national interest to assure the safety, health, and welfare of all children, regardless of where they live.

C. THE SPECIFICS

Under the Democratic plan, clear expectations will be set but States will have broad discretion, within those goals, to implement a work-based welfare system. The Federal responsibility will be to assure State accountability for the goals.

1. The Democratic Work First Program—

Participation rates.—States decide who participates and who is exempt, so long as:

In FY 1997, 15 percent of AFDC families participate;
In FY 1998, 25 percent of AFDC families participate;
In FY 1999, 30 percent of AFDC families participate;
In FY 2000, 35 percent of AFDC families participate;
In FY 2001, 40 percent of AFDC families participate;
In FY 2002, 45 percent of AFDC families participate; and
In FY 2003, and each succeeding year, 50 percent of AFDC families participate;

Self-sufficiency plan.—Within 30 days (90 days at State option) of being determined eligible for AFDC, a self-sufficiency plan (contract of mutual responsibility) must be developed for each adult recipient. The plan will explain how the State will help and what the recipient will do to find employment. The plan will, on average, require 30 hours of activity per week. It will identify the education, training and support services that will be provided to reach the goal, and it will set a timetable for achieving the goals. The "clock" on any State-imposed limit on the length of benefits cannot begin until the plan has been signed by both parties.

Components of the State's work program.—Each State designs its own program. Program components must at least include: (1) job placement, job creation, and upfront job search by those recipients the State decides can benefit from early job search; (2) a temporary subsidized employment program or a plan for hiring—and holding accountable—independent placement companies *and* a community service/work experience program; and (3) education, training and support services, with child care guaranteed for those the State determines need it in order to participate.

Definition of participation.—During the first two-years, the adult in the family must be working or participating in the ac-

tivities identified in the self-sufficiency plan. After two years, the adult must be working at least 30 hours (includes on-the-job training, community service, or subsidized work).

Sanctions.—States determine any sanctions and their duration. However, no benefits may be paid for anyone who refuses to work, refuses to look for work, or turns down a job.

Time limits.—After 2 years, any adult in the family must work and traditional cash welfare will end. If a person is unable to find an unsubsidized job, the State would use the money which would have been spent on a welfare check to create temporary subsidized employment, preferably in the private sector.

After 4 years, support would end, unless it was determined that there were no private jobs available that the person could perform. To receive additional support, the adult in the family must continue to work for the benefits received.

To ensure that the State did everything possible to try to move the adult to work quickly, if the person receives support beyond four years, the Federal match would then decline by 25 percent—and by the same increment in subsequent years until it reached zero—for families receiving support after 4 years.

Work First Funding.—Work First would replace the JOBS program. Under Work First, the Federal share would be 70 percent or the Medicaid match plus 10 percent, whichever is higher. However, beginning in FY 1999, the Secretary of Health and Human Services is authorized to modify the Federal share to reflect State performance.

Funding would be provided as a capped entitlement to the States at the following levels (including the $1 billion annually that is currently authorized):

In FY 1997, $1.5 billion;
In FY 1998, $1.9 billion;
In FY 1999, $2.8 billion;
In FY 2000, $3.7 billion;
In FY 2001, $5.0 billion; and
In FY 2002 and beyond, the funding level would be adjusted to accommodate increases in inflation and caseload.

Coordination with earned income tax credit.—State AFDC agencies would be required to provide notice—in writing—of the availability of the EITC upon application for and termination of cash assistance. Employers would be required to inform new employees earning less than $30,000 annually, of the option of receiving EITC payments in advance through their payroll.

Child care.—Combine the AFDC transitional child care program, the at-risk child care program, and that portion (75 percent) of the child care development block grant that is currently used for direct child care assistance. Merge these programs into a capped entitlement under Title XXB of the Social Security Act. Funds would total $1.3 billion in FY 1997, with adjustments for inflation in each subsequent year. States must assure that no AFDC family will be required to work, or have cash assistance terminated, if child care is needed and not provided.

The remaining 25 percent of the child care development block grant would continue as discretionary spending and be used to expand parental choice, improve the availability and quality of care, and promote health and safety.

Transition health benefits.—Retain the current law Medicaid transition (one year of Medicaid), with one additional year using vouchers to deliver health care cost effectively.

Penalties for displacement.—No one required by the State to work under the Work First program may: (1) displace any currently employed worker or position; (2) replace an employee who has been terminated to fill the vacancy with a welfare recipient; or (3) replace an individual who is on layoff from the same or any equivalent position.

2. Give States more discretion—

Basic State decisions.—States would decide who participates and who is exempt, so long as the participation requirements are met each year. They would also establish penalties for failure to participate.

Let States reward work.—States could modify the treatment of earned income to encourage work.

Permit States to use Work First funding for job creation.—States could implement a grant diversion program, work supplementation, or another approach designed by the State. Any State that uses funds for job creation must place at least half of participants in private sector jobs. States could enter into performance-based contracts with private employment firms. States also could use the funds to support micro-enterprise and self-employment efforts.

3. The Federal role—

Accountability.—Require the Secretary to establish performance-based measures and apply them to States in allocating funds in future years. Success would be measured by: (1) whether the States prepare recipients to work and help them find work, and how long the recipient stays at work; (2) whether the self-sufficiency plan the State develops for serving each family was actually carried out and resulted in a job; (3) whether the State met the participation standards; and (4) whether families achieve self-sufficiency.

Plan approval.—The Secretary of HHS, in consultation with the Secretary of Labor, will review each plan and certify that it meets the requirements of the law.

Penalties for poor performance.—The Federal share of AFDC administrative and benefit funds will be reduced, under a formula established by the Secretary, for States that fail to meet the accountability standards. Reductions would occur first in funds for State administration.

II. PROTECT CHILDREN

A. TEEN PREGNANCY AND OUT-OF-WEDLOCK BIRTHS

Teen pregnancy—and growth in the number of out-of-wedlock births—is a problem that must be addressed. But government alone cannot solve this problem. We must help teenagers to have a vision for their own future and to delay parenthood until they are

emotionally and financially capable of nurturing their child. That task requires a concerted effort by our communities, our religious leaders, parents, the media, and politicians.

In the Family Support Act of 1988, we recognized that it is wrong to encourage a teen parent to move out on their own, supported by the welfare system. So the Act gave States flexibility—permitting them to require young mothers to live at home as a condition of receiving AFDC. Under these circumstances States are also permitted to pay the welfare check to the parent of the minor mother.

There are additional steps that should be taken today to discourage teen parenthood. However, the proposals in the Contract with America are too draconian. Under the Contract, any child of a minor mother born out-of-wedlock would be permanently ineligible for aid. The bill supported by the Republican majority is equally punitive; punishing the children of these parents until the parent turns 18. It would be counterproductive and damaging to children to punish a child who did not choose to be born out-of-wedlock. Toward that end, the DEMOCRATS propose the following alternative:

Establish incentives for responsible behavior.—Require minor parents to live at home (or, if that is not possible, under the supervision of another adult or in a group home) in order to be eligible for AFDC. Give the benefit check only to the responsible adult. Require school-age parents to stay in school. And require full cooperation—up-front, before any benefits are paid—with paternity establishment efforts.

Aggressively enforce child support obligations as a means to hold both parents responsible for supporting the child.—That means working to establish awards in every case, ensuring fair award levels, and collecting awards that are owed.

Reduce teen pregnancy and out-of-wedlock births.—Lead a national campaign against teen pregnancy; establish a national clearinghouse on teen pregnancy prevention; and conduct demonstration projects of prevention approaches.

Steps like these will go a long way toward addressing the problem we face with teen parenthood, without unfairly and unnecessarily penalizing the children born into these families.

PATERNITY AND CHILD SUPPORT ENFORCEMENT

A typical child born in the United States today will spend some time in a single-parent home. Despite concerted efforts by all levels of government, the current system fails to ensure that children receive adequate support from both parents. Recent analyses by the Urban Institute suggests that the potential for child support collections is approximately $48 billion per year. Yet only $20 billion in awards are currently in place, and only $14 billion is actually paid.

The problem is threefold. First, for many children born out-of-wedlock, a child support order is never established. Second, when awards are established, they are often too low, are not adjusted for inflation, and are not sufficiently correlated to the earnings of the noncustodial parent. And third, of awards that are established, the full amount of child support is collected in only about half the cases.

To our disappointment, the Contract with America included no direct child support provisions. It does, however, contain one paternity establishment provision: AFDC benefits would be denied to any child whose paternity has not been established, even if the parent has fully cooperated with efforts to establish paternity and the State or court is at fault. This bill is slightly modified, but it still punishes the child for something he or she cannot control.

Both the Clinton Administration and the Women's Caucus have proposed comprehensive child support enforcement measures. There are many similarities between these efforts. Child support is an integral part of real welfare reform. It's absence from the original Contract with America is disturbing.

Democrats proposed that child support be a part of welfare reform from day one. From our perspective, a comprehensive child support enforcement package would:

Replace the paternity establishment provision in the Contract with a tough, but more humane, requirement.—Require more rigorous, upfront, cooperation with paternity, as the Clinton Administration has proposed, but don't punish the family for the failure of the State or the court to act promptly. Instead, require the State to establish paternity within one year or face a penalty.

Work to establish awards in every case.—This can be accomplished by streamlining the paternity establishment process, making cooperation from mothers a real condition for receiving AFDC benefits, expanding outreach and education programs aimed at voluntary paternity establishment, holding States to performance-based incentives for improving paternity establishment rates; and giving States administrative authority to establish awards.

Ensure fair award levels.—Require universal, periodic, administrative updating of awards for all cases, pass on more of child support collected to families leaving welfare, and establish a national commission to study State guidelines and the desirability of uniform national guidelines.

Collect awards that are owed.—Bring State administrative systems into the 21st Century by requiring a central registry and centralized collection and disbursement capability; establish a national clearinghouse to aid with enforcement, particularly of interstate cases; revoke professional, occupational, and drivers' licenses to make delinquent parents pay child support; use universal wage withholding, better asset and income information, easier reversal of fraudulent transfers of assets, interest and late penalties on arrearages, expanded use of credit reporting, easing of bankruptcy-related obstacles, and wage garnishment procedures for all employees. Also establish a performance-based financing and incentive system.

A complete child support package, like this one, will send a clear message—to both parents—that they are expected to support their families. That is, the Democrats believe, precisely the kind of message we want to send with welfare reform.

C. CHILD WELFARE AND FOSTER CARE

Our child welfare and foster care programs are part of this nation's most basic safety net for children. These programs assure that any child who is abused or neglected will have a safe place to go. In recent years, there have been criticisms of these programs, particularly of the limited capacity States have had to assist families whose children require out-of-home care or who are at risk of such a placement. Critics have also charged that children who are unlikely to ever be able to return home have been left too long in the limbo of foster care, making adoption for these children a hoped for, but unlikely, outcome.

The Republican proposal would reduce funds for child protective services by an estimated $2.5 billion over the next five years. We cannot leave the fate of our most vulnerable children to simple economics. In 1992, 440,000 children were in foster care in the United States. They deserve to know that they will be safe.

To address these concerns, the Congress, in 1993, passed and the President signed into law, the Family Preservation Act. This new law encourages innovative State efforts to help families who are at risk of losing their children to foster care and revamps the burdensome administrative procedures that some believe have led to unnecessarily long stays in foster care. The Family Preservation Act is just now being implemented in the States. Democrats believe that the prudent course is to allow these reforms—which enjoyed bipartisan support—to take effect, monitor closely their success, and consider improvements in future years as needed. To scrap the entire child welfare and foster care system now and replace it with a loosely-defined block grant that does not assure adequate protection for children would be foolhardy.

At a minimum the current foster care maintenance and adoption assistance program should be retained. A revised child welfare block grant could be created by combining the various discretionary child welfare programs. Regardless, the Family Preservation Act should be implemented on schedule, since it makes an important investment in America's families.

D. KEEPING THE GOVERNMENT OUT OF FAMILY LIFE

Far too often, Federal laws intervene in decisions that are best left to families. Democrats are committed to assuring that no new and unnecessary Federal requirements creep into the law, when such decisions are best left to families. Whether the ideology expressed by such legislation is conservative or liberal is irrelevant.

To that end, the Democratic plan makes certain that families will remain together in tough economic times. It will encourage marriage by eliminating Federal rules that discriminate against the formation of families. And it will make certain that our Federal welfare rules do not encourage families to choose abortion as their only viable choice.

Specifically, the Democratic plan would:

Protect family rights.—Prohibit States from placing a child in an out-of-home setting against the wishes of the child's custodial parent solely because of the economic circumstances, marital status, or age of the parent.

End discrimination against two-parent families.—Base AFDC eligibility on need, having an eligible child, and living with a relative, rather than on the employment status of one of the parents (i.e., eliminate the 100-hour rule). Once eligible for benefits, two-parent families would be subject to the same work requirements as single-parent families.

Encourage marriage.—Eliminate the stepparent deeming rules to remove the penalty against marriage by low-income parents.

Discourage abortion.—Establish rigorous, but humane paternity establishment rules that hold parents of children born out-of-wedlock responsible for their actions but don't deny them cash aid in hard times and encourage abortion. Similarly, family caps would be left to State discretion.

E. SSI DISABLED CHILDREN

1. The Republican Bill Would Deny SSI Benefits to Hundreds of Thousands of Disabled Children

The Republican bill would throw hundreds of thousands of disabled children off the SSI rolls. By the year 2000, the bill will deny cash SSI benefits to more than 700,000 disabled children.

The Republican bill eliminates cash benefits to nearly three-fourths of future applicants—even those children who are so severely disabled that they meet or equal the listing of impairments in the disability regulations which demonstrate prima facie proof of disability. Republicans assert that children who will be denied cash benefits, but who meet or equal the listings, will be eligible for services under a new State block grant program. However, there is no guarantee that any State will in fact provide services through the block grant. During the markup of the bill in the Subcommittee on Human Resources, Representative Harold Ford (D–TN) offered an amendment, which was adopted by the Subcommittee, to assure that each State would establish a block grant program. This corrected a problem in the Republican bill that would have left all children in a State without either cash benefits or block grant services. The Republican bill continues, however, to deny cash to disabled children beginning 6 months after enactment, but does not begin the block grant authority until fiscal year 1997. This means that hundreds of thousands of severely disabled children will be left—for as long as a year—without either ash or block grant services.

During the full Committee markup, Representative Fortney Pete Stark (D–CA) offered an amendment, which was adopted by the Committee, to assure that each child who meets or equals the listing of impairments will be permitted to apply for block grant services and to be assessed to determine his or her services needs. Despite this effort on the part of Democrats to assure that these severely disabled children are not denied services under the minimal funding provided to States for block grant services, the Republican bill still provides States with wide latitude to deny services to disabled children regardless of the severity of their impairment. Under the Republican bill, the States are given the authority to decide who among the qualified children may receive services; which

of the authorized services the State will provide; and the duration of the services. With the restrictive level of funding providing under the block grant, States will have a strong incentive to deny assistance to these vulnerable children.

The Republican bill also cuts off both cash and Medicaid almost immediately for over 250,000 disabled children who were awarded benefits based on a functional assessment of their disabilities. These are children who have a combination of impairments, none of which by itself meets or equals the listing, but which, when taken together result in a disabling condition. Over 33,000 of these children have physical disabilities. By the year 2000, nearly 400,000 disabled children will be made ineligible for both SSI cash benefits and Medicaid under this provision. Moreover, the bill expressly denies block grant services to these children.

The bill is apparently an attempt to eliminate abuses in the program. There have been charges that parents are coaching their children to misbehave so that parents may apply for SSI benefits on their behalf. Republicans have made an attempt to find a solution to these abuses, but they have missed the mark. They have thrown the baby out with the bath water. Republicans punish nearly three-quarters of a million children over the next 5 years without making any serious attempt to target the cases which are most subject to abuse.

2. The Democratic alternative would eliminate abuses while protecting disabled children

Specifically, the Democratic Alternative would significantly restrict childhood disability benefits subject to abuse by:

eliminating "maladaptive behavior" as a means of receiving benefits;

And by directing the Social Security Administration to:

significantly tighten the severity threshold in the Individual Functional Assessment (IFA) criteria; and

increase the use of standardized tests.

Eliminating "maladaptive behavior" from the so-called "domains" on which benefits may be based would eliminate the possibility of children receiving benefits because parents have coached them to misbehave. Raising the severity threshold in the Individual Functional Assessment would assure that only severely disabled children would receive benefits, and increasing the use of standardized tests, in combination with the other changes, would help to take teachers and principals out of the business of assessing children.

The Democratic proposal is more effective than the Republican bill. Rather than denying benefits to severely disabled children, the Democratic proposal eliminates the behavior categories which are subject to abuse in both the listings and the IFA. Thus, the Democrats tighten the criteria in the areas where the most growth has occurred—behavior disorders. According to the General Accounting Office more growth has occurred in these areas of the listings than in the IFA.

The Democratic proposal assures that all children with significant disabilities can be evaluated for SSI eligibility based on a strict test of the overall disabling consequences of their impairments. It does not deny a child the chance to demonstrate that a

combination of impairments has caused him to be as severely disabled as a child who meets or equals the listings. The Democrats target and eliminate abuses while protecting vulnerable disabled children.

III. STATE FLEXIBILITY

A. REMOVE CUMBERSOME FEDERAL INCOME AND ASSET RULES

Part of the welfare reform debate has centered on giving States more flexibility. Democrats agree. Our plan would remove much of the Federal micromanagement added to the law at the request of Republican Administrations over the past 15 years and replace it with State discretion to make basic program decisions. State plans would still be required and HHS would judge States on performance.

For example, States would be granted authority to determine allowable assets, including the value of any car a family may own and remain eligible for cash assistance. States would determine the treatment of any income of the family, such as earnings, child support, stepparent income, and energy assistance, so long as the State policies encourage work.

They would decide which administrative procedures to use in determining eligibility and benefit amount, including whether and under what terms to require retrospective budgeting/monthly reporting by recipients. Federal rules on the treatment of any lump sum income received by a family, establishing a gross income limit, proscribing a nominal threshold below which it is not cost-effective to make an AFDC payment, and requiring that the dollar value of benefits payments be bounded down to the next dollar would be eliminated. All of these requirements were added by Republican Administrations. Democrats believe these decisions are best left to the States.

B. THE SPECIFICS

In lieu of these prescriptive Federal mandates, States also would have discretion to:

Define the family unit and impose family caps.—Arkansas, Georgia, Indiana, Nebraska, New Jersey, and Wisconsin now impose family caps under a waiver. A waiver would no longer be necessary under the Democratic plan.

Require school attendance, reduce benefits for failure to attend school, or provide incentives for school—Arkansas, California, Colorado, Connecticut, Florida, Illinois, Indiana, Maryland, New York, Nebraska, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, Vermont, Virginia, Wisconsin, and Wyoming now impose some form of these limits under a waiver. A waiver would no longer be necessary under the Democratic plan.

Determine asset amounts and automobile value.—Alabama, California, Colorado, Connecticut, Florida, Illinois, Indiana, Iowa, Michigan, Missouri, New York, Ohio, Oregon, Pennsylvania, South Carolina, South Dakota, Utah, Vermont, Virginia, and Wyoming vary these policies under a waiver. A waiver would no longer be necessary under the Democratic plan.

Determine how to count child support income in determining AFDC eligibility.—Connecticut, Georgia, Mississippi, Oregon, Vermont, and Virginia alter the child support income rules under a waiver. Under the Democratic plan, a waiver would no longer be necessary.

Reward work, by setting new rules for reducing the welfare check when families go to work.—California, Colorado, Connecticut, Florida, Illinois, Indiana, Iowa, Michigan, Minnesota, Mississippi, Nebraska, New Jersey, New York, Oregon, Pennsylvania, South Carolina, South Dakota, Utah, Vermont, Virginia, and Wisconsin have received waivers to modify these rules to reward work. Under the Democratic plan, a waiver would no longer be necessary so long as the State policy rewards work.

Encourage family formation by ending discrimination against two-parent families and setting new rules for accounting for stepparent income.—Mississippi and New York are doing this now by waiver, for two-parent families; Alabama, California, Connecticut, Florida, Illinois, Indiana, Iowa, Michigan, New Jersey, Pennsylvania, South Carolina, Utah, Vermont, Virginia, and Wisconsin are doing it now, for stepparents, but only by waiver. Under the Democratic plan, a waiver would no longer be necessary.

Require child immunizations.—Colorado, Florida, Georgia, Indiana, Maryland, Michigan, Mississippi, and South Carolina have waivers to permit this. Under the Democratic plan, a waiver would no longer be necessary.

Extend the child care and health care transitions.—Colorado, Connecticut, Florida, Iowa, Illinois, Minnesota, Nebraska, New York, Pennsylvania, South Carolina, Utah, Virginia, and Wisconsin have received waivers to allow this. Under the Democratic plan, a waiver would no longer be necessary.

IV. Protecting Taxpayers Through Fairness and Common Sense

A. Legal Immigrants

1. The Republicans would deny benefits to virtually all legal immigrants regardless of their circumstances

The Republican bill makes legal immigrants ineligible for SSI, the Temporary Family Assistance Block Grant (AFDC), the Child Protection Block Grant, and the Title XX Block Grant regardless of their circumstances. A legal immigrant who has worked hard, paid his taxes and has been hit with an unforeseen disaster is ineligible for benefits under these programs. For example, a hard-working employee in a restaurant, who has lived here four years, has paid his income and payroll taxes and is hit by a truck crossing the street would be ineligible for SSI disability benefits. In addition, the Republican bill encourages States and localities to deny assistance to legal immigrants.

2. The Democrats would instead deem sponsors' income to a legal immigrant until citizenship

Instead of making legal immigrants ineligible for assistance regardless of their circumstances, the Democrats would deem the income of the sponsor to the legal immigrant for purposes of application for SSI and AFDC until the immigrant attained citizenship. This would assure that, where a legal immigrant's sponsor had died or lost his income, the immigrant will not be left without legitimate assistance. It would assure that a legal immigrant who was disabled through no fault of his own, and had no sponsor to assist him, would not suffer. In addition, the proposal would establish a uniform eligibility definition for immigrants who are permanently residing in the U.S. under color of law (PRUCOL). The plan would also make sponsorship agreements legally binding. It is the fair and reasonable thing to do.

B. DRUG ADDICTS AND ALCOHOLICS

1. Republican would deny SSI benefits to drug addicts and alcoholics without providing treatment

The Republicans deny SSI benefits and Medicaid to drug addicts and alcoholics whose addiction has been determined to be a contributing factor material to their disability. They would take a small portion of the savings to fund a Federal drug treatment program which has no obligation to provide assistance to the SSI population of substance abusers.

2. Democrats would provide access to treatment for the population made ineligible for SSI benefits

The Democratic alternative would deny SSI cash benefits to drug addicts and alcoholics for whom addiction is a contributing factor material to their disability. However, the Democrats also take a portion of the savings from the elimination of cash benefits to addicts and place that money into treatment for the SSI population.

C. SAVINGS TO BE DEVOTED TO DEFICIT REDUCTION

Decreases in Federal spending resulting from the provisions of section IV in excess of increases in Federal spending from sections I–III would be deposited into a newly-established deficit reduction trust fund. Amounts in the trust fund shall be used exclusively to redeem maturing debt obligations of the U.S. Government.

V. THE DEMOCRATIC RECORD ON WELFARE ISSUES

During this debate, the Democratic record on welfare reform has been regularly maligned. Republicans have frequently suggested that Democrats are simply defenders of the status quo—who have done little or nothing in the forty years that we controlled the House of Representatives to improve the programs that serve our most vulnerable citizens. Any responsible examination of the record quickly shows this is not the case.

In the past decade alone, Democrats have enacted reforms to virtually every part of our social safety net—usually without much support from Republicans. Those reforms have been carefully craft-

ed to improve the system without inflicting irresponsible and unnecessary damage on the families who have turned to us for support.

For example, in the 103d Congress, Democrats passed and the President signed into law:

The Family Preservation and Support Act.—This was the first significant reform of child welfare programs in 12 years. It provides flexible funds to States to strengthen families and prevent child abuse and neglect. It will also help State courts assess and expedite judicial child welfare proceedings, so that more foster children find permanent homes.

Legislation making these reforms was vetoed once by President Bush in 1992 but signed into law in 1993. The reforms are just now taking effect, yet the Republican majority wants to dismantle them in favor of untested block grants that leave abused and neglected children with no guarantee of foster care when they need it.

OBRA 93.—Amendments included in this budget reconciliation bill encouraged marriage for families on welfare by relaxing the rules for counting the income of a stepparent, made certain that children owed child support also get health insurance when the non-custodial parent has such coverage, significantly expanded the Earned Income Tax Credit to encourage work and offset Federal taxes paid by low-income working families. OBRA 93 also authorized empowerment zones and enterprise communities to test comprehensive solutions to the problems of distressed areas.

The Social Security Administrative Reform Act of 1994.—This reform bill limited the SSI eligibility of substance abusers to no more than 3 years. It also created the Commission on Childhood Disability to recommend ways to eliminate fraud in the SSI children's program (report due in 1995). Legislation authorizing the Commission was vetoed once by President Bush in 1992. Instead of waiting for the Commission report, Republicans are attempting to dismantle the SSI children's program in this bill.

The Social Security Administrative Reform Act of 1994 also included reforms to the child welfare and foster care programs. It reduced paperwork burdens for State child welfare programs by modifying the reviews required under section 427 of the Social Security Act. Legislation making these reforms was vetoed once by President Bush in 1992.

The Unemployment Compensation Act of 1993.—Miscellaneous amendments attached to this unemployment compensation bill reformed the SSI program to require that sponsored aliens, for the first five years after the alien's entry into the United States, be qualified for SSI benefits based on the income of their sponsor. The Republican proposal—included in this bill—denies virtually all benefits to legally admitted aliens.

In the 102nd Congress, Democrats passed and the President signed into law:

The Child Support Recovery Act of 1992.—This bill imposed a Federal criminal penalty for willful failure to pay a past-due child support obligation.

Democrats also passed The Revenue Act of 1992 which President Bush vetoed. That bill would have established a tax deduction for the costs of adopting children with special needs, such as those with a physical or mental impairment; encouraged welfare families to save (up to $10,000) for education, to purchase a home or to move to a safer neighborhood; and allowed welfare families to save (up to $10,000) to start a business.

In the 101st Congress, Democrats passed and the President signed into law:

OBRA 90.—This law guaranteed child care for low-income families at risk of going onto welfare, improved the quality of child care services, and required States to report known instances of child abuse or neglect of children receiving AFDC, foster care, or adoption assistance.

OBRA 89.—This law reformed the AFDC quality control program to improve protections against fraud and abuse in the AFDC system.

In the 100th Congress, Democrats passed and the President signed into law:

The Family Support Act of 1988.—This comprehensive welfare reform measure strengthened work, education and training requirements for welfare recipients and, for the first time, required mothers of young children to actively participate in work and training. It also barred discrimination against needy two-parent families and guaranteed transitional child care and health care benefits for families leaving AFDC for work. Under the law, increasing numbers of welfare recipients must be engaged in work-related activities. As a result, 595,000 families are now engaged in work activities.

The Family Support Act contained child support reforms as well. It mandated State use of uniform guidelines for child support awards, required States to initiate the establishment of paternity for all children under the age of 18, set paternity establishment standards for the States and encouraged them to create simple civil procedures for establishing paternity in contested cases.

Finally, the Act provided Federal financial assistance to States to improve the quality and licensing of child care services.

In the 99th Congress, Democrats passed and the President signed into law:

The Tax Reform Act of 1986.—This comprehensive reform of our nation's tax system eliminated the tax obligations of millions of America's poorest families and provided adoptive families with a one-time payment to offset the costs associated with adopting children with special needs, such as those with a mental or physical disability.

In the 98th Congress, Democrats passed and the President signed into law:

The Social Security Disability Amendments of 1980.—This law established the requirement that sponsored aliens, for the first three years after their entry in the United States, must include the income of the sponsor to be eligible for SSI.

The Child Support Enforcement Amendments of 1984.—These comprehensive amendments created the Internal Revenue Service collection mechanism to withhold from Federal tax refunds any past due child support owed to children of non-AFDC families, expanded the child support enforcement program to non-welfare families, required States to develop uniform guidelines for setting child support award amounts, extended research and demonstration authority for States to test innovative approaches to child support enforcement, and authorized special project grants to improve the collection of interstate child support orders.

VI. CONCLUSION

In their eagerness to deliver on a campaign promise—called the Contract with America—Republicans are rushing to act on welfare reform legislation without taking the time to thoughtfully consider those reforms. They have abandoned the constructive ideas Republicans have proposed in the past in favor of gimmicky quick fixes. They have made it clear that their true goal is not welfare reform. The goal is to identify enough savings—by cutting the safety net that children depend on—to pay for tax relief for the wealthy.

For example, Republicans once admitted that true reform of our welfare system requires an upfront investment—to help welfare recipients make the transition to jobs. Republican legislation introduced last year proposed nearly $10 billion in new resources for this purpose. So did the Contract with America, as it was originally proposed. But along the way responsible governance was ditched for short-term political gain—Republican Governors were charmed into accepting the illusion of reform and flexibility.

The price for this sell-out is $40 billion—and it will be paid by America's children.

The Republicans will bank that money and, just a few weeks from now, use it to give tax breaks to our wealthiest citizens. America deserves better than this.

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