

103<sup>D</sup> CONGRESS  
2<sup>D</sup> SESSION

# H. R. 4605

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

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## IN THE HOUSE OF REPRESENTATIVES

JUNE 21, 1994

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

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## A BILL

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

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Work and Responsibil-  
3 ity Act of 1994”.

4 **SEC. 2. TABLE OF CONTENTS; REFERENCES.**

5 (a) TABLE OF CONTENTS.—This Act contains the  
6 following titles and sections:

TITLE I—JOBS

- Sec. 101. Requirement to participate in enhanced JOBS program.
- Sec. 102. Establishment of enhanced JOBS program under part F.
- Sec. 103. Amendments pertaining to services and activities under JOBS program.
- Sec. 104. Twenty-four month limit.
- Sec. 105. Responsibilities of assistant secretary for family support.

TITLE II—WORK

- Sec. 201. Establishment of program.
- Sec. 202. Federal funding for the JOBS and WORK programs; participation requirements.
- Sec. 203. Administration of the JOBS and WORK programs.
- Sec. 204. Special provisions relating to Indian tribes and Alaska native organizations.
- Sec. 205. Special rules for the Territories.
- Sec. 206. Training and employment for non-custodial parents.
- Sec. 207. Federal tax treatment of work wages.

TITLE III—CHILD CARE

- Sec. 301. Child care for JOBS and WORK program participants and at-risk families.
- Sec. 302. Related amendments.
- Sec. 303. Limitation of at-risk child care to families ineligible for recipient or transitional child care.
- Sec. 304. Option to consolidate State responsibility for child care.
- Sec. 305. Funding for quality improvement and licensing activities benefitting children receiving AFDC or at-risk child care.
- Sec. 306. Funding of child care for families at risk of welfare dependency.
- Sec. 307. Supplement to income disregard.

TITLE IV—PROVISIONS WITH MULTI-PROGRAM APPLICABILITY

- Sec. 401. Performance standards.
- Sec. 402. AFDC quality control system amendments.
- Sec. 403. National welfare receipt registry; State information systems.
- Sec. 404. Research and evaluation; technical assistance, demonstration projects.
- Sec. 405. Offsets to mandatory spending from fraud, waste, and abuse.

TITLE V—PREVENTION OF DEPENDENCY

- Sec. 501. Supervised living arrangements for minors.

- Sec. 502. State option to limit benefit increases for additional family members.
- Sec. 503. Case management for parents under age 20.
- Sec. 504. State option to provide additional incentives and penalties to encourage teen parents to complete high school and participate in parenting activities.
- Sec. 505. Adolescent pregnancy prevention grants.
- Sec. 506. Demonstration projects to provide comprehensive services to prevent adolescent pregnancy in high-risk communities.

#### TITLE VI—CHILD SUPPORT ENFORCEMENT

- Sec. 600. References in title.

##### PART A—ELIGIBILITY AND OTHER MATTERS CONCERNING TITLE IV-D PROGRAM CLIENTS

- Sec. 601. Cooperation requirement and good cause exception.
- Sec. 602. State obligation to provide paternity establishment and child support enforcement services.
- Sec. 603. Distribution of payments.
- Sec. 604. Due process rights.
- Sec. 605. Privacy safeguards.
- Sec. 606. Requirement to facilitate access to services.

##### PART B—PROGRAM ADMINISTRATION AND FUNDING

- Sec. 611. Federal matching payments.
- Sec. 612. Performance-based incentives and penalties.
- Sec. 613. Federal and State reviews and audits.
- Sec. 614. Automated data processing requirements.
- Sec. 615. Director of OSCE program; training and staffing.
- Sec. 616. Funding for secretarial assistance to State programs.
- Sec. 617. Data collection and reports by the secretary.

##### PART C—LOCATE AND CASE TRACKING

- Sec. 621. Central State case registry.
- Sec. 622. Centralized collection and disbursement support payments.
- Sec. 623. Amendments concerning income withholding.
- Sec. 624. Locator information from interstate networks and labor unions.
- Sec. 625. National welfare reform information clearinghouse.
- Sec. 626. Expanded locate authority.
- Sec. 627. Studies and demonstrations concerning Federal parent locator service.
- Sec. 628. Use of Social Security numbers.

##### PART D—STREAMLINING AND UNIFORMITY OF PROCEDURES

- Sec. 635. Adoption of uniform State laws.
- Sec. 636. State laws providing expedited procedures.

##### PART E—PATERNITY ESTABLISHMENT

- Sec. 640. State laws concerning paternity establishment.
- Sec. 641. Outreach for voluntary paternity establishment.
- Sec. 642. Penalty for failure to establish paternity promptly.
- Sec. 643. Incentives to parents to establish paternity.

## PART F—ESTABLISHMENT AND MODIFICATION OF SUPPORT ORDERS

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

## PART G—ENFORCEMENT OF SUPPORT ORDERS

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

## PART H—DEMONSTRATIONS

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

## PART I—ACCESS AND VISITATION GRANTS

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

## PART J—EFFECT OF ENACTMENT

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

## TITLE VII—IMPROVING GOVERNMENT ASSISTANCE AND PREVENTING FRAUD

## PART A—AFDC AMENDMENTS

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

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

#### PART B—FOOD STAMP ACT AMENDMENTS

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

#### PART C—ECONOMIC INDEPENDENCE

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

#### PART D—ADVANCE EITC STATE DEMONSTRATIONS

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

#### TITLE VIII—SELF EMPLOYMENT/MICROENTERPRISE DEMONSTRATIONS

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

#### TITLE IX—FINANCING

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

#### TITLE X—EFFECTIVE DATES

- Sec. 1001. Effective dates.

1 (b) REFERENCES.—References herein to the “Act”  
2 are references to the Social Security Act except where oth-  
3 erwise provided or when the context otherwise requires.

#### 4 **TITLE I—JOBS**

##### 5 **SEC. 101. REQUIREMENT TO PARTICIPATE IN ENHANCED** 6 **JOBS PROGRAM.**

7 (a) Section 402(a)(19) of the Act is amended by  
8 striking out all down through subparagraph (E)(i) and in-  
9 serting in lieu thereof the following:

10 “(19) provide—

11 “(A) that the State has in effect and oper-  
12 ation a job opportunities and basic skills train-  
13 ing program (hereafter in this title referred to  
14 as the ‘JOBS’ program which meets the re-  
15 quirements of part F), and a program of em-  
16 ployment (hereafter in this title referred to as  
17 the ‘WORK’ program) which meets the require-  
18 ments of part G;

19 “(B) that the State will (except as other-  
20 wise provided in this paragraph or in part F),  
21 to the extent the program is available in the po-  
22 litical subdivision involved, apply the require-  
23 ments and conditions of this paragraph to—

1           “(i) each applicant for or recipient of  
2 aid to families with dependent children  
3 who—

4                   “(I)(a) was born after 1971, or

5                   “(b) is the parent of a dependent  
6 child and is living with such child’s  
7 other parent who is an individual born  
8 after 1971 (or was living with such an  
9 individual during any month after  
10 September 1995 in which they re-  
11 ceived aid under this part), and

12                   “(II) is the parent of a depend-  
13 ent child,

14 (but not including any individual who is el-  
15 ible by application of section 407, in a  
16 State which exercises the option to limit  
17 eligibility under section 407(b)(2)(B),

18                   “(ii) thereafter any additional classes  
19 of parents of dependent children to whom  
20 the State chooses to make section 417 ap-  
21 plicable (and identified in the State plan  
22 by date of birth, date of application, or  
23 other reasonable basis), and

24                   “(iii) any other applicants for or re-  
25 cipients of aid who the State chooses to re-

1           require to participate in the program under  
2           part F and identifies in its State plan ap-  
3           proved under this part;

4           “(C) that the State will, except as other-  
5           wise provided in this paragraph or part F—

6                   “(i) require all individuals described  
7                   in subparagraph (B) other than a child  
8                   who is not a custodial parent and is under  
9                   age 16 or attending full time an elemen-  
10                  tary, secondary, or vocational (or tech-  
11                  nical) school) to participate in the program  
12                  under part F;

13                  “(ii) to the extent that Federal finan-  
14                  cial participation under section 403(k) is  
15                  available, allow individuals who are not re-  
16                  quired to participate in such program, or  
17                  to whom subparagraph (D) applies, to par-  
18                  ticipate in such program, except that such  
19                  individual shall, in a month in which he or  
20                  she meets a condition of any of clauses (i)  
21                  through (vii) of subparagraph (D), be per-  
22                  mitted to cease participation in such pro-  
23                  gram, and be subject to the provisions of  
24                  subparagraph (D) (for so long as they re-  
25                  main applicable) and the State may, at its

1 option, apply section 417 to individuals de-  
2 scribed in subparagraph (B)(ii) and who  
3 choose to participate in the program under  
4 part F (even though they meet one of the  
5 criteria under subparagraph (D) for defer-  
6 ral from participation); and

7 “(iii) with respect to individuals who  
8 wish to participate, but whom the State is  
9 not required to include under clause (ii),  
10 consider such individual’s request for ap-  
11 proval of a self-initiated education and  
12 training program and apply criteria gen-  
13 erally applicable to approval of such activi-  
14 ties under the State’s JOBS program, but  
15 approval of such application shall only  
16 guarantee child care pursuant to sub-  
17 section (g)(1)(A)(i)(II);

18 “(D) that participation in the program  
19 under part F will not be required and the provi-  
20 sions of such part, other than paragraph (1)  
21 and (2) of section 481(a) (relating to personal  
22 responsibility agreements and employability  
23 plans) will not apply, but the State may provide  
24 for participation in appropriate cases in one or  
25 more types of activities designed as preparation

1 for participation in the program under part F,  
2 in the case of any individual described in sub-  
3 paragraph (B) who—

4 “(i) is the custodial parent of a  
5 child—

6 “(I) born less than one year ear-  
7 lier, or,

8 “(II) (in the case of either a  
9 child conceived during a month in  
10 which such parent received aid under  
11 this part or a child whose custodial  
12 parent is under the age of 20 and  
13 does not have a high school diploma  
14 or equivalent) born more recently than  
15 within the preceding 12 weeks (or, if  
16 greater) the number of weeks speci-  
17 fied in section 102(a)(1) of the Fam-  
18 ily and Medical Leave Act of 1993 es-  
19 tablishing the period of leave to which  
20 certain employees are entitled follow-  
21 ing the birth of a child, but this  
22 clause may only be applied to one par-  
23 ent of a child for any month;

24 “(ii) is a woman in the third trimester  
25 of pregnancy;

1           “(iii) is 60 years of age or older;

2           “(iv) is needed in the home because of  
3 the illness or incapacity (as confirmed by a  
4 licensed physician, psychologist, or mental  
5 health professional (from a list of such  
6 professionals approved for this purpose by  
7 the State)) of another member of the  
8 household and no other appropriate house-  
9 hold member is available to provide the  
10 needed care;

11           “(v) is found, on the basis of a certifi-  
12 cation by a licensed physician, psycholo-  
13 gist, or mental health professional (from a  
14 list of such professionals approved for this  
15 purpose by the State) to have an illness or  
16 incapacitating condition, that at least tem-  
17 porarily, prevents the individuals from en-  
18 gaging in employment or training;

19           “(vi) resides in an area of the State  
20 where the time required to travel to and  
21 from the site where the individual’s partici-  
22 pation in the program under part F would  
23 take place would exceed a total of two  
24 hours (or, if greater, the generally accepted  
25 commuting time in that area) in a day; or

1           “(vii) meets such other criteria as the  
2           State may specify in its plan that reason-  
3           ably suggest an inability to participate in  
4           the program under part F, except that the  
5           average monthly number of individuals to  
6           whom this clause is applied for months in  
7           any fiscal year shall not exceed 5 percent  
8           of the average monthly number of all indi-  
9           viduals (described in clauses (i) and (ii) of  
10          subparagraph (B)) for months in such fis-  
11          cal year (or, in the case of fiscal years  
12          after 1999, 10 percent of such average  
13          monthly number) together with the average  
14          monthly number of individuals registered  
15          in the WORK program under part G for  
16          months in such year, unless the Secretary,  
17          upon a showing by the State of extraor-  
18          dinary or unforeseeable circumstances, al-  
19          lows the application of this clause to a  
20          greater number of individuals for a speci-  
21          fied period of time;

22          “(E) that the State will promptly advise  
23          each applicant and recipient of the participation  
24          requirements under this paragraph and of the  
25          limitation on the number of months of eligibility

1 for aid under this part that may be applied (as  
2 required by the provisions of section 417) to  
3 such applicant or recipient;

4 “(F) that—

5 “(i) in the case of a custodial parent  
6 who has not attained 20 years of age, does  
7 not have a high school diploma (or its  
8 equivalent), and is required to participate  
9 in the program under part F, the State  
10 will require such parent to participate in  
11 an educational activity; and”.

12 (b) Section 402(a)(19)(E)(ii) of the Act (as in effect  
13 on the date of enactment of this Act) is amended by strik-  
14 ing out “(notwithstanding the part-time requirement in  
15 subparagraph (C)(iii)(II))”.

16 (c) Section 402(a)(19) of the Act is further amend-  
17 ed—

18 (1) by striking out paragraph (F) (as in effect  
19 on the date of enactment of this Act), and

20 (2) by striking out so much of subparagraph  
21 (G) as precedes clause (ii) and inserting in lieu  
22 thereof the following:

23 “(G) that—

24 “(i) if an individual who is required to  
25 participate in the program under part F

1 refuses without good cause to accept em-  
2 ployment of 20 hours per week or more (or  
3 such greater number of hours as the State  
4 plan provides pursuant to section  
5 417(b)(4)(i)(IV)) in which such individual  
6 is able to engage which is offered through  
7 the public employment offices of the State,  
8 or is otherwise offered by an employer if  
9 the offer of such employer is determined to  
10 be a bona fide offer of employment, the  
11 family of which such individual is a mem-  
12 ber shall be ineligible for aid for six  
13 months or if sooner, until the first month  
14 following the month in which such individ-  
15 ual accepts such an offer of employment;  
16 and

17 “(ii) if an individual who is required  
18 to participate in the program under part F  
19 fails without good cause to do so, the  
20 needs of such individual shall not be taken  
21 into account in making the determination  
22 under paragraph (7), and if such individ-  
23 ual is the parent or other caretaker rel-  
24 ative, at the option of the State, payments  
25 of aid for any dependent child in the fam-

1            ily in the form of payments of the type de-  
2            scribed in section 406(b)(2) (which in such  
3            case shall be without regard to clauses (A)  
4            through (D) thereof) may be made;”.

5            (d) Section 402(a)(19)(G) of the Act is further  
6 amended—

7            (1) by redesignating clauses (ii), (iii), and (iv)  
8            as clauses (iii), (iv), and (v), respectively,

9            (2) by striking out in clause (iii) (as redesi-  
10            gnated) “clause (i)” and inserting in lieu thereof  
11            “clause (ii)”,

12            (3) by striking out in clause (v) (as redesi-  
13            gnated) the dash and all that follows down through  
14            “(II)”, and placing the text of clause (II) imme-  
15            diately after “this subparagraph”, and

16            (4) by adding at the end thereof the following  
17            new clause:

18                            “(vi) the State agency shall con-  
19                            duct an evaluation of the cir-  
20                            cumstances in any case in which an  
21                            individual to whom a sanction is being  
22                            applied under clause (iii)(I) continues  
23                            after three months to fail or refuse to  
24                            comply with the requirement that oc-  
25                            casioned the imposition of the sanc-

1           tion, and in the case of any other in-  
2           dividual to whom a sanction is being  
3           applied under clause (iii), and provide  
4           appropriate counseling and other sup-  
5           portive services to assist the individual  
6           to address the cause of the failure or  
7           refusal;

8           “(vii) during months in which a  
9           sanction is applied under this sub-  
10          paragraph, the family of which the  
11          sanctioned individual is a member  
12          shall be considered to be receiving aid  
13          for purposes of title XIX, and for pur-  
14          poses of any other Federal or Feder-  
15          ally-assisted program, such family  
16          shall be considered to be receiving the  
17          amount of such aid that would be  
18          payable if such individual were not  
19          being sanctioned;

20          “(viii) during months in which a  
21          sanction is applied under this sub-  
22          paragraph, the family of which the  
23          sanctioned individual is a member  
24          shall be considered to be receiving aid  
25          for purpose of title XIX, and for pur-

1           poses of any other Federal or Feder-  
2           ally-assisted program, such family  
3           shall be considered to be receiving the  
4           amount of such aid that would be  
5           payable if such individual were not  
6           being sanctioned; and”.

7           (e) Section 402(a)(42) of the Act is amended by in-  
8           serting before the semicolon the following: “and if an indi-  
9           vidual is being sanctioned under section 402(a)(19)(G),  
10          such individual and all members of the family shall not  
11          become ineligible for such medical assistance by reason of  
12          such sanction”.

13       **SEC. 102. ESTABLISHMENT OF ENHANCED JOBS PROGRAM**  
14                               **UNDER PART F.**

15          (a) Section 481 of the Act is amended—

16               (1) by amending the heading of such section to  
17          read:

18          “PURPOSE; REQUIREMENT TO ESTABLISH AND OPERATE  
19                               PROGRAM; DEFINITIONS”;

20               (2) by redesignating subsection (b) as sub-  
21          section (c); and

22               (3)(A) by transferring subsection (a) of section  
23          482 to section 481, and redesignating it as sub-  
24          section (b); and

25               (B) by amending section 481(b) (as so redesign-  
26          ated) by striking out “Secretary of Labor” in para-

1 graph (1)(C) and inserting in lieu thereof “Secretary  
2 of Labor and the Secretary of Education”.

3 (b) Section 482 of the Act is amended by striking  
4 out all that precedes subsection (c) and adding the follow-  
5 ing new heading and subsections (a) and (b):

6 “OPERATION OF ENHANCED STATE PROGRAMS

7 “SEC. 482. (a) REQUIRED ELEMENTS OF ENHANCED  
8 JOBS PROGRAM.—

9 “(1)(A) PERSONAL RESPONSIBILITY AGREE-  
10 MENT.—Each individual who is a parent or other  
11 caretaker relative of a dependent child and a rep-  
12 resentative of the State agency shall, at the time of  
13 application for aid under part A, sign a personal re-  
14 sponsibility agreement. The agreement shall, in the  
15 case of individuals to whom section 417 applies, set  
16 forth in clear terms, understandable by all parties,  
17 an acknowledgment that aid under the State plan is  
18 subject to a general 24-month limit and should be  
19 considered transitional in nature. The agreement, in  
20 all cases, should acknowledge that the goal of both  
21 the individual and the State is to enable the individ-  
22 ual to achieve maximum economic independence and  
23 self sufficiency. To this end, the individual will par-  
24 ticipate in appropriate activities, and the State will  
25 furnish necessary enabling services and assistance.

1           “(B) The State agency shall provide the pro-  
2           gram and employment information required by sub-  
3           section (c) as promptly as possible, but in no event  
4           later than 90 days after the earliest date for which  
5           payment is made. In the case of individuals to whom  
6           section 417 applies, the information shall be pro-  
7           vided in person, on either an individual or group  
8           basis, and the State agency shall obtain written con-  
9           firmation from the individual that the individual re-  
10          ceived and understood the program and employment  
11          information.

12           “(2) EMPLOYABILITY PLAN.—

13           “(A)(i) The State agency shall, with re-  
14           spect to each individual required to participate  
15           in the program under this part, other than an  
16           individual to whom section 402(a)(19)(D) ap-  
17           plies, conduct an assessment of the educational,  
18           child care, and other supportive services needs,  
19           as well as the skills, literacy, prior work experi-  
20           ence and employability of each participant in  
21           the JOBS program, including a review of the  
22           family circumstances. The agency may also re-  
23           view the needs of any child of the participant.

24           “(ii) On the basis of such assessment, the  
25           State agency and the individual shall, within 90

1 days from the earliest date for which payment  
2 is made, jointly develop an employability plan  
3 for such individual. The purpose of the employ-  
4 ability plan is to lay out the fastest and most  
5 effective way to help the participant find em-  
6 ployment and become self-sufficient. The plan  
7 shall indicate the overall period of time that is  
8 expected to be necessary to achieve the individ-  
9 ual's employment goal, taking into consider-  
10 ation, in the case of individuals to whom the  
11 provisions of section 417 apply, the maximum  
12 remaining period of time for which aid may be  
13 paid to such individual under the plan approved  
14 under part A. The plan will detail the activities  
15 in which the individual will be expected to en-  
16 gage in order to find employment, including job  
17 search, employment training and preparation,  
18 or education. The plan must be reasonable in  
19 light of the individual's literacy, skills, and  
20 needs, and the resources and opportunities for  
21 employment (including self-employment) within  
22 the community where the individual resides,  
23 and shall, to the maximum extent possible and  
24 consistent with this section, reflect the pref-  
25 erences of such individual. The employability

1 plan shall also describe the child care and other  
2 social services and assistance which the State  
3 agency will provide in order to allow the individ-  
4 ual to take full advantage of the activities under  
5 the program operated under this part, and the  
6 steps the individual should take to bring  
7 promptly to the attention of the State agency  
8 any difficulties the individual is encountering in  
9 participating in the program under this part.  
10 The employability plan shall not be considered  
11 a contract.

12 “(iii) The State plan shall provide that, if  
13 an individual works an average of 20 hours a  
14 week (or such greater number, but not more  
15 than 30, as the State plan may provide) or  
16 more in a position of employment, work in such  
17 position shall constitute the primary activity  
18 under such individual’s employability plan.

19 “(B) The State plan under this part must  
20 provide for a review mechanism that will be  
21 available should the individual and the State  
22 agency be unable to agree on the content of the  
23 employability plan. The review process shall, at  
24 the least, provide for prompt involvement of an-  
25 other employee (or designee) of the State agen-

1 cy with supervisory or greater responsibilities  
2 than the person with whom the individual is in  
3 disagreement to provide further negotiation  
4 support. If agreement still cannot be reached,  
5 the State agency shall, in accordance with regu-  
6 lations of the Secretary, afford the individual  
7 access to arbitration or a mediation process, to  
8 a more formal review or hearing, or to a com-  
9 bination of such processes.

10 “(C) Failure or refusal by an individual to  
11 sign an agreed upon employability plan, or to  
12 sign a plan with respect to which the applicable  
13 processes under subparagraph (B) have been  
14 completed and under which the employability  
15 plan has been found appropriate, shall result in  
16 denial of aid with respect to such individual, ex-  
17 cept that no sanction or other penalty shall con-  
18 tinue under this subparagraph after the individ-  
19 ual has signed an appropriate plan.

20 “(3) EMPLOYABILITY PLAN FOR DEFERRED IN-  
21 DIVIDUALS.—The State agency and each individual  
22 for whom participation in activities has been found  
23 appropriate under section 402(a)(19)(D) shall joint-  
24 ly develop an employability plan. The plan shall  
25 place primary emphasis on the activities in which

1 the individual is able to engage that, together with  
2 any services provided by the State, will best prepare  
3 the individual for full participation in the program  
4 under this part. Plans under this paragraph are not  
5 subject to the procedures of paragraph (2).

6 “(4) CASE MANAGER.—The State agency may  
7 assign a case manager to each participant and the  
8 participant’s family who will be responsible for as-  
9 sisting the family to obtain any services which may  
10 be needed to assure effective participation in the  
11 program.

12 “(5) PERIODIC ASSESSMENT.—At such inter-  
13 vals as the State agency finds appropriate, but not  
14 less frequently than once every 6 months, a rep-  
15 resentative of the State agency and the individual  
16 shall conduct a review of the individual’s employ-  
17 ability plan (including the plan of an individual to  
18 whom paragraph (3) applies) and the progress that  
19 is being made to achieve the goals set in the plan.  
20 The State agency shall consider, in conducting the  
21 assessment, whether an individual participating in  
22 activities under section 402(a)(19)(D) has become  
23 ready to participate in the program under this part,  
24 or whether an individual required to participate  
25 under this part should no longer be so required and

1       instead should participate in such activities. If it is  
2       concluded that there should be any such change in  
3       status, the individual’s employability plan shall be  
4       revised accordingly effective with the month follow-  
5       ing the month in which the revision is made. In the  
6       case of an individual participating in the program  
7       under this part, the assessment shall specifically ad-  
8       dress both the individual’s participation and the  
9       State agency’s delivery of services as agreed to in  
10      the employability plan. If it is found in the course  
11      of an assessment that there has been a substantial  
12      failure to provide services to the recipient in accord-  
13      ance with the employability plan, the plan (or some  
14      other State agency record) must document that find-  
15      ing, and the period during which the failure oc-  
16      curred.

17           “(6) REVISION OF EMPLOYABILITY PLAN.—The  
18      employability plan may be revised as necessary fol-  
19      lowing an assessment under paragraph (5) or at any  
20      other time that events warrant it, upon the agree-  
21      ment of the individual and the State agency. If there  
22      is disagreement about the need for revision, or the  
23      respects in which the plan will be revised or the new  
24      content of the plan, the procedures described in  
25      paragraph (2)(B) will be applicable.

1           “(7) The State agency may require that, in the  
2 case of an individual described in section  
3 402(a)(19)(B) and whose employability plan, includ-  
4 ing an employability plan under paragraph (3), re-  
5 flects the need for treatment for substance abuse,  
6 such individual participate in substance abuse treat-  
7 ment that is available without charge to the individ-  
8 ual. The State plan may, notwithstanding any other  
9 provision of law, make applicable to any individual  
10 required to participate in such treatment activities  
11 the provisions of section 402(a)(19)(G), and if so,  
12 shall advise the individual of the consequences of  
13 failure or refusal to accept treatment,

14       “(b) TRANSITION TO WORK PROGRAM.—(1) The  
15 State agency shall schedule a meeting with each individual  
16 subject to the time limit under section 417, with adequate  
17 advance notice to the individual, not later than 90 days  
18 prior to the first month for which such individual will be-  
19 come ineligible for aid under part A by reason of such  
20 time limit. The State agency shall evaluate the individual’s  
21 progress under the employability plan, determine whether  
22 any extensions (as allowed under section 417) are nec-  
23 essary and available, and advise the individual about the  
24 job search requirement (described in paragraph (2)) and  
25 the steps that must be taken thereafter to register for the

1 program under part G. If a meeting is held with the indi-  
2 vidual in connection with a redetermination of eligibility,  
3 periodic assessment, or for any other purpose, within the  
4 6-month period preceding the first month of ineligibility  
5 by reason of section 417, the State agency may take the  
6 steps required by this paragraph at such meeting in satis-  
7 faction of this requirement.

8       “(2) Not later than 45 days prior to the close of the  
9 twenty-fourth month of receipt of aid under part A (or,  
10 at the option of the State, at an earlier date after the  
11 twenty-first month of receipt of such aid), the individual  
12 shall be required to engage in job search to the extent  
13 consistent with the goals of such individual’s employability  
14 plan. Engaging in job search for the period of time re-  
15 quired by the State under the preceding sentence shall be  
16 a prerequisite to receipt of a work assignment under the  
17 WORK program established and operated under part G.  
18 For purposes of this subparagraph, ‘month of receipt of  
19 aid under part A’ shall not include any month prior to  
20 the first month in which this subparagraph was in effect.

21       “(3) References to applicants, or to actions that must  
22 occur at the time of application or from the earliest date  
23 for which payment is made, in the amendments made by  
24 this section, shall be construed to include references to re-  
25 cipients, and actions that must occur at the time of the

1 first redetermination of eligibility by a State for aid to  
2 families with dependent children occurring after the effec-  
3 tive date of such amendments in such State.”.

4 **SEC. 103. AMENDMENTS PERTAINING TO SERVICES AND**  
5 **ACTIVITIES UNDER JOBS PROGRAM**

6 (a) REPEAL OF REDUNDANT PROVISION.—Section  
7 482(c) of this Act is amended by repealing paragraph (5).

8 (b) REQUIREMENT TO PROVIDE JOB SEARCH SERV-  
9 ICES.—Section 482(d)(1)(A) of the Act is amended—

10 (1) in clause (i), by redesignating subclauses (I)  
11 through (IV) as (II) through (V), respectively,

12 (2) by inserting before subclause (II) (as redес-  
13 igned) the following:

14 “(I) group and individual job  
15 search as described in subsection  
16 (g);”, and

17 (3) in clause (ii), by repealing subclause (I) and  
18 redesignating subclauses (II) through (IV) as  
19 subclauses (I) through (III), respectively.

20 (c) EMPLOYMENT-ORIENTED EDUCATION.—Section  
21 482(d)(1)(A)(i)(II) of the Act as redesignated is amended  
22 by striking out “basic and remedial education to achieve  
23 a basic literary level” and inserting in lieu thereof “em-  
24 ployment-related education to achieve literacy levels need-  
25 ed for economic self-sufficiency”.

1 (d) SELF-EMPLOYMENT PROGRAMS.—Section  
2 482(d)(1)(A)(ii) of the Act (as redesignated) is amend-  
3 ed—

4 (1) by striking out “and” after clause (II) (as  
5 redesignated),

6 (2) by adding “and” after clause (III), and

7 (3) by adding after and below clause (III) (as  
8 redesignated), the following:

9 “(IV) programs to prepare for  
10 self-employment or to enable individ-  
11 uals to establish a microenterprise.”.

12 (e) CHILD CARE PROVIDER TRAINING AND NON-  
13 TRADITIONAL EMPLOYMENT.—Section 482(d)(1)(B) of  
14 the Act is amended by adding at the end thereof the fol-  
15 lowing new sentence: “The State shall include in its plan  
16 a description of whether and how it will provide training  
17 to prepare individuals to be child care providers. The State  
18 shall also include in its plan a description of the steps it  
19 will take to encourage the training and placement of par-  
20 ticipants in nontraditional positions of employment, in-  
21 cluding steps to increase program participants’ awareness  
22 of the availability of such training and placement opportu-  
23 nities.”.

24 (f) WORK SUPPLEMENTATION EXTENSION.—Section  
25 482(e) of the Act (as redesignated) is amended—

1 (1) in paragraph (2)(G)—

2 (A) by striking out “9 months” and insert-  
3 ing in lieu thereof “12 months”, and

4 (B) by striking out “without regard to the  
5 provisions of subparagraph (b)(ii)(II) of such  
6 section”, and

7 (2) in paragraph (4)(A), striking out “9  
8 months” and inserting in lieu thereof “12  
9 months”.

10 (g) AMENDMENTS TO JOB SEARCH PROGRAM.—Sec-  
11 tion 482(g) of the Act is amended—

12 (1) in paragraph (1) by striking out “may” and  
13 inserting in lieu thereof “shall”;

14 (2) by amending so much of paragraph (2) as  
15 precedes subparagraph (A) to read as follows:

16 “(2) The State agency may require job search  
17 by an individual who is applying for and shall upon  
18 approval of the application require job search by an  
19 individual who is receiving aid to families with de-  
20 pendent children and is determined by the State to  
21 have non-negligible work experience, or to have a  
22 high school diploma or equivalent, including individ-  
23 uals required by the State’s exercise of its option  
24 under section 402(a)(19)(B) (i) and (ii) to partici-  
25 pate in the program under this part—”;

1           (3) in paragraph (2)(A), by striking out “8  
2 weeks” and inserting in lieu thereof “12 weeks”;  
3 and

4           (4) by amending paragraph (2)(B) to read as  
5 follows:

6           “(B) at such time or times thereafter as  
7 the State agency may determine, but not to  
8 exceed a total of 4 months in any 12-month pe-  
9 riod (and for this purpose, there shall be in-  
10 cluded the time that the individual engaged in  
11 job search pursuant to both subparagraph (A)  
12 and section 482(c), but not any period of job  
13 search that occurred at the same time that the  
14 individual was participating in another activity  
15 under this part.”.

16       (h) PROCEDURES TO RESOLVE DISPUTES.—Section  
17 482(h) of the Act is amended by striking out “shall estab-  
18 lish” and all that follows down to “shall provide an oppor-  
19 tunity for a hearing” and inserting in lieu thereof “shall  
20 establish either (A) a conciliation procedure, meeting  
21 standards established by the Secretary, for the resolution  
22 of disputes involving an individual’s participation in the  
23 program, or (B) a procedure that includes advance notice  
24 to the individual of an apparent failure to comply with  
25 a program requirement, and 10 days in which to contact

1 and meet with a State agency representative in order to  
2 resolve the dispute (or to comply with the requirements)  
3 and make unnecessary the imposition of a sanction. If the  
4 dispute is not resolved through whichever of these proce-  
5 dures the State adopts, the State agency”.

6 (i) COORDINATION REQUIREMENTS.—Section  
7 483(a)(1) of the Act is amended by inserting immediately  
8 following “the Job Training Partnership Act” in the first  
9 sentence”, the Adult Education Act, the Carl D. Perkins  
10 Vocational and Applied Technology Education Act  
11 Amendments of 1990,”.

12 (j) PROVISIONS GENERALLY APPLICABLE TO PROVI-  
13 SION OF SERVICES UNDER JOBS AND WORK.—Section  
14 484 of the Act, including the heading, is amended to read  
15 as follows:

16 “PROVISIONS GENERALLY APPLICABLE TO PROVISION OF  
17 SERVICES UNDER JOBS OR WORK

18 “Sec. 484. (a) In assigning participants in the pro-  
19 gram under this part to any program activity, or in assign-  
20 ing individuals registered with the program under part G  
21 to a position of employment, the State agency shall assure  
22 that—

23 “(1) each assignment takes into account the ca-  
24 pacity, health and safety, family responsibilities, and  
25 place of residence of the participant;

1           “(2) no participant will be required, without his  
2           or her consent, to travel an unreasonable distance  
3           from his or her home or remain away from such  
4           home overnight;

5           “(3) individuals are not discriminated against  
6           on the basis of race, color, sex, national origin, reli-  
7           gion, age, or disability, and all participants will have  
8           such rights as are available under any applicable  
9           Federal, State, or local law prohibiting discrimina-  
10          tion;

11          “(4) no such assignment will—

12               “(A) result in the displacement of any cur-  
13               rently employed worker, including partial dis-  
14               placement such as a reduction in the hours of  
15               non-overtime work, wages, or employment bene-  
16               fits;

17               “(B) impair existing contracts for services  
18               or collective bargaining agreements;

19               “(C) infringe upon the promotional oppor-  
20               tunities of any currently employed worker;

21               “(D) result in the employment of the par-  
22               ticipant or filling of a position when—

23                       “(i) any other person is on layoff, on  
24                       strike or has been locked out from, or has  
25                       recall rights to, the same or a substantially

1           equivalent job or position with the em-  
2           ployer; or

3           “(ii) the employer has terminated any  
4           regular employee or otherwise reduced its  
5           workforce with the effect of filling the va-  
6           cancy so created with such participant; or

7           “(E) result in filling a vacancy for a posi-  
8           tion in a State or local government agency for  
9           which State or local funds have been budgeted,  
10          unless such agency has been unable to fill such  
11          vacancy with a qualified applicant through such  
12          agency’s regular employee selection procedure  
13          during a period of not less than 60 days;

14          “(5) no participant shall be assigned to a posi-  
15          tion to perform work under a contract for services  
16          for the first 90 days after the commencement of  
17          such contract if such contract immediately succeeds  
18          a contract for services under which an employee cov-  
19          ered by a collective bargaining agreement performed  
20          the same or substantially similar work for another  
21          employer;

22          “(6) no participant shall be assigned to a posi-  
23          tion with a private nonprofit entity to carry out ac-  
24          tivities that are the same or substantially equivalent  
25          to activities that have been regularly carried out by

1 a State or local government agency in the same local  
2 area, unless such placement meets the  
3 nondisplacement requirements of paragraph (4);

4 “(7) to the extent that a State workers’ com-  
5 pensation law is applicable, workers’ compensation  
6 benefits in accordance with such law shall be avail-  
7 able with respect to injuries suffered by participants,  
8 and, to the extent that such law is not applicable,  
9 participants shall be provided with medical and acci-  
10 dent protection for on-site injuries in accordance  
11 with regulations issued by the Secretary;

12 “(8) health and safety standards established  
13 under State and Federal law that are otherwise ap-  
14 plicable to the working conditions of employees shall  
15 be equally applicable to the working conditions for  
16 participants; and

17 “(9) the State will establish and maintain griev-  
18 ance procedures, meeting the requirements of sub-  
19 section (c), for resolving complaints by regular em-  
20 ployees or their representatives alleging violations of  
21 the nondisplacement provisions described in para-  
22 graph (4), or of the requirements relating to wages,  
23 benefits and working conditions under this title.

1       “(b) A grievance procedure that meets the require-  
2 ments of this subsection must include the following proce-  
3 dures:

4               “(1) DEADLINES.—Hearings on any grievance  
5 filed pursuant to subsection (a)(8) shall be con-  
6 ducted within 30 days of the filing of such grievance  
7 and a decision shall be made not later than 60 days  
8 after the filing of such grievance. A grievance shall  
9 be made not later than 45 days after the date of the  
10 alleged occurrence.

11               “(2) APPEALS.—Upon receiving a decision  
12 under paragraph (1), or if 60 days has elapsed with-  
13 out a decision being made, a grievant may either—

14                       “(A) file an appeal as provided for in the  
15 State’s procedures or in regulations promul-  
16 gated by the Secretary, or

17                       “(B) submit such grievance to binding ar-  
18 bitration in accordance with paragraph (3).

19               “(3) ARBITRATION.—

20                       “(A) IN GENERAL.—

21                               “(i) JOINTLY SELECTED ARBITRA-  
22 TOR.—In accordance with paragraph (2)  
23 on the occurrence of an adverse grievance  
24 decision, or 60 days after the filing of such  
25 grievance if no decision has been reached,

1 the party filing the grievance shall be per-  
2 mitted to submit such grievance to binding  
3 arbitration before a qualified arbitrator  
4 who is jointly selected and independent of  
5 the interested parties.

6 “(ii) IMPASSE PROCEDURES.—If the  
7 parties are unable to agree on an arbitra-  
8 tor within 20 days from when the request  
9 for arbitration is filed, the parties shall re-  
10 quest the Federal Mediation and Concilia-  
11 tion Service or the American Arbitration  
12 Association to submit a list of arbitrations.  
13 The parties shall alternately strike names  
14 from such list until the name of one person  
15 remains, who shall be the arbitrator.

16 “(B) DEADLINES.—An arbitration pro-  
17 ceeding conducted pursuant to subparagraph  
18 (A)(i) shall be held not later than 45 days after  
19 the request for such arbitration, or if the arbi-  
20 trator is appointed pursuant to paragraph  
21 (A)(ii), not later than 30 days after such ap-  
22 pointment, and a decision concerning such  
23 grievance shall be made not later than 30 days  
24 after the date of such arbitration proceeding.

25 “(C) COST.—

1           “(i) IN GENERAL.—The cost of the  
2           arbitration proceeding conducted under  
3           this subsection shall be divided evenly be-  
4           tween the parties to the arbitration.

5           “(ii) EXCEPTION.—If a grievant pre-  
6           vails under the arbitration proceeding con-  
7           ducted under this subsection, the party  
8           found in violation of the requirements of  
9           this part shall pay the total cost of such  
10          proceeding and the attorney’s fees of the  
11          grievant.

12          “(D) ENFORCEMENT.—Suits to enforce ar-  
13          bitration awards under this subsection may be  
14          brought in any district court of the United  
15          States having jurisdiction over the parties, with-  
16          out regard to the amount in controversy and  
17          without regard to the citizenship of the parties.

18          “(4) REMEDIES.—Remedies for a grievance  
19          filed under this subsection include—

20                  “(A) suspension of payments to employers;

21                  “(B) the termination of such payments;

22                  “(C) the prohibition of the placement of a  
23          participant;

1           “(D) reinstatement of a displaced employee  
2           to the position held by such employee prior to  
3           displacement;

4           “(E) payment of lost wages and benefits of  
5           the displaced employee;

6           “(F) reestablishment of other relevant  
7           terms, conditions, and privileges of the dis-  
8           placed employee; and

9           “(G) such equitable relief as is necessary  
10          to correct a violation or to make a displaced  
11          employee whole.

12          “(c) WRITTEN NOTIFICATION OF LABOR ORGANIZA-  
13          TIONS.—

14               “(1) No position of employment with an em-  
15               ployer may be established under title part unless the  
16               local labor organization representing employees of  
17               such employer who are engaged in the same or sub-  
18               stantially similar work as that proposed to be car-  
19               ried out under such position have been provided  
20               written notification of the initial assignment of a  
21               participant to such position not less than 30 days  
22               prior to the commencement of such assignment. No  
23               such notification shall be required with respect to  
24               the subsequent assignment of participants to the  
25               same position with the same employer.

1           “(2) If a local organization provided notice of  
2           an assignment pursuant to paragraph (1) objects to  
3           an assignment of a participant pursuant to para-  
4           graph (1) objects to an assignment of a participant  
5           on the basis that such assignment would violate the  
6           requirements relating to nondisplacement, wages,  
7           benefits, or working conditions under this title, such  
8           organization may, as an alternative to the grievance  
9           procedures provided pursuant to subsection (b), file  
10          a complaint pursuant to an expedited grievance pro-  
11          cedure. Such expedited procedure shall be carried  
12          out in accordance with the binding arbitration proce-  
13          dures described in subsection (b)(3), except that—

14                 “(A) the request for arbitration shall be  
15                 filed within 30 days of receiving written notice,

16                 “(B) the arbitrator shall be jointly selected  
17                 by the parties not later than 10 days after the  
18                 request for arbitration, or, if the parties are un-  
19                 able to agree, appointed by the Federal Medi-  
20                 ation and Conciliation Service (or another en-  
21                 tity is agreed to by both parties) not later than  
22                 15 days after the request for arbitration, and

23                 “(C) the proceeding shall be conducted and  
24                 a decision issued not later than 30 days after  
25                 the request for arbitration.

1           “(3) If a local organization files a complaint  
2           pursuant to the expedited grievance procedure under  
3           paragraph (2), a participant shall not be placed in  
4           the position that is the subject of the complaint until  
5           it is determined pursuant to the expedited procedure  
6           that such placement would not be in violation of this  
7           title.

8           “(d) In assigning participants in the JOBS program  
9           under this part to any program activity, the State agency  
10          shall, in addition to the assurances required under sub-  
11          section (a), assure that—

12           “(1) the conditions of participation are reason-  
13          able, taking into account in each case the experience  
14          and proficiency of the participant and the child care  
15          and other supportive services needs of the partici-  
16          pant; and

17           “(2) each assignment is based on available re-  
18          sources, the participant’s circumstances, and local  
19          employment opportunities.

20          “(e) In assigning individuals registered with the  
21          State’s WORK program under part G to a position of em-  
22          ployment, the State agency shall, in addition to the assur-  
23          ance required under subsection (a), assure that—

24           “(1) no individual eligible to register for the  
25          State’s WORK program, determined in accordance

1 with the provisions of part A and this part, shall be  
2 excluded from such program;

3 “(2) no family with a member eligible to par-  
4 ticipate in the State’s program under part G will, by  
5 reason of such assignment, and upon participating  
6 the full number of hours provided by such assign-  
7 ment, have income less than the amount such family  
8 would have if it were receiving aid under the State’s  
9 plan approved under part A and had no other in-  
10 come (except if a sanction is applied under section  
11 496(f));

12 “(3) each family with a member participating in  
13 the program under part G shall be considered to be  
14 receiving aid to families with dependent children for  
15 purpose of the State’s plan approved under title  
16 XIX;

17 “(4) where a labor organization represents a  
18 substantial number of employees who are engaged in  
19 similar work in the same area as that proposed to  
20 be funded under part G, an opportunity shall be pro-  
21 vided for such organization to submit comments with  
22 respect to such proposal;

23 “(5) participants employed under the WORK  
24 program shall be compensated for such employment

1 in accordance with appropriate law, but in no event  
2 at a rate less than the highest of—

3 “(A) the Federal minimum wage rate spec-  
4 ified in section 6(a)(1) of the Fair Labor  
5 Standards Act of 1938;

6 “(B) the rate specified by the appropriate  
7 State or local minimum wage law; or

8 “(C) the rate paid to employees of the  
9 same employer performing the same type of  
10 work and having similar employment tenure  
11 with such employer; and

12 “(6) except as otherwise provided under this  
13 paragraph, participants employed under the WORK  
14 program shall be provided benefits (including health  
15 benefits, unless the State agency concludes that it  
16 would impose an undue financial burden on either  
17 the employer or the State), working conditions and  
18 rights at the same level and to the same extent as  
19 other employees of the same employer performing  
20 the same type of work and having similar employ-  
21 ment tenure with employer.

22 “(f) Funds available to carry out the program under  
23 this part, or under part G, may not be used to assist, pro-  
24 mote, or deter union organizing.

1       “(g) The provisions of this section apply to any work-  
2 related programs and activities under this part or under  
3 part G (as provided herein), and under any other work-  
4 related programs and activities authorized (in connection  
5 with the AFDC program) under section 1115.”.

6 **SEC. 104. TWENTY-FOUR MONTH LIMIT.**

7       Part A of title IV of the Social Security Act is amend-  
8 ed by redesignating section 417 as section 419 and adding  
9 after and below section 416 the following new section:

10 **“SEC. 417. TWENTY-FOUR MONTH LIMIT.**

11       “(a) LIMITATION.—(1) IN GENERAL.—Notwith-  
12 standing any other provision of law, a State plan approved  
13 under this part must provide that, except as otherwise pro-  
14 vided in this title, aid to families with dependent children  
15 will not be payable to an individual to whom section  
16 402(a)(19)(B) (i) or (ii) applies or to individuals who have  
17 chosen to participate in the program under part F and  
18 to whom the State has elected under section  
19 402(a)(19)(C) to apply this section, or to his or her de-  
20 pendent child or children living in the same home with  
21 such individual for any month after the twenty-fourth  
22 month (whether or not such months are consecutive) for  
23 which such individual has, together with his or her de-  
24 pendent child or children, received aid under the State’s  
25 plan, or under the plan of any other State, approved under

1 this part. The limitation in the preceding sentence shall  
2 not apply to (A) an individual who has received such aid  
3 for 24 months and who is working to the extent described  
4 in clause (IV) or (V) of paragraph (2)(B)(i), whichever  
5 may be applicable, or (B) an individual's dependent child  
6 or children if they are living with another relative specified  
7 in section 406(a)(1) who is not subject to, or has not re-  
8 ceived aid for months in excess of, the limit prescribed  
9 by, this section.

10 “(2) APPLICABILITY.—In applying paragraph (1)—

11 “(A) if an individual has previously received aid  
12 under a State plan approved under this part for  
13 more than 18 months, the number of months for  
14 which an individual is considered to have previously  
15 been paid aid under such a State plan shall be re-  
16 duced by one month for every period of four months  
17 throughout which no such aid was paid, and no  
18 wages under the program under part G were paid  
19 but such number of months shall never be reduced  
20 to fewer than 18 (regardless of whether such periods  
21 of four months were consecutive); and

22 “(B)(i) there shall not be included, as a month  
23 in which an individual received aid under a State  
24 plan approved under this part—

1           “(I) any month prior to the first month for  
2           which this section is in effect in such State, or  
3           in the case of a recipient of aid in such State  
4           for the month preceding such month, the first  
5           month in which such individual’s eligibility is  
6           redetermined by such State;

7           “(II) any month prior to the first month in  
8           which payment of aid under this part was au-  
9           thorized with respect to such individual;

10          “(III) any month prior to the month in  
11          which such individual attains age eighteen;

12          “(IV) any month during which the individ-  
13          ual worked 20 hours a week (or such greater  
14          number, but not more than 30, as the State  
15          plan under part F provides) or more;

16          “(V) any month during which the total av-  
17          erage number of hours worked per week by  
18          both parents, in a family eligible by reason of  
19          section 407 and in which section 402(a)(19)(D)  
20          is applicable to neither parent, exceeds 30 hours  
21          (or such greater number, but not more than 40,  
22          as the State plan under part F provides); or

23          “(VI) any month during which section  
24          402(a)(19)(D) was applicable to such individ-  
25          ual; and

1           “(ii) there shall be included each month for  
2           which aid would have been paid but for the applica-  
3           bility to such individual of a sanction under section  
4           402(a)(19)(G) or 402(a)(26).

5 For purposes of clauses (i)(IV) and (V), there shall not  
6 be excluded any month in which the individual fails to ac-  
7 cept an offer of additional hours of employment, or in  
8 which such individual reduces the hours of employment  
9 and thereby becomes eligible for additional amounts of aid  
10 under this part.

11       “(b) NOTICE TO INDIVIDUALS.—A State plan ap-  
12 proved under this part shall provide that notice will be  
13 given to each member of a family to whom the time limit  
14 under subsection (a) applies, not less frequently than once  
15 every six months, concerning the number of months of eli-  
16 gibility remaining for each such member. The notice re-  
17 quired by this subsection may be given together with the  
18 payment of aid.

19       “(c) EXTENSION OF LIMIT.—

20           “(1) EXTENSION BY REASON OF FAILURE TO  
21           PROVIDE SERVICES.—The State agency shall extend  
22           the twenty-four-month limit referred to in subsection  
23           (a) in the case of an individual who has been unable  
24           to complete the education, training, or other activi-  
25           ties intended to prepare such individual for employ-

1       ment by reason of the substantial failure of the  
2       State agency to provide or arrange for the provision  
3       of child care or any other service agreed upon in the  
4       individual's employability plan. A finding of failure  
5       to provide services shall be based on the documenta-  
6       tion made at the semi-annual assessment (required  
7       by section 482(a)(5)), together with any reports or  
8       information either the individual or the State agency  
9       may have with respect to the period between the as-  
10      sessment and the close of the twenty-fourth month.  
11      The time limit shall be extended for so many months  
12      as are necessary to allow the individual to complete  
13      the activities agreed upon in the employability plan,  
14      but in no event may such extension exceed an addi-  
15      tional 24 months.

16           “(2) EXTENSION TO COMPLETE COURSE OF  
17      EDUCATION.—

18           “(A) The State agency shall extend the  
19      twenty-four-month limit referred to in sub-  
20      section (a)—

21           “(i) in the case of an individual re-  
22      ceiving services under the Individuals with  
23      Disabilities Education Act, for so long as  
24      necessary to permit such individual to at-  
25      tain a high school education (or the equiv-

1           alent) or, if sooner, until such individual  
2           reaches age 22; and

3           “(ii) in the case of an individual in a  
4           structured learning program (as defined in  
5           paragraph (4)), including a program under  
6           the School-to-Work Opportunities Act of  
7           1993, for so long as necessary to permit  
8           such individual to complete the program  
9           or, if sooner, until such individual reaches  
10          age 22.

11          “(B) Subject to subsection (e), the State  
12          agency may extend the twenty-four-month limit  
13          referred to in subsection (a)—

14               “(i) for no more than 12 additional  
15               months in order to allow an individual to  
16               complete high school (or an equivalent pro-  
17               gram of education), so long as the individ-  
18               ual is making satisfactory progress toward  
19               obtaining a high school diploma (or equiva-  
20               lent);

21               “(ii) for no more than 24 additional  
22               months in order to allow an individual to  
23               complete a post-secondary program so long  
24               as the individual is enrolled in a work-  
25               study program, or is employed at least 15

1 hours per week, and is making satisfactory  
2 progress toward completing a degree-grant-  
3 ing or certificate-granting education or  
4 training program, or structured  
5 microenterprise or self-employment pro-  
6 gram likely to improve the individual's eco-  
7 nomic self-sufficiency; or

8 “(iii) for such additional number of  
9 months as it finds appropriate in any case,  
10 determined on an individual basis, where  
11 such extension is necessary to afford an in-  
12 dividual with significant learning disabil-  
13 ities or other substantial barriers to em-  
14 ployment additional time to obtain the re-  
15 medial education, job skills training, or  
16 other services specified in the employability  
17 plan needed to enable the individual to se-  
18 cure employment.

19 “(3) EXTENSION OF EMPLOYABILITY PLAN.—

20 The State agency shall extend, and if appropriate re-  
21 vise, the employability plan of each individual with  
22 respect to whom an extension is provided under this  
23 subsection, and shall continue to furnish, through  
24 the months of the extension, the supportive services  
25 for which the extended plan provides.

1           “(4) As used in this subsection, a ‘structured  
2           learning program’ means one that begins at the sec-  
3           ondary school level, continues into a post-secondary  
4           program, and is designed to lead to a degree or rec-  
5           ognized skills certificate.

6           “(d)     EXCEPTION     FOR     TRANSITION     TO  
7     UNSUBSIDIZED EMPLOYMENT.—The State may, at its op-  
8     tion, provide for continuing for one additional month the  
9     payment of aid to an individual (and his or her dependent  
10    child or children) under the State plan, notwithstanding  
11    subsection (a), in any case where such continued payment  
12    is necessary to assist the individual who is about to com-  
13    mence a position of employment (other than as a partici-  
14    pant in the program under part G) until receipt of the  
15    first payment of wages. The State plan shall describe the  
16    evidence of employment that the State will require in order  
17    that payment may be continued under this subsection.

18          “(e)     LIMITATION ON AVERAGE MONTHLY NUMBER  
19     OF EXTENSIONS.—If the average monthly number of indi-  
20     viduals with respect to whom the State has extended the  
21     twenty-four month limit by application of subsection (c)(1)  
22     or (c)(2)(B) in any fiscal year exceeds 10 percent of the  
23     average monthly number of individuals to whom this sec-  
24     tion applies (and who are required to participate in the  
25     program under part F) in the fiscal year involved, the pro-

1 visions of section 403(k)(6) (reducing Federal payments  
2 under section 403(a)) shall apply, unless the Secretary,  
3 upon a showing by the State of extraordinary or unfore-  
4 seeable circumstances, allows the application of such sub-  
5 sections to a greater number of individuals for a specified  
6 period of time.

7 “(f) ALTERNATIVE TIME LIMIT DEMONSTRA-  
8 TIONS.—Notwithstanding any other provision of this part,  
9 the Secretary may permit not more than five States to  
10 conduct demonstrations to determine what effects, if any,  
11 application of time limits of other than twenty-four  
12 months would have in promoting the objectives of the part.  
13 The Secretary shall approve a demonstration only if the  
14 proposed time limit is consistent with both the purpose  
15 of making AFDC a transitional program and affording re-  
16 cipients with support to enable them to prepare themselves  
17 to obtain unsubsidized employment. Any State applying  
18 a time limit other than that specified in subsection (a)  
19 shall evaluate both the short and long term effects of such  
20 time limit in enabling recipients to become self-sufficient  
21 and shall report the results of such evaluation to the Sec-  
22 retary.”

1 **SEC. 105. RESPONSIBILITIES OF ASSISTANT SECRETARY**  
2 **FOR FAMILY SUPPORT.**

3 Section 419 of the Act, as redesignated by section  
4 104 of this Act, is amended by striking out “and part F”  
5 and inserting in lieu thereof “part F, and part G”.

6 **TITLE II—WORK**

7 **SEC. 201. ESTABLISHMENT OF PROGRAM.**

8 (a) Title IV of the Act is amended by adding at the  
9 end thereof the following new part:

10 “PART G—WORK

11 **“SEC. 491. PURPOSE AND DEFINITIONS.**

12 “(a) PURPOSE.—It is the purpose of this part to as-  
13 sist States in developing and providing positions of em-  
14 ployment for individuals who have received aid to families  
15 with dependent children for 24 months, and participated  
16 in the program under part F, but have not been able to  
17 secure unsubsidized employment.

18 “(b) DEFINITION.—As used in this part, a ‘WORK  
19 position’ is a position of employment to which an individ-  
20 ual is assigned under this part.

21 **“SEC. 492. ESTABLISHMENT AND OPERATION OF STATE**  
22 **PROGRAMS.**

23 “(a) REQUIREMENT.—Each State shall establish and  
24 operate a program to locate and create temporary posi-  
25 tions of employment (in this part referred to as the  
26 ‘WORK program’) for individuals who have received aid

1 for 24 months, as provided in section 417. The WORK  
2 program shall be in effect in each political subdivision of  
3 the State not later than 2 years after the State's program  
4 under part F is in effect in such subdivision.

5       “(b) STATE PLAN.—The State shall establish and op-  
6 erate its WORK program under a plan approved by the  
7 Secretary which describes how the State will implement  
8 the plan, and indicates, through cross-references to the ap-  
9 propriate provisions of this part and of parts A and F,  
10 that the program will be operated in accordance with such  
11 provisions of law. The State plan shall describe the strate-  
12 gies and activities to be undertaken by the State to iden-  
13 tify and develop WORK positions. Such strategies shall,  
14 to the extent practicable, be designed to identify and de-  
15 velop positions likely to result in the placement of partici-  
16 pants in unsubsidized employment. The strategies and ac-  
17 tivities may include—

18               “(1) wage subsidies or other incentives to for-  
19 profit, nonprofit, and public employers to employ  
20 participants;

21               “(2) performance-based contracts with public or  
22 nonprofit or other private organizations to place par-  
23 ticipants in unsubsidized employment;

1           “(3) payments to nonprofit employers to assist  
2           in supervising participants employed by such em-  
3           ployers;

4           “(4) assistance to participants in establishing  
5           microenterprises and other self-employment efforts;

6           “(5) payments to nonprofit employers and pub-  
7           lic agencies to employ participants in temporary  
8           projects designed to address community needs, such  
9           as projects to enhance neighborhood infrastructure  
10          and provide other community services; and

11          “(6) payments to employers to employ partici-  
12          pants as child care providers.

13          “(c) COORDINATION WITH JOB OPPORTUNITIES AND  
14          BASIC SKILLS TRAINING PROGRAM.—The State plan sub-  
15          mitted to the Secretary to carry out the requirements of  
16          this part shall, together with the State plan required to  
17          carry out part F, constitute a single plan and shall, to  
18          the maximum extent feasible, reflect an integrated strat-  
19          egy to assist the individuals and families served under the  
20          plan to achieve economic self-sufficiency.

21          “(d) WORK ADVISORY BOARDS.—

22                  “(1) DESIGNATION.—The State plan shall des-  
23                  ignate, or describe a process for establishing or des-  
24                  ignating, a WORK advisory board for each local  
25                  area in the State to provide advice and guidance in

1 the administration of the program under this part.  
2 The State shall ensure the participation of local  
3 elected officials in the designation or establishment  
4 of such boards.

5 “(2) LOCAL AREA.—The local areas for which  
6 WORK advisory boards shall be designated or estab-  
7 lished pursuant to paragraph (1) may be—

8 “(A) service delivery areas established  
9 under section 101 of the Job Training Partner-  
10 ship Act;

11 “(B) the geographic boundaries of the  
12 labor market areas in the State; or

13 “(C) such other areas as the Governor de-  
14 termines are appropriate to promote the effec-  
15 tive administration of the WORK program.

16 “(3) COMPOSITION.—Each WORK advisory  
17 board designated or established pursuant to para-  
18 graph (1) shall consist of—

19 “(A) representatives of private sector em-  
20 ployers,

21 “(B) representatives of organized labor;

22 “(C) representatives of not-for-profit orga-  
23 nizations, including community-based organiza-  
24 tions;

1           “(D) representatives of local government,  
2           such as local, elected officials and representa-  
3           tives of economic development agencies, human  
4           service agencies, and educational agencies; and

5           “(E) such other community leaders as the  
6           State determines are appropriate.

7           “(4) FUNCTIONS.—Each WORK advisory board  
8           shall provide comments to the State agency relating  
9           to the State plan developed pursuant to subsection  
10          (b) of this section. In addition, each WORK advisory  
11          board shall provide advice and guidance to the agen-  
12          cy administering the WORK program in the local  
13          area relating to—

14                 “(A) the identification of potential WORK  
15                 positions;

16                 “(B) opportunities for placing WORK par-  
17                 ticipants in unsubsidized employment;

18                 “(C) methods for ensuring compliance with  
19                 the requirements of this part relating to  
20                 nondisplacement and working conditions;

21                 “(D) methods for carrying out the coordi-  
22                 nation requirements specified in subsection (e)  
23                 of this section; and

1           “(E) such other aspects of the WORK pro-  
2           gram that such board determines are appro-  
3           priate.

4           “(e) COORDINATION WITH OTHER PROGRAMS AND  
5 ENTITIES.—

6           “(1) IN GENERAL.—The State plan shall in-  
7           clude a description of the cooperative arrangements  
8           established with appropriate programs and agencies  
9           to enhance the administration of the program under  
10          this part, including arrangements with—

11                   “(A) the Employment Service, and

12                   “(B) other relevant employment and public  
13           service programs administered through public  
14           and private entities, such as programs sup-  
15           ported under the Job Training Partnership Act  
16           and the National and Community Service Act  
17           and with programs under the CCDBG Act to  
18           explore the development of positions in child  
19           care for WORK program participants.

20           “(2) LOCAL COORDINATION.—The entity ad-  
21           ministering the WORK program in local areas shall,  
22           in addition to establishing linkages with the pro-  
23           grams and agencies described in paragraph (1), es-  
24           tablish cooperative arrangements with other appro-  
25           priate entities to enhance the administration of the

1 program under this part. Such arrangements may be  
2 established with local government and service agen-  
3 cies, public housing agencies, community-based orga-  
4 nizations, business and labor organizations, vol-  
5 untary organizations, and other appropriate entities.

6 **“SEC. 493. ELIGIBILITY FOR WORK PROGRAM; REGISTRA-**  
7 **TION.**

8 “(a) ELIGIBILITY.—(1) IN GENERAL.—An individ-  
9 ual—

10 “(A) to whom section 417 applies, who has re-  
11 ceived aid under the State plan approved under part  
12 A for twenty-four months, and with respect to whom  
13 no extension under section 417 has been provided,

14 “(B) who is not an individual to whom section  
15 402(a)(19)(D) applies, and

16 “(C) who meets the eligibility criteria for aid to  
17 families with dependent children (but for section  
18 417) under the State’s plan approved under part A,  
19 shall be permitted to register for participation in the  
20 State’s WORK program and, upon registration and con-  
21 tinuing compliance with the requirements applicable to in-  
22 dividual’s awaiting assignment to a WORK position, be  
23 eligible for such an assignment and, in accordance with  
24 the succeeding provisions of this part, a payment of aid  
25 to families with dependent children.

1       “(2) SPECIAL RULES.—The State plan shall specify  
2 whether one or both parents will be required to register  
3 with and participate in the WORK program as a condition  
4 of eligibility for an assignment for either parent under the  
5 WORK program and a payment of aid to the family, in  
6 the case of a family in which both parents are subject to  
7 the limit in section 417.

8       “(b) REGISTRATION.—The State plan shall establish  
9 a simple procedure under which an individual who meets  
10 the criteria of subsection (a) may register with and partici-  
11 pate in the WORK program so that the individual will re-  
12 ceive wages (if an appropriate assignment is available) or  
13 aid, or (if applicable) both, in the month following the final  
14 month of the time limit under section 417. The State plan  
15 must describe the methods that will be employed to assure  
16 the uninterrupted provision of aid for the family of an in-  
17 dividual who has complied with all applicable requirements  
18 and conditions of this part.

19       “(c) WORK PROGRAM ASSESSMENT.—The State plan  
20 shall provide for the prompt assessment of each individual  
21 registering with the program, in order to determine an ap-  
22 propriate assignment for such individual. The assessment  
23 must include a review of the individual’s education, train-  
24 ing, and employment experience while participating in the

1 program under part F, as well as any employment experi-  
2 ence the individual may have had thereafter.

3 “(d) LIMITATIONS ON ASSIGNMENTS.—

4 “(1) HOURS OF WORK.—The State plan shall—

5 “(A) ensure, to the extent practicable, that  
6 participants’ wages earned from WORK posi-  
7 tions provide on the average 75 percent of the  
8 sum of wages together with aid paid to partici-  
9 pants in the States WORK program;

10 “(B) ensure no assignment will result in  
11 an average number of hours of work over any  
12 four-week period that is less than 15 hours per  
13 week or greater than 35 hours per week; and

14 “(C) provide that in making WORK as-  
15 signments the State agency shall, to the maxi-  
16 mum extent feasible, ensure that an assignment  
17 to a WORK position will not interfere with any  
18 hours of unsubsidized employment in which the  
19 individual is already engaged at the time of the  
20 assignment.

21 “(2) LENGTH OF ASSIGNMENT.—An assign-  
22 ment to a WORK position shall be for no longer  
23 than 12 months and may not be reassigned to the  
24 same position.

1       “(e) PAYMENT OF AID.—The State agency admin-  
2       istering the State’s plan approved under part A shall pay  
3       for each month to each family with an individual reg-  
4       istered with the WORK program the amount of aid that  
5       would be payable to such family under such plan, except  
6       that—

7               “(1) wages earned by a family member from  
8       employment in a WORK position shall not be con-  
9       sidered in determining eligibility for continued par-  
10      ticipation in the WORK program;

11              “(2) in determining the amount of aid that is  
12      payable, the State agency may determine whether to  
13      disregard from the wages received from the WORK  
14      position any amounts that may be disregarded under  
15      section 402(a)(8)(A)(iv); and

16              “(3) if a family member has been assigned to  
17      and is employed in a WORK position, the amount  
18      of the family’s aid will not be subject to increase by  
19      reason of the individual’s failure to perform the full  
20      number of hours per week for which the assignment  
21      was made.

22      “(f) TREATMENT UNDER OTHER LAWS.—

23              “(1) Individuals participating in the WORK  
24      program, and their families, whether or not any aid  
25      is payable in addition to wages from a WORK posi-





1 all registered individuals who are awaiting assignment to  
2 a WORK position. The State plan shall describe the cri-  
3 teria that will generally be applied for determining the  
4 order in which registered individuals will be assigned to  
5 positions. Such criteria must provide for assigning, as  
6 promptly as an appropriate position becomes available,  
7 and individual to whom a sanction is being applied under  
8 section 496(f)(2)(A) (in the case of a first failure to com-  
9 ply with a requirement of the WORK program) or who  
10 has ended a period of time during which a sanction has  
11 been applied under section 496(f)(2) (B), (C), or (D) (in  
12 the case of a second or subsequent such failure), and  
13 thereafter preference will be given to individuals who have  
14 not previously received a WORK assignment during a pe-  
15 riod of consecutive months while registered for the WORK  
16 program.

17 “(b) JOB SEARCH; OTHER WORK PREPARATORY  
18 ACTIVITIES.—

19 “(1)(A) JOB SEARCH.—The State plan under  
20 this part shall describe any requirements the State  
21 applies to individuals registered for and awaiting as-  
22 signment to a WORK position, including the extent  
23 to which the individual must participate in individual  
24 or group job search (not to exceed 35 hours per  
25 week) and the period for which the job search must

1 continue or the number of contacts that must be  
2 made, or such other measure as the State finds ap-  
3 propriate.

4 “(B) The State agency may require an individ-  
5 ual employed in a WORK position or in regular em-  
6 ployment to engage in job search but the number of  
7 hours per week of required job search (or of the time  
8 needed to comply with the job search requirement if  
9 measured differently from hours per week) together  
10 with the hours per week for which the individual is  
11 employed may not exceed 35.

12 “(C) The State agency shall require each indi-  
13 vidual who has completed an assignment to perform  
14 supervised job search (in accordance with the time  
15 limits established under paragraph (1)) while await-  
16 ing another assignment.

17 “(2) OTHER ACTIVITIES.—If the State requires  
18 that an individual registered under this part and  
19 awaiting assignment to a WORK position engage in  
20 any activities in addition to job search that would  
21 prepare the individual to carry out successfully the  
22 assignment or otherwise support achievement of the  
23 purposes of this part, the State plan shall describe  
24 those activities and the maximum periods of time for  
25 which they may be required (or other measure that

1 the State finds appropriate), which may not exceed  
2 35 hours per week.

3 “(3) CHILD CARE AND OTHER SUPPORTIVE  
4 SERVICES.—(A) The State agency shall notify each  
5 individual registered with the WORK program of the  
6 availability (under sections 402(g) (1) and (2)) of  
7 child care and other supportive services necessary to  
8 permit the individual to participate successfully in  
9 the WORK program (during both a pre-assignment  
10 period and a period of employment under the  
11 WORK program).

12 “(B) A State may, at its option, provide child  
13 care and other supportive services (and include an  
14 appropriate provision in its plan under this part) to  
15 an individual employed in a WORK position to en-  
16 able or assist such individual also to engage in edu-  
17 cation or training activities, approved for this pur-  
18 pose by the State agency as likely to enhance such  
19 individual’s ability to secure and retain permanent,  
20 unsubsidized employment, and if the State chooses  
21 to provide any one or more such services under this  
22 subparagraph, shall notify all registered individuals  
23 who are potentially eligible therefor of the availabil-  
24 ity of such services.

1       “(c) COMPREHENSIVE POST-ASSIGNMENT ASSESS-  
2       MENT.—The State agency shall conduct a comprehensive  
3       assessment of each individual registered with the WORK  
4       program after every second assignment completed by such  
5       individual (or of an individual who has been registered for  
6       two years). On the basis of this assessment, the State  
7       may—

8               “(1) reassign the individual to activities under  
9               section 402(a)(19)(D) or to the JOBS program (for  
10              such period of training and other activities as may  
11              be appropriate), or

12              “(2) assign the individual to another WORK  
13              position if the individual was unable to find  
14              unsubsidized employment either because there were  
15              no jobs available that such individual had the nec-  
16              essary skills to fill or because such individual is in-  
17              capable of working outside of a sheltered environ-  
18              ment.

19       Notwithstanding the preceding sentence, in such cases  
20       where the State finds that the individual is employable and  
21       living in an area where there are jobs available to match  
22       the individual’s skills, the State may require the individual  
23       to engage in intensive job search, supervised by a job de-  
24       veloper who may require the individual to apply for appro-  
25       priate job openings to determine if the individual is mak-

1 ing a good faith effort to find unsubsidized employment.  
2 An individual who fails without good cause to apply for  
3 appropriate job openings, cooperate with the job developer  
4 or employer, or accept a private sector job opening, shall  
5 be ineligible for aid under part A or an assignment under  
6 the State's WORK program for 6 months. Following such  
7 a period of ineligibility, the State shall reassess such indi-  
8 vidual's status, and may take such steps under this sub-  
9 section as it finds appropriate.

10 **“SEC. 496. FAILURE TO MEET WORK PROGRAM REQUIRE-**  
11 **MENTS.**

12 “(a) ACTIONS THAT CONSTITUTE FAILURE TO  
13 MEET WORK PROGRAM REQUIREMENTS.—The following  
14 actions, without good cause, constitute failure by an indi-  
15 vidual to meet the requirements of the WORK program—

16 “(1) failing or refusing to accept a bona fide  
17 offer of unsubsidized employment of at least 20  
18 hours per week (or less if the offered employment  
19 meets the criteria specified in section 482(d)(2));

20 “(2) failing or refusing to accept or report for  
21 a WORK position to which the individual has been  
22 assigned;

23 “(3) voluntarily leaving such a position; or

24 “(4) failing or refusing to engage, to the extent  
25 required under the State plan, in the job search or

1 other activities required pursuant to section 495 or  
2 subsection (e).

3 “(b) MISCONDUCT RESULTING IN DISCHARGE FROM  
4 WORK POSITION.—In addition to the actions described  
5 in subsection (a), a participant will be deemed to have  
6 failed to meet the requirements of the WORK program  
7 if, prior to the completion of an assignment, such partici-  
8 pant is discharged by an employer from a WORK position  
9 due to misconduct.

10 “(c) DEFINITIONS OF GOOD CAUSE AND MIS-  
11 CONDUCT.—The Secretary shall issue regulations estab-  
12 lishing criteria for determining what constitutes good  
13 cause for purposes of subsections (a) and (g) and mis-  
14 conduct for purposes of subsection (b). Such regulations  
15 shall, at a minimum, include—

16 “(1) with respect to the actions described in  
17 paragraph (3) of subsection (a), a requirement that  
18 a participant voluntarily leaving a WORK position  
19 promptly notify the entity administering the WORK  
20 program of the reasons for leaving; and

21 “(2) with respect to discharge for misconduct,  
22 a provision allowing the State, with the approval of  
23 the Secretary, to apply the criteria relating to mis-  
24 conduct applicable to the disqualification of an indi-

1       vidual for benefits under the State unemployment  
2       compensation law.

3       “(d) OPPORTUNITY FOR HEARING.—The State plan  
4 shall provide advance notice to an individual when the  
5 State agency determines that a sanction should be im-  
6 posed, and shall advise the individual of the right to a  
7 hearing. The State agency shall provide a hearing, upon  
8 request by the individual, in accordance with procedures  
9 established by the Secretary (which shall allow the State  
10 to adopt procedures followed in hearings on unemployment  
11 compensation claims that meet the standards set forth by  
12 the United States Supreme Court in *Goldberg v. Kelly*,  
13 397 U.S. 254 (1970).).

14       “(e) INTERIM ACTIVITIES.—The State agency may  
15 require, pending the hearing referred to in subsection (d),  
16 participation by the individual in appropriate activities  
17 under the WORK program.

18       “(f) SANCTIONS.—If, in accordance with the preced-  
19 ing provisions of the section, an individual is found to have  
20 failed without good cause to meet a requirement of the  
21 WORK program—

22               “(1) if the failure involves subsection (a)(1) (re-  
23       lating to an offer of unsubsidized employment), the  
24       family of which such individual is a member shall be  
25       ineligible for aid to families with dependent children

1 (if any such aid were otherwise payable) for a period  
2 of six months and such individual may not be as-  
3 signed to a WORK position during such period; and

4 “(2) if the failure involves paragraph (2), (3),  
5 or (4), of subsection (a) or involves subsection (b)—

6 “(A) in connection with the first of any  
7 such failures, the amount of aid for which the  
8 family (of which such individual is a member)  
9 is eligible shall for one month equal one-half of  
10 the amount that would be payable to the family  
11 if the individual were awaiting assignment to a  
12 WORK position, but such reduction shall cease  
13 upon the acceptance by such individual of an  
14 assignment to a new WORK position or, in  
15 cases involving job search or other required ac-  
16 tivities (as described in subsection (a)(4)), the  
17 individual’s engaging in the required program  
18 activities;

19 “(B) in connection with the second of any  
20 such failures, the amount of aid so payable  
21 shall be reduced as described in subparagraph  
22 (A) for a 3-month period and the individual  
23 may not be assigned during such period to a  
24 new WORK position;

1           “(C) in connection with the third of any  
2           such failure, such family shall be ineligible for  
3           any such aid for a 3-month period and the indi-  
4           vidual may not be reassigned during such pe-  
5           riod; and

6           “(D) in connection with the fourth or any  
7           subsequent such failure, such family shall be in-  
8           eligible for any such aid for a 6-month period  
9           and the individual may not be reassigned dur-  
10          ing such period;

11 but during the months in which a sanction is applied  
12 under this subsection, the family of which the sanctioned  
13 individual is a member shall be considered, for purposes  
14 of the State’s plan approved under part A, its plan ap-  
15 proved under title XIX, to be receiving aid to families with  
16 dependent children and for purposes of any other Federal  
17 or federally-assisted program based on need, such family  
18 shall be considered to be receiving the amount that would  
19 be payable to such family if the individual were awaiting  
20 assignment to a WORK position. Notwithstanding the  
21 preceding sentence, if at any time an individual subject  
22 to a sanction under this subsection accepts an offer of  
23 unsubsidized employment in a position that meets the cri-  
24 teria for WORK positions prescribed by subsection (a)(1),  
25 the sanction shall cease at that time and both the individ-

1 ual and the family shall be considered, for purposes of part  
2 A, to be an individual and family no longer subject to  
3 sanction under this program.

4 “(g) Notwithstanding section 493, no individual who  
5 without good cause leaves an unsubsidized position that  
6 provides 20 hours or more per week (or such greater num-  
7 ber as the State has elected under section  
8 482(a)(2)(A)(iii)) on the average, may register under sec-  
9 tion 493(b) for the WORK program (of any State) until  
10 after the 3-month period beginning on the date on which  
11 the individual left the position.

12 “(h) EVALUATION FOLLOWING SECOND WORK  
13 SANCTION.—The State plan must provide that the State  
14 will promptly conduct a thorough evaluation of an individ-  
15 ual (and family) against whom a second sanction must be  
16 imposed to determine whether there are particular cir-  
17 cumstances, not previously recognized by the State agen-  
18 cy, that are contributing to the individual’s failure to meet  
19 the requirements of the WORK program, and to provide,  
20 where appropriate, any additional social services, evalua-  
21 tions, or other diagnostic or remedial services or take such  
22 other actions as may be necessary to assist the individual  
23 and protect the other family members. In conducting the  
24 evaluation, the State agency shall consider whether the in-  
25 dividual is appropriately registered in the WORK pro-

1 gram, or whether the individual should be referred to the  
2 State plan approved under part A to be considered an indi-  
3 vidual to whom section 402(a)(19)(D) applies.”.

4 (b) REQUIREMENT TO PROVIDE SUPPORTIVE SERV-  
5 ICES TO INDIVIDUALS REGISTERED FOR WORK PRO-  
6 GRAM.—Section 402(g)(2) is amended, by striking out  
7 “part F” and inserting in lieu thereof “part F or part  
8 G”.

9 **SEC. 202. FEDERAL FUNDING FOR THE JOBS AND WORK**  
10 **PROGRAMS; PARTICIPATION REQUIREMENTS;**  
11 **MAINTENANCE OF EFFORT AND SUBSTAN-**  
12 **TIAL IMPLEMENTATION.**

13 (a) AMOUNT OF STATE’S ENTITLEMENT FOR  
14 JOBS.—Paragraphs (1) through (4) of section 403(k) of  
15 the Act are amended to read as follows:

16 “(k)(1) In addition to payments under subsection (a),  
17 the Secretary shall pay to each State with a plan approved  
18 under part F an amount equal to the product of—

19 “(A) the State’s enhanced Federal medical as-  
20 sistance percentage as defined in subsection (m)(6),  
21 and

22 “(B) its expenditures to carry out the program  
23 under part F (other than expenditures required by  
24 section 402(g)(1)(A) in the case of the 50 States  
25 and the District of Columbia),

1 but payments to a State under this title for any fiscal year  
2 for such activities may not exceed the limitation under  
3 paragraph (2) with respect to such State.

4 “(2) The limitation under this paragraph with re-  
5 spect to a State for any fiscal year is the amount that  
6 bears the same ratio to the amount specified in paragraph  
7 (3) for such fiscal year as the average monthly number  
8 of adult recipients (as defined in paragraph (4)) in the  
9 State in the preceding fiscal year bears to the average  
10 monthly number of such recipients in all the States for  
11 such preceding year.

12 “(3) The amount specified in this paragraph is—

13 “(A) \$1,750,000,000 for fiscal year 1996,

14 “(B) \$1,700,000,000 for fiscal year 1997,

15 “(C) \$1,800,000,000 for fiscal year 1998,

16 “(D) \$1,900,000,000 for each of fiscal years  
17 1999 through 2004, and

18 “(E) \$1,900,000,000, adjusted by the CPI as  
19 prescribed by section 406(i), for fiscal year 2005  
20 and each fiscal year thereafter,

21 reduced by 2 percent (for direct grants to Indian tribes  
22 and Alaska Native organizations under section 482(i)),  
23 and further reduced by 2 percent (of the amount specified  
24 in each subparagraph) (or, in the case of fiscal years after  
25 1998, 1 percent) for carrying out section 404 of the Work

1 and Responsibility Act of 1994 (relating to demonstra-  
2 tions, research and evaluation, and technical assistance)  
3 and further reduced in fiscal year 1996 by the amount  
4 available to the Secretary for purposes of special adjust-  
5 ments under subsection (p).

6 “(4) For purposes of this subsection, the term ‘adult  
7 recipient’ in the case of any State means an individual  
8 other than a dependent child (unless such child is the cus-  
9 todial parent of another dependent child) whose needs are  
10 met in whole or in part with payments of aid to families  
11 with dependent children or wages from a position under  
12 the WORK program, or a combination of such aid and  
13 wages.”.

14 (b) PARTICIPATION STANDARDS FOR JOBS PRO-  
15 GRAM.—Section 403(k) of the Act is further amended by  
16 adding at the end thereof the following new paragraphs:

17 “(6)(A) Notwithstanding any other provision of  
18 this subsection—

19 “(i) if, with respect to a State in a fiscal  
20 year, the average monthly number of individ-  
21 uals receiving aid to families with dependent  
22 children who are described in subparagraph  
23 (B)(i) or (ii) of section 402(a)(19) but are not  
24 included in subparagraph (D) thereof who par-  
25 ticipate in an activity under the JOBS program

1 (including individuals who are employed for the  
2 minimum number of hours adopted by the  
3 State under section 482(a)(2)(A)(iii) or are  
4 being sanctioned pursuant to section  
5 402(a)(19)(G)) exceeds 55 percent of the aver-  
6 age monthly number of all such individuals, the  
7 Secretary shall pay to such State an additional  
8 amount (without the requirement of any addi-  
9 tional nonfederal share) for use in carrying out  
10 its program under part F, and

11 “(ii) if, with respect to a State, such aver-  
12 age monthly number in such year does not ex-  
13 ceed 45 percent, then the Secretary shall reduce  
14 by 25 percent the Federal matching rate gen-  
15 erally applicable to such State’s expenditures  
16 for aid for each month in such year with re-  
17 spect to the number of individuals by which the  
18 average monthly number is less than 45 percent  
19 of the total.

20 The Secretary shall determine the amount of the ad-  
21 ditional payments for performance exceeding the  
22 standard and shall make such additional payments  
23 for a fiscal year by increasing as appropriate the  
24 amount payable to such State under subsection (a)  
25 up to the amount of the reductions under clause (ii),

1 together with the reductions under subparagraph  
2 (C) and subsection (l)(4)(A) for such fiscal year, and  
3 if the additional payments exceed such reductions  
4 the amount available to the Secretary for such fiscal  
5 year under subsection (p) shall be reduced by the  
6 amount of such excess.

7 “(B) The Secretary shall issue regulations pre-  
8 scribing criteria for determining what constitutes  
9 participation by an individual for purposes of this  
10 section, the periods of time over which participation  
11 will be measured, and any other matters necessary  
12 to implement the provisions of this subsection or of  
13 subsection (l).

14 “(C) If the average monthly number of individ-  
15 uals in a fiscal year to whom the State applies sec-  
16 tion 402(a)(19)(D)(vii) exceeds the limit prescribed  
17 therein (or such greater limit as the Secretary may  
18 have allowed), or if the average monthly number of  
19 individuals with respect to whom the State extends  
20 the time limit under section 417 exceeds the limit  
21 prescribed in section 417(e) (or such greater limit as  
22 the Secretary may have allowed), the Secretary shall,  
23 notwithstanding any other provision of this section,  
24 reduce by 25 percent for each month in such fiscal  
25 year the Federal matching rate generally applicable

1 to such State's expenditures for aid with respect to  
2 the total number of individuals by which such aver-  
3 age monthly numbers exceeds such limits.

4 “(D) Notwithstanding subparagraph (A)(i), the  
5 Federal payment shall not be increased if the Sec-  
6 retary determines that the State has not accurately  
7 recorded the number of months for which individuals  
8 to whom section 417 applies have received aid, or  
9 has not accurately recorded or reported to the Sec-  
10 retary other required data, to an extent inconsistent  
11 with standards for accuracy prescribed in regula-  
12 tions by the Secretary.”.

13 (c)(1) AMOUNT OF STATE'S ENTITLEMENT FOR  
14 WORK.—Section 403(l) of the Act is amended by striking  
15 out paragraphs (1) through (3) and inserting in lieu there-  
16 of the following:

17 “(l)(1) In addition to payments under subsections (a)  
18 and (k), the Secretary shall pay to each State with a plan  
19 approved under part G an amount to carry out its pro-  
20 gram under such plan equal to the sum of—

21 “(A) an amount equal to—

22 “(i) such State's expenditures to operate  
23 its WORK program (other than expenditures to  
24 which subparagraph (B) applies and expendi-  
25 tures to which section 402(g)(1)(A) applies in

1 the case of the 50 States and the District of  
2 Columbia), multiplied by

3 “(ii) the State’s enhanced Federal medical  
4 assistance percentage as defined in subsection  
5 (m)(6), but such amount with respect to a  
6 State for any fiscal year may not exceed the  
7 limitation under paragraph (2) applicable to  
8 such State for such fiscal year, and

9 “(B) an amount equal to—

10 “(i) the State’s expenditures for wages to  
11 participants in its program under part G  
12 (whether paid directly to the participant, or in  
13 the form of wage subsidies to the participant’s  
14 employer), multiplied by

15 “(ii) such State’s Federal medical assist-  
16 ance percentage, as defined in section 1905(b)  
17 (or, where applicable, the last sentence of sec-  
18 tion 1118).

19 “(2) The limitation under this paragraph with re-  
20 spect to a State for any fiscal year is the amount that  
21 bears the same ratio to the amount specified in paragraph  
22 (3) for such fiscal year as the sum of (i) the average  
23 monthly number of individuals subject to the time limit  
24 in section 417 (and who are subject to the requirement  
25 to participate in the program under part F) in such State,

1 and (ii) the average monthly number of individuals reg-  
2 istered in such State's WORK program, bears to the total  
3 of such sums of all the States for months in the preceding  
4 fiscal year.

5 “(3) The amount specified in this paragraph is—

6 “(A) \$200,000,000 for fiscal year 1998,

7 “(B) \$700,000,000 for fiscal year 1999,

8 “(C) \$1,100,000,000 for fiscal year 2000,

9 “(D) \$1,300,000,000 for fiscal year 2001,

10 “(E) \$1,400,000,000 for fiscal year 2002,

11 “(F) \$1,600,000,000 for fiscal year 2003,

12 “(G) \$1,700,000,000 for fiscal year 2004, and

13 “(H) \$1,700,000,000 adjusted by the CPI as

14 prescribed by section 406(i), and then multiplied by

15 the WORK program factor, as defined in paragraph

16 (4),

17 reduced by 2 percent (for direct grants to Indian tribes

18 and Alaska Native organizations under section 482(i)) and

19 further reduce by 2 percent (of the amount specified in

20 each subparagraph) (or in the case of fiscal years after

21 1998, 1 percent) for carrying out section 404 of the Work

22 and Responsibility Act of 1994 (relating to demonstra-

23 tions, research and evaluation, and technical assistance).

1       “(4) For purposes of determining the amount speci-  
2 fied in paragraph (3) for any fiscal year, the ‘WORK pro-  
3 gram factor’ is the ratio of—

4               “(A) the sum of the average monthly number of  
5 recipients of aid who are individuals described in  
6 section 402(a)(19)(B)(i) and WORK registrants  
7 (who are not receiving aid) for months in the preced-  
8 ing fiscal year, divided by the sum of the average  
9 monthly number of all recipients of such aid and  
10 WORK registrants (who are not receiving aid) for  
11 months in such preceding fiscal year, to

12               “(B) such quotient with respect to the average  
13 monthly numbers for months in fiscal year 2004.”.

14       (2) Paragraph (4) of section 403(l) (as in effect prior  
15 to enactment of this Act) is redesignated as subsection  
16 (k)(7) of section 403.

17       (d) PARTICIPATION STANDARDS FOR WORK PRO-  
18 GRAM.—Section 403(l) of the Act is further amended by  
19 adding at the end thereof the following new paragraphs:

20               “(4)(A) Notwithstanding any other provision of  
21 this paragraph, the Federal matching rate applicable  
22 to a State’s expenditures for aid to families with de-  
23 pendent children for a fiscal year shall be reduced  
24 for each month in such year by 25 percent with re-  
25 spect to the average monthly number of individuals

1 by which such State fails to meet its WORK partici-  
2 pation standard for such year.

3 “(B) For purposes of this paragraph, a State’s  
4 WORK participation standard is met if—

5 “(i) the average monthly number of posi-  
6 tions to which WORK registrants are assigned  
7 is not fewer than the number of such positions  
8 that the Secretary requires that the State es-  
9 tablish, taking into account the limitation appli-  
10 cable to such State under paragraph (2) for the  
11 fiscal year involved, and the amounts of assist-  
12 ance necessary to locate or create WORK posi-  
13 tions; or

14 “(ii) the ratio of—

15 “(I) the average monthly number of  
16 individuals assigned to positions in the  
17 WORK program, participating in job  
18 search as required by the State plan under  
19 part G following an assignment to a  
20 WORK position, but for a period of no  
21 longer than 3 consecutive months, being  
22 sanctioned pursuant to section 496(f) or in  
23 unsubsidized employment and not receiving  
24 aid (but who at some time within the pre-

1           ceding 3 months were participating in the  
2           WORK program), to  
3           “(II) the sum of the average monthly  
4           number of individuals registered with the  
5           State’s WORK program and the average  
6           monthly number of individuals in  
7           unsubsidized employment and not receiving  
8           aid (but who at some time within the pre-  
9           ceding 3 months were participating in the  
10          State’s WORK program), is not less than  
11          0.80.”.

12          (e) PROVISIONS APPLICABLE TO JOBS, WORK, AND  
13          CHILD CARE FUNDING.—Section 403(m) of the Act is  
14          amended to read as follows:

15          “(m)(1) If a State so requests, the limitation applica-  
16          ble to such State under subsection (k)(2) for a fiscal year,  
17          or the limitation applicable to such State under subsection  
18          (l)(2) for such fiscal year, may be increased (and the other  
19          limit decreased equally) by an amount up to 10 percent  
20          of the sum of such limits for such fiscal year or, if less,  
21          by the amount of the limit to be decreased. In the case  
22          of fiscal 1997, the State may request that its limit under  
23          subsection (k)(2) be reduced by up to 10 percent and the  
24          amount made available for preparing to conduct its  
25          WORK program.

1       “(2) If the sum of the amount specified in any fiscal  
2 year under subsection (k)(3), and the amount specified for  
3 such fiscal year under subsection (l)(3), exceeds (or if the  
4 Secretary estimates that it will exceed) the total amount  
5 paid (or estimated to be payable) under subsections (k)(1)  
6 and (l)(1)(A) for such fiscal year, then the Secretary shall  
7 adjust the maximums applicable to payments to those  
8 States to which the limits under such subsections have  
9 made additional payment unavailable under either sub-  
10 section (k)(1) or (l)(1)(A), and to which payments for  
11 such fiscal year under either or both such subsections  
12 would be greater but for the applicability to such States  
13 of such limits. The Secretary shall by regulation provide  
14 for the equitable adjustment of such limits in the case  
15 where all States’ requests for adjustment of limits, and  
16 additional payments, for a fiscal year under this para-  
17 graph exceed the amount available for reallocation.

18       “(3)(A) If in any fiscal year—

19               “(i) the average rate of total unemployment in  
20 a State for such fiscal year equals or exceeds 6.5  
21 percent, and

22               “(ii) the average rate of total unemployment in  
23 such State for such fiscal year equals or exceeds 110  
24 percent of such rate for either of the two preceding  
25 fiscal years,

1 the percent applicable to such State for such fiscal year,  
2 for purposes of applying each of subsections (k)(1)(A),  
3 (l)(1)(A)(i), and (n)(1)(A), to the extent made possible by  
4 the availability of additional amounts to such State pursu-  
5 ant to paragraph (2), shall be applied as if it had been  
6 increased by 10 percent of the difference between 100 per-  
7 cent and the rate otherwise applicable in each of such sub-  
8 sections, respectively, from the beginning of such fiscal  
9 year (but if no such additional amount is made available,  
10 such rates shall be unaffected by this subparagraph).

11 “(B) The amounts specified in subsections (k)(3),  
12 (l)(3), and (n)(3) for any fiscal year are each increased,  
13 if, for either the last two quarters of the preceding fiscal  
14 year, or the first two quarters of the fiscal year involved  
15 (but not such last two quarters), the average rate of total  
16 unemployment in the United States equals or exceeds 7  
17 percent, by 2.5 percent plus an additional 0.25 percent  
18 for each one-tenth of a percentage point by which the aver-  
19 age rate of total unemployment in the United States (for  
20 such two-quarter period) exceeds 7 percent.

21 “(4) Notwithstanding the provisions of subsections  
22 (k) and (l), no amount of a State’s expenditures as aid  
23 to families with dependent children shall be excluded for  
24 purposes of payment under subsection (a) by reason of  
25 the State’s failure to meet the participation standards or

1 the limit on deferrals (under section 402(a)(19)(D)(vii))  
2 or extensions of the time limit (under section 417(e)) ap-  
3 plicable to the State's program under part F for months  
4 in the first year that such program is in effect, or by rea-  
5 son of the State's failure to meet the participation stand-  
6 ard applicable to its program under part G during the first  
7 year that such program is in effect.

8       “(5) Prior to the general effective date of the amend-  
9 ments to part F made by the Work and Responsibility Act  
10 of 1994, or the general effective date of part G, as the  
11 case may be, the Secretary shall issue regulations contain-  
12 ing the necessary information to permit implementation  
13 of such standards and application of reductions in Federal  
14 payment for failure to meet such standards. Not later than  
15 12 months after such amendments become effective with  
16 respect to a State, such State shall be required to begin  
17 reporting data as required by the Secretary in order to  
18 determine whether the participation standards have been  
19 met.

20       “(6) As used in this part, a ‘State's enhanced Federal  
21 medical assistance percentage’ with respect to expendi-  
22 tures for a fiscal year means such State's Federal medical  
23 assistance percentage as defined in section 1905(b) (or,  
24 where applicable as defined in the last sentence of section  
25 1118), plus

1           “(A) 5 percentage points, but not less than 65  
2           percent, with respect to fiscal years 1996 and 1997,

3           “(B) 7 percentage points, but not less than 67  
4           percent, with respect to fiscal year 1998,

5           “(C) 9 percentage points, but not less than 69  
6           percent, with respect to fiscal year 1999, and

7           “(D) 10 percentage points, but not less than 70  
8           percent, with respect to fiscal year 2000, and each  
9           fiscal year thereafter.”.

10          (f)(1) Section 402(g)(3)(A)(i) of the Act is amended  
11 by striking out “Federal medical assistance percentage (as  
12 defined in section 1905(b))” and inserting in lieu thereof  
13 “State’s enhanced Federal medical assistance percentage  
14 (as defined in section 403(m)(6))”.

15          (2) Section 402(g)(B)(A)(ii) of the Act is amended  
16 by striking out “Federal medical assistance percentage (as  
17 defined in section 1118)” and inserting in lieu thereof  
18 “State’s enhanced Federal medical assistance percentage  
19 (as defined in section 403(m)(6))”.

20          (g) Section 403 of the Act is amended by adding at  
21 the end thereof the following new subsection:

22          “(o) Notwithstanding the preceding provisions of this  
23 section, the percentage applicable to a State for purposes  
24 of section 402(g)(3)(A) and subsections (k)(1)(A),  
25 (l)(1)(A)(ii), and (n)(1)(A) (for determining the Federal

1 payment with respect to a State's JOBS program expendi-  
2 tures, portions of its WORK program expenditures, and  
3 its child care expenditures, respectively) shall be the  
4 State's Federal medical assistance percentage, but not less  
5 than 60 percent (or, in the case of section 402(g)(3)(A)  
6 and subsection (n)(1)(A), the State's Federal medical as-  
7 sistance percentage) for any fiscal year—

8           “(1) in which the nonfederal share of the sum  
9 of its expenditures that may be included for pur-  
10 poses of subsection (a)(3) and its expenditures for  
11 its program under part F, its program under part  
12 G, and child care services under subsections (g) and  
13 (i) of section 402 (not included under subsection  
14 (a)(3)) is less than the nonfederal share of expendi-  
15 tures for purposes of subsection (a)(3) and of ex-  
16 penditures (for which Federal matching was pro-  
17 vided) under its program under part F and child  
18 care services (not included under subsection (a)(3))  
19 under subsections (g) and (i) of section 402 for fis-  
20 cal year 1994 (or fiscal year 1993 if such nonfederal  
21 share were greater for such year), or

22           “(2) in which the number of individuals to  
23 whom the provisions of section 417 are being applied  
24 is less than 90 percent of the number of individuals  
25 in the State who are custodial parents described in

1       subparagraph (B)(i) of section 402(a)(19) (but not  
2       included under subparagraph (D) thereof) unless the  
3       State has submitted an approvable plan amendment  
4       that provides for implementing all statutory require-  
5       ments to its JOBS program, and meeting related re-  
6       quirements with respect to 90 percent of such indi-  
7       viduals within two years of the date such require-  
8       ments first become effective.”.

9       (h) SECRETARY’S SPECIAL ADJUSTMENT FUND.—  
10      Section 403 of the Act is amended by adding at the end  
11      thereof the following new subsection:

12         “(p)(1) There shall be available to the Secretary from  
13      the amount appropriated for payments under subsection  
14      (k) for States’ JOBS programs for fiscal year 1996,  
15      \$300,000,000 for special adjustments to States’ limita-  
16      tions on Federal payments for their JOBS and WORK  
17      programs. Amounts made available to the Secretary pur-  
18      suant to this subsection shall also be available for carrying  
19      out subsection (k)(6) and section 404(c).

20         “(2) A State may, not later than March 1 and Sep-  
21      tember 1 of each fiscal year, submit to the Secretary a  
22      request to adjust the limitation on payments under this  
23      section with respect to its JOBS (and, in fiscal years after  
24      1997) its WORK programs for the following fiscal year.  
25      The Secretary shall only consider such a request from a

1 State which has, or which demonstrates convincingly on  
2 the basis of estimates that it will, submit allowable claims  
3 for Federal payment in the full amount available to it  
4 under subsections (k) and (l) in the current fiscal year  
5 and obligated 95% of its full amount in the prior fiscal  
6 year. The Secretary shall by regulation prescribe criteria  
7 for the equitable allocation among the States of Federal  
8 payments pursuant to adjustments of the limitations re-  
9 ferred to in the preceding sentence in the case where the  
10 requests of all States that the Secretary finds reasonable  
11 exceed the amount available, and, within 30 days following  
12 the dates specified in this paragraph, will notify each State  
13 whether one or more of its limitations will be adjusted in  
14 accordance with the State's request and the amount of the  
15 adjustment (which may be some or all of the amount re-  
16 quested).

17       “(3) The Secretary may adjust the limitation on Fed-  
18 eral payments to a State for a fiscal year under subsection  
19 (k) and under subsection (l), and upon a determination  
20 by the Secretary that (and the amount by which) a State's  
21 limitation should be raised, the amount specified in either  
22 such subsection, or both, shall be considered to be so in-  
23 creased for the following fiscal year.

24       “(4) The amount made available under subsection (a)  
25 for special adjustments shall remain available to the Sec-

1 retary until expended. That amount shall be reduced by  
2 the sum of the adjustments approved by the Secretary in  
3 any fiscal year, and the amount shall be increased in a  
4 fiscal year by the amount by which all States' limitations  
5 under subsection (k), (l), and (n) for a fiscal year exceeded  
6 the sum of the Federal payments under such subsections  
7 for such fiscal year (after application of subsection  
8 (m)(2)), but for fiscal years after 1977, such amount at  
9 the end of such fiscal year shall not exceed  
10 \$400,000,000.'.

11 **SEC. 203. ADMINISTRATION OF THE JOBS AND WORK PRO-**  
12 **GRAMS.**

13 (a) STATE OPTION.—Part G of title IV of the Act  
14 is amended by adding at the end thereof the following new  
15 section:

16 “ADMINISTRATION

17 “SEC. 497. (a) The chief executive officer of any  
18 State with a plan approved under part A may designate  
19 a State agency (hereinafter referred to as the ‘JOBS/  
20 WORK agency’), other than the agency established or des-  
21 ignated under section 402(a)(3) (hereafter referred to as  
22 the ‘part A agency’) to administer (or supervise the ad-  
23 ministration of) the JOBS program under part F and the  
24 WORK program under this part in such State.

25 “(b) The JOBS/WORK agency designated under this  
26 section and the part A agency shall jointly submit the

1 State plan required by parts F and G, and shall enter into  
2 and provide to the Secretary an agreement setting out the  
3 responsibilities of each agency. Any such agreement shall  
4 provide—

5 “(1) that the part A agency will retain respon-  
6 sibility for—

7 “(A) determining initial and continuing eli-  
8 gibility of applicants for and recipients of (and  
9 the amount of) aid to families with dependent  
10 children;

11 “(B) maintaining accurate records of the  
12 number of months for which each individual re-  
13 ceived aid, and notifying individuals of the re-  
14 maining months of eligibility, in accordance  
15 with the preceding provisions of this title;

16 “(C) applying sanctions when appropriate  
17 under the provisions of section 402(a)(19)(G)  
18 or 496(f); and

19 “(D) affording an opportunity for a fair  
20 hearing as required by section 402(a)(4), or in  
21 connection with any disagreement (with adverse  
22 consequences) about the application of section  
23 417 (other than matters about which the  
24 JOBS/WORK agency provides a hearing);

1           “(2) that each agency agrees to cooperate with  
2           the other in order to exchange all information nec-  
3           essary to carry out the programs involved in a man-  
4           ner that simplifies as much as possible the burden  
5           on recipients of aid under part A, and participants  
6           in the programs under parts F and G, and allows  
7           the most effective administration of all programs in-  
8           volved;

9           “(3) a specific description of how responsibility  
10          will be allocated and coordinated between the two  
11          agencies for the following functions:

12                 “(A) determining to which individuals sec-  
13                 tion 402(a)(19)(D) is applicable;

14                 “(B) determining the individuals to whom  
15                 extensions under section 417(e) are to be grant-  
16                 ed (and the length of such extensions); and

17                 “(C) conducting reviews, and providing  
18                 dispute resolution measures, including fair  
19                 hearings in appropriate cases, on disagreements  
20                 arising out of requirements under the JOBS or  
21                 WORK program; and

22           “(4) that the requirements of paragraphs (4),  
23           (5), (6), (9), (19), and (21)(A) of section 402(a) will  
24           be applicable as appropriate to the joint plan sub-  
25           mitted under this section to the same extent (and to-

1       gether with all relevant regulations issued there-  
2       under by the Secretary) as they are to a State plan  
3       submitted under part A.

4       “(c) In each State in which the chief executive officer  
5       designates an agency under subsection (a), the Secretary  
6       shall make payment to the agency so designated in the  
7       case of payments required under subsections (k) and (l)  
8       of section 403, rather than to the State’s part A agency,  
9       and the JOBS/WORK agency so designated shall be re-  
10      sponsible for the proper expenditure of such funds.

11      “(d) Upon designation by the chief executive officer  
12      under subsection (a), and approval by the Secretary of the  
13      State plan submitted in accordance with this section, all  
14      references (whether direct or by context) in this Act to  
15      the State agency responsible for the State plan under part  
16      A shall be deemed to be references to the agency des-  
17      ignated under this section when referring to a function  
18      or responsibility of such agency.

19      “(e) In any State administering a Statewide one-stop  
20      career center system for the provision of employment and  
21      training services, as defined by the Secretary in conjunc-  
22      tion with the Secretary of Labor, the Governor shall en-  
23      sure that the programs under parts F and G—

24              “(1) participate in the operation of such sys-  
25      tem, and

1           “(2) make employment and training services  
2           available to participants through the one-stop career  
3           centers.”.

4 **SEC. 204. SPECIAL PROVISIONS RELATING TO INDIAN**  
5                   **TRIBES AND ALASKA NATIVE ORGANIZA-**  
6                   **TIONS.**

7           (a) **AUTHORITY TO ADMINISTER JOBS AND WORK**  
8 **PROGRAMS.**—Section 482(i) of the Act is amended—

9           (1) by redesignating paragraphs (5), (6), (7),  
10          and (8) as paragraphs (6), (7), (8), and (9), respec-  
11          tively, and

12          (2) by amending paragraphs (1) through (4) of  
13          such subsection to read as follows:

14               “(1)(A) An Indian tribe or Alaska Native orga-  
15               nization may apply to the Secretary to conduct both  
16               a JOBS program under this part, and a WORK pro-  
17               gram under part G. An application to conduct these  
18               programs in a fiscal year must be submitted not  
19               later than July 1 of the preceding fiscal year. Upon  
20               approval of the application, payment in the amount  
21               determined in accordance with the succeeding provi-  
22               sions of this subsection shall be made directly to the  
23               tribe or organization involved.

24               “(B) Neither the JOBS program nor the  
25               WORK program set forth in the application of an

1 Indian tribe or Alaska Native organization submit-  
2 ted under subparagraph (A) need meet any require-  
3 ment under this part or part G or under section  
4 402(a)(19) that the Secretary determines is inappro-  
5 priate for such program.

6 “(C) The JOBS and WORK programs of any  
7 Indian tribe or Alaska Native organization may be  
8 terminated voluntarily by such tribe or organization  
9 or may be terminated by the Secretary upon a find-  
10 ing that such programs are not being conducted in  
11 substantial conformity with the terms of the applica-  
12 tion approved under subparagraph (A). Following  
13 voluntary termination of an application, or termi-  
14 nation by the Secretary of an application of an In-  
15 dian tribe or Alaska Native organization, such tribe  
16 or organization shall not be eligible to submit a new  
17 application under subparagraph (A) with respect to  
18 any year before the sixth year following such termi-  
19 nation.

20 “(2) The Secretary shall pay directly to each  
21 Indian tribe or Alaska Native organization with an  
22 application approved to conduct a JOBS program  
23 under this part and a WORK program under part  
24 G for a fiscal year an amount (without the require-  
25 ment of any non-Federal share) which bears the

1 same ratio to 2 percent of the sum of the amounts  
2 specified in sections 403(k)(3) and 403(l)(3) for  
3 such fiscal year as the adult Indian or Alaska Native  
4 population receiving aid to families with dependent  
5 children residing within the area to be served by the  
6 tribe or organization bears to the total of such  
7 adults receiving such aid residing within all areas  
8 which any such tribe or organization could serve.  
9 The Secretary shall from time to time review the  
10 components of the ratios established under the first  
11 sentence of this subparagraph to determine whether  
12 the individual payments under this subsection con-  
13 tinue to reflect accurately the distribution of popu-  
14 lation among the grantees, and shall make adjust-  
15 ments necessary to maintain the correct distribution  
16 of funding.

17 “(3) A grantee under this subsection may use  
18 up to 20 percent of its payment for the JOBS pro-  
19 gram, or for the WORK program, as the case may  
20 be, for a fiscal year to carry out such program in  
21 the following fiscal year, and up to 10 percent of  
22 such payment for either such program to carry out  
23 the other such program in the fiscal year for which  
24 the payment was made.

1           “(4) At the request of a grantee, the Secretary  
2           may approve use of up to 10 percent (or, if less,  
3           \$5000) of the payment for the JOBS program in  
4           connection with an economic development project  
5           upon a demonstration by the grantee that such  
6           project will include provision for training JOBS pro-  
7           gram participants in skills necessary for employment  
8           on the project.

9           “(5) An application under this subsection shall  
10          provide that (upon approval) the grantee will be re-  
11          sponsible for determining whether an individual  
12          (within the grantee’s service area) to whom the time  
13          limits of section 417 apply is one to whom section  
14          402(a)(19)(D) is applicable, and whether (and for  
15          how long) extensions of the time limit under section  
16          417 should be provided and for reporting to the  
17          State agency making payments of aid to the individ-  
18          uals served by the grantee the determinations made  
19          under this paragraph”.

20          (b) CHILD CARE.—Section 403 is amended by adding  
21          after and below subsection (b) the following new sub-  
22          section:

23          “(c)(1) Each Indian tribe and Alaska Native organi-  
24          zation submitting an application under section 482(i) to  
25          administer its JOBS and WORK programs under parts

1 F and G, respectively, may also submit to the Secretary  
2 (as a part of the application) a description of the child  
3 care needs of its JOBS and WORK program participants,  
4 and of the program that it will implement to meet such  
5 needs, and request direct funding for the provision of all  
6 such child care. The child care program described need  
7 not meet any requirement of this part (other than the re-  
8 quirements of section 402(g)(1)(A)(viii)) that the Sec-  
9 retary determines is inappropriate with respect to such  
10 child care program.

11 “(2) The Secretary shall pay to each Indian tribe and  
12 each Alaska Native organization whose application ap-  
13 proved under section 482(i) includes a request for direct  
14 funding for child care an amount (without the requirement  
15 of a nonfederal share) to provide child care for recipients  
16 of AFDC and for participants in the tribe’s or organiza-  
17 tion’s JOBS and WORK programs, and to provide transi-  
18 tional child care with respect to an individual who is eligi-  
19 ble for child care under section 402(g)(1)(A)(ii). The  
20 amount of the payment provided under the preceding sen-  
21 tence for a fiscal year shall not exceed the total amount  
22 payable directly to such tribe or organization under section  
23 482(i).

24 “(3) The provisions of sections 402(g)(1)(A) (i) and  
25 (ii) shall not be construed as imposing any obligation upon

1 a State to provide child care for the children of JOBS  
2 or WORK program participants included within an ap-  
3 proved application under section 482(i) that includes a re-  
4 quest for direct funding of child care, during the period  
5 for which such direct funding is provided.

6 “(4) The Secretary shall establish data collection and  
7 reporting requirements, and performance standards, with  
8 respect to child care programs implemented under this  
9 subsection.”.

10 **SEC. 205. SPECIAL RULES FOR THE TERRITORIES.**

11 “(a) EXCLUSION FROM GENERAL CEILING OF  
12 JOBS, WORK, AND “AT-RISK” CHILD CARE.—Section  
13 1108(a) of the Act is amended by striking out, in the mat-  
14 ter preceding paragraph (1), “section 403(k)” and insert-  
15 ing in lieu thereof “subsection (k), (l)(1), or (n) of section  
16 403”.

17 (b) Section 482 of the Act is amended by adding at  
18 the end thereof the following new subsection:

19 “(j) OPTIONS FOR TERRITORIES.—(1) IN GEN-  
20 ERAL.—Puerto Rico, the Virgin Islands, Guam, and  
21 American Samoa may each determine whether the provi-  
22 sions of section 417 shall be applicable under its State  
23 plan approved under part A, and, if so, part G shall be  
24 applicable. Each State exercising the option in the preced-  
25 ing sentence shall submit the necessary plan amendments

1 and plans to the Secretary for approval. Any such plan  
2 or plan amendment must also describe with respect to  
3 such section 417 and part G (and all related amendments)  
4 a phase-in strategy and a timetable for achieving full im-  
5 plementation.

6 “(2) SECRETARIAL WAIVERS.—The Secretary may  
7 waive or modify any requirement pertaining to the provi-  
8 sions of section 417, the program required under part G,  
9 or the requirements of part A (including participation  
10 rates and performance standards) that, as established  
11 with reference to the 50 States and the District of Colum-  
12 bia, would be inappropriate for a State to which this sub-  
13 section applies.

14 “(3) TERMINATION.—The applicability of section 417  
15 and part G to a State to which this section applies may  
16 be terminated voluntarily by such State, but following any  
17 such termination, such State shall not be eligible to exer-  
18 cise the option with respect to any year before the sixth  
19 year following such termination.”.

20 **SEC. 206. TRAINING AND EMPLOYMENT FOR NON-CUSTO-**  
21 **DIAL PARENTS.**

22 Section 482 of the Act is amended by adding at the  
23 end thereof the following new subsection:

24 “(j) TRAINING AND EMPLOYMENT FOR NON-CUSTO-  
25 DIAL PARENTS.—

1           “(1) The Secretary shall approve the applica-  
2           tion of a State to conduct a program of training and  
3           employment opportunities for noncustodial parents  
4           that meets the requirements of this subsection.

5           “(2) An application to conduct a program  
6           under this subsection shall—

7                   “(A) describe the political subdivision or  
8                   subdivisions, or other identifiable areas of the  
9                   State where the program will be conducted,

10                   “(B) describe the services that will be pro-  
11                   vided to participants, including the training, job  
12                   readiness services, and employment opportuni-  
13                   ties that will be available, and indicate whether  
14                   these will be provided through the program  
15                   under this part or under part G (or both) or  
16                   whether some or all of the activities under this  
17                   subsection will be conducted as a separate pro-  
18                   gram,

19                   “(C) describe the supportive services that  
20                   will be provided to enhance the participant’s in-  
21                   volvement in the program and ability to obtain  
22                   employment and meet his or her child support  
23                   obligations,

24                   “(D) indicate whether the State will con-  
25                   duct a random assignment evaluation of the ef-

1           fects of the program on improved responsibility  
2           in meeting child support obligations, and

3           “(E) provide assurance that the State’s  
4           program will comply with the requirements of  
5           this subsection.

6           “(3) The application must provide that a  
7           noncustodial parent will be eligible to commence par-  
8           ticipation in the program under this subsection if his  
9           or her child is receiving aid to families with depend-  
10          ent children (or the child’s custodial parent is receiv-  
11          ing wages in connection with the program under  
12          part G), or if the noncustodial parent owes past-due  
13          child support which has been assigned to the State  
14          agency administering the State plan approved under  
15          part A and is unemployed. Paternity must be estab-  
16          lished before a noncustodial father may enter the  
17          program, and the noncustodial parent must be co-  
18          operating in the establishment of a child support ob-  
19          ligation and the entry of an award. If a parent who  
20          has been participating in the program ceases to be  
21          eligible therefor because the child with respect to  
22          whom the support obligation exists is no longer eligi-  
23          ble for aid to families with dependent children (and  
24          the custodial parent is not receiving wages in con-  
25          nection with the program under part G), the State

1 must nonetheless allow the participant to complete  
2 the training or program activity.

3 “(4) A State conducting a program under this  
4 subsection shall not be required—

5 “(A) to accept all applicants even though  
6 they meet the criteria of paragraph (3), or

7 “(B) to provide the same training, services,  
8 or employment opportunities to all participants,  
9 and the State shall not require—

10 “(C) that individuals participate in the  
11 JOBS program (or in education or training ac-  
12 tivities comparable or similar to the JOBS pro-  
13 gram) as a prerequisite to participation in the  
14 WORK program (or comparable program of  
15 subsidized employment), or

16 “(D) that the custodial parent of an indi-  
17 vidual’s child be participating in the JOBS pro-  
18 gram under part F or the WORK program  
19 under part G as a condition of such individual’s  
20 eligibility to participate in the program under  
21 this subsection.

22 “(5) The State agency shall assure that wages  
23 will be paid for work performed by the participant  
24 and may provide for the payment of training sti-  
25 pends.

1           “(6)(A) The State agency shall garnish sub-  
2           sidized wages, or any stipends, paid in connection  
3           with a non-custodial parent’s participation in the  
4           program under this subsection, and remit them to  
5           the State agency administering the State plan ap-  
6           proved under part D for distribution as a child sup-  
7           port collection in accordance with the provisions of  
8           that part.

9           “(B) The State may provide, if, with respect to  
10          an individual participating in the program under  
11          this subsection, it has jurisdiction over the child sup-  
12          port obligation being enforced that hours of partici-  
13          pation in program activities may, on a reasonable  
14          basis, be credited to reduce amounts of past-due  
15          child support owed to such State agency by the indi-  
16          vidual.

17          “(7)(A) A State with an application approved  
18          under this subsection may use, for carrying out the  
19          program described in such application in any fiscal  
20          year, up to 10 percent of the sum of the amounts  
21          available to it for such fiscal year under subsection  
22          (k)(2) and (l)(2) of section 403. The State shall be  
23          entitled to so much of such amount as equals the  
24          percentage specified in section 403(k)(1)(A) multi-



1 (b) WORK REMUNERATION INELIGIBLE FOR TAR-  
2 GETED JOBS TAX CREDIT.—Section 51(b) (defining  
3 qualified wages for purposes of the Targeted Jobs Tax  
4 Credit) of the Internal Revenue Code of 1986 is amended  
5 by inserting after paragraph (3) the following new para-  
6 graph (4):

7 “(4) SPECIAL RULES FOR WORK POSITIONS.—

8 “(A) QUALIFIED WAGES.—No amount of  
9 remuneration received for services provided in a  
10 WORK position to which an employee was as-  
11 signed under part G of title IV of the Social Se-  
12 curity Act shall be treated as qualified wages.

13 “(B) QUALIFIED FIRST-YEAR WAGES.—  
14 The 1-year period described in paragraph (2) is  
15 determined without regard to the period in  
16 which the employee provided services in a  
17 WORK position to which the employee was as-  
18 signed under part G of title IV of the Social Se-  
19 curity Act.”.

20 (c) WORK REMUNERATION NOT SUBJECT TO  
21 FUTA.—Section 3306(b) (defining wages for purposes of  
22 the Federal unemployment tax) of the Internal Revenue  
23 Code of 1986 is amended by striking “or” at the end of  
24 paragraph (15), by striking the period at the end of para-

1 graph 16 and inserting in lieu thereof “, or”, and by in-  
2 serting after paragraph (16) the following paragraph:

3 “(17) remuneration paid for services provided  
4 in a WORK position to which the employee was as-  
5 signed under part G of title IV of the Social Secu-  
6 rity Act.”.

7 (d) WORK REMUNERATION EXCLUDED FROM  
8 GROSS INCOME.—The Internal Revenue Code of 1986 is  
9 amended by redesignating section 137 (containing certain  
10 cross references) as section 138, and by inserting after  
11 section 136 the following section:

12 SEC. 137. WORK PROGRAM REMUNERATION.—  
13 Gross income shall not include any remuneration received  
14 for services provided in a WORK position to which the  
15 individual was assigned under part G of title IV of the  
16 Social Security Act.”.

17 **TITLE III—CHILD CARE**

18 **SEC. 301. CHILD CARE FOR JOBS AND WORK PROGRAM**

19 **PARTICIPANTS AND AT-RISK FAMILIES.**

20 (a) GUARANTEE WHILE IN WORK OR JOBS PRO-  
21 GRAM.—(1) Section 402(g)(1)(A)(i)(I) of the Act is  
22 amended by striking out the semicolon and inserting in  
23 lieu thereof “(including employment under part G, or  
24 other required activities under such part);”.

25 (2) Section 402(g)(1)(A)(i) of the Act is amended—

1 (A) by striking out “(including participation in  
2 a program that meets the requirements of subsection  
3 (a)(19) and part (F))”, and

4 (B) by striking out “approves the activity” and  
5 inserting in lieu thereof “approves the activity as  
6 part of the individual’s employability plan under  
7 part F (regardless of whether resources are available  
8 to provide other services or pay for other activities  
9 to carry out such plan)”.

10 (b) TRANSITIONAL CHILD CARE AFTER LEAVING  
11 WORK PROGRAM.—

12 (1) Section 402(g)(1)(A)(ii) of the Act is  
13 amended immediately following “aid to families with  
14 dependent children” by inserting “or wages under  
15 the program under part G”.

16 (2)(A) Clause (iii) of section 402(g)(1)(A) of  
17 the Act is amended by inserting before the period at  
18 the end thereof “or wages under part G”.

19 (B) Clause (iv) of such section is amended im-  
20 mediately after “aid to families with dependent chil-  
21 dren” by inserting “or wages under part G”.

22 (c) HEALTH AND SAFETY STANDARDS; CONTINUITY  
23 OF CARE.—(1) FOR RECIPIENTS.—Section 402(g)(1)(A)  
24 of the Act is amended by adding at the end thereof the  
25 following new subparagraphs:

1           “(viii) Child care guaranteed  
2           under this section, whether provided  
3           by a method permitted under sub-  
4           paragraph (B) or by means of an  
5           agreement under subsection (j) with  
6           the lead agency designated under the  
7           Child Care and Development Block  
8           Grant Act of 1990 (hereafter referred  
9           to as the ‘CCDBG Act’), must meet  
10          all health and safety standards estab-  
11          lished by the lead agency (for pur-  
12          poses of the CCDBG Act), and, in ad-  
13          dition to any other requirements im-  
14          posed pursuant to that Act, the State  
15          agency must establish immunization  
16          requirements and assure (and any  
17          such agreement must provide) that,  
18          consistent with regulations of the Sec-  
19          retary (I) children whose child care is  
20          paid for, in whole or in part, under  
21          this subsection will be required to  
22          have received all immunizations, at  
23          the appropriate times, as currently  
24          recommended by the Advisory Com-  
25          mittee on Immunization Practices (an

1 advisory committee established by the  
2 Secretary, acting through the director  
3 of the Centers for Disease Control  
4 and Prevention) as specified on the  
5 pediatric vaccines list referred to in  
6 section 1928(e), and (II) child care  
7 providers used will take steps to as-  
8 sure that toxic substances, weapons,  
9 and any other items at the location  
10 where the child care is provided that  
11 could be harmful to young children,  
12 will be secured and unobtainable by  
13 the children.

14 “(ix) The State plan must assure  
15 that child care provided under this  
16 subsection will conform in all ways to  
17 the provisions for parental choice, un-  
18 limited parental access, handling of  
19 parental complaints, and consumer  
20 education, as well as to all the other  
21 standards, criteria, and requirements  
22 applicable to child care provided under  
23 the CCDBG Act.

24 “(x) The State agency may, at  
25 its option, provide or authorize the

1 provision of child care under this sub-  
2 section (and if it exercises this option,  
3 shall so advise the lead agency des-  
4 igned under the CCDBG Act, if it  
5 has an agreement with such agency  
6 under subsection (j)) to a child for  
7 such periods of time as are necessary  
8 to assure continuity of care even  
9 though, for such periods, the individ-  
10 ual whose participation in the pro-  
11 gram under part F or part G or  
12 whose employment is enabled by the  
13 child care may have temporary inter-  
14 ruptions in employment or training.”.

15 (2) FOR AT-RISK FAMILIES.—Section 402(i) of the  
16 Act is amended by redesignating paragraphs (5) and (6)  
17 as paragraphs (8) and (9), respectively, and by inserting  
18 after paragraph (4) the following new paragraphs:

19 “(5) Child care provided under this subsection,  
20 whether provided by a method permitted under para-  
21 graph (2) or by means of an agreement under sub-  
22 section (j) with the lead agency designated under  
23 CCDBG Act, must meet all health and safety stand-  
24 ards established by the lead agency (for purposes of  
25 the CCDBG Act), and, in addition to any other re-

1        requirements imposed pursuant to that Act, the State  
2        agency must establish immunization requirements  
3        and assure (and any such agreement must provide)  
4        that, consistent with the regulations of the Secretary  
5        (i) children whose child care is paid for, in whole or  
6        in part, under this subsection will be required to  
7        have received all immunizations, at the appropriate  
8        times, as currently recommended by the Advisory  
9        Committee on Immunization Practices (as advisory  
10       committee established by the Secretary, acting  
11       through the director of the Centers for Disease Con-  
12       trol and Prevention) as specified on the pediatric  
13       vaccines list referred to in section 1928(e), and (ii)  
14       child care providers used will take steps to assure  
15       that toxic substances, weapons, and any other items  
16       at the location where the child care is provided that  
17       could be harmful to young children, will be secured  
18       and unobtainable by the children.

19        “(6) The State plan must assure that child care  
20        provided under this subsection will conform in all  
21        ways to the provisions for parental choice, unlimited  
22        parental access, handling of parental complaints,  
23        and consumer education, as well as to all other  
24        standards, criteria, and requirements applicable to  
25        child care provided under the CCDBG Act.

1           “(7) The State agency may, at its option, pro-  
2           vide or authorize the provision of child care under  
3           this subsection (and if it exercises this option, shall  
4           so advise the lead agency designated under the  
5           CCDBG Act, if it has an agreement with such agen-  
6           cy under subsection (j)) to a child for such periods  
7           of time as are necessary to assure continuity of care  
8           even though, for such periods, the individual whose  
9           employment is enabled by the child care may have  
10          temporary interruptions in employment.”.

11 **SEC. 302. RELATED AMENDMENTS.**

12          (a) CHILD CARE FOR PARTICIPANTS IN THE JOBS  
13 OR WORK PROGRAM, AND TRANSITIONAL CHILD  
14 CARE.—Section 402(g) of the Act is amended—

15           (1) by striking out, in paragraph (1)(A)(vii), “a  
16           sliding scale formula” and all that follows and in-  
17           serting in lieu thereof “the sliding fee scales estab-  
18           lished by the lead agency designated under the Child  
19           Care and Development Block Grant Act of 1990 as  
20           required by section 658E(c)(5) of that Act.”;

21           (2) by amending paragraph (1)(C)(i) by strik-  
22           ing out clause (II) and inserting in lieu thereof “an  
23           amount not less than the amount provided in the  
24           State plan pursuant to this clause for January  
25           1994.”;

1           (3) by amending paragraph (3)(B) by adding  
2           “and” after clause (i), striking out “applicable  
3           standards” and all that follows in clause (ii) and in-  
4           serting in lieu thereof “all requirements, standards,  
5           and criteria applicable to child care funded under  
6           the CCDBG Act.”, and by repealing clause (iii); and  
7           (4) by repealing paragraphs (4) and (5).

8           (b) AT-RISK-CHILD CARE.—Section 402(i) of the Act  
9 is amended—

10           (1) in paragraph (3)(A), by striking out “a slid-  
11           ing scale formula” and all that follows and inserting  
12           in lieu thereof “the sliding fee scales referred to in  
13           subsection (g)(1)(A)(vii).”;

14           (2) in paragraph (8)(B) (as redesignated by  
15           section 401(c)(2)), by striking out “applicable stand-  
16           ards of State and local law;” and inserting in lieu  
17           thereof “all requirements, standards, and other cri-  
18           teria applicable to child care funded under the  
19           CCDBG Act;

20           (3) by repealing subparagraphs (C) and (D) of  
21           such paragraph (8); and

22           (4) by amending paragraph (9) (as redesign-  
23           ated) to read as follows:

24           “(9) In order to facilitate more accurate analy-  
25           sis of the supply and quality of child care resources,

1 the demand for such resources that cannot currently  
2 be satisfied, and the effectiveness and relationship of  
3 Federal programs providing support for child care  
4 and child development activities, the Secretary shall  
5 specify by regulation a core set of consistently de-  
6 fined data elements for child care which must be  
7 used by each State with respect to all reports relat-  
8 ing to child care or child development activities sup-  
9 ported in whole or in part under this Act or under  
10 the CCDBG Act.”.

11 **SEC. 303. LIMITATION OF AT-RISK CHILD CARE TO FAMI-**  
12 **LIES INELIGIBLE FOR RECIPIENT OR TRANSI-**  
13 **TIONAL CHILD CARE.**

14 Section 402(i)(1)(A) of the Act is amended to read  
15 as follows:

16 “(A) is not eligible for child care under  
17 subsection (g);”.

18 **SEC. 304. OPTION TO CONSOLIDATE STATE RESPONSIBIL-**  
19 **ITY FOR CHILD CARE.**

20 (a) STATE OPTION.—Section 402 of the Act is  
21 amended by adding at the end thereof the following new  
22 subsection:

23 “(j)(1) In order to provide the child care which must  
24 be guaranteed pursuant to subsection (g) or which may  
25 be furnished pursuant to subsection (i), the State agency

1 may enter into an agreement with the lead agency des-  
2 ignated under section 658D of the CCDBG Act under  
3 which—

4           “(A) subject to paragraph (2), the State agency  
5           will pay (either in advance or as reimbursement) the  
6           lead agency for the cost of providing child care for  
7           any child with respect to whom care must be guar-  
8           anteed under subsection (g) or is to be furnished  
9           under subsection (i), and the lead agency agrees that  
10          care for all such children will only be paid for from  
11          such reimbursement; and

12          “(B) that (i) all child care provided by the lead  
13          agency under the agreement, whether directly or by  
14          contractual or other arrangements, will be subject to  
15          the same requirements, standards, and other criteria  
16          as are applicable to child care funded under the  
17          CCDBG Act, and (ii) parents and children to whom  
18          such care is provided will be offered all the same  
19          protections and procedural safeguards as are appli-  
20          cable to child care furnished under the CCDBG Act.

21          “(2) LIMITS OF REIMBURSEMENT.—The State agen-  
22          cy shall not pay the lead agency for care provided to a  
23          child an amount (A) less than the minimum permitted  
24          under subsection (g)(1)(C)(i)(II) and specified by the  
25          State for fiscal year 1994 in its plan approved under this

1 part nor (B) in excess of the amount described in sub-  
 2 section (g)(1)(C) or (i)(3)(B), whichever may be applicable  
 3 to the child involved, and, with respect to children to  
 4 whom subsection (i)(3)(B) applies, the State agency shall  
 5 be obligated to pay the lead agency for child care furnished  
 6 in a fiscal year only to the extent of appropriations avail-  
 7 able for such purpose for such fiscal year.

8       “(3) SINGLE STATE AGENCY.—Nothing in this sub-  
 9 section shall be construed as precluding the designation  
 10 of the agency established or designated under section  
 11 402(a)(3) as the lead agency for purposes of the CCDBG  
 12 Act. No agreement shall be necessary in the case where  
 13 the same agency is designated under both the CCDBG Act  
 14 and this Act, but the agency shall, as lead agency, comply  
 15 with all the provisions of this subsection.”.

16 **SEC. 305. FUNDING FOR QUALITY IMPROVEMENT AND LI-**  
 17 **CENSING ACTIVITIES BENEFITTING CHIL-**  
 18 **DREN RECEIVING AFDC OR AT-RISK CHILD**  
 19 **CARE.**

20       (a)(1) LICENSING AND MONITORING COSTS.—Sec-  
 21 tion 402(g)(3) of the Act is amended by adding at the  
 22 end thereof the following new subparagraph:

23               “(C) In determining the amount expended  
 24               by a State for purposes of section 403(a)(3),  
 25               the Secretary shall allow the State to include an

1 amount, determined in accordance with a for-  
2 mula prescribed by the Secretary, to reimburse  
3 the State for expenditures in connection with li-  
4 censing, monitoring, and similar activities with  
5 respect to child care providers in the State. The  
6 formula adopted by the Secretary shall reflect  
7 either the number of children for whom child  
8 care is reimbursed under section 403(a), the  
9 number of child care providers in the State fur-  
10 nishing such child care, or both, and any other  
11 factors which the Secretary determines it would  
12 be equitable to consider. The total payment to  
13 all States pursuant to this subparagraph shall  
14 not exceed \$15,000,000 for any fiscal year.”.

15 (2) The amendment made by paragraph (1) shall be  
16 effective for fiscal years after 1995.

17 (b) SUPPLY AND QUALITY IMPROVEMENT ACTIVI-  
18 TIES.—Section 402(i) of the Act is amended by redesi-  
19 gnating paragraph (9) (as previously redesignated) as para-  
20 graph (10) and inserting after and below paragraph (8)  
21 the following:

22 “(9) Of the amount available to a State for any  
23 fiscal year under section 403(n), 10 percent of such  
24 amount may be paid by the Secretary with respect  
25 to expenditures for those activities to improve the

1 quality of child care in the State described in section  
2 458G of the Child Care and Development Block  
3 Grant Act (referred to in this subsection as the  
4 ‘CCDBG’ Act) and to increase the availability in  
5 low-income communities of child care appropriate for  
6 infants and very young children in a variety of set-  
7 tings. Either the State agency administering the  
8 plan approved under this part or the lead agency  
9 designated under the CCDBG Act may conduct such  
10 activities (in which case the State agency shall pay  
11 to the lead agency the amount provided by the Sec-  
12 retary for this purpose pursuant to the preceding  
13 sentence).”.

14 **SEC. 306. FUNDING OF CHILD CARE FOR FAMILIES AT RISK**  
15 **OF WELFARE DEPENDENCY.**

16 (a) FEDERAL FUNDING.—Section 403(n) is amend-  
17 ed—

18 (1) in paragraph (1)(A), by striking out “the  
19 Federal medical assistance percentage as defined in  
20 section 1905(b))” and inserting in lieu thereof “the  
21 State’s enhanced Federal medical assistance percent-  
22 age (as defined in subsection (m)(6))”; and

23 (2) in paragraph (2), by amending subpara-  
24 graph (B) to read as follows:

1           “(B) The amount specified in this sub-  
2 paragraph is—

3           “(i) \$300,000,000 for fiscal year  
4 1995,

5           “(ii) \$500,000,000 for fiscal year  
6 1996,

7           “(iii) \$600,000,000 for fiscal year  
8 1997,

9           “(iv) \$700,000,000 for fiscal year  
10 1998, and

11           “(v) \$1,000,000,000 for fiscal year  
12 1999,

13           “(vi) \$1,050,000,000 for fiscal year  
14 2000,

15           “(vii) \$1,100,000,000 for fiscal year  
16 2001,

17           “(viii) \$1,150,000,000 for fiscal year  
18 2002,

19           “(ix) \$1,200,000,000 for fiscal year  
20 2003,

21           “(x) \$1,300,000,000 for fiscal year  
22 2004, and

23           “(xi) the product of \$1,300,000,000  
24 adjusted by the CPI as prescribed in sec-  
25 tion 406(i) and the ratio of the child popu-

1           lation in the United States for the most re-  
2           cent preceding fiscal year for which such  
3           data are available, to such population for  
4           the second most recent preceding fiscal  
5           year,

6           reduced by 2 percent (or, in the case of fiscal  
7           years after 1998, 1 percent) for carrying out  
8           section 404 of the Work and Responsibility Act  
9           of 1994.”.

10       (b) REALLOTMENT OF AT-RISK CHILD CARE  
11 FUNDS.—Section 403(n)(3)(C) of the Act (permitting a  
12 one-year carryover by a State of unclaimed Federal funds  
13 for at-risk child care) is amended to read as follows:

14           “(C) If the amount specified in subpara-  
15           graph (B) for any fiscal year exceeds (or if the  
16           Secretary estimates that it will exceed) the total  
17           amount paid (or estimated to be payable) under  
18           paragraph (1) for such fiscal year, then the  
19           Secretary shall provide additional payments to  
20           States whose expenditures pursuant to section  
21           402(i) for such year exceed their limitation on  
22           Federal payment under paragraph (2). The  
23           Secretary shall by regulation provide for the eq-  
24           uitable reallocation of any amounts available in  
25           the case where all States’ claims for a fiscal

1           year under this subparagraph exceed the  
2           amount available for reallocation.”.

3 **SEC. 307. SUPPLEMENT TO INCOME DISREGARD.**

4           (a) REQUIREMENT.—Section 402(g)(1)(B) of the Act  
5 is amended by adding at the end thereof the following new  
6 sentence: “If the State agency guarantees child care by  
7 applying the income disregard provision in subsection  
8 (a)(8)(A)(iii) in determining the amount of aid to be paid  
9 for a month, the State agency shall offer the caretaker  
10 relative the option of receiving care under another ar-  
11 rangement pursuant to this subparagraph, or, alter-  
12 natively, the State agency shall reimburse the caretaker  
13 relative for expenditures for child care for such month in  
14 an amount equal to the excess of such expenditures (or,  
15 if less, the maximum amount that may be paid for the  
16 type of child care involved, as determined under subpara-  
17 graph (C)) over the amount that is disregarded under such  
18 subsection.”.

19           (b) NOTICE.—Section 402(g)(1)(A)(i) of the Act is  
20 amended by striking out the period at the end and insert-  
21 ing in lieu thereof a semicolon and adding after and below  
22 clause (II) the following: “and if the State agency applies  
23 the income disregard provision in subsection (a)(8)(A)(iii)  
24 without reimbursement under subparagraph (B) for any  
25 additional cost, it shall advise each such family that they

1 also have the option to have the State agency provide child  
2 care under another arrangement pursuant to subpara-  
3 graph (B).”.

4       **TITLE IV—PROVISIONS WITH MULTI-**  
5                   **PROGRAM APPLICABILITY**

6       **SEC. 401. PERFORMANCE STANDARDS.**

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

8       **“SEC. 487. PERFORMANCE STANDARDS.**

9       “(a) DEVELOPMENT OF FACTORS TO BE MEAS-  
10 URED.—In order to specify a set of outcome-based per-  
11 formance measures to which the Secretary can thereafter  
12 apply standards of achievement to define successful State  
13 JOBS and WORK programs (with appropriate variations  
14 in the factors to be measured, and the standards applied,  
15 among the States and for programs directly administered  
16 by Indian tribes or Alaska Native organizations), the Sec-  
17 retary shall develop recommendations for factors to be  
18 measured in assessing such programs, together with spe-  
19 cific elements to be examined and the methodology for col-  
20 lecting the necessary data. Factors to be recommended  
21 shall include the percentage of a State’s AFDC caseload  
22 subject to the time limits in section 417 who receive aid  
23 for 24 cumulative months and may include factors such  
24 as those considered under section 106 of the Job Training  
25 Partnership Act, as well as—

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

4           “(2) the retention of program participants for  
5 significant periods of time in unsubsidized employ-  
6 ment,

7           “(3) the decrease in the rate of dependency on  
8 welfare of participants’ families,

9           “(4) the improvement in the long-term eco-  
10 nomic well-being of families with children with a  
11 family member who previously participated in one or  
12 both such programs, and

13           “(5) such other factors as the Secretary finds  
14 appropriate.

15 The Secretary shall solicit views on the recommendations  
16 from the Secretary of Labor, the Secretary of Education,  
17 and other Federal, State, and local officials (and rep-  
18 resentatives of associations of such officials) from both the  
19 executive and the legislative branches of government, and  
20 from other individuals and organizations with expertise in  
21 the fields of social welfare, education and training pro-  
22 grams for children and adults, employment-related pro-  
23 grams and social and supportive services related to these  
24 areas, as well as from community-based organizations and  
25 former and current program participants. Based upon the

1 consultations and consideration of the views provided re-  
2 garding the recommended factors, the Secretary shall, not  
3 later than October 1, 1996, publish in the Federal Reg-  
4 ister the factors to be measured in assessing States' per-  
5 formance in administering the programs established under  
6 parts F and G.

7       “(b) DEVELOPMENT OF PERFORMANCE STAND-  
8 ARDS.—(1) RECOMMENDATIONS.—In order to set stand-  
9 ards of achievement to be applied to each of the factors  
10 to be measured as defined in accordance with subsection  
11 (a), the Secretary shall, not later than April 1, 1998, de-  
12 velop recommended standards to be applied to each of the  
13 factors. Views on these recommended standards shall be  
14 solicited from officials, organizations, and individuals  
15 broadly representative of the groups described in sub-  
16 section (a). Based upon the consultations and consider-  
17 ation of the comments received from these sources, the  
18 Secretary shall, not later than October 1, 1998, publish  
19 in the Federal Register the standards to be applied to the  
20 measurement factors.

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

1 records, State employment security records, records col-  
2 lected under the Federal Insurance Contributions Act  
3 (chapter 21 of the Internal Revenue Code of 1986), State  
4 aid to families with dependent children records, and the  
5 use of statistical sampling techniques, and similar records  
6 or measures, with appropriate safeguards to protect the  
7 confidentiality of the information obtained.

8       “(c) INCENTIVES AND PENALTIES.—The Secretary  
9 shall recommend and, not later than October 1, 1998,  
10 issue regulations prescribing incentives for States meeting  
11 or exceeding the performance standards adopted pursuant  
12 to subsection (b), and penalties for States failing to meet  
13 such standards. In developing such regulations, the Sec-  
14 retary shall study and consider the relationship between  
15 penalties and incentives as a means of achieving the pro-  
16 posed standards. The Secretary will consider whether the  
17 penalties and incentives set are sufficient to insure that  
18 a State which incurs the costs necessary to obtain the de-  
19 sired outcomes is financially better off than one that does  
20 not. Such regulations shall also include provisions for  
21 delay of any penalty when the Secretary finds it appro-  
22 priate to afford a State sufficient time to develop and  
23 (with the Secretary’s approval) implement a corrective ac-  
24 tion plan which, if successful, will obviate the application  
25 of a penalty, and provision for furnishing technical assist-

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

3       “(d) The Secretary shall, from time to time, and in  
4   consultation with officials, organizations, and individuals  
5   broadly representative of the groups referred to in sub-  
6   section (a), review and, if appropriate, propose modifica-  
7   tions to the factors to be measured, the standards of per-  
8   formance, or the incentives and penalties, and after oppor-  
9   tunity for review and comment, modify any one or more  
10  of such items.

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

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

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

1 program. Participants and employers may provide either  
2 oral or written views, and the State should use a range  
3 of methods to obtain such views, including written ques-  
4 tionnaires and group interviews and discussions. The in-  
5 formation obtained from participants and employers shall  
6 be analyzed by the State and a summary of the informa-  
7 tion, together with the State's analysis, made available for  
8 use in improving the administration of the JOBS and  
9 WORK programs.

10 **SEC. 402. AFDC QUALITY CONTROL SYSTEM AMENDMENTS.**

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

13 “(a) IN GENERAL.—In order (1) to improve the accu-  
14 racy of payments of aid to families with dependent chil-  
15 dren, and wages under the WORK program under part  
16 G, to assess the accuracy of State reported data relating  
17 to its JOBS and WORK programs and to its implementa-  
18 tion of the time limits established by section 417, (2) to  
19 determine the number of individuals to whom the State  
20 found applicable section 402(a)(19)(D) (by each of the  
21 categories enumerated within such section) and the num-  
22 ber of individuals with respect to whom an extension of  
23 the time limit under section 417 was provided (by each  
24 of the categories enumerated within section 417(e)), (3)  
25 to determine whether participation standards under sec-

1 tion 403 have been met, (4) to assess the effectiveness  
2 of the State's program by applying the performance stand-  
3 ards developed under section 487, and (5) to serve such  
4 other purposes as the Secretary finds appropriate for a  
5 performance measurement system, the Secretary shall es-  
6 tablish and operate a quality control system to secure the  
7 accurate data needed to measure performance, identify  
8 areas in which corrective action is necessary, and deter-  
9 mine the amount (if any) of the disallowance required to  
10 be repaid to the Secretary because of erroneous payments  
11 of aid made by the State, or its failure to meet such par-  
12 ticipation or performance standards.”.

13 (b) ADDITIONAL DATA REQUIRED TO BE SAM-  
14 PLED.—Section 408(h) of the Act is amended—

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

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

19 “(2) payments of aid that will be considered,  
20 for purposes of this section, to be erroneous pay-  
21 ments because of a State's exceeding the limits spec-  
22 ified in section 402(a)(19)(D) or 417(e), and the  
23 State's failure to achieve the participation rates  
24 specified in section 403, or to meet the performance  
25 standards developed pursuant to section 487, and

1 the additional data elements to be included in a  
2 sample (and whether as part of the sample review  
3 under subsection (b) or separately) in order to deter-  
4 mine whether such participation rates have been  
5 achieved, and the extent to which the State has met  
6 such performance standards;” and

7 (3) by amending paragraph (3) (as redesignig-  
8 nated) by inserting before the semicolon “and mat-  
9 ters relating to the size and selection of samples and  
10 relating to the methodology for making statistically  
11 valid estimates of the State’s compliance with the  
12 limits referred to in paragraph (2) and its achieve-  
13 ment of participation rates and performance (meas-  
14 ured against such standards) achieved by the State”.

15 (c) STATE STUDIES.—Section 408(h) is amended by  
16 adding at the end thereof the following new sentence: “Ex-  
17 penditures by a State to conduct studies approved by the  
18 Secretary to test and improve its quality control system,  
19 and adapt it to the full range of purposes described in  
20 subsection (a) shall, notwithstanding any other provision  
21 of law, be considered for purposes of section 403(a)(3) to  
22 be necessary for the proper and efficient administration  
23 of the State’s plan approved under this part.”.

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



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

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

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

13           “(2) The months for which aid was provided  
14 (with respect to such individual), including months  
15 in which no aid was paid with respect to such indi-  
16 vidual because a sanction was being applied pursu-  
17 ant to section 402(a)(19)(G), section 402(a)(26), or  
18 section 496(f).

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

21           “(4) Months during which an extension under  
22 section 417 (e) was provided with respect to an indi-  
23 vidual.

24           “(5) Months in which an individual was reg-  
25 istered with the State's WORK program under part

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

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

7 “(c) USE OF INFORMATION.—(1) TO WHOM PRO-  
8 VIDED.—The Secretary shall promptly respond to requests  
9 by a State agency administering a plan approved under  
10 this part for information with respect to one or more indi-  
11 viduals, identified by name and social security number.  
12 The Secretary shall furnish such information electroni-  
13 cally, and if such an individual has previously received (or  
14 is receiving) aid to families with dependent children, or  
15 was registered under a program pursuant to part G, iden-  
16 tify the State making payment of aid or administering the  
17 program under part G for each month involved or indicate  
18 that the requested information is not in the Registry.

19 “(2) REGULATIONS.—The Secretary shall prescribe  
20 rules pertaining to—

21 “(A) the format in which and process by which  
22 States must submit the information maintained  
23 under subsection (b);

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

1 furnished to such requests) for information under  
2 this subsection;

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

7 “(D) steps that the State must take to safe-  
8 guard any information received from the Registry,  
9 and assure that it will not be redisclosed except to  
10 the extent permitted under section 402(a)(9) or  
11 under this section.

12 The Secretary shall take into consideration in developing  
13 and issuing rules under this subsection the varying levels  
14 of capability among the States to monitor, provide, and  
15 receive by electronic means the information to be main-  
16 tained in the Registry, and shall allow in such rules a  
17 State to adopt alternatives to the generally applicable re-  
18 quirements if the State demonstrates that its alternative  
19 will be effective in reporting, receiving and using the infor-  
20 mation to be maintained in the Registry and the State  
21 has in effect an advance planning document approved  
22 under section 402(e).

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

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

3 “(e) The Secretary may disclose information in the  
4 Registry, in addition to disclosure to States for the pur-  
5 poses described above, only—

6 “(1) to the Social Security Administration in  
7 order to verify the accuracy of, and as necessary to  
8 correct, the social security account numbers of indi-  
9 viduals about whom information has been reported,  
10 and for use by the Social Security Administration in  
11 determining the accuracy of payments under the  
12 Supplemental Security Income program under title  
13 XVI, or for use in connection with benefits under  
14 title II, as may be relevant,

15 “(2) to the Internal Revenue Service for pur-  
16 poses directly connected with the administration of  
17 the earned income tax credit under section 32 of the  
18 Internal Revenue Code of 1986, or the advance pay-  
19 ment of such credit under section 3507 of such Code  
20 or for verification of a dependency exemption claim  
21 in an individual’s tax return or in connection with  
22 the dependent care tax credit,

23 “(3) to the Secretary of Labor (or the State  
24 agency administering the State’s program under title  
25 III of the Act) for purposes directly connected with

1 the administration of the unemployment compensa-  
2 tion program under title III (or under a State law  
3 with respect to which the Secretary of Labor cer-  
4 tifies payment under such title), and

5 “(4) for research purposes found by the Sec-  
6 retary to be likely to contribute to achieving the pur-  
7 poses of this part or part F or G, but without per-  
8 sonal identifiers.

9 “(f) There are authorized to be appropriated to estab-  
10 lish the National Welfare Receipt Registry, \$6,000,000 for  
11 fiscal year 1995, and to operate the Registry, \$4,000,000  
12 for each of fiscal years 1996 through 1999.”.

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

16 “(29) provide—

17 “(A) that information will be reported to  
18 the National Welfare Receipt Registry, at such  
19 times, in such format and by such process as  
20 the Secretary shall prescribe pursuant to sec-  
21 tion 411;

22 “(B) that the State agency will request  
23 from such Registry, and from the other Reg-  
24 istries maintained as part of the National Wel-  
25 fare Reform Information Clearinghouse estab-

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

6 “(C) that the State agency will cooperate  
7 with any other State agency administering or  
8 supervising the administration of a plan ap-  
9 proved under this part in order to resolve any  
10 disagreement between an individual seeking aid  
11 under such a plan (or seeking to participate in  
12 a program under part G) and the State about  
13 the correctness of information it reported to the  
14 Registry and report to the Registry any correc-  
15 tions to be made in the data contained in the  
16 Registry;”.

17 (c) STATE AUTOMATED INFORMATION SYSTEM.—

18 Section 402(a)(30) of the Act is amended to read as fol-  
19 lows:

20 “(30)(A) provide for an automated system  
21 which manages, monitors, and reports the informa-  
22 tion in paragraph (29) efficiently and economically,  
23 and for security against unauthorized access to, or  
24 use of, the data in such system; and

1           “(B) at the option of the State, provide for the  
2 establishment and operation, in accordance with an  
3 (initial and annually updated) advance planning doc-  
4 ument approved under subsection (e), of a statewide  
5 automated information system to assist in the ad-  
6 ministration of the State plan approved under this  
7 part through automated procedures and processes in  
8 any one or more of the following areas—

9           “(i) to assist in performing intake and re-  
10 ferral functions;

11           “(ii) to assist in providing the child care  
12 services required under subsection (g)(1), and  
13 available under subsection (i), and coordinating  
14 the provision of such services with those pro-  
15 vided in the State under the Child Care and  
16 Development Block Grant Act, in an efficient  
17 manner that eliminates (or at least minimizes)  
18 the disruption of service to children and fami-  
19 lies and assists the State in monitoring the  
20 quality, cost, and delivery of such services; or

21           “(iii) to assist in the administration of the  
22 State’s plan approved under part F, including  
23 monitoring the delivery of employment and  
24 training services and related support services,  
25 and to manage the information necessary to ad-



1 retary shall provide all appropriate technical assistance,  
2 and otherwise cooperate with the States' collaboration to  
3 develop systems that meet all the requirements of this  
4 part.

5 “(b) The model system developed by the Secretary  
6 under subsection (a)(1), or the system developed collabo-  
7 ratively by States under subsection (a)(2), must meet the  
8 following criteria—

9 “(1) with respect to payment of aid under the  
10 State's plan approved under this part, the system  
11 must be capable of assisting in performing the in-  
12 take and Federal function;

13 “(2) with respect to the State's child care pro-  
14 grams under this part, as well as under the CCDBG  
15 Act, the system must be capable of assisting in—

16 “(A) identifying and establishing the eligi-  
17 bility of families with children in need of child  
18 care, and determining the appropriate program  
19 under which to pay for such care;

20 “(B) determining the continuing eligibility  
21 of such families for such care, and planning for  
22 and monitoring services provided to such fami-  
23 lies;

1           “(C) processing payments and other finan-  
2           cial data needed for the management of the  
3           child care programs, and

4           “(D) producing necessary management re-  
5           ports for the efficient and effective administra-  
6           tion of the child care programs, including the  
7           generating of required financial and statistical  
8           reports;

9           “(3) with respect to the State’s JOBS and  
10          WORK programs under parts F and G respectively,  
11          the system must be capable of assisting in—

12                  “(A) assessing a participant’s service needs  
13                  in relation to stated goals,

14                  “(B) developing an appropriate employ-  
15                  ability plan, and

16                  “(C) monitoring and recording the individ-  
17                  ual’s attendance at or participation in all re-  
18                  quired program activities.

19          In the case of each of the State’s systems described  
20          in paragraphs (1), (2), and (3), the system must  
21          also be capable of exchanging data electronically  
22          with related Federal electronic data systems and  
23          other such systems of the State, and providing such  
24          other information necessary to assess the State’s

1 program performance against the standards estab-  
2 lished by the Secretary under section 487.

3 “(c) There are authorized to be appropriated to carry  
4 out subsection (a), \$7,500,000 for each of fiscal years  
5 1995 and 1996.

6 “(d)(1) In addition to the technical assistance re-  
7 quired in connection with the model systems described in  
8 subsection (a)(1), the Secretary shall provide for such  
9 training, and furnish such technical assistance as may be  
10 appropriate to enable States to develop and implement  
11 automated management systems as promptly and in as  
12 cost-effective a manner as possible.

13 “(2) There are authorized to be appropriated  
14 \$1,000,000 for each fiscal years 1995 through 1999 to  
15 carry out this subsection.”.

16 (e) ENHANCED MATCHING.—Section 403(a) of the  
17 Act is amended—

18 (1) by redesignating paragraph (3) as para-  
19 graph (3)(A) and striking out “and” at the end  
20 thereof, and

21 (2) by adding after and below such paragraph  
22 the following:

23 “(B) if the Secretary determines that the  
24 modification of a State’s system that meets the  
25 requirements of section 402(a)(30)(A) will be

1 cost-effective, or that a State's automated man-  
2 agement information system uses any one or  
3 more of the Secretary's models developed under  
4 section 413(a)(1), or is based on a State col-  
5 laboration under section 413(a)(2), Federal  
6 payments with respect to such systems shall  
7 equal 80 percent (or, if greater, the State's en-  
8 hanced Federal medical assistance percentage,  
9 as defined in subsection (m)(6)) of a State's ex-  
10 penditures under its approved advance planning  
11 document for the cost of developing and imple-  
12 menting any such system collaborative project;  
13 and

14 “(C) notwithstanding any other provision  
15 of this section, the total amount payable by the  
16 Secretary with respect to expenditures, (during  
17 the five-year period) to which subparagraph (B)  
18 applies shall not exceed \$800,000,000 to be dis-  
19 tributed among the States, and to make avail-  
20 able at such time or times over the five-year pe-  
21 riod, as is provided in regulations issued by the  
22 Secretary, taking into account the relative size  
23 of State caseloads and the levels of automation  
24 needed to meet the requirements of this title,  
25 and payments under subparagraph (B) shall be

1           made at such times and in such manner as pro-  
2           vided in subsection (b) and the advance plan-  
3           ning document approved under section  
4           402(e).”, and

5           (3) by striking out “section 403(a)(3)” in sub-  
6           paragraph (C) of section 402(g)(3) of this Act, as  
7           added by section 305(a)(1) of this Act, and inserting  
8           in lieu thereof “section 403(a)(3)(A)”.

9           (f) REVISION OF ADVANCE PLANNING DOCUMENT  
10          REQUIREMENT.—Section 402(e) of the Act is amended to  
11          read as follows:

12          “(e)(1) The Secretary shall not approve the Advance  
13          Data Planning document referred to in subsection (a)(30),  
14          unless such document, when implemented, will economi-  
15          cally, efficiently, and effectively carry out the objectives  
16          of the automated, statewide, management information sys-  
17          tems referred to in such subsection, and such document  
18          provides a plan to address the State’s approach, schedule,  
19          needed resources, and cost-benefit of the project.

20          “(2) The Secretary shall, on a continuing basis, re-  
21          view, access, and inspect the planning, design, and oper-  
22          ation of the statewide management information systems  
23          approved under subsection 403(a)(3)(B), to determine  
24          whether, and to what extent, such systems meet and will  
25          continue to meet requirements imposed under this part.”.

1 **SEC. 404. RESEARCH AND EVALUATION; TECHNICAL AS-**  
2 **SISTANCE; DEMONSTRATION PROJECTS.**

3 (a) FUNDING.—There shall be available to the Sec-  
4 retary of Health and Human Services (hereafter in this  
5 section referred to as the “Secretary”) for carrying out  
6 the projects and other activities specified in this section,  
7 and other such activities related to the provisions of this  
8 Act, in a fiscal year an amount equal to 2 percent (or,  
9 in the case of fiscal years after 1998, 1 percent) of the  
10 sum of the amounts specified in subsections (k)(3), (l)(3),  
11 and (n)(2)(B) of section 403 of the Social Security Act  
12 for such fiscal year.

13 (b) RESEARCH AND EVALUATION.—In addition to  
14 any other research and evaluation found appropriate by  
15 the Secretary pertaining to the new programs and amend-  
16 ments to existing programs added to the Social Security  
17 Act by the provisions of this Act, the Secretary shall, in  
18 consultation with the Secretary of Labor and the Sec-  
19 retary of Education conduct, in accordance with scientif-  
20 ically-acceptable methodology, the following studies of the  
21 time-limited program of assistance together with training  
22 and preparation for employment, followed by a program  
23 of required employment or employment-related activities:

- 24 (1) A two-phase implementation study of—  
25 (A) the initial steps taken by States and  
26 political subdivisions to implement the new pro-

1           grams and requirements established by the  
2           amendments made by this Act, as well as the  
3           obstacles faced, institutional arrangements en-  
4           tered into, and recommendations of such States  
5           and political subdivisions based on their experi-  
6           ences, and thereafter

7           (B) the experiences of States and localities  
8           after the new programs and requirements have  
9           been substantially implemented, including a  
10          study of the program design, services provided,  
11          funding levels, participation rates, and rec-  
12          ommendations of the administering agencies,  
13          and a review of the impact of these new pro-  
14          grams and requirements on the State and local  
15          administration of the programs, including man-  
16          agement systems, staffing structures, and the  
17          culture of the welfare programs.

18          (2) An evaluation in a variety of States and lo-  
19          calities, using random assignment of individuals to  
20          treatment and control groups, and other appropriate  
21          rigorous methods, to examine the effectiveness of  
22          time-limited assistance in helping participants  
23          achieve self-sufficiency, and the corresponding effect  
24          on unemployment rates, reduction of welfare depend-  
25          ency and teen pregnancy, the effects on income lev-

1       els, family structure, and children's well-being  
2       among participant groups.

3           (3) Together with the Secretary of Labor, a  
4       comprehensive national study after the WORK pro-  
5       gram (under part G of title IV of the Act) has been  
6       in effect for 2 years to measure the program's suc-  
7       cess in assisting participants to obtain unsubsidized  
8       employment, and to evaluate skill levels and barriers  
9       to employment in the case of individuals who have  
10      not, after participating in such program for 2 years,  
11      been able to obtain unsubsidized employment.

12      (c) TECHNICAL ASSISTANCE.—In addition to any  
13      other specific authorization in the Social Security Act for  
14      technical assistance, the Secretary is authorized to offer  
15      a broad range of technical assistance to States (including  
16      Indian tribes and Alaska Native organizations) and terri-  
17      tories, including training, consultations, and fostering the  
18      exchange of information among States and others about  
19      practices, strategies, and techniques that are proving ef-  
20      fective.

21      (d) PLACEMENT DEMONSTRATION PROJECTS.—The  
22      Secretary is authorized to approve up to 10 demonstra-  
23      tions of innovative techniques to increase the number of  
24      placements of participants in the JOBS program (under  
25      part F of title IV of the Social Security Act) in positions

1 of unsubsidized employment with significant retention  
2 rates. No more than 5 such demonstrations shall test the  
3 use by the State of a private organization, pursuant to  
4 a contractual arrangement under which the organization  
5 will place JOBS program participants in employment, and  
6 no more than 5 such demonstrations shall involve the use  
7 of placement bonuses payable to State or local agency em-  
8 ployees who effectuate successful placements. All the  
9 projects shall specify performance standards (based on  
10 placement and retention rates) to measure successful per-  
11 formance, and, in the case of projects involving the use  
12 of private agencies, shall also specify the services that  
13 must be made available to clients, both before and after  
14 the placement, and indicate whether the organization will  
15 also serve participants in the State's WORK program  
16 (under part G of title IV of the Social Security Act.)

17 (e) WORK-FOR-WAGES DEMONSTRATION PRO-  
18 JECTS.—The Secretary is authorized to approve up to 5  
19 local demonstration projects to test the development, im-  
20 plementation, and effectiveness of WORK programs con-  
21 ducted outside the context of the State's AFDC program.  
22 Any project approved under this subsection must include  
23 the following elements:

24 (1) The State agency administering the State's  
25 AFDC program (under part A of title IV of the So-

1       cial Security Act) must close the case when an indi-  
2       vidual to whom section 417 applies (as added by sec-  
3       tion 104 of this Act) reaches the time limit specified  
4       in such section.

5               (2) Each individual involved in the demonstra-  
6       tion must be advised of the procedures that must be  
7       followed to apply for the WORK-for-Wages Project,  
8       and may not be denied an opportunity to participate  
9       if such individual would be eligible to participate in  
10      the State's WORK program under part G of such  
11      title.

12              (3) Each individual will be afforded the oppor-  
13      tunity to earn wages in a position of employment  
14      and WORK stipends if necessary to provide at least  
15      the income level of the State's AFDC program (after  
16      application of the \$120 per month earned income  
17      disregard for work expenses) in the case of a simi-  
18      larly situated family (and States conducting projects  
19      will be encouraged to standardize, to the extent con-  
20      sistent with the preceding provisions of this para-  
21      graph, the amount of the stipends), but no payment  
22      of either wages or the stipend will occur unless the  
23      individual has worked or participated in an alter-  
24      native project-specified activity such as job search,

1 interim community service, or other activity designed  
2 by the project.

3 (4) Those elements of the WORK program  
4 under part G of title IV of the Act which the Sec-  
5 retary determines are essential to achieve its objec-  
6 tives, while protecting the interests of participants in  
7 the program and others involved in or affected by  
8 the project, will be retained and applied in the  
9 project.

10 (f) WORK SUPPORT AGENCY DEMONSTRATIONS.—  
11 The Secretary is authorized, in consultation with the Sec-  
12 retary of Labor, the Secretary of Agriculture, and the Sec-  
13 retary of the Treasury, to approve demonstration projects  
14 in up to 5 States, under which the State establishes a  
15 Work Support Agency to provide a broad and coordinated  
16 array of services and assistance to individuals who are  
17 former recipients of aid to families with dependent chil-  
18 dren to assist them in retaining unsubsidized employment.  
19 Services may include assistance in obtaining other benefits  
20 or payments for which the individual is still eligible, assist-  
21 ance in dealing with short-term family problems which  
22 could otherwise jeopardize continuation of the employment  
23 relationship, short-term or one-time financial aid to meet  
24 unusual employment-related needs and any other aid or

1 services that support the individual's ability to retain or,  
2 where necessary, secure employment.

3 (g) DEMONSTRATION PROJECTS FOR NONCUSTODIAL  
4 PARENTS.—In order to encourage the development of in-  
5 novative parenting programs for noncustodial parents that  
6 build upon existing programs for high-risk families, such  
7 as the Head Start program, the Healthy Start program,  
8 the Even Start program, and the Family Preservation and  
9 Support program, the Secretary is authorized to make  
10 grants to States, Indian tribes and Alaska Native organi-  
11 zations, or community-based organizations to conduct  
12 demonstration projects designed to improve the parenting  
13 skills of noncustodial parents with particular emphasis on  
14 matters such as the importance of parental involvement  
15 and economic security in the healthy development of chil-  
16 dren. The applicant shall describe the services to be pro-  
17 vided, and the way in which project services will be coordi-  
18 nated with one or more of the programs or initiatives re-  
19 ferred to in the preceding sentence.

20 (h) The Secretary shall, with respect to all dem-  
21 onstrations authorized under this section, prescribe—

22 (1) the minimum length of such projects in  
23 order to assure the value of the project,



1 of data bases included in the National Welfare Re-  
2 form Information Clearinghouse established by Sec-  
3 tion 453A of the Social Security Act, (as added by  
4 section 625 of this Act) are both receiving data from  
5 and providing data to State and Federal agencies,  
6 and otherwise fully complying with all requirements  
7 imposed by or pursuant to the provisions of the So-  
8 cial Security Act establishing, and requiring use of  
9 the components, of the Clearinghouse, and

10 (2) the Director of the Office of Management  
11 and Budget shall determine whether, and if so cer-  
12 tify that, all such data were used fully and by the  
13 Federal agencies to which it was supplied in order  
14 to reduce fraud, waste, and abuse in the programs  
15 it administers and in compliance with the require-  
16 ments imposed by or pursuant to the Social Security  
17 Act and subsection (d).

18 (b) ALTERNATIVE REDUCTIONS IN MANDATORY  
19 SPENDING.—If the Director of the Office of Management  
20 and Budget, after consultation with the Secretary of  
21 Health and Human Services, certifies, prior to the close  
22 of a fiscal year, as provided in subsection (a)(2), that, not-  
23 withstanding the full use of data as described in sub-  
24 section (a) and States' implementation of applicable re-  
25 quirements of the Social Security Act, mandatory spend-

1 ing was not reduced (when compared to the levels esti-  
2 mated had the Clearinghouse not been established and  
3 used) by the amount projected in the cost estimates, then  
4 in the succeeding fiscal year the following reductions in  
5 spending shall occur, in the sequence stated, to the extent  
6 necessary to reduce mandatory spending by the difference  
7 between the amount that it was estimated would be saved  
8 (or avoided) in the year (in which the certifications are  
9 made) and the amount certified by the Director as having  
10 been saved (or avoided)—

11 (1) the amount made available to the Secretary  
12 of Health and Human Services under section 404(a)  
13 of this Act for research, demonstrations, and tech-  
14 nical assistance, and the amount available under sec-  
15 tion 452(j) of the Social Security Act (as added by  
16 section 616 of this Act) for technical assistance to  
17 States with respect to child support enforcement  
18 programs (each such amount being reduced propor-  
19 tionately); and, if necessary,

20 (2) amounts otherwise payable under section  
21 403(a)(3) of the Social Security Act (as amended by  
22 this Act) to States which have not fully implemented  
23 all the requirements imposed by or pursuant to the  
24 Social Security Act for full use of the data available  
25 from any part of the National Welfare Reform Infor-



1 (b) Such section is further amended in subparagraph  
2 (A)(i) by striking out “, or reside in a foster home” and  
3 all that follows down to the semicolon.

4 (c) Such section is further amended—

5 (1) by amending so much of subparagraph (B)  
6 as precedes clause (i) to read “(B) in the case  
7 where—”,

8 (2) by striking out the semicolon at the end of  
9 each numbered clause in such subparagraph and in-  
10 sserting in lieu thereof a comma, and

11 (3) by adding after and below clause (v) of such  
12 subparagraph the following: “subparagraph (A) shall  
13 not be applicable, but the State agency shall assist  
14 the individual in locating an appropriate adult-super-  
15 vised supportive living arrangement taking into con-  
16 sideration the needs and concerns of the minor, (or  
17 may determine that the individual’s current living  
18 arrangement is appropriate) and thereafter shall re-  
19 quire that the individual (and child, if any) reside in  
20 such living arrangement as a condition of the contin-  
21 ued receipt of aid under the plan (or in an alter-  
22 native appropriate arrangement, should cir-  
23 cumstances change and the current arrangement  
24 cease to be appropriate) or, if the State agency is  
25 unable, after making diligent efforts, to locate any

1 such appropriate living arrangement, it shall provide  
2 for comprehensive case management, monitoring,  
3 and other social services consistent with the best in-  
4 terests of the individual (and child) while living inde-  
5 pendently;”.

6 **SEC. 502. STATE OPTION TO LIMIT BENEFIT INCREASES**  
7 **FOR ADDITIONAL FAMILY MEMBERS.**

8 (a) STATE OPTION.—Section 402(a) of the Act is  
9 amended—

10 (1) by striking out “and” after paragraph (44);

11 (2) by striking out the period after paragraph  
12 (45) and inserting in lieu thereof “; and”; and

13 (3) by adding at the end thereof the following  
14 new paragraph:

15 “(46) at the option of the State, provide that—

16 “(A) subject to subparagraphs (B), (C),  
17 and (D), the amount of aid to families with de-  
18 pendent children paid to a family under the  
19 plan will not be increased by reason of the birth  
20 of a child to an individual included in such fam-  
21 ily for purposes of making the determination  
22 under paragraph (7) and applying paragraph  
23 (8), or will be increased less than the amount  
24 that would be paid with respect to such child if  
25 such child had been a member of the family

1 when the family first applied for aid, (but any  
2 such child will be considered to be a recipient  
3 of aid for all other purposes, including title  
4 XIX) if—

5 “(i) in the case where the individual is  
6 a custodial parent of a dependent child,  
7 the child was conceived in a month for  
8 which the individual received aid under the  
9 plan, or

10 “(ii) in the case where the individual  
11 is a dependent child, the individual is the  
12 parent of another child who is a member of  
13 the same family and whose needs are in-  
14 cluded for purposes of making such deter-  
15 mination;

16 “(B) services will be offered under para-  
17 graph (15) to all appropriate family members;

18 “(C) there will be disregarded, in making  
19 the determination under paragraph (7) and be-  
20 fore applying the provisions of paragraph (8),  
21 an amount of income equal to any increase in  
22 aid that would have been paid but for subpara-  
23 graph (A) that is derived from child support  
24 collected with respect to the child referred to in  
25 paragraph (A), earned income of a member of

1 the family referred to in such subparagraph, or  
2 from any other source specified in the plan that  
3 the Secretary may approve as consistent with  
4 the objectives of this paragraph; and

5 “(D) the provisions of subparagraph (A)  
6 will not be applied in case of rape or in any  
7 other cases that the State agency finds would  
8 violate standards of fairness and good con-  
9 science.”.

10 (b) MATCHING FOR RELATED ADMINISTRATIVE  
11 COSTS.—Section 403(a)(3) of the Act is amended by  
12 striking out the semicolon and inserting in lieu thereof “or  
13 counseling or referral services (but no other types of fam-  
14 ily planning services) furnished pursuant to section  
15 402(a)(15);”.

16 **SEC. 503. CASE MANAGEMENT FOR PARENTS UNDER AGE**

17 **20.**

18 Section 482(b) of the Act, as amended by section  
19 102(2) of this Act, is further amended by—

20 (1) redesignating paragraph (4) as paragraph  
21 (4)(A),

22 (2) striking out “The State agency” in such  
23 paragraph (4)(A) and inserting in lieu thereof “Ex-  
24 cept as provided in subparagraph (B), the State  
25 agency”, and

1           (3) by inserting after and below paragraph  
2 (4)(A) the following:

3           “(B) The State agency shall—

4                   “(i) assign a case manager to each  
5 custodial parent receiving aid under part A  
6 who is under age 20;

7                   “(ii) provide that case managers will  
8 have the training necessary (taking into  
9 consideration the recommendations of ap-  
10 propriate professional organizations) to en-  
11 able them to carry out their responsibilities  
12 and will be assigned a caseload the size of  
13 which permits effective case management;  
14 and

15                   “(iii) provide that the case manager  
16 will be responsible for—

17                           “(I) assisting such parent in ob-  
18 taining appropriate services, including  
19 at a minimum, parenting education,  
20 family planning services, education  
21 and vocational training, and child care  
22 and transportation services,

23                           “(II) making the determinations  
24 required to implement the provision of  
25 paragraph (43),

1           “(III) monitoring such parent’s  
2           compliance with all program require-  
3           ments, and, where appropriate, pro-  
4           viding incentives and applying sanc-  
5           tions, and

6           “(IV) providing general guidance,  
7           encouragement and support to assist  
8           such parent in his or her role as a  
9           parent and in achieving self-suffi-  
10          ciency.”.

11 **SEC. 504. STATE OPTION TO PROVIDE ADDITIONAL INCEN-**  
12 **TIVES AND PENALTIES TO ENCOURAGE TEEN**  
13 **PARENTS TO COMPLETE HIGH SCHOOL AND**  
14 **PARTICIPATE IN PARENTING ACTIVITIES.**

15       (a) STATE PLAN.—Section 402(a)(19)(E) of the Act  
16 (as amended by section 101 of this Act) is amended by  
17 adding “and” after clause (ii) and adding after and below  
18 clause (ii) the following new clause:

19           “(iii) at the option of the State, some  
20           or all custodial parents who are under age  
21           20 (and pregnant women under age 20)  
22           who are receiving aid under this part will  
23           be required to participate in a program of  
24           monetary incentives and penalties, consist-  
25           ent with subsection (k);”.

1 (b) ELEMENTS OF PROGRAM.—Section 402 of the  
2 Act is amended by adding at the end thereof the following  
3 new subsection:

4 “(k)(1) If a State chooses to conduct a program of  
5 monetary incentives and penalties to encourage custodial  
6 parents (and pregnant women) who are under age 20 to  
7 complete their high school (or equivalent) education, and  
8 participate in parenting activities, the State shall amend  
9 its State plan—

10 “(A) to specify the one or more political sub-  
11 divisions in which the State will conduct the pro-  
12 gram (or other clearly defined geographic area or  
13 areas), and

14 “(B) to describe its program in detail.

15 “(2) A program under this subsection—

16 “(A) may, at the option of the State, include all  
17 such parents who are under age 21;

18 “(B) may, at the option of the State, require  
19 full-time participation in secondary school or equiva-  
20 lent educational activities, or participation in a  
21 course or program leading to a skills certificate  
22 found appropriate by the State agency or parenting  
23 education activities (or any combination of such ac-  
24 tivities and secondary education);

1           “(C) shall require that the case manager as-  
2           signed to the custodial parent pursuant to section  
3           482(b)(3) will review the needs of such parent and  
4           will assure that, either in the initial development or  
5           revision of the parent’s employability plan, there will  
6           be included a description of the services that will be  
7           provided to the parent and the way in which the  
8           case manager and service providers will coordinate  
9           with the educational or skills training activities in  
10          which the custodial parent is participating;

11          “(D) shall provide monetary incentives for more  
12          than minimally acceptable performance of required  
13          educational activities; and

14          “(E) shall provide penalties (which may be  
15          those required by subsection (a)(19)(G) or, with the  
16          approval of the Secretary, other monetary penalties  
17          that the State finds will better achieve the objectives  
18          of the program.

19          “(3) When a monetary incentive is payable because  
20          of the more than minimally acceptable performance of re-  
21          quired educational activities by a custodial parent, the in-  
22          centive shall be paid directly to such parent, regardless  
23          of whether the State agency makes payment of aid under  
24          the State plan directly to such parent.

1       “(4)(A) For purposes of this part, monetary incen-  
2 tives paid under this subsection shall be considered aid  
3 to families with dependent children.

4       “(B) For purposes of any other Federal or federally-  
5 assisted program based on need, no monetary incentive  
6 paid under this subsection shall be considered income in  
7 determining a family’s eligibility for or amount of benefits  
8 under such program, and if aid is reduced by reason of  
9 a penalty under this subsection, such other program shall  
10 treat the family involved as if no such penalty has been  
11 applied.

12       “(5) The State agency shall from time to time provide  
13 such information as the Secretary may request, and other-  
14 wise cooperate with the Secretary, in order to permit eval-  
15 uation of the effectiveness on a broad basis of the State’s  
16 program conducted under this subsection.”.

17 **SEC. 505. ADOLESCENT PREGNANCY PREVENTION GRANTS.**

18       (a) ADOLESCENT PREGNANCY PREVENTION.—Title  
19 XX (42 U.S.C. 1397–1397F) is amended by adding at  
20 the end the following:

21 **“SEC. 2008. ADOLESCENT PREGNANCY PREVENTION**  
22 **GRANTS.**

23       “(a) PURPOSE.—The purpose of this section is to en-  
24 courage and provide financial assistance for the develop-  
25 ment of intensive and sustained school-linked and school-

1 based pregnancy prevention programs for adolescents and  
2 their families in areas of high poverty or high unmarried  
3 adolescent birth rates that build upon other Federal,  
4 State, and local pregnancy prevention and youth develop-  
5 ment programs.

6       “(b) GENERAL AUTHORITY.—Notwithstanding sec-  
7 tion 2005(a)(6), the Secretary of Health and Human  
8 Services, the Secretary of Education, and the Chief Execu-  
9 tive Officer of the Corporation for National and Commu-  
10 nity Service (hereinafter referred to as the ‘responsible  
11 Federal officials’), in consultation with other relevant Fed-  
12 eral agencies, shall jointly make grants to eligible entities,  
13 to carry out programs in accordance with this section.

14       “(c) FEDERAL ADMINISTRATION.—

15           “(1) Notwithstanding the Department of Edu-  
16 cation Organization Act (20 U.S.C. 3401 et seq.)  
17 and the General Education Provisions Act (20  
18 U.S.C. 1221 et seq.), the responsible Federal offi-  
19 cials shall jointly provide for the administration of  
20 this section, and shall jointly issue whatever regula-  
21 tions, procedures, and guidelines, the responsible  
22 Federal officials consider necessary and appropriate  
23 to administer and enforce the provisions of this sec-  
24 tion.

1           “(2) The responsible Federal officials may enter  
2 into agreements with any other Federal entity with  
3 expertise in youth development activities to admin-  
4 ister the program under this section and may pro-  
5 vide such entity with appropriate reimbursement.

6           “(d) FUNDING.—

7           “(1) IN GENERAL.—To achieve the purposes of  
8 this section, the responsible Federal officials shall  
9 make grants to eligible entities under subsection (b)  
10 and conduct activities under subsections (m) and (n)  
11 so that in the aggregate the expenditures for such  
12 grants and activities do not exceed \$20,000,000 for  
13 fiscal year 1995, \$40,000,000 for fiscal year 1996,  
14 \$60,000,000 for fiscal year 1997, \$80,000,000 for  
15 fiscal year 1998, and \$100,000,000 for fiscal year  
16 1999 and each subsequent fiscal year.

17           “(2) PAYMENTS TO GRANTEEES.—Upon approval  
18 by the responsible Federal officials, each grant appli-  
19 cant shall be entitled to payment of at least \$50,000  
20 and not more than \$400,000 for each fiscal year  
21 based on an assessment by the responsible Federal  
22 officials of the scope and quality of the proposed  
23 program and the number of adolescents to be served  
24 by the program. Payments to a grantee for any fis-  
25 cal year shall be available for expenditure by such

1 grantee in such fiscal year or the succeeding fiscal  
2 year.

3 “(3) RESERVATION FOR EVALUATION, TRAIN-  
4 ING, TECHNICAL ASSISTANCE, AND NATIONAL  
5 CLEARINGHOUSE.—The responsible Federal officials  
6 shall reserve, with respect to each fiscal year, up to  
7 10 percent of the aggregate amount described in  
8 paragraph (1) for expenditure by the responsible  
9 Federal officials for evaluation, training, and tech-  
10 nical assistance related to the programs under this  
11 section, and for the establishment and operation of  
12 a National Clearinghouse on Adolescent Pregnancy  
13 Prevention Programs under subsection (n).

14 “(4) EXCESS AMOUNT.—If in any fiscal year  
15 the aggregate amount specified in paragraph (1) for  
16 such fiscal year exceeds the amount required to  
17 carry out approved grant applications and other  
18 functions under paragraph (3), then the amount  
19 specified in section 2003(c)(5) shall be increased by  
20 the excess.

21 “(e) DEFINITIONS.—As used in this section:

22 “(1) ADOLESCENTS.—The term ‘adolescents’  
23 means youth who are ages 10 through 19.

24 “(2) ELIGIBLE ENTITY.—The term ‘eligible en-  
25 tity’ means a partnership that includes—

1           “(A) a local education agency, acting on  
2           behalf of one or more schools, together with

3           “(B) one or more community-based organi-  
4           zations, institutions of higher education, or  
5           public or private agencies or organizations.

6           “(3) ELIGIBLE AREA.—The term ‘eligible area’  
7           means a school attendance area in which—

8           “(A) at least 75 percent of the children are  
9           from low-income families as that term is used  
10          in part A of title I of the Elementary and Sec-  
11          ondary Education Act of 1965; or

12          “(B) the number of children receiving Aid  
13          to Families with Dependent Children under  
14          part A of title IV is substantial as determined  
15          by the responsible Federal officials; or

16          “(C) the unmarried adolescent birth rate is  
17          high, as determined by the responsible Federal  
18          officials.

19          “(4) SCHOOL.—The term ‘school’ means a pub-  
20          lic elementary, middle, or secondary school.

21          “(5) RESPONSIBLE FEDERAL OFFICIALS.—The  
22          term ‘responsible Federal officials’ means the Sec-  
23          retary of Education, the Secretary of Health and  
24          Human Services, and the Chief Executive Officer of

1 the Corporation for National and Community Serv-  
2 ice.

3 “(f) USES OF FUNDS.—Grants under this section—

4 “(1) shall be used to—

5 “(A) develop, operate, expand, and improve  
6 a sequential, age-appropriate program of in-  
7 struction and counseling services for adolescents  
8 designed to promote personal responsibility and  
9 a healthy drug free lifestyle, and to prevent ad-  
10 olescent pregnancy, through such activities as  
11 counseling and instruction in the full range of  
12 consequences of premature sexual behavior and  
13 adolescent pregnancy, training in decision-mak-  
14 ing, and activities to promote involvement of  
15 parents and families in adolescent development  
16 and personal responsibility; and

17 “(B) provide opportunities for youth at-  
18 risk to develop sustained contact with one or  
19 more volunteer or professionally trained adults  
20 to provide character development, through such  
21 activities as mentoring, group coaching, or  
22 after-school activities; and

23 “(2) may be used to conduct other related ac-  
24 tivities that promote the purposes of this section.

1       “(g) APPLICATION.—Each applicant for a grant  
2 under subsection (b) must submit an application that—

3               “(1) includes a plan, based on local needs, for  
4 accomplishing the purposes of this section that—

5                       “(A) sets forth specific, measurable goals  
6 intended to be accomplished under the program,  
7 and describes the methods to be used in meas-  
8 uring progress toward accomplishment of such  
9 goals;

10                      “(B) describes the components of the pro-  
11 gram, including—

12                               “(i) the role in the program of any  
13 national service participants supported by  
14 the National and Community Service Act  
15 of 1990 (42 U.S.C. 12501 et seq.) or by  
16 any other national service law as defined in  
17 such Act, and

18                               “(ii) the activities, in accordance with  
19 subsection (f), that will be made available  
20 under the program,

21 and the manner in which such components will  
22 be implemented, including the extent to which  
23 activities will take place after school, on week-  
24 ends, or during the summer;

1           “(C) describes the manner in which one or  
2           more professional staff will administer the pro-  
3           gram, and, where appropriate or feasible, the  
4           manner in which national service participants  
5           will be involved in the development or delivery  
6           of services and in the coordination of during or  
7           after-school activities;

8           “(2) demonstrates the manner in which the pro-  
9           gram will be based on research concerning effective  
10          means of reducing adolescent pregnancy, including  
11          reducing risk-taking behaviors correlated with ado-  
12          lescent pregnancy;

13          “(3) demonstrates that the program will serve  
14          male and female adolescents and, where feasible,  
15          out-of-school adolescents, and describes the steps the  
16          applicant will take to serve such adolescents;

17          “(4) demonstrates the manner in which the ap-  
18          plicant will provide, to the extent feasible, a continu-  
19          ity of services for adolescents until age 19;

20          “(5) demonstrates the extent to which school  
21          personnel, parents, community organizations, and  
22          the adolescents to be served have participated in the  
23          development of the application and will participate  
24          in the planning and implementation of the program;

1           “(6) describes the applicant’s partnership, in-  
2           cluding the relationship of the partners, the role of  
3           each partner in the development and implementation  
4           of the program, and the manner in which the part-  
5           ners will coordinate their resources;

6           “(7) describes the nature and scope of commit-  
7           ment to the program by other community institu-  
8           tions, such as religious organizations, community  
9           groups, institutions of higher education, business,  
10          and labor;

11          “(8) describes the methods to be used in coordi-  
12          nating the provision of services under the program  
13          with the provision of services or benefits under other  
14          Federal or federally assisted programs, State and  
15          local programs, and private programs serving the  
16          same population;

17          “(9) demonstrates that the area to be served is  
18          an eligible area;

19          “(10) contains assurances that at least one ac-  
20          tivity will be located in a school in the area to be  
21          served and describes the activities that will be  
22          school-based;

23          “(11) contains assurances that the amounts  
24          provided under this section will not be used to sup-

1 plant Federal, State, or local funds for services and  
2 activities that promote the purposes of this section;

3 “(12) contains assurances that the applicant  
4 will provide a non-Federal share, in cash or in kind,  
5 of at least 20 percent of the cost of carrying out the  
6 approved program;

7 “(13) describes the applicant’s plan for continu-  
8 ation of the program following completion of the  
9 grant period and termination of Federal support  
10 under this section;

11 “(14) contains assurances that the applicant  
12 will furnish such reports, containing such informa-  
13 tion, and participate in such evaluations, as the re-  
14 sponsible Federal officials may require; and

15 “(15) includes such other information and as-  
16 surances as the responsible Federal officials may  
17 reasonably require.

18 “(h) PRIORITIES.—In making awards under this sec-  
19 tion, the responsible Federal officials shall give priority to  
20 applicants that—

21 “(1) provide for non-Federal resources signifi-  
22 cantly in excess of those required in subsection  
23 (g)(12) or for an increasing ratio of non-Federal re-  
24 sources over the term of the grant; and

1           “(2) participate in other Federal and non-Fed-  
2           eral programs that relate to the purposes of this sec-  
3           tion.

4           “(i) TREATMENT AS NON-FEDERAL SHARE.—For  
5           purposes of the National and Community Service Act of  
6           1990 (42 U.S.C. 12501 et seq.), the funds provided to  
7           a grantee under this section shall not be considered Fed-  
8           eral funds.

9           “(j) PROHIBITION ON USE OF FUNDS.—No assist-  
10          ance made available under this section shall be used to  
11          provide religious instruction, to conduct worship services,  
12          or to promote any religious view or teaching in any man-  
13          ner.

14          “(k) GEOGRAPHIC DIVERSITY.—The responsible  
15          Federal officials shall, to the extent feasible, ensure that  
16          applications are approved from both urban and rural areas  
17          and reflect nationwide geographic diversity.

18          “(l) APPLICATION PERIOD.—An application approved  
19          under this section shall be for a term of 5 years; except  
20          that approval may be terminated before the end of such  
21          period if the responsible Federal officials determine that  
22          the grantee conducting the program has failed substan-  
23          tially to carry out the program as described in the ap-  
24          proved application.

1       “(m) EVALUATION, TRAINING, AND TECHNICAL AS-  
2   SISTANCE.—

3           “(1) EVALUATION.—The responsible Federal  
4   officials shall evaluate the effectiveness of programs  
5   conducted under this section, directly or by grant or  
6   contract, and may require each grantee conducting  
7   such a program to provide such information as the  
8   responsible Federal officials determine is necessary  
9   for such evaluations.

10          “(2) TRAINING AND TECHNICAL ASSISTANCE.—  
11   The responsible Federal officials may provide train-  
12   ing and technical assistance with respect to the de-  
13   velopment, implementation, or operation of programs  
14   under this section.

15          “(3) COORDINATION WITH NATIONAL CLEAR-  
16   INGHOUSE.—The responsible Federal officials shall  
17   coordinate the activities conducted under this sub-  
18   section with the activities conducted by the National  
19   Clearinghouse on Adolescent Pregnancy Prevention  
20   Programs under subsection (n).

21          “(n) NATIONAL CLEARINGHOUSE ON ADOLESCENT  
22   PREGNANCY.—

23           “(1) ESTABLISHMENT.—The responsible Fed-  
24   eral officials shall establish, through grant or con-  
25   tract, a national center for the collection and provi-

1 sion of programmatic information and technical as-  
2 sistance that relates to adolescent pregnancy preven-  
3 tion programs, to be known as the ‘National Clear-  
4 ighthouse on Adolescent Pregnancy Prevention Pro-  
5 grams’.

6 “(2) FUNCTIONS.—The national center estab-  
7 lished under paragraph (1) shall serve as a national  
8 information and data clearinghouse, and as a train-  
9 ing, technical assistance, and material development  
10 source for adolescent pregnancy prevention pro-  
11 grams. Such center shall—

12 “(A) develop and maintain a system for  
13 disseminating information on all types of ado-  
14 lescent pregnancy prevention program and on  
15 the state of adolescent pregnancy prevention  
16 program development, including information  
17 concerning the most effective model programs;

18 “(B) develop and sponsor a variety of  
19 training institutes and curricula for adolescent  
20 pregnancy prevention program staff;

21 “(C) identify model programs representing  
22 the various types of adolescent pregnancy pre-  
23 vention programs;

24 “(D) develop technical assistance materials  
25 and activities to assist other entities in estab-

1           lishing and improving adolescent pregnancy  
2           prevention programs;

3           “(E) develop networks of adolescent preg-  
4           nancy prevention programs for the purpose of  
5           sharing and disseminating information; and

6           “(F) conduct such other activities as the  
7           responsible Federal officials find will assist in  
8           developing and carrying out programs or activi-  
9           ties to reduce adolescent pregnancy.”.

10          (b) EFFECTIVE DATE.—The amendment made by  
11 this section shall become effective October 1, 1994.

12 **SEC. 506. DEMONSTRATION PROJECTS TO PROVIDE COM-**  
13 **PREHENSIVE SERVICES TO PREVENT ADO-**  
14 **LESCENT PREGNANCY IN HIGH-RISK COMMU-**  
15 **NITIES.**

16          (a) DEMONSTRATION PROJECTS.—Title XX (42  
17 U.S.C. 1397–1397f) is amended by adding at the end the  
18 following:

19 **“SEC. 2009. DEMONSTRATION PROJECTS TO PROVIDE COM-**  
20 **PREHENSIVE SERVICES TO PREVENT ADO-**  
21 **LESCENT PREGNANCY IN HIGH-RISK COMMU-**  
22 **NITIES.**

23          “(a)(1) PURPOSE.—In order to stimulate the develop-  
24 ment of innovative approaches for the effective delivery of  
25 comprehensive services, with particular emphasis on preg-

1 nancy prevention, to certain youth and their families in  
2 high-risk communities and the promotion of community  
3 involvement in improving the environment in which such  
4 youth live, the Secretary of Health and Human Services  
5 shall conduct demonstration projects in accordance with  
6 this section.

7       “(2) APPROVAL OF PROJECTS.—The Secretary of  
8 Health and Human Services, in consultation with the Sec-  
9 retary of Education, the Secretary of Housing and Urban  
10 Development, the Attorney General, the Director of the  
11 Office of National Drug Control Policy, and the Secretary  
12 of Labor, shall approve at least 5 and not more than 7  
13 projects, in accordance with subsection (c). Upon approval  
14 by the Secretary, each project applicant shall be entitled  
15 to payment of up to \$3,600,000 for each of fiscal years  
16 1995 through 1999 for the purpose of conducting ap-  
17 proved demonstration projects.

18       “(b) FUNDING.—

19               “(1) IN GENERAL.—There shall be made avail-  
20 able to the Secretary not to exceed \$20,000,000 for  
21 each of fiscal years 1995 through 1999 for carrying  
22 out the projects under this section. Payments to a  
23 grantee for any fiscal year must be expended by the  
24 grantee in such fiscal year or the succeeding fiscal  
25 year.

1           “(2) EVALUATION, TRAINING, AND TECHNICAL  
2           ASSISTANCE.—The Secretary shall reserve, with re-  
3           spect to each fiscal year, ten percent of the amount  
4           described in paragraph (1) for expenditure by the  
5           Secretary for training and technical assistance relat-  
6           ed to the demonstration projects under this section  
7           and for evaluation of such projects. The amount so  
8           reserved shall remain available for obligation  
9           through fiscal year 1999.

10           “(3) EXCESS AMOUNTS.—If in any fiscal year  
11           the amount specified in paragraph (1) for such fiscal  
12           year exceeds the amount required to carry out ap-  
13           proved projects and evaluation, training, and tech-  
14           nical assistance under this section, then the amount  
15           specified in section 2003(c)(5) shall be increased by  
16           the excess.

17           “(c) APPLICATION; ELIGIBILITY CRITERIA.—A local  
18           public or private nonprofit organization, including a unit  
19           of government, or any combination of such entities, shall  
20           be eligible to submit a project application. In order that  
21           an application be approved under subsection (a), the appli-  
22           cation must—

23           “(1) demonstrate that the geographic area to be  
24           served by the project satisfies the following criteria:

1           “(A) it includes a population of 20,000 to  
2           35,000 residents,

3           “(B) it has an identifiable boundary and is  
4           recognizable as a community by its residents,  
5           and

6           “(C) within the community, there is a pov-  
7           erty rate of not less than 20 percent;

8           “(2) include a plan for accomplishing the pur-  
9           poses of this section that—

10           “(A) describes the comprehensive, inte-  
11           grated services, in accordance with subsection  
12           (e), that will be made available under the  
13           project;

14           “(B)(i) sets forth the goals intended to be  
15           accomplished under the project, and

16           “(ii) describes the methods to be used in  
17           measuring progress toward accomplishment of  
18           such goals and the outcomes to be measured,  
19           including unmarried adolescent birth rates,  
20           rates of youth alcohol and drug use, rates of  
21           youth violence, high school graduation rates,  
22           and such other outcomes as the Secretary finds  
23           appropriate;

24           “(C) describes the process by which the af-  
25           fected community (including parents, the youth

1 to be served, schools, local government, religious  
2 organizations, community groups, business, and  
3 labor) is a full partner in the process of devel-  
4 oping and implementing the project and the ex-  
5 tent to which parents, the youth to be served,  
6 and local institutions and organizations have  
7 contributed to the planning process;

8 “(D) identifies the private and public part-  
9 nerships to be used;

10 “(E) describes the methods to be used in  
11 coordinating the provision of services under the  
12 project and the provision of services or benefits  
13 under other Federal or federally assisted pro-  
14 grams, State and local programs, and private  
15 programs serving the same population; and

16 “(F) describes the manner in which other  
17 Federal funds and non-Federal funds will be  
18 used to further the purpose of the program;

19 “(3) demonstrate strong State and local govern-  
20 ment commitment to the project and involvement in  
21 the planning and implementation of the project;

22 “(4) demonstrate the ability of the applicant to  
23 carry out the project;

1           “(5) describe the methods to be used for main-  
2           taining accurate records regarding the activities car-  
3           ried out with funds under this section;

4           “(6) contain assurances that the amounts pro-  
5           vided under this section will not be used to supplant  
6           Federal, State, and local funds for services and ac-  
7           tivities that promote the purposes of this section;

8           “(7) contain assurances that the applicant will  
9           provide a non-Federal share, in cash or in kind, of  
10          10 percent of the cost of carrying out the approved  
11          project and describe the capacity of the applicant to  
12          provide the non-Federal share;

13          “(8) contain assurances that the applicant will  
14          furnish such reports, containing such information,  
15          and participate in such evaluations, as the Secretary  
16          may require; and

17          “(9) include such other information as the Sec-  
18          retary may require.

19          “(d) PRIORITY.—In making awards under this sec-  
20          tion, the Secretary shall give priority to applicants that  
21          provide for non-Federal resources significantly in excess  
22          of those required in subsection (c)(7).

23          “(e) USE OF GRANTS.—Under each demonstration  
24          project conducted under this section, the grantee shall de-  
25          velop a community-wide strategy to address the causes

1 and factors of risk-taking tendencies among youth, to  
2 positively affect community norms, to increase community  
3 health and safety, and to generally improve the social envi-  
4 ronment to enhance the life choice of community youth.  
5 The strategy shall be used to provide a comprehensive set  
6 of coordinated services designed to saturate the commu-  
7 nity and shall include, but not be limited to, the following  
8 areas:

9           “(1) Health education and access services de-  
10 signed to promote physical and mental well-being  
11 and personal responsibility (with particular emphasis  
12 on pregnancy prevention), such as school health  
13 services, family planning services, alcohol and drug  
14 abuse prevention services and referral for treatment,  
15 life skills training, and decision-making skills train-  
16 ing.

17           “(2) Educational and employability development  
18 services designed to promote educational advance-  
19 ment leading to a high school diploma or its equiva-  
20 lent and opportunities for high skill, high wage job  
21 attainment and productive employment, to establish  
22 a lifelong commitment to learning and achievement,  
23 and to increase self-confidence, such as academic tu-  
24 toring, literacy training, drop-out prevention pro-  
25 grams, career and college counseling, mentoring pro-

1       grams, job skills training, apprenticeships, and part-  
2       time paid work opportunities.

3           “(3) Social support services designed to provide  
4       youth with a stable environment, opportunities for a  
5       sustained relationship with one or more adults, and  
6       opportunities for participation in safe and productive  
7       activities, such as cultural, recreational and sports  
8       activities, leadership development, peer counseling  
9       and crisis intervention, mentoring programs,  
10      parenting skills training, and family counseling.

11          “(4) Community activities designed to improve  
12      community stability, and to encourage youth to par-  
13      ticipate in community service and establish a stake  
14      in the community, such as community policing, com-  
15      munity service programs, community activities in  
16      partnership with less distressed neighborhoods, local  
17      media campaigns, and establishment of community  
18      advisory councils with youth representation.

19          “(5) Employment opportunity development ac-  
20      tivities designed to be coordinated with educational  
21      and employability development services, social sup-  
22      port services, and community activities described in  
23      paragraphs (2) through (4). Emphasis shall be on  
24      development of linkages with employers within and  
25      outside the community to help create employment

1 opportunities and foster an understanding by com-  
2 munity youth of the relationship between productive  
3 employment, healthy development, and sound life  
4 choices.

5 “(f) EVALUATION, TRAINING, AND TECHNICAL AS-  
6 SISTANCE.—

7 “(1) EVALUATION.—The Secretary shall evalu-  
8 ate the effectiveness of each demonstration project  
9 conducted under this section and may require each  
10 grantee conducting such a project to provide such  
11 information as the Secretary determines is necessary  
12 for such evaluations.

13 “(2) TRAINING AND TECHNICAL ASSISTANCE.—  
14 The Secretary shall provide training and technical  
15 assistance with respect to the development, imple-  
16 mentation, or operation of projects under this sec-  
17 tion.

18 “(3) COORDINATION WITH NATIONAL CLEAR-  
19 INGHOUSE.—The Secretary shall coordinate the ac-  
20 tivities conducted under this subsection with activi-  
21 ties conducted by the National Clearinghouse on Ad-  
22 olescent Pregnancy Prevention Programs under sec-  
23 tion 2008(n).

24 “(g) FUNDING PERIOD.—Each demonstration  
25 project supported under this section shall be conducted for

1 a 5-year period; except that the Secretary may terminate  
2 a project before the end of such period if the Secretary  
3 determines that the grantee conducting the project has  
4 failed substantially to carry out the project as described  
5 in the approved application.

6 “(h) DEFINITIONS AND SPECIAL RULES.—As used in  
7 this section:

8 “(1) YOUTH.—The term ‘youth’ means an indi-  
9 vidual who is not less than 10 years of age and not  
10 more than 21 years of age.

11 “(2) USE OF CENSUS DATA.—Population and  
12 poverty rate shall be determined by the most recent  
13 decennial census data available.”.

14 (b) EFFECTIVE DATE.—The amendment made by  
15 this section shall become effective October 1, 1994.

16 **TITLE VI—CHILD SUPPORT**  
17 **ENFORCEMENT**

18 **SEC. 600. REFERENCES IN TITLE.**

19 References in this title to a section or other provision  
20 refer to a section or other provision of the Social Security  
21 Act, unless the context otherwise requires.

1 **PART A—ELIGIBILITY AND OTHER MAT-**  
2 **TERS CONCERNING TITLE IV-D PRO-**  
3 **GRAM CLIENTS**

4 **SEC. 601. COOPERATION REQUIREMENT AND GOOD CAUSE**  
5 **EXCEPTION.**

6 (a) CHILD SUPPORT ENFORCEMENT REQUIRE-  
7 MENTS.—Section 454 is amended—

8 (1) by striking “and” at the end of paragraph  
9 (23);

10 (2) by striking the period at the end of para-  
11 graph (24) and inserting “; and”; and

12 (3) by adding after paragraph (24) the follow-  
13 ing new paragraph:

14 “(25) provide that the State agency administer-  
15 ing the plan under this part—

16 “(A) will make the determination specified  
17 under paragraph (4), as to whether an individ-  
18 ual is cooperating with efforts to establish pa-  
19 ternity and secure support (or has good cause  
20 not to cooperate with such efforts) for purposes  
21 of the requirements of sections 402(a)(26) and  
22 1912;

23 “(B) will advise individuals, both orally  
24 and in writing, of the grounds for good cause

1 exceptions to the requirement to cooperate with  
2 such efforts;

3 “(C) will take the best interests of the  
4 child into consideration in making the deter-  
5 mination whether such individual has good  
6 cause not to cooperate with such efforts;

7 “(D)(i) will make the initial determination  
8 as to whether an individual is cooperating (or  
9 has good cause not to cooperate) with efforts to  
10 establish paternity within 10 days after such in-  
11 dividual is referred to such State agency by the  
12 State agency administering the program under  
13 part A of title XIX;

14 “(ii) will make redeterminations as to co-  
15 operation or good cause at appropriate inter-  
16 vals; and

17 “(iii) will promptly notify the individual,  
18 and the State agencies administering such pro-  
19 grams, of each such determination and redeter-  
20 mination;

21 “(E) with respect to any child born on or  
22 after the date 10 months after enactment of  
23 this provision, will not determine (or redeter-  
24 mine) the mother (or other custodial relative) of  
25 such child to be cooperating with efforts to es-

1           tablish paternity unless such individual fur-  
2           nishes—

3                   “(i) the name of the putative father  
4                   (or fathers); and

5                   “(ii) sufficient additional information  
6                   to enable the State agency, if reasonable  
7                   efforts were made, to verify the identity of  
8                   the person named as the putative father  
9                   (including such information as the putative  
10                  father’s present address, telephone num-  
11                  ber, date of birth, past or present place of  
12                  employment, school previously or currently  
13                  attended, and names and addresses of par-  
14                  ents, friends, or relatives able to provide  
15                  location information, or other information  
16                  that could enable service of process on  
17                  such person), and

18                  “(F)(i) (where a custodial parent who was  
19                  initially determined not to be cooperating (or to  
20                  have good cause not to cooperate) is later deter-  
21                  mined to be cooperating or to have good cause  
22                  not to cooperate) will immediately notify the  
23                  State agencies administering the programs  
24                  under part A of title XIX that this eligibility  
25                  condition has been met; and

1           “(ii) (where a custodial parent was initially  
2           determined to be cooperating (or to have good  
3           cause not to cooperate)) will not later determine  
4           such individual not to be cooperating (or not to  
5           have good cause not to cooperate) until such in-  
6           dividual has been afforded an opportunity for a  
7           hearing.”.

8           (b) AFDC AMENDMENTS.—

9           (1) Section 402(a)(11) is amended by striking  
10          “furnishing of” and inserting “application for”.

11          (2) Section 402(a)(26) is amended—

12           (A) in each of subparagraphs (A) and (B),  
13           by redesignating clauses (i) and (ii) as  
14           subclauses (I) and (II);

15           (B) by indenting and redesignating sub-  
16           paragraphs (A), (B), and (C) as clauses (i), (ii),  
17           and (iv), respectively;

18           (C) in clause (ii), as redesignated—

19           (i) by striking “is claimed, or in ob-  
20           taining any other payments or property  
21           due such applicant or such child,” and in-  
22           serting “is claimed;”; and

23           (ii) by striking “unless” and all that  
24           follows through “aid is claimed; and”;

1 (D) by adding after clause (ii) the follow-  
2 ing new clause:

3 “(iii) to cooperate with the State in  
4 obtaining any other payments or property  
5 due such applicant or such child; and”;

6 (E) in the matter preceding clause (i), as  
7 redesignated, to read as follows:

8 “(26) provide—

9 “(A) that, as a condition of eligibility for  
10 aid, each applicant or recipient will be required  
11 (subject to subparagraph (C))—”;

12 (F) in subparagraph (A)(iv), as redesign-  
13 ated, by striking “, unless such individual”  
14 and all that follows through “individuals in-  
15 volved”;

16 (G) by adding at the end the following new  
17 subparagraphs:

18 “(B) that the State agency will imme-  
19 diately refer each applicant requiring paternity  
20 establishment services to the State agency ad-  
21 ministering the program under part D;

22 “(C) that an individual will not be required  
23 to cooperate with the State, as provided under  
24 subparagraph (A), if the individual is found to  
25 have good cause for refusing to cooperate, as

1 determined in accordance with standards pre-  
2 scribed by the Secretary, which standards shall  
3 take into consideration the best interests of the  
4 child on whose behalf aid is claimed—

5 “(i) to the satisfaction of the State  
6 agency administering the program under  
7 part D, as determined in accordance with  
8 section 454(25), with respect to the re-  
9 quirements under clauses (i) and (ii) of  
10 subparagraph (A); and

11 “(ii) to the satisfaction of the State  
12 agency administering the program under  
13 this part, with respect to the requirements  
14 under clauses (iii) and (iv) of subpara-  
15 graph (A);

16 “(D) that (except as provided in subpara-  
17 graph (E)) an applicant requiring paternity es-  
18 tablishment services (other than an individual  
19 eligible for emergency assistance as defined in  
20 section 406(e)) shall not be eligible for any aid  
21 under this part until such applicant—

22 “(i) has furnished to the agency ad-  
23 ministering the State plan under part D  
24 the information specified in section  
25 454(25)(E); or

1           “(ii) has been determined by such  
2           agency to have good cause not to cooper-  
3           ate;

4           “(E) that the provisions of subparagraph  
5           (D) shall not apply—

6           “(i) if the State agency specified in  
7           such subparagraph has not, within 10 days  
8           after such individual was referred to such  
9           agency, provided the notification required  
10          by section 454(25)(D)(iii), until such noti-  
11          fication is received; and

12          “(ii) if such individual appeals a de-  
13          termination that the individual lacks good  
14          cause for noncooperation, until after such  
15          determination is affirmed after notice and  
16          opportunity for a hearing; and”;

17          (H)(i) by relocating and redesignating as  
18          subparagraph (F) the text at the end of sub-  
19          paragraph (A)(ii) beginning with “that, if the  
20          relative” and all that follows through the semi-  
21          colon;

22          (ii) in subparagraph (F), as so redesign-  
23          ated and relocated, by striking “subpara-  
24          graphs (A) and (B) of this paragraph” and in-  
25          serting “subparagraph (A)”;

1 (iii) by striking “and” at the end of sub-  
2 paragraph (a)(ii).

3 (c) MEDICAID AMENDMENTS.—Section 1912(a) is  
4 amended—

5 (1) in paragraph (1)(B), by inserting “(except  
6 as provided in paragraph (2))” after “to cooperate  
7 with the State”;

8 (2) in subparagraphs (B) and (C) of paragraph  
9 (1) by striking “, unless” and all that follows and  
10 inserting a semicolon; and

11 (3) by redesignating paragraph (2) as para-  
12 graph (5), and inserting after paragraph (1) the fol-  
13 lowing new paragraphs:

14 “(2) provide that the State agency will imme-  
15 diately refer each applicant or recipient requiring  
16 paternity establishment services to the State agency  
17 administering the program under part D of title IV;

18 “(3) provide that an individual will not be re-  
19 quired to cooperate with the State, as provided  
20 under paragraph (1), if the individual is found to  
21 have good cause for refusing to cooperate, as deter-  
22 mined in accordance with standards prescribed by  
23 the Secretary, which standards shall take into con-  
24 sideration the best interests of the individuals in-  
25 volved—

1           “(A) to the satisfaction of the State agency  
2           administering the program under part D, as de-  
3           termined in accordance with section 454(25),  
4           with respect to the requirements to cooperate  
5           with efforts to establish paternity and to obtain  
6           support (including medical support) from a par-  
7           ent; and

8           “(B) to the satisfaction of the State agen-  
9           cy administering the program under this title,  
10          with respect to other requirements to cooperate  
11          under paragraph (1);

12          “(4) provide that (except as provided in para-  
13          graph (5)) an applicant requiring paternity estab-  
14          lishment services (other than an individual eligible  
15          for emergency assistance as defined in section  
16          406(e), or presumptively eligible pursuant to section  
17          1920) shall not be eligible for medical assistance  
18          under this title until such applicant—

19                  “(i) has furnished to the agency admin-  
20                  istering the State plan under part D of title IV  
21                  the information specified in section 454(25)(E);  
22                  or

23                  “(ii) has been determined by such agency  
24                  to have good cause not to cooperate; and

1           “(5) provide that the provisions of paragraph  
2 (4) shall not apply with respect to an applicant—

3           “(i) if such agency has not, within 10 days  
4 after such individual was referred to such agen-  
5 cy, provided the notification required by section  
6 454(25)(D)(iii), until such notification is re-  
7 ceived); and

8           “(ii) if such individual appeals a deter-  
9 mination that the individual lacks good cause  
10 for noncooperation, until after such determina-  
11 tion is affirmed after notice and opportunity for  
12 a hearing.”.

13       (d) EFFECTIVE DATE.—The amendments made by  
14 this section shall be effective with respect to applications  
15 filed in or after the first calendar quarter beginning 10  
16 months or more after enactment of this amendment (or  
17 such earlier quarter as the State may select) for aid under  
18 title IV–A or for medical assistance under title XIX.

19 **SEC. 602. STATE OBLIGATION TO PROVIDE PATERNITY ES-**  
20 **TABLISHMENT AND CHILD SUPPORT EN-**  
21 **FORCEMENT SERVICES.**

22       (a) STATE LAW REQUIREMENTS.—Section 466(a) is  
23 amended by adding at the end the following new para-  
24 graph:

1           “(12) USE OF CENTRAL CASE REGISTRY AND  
2           CENTRALIZED COLLECTIONS UNIT.—Procedures  
3           under which—

4                   “(A) every child support order established  
5                   or modified in the State on or after October 1,  
6                   1997, is recorded in the central case registry  
7                   established in accordance with section 454A(e);  
8                   and

9                   “(B) child support payments are collected  
10                  through the centralized collections unit estab-  
11                  lished in accordance with section 454B—

12                          “(i) on and after October 1, 1997,  
13                          under each order subject to wage withhold-  
14                          ing under section 466(b); and

15                          “(ii) on and after October 1, 1998,  
16                          under each other order required to be re-  
17                          corded in such central case registry under  
18                          this paragraph or section 454A(e), except  
19                          as provided in subparagraph (C); and

20                          “(C)(i) parties subject to a child support  
21                          order described in subparagraph (B)(ii) may  
22                          opt out of the procedure for payment of support  
23                          through the centralized collections unit (but not  
24                          the procedure for inclusion in the central case  
25                          registry) by filing with the State agency a writ-

1           ten agreement, signed by both parties, to an al-  
2           ternative payment procedure; and

3           “(ii) an agreement described in clause (i)  
4           becomes void, and may not be renewed, when-  
5           ever—

6           “(I) the party owing support fails to  
7           make a timely payment; or

8           “(II) either party advises the State  
9           agency of an intent to vacate the agree-  
10          ment.”.

11       (b) STATE PLAN REQUIREMENTS.—Section 454 is  
12       amended—

13       (1) in paragraph (4), to read as follows:

14       “(4) provide that such State will undertake—

15       “(A) to provide appropriate services under  
16       this part to—

17       “(i) each child with respect to whom  
18       an assignment is effective under section  
19       402(a)(26), 471(a)(17), or 1912 (except in  
20       cases where the State agency determines,  
21       in accordance with paragraph (25), that it  
22       is against the best interests of the child to  
23       do so); and

24       “(ii) each child not described in clause  
25       (i)—

1           “(I) with respect to whom an in-  
2           dividual applies for such services; and

3           “(II) (on and after October 1,  
4           1997) each child with respect to  
5           whom a support order is recorded in  
6           the central State case registry estab-  
7           lished under section 454A, regardless  
8           of whether application is made for  
9           services under this part; and

10           “(B) to enforce the support obligation es-  
11           tablished with respect to the custodial parent of  
12           a child described in subparagraph (A).”;

13           (2) in paragraph (6)—

14           (A) by striking all that precedes subpara-  
15           graph (C) and inserting the following:

16           “(6) provide that—

17           “(A) services under the State plan shall be  
18           made available to nonresidents on the same  
19           terms as to residents;

20           “(B) no fees or costs shall be imposed on  
21           any absent or custodial parent or other individ-  
22           ual—

23           “(i) on or after October 1, 1997, for  
24           application for child support enforcement  
25           services under this part; or

1           “(ii) for inclusion in the central State  
2           registry maintained pursuant to section  
3           454A(e);”;

4           (B) in each of subparagraphs (C) and  
5           (D)—

6           (i) by indenting such subparagraph  
7           and aligning its left margin with the left  
8           margin of paragraph (B); and

9           (ii) by striking the final comma and  
10          inserting a semicolon;

11          (C) by striking subparagraph (E) and in-  
12          serting the following subparagraphs:

13          “(E) no other fees or costs may be im-  
14          posed on the custodial parent; and

15          “(F) any other fees or costs may be im-  
16          posed on the noncustodial parent (but fees for  
17          child support collection services provided  
18          through the central collections unit operated  
19          pursuant to section 454B, or for related auto-  
20          mated procedures pursuant to section 454A(g),  
21          may be imposed only if such fees or costs are  
22          added to, and not deducted from, amounts col-  
23          lected as child support);”.

24          (c) CONFORMING AMENDMENTS.—

1           (1) Section 452(g)(2)(A) is amended by striking  
2           “454(6)” each place it appears and inserting  
3           “454(4)(A)(ii)”.

4           (2) Section 454(23) is amended, effective Octo-  
5           ber 1, 1997, by striking “information as to any ap-  
6           plication fees for such services and”.

7           (3) Section 466(a)(3)(B) is amended by strik-  
8           ing “in the case of overdue support which a State  
9           has agreed to collect under section 454(6)” and in-  
10          serting “in any other case”.

11          (4) Section 466(e) is amended by striking “or  
12          (6)”.

13 **SEC. 603. DISTRIBUTION OF PAYMENTS.**

14          (a) DISTRIBUTIONS THROUGH STATE CHILD SUP-  
15          PORT ENFORCEMENT AGENCY TO FORMER ASSISTANCE  
16          RECIPIENTS.—Section 454(5) is amended—

17                 (1) in subparagraph (A)—

18                         (A) by inserting “except as otherwise spe-  
19                         cifically provided in section 464 or 466(a)(3),”  
20                         after “is effective,”; and

21                         (B) by striking “except that” and all that  
22                         follows through the semicolon; and

23                 (2) in subparagraph (B), by striking “, except”  
24                 and all that follows through “medical assistance”.

1 (b) DISTRIBUTION TO A FAMILY CURRENTLY RE-  
2 CEIVING AFDC.—Section 457 is amended—

3 (1) by striking subsection (a) and redesignating  
4 subsection (b) as subsection (a);

5 (2) in subsection (a), as redesignated—

6 (A) in the matter preceding paragraph (2),

7 to read as follows:

8 “(a) IN THE CASE OF A FAMILY RECEIVING  
9 AFDC.—Amounts collected under this part during any  
10 month as support of a child who is receiving assistance  
11 under part A (or a parent or caretaker relative of such  
12 a child) shall (except in the case of a State exercising the  
13 option under subsection (b)) be distributed as follows:

14 “(1) an amount equal to the amount specified  
15 in section 402(a)(8)(A)(vi) shall be taken from each  
16 of—

17 “(A) amounts received in a month which  
18 represent payments for that month; and

19 “(B) amounts received in a month which  
20 represent payments for a prior month which  
21 were made by the absent parent in the month  
22 when due;

23 and shall be paid to the family without affecting its  
24 eligibility for assistance or decreasing any amount

1 otherwise payable as assistance to such family dur-  
2 ing such month;”;

3 (B) in paragraph (4), by striking “or (B)”  
4 and all that follows and inserting “; then (B)  
5 from any remainder, amounts equal to arrear-  
6 ages of such support obligations assigned, pur-  
7 suant to part A, to any other State or States  
8 shall be paid to such other State or States and  
9 used to pay any such arrearages (with appro-  
10 priate reimbursement of the Federal Govern-  
11 ment to the extent of its participation in the fi-  
12 nancing); and then (C) any remainder shall be  
13 paid to the family.”.

14 (3) by inserting after subsection (a), as redesign-  
15 nated, the following new subsection:

16 “(b) ALTERNATIVE DISTRIBUTION IN CASE OF FAM-  
17 ILY RECEIVING AFDC.—In the case of a State electing  
18 the option under this subsection, amounts collected as de-  
19 scribed in subsection (a) shall be distributed as follows:

20 “(1) an amount equal to the amount specified  
21 in section 402(a)(8)(A)(vi) shall be taken from each  
22 of—

23 “(A) amounts received in a month which  
24 represent payments for that month; and

1           “(B) amounts received in a month which  
2           represent payments for a prior month which  
3           were made by the absent parent in the month  
4           when due;

5           and shall be paid to the family without affecting its  
6           eligibility for assistance or decreasing any amount  
7           otherwise payable as assistance to such family dur-  
8           ing such month;

9           “(2) second, from any remainder, amounts  
10          equal to the balance of support owed for the current  
11          month shall be paid to the family;

12          “(3) third, from any remainder, amounts equal  
13          to arrearages of such support obligations assigned,  
14          pursuant to part A, to the State making the collec-  
15          tion shall be retained and used by such State to pay  
16          any such arrearages (with appropriate reimburse-  
17          ment of the Federal Government to the extent of its  
18          participation in the financing);

19          “(4) fourth, from any remainder, amounts  
20          equal to arrearages of such support obligations as-  
21          signed, pursuant to part A, to any other State or  
22          States shall be paid to such other State or States  
23          and used to pay any such arrearages (with appro-  
24          priate reimbursement of the Federal Government to  
25          the extent of its participation in the financing); and

1           “(5) fifth, any remainder shall be paid to the  
2 family.”.

3           (c) DISTRIBUTION TO A FAMILY NOT RECEIVING  
4 AFDC.—Section 457(c) is amended to read as follows:

5           “(c) IN CASE OF FAMILY NOT RECEIVING AFDC.—  
6 Amounts collected by a State agency under this part dur-  
7 ing any month as support of a child who is not receiving  
8 assistance under part A (or of a parent or caretaker rel-  
9 ative of such a child) shall (subject to the remaining provi-  
10 sions of this section) be distributed as follows:

11           “(1) first, amounts equal to the total of such  
12 support owed for such month shall be paid to the  
13 family;

14           “(2) second, from any remainder, amounts  
15 equal to arrearages of such support obligations for  
16 months during which such child did not receive as-  
17 sistance under part A shall be paid to the family;

18           “(3) third, from any remainder, amounts equal  
19 to arrearages of such support obligations assigned to  
20 the State making the collection pursuant to part A  
21 shall be retained and used by such State to pay any  
22 such arrearages (with appropriate reimbursement of  
23 the Federal Government to the extent of its partici-  
24 pation in the financing);

1           “(4) fourth, from any remainder, amounts  
2           equal to arrearages of such support obligations as-  
3           signed to any other State pursuant to part A shall  
4           be paid to such other State or States, and used to  
5           pay such arrearages, in the order in which such ar-  
6           rearages accrued (with appropriate reimbursement  
7           of the Federal Government to the extent of its par-  
8           ticipation in the financing).”.

9           (d) DISTRIBUTION TO A CHILD RECEIVING ASSIST-  
10          ANCE UNDER TITLE IV–E.—Subsection (d) is amended,  
11          in the matter preceding paragraph (1), by striking “Not-  
12          withstanding the preceding provisions of this section,  
13          amounts” and inserting “IN CASE OF A CHILD RECEIVING  
14          ASSISTANCE UNDER TITLE IV–E.—Amounts”.

15          (e) SUSPENSION OR CANCELLATION OF DEBTS UPON  
16          MARRIAGE OF PARENTS.—Section 457 is further amend-  
17          ed by adding at the end the following new subsection:

18          “(e) SUSPENSION OR CANCELLATION OF DEBTS TO  
19          STATE UPON MARRIAGE OF PARENTS.—(1) CIR-  
20          CUMSTANCES REQUIRING SUSPENSION OR CANCELLA-  
21          TION.—In any case in which a State has been assigned  
22          rights to support owed with respect to a child who is re-  
23          ceiving or has received assistance under part A and—

24                  “(A) the parent owing such support marries (or  
25                  remarries) the parent with whom such child is living

1 and to whom such support is owed and applies to  
2 the State for relief under this subsection;

3 “(B) the State determines (in accordance with  
4 procedures and criteria established by the Secretary)  
5 that the marriage is not a sham marriage entered  
6 into solely to satisfy this subsection; and

7 “(C) the combined income of such parents is  
8 less than twice the Federal poverty line,

9 the State shall afford relief to the parent owing such sup-  
10 port in accordance with paragraph (2).

11 “(2) SUSPENSION OR CANCELLATION.—In the case  
12 of a marriage or remarriage described in paragraph (1),  
13 the State shall either—

14 “(A) cancel all debts owed to the State pursu-  
15 ant to such assignment, or

16 “(B) suspend collection of such debts for the  
17 duration of such marriage, and cancel such debts if  
18 such duration extends beyond the end of the period  
19 with respect to which support is owed.

20 “(3) NOTICE REQUIRED.—The State shall notify cus-  
21 todial parents of children who are receiving aid under part  
22 A of the relief available under this subsection to individ-  
23 uals who marry (or remarry).”.

24 (f) REGULATIONS.—The Secretary shall promulgate  
25 regulations—

1           (1) under title IV–D of the Social Security Act,  
2           establishing a uniform nationwide standard for allo-  
3           cation of child support collections from an obligor  
4           owing support to more than one family; and

5           (2) under title IV–A of such Act, establishing  
6           standards applicable to States electing the alter-  
7           native formula under section 457(b) of the Social  
8           Security Act for distribution of collections on behalf  
9           of families receiving Aid to Families with Dependent  
10          Children, designed to minimize irregular monthly  
11          payments to such families.

12          (g) CLERICAL AMENDMENT.—Section 454 is amend-  
13          ed—

14               (1) in paragraph (11), by striking “(11)” and  
15               inserting “(11)(A)”; and

16               (2) by redesignating paragraph (12) as sub-  
17               paragraph (B) of paragraph (11).

18          (h)       CONFORMING        AMENDMENT.—Section  
19          402(a)(26)(A)(i), as redesignated by section 601(b)(2)(A),  
20          is amended—

21               (1) by striking “(I)”; and

22               (2) by striking “, and (II)” and all that follows  
23          before the semicolon.

1 **SEC. 604. DUE PROCESS RIGHTS.**

2 (a) Section 454, as amended by section 603(g), is fur-  
3 ther amended by inserting after paragraph (11) the follow-  
4 ing new paragraph:

5 “(12) provide for procedures to ensure that—

6 “(A) individuals who are parties to cases  
7 in which services are being provided under this  
8 part—

9 “(i) receive notice of all proceedings in  
10 which support obligations might be estab-  
11 lished or modified; and

12 “(ii) receive a copy of any order estab-  
13 lishing or modifying a child support obliga-  
14 tion within 14 days after issuance of such  
15 order; and

16 “(B) individuals receiving services under  
17 this part have access to a fair hearing or other  
18 formal complaint procedure, meeting standards  
19 established by the Secretary, that ensures  
20 prompt consideration and resolution of com-  
21 plaints (but the resort to such procedure shall  
22 not stay the enforcement of any support  
23 order);”.

24 (b) EFFECTIVE DATE.—The amendments made by  
25 this section shall become effective on October 1, 1996.

1 **SEC. 605. PRIVACY SAFEGUARDS.**

2 (a) STATE PLAN REQUIREMENT.—Section 454, as  
3 amended by section 601, is further amended—

4 (1) by striking “and” at the end of paragraph  
5 (24);

6 (2) by striking the period at the end of para-  
7 graph (25) and inserting “; and”; and

8 (3) by adding after paragraph (25) the follow-  
9 ing new paragraph;

10 “(26) will have in effect safeguards applicable  
11 to all sensitive and confidential information handled  
12 by the State agency designed to protect the privacy  
13 rights of the parties, including—

14 “(A) safeguards against unauthorized use  
15 or disclosure of information relating to proceed-  
16 ings or actions to establish paternity, or to es-  
17 tablish or enforce support; and

18 “(B) prohibitions on the release of infor-  
19 mation on the whereabouts of one party to an-  
20 other party against whom a protective order  
21 with respect to such party has been entered.”.

22 (b) The amendments made by this section shall be-  
23 come effective on October 1, 1996.

1 **SEC. 606. REQUIREMENT TO FACILITATE ACCESS TO SERV-**  
2 **ICES.**

3 (a) STATE PLAN REQUIREMENT.—Section 454(23) is  
4 amended—

5 (1) by striking “the State will regularly” and  
6 inserting “the State will—

7 “(A) regularly”;

8 (2) by incorporating the remainder of the text  
9 within subparagraph (A);

10 (3) by striking “and” at the end; and

11 (4) by adding after and below subparagraph  
12 (A) the following new subparagraph:

13 “(B) have a plan for outreach to parents  
14 designed to disseminate information about and  
15 increase access to child support enforcement  
16 services, including plans responding to needs—

17 “(i) of working parents to obtain such  
18 services without taking time off work; and

19 “(ii) of parents with limited pro-  
20 ficiency in English for elimination of lan-  
21 guage barriers to use of such services;  
22 and”.

23 (b) The amendments made by this section shall be-  
24 come effective on October 1, 1996.



1 **SEC. 612. PERFORMANCE-BASED INCENTIVES AND PEN-**  
2 **ALTIES.**

3 (a) INCENTIVE ADJUSTMENTS TO FEDERAL MATCH-  
4 ING RATE.—(1) IN GENERAL.—Section 458 is amended  
5 to read as follows:

6 “INCENTIVE ADJUSTMENTS TO MATCHING RATE  
7 “SEC. 458. (a) INCENTIVE ADJUSTMENT.—(1) IN  
8 GENERAL.—In order to encourage and reward State child  
9 support enforcement programs which perform in an effec-  
10 tive manner, the Federal matching rate for payments to  
11 a State under section 455(a)(1)(A), for each fiscal year  
12 beginning on or after October 1, 1997, shall be increased  
13 by a factor reflecting the sum of the applicable incentive  
14 adjustments (if any) determined in accordance with regu-  
15 lations under this section with respect to Statewide pater-  
16 nity establishment and to overall performance in child sup-  
17 port enforcement.

18 “(2) STANDARDS.—(A) IN GENERAL.—The Sec-  
19 retary shall specify in regulations—

20 “(i) the levels of accomplishment, and rates of  
21 improvement as alternatives to such levels, which  
22 States must attain to qualify for incentive adjust-  
23 ments under this section; and

24 “(ii) the amounts of incentive adjustment that  
25 shall be awarded to States achieving specified ac-

1 accomplishment or improvement levels, which amounts  
2 shall be graduated, ranging up to—

3 “(I) 5 percentage points, in connection  
4 with Statewide paternity establishment; and

5 “(II) 10 percentage points, in connection  
6 with overall performance in child support en-  
7 forcement.

8 “(B) LIMITATION.—In setting performance stand-  
9 ards pursuant to subparagraph (A)(i) and adjustment  
10 amounts pursuant to subparagraph (A)(ii), the Secretary  
11 shall ensure that the aggregate number of percentage  
12 point increases as incentive adjustments to all States do  
13 not exceed such aggregate increases as assumed by the  
14 Secretary in estimates of the cost of this section as of  
15 June 1994, unless the aggregate performance of all States  
16 exceeds the projected aggregate performance of all States  
17 in such cost estimates.

18 “(3) DETERMINATION OF INCENTIVE ADJUST-  
19 MENT.—The Secretary shall determine the amount (if  
20 any) of incentive adjustment due each State on the basis  
21 of the data submitted by the State pursuant to section  
22 454(15)(B) concerning the levels of accomplishment (and  
23 rates of improvement) with respect to performance indica-  
24 tors specified by the Secretary pursuant to this section.

1       “(4) FISCAL YEAR SUBJECT TO INCENTIVE ADJUST-  
2 MENT.—The total percentage point increase determined  
3 pursuant to this section with respect to a State program  
4 in a fiscal year shall apply as an adjustment to the appli-  
5 cable percent under section 455(a)(2) for payments to  
6 such State for the succeeding fiscal year.

7       “(b) MEANING OF TERMS.—For purposes of this sec-  
8 tion—

9           “(1) the term ‘Statewide paternity establish-  
10 ment percentage’ means, with respect to a fiscal  
11 year, the ratio (expressed as a percentage) of—

12               “(A) the total number of out-of-wedlock  
13 children in the State under one year of age for  
14 whom paternity is established or acknowledged  
15 during the fiscal year, to

16               “(B) the total number of children born out  
17 of wedlock in the State during such fiscal year;  
18 and

19           “(2) the term ‘overall performance in child sup-  
20 port enforcement’ means a measure or measures of  
21 the effectiveness of the State agency in a fiscal year  
22 which takes into account factors including—

23               “(A) the percentage of cases requiring a  
24 child support order in which such an order was  
25 established;

1           “(B) the percentage of cases in which child  
2 support is being paid;

3           “(C) the ratio of child support collected to  
4 child support due; and

5           “(D) the cost-effectiveness of the State  
6 program, as determined in accordance with  
7 standards established by the Secretary in regu-  
8 lations.”.

9           (b) TITLE IV–D PAYMENT ADJUSTMENT.—Section  
10 455(a)(2), as amended by section 611, is further amend-  
11 ed—

12           (1) by striking the period at the end of sub-  
13 paragraph (C)(ii) and inserting a period; and

14           (2) by adding after and below subparagraph  
15 (C), flush with the left margin of the subsection, the  
16 following:

17 “increased by the incentive adjustment factor (if any) de-  
18 termined by the Secretary pursuant to section 458.”.

19           (c) CONFORMING AMENDMENTS.—Section 454(22) is  
20 amended—

21           (1) by striking “incentive payments” the first  
22 place it appears and inserting “incentive adjust-  
23 ments”; and

24           (2) by striking “any such incentive payments  
25 made to the State for such period” and inserting

1 “any increases in Federal payments to the State re-  
2 sulting from such incentive adjustments”.

3 (d) CALCULATION OF IV-D PATERNITY ESTABLISH-  
4 MENT PERCENTAGE.—(1) Section 452(g) is amended in  
5 paragraph (1), in the matter preceding subparagraph (A),  
6 by inserting “its overall performance in child support en-  
7 forcement is satisfactory (as defined in section 458(b) and  
8 regulations of the Secretary), and” after “1994,”.

9 (2) Section 452(g)(2) is amended—

10 (A) in subparagraph (A), in the matter preced-  
11 ing clause (i)—

12 (i) by striking “paternity establishment  
13 percentage” and inserting “IV-D paternity es-  
14 tablishment percentage”; and

15 (ii) by striking “(or all States, as the case  
16 may be)”;

17 (B) in subparagraph (A)(i), by striking “during  
18 the fiscal year”;

19 (C) in subclause (I) of subparagraph (A)(ii), by  
20 striking “as of the end of the fiscal year” and insert-  
21 ing “in the fiscal year or, at the option of the State,  
22 as of the end of such year”;

23 (D) in subclause (II) of subparagraph (A)(ii),  
24 by striking “or (E) as of the end of the fiscal year”

1 and inserting “in the fiscal year or, at the option of  
2 the State, as of the end of such year”;

3 (E) in subparagraph (A)(iii)—

4 (i) by striking “during the fiscal year”;

5 and

6 (ii) by striking “and” at the end; and

7 (F) in the matter following subparagraph (A)—

8 (i) by striking “who were born out of wed-  
9 lock during the immediately preceding fiscal  
10 year” and inserting “born out of wedlock”;

11 (ii) by striking “such preceding fiscal  
12 year” both places it appears and inserting “the  
13 preceding fiscal year”; and

14 (iii) by striking “or (E)” the second place  
15 it appears.

16 (3) Section 452(g)(3) is amended—

17 (A) by striking subparagraph (A) and redesign-  
18 ating subparagraphs (B) and (C) as subparagraphs  
19 (A) and (B), respectively;

20 (B) in subparagraph (A), as redesignated, by  
21 striking “the percentage of children born out-of-wed-  
22 lock in the State” and inserting “the percentage of  
23 children in the State who are born out of wedlock  
24 or for whom support has not been established”; and

25 (C) in subparagraph (B), as redesignated—

1 (i) by inserting “and overall performance  
2 in child support enforcement” after “paternity  
3 establishment percentages”; and

4 (ii) by inserting “and securing support”  
5 before the period.

6 (e) TITLE IV–A PAYMENT REDUCTION.—Section  
7 403 is amended—

8 (1) in subsection (a), by striking “1958—” and  
9 inserting “1958—” (subject to subsection (h))—”;

10 (2) in subsection (h), by striking all that pre-  
11 cedes paragraph (3) and inserting the following:

12 “(h)(1) If the Secretary finds, with respect to a State  
13 program under this part in a fiscal year beginning on or  
14 after October 1, 1996—

15 “(A)(i) on the basis of data submitted by a  
16 State pursuant to section 454(15)(B), that the State  
17 program in such fiscal year failed to achieve the IV–  
18 D paternity establishment percentage (as defined in  
19 section 452(g)(2)(A)) or the appropriate level of  
20 overall performance in child support enforcement (as  
21 defined in section 458(b)(2)), or to meet other per-  
22 formance measures that may be established by the  
23 Secretary, or

24 “(ii) on the basis of an audit or audits of such  
25 State data conducted pursuant to section

1 452(a)(4)(C), that the State data submitted pursu-  
2 ant to section 454(15)(B) is incomplete or unreli-  
3 able; and

4 “(B) that, with respect to the succeeding fiscal  
5 year—

6 “(i) the State failed to take sufficient cor-  
7 rective action to achieve the appropriate per-  
8 formance levels as described in subparagraph  
9 (A)(i), or

10 “(ii) the data submitted by the State pur-  
11 suant to section 454(15)(B) is incomplete or  
12 unreliable,

13 the amounts otherwise payable to the State under this  
14 part for quarters following the end of such succeeding fis-  
15 cal year, prior to quarters following the end of the first  
16 quarter throughout which the State program is in compli-  
17 ance with such performance requirement, shall be reduced  
18 by the percentage specified in paragraph (2).

19 “(2) The reductions required under paragraph (1)  
20 shall be—

21 “(A) not less than one nor more than two per-  
22 cent, or

23 “(B) not less than two nor more than three  
24 percent, if the finding is the second consecutive find-  
25 ing made pursuant to paragraph (1), or

1           “(C) not less than three nor more than five per-  
2           cent, if the finding is the third or a subsequent con-  
3           secutive such finding.”; and

4           “(3) In subsection (h)(3), by striking “not in full  
5           compliance” and all that follows and inserting “deter-  
6           mined as a result of an audit to have submitted incomplete  
7           or unreliable data pursuant to section 454(15)(B), shall  
8           be determined to have submitted adequate data if the Sec-  
9           retary determines that the extent of the incompleteness  
10          or unreliability of the data is of a technical nature which  
11          does not adversely affect the determination of the level of  
12          the State’s performance.”.

13          (f) EFFECTIVE DATES.—

14                 (1) INCENTIVE ADJUSTMENTS.—(A) The  
15                 amendments made by subsections (a), (b), and (c)  
16                 shall become effective October 1, 1996, except to the  
17                 extent provided in subparagraph (B).

18                 (B) The provisions of section 458 of the Act, as  
19                 in effect prior to the enactment of this section, shall  
20                 be effective for purposes of incentive payments to  
21                 States for fiscal years prior to fiscal year 1998.

22                 (2) PENALTY REDUCTIONS.—(A) The amend-  
23                 ments made by subsection (d) shall become effective  
24                 with respect to calendar quarters beginning on and  
25                 after the date of enactment of this Act.

1           (B) The amendments made by subsection (e)  
2 shall become effective with respect to calendar quar-  
3 ters beginning on and after the date one year after  
4 the date of enactment of this Act.

5 **SEC. 613. FEDERAL AND STATE REVIEWS AND AUDITS.**

6           (a) STATE AGENCY ACTIVITIES.—Section 454 is  
7 amended—

8           (1) in paragraph (14), by striking “(14)” and  
9 inserting “(14)(A)”;

10           (2) by redesignating paragraph (15) as sub-  
11 paragraph (B) of paragraph (14); and

12           (3) by inserting after paragraph (14) the fol-  
13 lowing new paragraph:

14           “(15) provide for—

15           “(A) a process for annual reviews of and  
16 reports to the Secretary on the State program  
17 under this part, using such standards and pro-  
18 cedures as are required by the Secretary, under  
19 which the State agency will determine the ex-  
20 tent to which such program is in conformity  
21 with applicable requirements with respect to the  
22 operation of State programs under this part  
23 (including the status of complaints filed under  
24 the procedure required under paragraph  
25 (12)(B)); and

1           “(B) a process of extracting from the  
2           State automated data processing system and  
3           transmitting to the Secretary data and calcula-  
4           tions concerning the levels of accomplishment  
5           (and rates of improvement) with respect to ap-  
6           plicable performance indicators (including IV–D  
7           paternity establishment percentages and overall  
8           performance in child support enforcement) to  
9           the extent necessary for purposes of sections  
10          452(g) and 458.”.

11          (b) FEDERAL ACTIVITIES.—Section 452(a)(4) is  
12 amended to read as follows:

13           “(4)(A) review data and calculations transmit-  
14          ted by State agencies pursuant to section  
15          454(15)(B) on State program accomplishments with  
16          respect to performance indicators for purposes of  
17          section 452(g) and 458, and determine the amount  
18          (if any) of penalty reductions pursuant to section  
19          403(h) to be applied to the State;

20           “(B) review annual reports by State agencies  
21          pursuant to section 454(15)(A) on State program  
22          conformity with Federal requirements; evaluate any  
23          elements of a State program in which significant de-  
24          ficiencies are indicated by such report on the status  
25          of complaints under the State procedure under sec-

1 tion 454(12)(B); and, as appropriate, provide to the  
2 State agency comments, recommendations for addi-  
3 tional or alternative corrective actions, and technical  
4 assistance; and

5 “(C) conduct audits, in accordance with the  
6 government auditing standards of the United States  
7 Comptroller General—

8 “(i) at least once every 3 years (or more  
9 frequently, in the case of a State which fails to  
10 meet requirements of this part, or of regula-  
11 tions implementing such requirements, concern-  
12 ing performance standards and reliability of  
13 program data) to assess the completeness, reli-  
14 ability, and security of the data, and the accu-  
15 racy of the reporting systems, used for the cal-  
16 culations of performance indicators specified in  
17 subsection (g) and section 458;

18 “(ii) of the adequacy of financial manage-  
19 ment of the State program, including assess-  
20 ments of—

21 “(I) whether Federal and other funds  
22 made available to carry out the State pro-  
23 gram under this part are being appro-  
24 priately expended, and are properly and  
25 fully accounted for; and

1                   “(II) whether collections and disburse-  
2                   ments of support payments and program  
3                   income are carried out correctly and are  
4                   properly and fully accounted for; and

5                   “(iii) for such other purposes as the Sec-  
6                   retary may find necessary;”.

7           (c) EFFECTIVE DATE.—The amendments made by  
8 this section shall be effective with respect to calendar  
9 quarters beginning on or after the date one year after en-  
10 actment of this section.

11 **SEC. 614. AUTOMATED DATA PROCESSING REQUIREMENTS.**

12           (a) REVISED REQUIREMENTS.—(1) Section 454(16)  
13 is amended—

14                   (A) by striking “, at the option of the State,”;

15                   (B) by inserting “and operation by the State  
16 agency” after “for the establishment”;

17                   (C) by inserting “meeting the requirements of  
18 section 454A” after “information retrieval system”;

19                   (D) by striking “in the State and localities  
20 thereof, so as (A)” and inserting “so as”;

21                   (E) by striking “(i)”; and

22                   (F) by striking “(including” and all that follows  
23 and inserting a semicolon.

24           (2) Part D of title IV is amended by inserting after  
25 section 454 the following new section:

1                   “AUTOMATED DATA PROCESSING

2           “SEC. 454A. (a) IN GENERAL.—In order to meet the  
3 requirements of this section, for purposes of the require-  
4 ment of section 454(16), a State agency shall have in op-  
5 eration a single statewide automated data processing and  
6 information retrieval system which has the capability to  
7 perform the tasks specified in this section, and performs  
8 such tasks with the frequency and in the manner specified  
9 in this part or in regulations or guidelines of the Sec-  
10 retary.

11           “(b) PROGRAM MANAGEMENT.—The automated sys-  
12 tem required under this section shall perform such func-  
13 tions as the Secretary may specify relating to management  
14 of the program under this part, including—

15                   “(1) controlling and accounting for use of Fed-  
16 eral, State, and local funds to carry out such pro-  
17 gram; and

18                   “(2) maintaining the data necessary to meet  
19 Federal reporting requirements on a timely basis.

20           “(c) CALCULATION OF PERFORMANCE INDICA-  
21 TORS.—In order to enable the Secretary to determine the  
22 incentive and penalty adjustments required by sections  
23 452(g) and 458, the State agency shall—

24                   “(1) use the automated system—

1           “(A) to maintain the requisite data on  
2           State performance with respect to paternity es-  
3           tablishment and child support enforcement in  
4           the State; and

5           “(B) to calculate the IV–D paternity es-  
6           tablishment percentage and overall performance  
7           in child support enforcement for the State for  
8           each fiscal year; and

9           “(2) have in place systems controls to ensure  
10          the completeness, and reliability of, and ready access  
11          to, the data described in paragraph (1)(A), and the  
12          accuracy of the calculations described in paragraph  
13          (1)(B).

14          “(d) INFORMATION INTEGRITY AND SECURITY.—The  
15          State agency shall have in effect safeguards on the integ-  
16          rity, accuracy, and completeness of, access to, and use of  
17          data in the automated system required under this section,  
18          which shall include the following (in addition to such other  
19          safeguards as the Secretary specifies in regulations):

20                 “(1) POLICIES RESTRICTING ACCESS.—Written  
21                 policies concerning access to data by State agency  
22                 personnel, and sharing of data with other persons,  
23                 which—

1           “(A) permit access to and use of data only  
2           to the extent necessary to carry out program re-  
3           sponsibilities;

4           “(B) specify the data which may be used  
5           for particular program purposes, and the per-  
6           sonnel permitted access to such data; and

7           “(C) ensure that data obtained or disclosed  
8           for a limited program purpose is not used or  
9           redisclosed for another, impermissible purpose.

10          “(2) SYSTEMS CONTROLS.—Systems controls  
11          (such as passwords or blocking of fields) to ensure  
12          strict adherence to the policies specified under para-  
13          graph (1).

14          “(3) MONITORING OF ACCESS.—Routine mon-  
15          itoring of access to and use of the automated sys-  
16          tem, through methods such as audit trails and feed-  
17          back mechanisms, to guard against and promptly  
18          identify unauthorized access or use.

19          “(4) TRAINING AND INFORMATION.—The State  
20          agency shall have in effect procedures to ensure that  
21          all personnel (including State and local agency staff  
22          and contractors) who may have access to or be re-  
23          quired to use sensitive or confidential program data  
24          are fully informed of applicable requirements and

1 penalties, and are adequately trained in security pro-  
2 cedures.

3 “(5) PENALTIES.—The State agency shall have  
4 in effect administrative penalties (up to and includ-  
5 ing dismissal from employment) for unauthorized ac-  
6 cess to, or disclosure or use of, confidential data.”.

7 (3) IMPLEMENTATION TIMETABLE.—Section  
8 454(24) is amended to read as follows:

9 “(24) provide that the State will have in effect  
10 an automated data processing and information re-  
11 trieval system—

12 “(A) by October 1, 1995, meeting all re-  
13 quirements of this part which were enacted on  
14 or before the date of enactment of the Family  
15 Support Act of 1988; and

16 “(B) by October 1, 1998, meeting all re-  
17 quirements of this part enacted on or before the  
18 date of enactment of the Work and Responsibil-  
19 ity Act of 1994 (but this provision shall not be  
20 construed to alter earlier deadlines specified for  
21 elements of such system);”.

22 (b) SPECIAL FEDERAL MATCHING RATE FOR DE-  
23 VELOPMENT COSTS OF AUTOMATED SYSTEMS.—Section  
24 455(a) is amended—

25 (1) in paragraph (1)(B)—

1 (A) by striking “90 percent” and inserting  
2 “the percent specified in paragraph (3)”;

3 (B) by striking “so much of”; and

4 (C) by striking “which the Secretary” and  
5 all that follows and inserting “, and”; and

6 (2) by adding at the end the following new  
7 paragraph:

8 “(3)(A) The Secretary shall pay to each State, for  
9 each quarter in fiscal year 1995, 90 percent of so much  
10 of State expenditures described in subparagraph (1)(B) as  
11 the Secretary finds are for a system meeting the require-  
12 ments specified in section 454(16), or meeting such re-  
13 quirements without regard to clause (D) thereof.

14 “(B)(i) The Secretary shall pay to each State, for  
15 each quarter in fiscal years 1996 through 2000, the per-  
16 centage specified in clause (ii) of so much of State expend-  
17 itures described in subparagraph (1)(B) as the Secretary  
18 finds are for a system meeting the requirements specified  
19 in section 454(16) and 454A, subject to clause (iii).

20 “(ii) The percentage specified in this clause, for pur-  
21 poses of clause (i), is the higher of—

22 “(I) 80 percent, or

23 “(II) the percentage otherwise applicable to  
24 Federal payments to the State under subparagraph  
25 (A) (as adjusted in pursuant to section 458).

1       “(iii) Notwithstanding any other provision of this sec-  
2 tion, the total amount payable by the Secretary with re-  
3 spect to expenditures during fiscal years specified in clause  
4 (i) shall not exceed \$260,000,000, to be distributed among  
5 the States, and to be made available at such time or times  
6 over the five-year period, as is provided in regulations is-  
7 sued by the Secretary, taking into account the relative size  
8 of State caseloads and the level of automation needed to  
9 meet the requirements of this part, and payments under  
10 clause (i) shall be made to a State at such times and in  
11 such a manner as provided in the advance planning docu-  
12 ment approved under section 452(d).”.

13       (c) CONFORMING AMENDMENT.—Section 123(c) of  
14 the Family Support Act of 1988 is repealed.

15       (d) ADDITIONAL PROVISIONS.—For additional provi-  
16 sions of section 454A, as added by subsection (a), see sec-  
17 tions 621, 622, and 636 of this Act.

18 **SEC. 615. DIRECTOR OF CSE PROGRAM; TRAINING AND**  
19 **STAFFING.**

20       (a) REPORTING TO SECRETARY.—Section 452(a) is  
21 amended, in the matter preceding paragraph (1), by strik-  
22 ing “directly”.

23       (b) TRAINING PROGRAM.—Section 452(a)(7) is  
24 amended by striking “paternity;” and inserting “pater-  
25 nity, through activities including—

1           “(A) development of a core curriculum and  
2           training standards to be used by States in the  
3           development of State-specific training guides;  
4           and

5           “(B) development of a national training  
6           program for directors of State programs under  
7           this part;”.

8           (c) STATE PLAN REQUIREMENT.—Section 454, as  
9           amended by sections 602 and 604, is further amended—

10           (1) by striking “and” at the end of paragraph  
11           (25);

12           (2) by striking the period at the end of para-  
13           graph (26) and inserting “; and”; and

14           (3) by adding after paragraph (26) the follow-  
15           ing new paragraph:

16           “(27) provide that the State agency will develop  
17           and implement a training program which—

18           “(A) is consistent with the national train-  
19           ing standards and core curriculum developed by  
20           the Secretary pursuant to section 452(a)(7),  
21           and uses a State-specific training guide incor-  
22           porating such core curriculum;

23           “(B) provides for initial and ongoing train-  
24           ing of all staff (including State and local agency  
25           staff and contractors) of the program under

1 this part, including annual training for case  
2 workers and special training when significant  
3 changes are made in statutes, regulations, poli-  
4 cies, or procedures; and

5 “(C) may provide (subject to approval by  
6 the Secretary) for appropriate training of other  
7 persons with responsibilities relating to the im-  
8 plementation of the State program under this  
9 part (including staff administering programs  
10 under part A, part E, title XIX, and other re-  
11 lated and complementary programs; judges and  
12 other staff of judicial and administrative tribu-  
13 nals; law enforcement personnel; staff of social  
14 services organizations; and the private bar.”.

15 (d) STAFFING STUDIES.—(1) SCOPE OF STUDY.—  
16 The Secretary of Health and Human Services shall, di-  
17 rectly or by contract, conduct studies of the staffing of  
18 each State child support enforcement program under title  
19 IV–D of the Act. Such studies shall include a review of  
20 the staffing needs created by requirements for automated  
21 data processing, maintenance of a central case registry,  
22 and centralized collections of child support, and of changes  
23 in these needs resulting from changes in such require-  
24 ments.

1       (2) FREQUENCY OF STUDIES.—The Secretary shall  
2 complete the first staffing study required under paragraph  
3 (1) by October 1, 1996, and may conduct additional stud-  
4 ies subsequently at appropriate intervals.

5       (3) REPORT TO CONGRESS.—The Secretary shall  
6 submit a report to the Congress stating the findings and  
7 conclusions of each study conducted under this subsection.

8 **SEC. 616. FUNDING FOR SECRETARIAL ASSISTANCE TO**  
9 **STATE PROGRAMS.**

10       Section 452 is amended by adding at the end the fol-  
11 lowing new subsection:

12       “(j) FUNDING FOR FEDERAL ACTIVITIES ASSISTING  
13 STATE PROGRAMS.—(1) There shall be available to the  
14 Secretary, from amounts appropriated for fiscal year 1995  
15 and each succeeding fiscal year for payments to States  
16 under this part, the amount specified in paragraph (2) for  
17 the costs to the Secretary for—

18               “(A) information dissemination and technical  
19 assistance to States, training of State and Federal  
20 staff, staffing studies, and related activities needed  
21 to improve programs (including technical assistance  
22 concerning State automated systems);

23               “(B) research, demonstration, and special  
24 projects of regional or national significance relating

1 to the operation of State programs under this part;  
2 and

3 “(C) operation of the Federal parent Locator  
4 Service under section 453 and the National Welfare  
5 Reform Information Clearinghouse under section  
6 453A, to the extent such costs are not recovered  
7 through user fees.

8 “(2) The amount specified in this paragraph for a  
9 fiscal year is the amount equal to a percentage of the re-  
10 duction in Federal payments to States under part A on  
11 account of child support (including arrearages) collected  
12 in the preceding fiscal year on behalf of children receiving  
13 aid under such part A in such preceding fiscal year (as  
14 determined on the basis of the most recent reliable data  
15 available to the Secretary as of the end of the third cal-  
16 endar quarter following the end of such preceding fiscal  
17 year), equal to—

18 “(A) 1 percent, for the activities specified in  
19 subparagraphs (A) and (B) of paragraph (1); and

20 “(B) 2 percent, for the activities specified in  
21 subparagraph (C) of paragraph (1).”.

22 **SEC. 617. DATA COLLECTION AND REPORTS BY THE SEC-**  
23 **RETARY.**

24 (a) ANNUAL REPORT TO CONGRESS.—(1) Section  
25 452(a)(10)(A) is amended—

1 (A) by striking “this part;” and inserting “this  
2 part, including—”; and

3 (B) by adding at the end the following indented  
4 clauses:

5 “(i) the total amount of child support  
6 payments collected as a result of services  
7 furnished during such fiscal year to indi-  
8 viduals receiving services under this part;

9 “(ii) the cost to the States and to the  
10 Federal Government of furnishing such  
11 services to those individuals; and

12 “(iii) the number of cases involving  
13 families—

14 “(I) who became ineligible for aid  
15 under part A during a month in such  
16 fiscal year; and

17 “(II) with respect to whom a  
18 child support payment was received in  
19 the same month;”.

20 (2) Section 452(a)(10)(C) is amended—

21 (A) in the matter preceding clause (i)—

22 (i) by striking “with the data required  
23 under each clause being separately stated for  
24 cases” and inserting “separately stated for (1)  
25 cases”;

1 (ii) by striking “cases where the child was  
2 formerly receiving” and inserting “or formerly  
3 received”;

4 (iii) by inserting “or 1912” after  
5 “471(a)(17)”; and

6 (iv) by inserting “(2)” before “all other”;

7 (B) in each of clauses (i) and (ii), by striking  
8 “, and the total amount of such obligations”;

9 (C) in clause (iii), by striking “described in”  
10 and all that follows and inserting “in which support  
11 was collected during the fiscal year”;

12 (D) by striking clause (iv);

13 (E) by redesignating clause (v) as clause (vii),  
14 and inserting after clause (iii) the following new  
15 clauses:

16 “(iv) the total amount of support col-  
17 lected during such fiscal year and distrib-  
18 uted as current support;

19 “(v) the total amount of support col-  
20 lected during such fiscal year and distrib-  
21 uted as arrearages;

22 “(vi) the total amount of support due  
23 and unpaid for all fiscal years; and”.

24 (3) Section 452(a)(10)(G) is amended by striking “on  
25 the use of Federal courts and”.

1           (4) Section 452(a)(10) is further amended by striking  
2 the matter following the end of subparagraph (I).

3           (b) DATA COLLECTION AND REPORTING.—Section  
4 469 is amended—

5                 (1) in subsections (a) and (b), to read as fol-  
6 lows:

7           “(a) The Secretary shall collect and maintain, on a  
8 fiscal year basis, up-to-date statistics, by State, with re-  
9 spect to services to establish paternity and services to es-  
10 tablish child support obligations, the data specified in sub-  
11 section (b), separately stated, in the case of each such  
12 service, with respect to—

13                 “(1) families (or dependent children) receiving  
14 aid under plans approved under part A (or E); and

15                 “(2) families not receiving such aid.

16           “(b) The data referred to in subsection (a) are—

17                 “(1) the number of cases in the caseload of the  
18 State agency administering the plan under this part  
19 in which such service is needed; and

20                 “(2) the number of such cases in which the  
21 service has been provided.”; and

22                 (2) in subsection (c), by striking “(a)(2)” and  
23 inserting “(b)(2)”.

1 (c) EFFECTIVE DATE.—The amendments made by  
2 this section shall be effective with respect to fiscal year  
3 1995 and succeeding fiscal years.

4 **PART C—LOCATE AND CASE TRACKING**

5 **SEC. 621. CENTRAL STATE AND CASE REGISTRY.**

6 Section 454A, as added by section 614, is further  
7 amended by adding at the end the following new sub-  
8 sections:

9 “(e) CENTRAL CASE REGISTRY.—(1) IN GEN-  
10 ERAL.—The automated system required under this section  
11 shall perform the functions, in accordance with the provi-  
12 sions of this subsection, of a single central registry con-  
13 taining records with respect to each case in which services  
14 are being provided by the State agency (including, on and  
15 after October 1, 1997, each order specified in section  
16 466(a)(12)), using such standardized data elements (such  
17 as names, social security numbers or other uniform identi-  
18 fication numbers, dates of birth, and case identification  
19 numbers), and containing such other information (such as  
20 information on case status) as the Secretary may require.

21 “(2) PAYMENT RECORDS.—Each case record in the  
22 central registry shall include a record of—

23 “(A) the amount of monthly (or other periodic)  
24 support owed under the support order, and other

1 amounts due or overdue (including arrears, interest  
2 or late payment penalties, and fees);

3 “(B) the date on which the support obligation  
4 will terminate under such order;

5 “(C) all child support and related amounts col-  
6 lected (including such amounts as fees, late payment  
7 penalties, and interest on arrearages); and

8 “(D) the distribution of such amounts collected.

9 “(3) UPDATING AND MONITORING.—The State agen-  
10 cy shall promptly establish and maintain, and regularly  
11 monitor, case records in the registry required by this sub-  
12 section, on the basis of—

13 “(A) information on administrative actions and  
14 administrative and judicial proceedings and orders  
15 relating to paternity and support;

16 “(B) information obtained from matches with  
17 Federal, State, or local data sources;

18 “(C) information on support collections and dis-  
19 tributions; and

20 “(D) any other relevant information.

21 “(f) DATA MATCHES AND OTHER DISCLOSURES OF  
22 INFORMATION.—The automated system required under  
23 this section shall have the capacity, and be used by the  
24 State agency, to extract data at such times, and in such  
25 standardized format or formats, as may be required by

1 the Secretary, and to share and match data with, and re-  
2 ceive data from, other data bases and data matching serv-  
3 ices, in order to obtain (or provide) information necessary  
4 to enable the State agency (or Secretary or other State  
5 or Federal agencies) to carry out responsibilities under  
6 this part. Data matching activities of the State agency  
7 shall include at least the following:

8           “(1) NATIONAL CHILD SUPPORT REGISTRY.—  
9           Furnish to the National Child Support Registry es-  
10          tablished under section 453A (and update as nec-  
11          essary, with information including notice of expira-  
12          tion of orders) minimal information (to be specified  
13          by the Secretary) on each child support case in the  
14          central case registry.

15           “(2) FEDERAL PARENT LOCATOR SERVICE.—  
16          Exchange data with the Federal Parent Locator  
17          Service for the purposes specified in section 453.

18           “(3) AFDC AND MEDICAID AGENCIES.—Ex-  
19          change data with State agencies (of the State and  
20          of other States) administering the programs under  
21          part A and title XIX, as necessary for the perform-  
22          ance of State agency responsibilities under this part  
23          and under such programs.

24           “(4) INTRA- AND INTERSTATE DATA  
25          MATCHES.—Exchange data with other agencies of

1 the State, agencies of other States, and interstate  
2 information networks, as necessary and appropriate  
3 to carry out (or assist other States to carry out) the  
4 purposes of this part.”.

5 **SEC. 622. CENTRALIZED COLLECTION AND DISBURSEMENT**  
6 **OF SUPPORT PAYMENTS.**

7 (a) STATE PLAN REQUIREMENT.—Section 454, as  
8 previously amended by sections 601, 605, and 615, is fur-  
9 ther amended—

10 (1) by striking “and” at the end of paragraph  
11 (26);

12 (2) by striking the period at the end of para-  
13 graph (27) and inserting “; and”; and

14 (3) by adding after paragraph (27) the follow-  
15 ing new paragraph:

16 “(28) provide that the State agency, on and  
17 after October 1, 1997—

18 “(A) will operate a centralized, automated  
19 unit for the collection and disbursement of child  
20 support under orders being enforced under this  
21 part, in accordance with section 454B; and

22 “(B) will have sufficient State staff (con-  
23 sisting of State employees, and (at State op-  
24 tion) contractors reporting directly to the State  
25 agency) to monitor and enforce support collec-



1       “(b) REQUIRED PROCEDURES.—The centralized col-  
2 lections unit shall use automated procedures, electronic  
3 processes, and computer-driven technology to the maxi-  
4 mum extent feasible, efficient, and economical, for the col-  
5 lection and disbursement of support payments, including  
6 procedures—

7               “(1) for receipt of payments from parents, em-  
8 ployers, and other States, and for disbursements to  
9 custodial parents and other obligees, the State agen-  
10 cy, and the State agencies of other States;

11               “(2) for accurate identification of payments;

12               “(3) to ensure prompt disbursement of the cus-  
13 todial parent’s share of any payment; and

14               “(4) to furnish to either parent, upon request,  
15 timely information on the current status of support  
16 payments.”.

17       (c) USE OF AUTOMATED SYSTEM.—Section 454A, as  
18 added by section 614 and amended by section 621, is fur-  
19 ther amended by adding at the end the following new sub-  
20 section:

21       “(g) CENTRALIZED COLLECTION AND DISTRIBUTION  
22 OF SUPPORT PAYMENTS.—The automated system re-  
23 quired under this section shall be used, to the maximum  
24 extent feasible, to assist and facilitate collections and dis-  
25 bursement of support payments through the centralized

1 collections unit operated pursuant to section 454B,  
2 through the performance of functions including at a mini-  
3 mum—

4 “(1) generation of orders and notices to em-  
5 ployers (and other debtors) for the withholding of  
6 wages (and other income)—

7 “(A) within two working days after receipt  
8 (from the National Directory of New Hires or  
9 any other source) of notice of and the income  
10 source subject to such withholding; and

11 “(B) using uniform formats directed by  
12 the Secretary;

13 “(2) ongoing monitoring to promptly identify  
14 failures to make timely payment; and

15 “(3) automatic use of enforcement mechanisms  
16 (including mechanisms authorized pursuant to sec-  
17 tion 466(c)) where payments are not timely made.”.

18 (d) The amendments made by this section shall be-  
19 come effective on October 1, 1997.

20 **SEC. 623. AMENDMENTS CONCERNING INCOME WITHHOLD-**  
21 **ING.**

22 (a) MANDATORY INCOME WITHHOLDING.—(1) Sec-  
23 tion 466(a)(1) is amended to read as follows:

24 “(1) INCOME WITHHOLDING.—(A) UNDER OR-  
25 DERS ENFORCED UNDER THE STATE PLAN.—Proce-

1       dures described in subsection (b) for the withholding  
2       from income of amounts payable as support in cases  
3       subject to enforcement under the State plan.

4           “(B) UNDER CERTAIN ORDERS PREDATING  
5       CHANGE IN REQUIREMENT.—Procedures under  
6       which all child support orders issued (or modified)  
7       before October 1, 1995, and which are not otherwise  
8       subject to withholding under subsection (b), shall be-  
9       come subject to withholding from wages as provided  
10      in subsection (b) if arrearages occur, without the  
11      need for a judicial or administrative hearing.”.

12      (2) Section 466(a)(8) is repealed.

13      (3) Section 466(b) is amended—

14           (A) in the matter preceding paragraph (1),  
15           by striking “subsection (a)(1)” and inserting  
16           “subsection (a)(1)(A)”;

17           (B) in paragraph (5), by striking all that  
18           follows “administered by” and inserting “the  
19           State through the centralized collections unit  
20           established pursuant to section 454B, in ac-  
21           cordance with the requirements of such section  
22           454B.”;

23           (C) in paragraph (6)(A)(i)—

1 (i) by inserting “, in accordance with time-  
2 tables established by the Secretary,” after  
3 “must be required”; and

4 (ii) by striking “to the appropriate agency”  
5 and all that follows and inserting “to the State  
6 centralized collections unit within 5 working  
7 days after the date such amount would (but for  
8 this subsection) have been paid or credited to  
9 the employee, for distribution in accordance  
10 with this part.”;

11 (D) in paragraph (6)(A)(ii), by inserting “be in  
12 a standard format prescribed by the Secretary, and”  
13 after “shall”; and

14 (E) in paragraph (6)(D)—

15 (i) by striking “employer who discharges”  
16 and inserting “employer who—(A) discharges”;

17 (ii) by relocating subparagraph (A), as des-  
18 ignated, as an indented subparagraph after and  
19 below the introductory matter;

20 (iii) by striking the period at the end; and

21 (iv) by adding after and below subpara-  
22 graph (A) the following new subparagraph:

23 “(B) fails to withhold support from wages,  
24 or to pay such amounts to the State centralized

1 collections unit in accordance with this sub-  
2 section.”.

3 (b) CONFORMING AMENDMENT.—Section 466(c) is  
4 repealed.

5 (c) DEFINITION OF TERMS.—The Secretary shall  
6 promulgate regulations providing definitions, for purposes  
7 of title IV–D of the Act, for the term “income” and for  
8 such other terms relating to income withholding under sec-  
9 tion 466(b) of the Act as the Secretary may find it nec-  
10 essary or advisable to define.

11 **SEC. 624. LOCATOR INFORMATION FROM INTERSTATE NET-**  
12 **WORKS AND LABOR UNIONS.**

13 STATE LAW REQUIREMENT.—Section 466(a), as  
14 amended by section 623, is amended by adding after para-  
15 graph (7) the following new paragraph:

16 “(8) LOCATOR INFORMATION.—(A) INTER-  
17 STATE NETWORKS.—Procedures ensuring that the  
18 State will neither provide funding for, nor use for  
19 any purpose (including any purpose unrelated to the  
20 purposes of this part), any automated interstate net-  
21 work or system used to locate individuals—

22 “(i) for purposes relating to the use of motor  
23 vehicles; or

24 “(ii) providing information for law enforcement  
25 purposes (where child support enforcement agencies

1 are otherwise allowed access by State and Federal  
2 law),  
3 unless all Federal and State agencies administering pro-  
4 grams under this part (including the entities established  
5 under sections 453 and 453A) have access to information  
6 in such system or network to the same extent as any other  
7 user of such system or network.

8 “(B) LABOR UNIONS.—Procedures under which  
9 labor unions, and their hiring halls, must furnish to  
10 the State agency, upon request, with respect to any  
11 union member against whom paternity or a support  
12 obligation is sought to be established or enforced,  
13 such information as the union or hiring hall may  
14 have on such member’s residential address and tele-  
15 phone number, employer’s name, address, and tele-  
16 phone number, and wages and medical insurance  
17 benefits.”.

18 **SEC. 625. NATIONAL WELFARE REFORM INFORMATION**  
19 **CLEARINGHOUSE.**

20 (a) Part D of title IV is amended by adding after  
21 section 453 the following new section:

22 “NATIONAL WELFARE REFORM INFORMATION  
23 CLEARINGHOUSE

24 “SEC. 453A. (a)(1) In order to assist States in ad-  
25 ministering their State plans under this part and parts

1 A, F, and G, and for the other purposes specified in this  
2 section, the Secretary shall establish and operate a Na-  
3 tional Welfare Reform Information Clearinghouse, per-  
4 forming the functions and meeting the requirements speci-  
5 fied in this section, and containing the registries and di-  
6 rectory specified in paragraph (2).

7 “(2) COMPONENTS SPECIFIED.—The registries and  
8 directory specified in this paragraph, for purposes of para-  
9 graph (1), are—

10 “(A) the National Child Support Registry es-  
11 tablished pursuant to subsection (b);

12 “(B) the National Directory of New Hires es-  
13 tablished pursuant to subsection (c);

14 “(C) the Federal Parent Locator Service estab-  
15 lished pursuant to section 453; and

16 “(D) the National Welfare Receipt Registry es-  
17 tablished pursuant section 411.

18 “(3) USE OF TERM.—For purposes of this section,  
19 references to registries maintained under this section shall  
20 be considered to include the National Directory of New  
21 Hires and the Federal Parent Locator Service.

22 “(b) NATIONAL CHILD SUPPORT REGISTRY.—(1) IN  
23 GENERAL.—The Secretary shall establish by October 1,  
24 1997, and maintain thereafter, an automated registry, to  
25 be known as the National Child Support Registry, contain-

1 ing minimal information (in accordance with paragraph  
2 (2)) on each case in each State central case registry main-  
3 tained pursuant to section 454A(e), as furnished (and reg-  
4 ularly updated), pursuant to section 454A(f), by State  
5 agencies administering programs under this part.

6 “(2) CASE INFORMATION.—The case information re-  
7 quired to be furnished pursuant to this subsection, as  
8 specified by the Secretary, shall include sufficient informa-  
9 tion (including names, social security numbers or other  
10 uniform identification numbers, and State case identifica-  
11 tion numbers) to identify the individuals who owe or are  
12 owed support (or with respect to or on behalf of whom  
13 support obligations are sought to be established), and the  
14 State or States which have established or modified, or are  
15 enforcing or seeking to establish, such an order.

16 “(c) NATIONAL DIRECTORY OF NEW HIRES.—(1) IN  
17 GENERAL.—The Secretary shall establish by October 1,  
18 1997, and maintain thereafter, an automated directory, to  
19 be known as the National Directory of New Hires, con-  
20 taining—

21 “(A) information supplied by employers on each  
22 newly hired individual, in accordance with paragraph  
23 (2); and

1           “(B) information supplied by State agencies ad-  
2           ministering State unemployment compensation laws,  
3           in accordance with paragraph (3).

4           “(2) EMPLOYER INFORMATION.—(A) INFORMATION  
5           REQUIRED.—Subject to subparagraph (D), each employer  
6           shall furnish to the Secretary, for inclusion in the direc-  
7           tory under this subsection, not later than 10 days after  
8           the date (on or after October 1, 1997) on which the em-  
9           ployer hires a new employee (as defined in subparagraph  
10          (C)), a report containing the name, date of birth, and so-  
11          cial security number of such employee, and the employer  
12          identification number of the employer.

13          “(B) REPORTING METHOD AND FORMAT.—The Sec-  
14          retary shall provide for transmission of the reports re-  
15          quired under subparagraph (A) using formats and meth-  
16          ods which minimize the burden on employers, which shall  
17          include—

18                 “(i) automated or electronic transmission of  
19                 such reports;

20                 “(ii) transmission by regular mail; and

21                 “(iii) transmission of a copy of the form re-  
22                 quired for purposes of compliance with section 3402  
23                 of the Internal Revenue Code of 1986.

24          “(C) EMPLOYEE DEFINED.—For purposes of this  
25          paragraph, the term “employee”—

1           “(i) means (subject to clause (ii)) any individual  
2           subject to the requirement of section 3402(f)(2) of  
3           the Internal Revenue Code of 1986; and

4           “(ii) does not include an employee of a Federal  
5           or State agency performing law enforcement func-  
6           tions, or of a Federal agency performing intelligence  
7           or counterintelligence functions, where the head of  
8           such agency has determined that reporting pursuant  
9           to this paragraph with respect to such employee  
10          could endanger the safety of the employee or com-  
11          promise an ongoing investigation or intelligence mis-  
12          sion.

13          “(D) PAPERWORK REDUCTION REQUIREMENT.—As  
14          required by the information resources management poli-  
15          cies published by the Director of the Office of Manage-  
16          ment and Budget pursuant to 44 U.S.C. 3504(b)(1), the  
17          Secretary, in order to minimize the cost and reporting bur-  
18          den on employers, shall not require reporting pursuant to  
19          this paragraph if an alternative reporting mechanism can  
20          be developed that either relies on existing Federal or State  
21          reporting or enables the Secretary to collect the needed  
22          information in a more cost-effective and equally expedi-  
23          tious manner, taking into account the reporting costs on  
24          employers.

1       “(E) CIVIL MONEY PENALTY ON NONCOMPLYING  
2 EMPLOYERS.—(i) Any employer that fails to make a time-  
3 ly report in accordance with this paragraph with respect  
4 to an individual shall be subject to a civil money penalty,  
5 for each calendar year in which the failure occurs, of the  
6 lesser of \$500 or 1 percent of the wages or other com-  
7 pensation paid by such employer to such individual during  
8 such calendar year.

9       “(ii) Subject to clause (iii), the provisions of section  
10 1128A (other than subsections (a) and (b) thereof) shall  
11 apply to a civil money penalty under clause (i) in the same  
12 manner as they apply to a civil money penalty or proceed-  
13 ing under section 1128A(a).

14       “(iii) Any employer with respect to whom a penalty  
15 under this subparagraph is upheld after an administrative  
16 hearing shall be liable to pay all costs of the Secretary  
17 with respect to such hearing.

18       “(3) EMPLOYMENT SECURITY INFORMATION.—(A)  
19 REPORTING REQUIREMENT.—Each State agency admin-  
20 istering a State unemployment compensation law approved  
21 by the Secretary of Labor under the Federal Unemploy-  
22 ment Tax Act shall furnish to the Secretary of Health and  
23 Human Services extracts of the reports to the Secretary  
24 of Labor concerning the wages and unemployment com-

1 pension paid to individuals required under section  
2 303(a)(6), in accordance with subparagraph (B).

3 “(B) MANNER OF COMPLIANCE.—The extracts re-  
4 quired under subparagraph (A) shall be furnished to the  
5 Secretary of Health and Human Services on a quarterly  
6 basis, with respect to calendar quarters beginning on and  
7 after October 1, 1995, by such dates, in such format, and  
8 containing such information as required by that Secretary  
9 in regulations.

10 “(d) DATA MATCHES AND OTHER DISCLOSURES.—  
11 (1) VERIFICATION BY SOCIAL SECURITY ADMINISTRA-  
12 TION.—(A) The Secretary shall transmit data on individ-  
13 uals and employers in the registries maintained under this  
14 section to the Social Security Administration to the extent  
15 necessary for verification in accordance with subparagraph  
16 (B).

17 “(B) The Social Security Administration shall verify  
18 the accuracy of, correct or supply to the extent necessary  
19 and feasible, and report to the Secretary, the following in-  
20 formation in data supplied by the Secretary pursuant to  
21 subparagraph (A):

22 “(i) the name, social security number, and birth  
23 date of each individual; and

24 “(ii) the employer identification number of each  
25 employer.

1       “(2) CHILD SUPPORT LOCATOR MATCHES.—For the  
2 purpose of locating individuals for purposes of paternity  
3 establishment and establishment and enforcement of child  
4 support, the Secretary shall—

5           “(A) match data in the New Hire Directory  
6 against data in the Child Support Registry not less  
7 often than every 2 working days; and

8           “(B) report information obtained from such a  
9 match to concerned State agencies operating pro-  
10 grams under this part not later than 2 working days  
11 after such match.

12       “(3) DATA MATCHES AND DISCLOSURES OF DATA IN  
13 ALL REGISTRIES.—(A) FOR TITLE IV PROGRAM PUR-  
14 POSES.—The Secretary shall—

15           “(i) perform matches of data in each registry  
16 maintained under this section against data in each  
17 other such registry (other than the matches required  
18 pursuant to paragraph (1)), and report information  
19 resulting from such matches to State agencies oper-  
20 ating programs under this part and parts A, F, and  
21 G; and

22           “(ii) disclose data in such registries to such  
23 State agencies—

1 to the extent, and with the frequency, that the Secretary  
2 determines to be effective in assisting such States to carry  
3 out their responsibilities under such programs.

4 “(B) FOR INCOME ELIGIBILITY VERIFICATION SYS-  
5 TEM.—The Secretary shall disclose data in the registries  
6 maintained under this section to the programs specified  
7 in section 1137(b), to the extent necessary to enable such  
8 programs to meet requirements for an income eligibility  
9 verification system under such section 1137.

10 “(C) TO SOCIAL SECURITY ADMINISTRATION.—The  
11 Secretary shall disclose data in the registries maintained  
12 under this section to the Social Security Administration—

13 “(i) for the purpose of determining the accu-  
14 racy of payments under the supplemental security  
15 income program under title XVI; or

16 “(ii) for use in connection with benefits under  
17 title II.

18 “(4) OTHER DISCLOSURES OF NEW HIRE DATA.—  
19 The Secretary shall disclose data in the New Hire Direc-  
20 tory under subsection (c)—

21 “(A) to the Secretary of the Treasury for pur-  
22 poses directly connected with—

23 “(i) the administration of the earned in-  
24 come tax credit under section 32 of the Internal  
25 Revenue Code of 1986, or the advance payment

1 of such credit under section 3507 of such Code;  
2 or

3 “(ii) verification of a claim with respect to  
4 employment in an individual tax return; and

5 “(B) to State agencies operating employment  
6 security and workers compensation programs, for  
7 the purpose of assisting such agencies to determine  
8 the allowability of claims for benefits under such  
9 programs.

10 “(5) DISCLOSURES FOR RESEARCH PURPOSES.—The  
11 Secretary is authorized to disclose data in registries main-  
12 tained under this section for research purposes found by  
13 the Secretary to be likely to contribute to achieving the  
14 purposes of this part or part A, F, or G, but without per-  
15 sonal identifiers.

16 “(f) FEES.—(1) FOR SSA VERIFICATION.—The Sec-  
17 retary shall reimburse the Commissioner of Social Secu-  
18 rity, at a rate negotiated between the Secretary and the  
19 Commissioner, the costs incurred by the Commissioner in  
20 performing the verification services specified in subsection  
21 (d).

22 “(2) FOR INFORMATION FROM SESAs.—The Sec-  
23 retary shall reimburse costs incurred by State employment  
24 security agencies in furnishing data as required by sub-  
25 section (c)(3), at rates which the Secretary determines to

1 be reasonable (which rates shall not include payment for  
2 the costs of obtaining, compiling, or maintaining such  
3 data).

4 “(3) FOR INFORMATION FURNISHED TO STATE AND  
5 FEDERAL AGENCIES.—State and Federal agencies receiv-  
6 ing data or information from the Secretary pursuant to  
7 this section shall reimburse the costs incurred by the Sec-  
8 retary in furnishing such data or information, at rates  
9 which the Secretary determines to be reasonable (which  
10 rates shall include payment for the costs of obtaining, veri-  
11 fying, maintaining, and matching such data or informa-  
12 tion).

13 “(g) RESTRICTION ON DISCLOSURE AND USE.—Data  
14 in registries maintained pursuant to this section, and in-  
15 formation resulting from matches using data maintained  
16 in such registries, shall not be used or disclosed except  
17 as specifically provided in this section.

18 “(h) RETENTION OF DATA.—Data in registries main-  
19 tained pursuant to this title, and data resulting from  
20 matches performed pursuant to this section, shall be re-  
21 tained for such period (determined by the Secretary) as  
22 appropriate for the data uses specified in this section.

23 “(i) INFORMATION INTEGRITY AND SECURITY.—The  
24 Secretary shall establish and implement safeguards with

1 respect to the entities established under this section de-  
2 signed to—

3 “(1) ensure the accuracy and completeness of  
4 information in the system; and

5 “(2) restrict access to confidential information  
6 in the registries to authorized persons, and restrict  
7 use of such information to authorized purposes.

8 “(j) LIMIT ON LIABILITY.—The Secretary shall not  
9 be liable to either a State or an individual for inaccurate  
10 information provided to a registry maintained under this  
11 section and disclosed by the Secretary in accordance with  
12 this section.”.

13 (b) CONFORMING AMENDMENTS.—

14 (1) TO TITLE IV–D.—Section 454(8) is amend-  
15 ed—

16 (A) by striking “, and” at the end of sub-  
17 paragraph (A);

18 (B) in subparagraph (B), to read as fol-  
19 lows:

20 “(B) the Federal Parent Locator Service  
21 established under section 453; and”; and

22 (C) by adding at the end the following new  
23 subparagraph:

1           “(C) the National Welfare Reform Infor-  
2           mation Clearinghouse established under section  
3           453A;”.

4           (2) TO FEDERAL UNEMPLOYMENT TAX ACT.—  
5           26 U.S.C. 3304 is amended in paragraph (16)—

6           (A) by striking “Secretary of Health, Edu-  
7           cation, and Welfare” each place it appears and  
8           inserting “Secretary of Health and Human  
9           Services”;

10          (B) in subparagraph (B), by striking  
11          “such information” and all that follows and in-  
12          serting “information furnished under subpara-  
13          graph (A) or (B) is used only for the purposes  
14          authorized under such subparagraph;”;

15          (C) by striking “and” at the end of sub-  
16          paragraph (A);

17          (D) by redesignating subparagraph (B) as  
18          subparagraph (C); and

19          (E) by inserting after subparagraph (A)  
20          the following new subparagraph:

21                 “(B) wage and unemployment compensa-  
22                 tion information contained in the records of  
23                 such agency shall be furnished to the Secretary  
24                 of Health and Human Services (in accordance  
25                 with regulations promulgated by such Sec-

1           retary) as necessary for the purposes of the Na-  
2           tional Directory of New Hires established under  
3           section 453A(b) of the Social Security Act,  
4           and”.

5           (3) TO STATE GRANT PROGRAM UNDER TITLE  
6           III OF THE SOCIAL SECURITY ACT.—Section 303(a)  
7           is amended—

8                   (A) by striking “and” at the end of para-  
9                   graph (8);

10                   (B) by striking the period at the end of  
11                   paragraph (9) and inserting “; and”; and

12                   (C) by adding after paragraph (9) the fol-  
13                   lowing new paragraph:

14                   “(10) The making of quarterly electronic re-  
15                   ports, at such dates, in such format, and containing  
16                   such information, as required by the Secretary of  
17                   Health and Human Services under section  
18                   453A(b)(3), and compliance with such provisions as  
19                   such Secretary may find necessary to ensure the cor-  
20                   rectness and verification of such reports.”.

21 **SEC. 626. EXPANDED LOCATE AUTHORITY.**

22           (a) EXPANDED AUTHORITY TO LOCATE INDIVIDUALS  
23 AND ASSETS.—Section 453 is amended—

24                   (1) in subsection (a), by striking all that follows  
25                   “subsection (c))” and inserting the following:

1 “, for the purpose of establishing, setting the amount of,  
2 or enforcing child support obligations—

3 “(1) information on, or facilitating the discov-  
4 ery of, the location of any individual—

5 “(A) who is under an obligation to pay  
6 child support;

7 “(B) against whom such an obligation is  
8 sought; or

9 “(C) to whom such an obligation is owed,  
10 including such individual’s social security num-  
11 ber (or numbers), most recent residential ad-  
12 dress, and the name, address, and employer  
13 identification number of such individual’s em-  
14 ployer; and

15 “(2) information on the individual’s wages (or  
16 other income) from, and benefits of, employment (in-  
17 cluding rights to or enrollment in group health care  
18 coverage); and

19 “(3) information on the type, status, location,  
20 and amount of any assets of, or debts owed by or  
21 to, any such individual.”; and

22 (2) in subsection (b)—

23 (A) in the matter preceding paragraph (1),  
24 by striking “social security” and all that follows

1 through “absent parent” and inserting “infor-  
2 mation specified in subsection (a)”;

3 (B) in paragraph (2), by inserting before  
4 the period “, or from any consumer reporting  
5 agency (as defined in section 603(f) of the Fair  
6 Credit Reporting Act (15 U.S.C. 1681a(f))”;

7 (3) in subsection (e)(1), by inserting before the  
8 period “, or by consumer reporting agencies”.

9 (b) REIMBURSEMENT FOR DATA FROM FEDERAL  
10 AGENCIES.—Section 453(e)(2) is amended in the fourth  
11 sentence by inserting before the period “in an amount  
12 which the Secretary determines to be reasonable payment  
13 for the data exchange (which amount shall not include  
14 payment for the costs of obtaining, compiling, or main-  
15 taining the data)”.

16 (c) ACCESS TO CONSUMER REPORTS UNDER FAIR  
17 CREDIT REPORTING ACT.—(1) Section 608 of the Fair  
18 Credit Reporting Act (15 U.S.C. 1681f) is amended—

19 (A) by striking “, limited to” and inserting “to  
20 a governmental agency (including the entire  
21 consumer report, in the case of a Federal, State, or  
22 local agency administering a program under part D  
23 of title IV of the Social Security Act, and limited  
24 to”;

1 (B) by striking “employment, to a govern-  
2 mental agency” and inserting “employment, in the  
3 case of any other governmental agency)”.

4 (2) REIMBURSEMENT FOR REPORTS BY STATE AGEN-  
5 CIES AND CREDIT BUREAUS.—Section 453 is amended by  
6 adding at the end the following new subsection:

7 “(g) The Secretary is authorized to reimburse costs  
8 to State agencies and consumer credit reporting agencies  
9 the costs incurred by such entities in furnishing informa-  
10 tion requested by the Secretary pursuant to this section  
11 in an amount which the Secretary determines to be rea-  
12 sonable payment for the data exchange (which amount  
13 shall not include payment for the costs of obtaining, com-  
14 piling, or maintaining the data).”.

15 (d) DISCLOSURE OF TAX RETURN INFORMATION.—  
16 (1) Section 6103(1)(6)(A)(ii) of the Internal Revenue  
17 Code of 1986 (26 U.S.C. 6103(1)(6)(A)(ii) is amended by  
18 striking “, but only if” and all that follows and inserting  
19 a period.

20 (2) Section 6103(1)(8)(A) of the Internal Revenue  
21 Code of 1986 (26 U.S.C. 6103(1)(8)(A)) is amended by  
22 inserting “Federal,” before “State or local”.

23 (e) TECHNICAL AMENDMENTS.—

1           (1) Sections 452(a)(9), 453(a), 453(b), 463(a),  
2           and 463(e) are each amended by inserting “Fed-  
3           eral” before “Parent” each place it appears.

4           (2) Section 453 is amended in the heading by  
5           adding “FEDERAL” before “PARENT”.

6 **SEC. 627. STUDIES AND DEMONSTRATIONS CONCERNING**  
7           **LOCATOR ACTIVITIES.**

8           (a) STUDIES.—The Secretary of Health and Human  
9           Services shall study, and report and make recommenda-  
10          tions to the Congress concerning—

11           (1) whether access to information available  
12          through the Federal Parent Locator Service under  
13          section 453 of the Social Security Act should be af-  
14          forded to noncustodial parents seeking to locate  
15          their children and, if so, whether custodial parents  
16          at risk of harm by such noncustodial parents could  
17          be adequately protected; and

18           (2) the feasibility, implications, and costs of es-  
19          tablishing and operating electronic data interchanges  
20          between such Service and major consumer credit re-  
21          porting bureaus.

22          (b) DEMONSTRATIONS.—The Secretary shall make  
23          grants to States, from funds available under section 452(j)  
24          of the Social Security Act, for demonstrations designed to  
25          test the utility of automated data exchanges with State

1 data bases that have the potential to improve the States’  
2 effectiveness in locating individuals and resources for pur-  
3 poses of establishing paternity and establishing and en-  
4 forcing support obligations.

5 **SEC. 628. USE OF SOCIAL SECURITY NUMBERS.**

6 (a) STATE LAW REQUIREMENT.—Section 466(a) is  
7 amended by adding at the end the following new para-  
8 graph:

9 “(13) SOCIAL SECURITY NUMBERS RE-  
10 QUIRED.—Procedures requiring the recording of so-  
11 cial security numbers—

12 “(A) of both parties on marriage licenses  
13 and divorce decrees; and

14 “(B) of both parents, on birth records and  
15 child support and paternity orders.”.

16 (b) CLARIFICATION OF FEDERAL POLICY.—Section  
17 205(c)(2)(C)(ii) is amended by striking the third sentence  
18 and inserting “This clause shall not be considered to au-  
19 thorize disclosure of such numbers except as provided in  
20 the preceding sentence.”.

21 **Part D—Streamlining and Uniformity of Procedures**

22 **SEC. 635. ADOPTION OF UNIFORM STATE LAWS.**

23 (a) Section 466(a) is amended by adding at the end  
24 the following new paragraph:

1           “(14) INTERSTATE ENFORCEMENT.—(A) ADOPT-  
2           TION OF UIFSA.—Procedures under which the State  
3           adopts in its entirety (with the modifications and ad-  
4           ditions specified in this paragraph) not later than  
5           January 1, 1996, and uses on and after such date,  
6           the Uniform Interstate Family Support Act, as ap-  
7           proved by the National Conference of Commissioners  
8           on Uniform State Laws in August, 1992.

9           “(B) EXPANDED APPLICATION OF UIFSA.—The  
10          State law adopted pursuant to subparagraph (A)  
11          shall be applied to any case—

12                 “(i) involving an order established or modi-  
13                 fied in one State and for which a subsequent  
14                 modification is sought in another State; or

15                 “(ii) in which interstate activity is required  
16                 to enforce an order.

17          “(C) LONG-ARM JURISDICTION, BASED ON RES-  
18          IDENCE OF CHILD.—The State law adopted pursu-  
19          ant to subparagraph (A) shall presume that, in the  
20          case where a child meets the criteria for residence in  
21          the State, a tribunal of the State having jurisdiction  
22          over such child has jurisdiction over both parents of  
23          such child, if parentage has been legally established  
24          or acknowledged, or may be presumed under the  
25          laws of the State.

1           “(D) JURISDICTION TO MODIFY ORDERS.—For  
2 purposes of the State law adopted pursuant to sub-  
3 paragraph (A), section 611(a)(1) of such Uniform  
4 Act shall be amended to read as follows:

5           “(1) the following requirements are met:

6           “(i) the child, the individual obligee, and the  
7 obligor—

8           “(I) do not reside in the issuing State;  
9 and

10           “(II) either reside in this State or are  
11 subject to the jurisdiction of this State pursu-  
12 ant to section 201; and

13           “(ii) (in any case where another State is exer-  
14 cising or seeks to exercise jurisdiction to modify the  
15 order) the conditions of section 204 are met to the  
16 same extent as required for proceedings to establish  
17 orders; or’.

18           “(E) PARTIES’ OPTION CONCERNING JURISDIC-  
19 TION.—The State law adopted pursuant to subpara-  
20 graph (A) shall allow parties, by agreement, to per-  
21 mit a State that issued an order to retain jurisdic-  
22 tion which the State would otherwise lose under the  
23 provisions of such law.

24           “(F) SERVICE OF PROCESS.—The State law  
25 adopted pursuant to subparagraph (A) shall recog-

1 nize as valid, for purposes of any proceeding subject  
2 to such State law, service of process upon persons  
3 in the State (and proof of such service) by any  
4 means acceptable in another State which is the initi-  
5 ating or responding State in such proceeding.

6 “(G) COOPERATION BY EMPLOYERS.—The  
7 State law adopted pursuant to subparagraph (A)  
8 shall provide for the use of procedures (including  
9 sanctions for noncompliance) under which all entities  
10 in the State (including for-profit, nonprofit, and gov-  
11 ernmental employers) are required to provide  
12 promptly, in response to a request by the State  
13 agency of that or any other State administering a  
14 program under this part, information on the employ-  
15 ment, compensation, and benefits of any individual  
16 employed by such entity as an employee or contrac-  
17 tor.”.

18 (b) EXPEDITED APPEAL OF CONSTITUTIONAL CHAL-  
19 LENGE.—(1) An appeal may be taken directly to the Su-  
20 preme Court of the United States from any interlocutory  
21 or final judgment, decree, or order issued by a United  
22 States district court ruling upon the constitutionality of  
23 section 466(a)(14)(C) of the Act, as added by subsection  
24 (a).

1       (2) The Supreme Court shall, if it has not previously  
2 ruled on the question, accept jurisdiction over, and ad-  
3 vance on the docket, and expedite to the greatest extent  
4 possible, such appeal. All cases raising such question shall  
5 be consolidated to the maximum extent permissible under  
6 applicable rules of civil procedure.

7 **SEC. 636. STATE LAWS PROVIDING EXPEDITED PROCE-**  
8 **DURES.**

9       (a) STATE LAW REQUIREMENTS.—Section 466 is  
10 amended—

11           (1) in subsection (a)(2), in the first sentence, to  
12 read as follows: “Expedited administrative and judi-  
13 cial procedures (including the procedures specified in  
14 subsection (c)) for establishing paternity and for es-  
15 tablishing, modifying, and enforcing support obliga-  
16 tions.”; and

17           (2) by adding after subsection (b) the following  
18 new subsection:

19       “(c) EXPEDITED PROCEDURES.—(1) ADMINISTRA-  
20 TIVE ACTION BY STATE AGENCY.—Procedures which give  
21 the State agency the authority (and recognize and enforce  
22 the authority of State agencies of other States), without  
23 the necessity of obtaining an order from any other judicial  
24 or administrative tribunal (but subject to due process safe-  
25 guards, including (as appropriate) requirements for notice,

1 opportunity to contest the action, and opportunity for an  
2 appeal on the record to an independent administrative or  
3 judicial tribunal), to take the following actions relating to  
4 establishment or enforcement of orders:

5           “(A) ESTABLISH OR MODIFY SUPPORT  
6 AMOUNT.—To establish the amount of support  
7 awards in all cases in which services are being pro-  
8 vided under this part, and to modify the amount of  
9 such awards under all orders included in the central  
10 case registry established under section 454A(e) (in-  
11 cluding orders entered by a court), in accordance  
12 with the guidelines established under section 467.

13           “(B) GENETIC TESTING.—To order genetic  
14 testing for the purpose of paternity establishment as  
15 provided in section 466(a)(5).

16           “(C) DEFAULT ORDERS.—To enter a default  
17 order, upon a showing of service of process and any  
18 additional showing required by State law—

19                   “(i) establishing paternity, in the case of  
20 any putative father who refuses to submit to ge-  
21 netic testing; and

22                   “(ii) establishing or modifying a support  
23 obligation, in the case of a parent (or other ob-  
24 ligor or obligee) who fails to respond to notice  
25 to appear at a proceeding for such purpose.

1           “(D) SUBPOENAS.—To subpoena any financial  
2 or other information needed to establish, modify, or  
3 enforce an order, and to sanction failure to respond  
4 to any such subpoena.

5           “(E) ACCESS TO PERSONAL AND FINANCIAL IN-  
6 FORMATION.—To obtain access, subject to safe-  
7 guards on privacy and information security, to the  
8 following records (including automated access, in the  
9 case of records maintained in automated data  
10 bases):

11                   “(i) records of other State and local gov-  
12 ernment agencies, including:

13                           “(I) vital statistics (including records  
14 of marriage, birth, and divorce);

15                           “(II) State and local tax and revenue  
16 records (including information on residence  
17 address, employer, income and assets);

18                           “(III) records concerning real and ti-  
19 tled personal property;

20                           “(IV) records of occupational and pro-  
21 fessional licenses, and records concerning  
22 the ownership and control of corporations,  
23 partnerships, and other business entities;

24                           “(V) employment security records;

1 “(VI) records of agencies administer-  
2 ing public assistance programs;

3 “(VII) records of the motor vehicle  
4 department; and

5 “(VIII) corrections records; and

6 “(ii) certain records held by private enti-  
7 ties, including—

8 “(I) customer records of public utili-  
9 ties and cable television companies; and

10 “(II) information (including informa-  
11 tion on assets and liabilities) on individuals  
12 who owe or are owed support (or against  
13 or with respect to whom a support obliga-  
14 tion is sought) held by financial institu-  
15 tions (subject to limitations on liability of  
16 such entities arising from affording such  
17 access).

18 “(F) INCOME WITHHOLDING.—To order income  
19 withholding in accordance with section 466(a)(1)  
20 and (b).

21 “(G) CHANGE IN PAYEE.—(In cases where sup-  
22 port is subject to an assignment under section  
23 402(a)(26), 471(a)(17), or 1912, or to a require-  
24 ment to pay through the centralized collections unit  
25 under section 454B) upon providing notice to obligor

1 and obligee, to direct the obligor or other payor to  
2 change the payee to the appropriate government en-  
3 tity.

4 “(H) SECURE ASSETS TO SATISFY ARREAR-  
5 AGES.—For the purpose of securing overdue sup-  
6 port—

7 “(i) to intercept and seize any periodic or  
8 lump-sum payment to the obligor by or through  
9 a State or local government agency, including—

10 “(I) unemployment compensation,  
11 workers’ compensation, and other benefits;

12 “(II) judgments and settlements in  
13 cases under the jurisdiction of the State or  
14 local government; and

15 “(III) lottery winnings;

16 “(ii) to attach and seize assets of the obli-  
17 gor held by financial institutions;

18 “(iii) to attach public and private retire-  
19 ment funds in appropriate cases, as determined  
20 by the Secretary; and

21 “(iv) to impose liens in accordance with  
22 paragraph (a)(4) and, in appropriate cases, to  
23 force sale of property and distribution of pro-  
24 ceeds.

1           “(I) INCREASE MONTHLY PAYMENTS.—For the  
2           purpose of securing overdue support, to increase the  
3           amount of monthly support payments to include  
4           amounts for arrearages (subject to such conditions  
5           or restrictions as the State may provide).

6           “(J) SUSPENSION OF DRIVERS’ LICENSES.—To  
7           suspend drivers’ licenses of individuals owing past-  
8           due support, in accordance with subsection (a)(16).

9           “(2) SUBSTANTIVE AND PROCEDURAL RULES.—The  
10          expedited procedures required under subsection (a)(2)  
11          shall include the following rules and authority, applicable  
12          with respect to all proceedings to established paternity or  
13          to establish, modify, or enforce support orders:

14                 “(A) LOCATOR INFORMATION; PRESUMPTIONS  
15          CONCERNING NOTICE.—Procedures under which—

16                         “(i) the parties to any paternity or child  
17                         support proceedings are required (subject to  
18                         privacy safeguards) to file with the tribunal be-  
19                         fore entry of an order, and to update as appro-  
20                         priate, information on location and identity (in-  
21                         cluding social security number, residential and  
22                         mailing addresses, telephone number, driver’s li-  
23                         cense number, and name, address, and tele-  
24                         phone number of employer); and

1           “(ii) in any subsequent child support en-  
2           forcement action between the same parties, the  
3           tribunal shall be authorized, upon sufficient  
4           showing that diligent effort has been made to  
5           ascertain such a party’s current location, to  
6           deem due process requirements for notice and  
7           service of process to be met, with respect to  
8           such party, by delivery to the most recent resi-  
9           dential or employer address so filed pursuant to  
10          clause (i).

11          “(B) STATEWIDE JURISDICTION.—Procedures  
12          under which—

13                 “(i) the State agency and any administra-  
14                 tive or judicial tribunal with authority to hear  
15                 child support and paternity cases exerts state-  
16                 wide jurisdiction over the parties, and orders is-  
17                 sued in such cases have statewide effect; and

18                 “(ii) (in the case of a State in which orders  
19                 in such cases are issued by local jurisdictions)  
20                 a case may be transferred between jurisdictions  
21                 in the State without need for any additional fil-  
22                 ing by the petitioner, or service of process upon  
23                 the respondent, to retain jurisdiction over the  
24                 parties.”.

1 (c) EXCEPTIONS FROM STATE LAW REQUIRE-  
2 MENTS.—Section 466(d) is amended—

3 (1) by striking “(d) If” and inserting “(d) EX-  
4 EMPTIONS FROM REQUIREMENTS.—(1) IN GEN-  
5 ERAL.—Subject to paragraph (2), if”; and

6 (2) by adding at the end the following new  
7 paragraph:

8 “(2) NON-EXEMPT REQUIREMENTS.—The Sec-  
9 retary shall not grant an exemption from the re-  
10 quirements of—

11 “(A) subsection (a)(5) (concerning proce-  
12 dures for paternity establishment);

13 “(B) subsection (a)(10) (concerning modi-  
14 fication of orders);

15 “(C) subsection (a)(12) (concerning re-  
16 cording of orders in the central State case reg-  
17 istry);

18 “(D) subsection (a)(13) (concerning re-  
19 cording of social security numbers);

20 “(E) subsection (a)(14) (concerning inter-  
21 state enforcement); or

22 “(F) subsection (c) (concerning expedited  
23 procedures), other than paragraph (1)(A) there-  
24 of (concerning establishment or modification of  
25 support amount).”.

1 (d) AUTOMATION OF STATE AGENCY FUNCTIONS.—  
 2 Section 454A, as added by section 614 and amended by  
 3 sections 621 and 622, is further amended by adding at  
 4 the end the following new subsection:

5 “(h) EXPEDITED ADMINISTRATIVE PROCEDURES.—  
 6 The automated system required under this section shall  
 7 be used, to the maximum extent feasible, to implement the  
 8 expedited administrative procedures required under sec-  
 9 tion 466(c).”.

10 **PART E—PATERNITY ESTABLISHMENT**

11 **SEC. 640. STATE LAWS CONCERNING PATERNITY ESTAB-**  
 12 **LISHMENT.**

13 (a) STATE LAWS REQUIRED.—Section 466(a)(5) is  
 14 amended—

15 (1) by striking “(5)” and inserting “(5) PRO-  
 16 CEDURES CONCERNING PATERNITY ESTABLISH-  
 17 MENT.—”;

18 (2) in subparagraph (A)—

19 (A) by striking “(A)” and inserting “(A)  
 20 ESTABLISHMENT PROCESS AVAILABLE FROM  
 21 BEFORE BIRTH UNTIL AGE EIGHTEEN.—”;

22 (B) by indenting clause (ii) an additional  
 23 unit of indentation from the left margin; and

24 (C) by adding after and below clause (ii)  
 25 the following new clause:

1           “(iii) Procedures which permit the ini-  
2           tiation of proceedings to establish paternity  
3           before the birth of the child concerned.”;

4           (3) in subparagraph (B)—

5           (A) by striking “(B)” and inserting “(B)  
6           PROCEDURES CONCERNING GENETIC TEST-  
7           ING.—(i)”;

8           (B) in clause (i), as redesignated, by in-  
9           serting before the period “, where such request  
10          is supported by a sworn statement by such  
11          party setting forth facts establishing a reason-  
12          able possibility of the requisite sexual contact”;

13          (C) by inserting after and below clause (i)  
14          (as redesignated) the following new clause:

15               “(ii) Procedures which require the  
16               State agency, in any case in which such  
17               agency orders genetic testing—

18                       “(I) to pay costs of such tests,  
19                       subject to recoupment (where the  
20                       State so elects) from the putative fa-  
21                       ther if paternity is established; and

22                       “(II) to obtain additional testing  
23                       in any case where an original test re-  
24                       sult is disputed, upon request and ad-

1 vance payment by the disputing  
2 party.”;

3 (4) in subparagraph (C), to read as follows:

4 “(C) VOLUNTARY ACKNOWLEDGMENT PRO-  
5 CEDURE.—Procedures for a simple civil process  
6 for voluntarily acknowledging paternity under  
7 which—

8 “(i) the benefits, rights and respon-  
9 sibilities of acknowledging paternity are ex-  
10 plained to unwed parents;

11 “(ii) due process safeguards are af-  
12 forded; and

13 “(iii) hospitals and other health  
14 care facilities providing inpatient or  
15 outpatient maternity and pediatric  
16 services are required, as a condition of  
17 participation in the State program  
18 under title XIX—

19 “(I) to explain to unwed parents  
20 the matters specified in clause (i);

21 “(II) to make available the vol-  
22 untary acknowledgment procedure re-  
23 quired under this subparagraph; and

24 “(III) (in the case of hospitals  
25 providing maternity services) to have

1 facilities for obtaining blood or other  
2 genetic samples from the mother, pu-  
3 tative father, and child for genetic  
4 testing; to inform the mother and pu-  
5 tative father of the availability of such  
6 testing (at their expense); and to ob-  
7 tain such samples upon request of  
8 both such individuals;”;

9 (5) in subparagraphs (D) and (E), to read as  
10 follows:

11 “(D) LEGAL STATUS OF ACKNOWLEDG-  
12 MENT.—Procedures under which—

13 “(i) a voluntary acknowledgment of  
14 paternity creates, at State option, either—

15 “(I) a conclusive presumption of  
16 paternity, or

17 “(II) a rebuttable presumption  
18 which becomes a conclusive presump-  
19 tion within one year, unless rebutted  
20 or invalidated by an intervening deter-  
21 mination which reaches a contrary  
22 conclusion;

23 “(ii) (at State option), notwithstand-  
24 ing clause (i), upon the request of a party,  
25 a determination of paternity based on an

1 acknowledgment may be vacated on the  
2 basis of new evidence, the existence of  
3 fraud, or the best interests of the child;  
4 and

5 “(iii) a voluntary acknowledgment of  
6 paternity is admissible as evidence of pa-  
7 ternity, and as a basis for seeking a sup-  
8 port order, without requiring any further  
9 proceedings to establish paternity.

10 “(E) BAR ON ACKNOWLEDGMENT RATIFI-  
11 CATION PROCEEDINGS.—Procedures under  
12 which no judicial or administrative proceedings  
13 are required or permitted to ratify an unchal-  
14 lenged acknowledgment of paternity.”;

15 (6) in subparagraph (F), to read as follows:

16 “(F) ADMISSIBILITY OF GENETIC TESTING  
17 RESULTS.—Procedures—

18 “(i) requiring that the State admit  
19 into evidence, for purposes of establishing  
20 paternity, results of any genetic test that  
21 is—

22 “(I) of a type generally acknowl-  
23 edged, by accreditation bodies des-  
24 ignated by the Secretary, as reliable  
25 evidence of paternity; and

1                   “(II) performed by a laboratory  
2                   approved by such an accreditation  
3                   body;

4                   “(ii) that any objection to genetic  
5                   testing results must be made in writing not  
6                   later than a specified number of days be-  
7                   fore any hearing at which such results may  
8                   be introduced into evidence (or, at State  
9                   option, not later than a specified number  
10                  of days after receipt of such results); and

11                  “(iii) that, if no objection is made, the  
12                  test results are admissible as evidence of  
13                  paternity without the need for foundation  
14                  testimony or other proof of authenticity or  
15                  accuracy.”; and

16                  “(7) by adding after subparagraph (H) the fol-  
17                  lowing new paragraphs:

18                                 “(I) NO RIGHT TO JURY  
19                                 TRIAL.—Procedures providing that  
20                                 the parties to an action to establish  
21                                 paternity are not entitled to jury trial.

22                                 “(J) TEMPORARY SUPPORT ORDER BASED  
23                                 ON PROBABLE PATERNITY IN CONTESTED  
24                                 CASES.—Procedures which require that a tem-  
25                                 porary order be issued, upon motion by a party,

1 requiring the provision of child support pending  
2 an administrative or judicial determination of  
3 parentage, where there is clear and convincing  
4 evidence of paternity (on the basis of genetic  
5 tests or other evidence).

6 “(K) PROOF OF CERTAIN SUPPORT AND  
7 PATERNITY ESTABLISHMENT COSTS.—Proce-  
8 dures under which bills for pregnancy, child-  
9 birth, and genetic testing are admissible as evi-  
10 dence without requiring third-party foundation  
11 testimony, and shall constitute prima facie evi-  
12 dence of amounts incurred for such services and  
13 testing on behalf of the child.

14 “(L) WAIVER OF STATE DEBTS FOR CO-  
15 OPERATION.—Procedures under which the tri-  
16 bunal establishing paternity and support has  
17 discretion to waive rights to all or part of  
18 amounts owed to the State (but not to the  
19 mother) for costs related to pregnancy, child-  
20 birth, and genetic testing and for public assist-  
21 ance paid to the family where the father cooper-  
22 ates or acknowledges paternity before or after  
23 genetic testing.

24 “(M) STANDING OF PUTATIVE FATHERS.—  
25 Procedures ensuring that the putative father

1           has a reasonable opportunity to initiate a pater-  
2           nity action.”.

3           (b) TECHNICAL AMENDMENT.—Section 468 is  
4 amended by striking “a simple civil process for voluntarily  
5 acknowledging paternity and”.

6 **SEC. 641. OUTREACH FOR VOLUNTARY PATERNITY ESTAB-**  
7 **LISHMENT.**

8           (a) STATE PLAN REQUIREMENT.—Section 454(23),  
9 as amended by section 606, is further amended by adding  
10 at the end the following new subparagraph:

11                   “(C) publicize the availability and encour-  
12                   age the use of procedures for voluntary estab-  
13                   lishment of paternity and child support through  
14                   a variety of means, which—

15                           “(i) include distribution of written  
16                           materials at health care facilities (includ-  
17                           ing hospitals and clinics), and other loca-  
18                           tions such as schools;

19                           “(ii) may include pre-natal programs  
20                           to educate expectant couples on individual  
21                           and joint rights and responsibilities with  
22                           respect to paternity (and may require all  
23                           expectant recipients of assistance under  
24                           part A to participate in such pre-natal pro-  
25                           grams, as an element of cooperation with

1 efforts to establish paternity and child sup-  
2 port);

3 “(iii) include, with respect to each  
4 child discharged from a hospital after birth  
5 for whom paternity or child support has  
6 not been established, reasonable follow-up  
7 efforts (including at least one contact of  
8 each parent whose whereabouts are known,  
9 except where there is reason to believe  
10 such follow-up efforts would put mother or  
11 child at risk), providing—

12 “(I) in the case of a child for  
13 whom paternity has not been estab-  
14 lished, information on the benefits of  
15 and procedures for establishing pater-  
16 nity; and

17 “(II) in the case of a child for  
18 whom paternity has been established  
19 but child support has not been estab-  
20 lished, information on the benefits of  
21 and procedures for establishing a  
22 child support order, and an applica-  
23 tion for child support services;”.

24 (b) ENHANCED FEDERAL MATCHING.—Section  
25 455(a)(1)(C) is amended—

1 (1) by inserting “(i)” before “laboratory costs”,  
2 and

3 (2) by inserting before the semicolon “, and (ii)  
4 costs of outreach programs designed to encourage  
5 voluntary acknowledgment of paternity”.

6 (c) EFFECTIVE DATES.—(1) The amendments made  
7 by subsection (a) shall become effective October 1, 1996.

8 (2) The amendments made by subsection (b) shall be  
9 effective with respect to calendar quarters beginning on  
10 and after October 1, 1995.

11 **SEC. 642. PENALTY FOR FAILURE TO ESTABLISH PATER-**  
12 **NITY PROMPTLY.**

13 Section 403 is amended—

14 (1) in subsection (a), as amended by section  
15 612(e), by striking “subsection (h)” and inserting  
16 “subsections (h) and (i)—”; and

17 (2) by adding after subsection (h) the following  
18 new subsection:

19 “(i) PENALTY FOR FAILURE TO ESTABLISH PATER-  
20 NITY PROMPTLY.—(1) IN GENERAL.—The amounts other-  
21 wise payable to a State under subsection (a) for any cal-  
22 endar quarter beginning 10 months or more after enact-  
23 ment of this subsection shall be reduced by an amount,  
24 determined pursuant to regulations in accordance with

1 paragraph (2), for certain children for whom paternity has  
2 not been established.

3 “(2) REDUCTION FORMULA.—The Secretary shall  
4 promulgate regulations specifying the formula for the re-  
5 duction required under this subsection, which formula  
6 shall provide for a reduction in Federal matching pay-  
7 ments to a State under this section by an amount equal  
8 to the product of—

9 “(A) the number (after allowing for the toler-  
10 ance level established under paragraph (3)) of chil-  
11 dren born on or after the date 10 months after en-  
12 actment of this provision who are receiving aid  
13 under the State plan under part A, whose custodial  
14 relatives have, throughout the preceding 12-month  
15 period, complied with the cooperation requirements  
16 specified in section 454(25)(D), but for whom pater-  
17 nity has not been established;

18 “(B) the average monthly assistance payment  
19 under the State plan under this part; and

20 “(C) the Federal matching rate applicable to  
21 such assistance payment.

22 “(3) TOLERANCE LEVEL.—(A) The tolerance level,  
23 for purposes of paragraph (2)(A), shall not be higher than  
24 the percentage specified in subparagraph (B) of children  
25 in the State described in paragraph (1), and may decrease

1 over time to make allowance for a State's inability to es-  
2 tablish paternity in all cases.

3 “(B) The percentage specified in this paragraph shall  
4 be 25 percent for fiscal years 1997 and 1998, 20 percent  
5 for fiscal years 1999 and 2000, 15 percent for fiscal years  
6 2001 and 2002, and 10 percent for fiscal year 2003 and  
7 each succeeding fiscal year.”.

8 **SEC. 643. INCENTIVES TO PARENTS TO ESTABLISH PATER-**  
9 **NITY.**

10 (a) **OPTIONAL STATE ACTIVITIES.**—Section 455 is  
11 amended by adding at the end the following new sub-  
12 section:

13 “(f) **PATERNITY ESTABLISHMENT INCENTIVES TO**  
14 **FAMILIES.**—(1) The Secretary, in accordance with regula-  
15 tions, may approve proposals by States to amend State  
16 plans under this part to provide for incentive payments  
17 to families to encourage paternity establishment.

18 “(2) Federal financial participation shall be available  
19 in accordance with subsection (a) for expenditures by a  
20 State pursuant to a plan amendment approved under  
21 paragraph (1).

22 (b) **DEMONSTRATIONS.**—(1) **PROJECTS AUTHOR-**  
23 **IZED.**—The Secretary shall authorize up to 3 States to  
24 conduct demonstrations providing financial incentives to  
25 families for establishment of paternity.

1           (2) FEDERAL FUNDING.—(A) Subject to subpara-  
2 graph (B), a State participating in a demonstration under  
3 this section shall be entitled to Federal payments pursuant  
4 to section 455(f) of the Social Security Act for 90 percent  
5 of the payments to families under such demonstration.

6           (B) FUNDING LIMITATION.—Total Federal expendi-  
7 tures for demonstrations under this section shall not ex-  
8 ceed \$1,000,000.

9                           **PART F—ESTABLISHMENT AND**  
10                           **MODIFICATION OF SUPPORT ORDERS**

11           **SEC. 651. NATIONAL COMMISSION ON CHILD SUPPORT**  
12                           **GUIDELINES.**

13           (a) ESTABLISHMENT.—The Secretary is authorized  
14 to establish, in accordance with this section, a commission  
15 to be known as the “National Commission on Child Sup-  
16 port Guidelines” (in this section referred to as the “Com-  
17 mission”).

18           (b) GENERAL DUTIES.—The Commission shall con-  
19 sider whether a national child support guideline is advis-  
20 able and, if it so determines, shall develop and propose  
21 for congressional consideration such a guideline (or pa-  
22 rameters for State guidelines), reflecting the Commission’s  
23 study of various guideline models and its conclusions con-  
24 cerning their strengths and deficiencies, and specifically  
25 reflecting consideration of the need for simplicity and ease

1 of application of guidelines, and of the matters enumer-  
2 ated in subsection (c).

3 (c) MATTERS FOR CONSIDERATION BY THE COMMIS-  
4 SION.—In making the recommendations concerning guide-  
5 lines required pursuant to subsection (b), the Commission  
6 shall consider—

7 (1) the adequacy of State child support guide-  
8 lines established pursuant to section 467;

9 (2) matters generally applicable to all support  
10 orders, including—

11 (A) the feasibility of adopting uniform  
12 terms in all child support orders;

13 (B) how to define income and under what  
14 circumstances income should be imputed; and

15 (C) tax treatment of child support pay-  
16 ments;

17 (3) the appropriate treatment of cases in which  
18 either or both parents have financial obligations to  
19 more than one family, including the effect (if any)  
20 to be given to—

21 (A) the income of either parent's spouse;  
22 and

23 (B) the financial responsibilities of either  
24 parent for other children or stepchildren;

1           (4) the appropriate treatment of expenses for  
2 child care (including care of the children of either  
3 parent, and work-related or job-training-related child  
4 care);

5           (5) the appropriate treatment of expenses for  
6 health care (including uninsured health care) and  
7 other extraordinary expenses for children with spe-  
8 cial needs;

9           (6) the appropriate duration of support by one  
10 or both parents, including—

11                   (A) support (including shared support) for  
12 post-secondary or vocational education; and

13                   (B) support for disabled adult children;  
14 and

15           (7) whether, or to what extent, support levels  
16 should be adjusted in cases where custody is shared  
17 or where the noncustodial parent has extended visi-  
18 tation rights.

19           (d) MEMBERSHIP.—

20                   (1) NUMBER; APPOINTMENT.—

21                           (A) IN GENERAL.—The Commission shall  
22 be composed of 12 individuals appointed not  
23 later than March 1, 1995, of which—

24                                   (i) two shall be appointed by the  
25 Chairman of the Senate Committee on Fi-

1 nance, and one shall be appointed by the  
2 Ranking Minority Member of such Com-  
3 mittee;

4 (ii) two shall be appointed by the  
5 Chairman of the House Committee on  
6 Ways and Means, and one shall be ap-  
7 pointed by the Ranking Minority Member  
8 of such Committee; and

9 (iii) six shall be appointed by the Sec-  
10 retary of Health and Human Services.

11 (B) QUALIFICATIONS OF MEMBERS.—

12 Members of the Commission shall have exper-  
13 tise and experience in the evaluation and devel-  
14 opment of child support guidelines. At least one  
15 member shall represent advocacy groups for  
16 custodial parents, at least one member shall  
17 represent advocacy groups for noncustodial par-  
18 ents, and at least one member shall be the di-  
19 rector of a State program under title IV-D of  
20 the Social Security Act.

21 (2) TERMS OF OFFICE.—Each member shall be  
22 appointed for the life of the Commission. A vacancy  
23 in the Commission shall be filled in the manner in  
24 which the original appointment was made.

1 (e) COMMISSION POWERS, COMPENSATION, ACCESS  
2 TO INFORMATION, AND SUPERVISION.—The first sentence  
3 of subparagraph (C), the first and third sentences of sub-  
4 paragraph (D), subparagraph (F) (except with respect to  
5 the conduct of medical studies), clauses (ii) and (iii) of  
6 subparagraph (G), and subparagraph (H) of section  
7 1886(e)(6) of the Social Security Act shall apply to the  
8 Commission in the same manner in which such provisions  
9 apply to the Prospective Payment Assessment Commis-  
10 sion, except that references in such section to the Office  
11 of Technology Assessment shall be disregarded.

12 (f) REPORT.—Not later than July 1, 1997, the Com-  
13 mission shall report to the President and the Congress on  
14 the results of the studies required under this section.

15 (g) The Commission shall terminate 6 months after  
16 submission of the report required under subsection (f).

17 (h) AUTHORIZATION OF APPROPRIATIONS.—There  
18 are authorized to be appropriated to carry out this section  
19 \$1,000,000 for each of fiscal years 1995 and 1996, to re-  
20 main available until expended.

21 **SEC. 652. STATE LAWS CONCERNING MODIFICATION OF**  
22 **CHILD SUPPORT ORDERS.**

23 (a) STATE LAW REQUIREMENTS.—Section  
24 466(a)(10) is amended—

1           (1) by inserting “PROCEDURES FOR MODIFICA-  
2           TION OF SUPPORT ORDERS.—” after “(10)”;

3           (2) by redesignating subparagraph (C) as sub-  
4           paragraph (E) and inserting after subparagraph (B)  
5           the following new subparagraphs:

6                   “(C)(i) Procedures to ensure that, begin-  
7                   ning October 1, 1999 (or such earlier date as  
8                   the State may select), the State agency (or, at  
9                   the option of the State, the local agency) re-  
10                   views and adjusts, in accordance with guidelines  
11                   established pursuant to section 467(a), judicial  
12                   and administrative child support orders in-  
13                   cluded in the State registry established pursu-  
14                   ant to section 454A(d), under which (subject to  
15                   clauses (ii) and (iii) the order—

16                           “(I) is to be reviewed not later than  
17                           36 months after the establishment of the  
18                           order or the most recent adjustment of (or  
19                           determination not to adjust) such order;  
20                           and

21                           “(II) (at State option) may not be re-  
22                           viewed during a minimum period estab-  
23                           lished by the State following the establish-  
24                           ment or most recent review of the order.

1           “(ii) The requirement of clause (i)(I) shall  
2 not apply in any case where—

3           “(I) the State has determined, in ac-  
4 cordance with regulations of the Secretary,  
5 that such a review would not be in the best  
6 interests of the child; or

7           “(II) both parents have been informed  
8 of the modified support amount that would  
9 be imposed under the guidelines and have  
10 declined such modification in writing.

11           “(iii) The State shall provide for review of  
12 a child support order upon the request of either  
13 parent, notwithstanding the requirement of  
14 clause (i)(II), whenever, subsequent to the es-  
15 tablishment or most recent review—

16           “(I) either parent’s income has  
17 changed by more than 20 percent, or

18           “(II) other substantial changes have  
19 occurred in either parent’s circumstances.

20           “(D) AMOUNT OF MODIFICATION BASED  
21 ON GUIDELINES.—Procedures under which sup-  
22 port orders reviewed in accordance with sub-  
23 paragraph (C) must be adjusted in accordance  
24 with the guidelines established pursuant to sec-  
25 tion 467(a), without a requirement for any

1 other change in circumstances (except that the  
2 State may refuse to modify an order in any  
3 case where the change in the support amount,  
4 if so modified, would not exceed a threshold  
5 percentage (which may not be greater than 10  
6 percent)).”;

7 (3) in subparagraph (E), as redesignated—

8 (i) by striking “(E)” and inserting “(E)  
9 DUE PROCESS SAFEGUARDS.—”;

10 (ii) in the matter preceding clause (i), by  
11 striking “this part—” and inserting “this part,  
12 in accordance with State due process require-  
13 ments—”;

14 (iii) in clause (i), by striking “, at least 30  
15 days before the commencement of such review”;  
16 and

17 (iv) in clause (iii), by striking “not less  
18 than 30 days” and inserting “a reasonable  
19 time”.

20 (b) AUTOMATED PROCEDURES.—Section 454A, as  
21 previously added and amended by this Act, is further  
22 amended by adding at the end the following new sub-  
23 section:

24 “(i) MODIFICATION OF SUPPORT ORDERS.—The  
25 automated system required under this section shall be

1 used, to the maximum extent feasible, to assist in the re-  
2 view and modification of support orders in accordance  
3 with the timetable under section 466(a)(10) and the  
4 guidelines under section 467.”.

5 **SEC. 653. STUDY ON USE OF TAX RETURN INFORMATION**  
6 **FOR MODIFICATION OF CHILD SUPPORT OR-**  
7 **DERS.**

8 (a) **REQUIREMENT FOR STUDY.**—The Secretary of  
9 Health and Human Services and the Secretary of the  
10 Treasury shall conduct a study to determine how return  
11 information (as defined in section 6103(b) of the Internal  
12 Revenue Code of 1986) filed with the Secretary of the  
13 Treasury might be used to facilitate the process of deter-  
14 mining the amount (if any) by which child support award  
15 amounts should be modified in accordance with guidelines  
16 established under section 467.

17 (b) **AMENDMENT TO INTERNAL REVENUE CODE.**—  
18 Section 6103(1)(6) of the Internal Revenue Code of 1986  
19 is amended by adding at the end the following new sub-  
20 paragraph:

21 “(C) Upon written request by the Sec-  
22 retary of Health and Human Services, the Sec-  
23 retary may disclose return information to offi-  
24 cers and employees of the Department of the  
25 Treasury and the Department of Health and

1 Human Services, as may be specified in such  
2 written request, to be used in conducting the  
3 study required under section 653 of the Work  
4 and Responsibility Act of 1994. Return infor-  
5 mation disclosed pursuant to this subparagraph  
6 shall be used only for purposes of conducting  
7 such study.”.

8 **PART G—ENFORCEMENT OF SUPPORT ORDERS**

9 **SEC. 661. REVOLVING LOAN FUND FOR PROGRAM IM-**  
10 **PROVEMENTS TO INCREASE COLLECTIONS.**

11 Part D of title IV is amended by inserting after sec-  
12 tion 455 the following new section:

13 “REVOLVING FUND FOR PROGRAM IMPROVEMENTS TO  
14 INCREASE COLLECTIONS

15 “SEC. 455A. (a) PURPOSE; AUTHORIZATION OF AP-  
16 PROPRIATIONS.—The Secretary is authorized to establish  
17 a revolving fund for loans to States operating programs  
18 under this part, for short-term projects by such States  
19 (and political subdivisions of such States) for making  
20 operational improvements in such programs with the po-  
21 tential for achieving substantial increases in child support  
22 collections. There are authorized to be appropriated for  
23 payment to such fund \$10,000,000 for each of fiscal years  
24 1998 and 1999, and \$20,000,000 for each of fiscal years  
25 2000 through 2003: *Provided*, That payment may be made

1 to this fund only to the extent, and in such amounts, as  
2 are provided for in advance in appropriations Acts.

3 “(b) CRITERIA FOR LOAN AWARDS.—Criteria for  
4 evaluating applications for loans under this section must  
5 include—

6 “(1) the likelihood that the proposed project  
7 will increase child support collections, and

8 “(2) the availability to the State (or political  
9 subdivision) of funding for the project from other  
10 sources.

11 “(c) AMOUNT AND DURATION OF LOANS.—

12 “(1) AMOUNT.—Loans may be made to a State  
13 under this section in amounts not to exceed  
14 \$5,000,000 per State or \$1,000,000 per project (or  
15 \$5,000,000 for a single Statewide project in a large  
16 State). States may supplement loan funds under this  
17 section with funds from other sources, and may re-  
18 quire contributions from local jurisdictions served by  
19 the project.

20 “(2) DURATION.—Loan payments to a State  
21 for a project under this section may not be made for  
22 a period longer than 3 years.

23 “(d) RECOUPMENT.—A loan to a State under this  
24 section shall be recovered from the State over 3 fiscal  
25 years, beginning in the fourth calendar quarter beginning

1 after the project ends (or, if earlier, the sixteenth calendar  
2 quarter beginning after loan payments for the project  
3 began) through—

4 “(1) an offset of one-half of the increase in in-  
5 centive payments due to the State under section 458  
6 for each calendar quarter until funds are fully re-  
7 paid, plus

8 “(2) an offset from payments due to the State  
9 under section 455(a) for each calendar quarter equal  
10 to the amount, if any, by which one-twelfth of the  
11 total loan (plus interest) exceeds the amount de-  
12 scribed under paragraph (1),

13 with such amounts recovered being credited to the revolv-  
14 ing fund under this section.

15 “(e) AVAILABILITY AS STATE SHARE.—Funds re-  
16 ceived by a State under this section may be used by the  
17 State as the non-Federal share of expenditures under the  
18 State program under this part.”.

19 **SEC. 662. FEDERAL INCOME TAX REFUND OFFSET.**

20 (a) CHANGED ORDER OF REFUND DISTRIBUTION  
21 UNDER INTERNAL REVENUE CODE.—(1) Section 6402(c)  
22 of the Internal Revenue Code of 1986 is amended—

23 (A) by striking “The amount” and inserting  
24 “(1) IN GENERAL.—The amount”;

1 (B) by striking “paid to the State. A reduction”  
2 and inserting “paid to the State.

3 “(2) Priorities for offset. A reduction”;

4 (C) by striking “shall be applied first” and in-  
5 sserting “shall be applied (after any reduction under  
6 subsection (d) on account of a debt owed to the De-  
7 partment of Education or Department of Health and  
8 Human Services with respect to a student loan)  
9 first”;

10 (D) by striking “has been assigned” and insert-  
11 ing “has not been assigned”; and

12 (E) by striking “and shall be applied” and all  
13 that follows and inserting “and shall thereafter be  
14 applied to satisfy any past-due support that has  
15 been so assigned.”.

16 (2) Section 6402(d)(2) of such Code is amended by  
17 striking “after such overpayment” and all that follows  
18 through “Social Security Act and” and inserting “(A) be-  
19 fore such overpayment is reduced pursuant to subsection  
20 (c), in the case of a debt owed to the Department of Edu-  
21 cation or Department of Health and Human Services with  
22 respect to a student loan, (B) after such overpayment is  
23 reduced pursuant to subsection (c), in the case of any  
24 other debt, and (C) in either case,”.

1 (b) ELIMINATION OF DISPARITIES IN TREATMENT  
2 OF ASSIGNED AND NON-ASSIGNED ARREARAGES.—(1)  
3 Section 464(a) is amended—

4 (A) by striking “(a)” and inserting “(a) Offset  
5 Authorized.—”;

6 (B) in paragraph (1)—

7 (i) in the first sentence, by striking “which  
8 has been assigned to such State pursuant to  
9 section 402(a)(26) or section 471(a)(17)”;

10 (ii) in the second sentence, by striking “in  
11 accordance with section 457(b)(4) or (d)(3)”  
12 and inserting “as provided in paragraph (2)”;

13 (C) in paragraph (2), to read as follows:

14 “(2) The State agency shall distribute amounts  
15 paid by the Secretary of the Treasury pursuant to  
16 paragraph (1)—

17 “(A) in accordance with section 457(a)(4)  
18 or (d)(3), in the case of past-due support as-  
19 signed to a State pursuant to section  
20 402(a)(26) or section 471(a)(17); and

21 “(B) to or on behalf of the child to whom  
22 the support was owed, in the case of past-due  
23 support not so assigned.”;

24 (C) in paragraph (3)—

1 (i) by striking “or (2)” each place it  
2 appears; and

3 (ii) in subparagraph (B), by striking  
4 “under paragraph (2)” and inserting “on  
5 account of past-due support described in  
6 paragraph (2)(B)”;

7 (2) Section 464(b) is amended—

8 (A) by striking “(b)(1)” and inserting “(b)  
9 REGULATIONS.—”; and

10 (B) by striking paragraph (2).

11 (3) Section 464(c) is amended—

12 (A) by striking “(c)(1) Except as provided  
13 in paragraph (2), as” and inserting “(c) DEFINI-  
14 TION.—As”; and

15 (B) by striking paragraphs (2) and (3).

16 (c) EFFECTIVE DATE.—The amendments made by  
17 this section shall become effective October 1, 1996.

18 **SEC. 663. INTERNAL REVENUE SERVICE COLLECTION OF**

19 **ARREARS.**

20 (a) AMENDMENT TO INTERNAL REVENUE CODE.—

21 Section 6305(a) of the Internal Revenue Code of 1986 is  
22 amended—

23 (1) in paragraph (1), by inserting “except as  
24 provided in paragraph (5)” after “collected”;

1 (2) by striking “and” at the end of paragraph  
2 (3);

3 (3) by striking the period at the end of para-  
4 graph (4) and inserting a comma;

5 (4) by adding after paragraph (4) the following  
6 new paragraph:

7 “(5) no additional fee may be assessed for ad-  
8 justments to an amount previously certified pursu-  
9 ant to such section 452(b) with respect to the same  
10 obligor.”; and

11 (5) by striking “Secretary of Health, Edu-  
12 cation, and Welfare” each place it appears and in-  
13 serting “Secretary of Health and Human Services”.

14 (b) EFFECTIVE DATE.—The amendments made by  
15 this section shall become effective October 1, 1996.

16 **SEC. 664. AUTHORITY TO COLLECT SUPPORT FROM EM-**  
17 **PLOYMENT-RELATED PAYMENTS BY UNITED**  
18 **STATES.**

19 (a) CONSOLIDATION AND STREAMLINING OF AU-  
20 THORITIES.—

21 (1) Section 459 is amended in the caption by  
22 inserting “INCOME WITHHOLDING,” before  
23 “GARNISHMENT”.

24 (2) Section 459(a) is amended—

1 (A) by striking “(a)” and inserting “(a)  
2 CONSENT TO SUPPORT ENFORCEMENT.—

3 (B) by striking “section 207” and insert-  
4 ing “section 207 of this Act and 38 U.S.C.  
5 5301”; and

6 (C) by striking all that follows “a private  
7 person,” and inserting “to withholding in ac-  
8 cordance with State law pursuant to subsections  
9 (a)(1) and (b) of section 466 and regulations of  
10 the Secretary thereunder, and to any other legal  
11 process brought, by a State agency administer-  
12 ing a program under this part or by an individ-  
13 ual obligee, to enforce the legal obligation of  
14 such individual to provide child support or ali-  
15 mony.”.

16 (3) Section 459(b) is amended to read as fol-  
17 lows:

18 “(b) CONSENT TO REQUIREMENTS APPLICABLE TO  
19 PRIVATE PERSON.— Except as otherwise provided herein,  
20 each entity specified in subsection (a) shall be subject,  
21 with respect to notice to withhold income pursuant to sec-  
22 tion 466(a)(1) or (b), or to any other order or process  
23 to enforce support obligations against an individual (if  
24 such order or process contains or is accompanied by suffi-  
25 cient data to permit prompt identification of the individual

1 and the moneys involved), to the same requirements as  
2 would apply if such entity were a private person.”.

3 (4) Section 459(c) is redesignated and relocated  
4 as paragraph (2) of subsection (f), and is amend-  
5 ed—

6 (A) by striking “responding to interro-  
7 gatories pursuant to requirements imposed by  
8 section 461(b)(3)” and inserting “taking ac-  
9 tions necessary to comply with the requirements  
10 of subsection (A) with regard to any individ-  
11 ual”; and

12 (B) by striking “any of his duties” and all  
13 that follows and inserting “such duties.”.

14 (5) Section 461(b) is relocated and redesignated  
15 as section 459(c)(1), and is amended to read as fol-  
16 lows:

17 “(c) DESIGNATION OF AGENT; RESPONSE TO NOTICE  
18 OR PROCESS.—(1) The head of each agency subject to the  
19 requirements of this section shall—

20 “(A) designate an agent or agents to receive or-  
21 ders and accept service of process; and

22 “(B) publish (i) in the appendix of such regula-  
23 tions, (ii) in each subsequent republication of such  
24 regulations, and (iii) annually in the Federal Reg-  
25 ister, the designation of such agent or agents, identi-

1       fied by title of position, mailing address, and tele-  
2       phone number.”.

3               (6) Section 459(d) is redesignated as paragraph  
4       (2) of section 459(c), and is amended to read as fol-  
5       lows:

6               “(2) Whenever an agent designated pursuant to  
7       paragraph (1) receives notice pursuant to section  
8       466(a)(1) or (b), or is effectively served with any  
9       order, process, or interrogatories, with respect to an  
10      individual’s child support or alimony payment obli-  
11      gations, such agent shall—

12              “(A) as soon as possible (but not later  
13      than fifteen days) thereafter, send written no-  
14      tice of such notice or service (together with a  
15      copy thereof) to such individual at his duty sta-  
16      tion or last-known home address;

17              “(B) within 30 days (or such longer period  
18      as may be prescribed by applicable State law)  
19      after receipt of a notice pursuant to section  
20      466(a)(1) or (b), comply with all applicable pro-  
21      visions of such section 466; and

22              “(C) within 30 days (or such longer period  
23      as may be prescribed by applicable State law)  
24      after effective service of any other such order,  
25      process, or interrogatories, respond thereto.”.

1           (7) Section 461(c) is relocated and redesignated  
2           as section 459(d), and is amended to read as fol-  
3           lows:

4           “(d) PRIORITY OF CLAIMS.—In the event that a gov-  
5           ernmental entity receives notice or is served with process,  
6           as provided in this section, concerning amounts owed by  
7           an individual to more than one person—

8           “(A) support collection under section 466(b)  
9           must be given priority over any other process, as  
10          provided in section 466(b)(7);

11          “(B) allocation of moneys due or payable to an  
12          individual among claimants under section 466(b)  
13          shall be governed by the provisions of such section  
14          466(b) and regulations thereunder; and

15          “(C) such moneys as remain after compliance  
16          with subparagraphs (A) and (B) shall be available to  
17          satisfy any other such processes on a first-come,  
18          first-served basis, with any such process being satis-  
19          fied out of such moneys as remain after the satisfac-  
20          tion of all such processes which have been previously  
21          served.”.

22          (8) Section 459(e) is amended by striking “(e)”  
23          and inserting “(e) NO REQUIREMENT TO VARY PAY  
24          CYCLES.—”.

1           (9) Section 459(f) is amended by striking “(f)”  
2           and inserting “(f) RELIEF FROM LIABILITY.—(1)”.

3           (10) Section 461(a) is redesignated and relo-  
4           cated as section 459(g), and is amended—

5                   (A) by striking “(g)” and inserting “(g)  
6           REGULATIONS.—”; and

7                   (B) by striking “section 459” and insert-  
8           ing “this section”.

9           (11) Section 462(f) is relocated and redesign-  
10          nated as section 459(h), and is amended to read as  
11          follows:

12          “(h) MONEYS SUBJECT TO PROCESS.—(1) Subject to  
13          subsection (i), moneys paid or payable to an individual  
14          which are considered to be based upon remuneration for  
15          employment, for purposes of this section—

16                  “(A) consist of—

17                          “(i) compensation paid or payable for per-  
18                          sonal services of such individual, whether such  
19                          compensation is denominated as wages, salary,  
20                          commission, bonus, pay, allowances, or other-  
21                          wise (including severance pay, sick pay, and in-  
22                          centive pay); and

23                          “(ii) periodic benefits (including a periodic  
24                          benefit as defined in section 228(h)(3)) or other  
25                          payments—

1           “(I) under the insurance system es-  
2           tablished by title II; and

3           “(II) under any other system or fund  
4           established by the United States which  
5           provides for the payment of pensions, re-  
6           tirement or retired pay, annuities, depend-  
7           ents’ or survivors’ benefits, or similar  
8           amounts payable on account of personal  
9           services performed by the individual or any  
10          other individual;

11          “(B) do not include any payment—

12           “(i) as compensation for death under any  
13          Federal program;

14           “(ii) under any Federal program estab-  
15          lished to provide ‘black lung’ benefits;

16           “(iii) by the Secretary of Veterans Affairs  
17          as pension, or as compensation for a service-  
18          connected disability or death (except any com-  
19          pensation paid by such Secretary to a former  
20          member of the Armed Forces who is in receipt  
21          of retired or retainer pay if such former mem-  
22          ber has waived a portion of his retired pay in  
23          order to receive such compensation);

24           “(iv) by way of reimbursement or other-  
25          wise, to defray expenses incurred by such indi-

1           vidual in carrying out duties associated with his  
2           employment; or

3           “(v) as allowances for members of the uni-  
4           formed services payable pursuant to chapter 7  
5           of 37 U.S.C., as prescribed by the Secretaries  
6           concerned (defined by 37 U.S.C. 101(5)) as  
7           necessary for the efficient performance of  
8           duty.”.

9           (12) Section 462(g) is redesignated and relo-  
10          cated as section 459(i).

11          (13)(A) Section 462 is amended—

12           (i) in subsection (e)(1), by redesignating  
13           subparagraphs (A), (B), and (C) as clauses (i),  
14           (ii), and (iii); and

15           (ii) in subsection (e), by redesignating  
16           paragraphs (1) and (2) as subparagraphs (A)  
17           and (B).

18          (B) Section 459 is amended by adding at the  
19          end the following:

20          “(j) DEFINITIONS.—For purposes of this  
21          section—”.

22          (C) Subsections (a) through (e) of section 462,  
23          as amended by subparagraph (A), are relocated and  
24          redesignated as paragraphs (1) through (4) of sec-  
25          tion 459(j), and are indented accordingly.

1 (b) CONFORMING AMENDMENTS.—

2 (1) TO TITLE IV—D.—Sections 461 and 462 are  
3 repealed.

4 (2) TO 5 U.S.C.—5 U.S.C. 5520a is amended,  
5 in subsections (h)(2) and (i), by striking “sections  
6 459, 461, and 462 of the Social Security Act (42  
7 U.S.C. 659, 661, and 662)” and inserting “section  
8 459 of the Social Security Act (42 U.S.C. 659)”.

9 (d) MILITARY RETIRED AND RETAINER PAY.—(1)  
10 DEFINITION OF COURT.—10 U.S.C. 1408(a)(1) is amend-  
11 ed—

12 (A) by striking “and” at the end of subpara-  
13 graph (B);

14 (B) by striking the period at the end of sub-  
15 paragraph (C) and inserting “; and”; and

16 (C) by adding after subparagraph (C) the fol-  
17 lowing new paragraph:

18 “(D) any administrative or judicial tribu-  
19 nal of a State competent to enter orders for  
20 support or maintenance (including a State  
21 agency administering a State program under  
22 part D of title IV of the Social Security Act).”;

23 (2) DEFINITION OF COURT ORDER.—10 U.S.C.  
24 1408(a)(2) is amended by inserting “or a court order for  
25 the payment of child support not included in or accom-

1 panied by such a decree or settlement,” before  
2 “which—”.

3 (3) PUBLIC PAYEE.—10 U.S.C. 1408(d) is amend-  
4 ed—

5 (A) in the heading, by striking “to spouse” and  
6 inserting “to (or for benefit of)”; and

7 (B) in paragraph (1), in the first sentence, by  
8 inserting “(or for the benefit of such spouse or  
9 former spouse to a State central collections unit or  
10 other public payee designated by a State, in accord-  
11 ance with part D of title IV of the Social Security  
12 Act, as directed by court order, or as otherwise di-  
13 rected in accordance with such part D)” before “in  
14 an amount sufficient”.

15 (4) RELATIONSHIP TO TITLE IV–D.—10 U.S.C. 1408  
16 is amended by adding at the end the following new sub-  
17 section:

18 “(j) RELATIONSHIP TO OTHER LAWS.—In any case  
19 involving a child support order against a member who has  
20 never been married to the other parent of the child, the  
21 provisions of this section shall not apply, and the case  
22 shall be subject to the provisions of section 459 of the  
23 Social Security Act.”.

1 (e) EFFECTIVE DATE.—The amendments made by  
2 this section shall become effective on the date six months  
3 after enactment of this Act.

4 **SEC. 665. MOTOR VEHICLE LIENS.**

5 Section 466(a)(4) is amended—

6 (1) by striking “(4) PROCEDURES” and insert-  
7 ing “(4) LIENS.—(A) IN GENERAL.—”; and

8 (2) by adding at the end the following new sub-  
9 paragraph:

10 “(B) MOTOR VEHICLE LIENS.—Procedures  
11 for placing liens for arrears of child support on  
12 motor vehicle titles of individuals owing such  
13 arrears equal to or exceeding two months of  
14 support, under which—

15 “(i) any person owed such arrears  
16 may place such a lien;

17 “(ii) the State agency administering  
18 the program under this part shall system-  
19 atically place such liens;

20 “(iii) expedited methods are provided  
21 for—

22 “(I) ascertaining the amount of  
23 arrears;

24 “(II) affording the person owing  
25 the arrears or other titleholder to con-

1 test the amount of arrears or to ob-  
2 tain a release upon fulfilling the sup-  
3 port obligation;

4 “(iv) such a lien has precedence over  
5 all other encumbrances on a vehicle title  
6 other than a purchase money security in-  
7 terest; and

8 “(v) the individual or State agency  
9 owed the arrears may execute on, seize,  
10 and sell the property in accordance with  
11 State law.”.

12 **SEC. 666. VOIDING OF FRAUDULENT TRANSFERS.**

13 Section 466(a) is amended by adding at the end the  
14 following new paragraph:

15 “(15) FRAUDULENT TRANSFERS.—Procedures  
16 under which—

17 “(A) the State has in effect—

18 “(i) the Uniform Fraudulent Convey-  
19 ance Act of 1981,

20 “(ii) the Uniform Fraudulent Trans-  
21 fer Act of 1984, or

22 “(iii) another law, specifying indicia of  
23 fraud which create a prima facie case that  
24 a debtor transferred income or property to  
25 avoid payment to a child support creditor,

1           which the Secretary finds affords com-  
2           parable rights to child support creditors;  
3           and

4           “(B) in any case in which the State knows  
5           of a transfer by a child support debtor with re-  
6           spect to which such a prima facie case is estab-  
7           lished, the State must—

8                   “(i) seek to void such transfer; or

9                   “(ii) obtain a settlement in the best  
10           interests of the child support creditor.”.

11 **SEC. 667. STATE LAW AUTHORIZING SUSPENSION OF**  
12 **LICENSES.**

13       Section 466(a) is amended by adding at the end the  
14 following new paragraph:

15           “(16) AUTHORITY TO WITHHOLD OR SUSPEND  
16 LICENSES.—Procedures under which the State has  
17 (and uses in appropriate cases) authority (subject to  
18 appropriate due process safeguards) to withhold or  
19 suspend, or to restrict the use of driver’s licenses,  
20 professional and occupational licenses, and rec-  
21 reational licenses of individuals owing overdue child  
22 support or failing, after receiving appropriate notice,  
23 to comply with subpoenas or warrants relating to  
24 paternity or child support proceedings.”.

1 **SEC. 668. REPORTING ARREARAGES TO CREDIT BUREAUS.**

2 Section 466(a)(7) is amended to read as follows:

3 “(7) REPORTING ARREARAGES TO CREDIT BU-  
4 REAUS.—(A) Procedures (subject to safeguards pur-  
5 suant to subparagraph (B)) requiring the State to  
6 report periodically to consumer reporting agencies  
7 (as defined in section 603(f) of the Fair Credit Re-  
8 porting Act (15 U.S.C. 1681a(f)) the name of any  
9 absent parent who is delinquent by one month or  
10 more in the payment of support, and the amount of  
11 overdue support owed by such parent.

12 “(B) Procedures ensuring that, in carrying out  
13 subparagraph (A), information with respect to an  
14 absent parent is reported—

15 “(i) only after such parent has been af-  
16 forded all due process required under State law,  
17 including notice and a reasonable opportunity  
18 to contest the accuracy of such information;  
19 and

20 “(ii) only to an entity that has furnished  
21 evidence satisfactory to the State that the en-  
22 tity is a consumer reporting agency.”.

23 **SEC. 669. EXTENDED STATUTE OF LIMITATION FOR COL-**  
24 **LECTION OF ARREARAGES.**

25 (a) AMENDMENTS.—Section 466(a)(9) is amended—

1           (1) by striking “(9) PROCEDURES” and insert-  
2           ing “(9) LEGAL TREATMENT OF ARREARS.—(A) FI-  
3           NALITY.—”;

4           (2) by redesignating indented subparagraphs  
5           (A), (B), and (C) as clauses (i), (ii), and (iii), re-  
6           spectively; and

7           (3) by adding after and below subparagraph  
8           (A), as redesignated, the following new subpara-  
9           graph:

10                   “(B) STATUTE OF LIMITATIONS.—Proce-  
11                   dures under which the statute of limitations on  
12                   any arrearages of child support extends at least  
13                   until the child owed such support is 30 years of  
14                   age.”.

15           (b) APPLICATION OF REQUIREMENT.—The amend-  
16           ment made by this section shall not be read to require  
17           any State law to revive any payment obligation which had  
18           lapsed prior to the effective date of such State law.

19           **SEC. 670. CHARGES FOR ARREARAGES.**

20           (a) STATE LAW REQUIREMENT.—Section 466(a) is  
21           amended by adding at the end the following new para-  
22           graph:

23                   “(17) CHARGES FOR ARREARAGES.—Proce-  
24                   dures providing for the calculation and collection of  
25                   interest or penalties for arrearages of child support,

1 and for distribution of such interest or penalties col-  
2 lected for the benefit of the child (except where the  
3 right to support has been assigned to the State).”.

4 (b) REGULATIONS.—The Secretary of Health and  
5 Human Services shall establish by regulation a rule to re-  
6 solve choice of law conflicts arising in the implementation  
7 of the amendment made by subsection (a).

8 (c) CONFORMING AMENDMENT.—Section 454(21) is  
9 repealed.

10 (d) EFFECTIVE DATE.—The amendments made by  
11 this section shall be effective with respect to arrearages  
12 accruing on or after October 1, 1997.

13 **SEC. 671. VISITATION ISSUES BARRED.**

14 Section 466(a) is amended by adding at the end the  
15 following new paragraph:

16 “(18) VISITATION ISSUE BARRED.—Procedures  
17 under which failure to pay child support is not a de-  
18 fense to denial of visitation rights, and denial of visi-  
19 tation rights is not a defense to failure to pay child  
20 support.”.

21 **SEC. 672. TREATMENT OF SUPPORT OBLIGATIONS UNDER**  
22 **BANKRUPTCY CODE.**

23 (a) NO STAY OF PROCEEDINGS.—Section 362(b)(2)  
24 of title 11, United States Code, is amended to read as  
25 follows:

1 “(2) under subsection (a) of this section—

2 “(A) of the commencement or continuation  
3 of a judicial or administrative proceeding, or  
4 other action under State or territorial law by a  
5 governmental unit, against the debtor to estab-  
6 lish paternity, to establish or modify an obliga-  
7 tion to pay for the support of a spouse, former  
8 spouse, or child of the debtor, or to establish a  
9 schedule for payment of such support (including  
10 any arrearages); or

11 “(B) of the collection of alimony, mainte-  
12 nance, or support from property that is not  
13 property of the estate;”.

14 (b) STREAMLINED FILING PROCEDURE FOR SUP-  
15 PORT CREDITOR.—Section 501 of title 11, United States  
16 Code, is amended by adding at the end the following new  
17 subsection:

18 “(e)(1) The creditor of a claim that is excepted from  
19 discharge under section 523(a)(5) may file such claim by  
20 delivering to the clerk of the bankruptcy court in which  
21 a petition under this title is pending, in person or by reg-  
22 istered mail, the claim form promulgated under paragraph  
23 (2). Such a creditor, filing a claim in such a manner, shall  
24 not be required to make a personal appearance before the  
25 court, to be represented by counsel admitted to practice

1 in the jurisdiction in which such court is located, to comply  
2 with any local rules not specified pursuant to paragraph  
3 (2), or to pay any filing fees or other charges in connection  
4 with the filing of such claim.

5 “(2) The Judicial Conference of the United States  
6 shall promulgate, not later than June 30, 1995—

7 “(A) a standardized, simplified form for filing  
8 claims described in paragraph (1); and

9 “(B) procedural guidelines for the use of such  
10 form, which rules shall be designed to minimize the  
11 burden on support creditors of filing such claims.”.

12 (c) TREATMENT AS PREFERRED UNSECURED CREDI-  
13 TOR.—Section 507(a) of title 11, United States Code, is  
14 amended—

15 (1) by striking “(8) Eighth,” and inserting “(9)  
16 Ninth,”; and

17 (2) by inserting after paragraph (7) the follow-  
18 ing new paragraph:

19 “(8) Eighth, unsecured claims for alimony,  
20 maintenance, or support of a spouse, former spouse,  
21 or child of the debtor allowed under section 502 of  
22 this title, to the full extent of such claims, and in  
23 accordance with any payment schedule established  
24 as described in section 362(b)(2).”.

1 (d) PAYMENT SCHEDULE IN CHAPTER 13 PLANS.—  
2 Section 1322(a)(2) of title 11, United States Code, is  
3 amended by inserting before the semicolon “(except that  
4 the plan shall provide, in the case of a debt not subject  
5 to discharge under section 523(a)(5), for payment in ac-  
6 cordance with any payment schedule included in the order  
7 providing for alimony, maintenance, or support)”.

8 (e) EFFECTIVE DATE.—The amendments made by  
9 this section shall become effective October 1, 1995.

10 **SEC. 673. DENIAL OF PASSPORTS FOR NONPAYMENT OF**  
11 **CHILD SUPPORT.**

12 (a) HHS CERTIFICATION PROCEDURE.—(1) SEC-  
13 RETARIAL RESPONSIBILITY.—Section 452 is amended by  
14 adding at the end the following new subsection:

15 “(k) CERTIFICATIONS FOR PURPOSES OF PASSPORT  
16 RESTRICTIONS.—(1) IN GENERAL.—Where the Secretary  
17 receives a certification by a State agency in accordance  
18 with the requirements of section 454(29) that an individ-  
19 ual owes arrearages of child support in excess of \$5,000,  
20 the Secretary shall transmit such certification to the Sec-  
21 retary of State for action (with respect to denial, revoca-  
22 tion, or limitation of passports) pursuant to section 219  
23 of title 22, United States Code.

1       “(2) LIMIT ON LIABILITY.—The Secretary shall not  
2 be liable to an individual for any action with respect to  
3 a certification by a State agency under this section.”.

4       (2) STATE CSE AGENCY RESPONSIBILITY.—Section  
5 454, as previously amended by sections 601, 605, 615,  
6 and 622, is further amended—

7           (A) by striking “and” at the end of paragraph  
8 (27);

9           (B) by striking the period at the end of para-  
10 graph (28) and inserting “; and”; and

11           (C) by adding after paragraph (28) the follow-  
12 ing new paragraph:

13       “(29) provide that the State agency will have in effect  
14 a procedure (which may be combined with the procedure  
15 for tax refund offset under section 464) for certifying to  
16 the Secretary, for purposes of the procedure under section  
17 452(k) (concerning denial of passports) determinations  
18 that individuals owe child support arrearages of \$5,000  
19 or more, under which procedure—

20           “(A) each individual concerned is afforded no-  
21 tice of such determination and the consequences  
22 thereof, and an opportunity to contest the deter-  
23 mination; and

24           “(B) the certification by the State agency is  
25 furnished to the Secretary in such format, and ac-



1 States for demonstrations under this section to determine  
2 the effectiveness of programs to provide assured levels of  
3 child support to custodial parents of children for whom  
4 paternity and support obligations have been established.

5 (b) DURATION OF PROJECTS.—(1) TOTAL PROJECT  
6 PERIOD.—The Secretary shall make grants to States for  
7 demonstrations under this section beginning in fiscal year  
8 1997, for periods of from 7 to 10 years.

9 (2) PHASEDOWN PERIOD.—Each State implementing  
10 a demonstration project under this section shall—

11 (A) phase out activities under such demonstra-  
12 tion during the final two years of the project; and

13 (B) obtain the Secretary's approval, before the  
14 beginning of such phasedown period, of a plan for  
15 accomplishing such phasedown.

16 (c) CONSIDERATIONS IN SELECTION OF PROJECTS.—

17 (1) SCOPE.—Projects under this section may, but need  
18 not, be statewide in scope.

19 (2) STATE ADMINISTRATION.—(A) RESPONSIBLE  
20 STATE AGENCY.—A State demonstration project under  
21 this section shall be administered either by the State agen-  
22 cy administering the program under title IV-D of the So-  
23 cial Security Act or the State department of revenue and  
24 taxation.

1 (B) AUTOMATION.—The State agency described in  
2 subparagraph (A) shall operate (or have automated access  
3 to) the automated data system required under section  
4 454(16) of the Social Security Act, and shall have ade-  
5 quate automated capacity to carry out the project under  
6 this section (including the timely distribution of child sup-  
7 port assurance benefits).

8 (3) CONTROLS.—At least one demonstration project  
9 under this section shall include randomly assigned control  
10 groups.

11 (d) ELIGIBILITY.—(1) IN GENERAL.—Child support  
12 assurance payments under projects under this section  
13 shall be available only to children for whom paternity and  
14 support obligations have been established (or with respect  
15 to whom a determination has been made that efforts to  
16 establish paternity or support would not be in the best  
17 interests of the child).

18 (2) FAMILIES WITH SHARED CUSTODY.—In cases  
19 where both parents share custody of a child, a parent and  
20 child shall not be eligible for benefits under a demonstra-  
21 tion under this section unless—

22 (A) a support order is in effect entitling such  
23 parent to support payments in excess of the mini-  
24 mum benefit; or

1           (B) the agency or tribunal which issued the  
2           order certifies that the child support award would be  
3           below such minimum benefit if either parent was  
4           awarded sole custody and the guidelines under sec-  
5           tion 467 were applied.

6           (3) STATE OPTION TO BASE ELIGIBILITY ON  
7           NEED.—At State option, eligibility for benefits under a  
8           demonstration under this section may be limited to fami-  
9           lies with incomes and resources below a standard of need  
10          established by the State.

11          (f) BENEFIT AMOUNTS.—(1) RANGE OF BENEFIT  
12          LEVELS.—States shall have flexibility to set annual bene-  
13          fit levels under demonstrations under this section, pro-  
14          vided that (subject to the remaining provisions of this sub-  
15          section) such levels—

16                (A) are not lower than \$1,500 for a family with  
17                one child or \$3,000 for a family with four or more  
18                children; and

19                (B) are not higher than \$3,000 for a family  
20                with one child or \$4,500 for a family with four or  
21                more children;

22          (2) INDEXING.—Annual benefit levels for each fiscal  
23          year after fiscal year 1996 shall be indexed to reflect the  
24          change in the Consumer Price Index.

1           (3) UNMATCHED EXCESS BENEFITS.—The Secretary  
2 may permit States to pay benefits higher than a maximum  
3 specified in paragraphs (1) and (2), but Federal matching  
4 of such payments shall not be available for benefits in ex-  
5 cess of the amounts specified in paragraph (1) (as ad-  
6 justed in accordance with paragraph (2)) by more than  
7 \$25 per month.

8           (g) TREATMENT OF BENEFITS.—(1) FOR PURPOSES  
9 OF AFDC.—The amount of aid otherwise payable to a  
10 family under title IV–A of the Social Security Act shall  
11 be reduced by an amount equal to the amount of child  
12 support assurance paid to such family (or, at the Sec-  
13 retary’s discretion, by a percentage of such amount paid  
14 specified by the Secretary).

15           (2) FOR PURPOSES OF OTHER BENEFIT PRO-  
16 GRAMS.—(A) IN GENERAL.—Except as provided in sub-  
17 paragraph (B), child support assurance paid to a family  
18 shall be considered ordinary income for purposes of deter-  
19 mining eligibility for and benefits under any Federal or  
20 State program.

21           (B) DEEMED AFDC ELIGIBILITY.—At State option,  
22 a child (or family) that is ineligible for aid under title IV–  
23 A of the Social Security Act because of payments under  
24 a demonstration under this section may be deemed to be

1 receiving such aid for purposes of determining eligibility  
2 for other Federal and State programs.

3 (3) FOR TAX PURPOSES.—Child support assurance  
4 which is paid to a family under this section and is not  
5 reimbursed from a child support collection from a  
6 noncustodial parent shall be considered ordinary income  
7 for purposes of Federal and State tax liability.

8 (h) WORK PROGRAM OPTION.—At the option of the  
9 State grantee, a demonstration under this section may in-  
10 clude a work program for unemployed noncustodial par-  
11 ents of eligible children.

12 (i) AVAILABILITY OF APPROPRIATIONS FOR PAY-  
13 MENTS TO STATES.—(1) STATE ENTITLEMENT TO IV-D  
14 FUNDING.—A State administering an approved dem-  
15 onstration under this section in a calendar quarter shall  
16 be entitled to payments for such quarter, pursuant to sec-  
17 tion 455 of the Social Security Act for the Federal share  
18 of reasonable and necessary expenditures (including ex-  
19 penditures for benefit payments and for associated admin-  
20 istrative costs) under such project, in an amount (subject  
21 to paragraphs (2) and (3)) equal to—

22 (A) with respect to that portion of such expend-  
23 itures equal to the reduction of expenditures under  
24 title IV-A of the Social Security Act pursuant to  
25 subsection (g)(1), a percentage equal to the percent-

1       age that would have been paid if such expenditures  
2       had been made under such title IV–A; and

3           (B) 90 percent of the remainder of such ex-  
4       penditures.

5       (2) STATES WITH LOW AFDC BENEFITS.—In the  
6       case of a State in which benefit levels under title IV–A  
7       of the Act are below the national median for such pay-  
8       ments, the Secretary may elect to provide 90 percent Fed-  
9       eral matching of a portion of expenditures under a project  
10      under this section that would otherwise be matched at the  
11      rate specified in paragraph (1)(A).

12      (3) FUNDING LIMITS; PRO RATA REDUCTIONS OF  
13      STATE MATCHING.—(A) FUNDS AVAILABLE.—There  
14      shall be available to the Secretary, from amounts appro-  
15      priated to carry out part D of title IV of the Social Secu-  
16      rity Act, for purposes of carrying out demonstrations  
17      under this section, amounts not to exceed—

18           (i) \$27,000,000 for fiscal year 1997;

19           (ii) \$55,000,000 for fiscal year 1998;

20           (iii) \$70,000,000 for each of fiscal years 1999  
21      through 2002; and

22           (iv) \$55,000,000 for fiscal year 2003.

23      (B) PRO RATA REDUCTIONS.—The Secretary shall  
24      make pro rata reductions in the amounts otherwise pay-

1 able to States under this section as necessary to comply  
2 with the funding limitation specified in subparagraph (A).

3 (j) DISTRIBUTION OF CHILD SUPPORT COLLEC-  
4 TIONS.—Notwithstanding section 457 of the Social Secu-  
5 rity Act, support payments collected from the noncustodial  
6 parent of a child receiving (or who has received) child sup-  
7 port assurance payments under this section shall be dis-  
8 tributed as follows:

9 (1) first, amounts equal to the total support  
10 owed for such month shall be paid to the family;

11 (2) second, from any remainder, amounts owed  
12 to the State on account of child support assurance  
13 payments to the family shall be paid to the State  
14 (with appropriate reimbursement to the Federal  
15 Government of its share to such payments);

16 (3) third, from any remainder, arrearages of  
17 support owed to the family shall be paid to the fam-  
18 ily; and

19 (4) fourth, from any remainder, amounts owed  
20 to the State on account of current or past payments  
21 of aid under title IV–A of the Social Security Act  
22 shall be paid to the State (with appropriate reim-  
23 bursement to the Federal Government of its share of  
24 such payments).

1 (k) EVALUATIONS AND REPORTS.—(1) STATE EVAL-  
2 UATIONS.—Each State administering a demonstration  
3 project under this section shall—

4 (A) provide for ongoing and retrospective eval-  
5 uation of the project, meeting such conditions and  
6 standards as the Secretary may require; and

7 (B) submit to the Secretary such reports (at  
8 such times, in such format, and containing such in-  
9 formation) as the Secretary may require, including  
10 at least an interim report not later than 90 days  
11 after the end of the fourth year of the project, and  
12 a final report not later than one year after the com-  
13 pletion of the project, which shall include informa-  
14 tion on and analysis of the effect of the project with  
15 respect to—

16 (i) the economic circumstances of both  
17 noncustodial and custodial parents;

18 (ii) the rate of compliance by noncustodial  
19 parents with support orders;

20 (iii) work-force participation by both custo-  
21 dial and noncustodial parents;

22 (iv) need for or amount of aid to families  
23 with dependent children under title IV–A of the  
24 Social Security Act;

25 (v) paternity establishment rates; and

1 (vi) any other matters the Secretary may  
2 specify.

3 (2) REPORTS TO CONGRESS.—The Secretary shall,  
4 on the basis of reports received from States administering  
5 projects under this section, make the following reports,  
6 containing an assessment of the effectiveness of the  
7 projects and any recommendations the Secretary considers  
8 appropriate:

9 (A) an interim report, not later than six months  
10 following receipt of the interim State reports re-  
11 quired by subsection (c); and

12 (B) a final report, not later than six months  
13 following receipt of the final State reports required  
14 under subsection (i).

15 (3) FUNDING FOR COSTS TO SECRETARY.—There  
16 are authorized to be appropriated \$10,000,000 for fiscal  
17 year 1997, to remain available under expended for pay-  
18 ment of the cost of evaluations by the Secretary of dem-  
19 onstrations under this section.

20 **SEC. 682. SOCIAL SECURITY ACT DEMONSTRATIONS.**

21 Section 1115(c)(3) is amended by striking “increased  
22 cost” and all that follows and inserting “an increase in  
23 total costs to the Federal Government.”.



1       “(2) Payments under this section shall be used by  
2 a State to supplement (and not to substitute for) expendi-  
3 tures by the State, for activities specified in subsection  
4 (a), at a level at least equal to the level of such expendi-  
5 tures for fiscal year 1994.

6       “(c) ALLOTMENTS TO STATES.—(1) IN GENERAL.—  
7 For purposes of subsection (b), each State shall be entitled  
8 (subject to paragraph (1)) to an amount for each fiscal  
9 year bearing the same ratio to the amount authorized to  
10 be appropriated pursuant to subsection (a) for such fiscal  
11 year as the number of children in the State living with  
12 only one biological parent bears to the total number of  
13 such children in all States.

14       “(2) MINIMUM ALLOTMENT.—Allotments to States  
15 under subparagraph (A) shall be adjusted as necessary to  
16 ensure that no State is allotted less than \$50,000 for fiscal  
17 year 1996 or 1997, or \$100,000 for any succeeding fiscal  
18 year.

19       “(d) FEDERAL ADMINISTRATION.—The program  
20 under this section shall be administered by the Adminis-  
21 tration for Children and Families.

22       “(e) STATE PROGRAM ADMINISTRATION.—(1) Each  
23 State may administer the program under this section di-  
24 rectly or through grants to or contracts with courts, local  
25 public agencies, or non-profit private entities.

1       “(2) State programs under this section may, but need  
2 not, be Statewide.

3       “(3) States administering programs under this sec-  
4 tion shall monitor, evaluate, and report on such programs  
5 in accordance with requirements established by the Sec-  
6 retary.

7                                   **Part J—Effect of Enactment**

8   **SEC. 695. EFFECTIVE DATES.**

9       (a) IN GENERAL.—Except as otherwise specifically  
10 provided (but subject to subsections (b) and (c))—

11           (1) provisions of this title requiring enactment  
12 or amendment of State laws under section 466 of  
13 the Act, or revision of State plans under section 454  
14 of the Act, shall be effective with respect to periods  
15 beginning on and after October 1, 1995; and

16           (2) all other provisions of this title shall become  
17 effective upon enactment.

18       (b) GRACE PERIOD FOR STATE LAW CHANGES.—The  
19 provisions of this title shall become effective with respect  
20 to a State on the later of—

21           (1) the date specified in this title, or

22           (2) the effective date of laws enacted by the leg-  
23 islature of such State implementing such provisions,

24 but in no event later than the first day of the first cal-  
25 endar quarter beginning after the close of the first regular

1 session of the State legislature that begins after the date  
2 of enactment of this Act. For purposes of the previous  
3 sentence, in the case of a State that has a 2-year legisla-  
4 tive session, each year of such session shall be deemed to  
5 be a separate regular session of the State legislature.

6 (c) GRACE PERIOD FOR STATE CONSTITUTIONAL  
7 AMENDMENT.—A State shall not be found out of compli-  
8 ance with any requirement enacted by this title if it is  
9 unable to comply without amending the State constitution  
10 until the earlier of—

11 (1) the date one year after the effective date of  
12 the necessary State constitutional amendment, or

13 (2) the date five years after enactment of this  
14 title.

15 **SEC. 696. SEVERABILITY.**

16 If any provision of this title or the application thereof  
17 to any person or circumstance is held invalid, the invalid-  
18 ity shall not affect other provisions or applications of this  
19 title which can be given effect without regard to the invalid  
20 provision or application, and to this end the provisions of  
21 this title shall be severable.

1     **TITLE VII—IMPROVING GOVERNMENT**  
2     **ASSISTANCE AND PREVENTING FRAUD**

3             **Part A—AFDC Amendments**

4     **SEC. 701. PERMANENT REQUIREMENT FOR UNEMPLOYED**  
5             **PARENT PROGRAM.**

6             (a) IN GENERAL.—Section 401(h) of the Family  
7 Support Act of 1988 (terminating the requirement that  
8 States provide benefits to two-parent families based on the  
9 unemployment of the principal earner) is repealed.

10            (b) APPLICABILITY TO PUERTO RICO, AMERICAN  
11 SAMOA, GUAM, AND THE VIRGIN ISLANDS.—Section  
12 401(g)(2) of the Family Support Act of 1988 is amended,  
13 effective on the date of enactment of such Act, to read  
14 as follows:

15                   “(2) The amendments made by this section  
16                   (other than those made by subsection (c)) shall not  
17                   become effective with respect to Puerto Rico, Amer-  
18                   ican Samoa, Guam, or the Virgin Islands unless the  
19                   jurisdiction involved notifies the Secretary of Health  
20                   and Human Services that it chooses to have such  
21                   amendments apply and submits the necessary plan  
22                   amendment.”.

1 **SEC. 702. STATE OPTIONS REGARDING UNEMPLOYED PAR-**  
2 **ENT PROGRAM.**

3 (a) DURATION OF UNEMPLOYMENT AND RECENCY-  
4 OF-WORK TESTS.—(1) Section 407(b)(1)(A) of the Act  
5 (in the matter preceding clause (i)) is amended to read  
6 as follows:

7 “(A) subject to paragraph (2), shall provide for  
8 the payment of aid to families with dependent chil-  
9 dren with respect to a dependent child within the  
10 meaning of subsection (a)—”.

11 (2) Such section is further amended—

12 (A) by striking out “whichever” in clause (i)  
13 and inserting in lieu thereof “when, if the State  
14 chooses to so require (and specifies in its State  
15 plan), whichever”,

16 (B) by inserting “when” before such parent in  
17 clause (ii), and

18 (C) by striking out “(iii)(I)” and inserting in  
19 lieu thereof “(iii) when, if the State chooses to so re-  
20 quire (and specifies in its State plan) (I)”.

21 (b) STATE OPTION TO DEFINE “UNEMPLOY-  
22 MENT”.—At its option, a State may provide aid under  
23 part A to children of employed parents and may apply,  
24 for purposes of section 407 of the Act, a definition of un-  
25 employment that includes some or all of the individuals  
26 who, solely by reasons of the standards prescribed by the

1 Secretary of Health and Human Services under subsection  
2 (a) of such section and in effect on the date of enactment  
3 of this Act, would not have been eligible for aid to families  
4 with dependent children, and shall include such definition  
5 in its State plan approved under part A of title IV of the  
6 Act.

7 (c) EFFECTIVE DATE.—The amendments made by  
8 this section and the provisions of this section shall become  
9 effective October 1, 1996.

10 **SEC. 703. DEFINITION OF ESSENTIAL PERSON.**

11 (1) GENERAL REQUIREMENT.—Section 402 of the  
12 Act is amended by adding immediately after and below  
13 subsection (c) the following new subsection:

14 “(d) In order that the State may include the needs  
15 of an individual in determining the needs of the dependent  
16 child and relative with whom the child is living, such indi-  
17 vidual must be living in the same home as such child and  
18 relative and—

19 “(1) furnishing personal services required be-  
20 cause of the relative’s physical or mental inability to  
21 provide care necessary for herself or himself or for  
22 the dependent child (which, for purposes of this sub-  
23 section only, includes a child receiving supplemental  
24 security income benefits under title XVI), or

1           “(2) furnishing child care services, or care for  
2           an incapacitated member of the family, that is nec-  
3           essary to permit the caretaker relative—

4                   “(A) to engage in full or part-time employ-  
5                   ment outside the home, or

6                   “(B) to attend a course of education de-  
7                   signed to lead to a high school diploma (or its  
8                   equivalent) or a course of training on a full or  
9                   part-time basis, or to participate in the pro-  
10                  gram under part F on a full or part-time  
11                  basis.”.

12 **SEC. 704. EXPANDED STATE OPTION FOR RETROSPECTIVE**  
13 **BUDGETING.**

14           Section 402(a)(13) of the Act is amended—

15                   (1) by striking out in the matter that precedes  
16                   subparagraph (A) “but only with respect to any one  
17                   or more categories of families required to report  
18                   monthly to the State agency pursuant to paragraph  
19                   (14),”; and

20                   (2) by striking out in each of subparagraphs  
21                   (A) and (B) “(but only where the Secretary deter-  
22                   mines it to be appropriate, in the case of families  
23                   who are required to report monthly to the State  
24                   agency pursuant to paragraph (14),”.

1 **SEC. 705. DISREGARDS OF INCOME.**

2 “(a) STUDENT EARNINGS.—(1) IN GENERAL.—Sec-  
3 tion 402(a)(8)(A)(i) of the Act is amended by striking out  
4 “dependent child” and all that follows and inserting in lieu  
5 thereof “individual under age 19 who is an elementary or  
6 secondary school student”.

7 “(2) CONFORMING AMENDMENTS.—Section 402(a)  
8 of the Act is amended—

9 (A)(i) by striking out “a dependent child who is  
10 a full-time student” in paragraph (8)(A)(vii) and in-  
11 sserting in lieu thereof “an individual under age 19  
12 who is an elementary or secondary school student”,  
13 and

14 (ii) by striking out “such child” in such para-  
15 graph and inserting in lieu thereof “such individ-  
16 ual”, and

17 (B) by striking out in paragraph (18) “of a de-  
18 pendent child” and inserting in lieu thereof “of an  
19 individual under age 19”.

20 (b) STANDARD EARNED INCOME DISREGARD  
21 AMOUNT.—(1) Section 402(a)(8)(a)(ii) of the Act is  
22 amended by striking out “\$90” and inserting in lieu there-  
23 of “\$120, or if greater, \$120 adjusted by the CPI (as pre-  
24 scribed in section 406(i))”.

25 (2) The amendment made by this subsection shall be-  
26 come effective October 1, 1996.

1 (c) STATE OPTION TO DISREGARD EARNED IN-  
2 COME.—(1) IN GENERAL.—Section 402(a)(8)(A)(iv) of  
3 the Act is amended to read as follows:

4 “(iv) may, at its option, disregard amounts  
5 of earned income in addition to those required  
6 or permitted to be disregarded under this para-  
7 graph, and shall specify in its State plan any  
8 such additional amounts and the circumstances  
9 (including whether they will be disregarded for  
10 applicants as well as for recipients) under which  
11 they will be disregarded;”

12 (2) CONFORMING AMENDMENTS.—

13 (A) Clause (ii) of section 402(a)(8)(B) of the  
14 Act is repealed.

15 (B)(i) Section 402(a)(37) of the Act is amended  
16 by striking out “or because of paragraph  
17 (8)(B)(ii)(II)”.

18 (ii) Section 1925(a) of the Act is amended by  
19 striking out “or because of section  
20 402(a)(8)(B)(ii)(II) (providing for a time-limited  
21 earned income disregard)”.

22 (C) Section 402(g)(1)(A)(ii) of the Act is  
23 amended by striking out “increased income” and all  
24 that follows down to the period and inserting in lieu

1       thereof “amount of earnings from such employ-  
2       ment”.

3       (3) EFFECTIVE DATE.—The amendments made by  
4 this subsection shall become effective October 1, 1996.

5       (d) DISREGARD OF TRAINING STIPENDS.—Section  
6 402(a)(8)(A)(v) of the Act is amended to read as follows:

7               “(v) shall disregard from the income of  
8               any individual applying for or receiving aid to  
9               families with dependent children any amount  
10              received as a stipend or allowance under the  
11              Job Training Partnership Act or under any  
12              other training or similar program;”.

13       (e) MANDATORY CHILD SUPPORT PASS-THROUGH.—  
14 (1) Section 402(a)(8)(A)(vi) of the Act is amended—

15              (A) by striking out “\$50” (in two places) and  
16              inserting in lieu thereof “\$50, or, if greater, \$50 ad-  
17              justed by the CPI (as prescribed in section 406(i));”,  
18              and

19              (B) by striking out the semicolon at the end  
20              and inserting in lieu thereof “or, in lieu of the  
21              amount specified in two places in this clause, such  
22              greater amount as the State may choose (and pro-  
23              vide for in its State plan);”.

1       (2) CPI ADJUSTMENT.—Section 406 of the Act is  
2 amended by adding at the end thereof the following new  
3 subsection:

4       “(i) For purposes of this part, an amount is ‘adjusted  
5 by the CPI’ for any month in a calendar year by multiply-  
6 ing the amount involved by the ratio of—

7               “(1) the Consumer Price Index (as prepared by  
8 the Department of Labor) for the third quarter of  
9 the preceding calendar year, to

10              “(2) such Consumer Price Index for the third  
11 quarter of calendar year 1996,

12 and rounding the product, if not a multiple of \$10, to the  
13 nearer multiple of \$10.”.

14       (f) LUMP-SUM INCOME.—(1) IN GENERAL.—Section  
15 402(a)(8)(A) of the Act is amended—

16              (A) by striking out “and” after clause (viii),  
17 and

18              (B) by adding after and below clause (viii) the  
19 following new clause:

20                      “(ix) shall disregard from the income of  
21 any family member any amounts of income re-  
22 ceived in the form of nonrecurring lump-sum  
23 payments;”.

24       (2) REPEAL.—Section 402(a)(17) of the Act is re-  
25 pealed.

1           (g)           EDUCATIONAL           ASSISTANCE.—Section  
2 402(a)(8)(A) of the Act is further amended by adding  
3 after and below clause (ix) the following new clause:

4                       “(x) shall disregard all educational assist-  
5                       ance provided to a family member;”.

6           (h) IN-KIND INCOME.—Such section is further  
7 amended by adding after and below clause (x) the follow-  
8 ing new clause:

9                       “(xi) shall disregard all in-kind income  
10                      provided to a family member;”

11          (i) BENEFITS UNDER THE NATIONAL AND COMMU-  
12 NITY SERVICE ACT.—Such section is further amended by  
13 adding after and below clause (xi) the following new  
14 clause:

15                      “(xii) shall disregard any living allowance,  
16                      child care allowance, stipend, or educational  
17                      award paid under section 140 of the National  
18                      and Community Service Act of 1990 to a family  
19                      member participating in a national service pro-  
20                      gram carried out with assistance from the Cor-  
21                      poration for National and Community Serv-  
22                      ice;”.

23          (j) “FILL-THE-GAP” DISREGARDS.—(1) Such section  
24 is further amended by adding after and below clauses (xii)  
25 the following new clause:

1           “(xiii) may disregard, in addition to any  
2           other amounts required or permitted by this  
3           paragraph, income described in the State plan  
4           by type or source and by amount, but no  
5           amount in excess of the difference between the  
6           State’s standard of need applicable to the fam-  
7           ily involved and the State’s payment amount for  
8           a family of the same size with no other in-  
9           come;”.

10          (2) The amendment made by this subsection shall be-  
11         come effective October 1, 1996.

12         **SEC. 706. STEPPARENT INCOME.**

13          (a) Section 402(a)(31) of the Act is amended by  
14         striking out “\$90” and inserting in lieu thereof “\$120”  
15         and by striking out the semicolon at the end and inserting  
16         in lieu thereof “, or, at the option of the State, so much  
17         of such income as exceeds any greater amount or amounts  
18         as the State agency finds appropriate to strengthen family  
19         life and provide incentives to increase earnings;”.

20          (b) The amendment made by this section shall be-  
21         come effective October 1, 1996.

22         **SEC. 707. INCREASE IN RESOURCE LIMIT.**

23          Section 402(a)(7)(B) of the Act is amended (in the  
24         matter preceding clause (i)) by striking out “\$1000 or  
25         such lower amount as the State may determine” and in-

1 serting in lieu thereof “\$2000 or, in the case of a family  
2 with a member who is 60 years of age or older, \$3000”.

3 **SEC. 708. EXCLUSIONS FROM RESOURCES.**

4 (a) LIFE INSURANCE.—Section 402(a)(7)(B)(ii) of  
5 the Act is amended by striking out the semicolon at the  
6 end and inserting in lieu thereof “, and the cash value  
7 of life insurance policies;”.

8 (b) REAL PROPERTY WHICH MUST BE DISPOSED  
9 OF.—Section 402(a)(7)(B)(iii) of the Act is amended to  
10 read as follows: “real property which the family is making  
11 a good faith effort to dispose of at a reasonable price;”.

12 (c) EXCLUSION OF PAYMENTS OF THE EITC.—Sec-  
13 tion 402(a)(7)(B) of the Act is amended—

14 (1) by striking out “or” after clause (iii), and

15 (2) by amending clause (iv) (pertaining to pay-  
16 ments by reason of the Earned Income Tax Credit)  
17 by striking out “the following month” and inserting  
18 in lieu thereof “the following eleven-month period”,  
19 and by striking out the semicolon at the end and in-  
20 serting in lieu thereof “and any lump-sum payment  
21 of State earned income tax credits and any pay-  
22 ments described in this clause shall be deemed to be  
23 expended prior to other resources that are not ex-  
24 cluded;”.

1 (d) LUMP-SUM PAYMENTS FOR MEDICAL EXPENSES  
2 OR REPLACEMENT OF LOST RESOURCES.—Section  
3 402(a)(7)(B) of the Act is amended—

4 (1) by striking out “and” after clause (iv), and

5 (2) by adding after clause (iv) the following new  
6 clause: “(v) for the month of receipt and the follow-  
7 ing eleven-month period, amounts that have been  
8 paid as reimbursement (or payment in advance) for  
9 medical expenses or for the cost of repairing or re-  
10 placing resources of the family;”.

11 (e) INDIVIDUAL DEVELOPMENT ACCOUNTS.—Section  
12 402(a)(7)(B) of the Act is amended by adding after clause  
13 (v) the following new clause: “(vi) amounts, not to exceed  
14 \$10,000 (including interest) in total, in one or more Indi-  
15 vidual Development Accounts established in accordance  
16 with (I) section 529 of the Internal Revenue Code of 1986  
17 by any member of a family receiving aid to families with  
18 dependent children, or (II) under a demonstration project  
19 conducted under the Individual Development Account  
20 Demonstration Act of 1994, but only such amounts (in-  
21 cluding interest) that were credited to such account in a  
22 month for which such aid was paid, or food stamps pro-  
23 vided, with respect to such individual or in any month  
24 after such a month;”.

1 (f) RESOURCES FOR SELF-EMPLOYMENT.—Section  
2 402(a)(7)(B) of the Act is amended by adding after clause  
3 (vi) the following new clause: “(vii) liquid and nonliquid  
4 resources that are or will be used for the self-employment  
5 of a family member, to the extent and under the cir-  
6 cumstances allowed by the State agency in accordance  
7 with regulations issued by the Secretary after consultation  
8 with the Secretary of Agriculture;”.

9 **SEC. 710. TRANSFER OF RESOURCES.**

10 Section 402(a)(7) of the Act is amended—

11 (1) by adding “and” after subparagraph (C),  
12 and

13 (2) by adding after and below subparagraph (C)  
14 the following new subparagraph:

15 “(D) shall determine ineligible for aid any  
16 family member who knowingly transfers re-  
17 sources for the purpose of qualifying or at-  
18 tempting to qualify for such aid for such period,  
19 not in excess of one year from the date of dis-  
20 covery of the transfer, determined in accordance  
21 with regulations of the Secretary;”.

22 **SEC. 711. LIMITATION ON UNDERPAYMENTS.**

23 Section 402(a)(22)(C) of the Act is amended by strik-  
24 ing out “an underpayment” and inserting in lieu thereof  
25 “an underpayment, the corrective payment shall be made

1 regardless of whether the family is, at the time payment  
2 is made, receiving current payment of aid under the State  
3 plan but such payment shall not exceed the amount nec-  
4 essary to correct for the underpayment of aid during the  
5 twelve-month period immediately preceding the month in  
6 which the State agency first learned of the underpayment,  
7 and”.

8 **SEC. 712. COLLECTION OF AFDC OVERPAYMENTS FROM**  
9 **FEDERAL TAX REFUNDS.**

10 (a) AUTHORITY TO INTERCEPT TAX REFUND.—(1)  
11 Part A of title IV of the Act is amended by adding at  
12 the end thereof the following new section:

13 “COLLECTION OF OVERPAYMENTS FROM FEDERAL TAX  
14 REFUNDS

15 “Sec. 418.(a). Upon receiving notice from a State  
16 agency administering a plan approved under this part that  
17 a named individual has been overpaid under the State plan  
18 approved under this part, the Secretary of the Treasury  
19 shall determine whether any amounts as refunds of Fed-  
20 eral taxes paid are payable to such individual, regardless  
21 of whether such individual filed a tax return as a married  
22 or unmarried individual. If the Secretary of the Treasury  
23 finds that any such amount is payable, he shall withhold  
24 from such refunds an amount equal to the overpayment  
25 sought to be collected by the State and pay such amount  
26 to the State agency.

1       “(b) The Secretary of the Treasury shall issue regula-  
2 tions, approved by the Secretary of Health and Human  
3 Services, that provide—

4               “(1) that a State may only submit under sub-  
5 section (a) requests for collection of overpayments  
6 with respect to individuals (A) who are no longer re-  
7 ceiving aid under the State plan approved under this  
8 part, (B) with respect to whom the State has al-  
9 ready taken appropriate action under State law  
10 against the income or resources of the individuals or  
11 families involved as required under section  
12 402(a)(22) (B), and (C) to whom the State agency  
13 has given notice of its intent to request withholding  
14 by the Secretary of the Treasury from their income  
15 tax refunds;

16               “(2) that the Secretary of the Treasury will  
17 give a timely and appropriate notice to any other  
18 person filing a joint return with the individual whose  
19 refund is subject to withholding under subsection  
20 (a); and

21               “(3) the procedures that the State and the Sec-  
22 retary of the Treasury will follow in carrying out  
23 this section which, to the maximum extent feasible  
24 and consistent with the specific provisions of this  
25 section, will be the same as those issued pursuant to

1 section 464(b) applicable to collection of past-due  
2 child support.”.

3 (2) Section 6402 of the Internal Revenue Code of  
4 1986 (as previously amended by section 662 of this Act)  
5 is further amended—

6 (A) in subsection (a), by striking “(c) and (d)”  
7 and inserting “(c), (d), and (e)”;

8 (B) by redesignating subsections (e) through (i)  
9 as subsections (f) through (j), respectively; and

10 (C) by inserting after subsection (d) the follow-  
11 ing new subsection:

12 “(g) COLLECTION OF OVERPAYMENTS UNDER TITLE  
13 IV–A OF SOCIAL SECURITY ACT.—The amount of any  
14 overpayment to be refunded to the person making the  
15 overpayment shall be reduced (after reductions pursuant  
16 to subsections (c) and (d), but before a credit against fu-  
17 ture liability for an internal revenue tax) in accordance  
18 with section 418 of the Social Security Act (concerning  
19 recovery of overpayments to individuals under State plans  
20 approved under part A of title IV of such Act).”.

21 (b) CONFORMING AMENDMENT.—Section  
22 552a(a)(8)(B)(iv)(III) of title 5 of the United States Code  
23 is amended by striking out “section 464 or 1137 of the  
24 Social Security Act” and inserting in lieu thereof “section  
25 419, 464, or 1137 of the Social Security Act.”

1 **SEC. 713. VERIFICATION OF STATUS OF CITIZENS AND**  
2 **ALIENS.**

3 (a) **IN GENERAL.**—Section 1137(d) of the Act is  
4 amended by adding at the end thereof the following:

5 “(6) A State shall be deemed to meet the re-  
6 quirements of paragraph (1) with respect to the eli-  
7 gibility of each member of a family applying for aid  
8 under the State plan approved under part A of title  
9 IV, if the State requires, as a condition for such eli-  
10 gibility, a declaration in writing by an adult member  
11 of the family, under penalty of perjury, that each  
12 family member is a citizen of the United States or  
13 an alien eligible for aid under such State plan (and,  
14 with respect to a child born into a family receiving  
15 such aid, such declaration must be made no later  
16 than the time of the next redetermination of such  
17 family’s eligibility following the birth of such  
18 child).”.

19 (b) **EFFECTIVE DATE.**—The amendment made by  
20 subsection (a) shall become effective upon enactment.

21 **SEC. 714. REPEAL OF REQUIREMENT TO MAKE CERTAIN**  
22 **SUPPLEMENTAL PAYMENTS IN STATES PAY-**  
23 **ING LESS THAN THEIR NEEDS STANDARDS.**

24 Section 402(a)(28) of the Act is repealed.

1 **SEC. 715. CALCULATION OF 185 PERCENT OF NEED STAND-**  
2 **ARD.**

3 Section 402(a)(18) of the Act is amended by striking  
4 out “without application of paragraph (8)(A)(viii),” and  
5 inserting in lieu thereof “applying only the disregard pro-  
6 visions of paragraph (8)(A) that appear in clauses (v) (in-  
7 come from a program under the Job Training Partnership  
8 Act and similar programs), (viii) (payments related to the  
9 Earned Income Tax Credit), (ix) (certain lump-sum pay-  
10 ments), (x) (educational assistance), (xi) (in-kind income),  
11 and (xii) (certain payments under the National and Com-  
12 munity Service Act of 1990),”.

13 **SEC. 716. TERRITORIES.**

14 (a) Section 1108(a) of the Act is amended by amend-  
15 ing paragraphs (1), (2), and (3) to read as follows:

16 “(1) for payment to Puerto Rico shall not ex-  
17 ceed—

18 “(A) \$82,000,000 with respect to fiscal  
19 years 1994, 1995, and 1996, and

20 “(B) \$102,500,000 or, if greater, such  
21 amount adjusted by the CPI (as prescribed in  
22 subsection (f)) for fiscal year 1997 and each  
23 fiscal year thereafter;

24 “(2) for payment to the Virgin Islands shall not  
25 exceed—

1           “(A) \$2,800,000 with respect to fiscal  
2 years 1994, 1995, and 1996, and

3           “(B) \$3,500,000 or, if greater, such  
4 amount adjusted by the CPI (as prescribed in  
5 subsection (f)) for fiscal year 1997 and each  
6 fiscal year thereafter; and

7           “(3) for payment to Guam shall not exceed—

8           “(A) \$3,800,000 with respect to fiscal year  
9 1994, 1995, and 1996, and

10           “(B) \$4,750,000 or, if greater, such  
11 amount adjusted by the CPI (as prescribed in  
12 subsection (f)), for fiscal year 1997 and each  
13 fiscal year thereafter.”.

14           (b) CPI ADJUSTMENT.—Section 1108 of the Act is  
15 amended by adding at the end thereof the following new  
16 subsection:

17           “(f) For purposes of subsection (a), an amount is ‘ad-  
18 justed by the CPI’ for months in calendar year by mul-  
19 tipling that amount by the ratio of the Consumer Price  
20 Index as prepared by the Department of Labor for—

21           “(1) the third quarter of the preceding calendar  
22 year, to

23           “(2) the third quarter of calendar year 1996,  
24 and rounding the product, if not a multiple of  
25 \$10,000, to the nearer multiple of \$10,000.”.

1       **PART B—FOOD STAMP ACT AMENDMENTS**

2       **SEC. 721. INCONSEQUENTIAL INCOME.**

3       Section 5(d)(2) of the Food Stamp Act of 1977 (7  
4 U.S.C. 2014(d)(2)) is amended to read as follows—

5       “(2) any inconsequential payments, as defined by the  
6 Secretary, received during the certification period, but not  
7 to exceed a total of such payments of \$30 per household  
8 member in any quarter, whether the household’s income  
9 is calculated on a prospective or retrospective basis.”.

10       **SEC. 722. EDUCATIONAL ASSISTANCE.**

11       Section 5 of the Food Stamp Act of 1977 (7 U.S.C.  
12 2014) is amended by—

13               (1) striking clause (3) of subsection (d) and in-  
14 serting in lieu thereof the following—

15               “(3) all educational assistance provided to a  
16 household member.”;

17               (2) in the proviso of clause (5) of subsection  
18 (d), striking “and no portion of any educational  
19 loan” and all that follows through “provided for liv-  
20 ing expenses.”; and

21               (3) striking clause (3) of subsection (k).

22       **SEC. 723. EARNINGS OF STUDENTS.**

23       Effective on and after September 1, 1994, section  
24 5(d)(7) of the Food Stamp Act of 1977 (7 U.S.C.  
25 2014(d)(7)) is amended by—

1 (1) striking “a child who is a member of the  
2 household, who is”; and

3 (2) striking “, and who is 21” and inserting in  
4 lieu thereof “who is 18”.

5 **SEC. 724. TRAINING STIPENDS AND ALLOWANCES; INCOME**  
6 **FROM ON-THE-JOB TRAINING PROGRAMS.**

7 Section 5 of the Food Stamp Act of 1977 (7 U.S.C.  
8 2014) is amended by—

9 (1) striking “and (16)” in subsection (d) and  
10 inserting in lieu thereof “(16)”;

11 (2) inserting before the period at the end of  
12 subsection (d) “, and (17) any amount received by  
13 any member of a household as a stipend or allow-  
14 ance under the Job training Partnership Act (29  
15 U.S.C. 1501 et seq.) or under any other training or  
16 similar program”; and

17 (3) striking in subsection (1) the language be-  
18 ginning with “under section 204(b)(1)(C)” and all  
19 that follows through “19 years of age.” and insert-  
20 ing in lieu thereof “shall be considered earned in-  
21 come for purposes of the Food Stamp program.”.

22 **SEC. 725. EARNED INCOME TAX CREDITS.**

23 Effective on and after September 1, 1994, the second  
24 sentence of section (5)(g)(3) of the Food Stamp Act of  
25 1977 (7 U.S.C. 2014(g)(3)) is amended by—

1 (1) inserting “Federal or State lump-sum” im-  
2 mediately preceding “earned income tax credits”;  
3 and

4 (2) striking the language beginning with “if  
5 such member was participating” and all that follows  
6 through “the 12-month period”.

7 **SEC. 726. RESOURCES NECESSARY FOR SELF-EMPLOY-**  
8 **MENT.**

9 Section 5(g)(3) of the Food Stamp Act of 1977 (7  
10 U.S.C. 2014(g)(3)) is amended by adding the following  
11 new third and fourth sentences: “The Secretary shall also  
12 exclude from financial resources loans obtained for the  
13 purposes of starting or operating a business. The Sec-  
14 retary may exclude from financial resources liquid or  
15 nonliquid resources that are or will be used for the self-  
16 employment of any member of a household to the extent  
17 and under the circumstances allowed in regulations issued  
18 by the Secretary after consultation with and the Secretary  
19 of Health and Human Services.”.

20 **SEC. 727. LUMP-SUM PAYMENTS FOR MEDICAL EXPENSES**  
21 **OR REPLACEMENT OF LOST RESOURCES.**

22 Section 5(g)(3) of the Food Stamp Act of 1977 (7  
23 U.S.C. 2014(g)(3)) as amended by this Act is further  
24 amended by adding the following new fifth sentence: “The  
25 Secretary shall also exclude from financial resources, for

1 a period of one year from their receipt, amounts that have  
2 been paid as reimbursements (or payment in advance) for  
3 medical expenses or for the cost of repairing or replacing  
4 resources of the family.”.

5 **SEC. 728. INDIVIDUAL DEVELOPMENT ACCOUNTS.**

6 Section 5(g)(3) of the Food Stamp Act of 1977 (7  
7 U.S.C. 2014(g)(3)) as amended by this Act is further  
8 amended by adding the following new sixth and seventh  
9 sentences: “The Secretary shall also exclude from financial  
10 resources amounts, not to exceed \$10,000 (including inter-  
11 est) in total, in one or more Individual Development Ac-  
12 counts established in accordance with (A) section 529 of  
13 the Internal Revenue Code of 1986 (26 U.S.C. 1 et seq.)  
14 by any member of a household applying for or receiving  
15 assistance under this Act or (B) a demonstration project  
16 conducted under the Individual Development Account  
17 Demonstration Act of 1994, but only such amounts (in-  
18 cluding interest) that were credited to such account in a  
19 month for which assistance was provided under this Act  
20 or aid to families with dependent children was provided  
21 pursuant to part A of title IV of the Social Security Act,  
22 with respect to such individual, or in any month after such  
23 a month. The Secretary shall also exclude from financial  
24 resources, for the month of its receipt and the following  
25 month, a nonrecurring lump-sum payment received by any

1 household member if the household member represents  
2 that the payment will be deposited in an Individual Devel-  
3 opment Account established as described in the preceding  
4 sentence.”.

5 **SEC. 729. CONFORMING AMENDMENT.**

6 Section 5(d)(8) of the Food Stamp Act of 1977 (7  
7 U.S.C 2014(d)(8)) is amended in the proviso by inserting  
8 “paragraph (3) of subsection (g) of this section or” imme-  
9 diately preceding “other laws”.

10 **PART C—ECONOMIC INDEPENDENCE**

11 **SEC. 731. SHORT TITLE.**

12 This title may be cited as the “Individual Develop-  
13 ment Account Demonstration Act of 1994”.

14 **SEC. 732. DECLARATION OF POLICY AND STATEMENT OF**  
15 **PURPOSE.**

16 (a) DECLARATION OF POLICY.—It is the policy of the  
17 United States—

18 (1) to eliminate barriers that prevent recipients  
19 of Aid to Families with Dependent Children (AFDC)  
20 from becoming self-sufficient through self-employ-  
21 ment and asset accumulation;

22 (2) to identify and implement cost-effective  
23 strategies to encourage saving and entrepreneurship  
24 among the broadest possible range of low-income  
25 families, particularly families eligible for AFDC, and

1 that have the potential to reduce Federal spending  
2 on transfers and services to the disadvantaged;

3 (3) to enhance private-sector opportunities for  
4 low-income families by enabling them to use their  
5 own human and financial resources through expan-  
6 sion of business investment, job creation, home own-  
7 ership, and human capital investment; and

8 (4) to expand the capacity of local organizations  
9 to provide asset-related services that help people to  
10 help themselves such as savings mechanisms, loan  
11 funds, technical assistance, and entrepreneurial  
12 training.

13 (b) STATEMENT OF PURPOSE.—The purpose of the  
14 demonstration projects authorized under this title is to  
15 provide for a means of determining—

16 (1) the social, psychological, and economic ef-  
17 fects of providing low-income individuals the oppor-  
18 tunity to accumulate assets and develop and utilize  
19 entrepreneurial skills; and

20 (2) the extent to which an asset-based assist-  
21 ance policy may be used to enable individuals with  
22 low-income to achieve economic self-sufficiency.

1 **SEC. 733. INDIVIDUAL DEVELOPMENT ACCOUNT DEM-**  
2 **ONSTRATION PROJECTS.**

3 (a) IN GENERAL.—Not later than one year after the  
4 date of enactment of this Act, any State or local govern-  
5 ment, or any qualified organization may apply to the Ad-  
6 ministrator/Chairperson of the Community Development  
7 Bank and Financial Institutions Fund (hereinafter the  
8 Administrator/Chairperson) for a grant to conduct individ-  
9 ual development account demonstration projects for eligi-  
10 ble persons.

11 (b) CONTENTS.—Each application shall—

12 (1) describe the demonstration project;

13 (2) describe the persons who will participate in  
14 the project;

15 (3) demonstrate the ability of the applicant—

16 (A) to assist project participants in achiev-  
17 ing economic self-sufficiency through the  
18 project; and

19 (B) to assist project participants in devel-  
20 oping greater knowledge about savings, invest-  
21 ments, and other financial matters;

22 (C) to oversee the use of grant funds, in-  
23 cluding the documentation and verification of  
24 start-up expenses in the case of entrepreneurial  
25 assistance; and

26 (D) to effectively administer the project;

1           (4) in the case of a qualified organization, docu-  
2           ment a commitment by the State in which the  
3           project is to be conducted to provide a specified  
4           amount of funds to the qualified organization for the  
5           project, and any similar commitment made to the  
6           qualified organization by any other non-Federal pub-  
7           lic entity or any private entity;

8           (5) contain a plan for maintaining data and  
9           other information concerning assistance provided to  
10          project participants sufficient to evaluate the project  
11          and a certification that the applicant will fully co-  
12          operate and provide access to all information con-  
13          cerning the project in connection with any evaluation  
14          of the project conducted pursuant to subsection (1);  
15          and

16          (6) contain such other information as the Ad-  
17          ministrator/Chair may prescribe.

18          (c) CRITERIA.—In considering whether to approve an  
19          application, the Administrator/Chairperson shall assess  
20          the following:

21                (1) The degree to which the project described in  
22                the application is likely to aid project participants in  
23                achieving economic self-sufficiency through activities  
24                requiring qualified expenses. In making such assess-  
25                ment, the Administrator/Chairperson shall consider

1 the overall quality of project activities and shall not  
2 consider any particular kind or combination of such  
3 qualified expenses to be an essential feature of any  
4 project.

5 (2) The ability of the applicant to responsibly  
6 administer the project.

7 (3) The amount of funds from non-Federal  
8 sources that are committed to the project.

9 (4) The adequacy of the plan for maintaining  
10 information necessary to evaluate the project.

11 (d) APPROVAL.—

12 (1) The Administrator/Chairperson shall, on a  
13 competitive basis, approve such applications to con-  
14 duct demonstration projects under this section as  
15 the Administrator/Chairperson deems appropriate on  
16 the basis of the criteria described in subsection (c).

17 (2) No court shall have jurisdiction to review  
18 the approval or nonapproval of any application by  
19 the Administrator/Chairperson.

20 (e) DEMONSTRATION AUTHORITY; ANNUAL  
21 GRANTS.—

22 (1) DEMONSTRATION AUTHORITY.—The ap-  
23 proval by the Administrator of an application shall  
24 authorize the applicant (hereinafter the grantee) to  
25 conduct the project for five project years in accord-

1       ance with the approved application and the require-  
2       ments of this section.

3           (2) ANNUAL GRANTS.—The Administrator/  
4       Chairperson shall make a grant to each grantee on  
5       the first day of each project year.

6       (f) RESERVE FUND.—

7           (1) ESTABLISHMENT.—Each grantee shall es-  
8       tablish a reserve fund that shall be used in accord-  
9       ance with this subsection.

10       (2) DEPOSITS.—

11           (A) As soon after receipt as is practicable,  
12       a grantee shall deposit into the reserve fund—

13           (i) all annual grants made by the Ad-  
14       ministrator/Chairperson;

15           (ii) all funds provided to the grantee  
16       by any non-Federal public or private entity  
17       to conduct the demonstration project;

18           (iii) all proceeds from any investments  
19       made pursuant to paragraph (4); and

20           (iv) all amounts title to which vests in  
21       the grantee pursuant to subsection (h)(5).

22       (3) EXPENDITURES.—A grantee shall use  
23       amounts in the reserve fund only—

24           (A) to assist project participants in obtain-  
25       ing the skills and information necessary to

1           achieve economic self-sufficiency through activi-  
2           ties requiring the payment of qualified ex-  
3           penses;

4           (B) to provide financial assistance in ac-  
5           cordance with subsection (h) to project partici-  
6           pants;

7           (C) to administer the project; and

8           (D) to maintain and provide information  
9           necessary for the evaluation of the project pur-  
10          suant to subsection (1).

11          (4) ACCOUNTING STANDARDS.—The Adminis-  
12          trator/Chairperson shall prescribe regulations gov-  
13          erning the accounting of amounts deposited in and  
14          withdrawn from reserve funds.

15          (5) TERMINATION OF PROJECT.—Notwithstand-  
16          ing paragraph (3), upon the termination of any dem-  
17          onstration project approved under this section, re-  
18          maining amounts in the reserve fund established  
19          with respect to such project and remaining invest-  
20          ments made from amounts in the reserve fund shall  
21          be distributed to the Administrator/Chairperson and  
22          each non-Federal public or private entity that con-  
23          tributed to the project in proportion to their con-  
24          tributions.

1 (g) SELECTION OF ELIGIBLE PERSONS TO RECEIVE  
2 ASSISTANCE.—A grantee shall provide individual develop-  
3 ment account assistance to eligible persons whom the  
4 grantee deems to be best situated to benefit from such  
5 assistance, taking into account the amount of grants made  
6 by the Administrator/Chairperson and other funds avail-  
7 able to the grantee for such assistance.

8 (h) FINANCIAL ASSISTANCE FOR INDIVIDUAL DE-  
9 VELOPMENT ACCOUNTS.—

10 (1) IN GENERAL.—A grantee shall provide ini-  
11 tial financial assistance to a project participant who  
12 establishes an individual development account, not to  
13 exceed \$500 per participant. Such financial assist-  
14 ance shall be deposited in the individual development  
15 account established by a project participant.

16 (2) MATCHING CONTRIBUTIONS.—The Adminis-  
17 trator/Chairperson or a grantee may make matching  
18 contributions of not less than 50 cents and not more  
19 than \$4 for every \$1 deposited into an individual de-  
20 velopment account by a project participant, not to  
21 exceed \$2,500 for any project participant.

22 (3) LIMITATION ON USE.—

23 (A) Financial assistance provided pursuant  
24 to paragraph (1) shall not be available for use  
25 by a project participant until—

1 (i) the individual development account  
2 is closed; and

3 (ii) a project participant has deposited  
4 into the individual development account an  
5 amount equal to the initial financial assist-  
6 ance provided pursuant to paragraph (1).

7 (B) Financial assistance provided pursuant  
8 to paragraph (1) or (2) shall be used by a  
9 project participant only for the payment of  
10 qualified expenses.

11 (4) APPLICABILITY OF OTHER LAW.—The pro-  
12 visions of section 529 of the Internal Revenue Code  
13 of 1986 (26 U.S.C. 529) and such rules, regulations  
14 and procedures as may be prescribed by the Sec-  
15 retary of the Treasury under such Code shall apply  
16 to an individual development account for which fi-  
17 nancial assistance is provided pursuant to this sub-  
18 section.

19 (5) EFFECT OF PROHIBITED TRANSACTIONS.—  
20 In the event that an individual development account  
21 ceases to be an individual development account  
22 under the provisions of section 529(e)(2) of the In-  
23 ternal Revenue Code of 1986 (26 U.S.C. 529(e)(2)),  
24 or any portion of an individual development account  
25 is treated as distributed under the provisions of sec-

1 tion 529(e)(3) of the Internal Revenue Code of 1986  
2 (26 U.S.C. 529(e)(3)), title to all amounts in such  
3 an account, or such portion of an account, attrib-  
4 utable to financial assistance provided pursuant to  
5 paragraph (1) or (2) shall vest in the grantee pro-  
6 viding financial assistance pursuant to paragraph  
7 (1) and such amounts shall be paid to such grantee.

8 (i) LOCAL CONTROL OVER DEMONSTRATION.—

9 (1) Each grantee shall, subject to the provisions  
10 of subsection (k), have sole responsibility for the ad-  
11 ministration of demonstration projects approved by  
12 the Administrator/Chairperson.

13 (2) The Administrator/Chairperson may pre-  
14 scribe such regulations as may be necessary to en-  
15 sure that grantees comply with the terms of ap-  
16 proved applications and the requirements of this sec-  
17 tion.

18 (j) ANNUAL REPORTS.—

19 (1) IN GENERAL.—Each grantee shall annually  
20 report to the Administrator/Chairperson concerning  
21 the progress of each approved demonstration project  
22 administered by such grantee. The report shall, at a  
23 minimum—

24 (A) describe project participants;

1 (B) contain an audited financial statement  
2 for the reserve fund established with respect to  
3 the project;

4 (C) provide information on amounts depos-  
5 ited in individual development accounts of  
6 project participants to whom such assistance is  
7 provided under the project; and

8 (D) such other information as the Admin-  
9 istrator/Chairperson may require with respect  
10 to the evaluation of the project pursuant to sub-  
11 section (1).

12 (2) SUBMISSION.—Reports required by para-  
13 graph (1) shall be submitted annually not later than  
14 the anniversary of the date the Administrator/Chair-  
15 person approved the application for the demonstra-  
16 tion project.

17 (3) COORDINATION WITH STATE GOVERN-  
18 MENT.—A grantee shall transmit a copy of each re-  
19 port required by paragraph (1) to the Treasurer (or  
20 equivalent official) of the State in which the project  
21 is conducted at the time prescribed by paragraph  
22 (2).

23 (k) SANCTIONS.—

24 (1) REVOCATION OF DEMONSTRATION AUTHOR-  
25 ITY.—If the Administrator/Chairperson determines a

1 grantee is not conducting a demonstration project in  
2 accordance with the approved application and the re-  
3 quirements of this section, and has failed to under-  
4 take corrective action satisfactory to the Adminis-  
5 trator/Chairperson, the Administrator/Chairperson  
6 may revoke the approval to conduct the project. A  
7 determination by the Administrator/Chairperson to  
8 revoke the approval for a demonstration project shall  
9 not be subject to review by any court.

10 (2) ACTIONS REQUIRED UPON REVOCATION.—

11 (A) If the Administrator/Chairperson re-  
12 vokes approval to conduct a demonstration  
13 project pursuant to paragraph (1), the Adminis-  
14 trator/Chairperson—

15 (i) shall suspend the project;

16 (ii) shall take control of the reserve  
17 fund established pursuant to subsection (f)  
18 with respect to such project; and

19 (iii) shall solicit applications from en-  
20 tities described in subsection (a) to con-  
21 duct the suspended project in accordance  
22 with the approved application (or under  
23 such terms and conditions as the Adminis-  
24 trator may prescribe) and the requirements  
25 of this section.

1           (B) If the Administrator/Chairperson ap-  
2 proves an application to conduct the suspended  
3 project, the Administrator/Chairperson shall  
4 transfer to the new grantee control of the re-  
5 serve fund established pursuant to subsection  
6 (f) for the project, and such grantee shall be  
7 considered to be the original grantee for pur-  
8 poses of this section. The date the Adminis-  
9 trator/Chairperson approved the application of  
10 the new grantee to conduct the suspended  
11 project shall apply for purposes of the annual  
12 reports required by subsection (j).

13           (C) If the Administrator/Chairperson has  
14 not approved an application to conduct a  
15 project by the date that is one year after ap-  
16 proval to conduct the project was revoked, the  
17 Administrator/Chairperson shall—

- 18                   (i) terminate the project; and  
19                   (ii) distribute remaining amounts in  
20 the reserve fund for such project and in-  
21 vestments made from amounts in the re-  
22 serve fund in accordance with the provi-  
23 sions of subsection (f)(6).

24           (l) PROJECT EVALUATIONS.—

1           (1) IN GENERAL.—Not later than six months  
2 after the date of enactment of this Act, the Adminis-  
3 trator/Chairperson, in consultation with the Sec-  
4 retary of the Treasury and the Secretary of the De-  
5 partment of Health and Human Services, shall enter  
6 into a contract with an independent organization  
7 (hereinafter “evaluator”) for the evaluation of indi-  
8 vidual demonstration projects conducted pursuant to  
9 this section and the effectiveness of assistance pro-  
10 vided to eligible persons pursuant to this section.

11           (2) EVALUATIONS.—In entering into the con-  
12 tract provided for in paragraph (1), the Adminis-  
13 trator/Chairperson should consider providing for  
14 evaluation of—

15           (A) the types of information and public  
16 education efforts that attract project partici-  
17 pants;

18           (B) the accessibility of the demonstration  
19 project by participants and the ease of partici-  
20 pation;

21           (C) the level of financial assistance re-  
22 quired to stimulate participation in the dem-  
23 onstration project, and whether such level var-  
24 ies among different demographic populations;

1 (D) whether project features utilized in  
2 conjunction with individual development ac-  
3 counts (such as peer support, structured plan-  
4 ning exercises, mentoring, and case manage-  
5 ment) contribute to participation in the project;

6 (E) the level of self-sufficiency achieved by  
7 project participants as measured by employ-  
8 ment or self-employment rates, earned and in-  
9 vestment income, exit rates, poverty rates, and  
10 recidivism rates, particularly for program par-  
11 ticipants eligible for food stamp benefits and  
12 AFDC;

13 (F) the reduction in the level of public ex-  
14 penditure on project participants as measured  
15 by changes in overall support payments includ-  
16 ing AFDC, food stamp benefits, Federal child  
17 care assistance, Federal housing assistance,  
18 JOBS, and other benefits, taking into account  
19 costs incurred by the Federal Government in  
20 support of demonstration projects;

21 (G) the level of asset accumulation by  
22 project participants as measured by savings  
23 rates, net worth, business start-ups, human  
24 capital investments, new homes, number of  
25 loans to low-income and AFDC eligible families,

1 and whether asset accumulation continued after  
2 a subsidy or other assistance;

3 (H) the economic, psychological, and social  
4 effects of asset accumulation; and

5 (I) the circumstances concerning and the  
6 extent to which asset accumulation by project  
7 participants contributes to—

8 (i) a greater sense of security and  
9 control and positive outlook;

10 (ii) greater household stability;

11 (iii) increased long-term planning;

12 (iv) increased efforts to maintain and  
13 develop assets;

14 (v) greater knowledge about savings,  
15 investments, and other financial matters;

16 (vi) increased effort and success in  
17 educational achievement within the house-  
18 hold;

19 (vii) increased specialization in career  
20 development;

21 (viii) improved social status;

22 (ix) increased political participation;

23 (x) increased community involvement;

24 (xi) increased earned income;

1 (xii) decreased reliance on traditional  
2 forms of public assistance, with particular  
3 emphasis on food stamp benefits and  
4 AFDC; and

5 (xiii) increased tendency to save dur-  
6 ing and after the period of project partici-  
7 pation.

8 (3) METHODOLOGICAL REQUIREMENT.—In  
9 evaluating any demonstration project conducted  
10 under this section, the evaluator should obtain such  
11 quantitative data before, during, and after the  
12 project, as is necessary to evaluate the project and  
13 include randomly assigned control groups.

14 (m) DEFINITIONS.—As used in this section:

15 (1) HOUSEHOLD.—The term “household”  
16 means all individuals who share use of a dwelling  
17 unit as primary quarters for living and eating sepa-  
18 rately from other individuals in the living quarters.

19 (2) NET WORTH.—

20 (A) IN GENERAL.—Except as provided in  
21 subparagraph (B), the term “net worth”  
22 means, with respect to a household, the aggre-  
23 gate fair market value of all assets that are  
24 owned in whole or in part by any member of the

1 household, less the obligations or debts of any  
2 member of the household.

3 (B) ASSETS EXCLUDED.—Net worth shall  
4 be determined without taking into account the  
5 fair market value and the obligations or debts  
6 of—

7 (i) the primary dwelling unit of the  
8 household;

9 (ii) the motor vehicle having the  
10 greatest equity value; and

11 (iii) items essential for daily living,  
12 such as clothes, furniture, and similar  
13 items of limited value.

14 (3) INDIVIDUAL DEVELOPMENT ACCOUNT.—  
15 The term “individual development account” shall  
16 have the same meaning given such term in section  
17 529 of the Internal Revenue Code of 1986 (26  
18 U.S.C. 529).

19 (4) PROJECT YEAR.—The term “project year”  
20 means with respect to a demonstration project, any  
21 of the six consecutive 12-month periods beginning on  
22 the date the project is approved by the Adminis-  
23 trator.

24 (5) QUALIFIED ORGANIZATION.—The term  
25 “qualified organization” means a community devel-

1 opment financial institution as defined in section of  
2 the Community Development Banking and Financial  
3 Institutions Act of 1994.

4 (6) ELIGIBLE PERSON DEFINED.—The term  
5 “eligible person” means any person who is a member  
6 of a household that meets all of the following re-  
7 quirements:

8 (A) EITC TEST.—The household has at  
9 least one individual who is an eligible individual  
10 within the meaning of section 32(c)(1) of the  
11 Internal Revenue Code of 1986 for purposes of  
12 the earned income tax credit.

13 (B) INCOME TEST.—The household did not  
14 have adjusted gross income (as determined pur-  
15 suant to the Internal Revenue Code of 1986) in  
16 the immediately preceding calendar year in ex-  
17 cess of \$18,000.

18 (C) NET WORTH TEST.—The net worth of  
19 the household, as of the close of the imme-  
20 diately preceding calendar year, did not exceed  
21 \$20,000.

22 (7) QUALIFIED EXPENSES.—The term “quali-  
23 fied expenses” shall have the same meaning as pro-  
24 vided in section 529(c)(1) of the Internal Revenue  
25 Code of 1986 (26 U.S.C. 529(C)(1)).

1 (n) AUTHORIZATION OF APPROPRIATIONS.—To carry  
2 out the purposes of this section there are authorized to  
3 be appropriated to the Administrator/Chairperson—

4 (1) \$10,000,000 for fiscal year 1997,

5 (2) \$20,000,000 for each of fiscal years 1998,  
6 1999, 2000, and 2001, and

7 (3) \$10,000,000 for fiscal year 2002.

8 **SEC. 734. INDIVIDUAL DEVELOPMENT ACCOUNTS.**

9 (a) IN GENERAL.—Subchapter F of chapter 1 of the  
10 Internal Revenue Code of 1986 (relating to additional  
11 itemized deductions for individuals) is amended by adding  
12 at the end of the following new part:

13 “PART VIII—INDIVIDUAL DEVELOPMENT ACCOUNTS

14 **“SEC. 529. INDIVIDUAL DEVELOPMENT ACCOUNTS.**

15 “(a) ESTABLISHMENT OF ACCOUNTS.—

16 “(1) IN GENERAL.—An individual development  
17 account may be established by or on behalf of an eli-  
18 gible individual for the purpose of accumulating  
19 funds to pay the qualified expenses of such individ-  
20 ual.

21 “(2) ELIGIBLE INDIVIDUAL.—The term ‘eligible  
22 individual’ means an individual—

23 “(A) for whom assistance is provided  
24 under section 733(h) of the Individual Develop-  
25 ment Account Demonstration Act;

1           “(B) receiving assistance under 42 U.S.C.  
2           601 et seq.; or

3           “(C) receiving assistance under 7 U.S.C.  
4           2011 et seq.

5           “(b) LIMITATIONS.—

6           “(1) ACCOUNT TO BENEFIT ONE INDIVIDUAL.—  
7           An individual development account may not be es-  
8           tablished for the benefit of more than one individual.

9           “(2) MULTIPLE ACCOUNTS.—If, at any time  
10          during a calendar year, two or more individual devel-  
11          opment accounts are maintained for the benefit of  
12          an eligible individual, such individual shall be treat-  
13          ed as an eligible individual for such year only with  
14          respect to the account first established.

15          “(3) WHO MAY CONTRIBUTE.—Contributions to  
16          an individual development account, other than con-  
17          tributions made pursuant to section 733(h) of the  
18          Individual Development Account Demonstration Act,  
19          may be made only by an eligible individual and in  
20          the case of an eligible individual described in sub-  
21          section (e)(2)(A), by another eligible individual who  
22          is a member of the same household as the eligible  
23          individual.

24          “(4) ANNUAL LIMIT.—Contributions to an indi-  
25          vidual development account by or on behalf of an eli-

1       gible individual for any taxable year shall not exceed  
2       the lesser of \$1,000 or 100 percent of the earned in-  
3       come, within the meaning of section 32(c)(2), of the  
4       eligible individual making such contribution. No con-  
5       tribution to the account under section 733(h) of the  
6       Individual Development Account Demonstration Act  
7       shall be taken into account for the purposes of this  
8       limitation. No contribution may be made to an indi-  
9       vidual development account by or on behalf of any  
10      individual after such individual has ceased to be an  
11      eligible individual.

12           “(5) LIMIT ON TOTAL CONTRIBUTIONS.—Total  
13      contributions to an individual development account  
14      for all years may not exceed \$10,000.

15           “(c) DEFINITIONS AND SPECIAL RULES.—For the  
16      purposes of this section—

17           “(1) QUALIFIED EXPENSES.—In the case of an  
18      eligible individual described in subsection (a)(2)(A),  
19      the term ‘qualified expenses’ means one or more of  
20      the expenses described in subparagraphs (A), (B),  
21      (C), and (D), as provided by the entity providing as-  
22      sistance to the eligible individual under section  
23      733(h) of the Individual Development Account Dem-  
24      onstration Act. In the case of any other eligible indi-  
25      vidual, the term ‘qualified expenses’ means one or

1 more of the expenses described in subparagraphs  
2 (A), (B), (C), and (D).

3 “(A) POST-SECONDARY EDUCATION EX-  
4 PENSES.—Post-secondary educational expenses  
5 paid from an individual development account di-  
6 rectly to an eligible educational institution. For  
7 the purposes of this subparagraph—

8 “(i) the term ‘post-secondary edu-  
9 cational expenses’ means—

10 “(I) tuition and fees required for  
11 the enrollment or attendance of a stu-  
12 dent at an eligible educational institu-  
13 tion;

14 “(II) fees, books, supplies, and  
15 equipment required for courses of in-  
16 struction at an eligible educational in-  
17 stitution; and

18 “(III) a reasonable allowance for  
19 meals, lodging, transportation, and  
20 child care, while attending an eligible  
21 educational institution; and

22 “(ii) the term ‘eligible educational in-  
23 stitution’ means—

24 “(I) an institution described in  
25 section 481(a)(1) or 1201(a) of the

1 Higher Education Act of 1965 (20  
2 U.S.C. 1088(a)(1) or 1141(a)), as  
3 such sections are in effect on the date  
4 of the enactment of this section; and  
5 “(II) an area vocational edu-  
6 cation school (as defined in subpara-  
7 graph (C) or (D) of section 521(4) of  
8 the Carl D. Perkins Vocational and  
9 Applied Technology Education Act  
10 Amendments of 1990 (20 U.S.C.  
11 2471(4))) in any State (as defined in  
12 section 521(33) of such Act), as such  
13 section is in effect on the date of the  
14 enactment of this section.

15 “(B) FIRST-HOME PURCHASE.—Qualified  
16 acquisition costs with respect to a qualified  
17 principal residence for a qualified first-time  
18 homebuyer, if paid from an individual develop-  
19 ment account directly to the persons to whom  
20 the amounts are due. For purposes of this sub-  
21 paragraph—

22 “(i) the term ‘qualified acquisition  
23 costs’ means the costs of acquiring, con-  
24 structing, or reconstructing a residence,

1 and includes any usual or reasonable set-  
2 tlement, financing, or other closing costs;

3 “(ii) the term ‘qualified principal resi-  
4 dence’ means a principal residence (within  
5 the meaning of section 1034), the qualified  
6 acquisition costs of which do not exceed 80  
7 percent of the average area purchase price  
8 applicable to such residence (determined in  
9 accordance with paragraphs (2) and (3) of  
10 section 143(e));

11 “(iii) the term ‘qualified first-time  
12 home-buyer’ means a taxpayer (and, if  
13 married, the taxpayer’s spouse) who has no  
14 present ownership interest in a principal  
15 residence during the three-year period end-  
16 ing on the date on which a binding con-  
17 tract was entered into to acquire, con-  
18 struct, or reconstruct the principal resi-  
19 dence to which this subparagraph applies.

20 “(C) BUSINESS CAPITALIZATION.—

21 Amounts paid from an individual development  
22 account directly into a business capitalization  
23 account which is established in a federally in-  
24 sured financial institution and is restricted to

1 use solely for qualified business capitalization  
2 expenses. For purposes of this subparagraph—

3 “(i) the term ‘qualified business cap-  
4 italization expenses’ means qualified ex-  
5 penditures for the capitalization of a quali-  
6 fied business pursuant to a qualified plan;

7 “(ii) the term ‘qualified expenditures’  
8 means expenditures included in a qualified  
9 plan, including capital, plant, equipment,  
10 working capital, and inventory expenses;

11 “(iii) the term ‘qualified business’  
12 means any business that does not con-  
13 travene any law or public policy (as deter-  
14 mined by the Administrator of the Com-  
15 munity Development Bank and Financial  
16 Institutions Fund);

17 “(iv) the term ‘qualified plan’ means  
18 a business plan

19 “(I) that is approved by a finan-  
20 cial institution, or any other institu-  
21 tion designated as a community devel-  
22 opment financial institution, having  
23 demonstrated fiduciary integrity;

24 “(II) that includes a description  
25 of services or goods to be sold, a mar-

1                   keting plan, and projected financial  
2                   statements; and

3                   “(III) that may require the eligi-  
4                   ble individual to obtain assistance of  
5                   an experienced entrepreneurial advi-  
6                   sor.

7                   “(D) TRANSFERS TO IDAS OF FAMILY  
8                   MEMBERS.—Amounts in an individual develop-  
9                   ment account may be paid or transferred di-  
10                  rectly into another such account established for  
11                  the benefit of an eligible individual who is—

12                   “(i) the taxpayer’s spouse; or

13                   “(ii) any dependent of the taxpayer  
14                  with respect to whom the taxpayer is al-  
15                  lowed a deduction under section 151.

16                  “(2) INDIVIDUAL DEVELOPMENT ACCOUNT.—  
17                  The term ‘individual development account’ means a  
18                  trust created or organized in the United States ex-  
19                  clusively for the purpose of paying the qualified ex-  
20                  penses of an individual who was an eligible individ-  
21                  ual at the time when contributions were made to  
22                  such trust, but only if the written instrument creat-  
23                  ing the trust meets the following requirements:

24                   “(A) No contribution will be accepted un-  
25                  less it is in cash or check.

1           “(B) The trustee is a financial institution  
2 insured by an instrumentality of the Federal  
3 Government.

4           “(C) The assets of the account will be in-  
5 vested only in federally insured deposits and/or  
6 stock of a regulated investment company within  
7 the meaning of section 851(a), in accordance  
8 with the direction of the eligible individual.

9           “(D) The assets of the trust will not be  
10 commingled with other property except in a  
11 common trust fund or common investment  
12 fund.

13           “(E) Except as provided in subparagraph  
14 (F), any amount in the account which is attrib-  
15 utable to assistance provided under section  
16 733(h) of the Individual Development Account  
17 Demonstration Act may be paid or distributed  
18 out of the account only for the purpose of pay-  
19 ing the qualified expenses of the eligible individ-  
20 ual.

21           “(F)(i) Any balance in the account on the  
22 day after the date on which the individual for  
23 whose benefit the trust is established dies will  
24 be transferred within 60 days of such date as  
25 directed by such individual to another individual

1 development account established for the benefit  
2 of an individual who is a family member de-  
3 scribed in subsection (c)(1)(D) and who is an  
4 eligible individual, or who was an eligible indi-  
5 vidual on the day immediately preceding the  
6 date on which the individual for whose benefit  
7 the trust is established dies.

8 “(ii) In any case where clause (i) does not  
9 apply, the portion of the account attributable to  
10 contributions other than those provided under  
11 section 733(h) of the Individual Development  
12 Account Demonstration Act shall be paid out  
13 within five years of the date of death to the  
14 beneficiaries of the individual for whose benefit  
15 the account was established, and the balance  
16 shall vest in the grantee providing assistance  
17 under section 733(h) of the Individual Develop-  
18 ment Account Demonstration Act and shall be  
19 paid to such grantee within 60 days of the day  
20 after the date of death.

21 “(3) TIME WHEN CONTRIBUTIONS DEEMED  
22 MADE.—A taxpayer shall be deemed to have made a  
23 contribution to an individual development account on  
24 the last day of the preceding taxable year if the con-  
25 tribution is made on account of such taxable year

1 and is made not later than the time prescribed by  
2 law for filing the return for such taxable year (not  
3 including extensions thereof).

4 “(d) TAX TREATMENT OF DISTRIBUTIONS.—

5 “(1) IN GENERAL.—Except as otherwise pro-  
6 vided in this subsection, any amount paid or distrib-  
7 uted out of an individual development account shall  
8 be included in gross income of the payee or distribu-  
9 tee for the taxable year in the manner provided in  
10 section 72.

11 “(2) TREATMENT OF ASSISTANCE CONTRIBU-  
12 TIONS.—

13 “(A) DISTRIBUTIONS USED TO PAY QUALI-  
14 FIED EXPENSES.—If a distribution or payment  
15 from an individual development account is used  
16 exclusively to pay the qualified expenses in-  
17 curred by the individual for whose benefit the  
18 account is established, then, for purposes of  
19 section 72, assistance contributions made to  
20 such individual development account under sec-  
21 tion 733(h) of the Individual Development Ac-  
22 count Demonstration Act shall be treated in the  
23 same manner as contributions made by the in-  
24 dividual.

1           “(B) DISTRIBUTIONS NOT USED TO PAY  
2           QUALIFIED EXPENSES.—If a distribution or  
3           payment from an individual development ac-  
4           count is not used exclusively to pay the quali-  
5           fied expenses incurred by the individual for  
6           whose benefit the account is established, then,  
7           for purposes of section 72, assistance contribu-  
8           tions made to such individual development ac-  
9           count under section 733(h) of the Individual  
10          Development Account Demonstration Act shall  
11          be treated in the same manner as earnings on  
12          the account.

13          “(e) TAX TREATMENT OF ACCOUNTS.—

14                 “(1) EXEMPTION FROM TAX.—An individual  
15                 development account is exempt from taxation under  
16                 this subtitle unless such account has ceased to be an  
17                 individual development account by reason of para-  
18                 graph (2). Notwithstanding the preceding sentence,  
19                 any such account is subject to the taxes imposed by  
20                 section 511 (relating to imposition of tax on unre-  
21                 lated business income of charitable, etc. organiza-  
22                 tions).

23                 “(2) LOSS OF EXEMPTION OF ACCOUNT WHERE  
24                 INDIVIDUAL ENGAGES IN PROHIBITED TRANS-  
25                 ACTION.—

1           “(A) IN GENERAL.—If the individual for  
2 whose benefit an individual development ac-  
3 count is established or any individual who con-  
4 tributes to such account engages in any trans-  
5 action prohibited by section 4975 with respect  
6 to the account, the account shall cease to be an  
7 individual development account as of the first  
8 day of the taxable year (of the individual so en-  
9 gaging in such transaction) during which such  
10 transaction occurs.

11           “(B) ACCOUNT TREATED AS DISTRIBUTING  
12 ALL ITS ASSETS.—In any case in which any ac-  
13 count ceases to be an individual development  
14 account by reason of subparagraph (A) as of  
15 the first day of any taxable year—

16           “(i) all assets in the account on such  
17 first day that are attributable to assistance  
18 provided under section 733(h)(1) and (2)  
19 of the Individual Development Account  
20 Demonstration Act shall be paid as pro-  
21 vided in section 733(h)(5) of such Act; and

22           “(ii) the provisions of subsection  
23 (d)(1) shall apply as if there was a dis-  
24 tribution on such first day in an amount

1 equal to the fair market value of all other  
2 assets in the account on such first day.

3 “(3) EFFECT OF PLEDGING ACCOUNT AS SECUR-  
4 RITY.—If, during any taxable year, the individual for  
5 whose benefit an individual development account is  
6 established, or any individual who contributes to  
7 such account, uses the account or any portion there-  
8 of as security for a loan—

9 “(A) an amount equal to the part of the  
10 portion so used which is attributable to assist-  
11 ance provided under section 733(h)(1) and (2)  
12 of the Individual Account Demonstration Act  
13 shall be paid as provided in section 733(h)(5)  
14 of such Act; and

15 “(B) the remaining part of the portion so  
16 used shall be treated as distributed under the  
17 provisions of subsection (d)(1) to the individual  
18 so using such portion.

19 “(f) ADDITIONAL TAX ON CERTAIN AMOUNTS IN-  
20 CLUDED IN GROSS INCOME.—

21 “(1) DISTRIBUTION NOT USED FOR QUALIFIED  
22 EXPENSES.—In the case of any payment or distribu-  
23 tion that is not used exclusively to pay qualified ex-  
24 penses incurred by the eligible individual for whose  
25 benefit the account is established, the tax liability of

1 each payee or distributee under this chapter for the  
2 taxable year in which the payment or distribution is  
3 received shall be increased by an amount equal to 10  
4 percent of the amount of the distribution that is in-  
5 cluded in the gross income of such payee or distribu-  
6 tee for such taxable year.

7 “(2) DISQUALIFICATION CASES.—If any  
8 amount includible in the gross income of an individ-  
9 ual for a taxable year because such amount is re-  
10 quired to be treated as a distribution under para-  
11 graph (2) or (3) of subsection (e), the tax liability  
12 of such individual under this chapter for such tax-  
13 able year shall be increased by an amount equal to  
14 10 percent of such amount required to be treated as  
15 a distribution and included in the gross income of  
16 such individual.

17 “(3) DISABILITY OR DEATH CASES.—Para-  
18 graphs (1) and (2) shall not apply if the payment  
19 or distribution is made after the individual for whose  
20 benefit the individual development account becomes  
21 disabled within the meaning of section 72(m)(7) or  
22 dies.

23 “(g) COMMUNITY PROPERTY LAWS.—This section  
24 shall be applied without regard to any community property  
25 laws.

1       “(h) CUSTODIAL ACCOUNTS.—For purposes of this  
2 section, a custodial account shall be treated as a trust if  
3 the assets of such account are held by a bank (as defined  
4 in section 408(n)) or another person who demonstrates,  
5 to the satisfaction of the Administrator of the Community  
6 Development Bank and Financial Institutions Fund, that  
7 the manner in which he will administer the account will  
8 be consistent with the requirements of this section, and  
9 if the custodial account would, except for the fact that it  
10 is not a trust, constitute an individual development ac-  
11 count described in subsection (c)(2). For purposes of this  
12 title, in the case of a custodial account treated as a trust  
13 by reason of the preceding sentence, the custodian of such  
14 account shall be treated as the trustee thereof.

15       “(i) REPORTS.—

16               “(1) The trustee of an individual development  
17 account established by or on behalf of an eligible in-  
18 dividual described in subsection (a)(2)(A) shall—

19                       “(A) prepare reports regarding the account  
20 with respect to contributions, distributions, and  
21 any other matter required by the Administrator  
22 of the Community Development Bank and Fi-  
23 nancial Institutions Fund under regulations;  
24 and

1           “(B) submit such reports, at the time and  
2           in the manner prescribed by the Administrator  
3           of the Community Development Bank and Fi-  
4           nancial Institutions Fund in regulations to—

5                   “(i) the individual for whose benefit  
6                   the account is maintained;

7                   “(ii) the organization providing assist-  
8                   ance to the individual under section 733(h)  
9                   of the Individual Development Account  
10                  Demonstration Act; and

11                  “(iii) the Administrator of the Com-  
12                  munity Development Bank and Financial  
13                  Institutions Fund.

14           “(2) The trustee of any individual development  
15           account shall make such reports regarding such ac-  
16           count to the Secretary and to the individual for  
17           whom the account is, or is to be, maintained with re-  
18           spect to contributions (and the years to which they  
19           relate), distributions, and such other matters as the  
20           Secretary may require under forms or regulations.  
21           The reports required by this subsection—

22                   “(A) shall be filed at such time and in  
23                   such manner as the Secretary prescribes in  
24                   such forms or regulations, and

25                   “(B) shall be furnished to individuals—

1           “(i) not later than January 31 of the  
2           calendar year following the calendar year  
3           to which such reports relate, and

4           “(ii) in such manner as the Secretary  
5           prescribes in such forms or regulations.”.

6           (b) CONTRIBUTION NOT SUBJECT TO THE GIFT  
7           TAX.—Section 2503 of the Internal Revenue Code of 1986  
8           (26 U.S.C. 2503) (relating to taxable gifts) is amended  
9           by adding at the end thereof the following new subsection:

10          “(h) INDIVIDUAL DEVELOPMENT ACCOUNTS.—Any  
11          contribution made by an individual to an individual devel-  
12          opment account described in section 529(c)(2) shall not  
13          be treated as a transfer of property by gift for purposes  
14          of this chapter.”.

15          (c) TAX ON PROHIBITED TRANSACTIONS.—Section  
16          4975 of the Internal Revenue Code of 1986 (26 U.S.C.  
17          4975) (relating to prohibited transactions) is amended—

18                 (1) by adding at the end of subsection (c) the  
19                 following new paragraph:

20                 “(4) SPECIAL RULE FOR INDIVIDUAL DEVELOP-  
21                 MENT ACCOUNTS.—An individual for whose benefit  
22                 an individual development account is established and  
23                 any contributor to such account shall be exempt  
24                 from tax imposed by this section with respect to any  
25                 transaction concerning such account (which would

1 otherwise be taxable under this section) if, with re-  
2 spect to such transaction, the account ceases to be  
3 an individual development account by reason of sec-  
4 tion 529(e)(2)(A) to such account.”; and

5 (2) in subsection (e)(1), by inserting “, an indi-  
6 vidual development account described in section  
7 529(c)(2)” after “section 408(a)”.

8 (d) INFORMATION REPORTING.—Section 6047 of the  
9 Internal Revenue Code of 1986 (26 U.S.C. 6693) (relating  
10 to information returns) is amended by adding at the end  
11 of subsection (c) the following new sentence: “To the ex-  
12 tent provided by forms or regulations prescribed by the  
13 Secretary, the provisions of this section shall apply to any  
14 transaction of any trust described in section 529.”.

15 (e) FAILURE TO PROVIDE REPORTS ON INDIVIDUAL  
16 DEVELOPMENT ACCOUNTS.—Section 6693 of the Internal  
17 Revenue Code of 1986 (26 U.S.C. 6693) (relating to fail-  
18 ure to provide reports on individual retirement accounts  
19 or annuities) is amended—

20 (1) in the heading of such section, by inserting  
21 “OR ON INDIVIDUAL DEVELOPMENT ACCOUNTS”  
22 after “ANNUITIES”; and

23 (2) by adding at the end of subsection (a) the  
24 following new sentence: “The person required by sec-  
25 tion 529(i) to file a report regarding an individual

1 development account at the time and in the manner  
2 required by such section shall pay a penalty of \$50  
3 for each failure, unless it is shown that such failure  
4 is due to reasonable cause.”.

5 (f) SPECIAL RULE FOR DETERMINING AMOUNTS OF  
6 SUPPORT FOR DEPENDENT.—Section 152(b) of the Inter-  
7 nal Revenue Code of 1986 (26 U.S.C. 152(b)) (relating  
8 to definition of dependent) is amended by adding at the  
9 end the following new paragraph:

10 “(6) A distribution from an individual develop-  
11 ment account described in section 529(c)(2) used ex-  
12 clusively to pay qualified expenses described in sec-  
13 tion 529(c)(1) of the individual for whose benefit the  
14 account is established shall not be taken into ac-  
15 count in determining support for such individual for  
16 purposes of this section.”.

17 (g) CLERICAL AMENDMENTS.—

18 (1) The table of parts for subchapter F of  
19 chapter 1 of such Code is amended by inserting at  
20 the end the following new item:

“PART VIII. INDIVIDUAL DEVELOPMENT ACCOUNTS.”.

21 (2) The table of sections for subchapter B of  
22 chapter 68 of such Code is amended by amending  
23 the item relating to section 6693 to read as follows:

“Sec. 6693. Failure to provide reports on individual development accounts or an-  
nuities or on individual development accounts.”.

1 (h) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to contributions made after the en-  
3 actment of the Act.

4 **PART D—ADVANCE EITC STATE**  
5 **DEMONSTRATIONS**

6 **SEC. 741. ADVANCE PAYMENT OF EARNED INCOME TAX**  
7 **CREDIT THROUGH STATE DEMONSTRATION**  
8 **PROGRAMS.**

9 (A) IN GENERAL.—Section 3507 (relating to the ad-  
10 vance payment of the earned income tax credit) of the In-  
11 ternal Revenue Code of 1986 is amended by adding at the  
12 end the following subsection (g);

13 “(g) STATE DEMONSTRATIONS.—

14 “(1) IN GENERAL.—In lieu of receiving earned  
15 income advance amounts from an employer under  
16 subsection (a), a participating resident shall receive  
17 advance earned income payments from a responsible  
18 State agency pursuant to a State Advance Payment  
19 Program that is designated pursuant to paragraph  
20 (2).

21 “(2) DESIGNATIONS.—

22 “(A) IN GENERAL.—From among the  
23 States submitting proposals satisfying the re-  
24 quirements of subsection (g)(3), the Secretary  
25 (in consultation with the Secretary of Health

1 and Human Services) may designate not more  
2 than 4 State Advance Payment Demonstra-  
3 tions. States selected for the demonstrations  
4 may have, in the aggregate, no more than 5  
5 percent of the total number of household par-  
6 ticipating in the program under the Food  
7 Stamp program in the immediately preceding  
8 fiscal year, Administrative costs of a State in  
9 conducting a demonstration under this section  
10 may be included for matching under section  
11 403(a) of the Social Security Act and section  
12 16(a) of the Food Stamp Act of 1977.

13 “(B) WHEN DESIGNATION MAY BE  
14 MADE.—Any designation under this paragraph  
15 shall be made no later than December 31,  
16 1995.

17 “(C) PERIOD FOR WHICH DESIGNATION IS  
18 IN EFFECT.—

19 “(i) IN GENERAL.—Designations  
20 made under this paragraph shall be effec-  
21 tive for advance earned income payments  
22 made after December 31, 1995, and before  
23 January 1, 1999.

24 “(ii) SPECIAL RULES.—

1           “(I) REVOCATION OF DESIGNA-  
2           TIONS.—The Secretary may revoke  
3           the designation under this paragraph  
4           if the Secretary determines that the  
5           State is not complying substantially  
6           with the proposal described in para-  
7           graph (3) submitted by the State.

8           “(II) AUTOMATIC TERMINATION  
9           OF DESIGNATIONS.—Any failure by a  
10          State to comply with the reporting re-  
11          quirements described in paragraphs  
12          (3)(F) and (3)(G) has the effect of  
13          immediately terminating the designa-  
14          tion under this paragraph (2) and  
15          rendering paragraph (5)(A)(ii) inap-  
16          plicable to subsequent payments.

17          “(3) PROPOSALS.—No State may be designated  
18          under subsection (g)(2) unless the State’s proposal  
19          for such designation—

20                 “(A) identifies the responsible State agen-  
21                 cy,

22                 “(B) describes how and when the advance  
23                 earned income payments will be made by that  
24                 agency, including a description of any other

1 State or Federal benefits with which such pay-  
2 ments will be coordinated,

3 “(C) describes how the State will obtain  
4 the information on which the amount of ad-  
5 vance earned income payments made to each  
6 participating resident will be determined in ac-  
7 cordance with paragraph (4),

8 “(D) describes how State residents who  
9 will be eligible to receive advance earned income  
10 payments will be selected, notified of the oppor-  
11 tunity to receive advance earned income pay-  
12 ments from the responsible State agency, and  
13 given the opportunity to elect to participate in  
14 the program,

15 “(E) describes how the State will verify, in  
16 addition to receiving the certifications and  
17 statement described in paragraph (7)(D)(iv),  
18 the eligibility of participating residents for the  
19 earned tax credit,

20 “(F) commits the State to furnishing to  
21 each participating resident to the Secretary by  
22 January 31 of each year a written statement  
23 showing—

1           “(i) the name and taxpayer identifica-  
2           tion number of the participating resident,  
3           and

4           “(ii) the total amount of advance  
5           earned income payments made to the par-  
6           ticipating resident during the prior cal-  
7           endar year,

8           “(G) commits the State to furnishing to  
9           the Secretary by December 1 of each year a  
10          written statement showing the name and tax-  
11          payer identification number of each participat-  
12          ing resident,

13          “(H) commits the State to treat the ad-  
14          vanced earned income payments as described in  
15          subsection (g)(5) and any repayments of exces-  
16          sive advance earned income payments as de-  
17          scribed in subsection (g)(6),

18          “(I) commits the State to assess the devel-  
19          opment and implementation of its State Ad-  
20          vance Payment Program, including an agree-  
21          ment to share its findings and lessons with  
22          other interested States in a manner to be de-  
23          scribed by the Secretary, and

24          “(J) is submitted to the Secretary on or  
25          before June 30, 1995.

1           “(4) AMOUNT AND TIMING OF ADVANCE  
2 EARNED INCOME PAYMENTS.—

3           “(A) AMOUNT.—

4           “(i) IN GENERAL.—The method for  
5 determining the amount of advance earned  
6 income payments made to each participat-  
7 ing resident is to conform to the full extent  
8 possible with the provisions of subsection  
9 (c).

10           “(ii) SPECIAL RULE.—A State may,  
11 at its election, apply the rules of subsection  
12 (c)(2)(B) by substituting ‘between 60 per-  
13 cent and 75 percent of the credit percent-  
14 age in effect under section 32(b)(1) for an  
15 individual with the corresponding number  
16 of qualifying children’ for ‘60 percent of  
17 the credit percentage in effect under sec-  
18 tion 32(b)(1) for such an eligible individual  
19 with 1 qualifying child’ in clause (i) and  
20 ‘the same percentage (as applied in clause  
21 (i))’ for ‘60 percent’ in clause (ii).

22           “(B) TIMING.—The frequency of advance  
23 earned income payments may be made on the  
24 basis of the payroll periods of participating resi-  
25 dents, on a single statewide schedule, or on any

1 other reasonable basis prescribed by the State  
2 in its proposal; however, in no event may ad-  
3 vance earned income payments be made to any  
4 participating resident less frequently than on a  
5 calendar-quarter basis.

6 “(5) PAYMENTS TO BE TREATED AS PAYMENTS  
7 OF WITHHOLDING AND FICA TAXES.—

8 “(A) IN GENERAL.—For purposes of this  
9 title, advance earned income payments during  
10 any calendar quarter—

11 “(i) shall neither be treated as a pay-  
12 ment of compensation nor be included in  
13 gross income, and

14 “(ii) shall be treated as made out of—

15 “(I) amounts required to be de-  
16 ducted by the State and withheld for  
17 the calendar quarter by the State  
18 under section 3401 (relating to wage  
19 withholding), and

20 “(II) amounts required to be de-  
21 ducted for the calendar quarter under  
22 section 3102 (relating to FICA em-  
23 ployee taxes), and

24 “(III) amounts of the taxes im-  
25 posed on the State for the calendar

1                   quarter under section 3111 (relating  
2                   to FICA employer taxes),  
3                   as if the State had paid to the Secretary,  
4                   on the day on which payments are made to  
5                   participating residents, an amount equal to  
6                   such payments.

7                   “(B) ADVANCE PAYMENTS EXCEED TAXES  
8                   DUE.—If for any calendar quarter the aggre-  
9                   gate amount of advance earned income pay-  
10                  ments made by the responsible State agency  
11                  under a State Advance Payment Program ex-  
12                  ceeds the sum of the amounts referred to in  
13                  subparagraph (A)(ii) (without regard to para-  
14                  graph (6)(A)), each such advance earned in-  
15                  come payment shall be reduced by an amount  
16                  which bears the same ratio to such excess as  
17                  such advance earned income payment bears to  
18                  the aggregate amount of all such advance  
19                  earned income payments.

20                  “(6) STATE REPAYMENT OF EXCESSIVE AD-  
21                  VANCE EARNED INCOME PAYMENTS.—

22                  “(A) IN GENERAL.—Notwithstanding any  
23                  other provision of law, in the case of an exces-  
24                  sive advance earned income payment a State  
25                  shall be treated as having deducted and with-

1 held under section 3401 (relating to wage with-  
2 holding), and therefore is required to pay to the  
3 United States, the repayment amount during  
4 the repayment calendar quarter.

5 “(B) EXCESSIVE ADVANCE EARNED IN-  
6 COME PAYMENT.—For purposes of this section,  
7 an excessive advance income payment is that  
8 portion of any advance earned income payment  
9 that, when combined with other advance earned  
10 income payments previously made to the same  
11 participating resident during the same calendar  
12 year, exceeds the amount of earned income tax  
13 credit to which that participating resident is en-  
14 titled under section 32 for that year.

15 “(C) REPAYMENT AMOUNT.—The repay-  
16 ment amount is equal to 50 percent of the ex-  
17 cess of—

18 “(i) excessive advance earned income  
19 payments made by a State during a par-  
20 ticular calendar year, over

21 “(ii) the sum of—

22 “(I) 4 percent of all advance  
23 earned income payments made by the  
24 State during that calendar year, and

1                   “(II) the excessive advance  
2                   earned income payments made by the  
3                   State during that calendar year that  
4                   have been collected from participating  
5                   residents by the Secretary.

6                   “(D) REPAYMENT CALENDAR QUARTER.—  
7                   The repayment calendar quarter is the second  
8                   calendar quarter of the third calendar year  
9                   after the calendar year in which an excessive  
10                  earned income payment is made.

11                  “(7) DEFINITIONS.—For purposes of this sec-  
12                  tion—

13                  “(A) STATE ADVANCE PAYMENT PRO-  
14                  GRAM.—The term ‘State Advance Payment  
15                  Program’ means the program described in a  
16                  proposal submitted for designation under para-  
17                  graph (1) and designated by the Secretary  
18                  under paragraph (2).

19                  “(B) RESPONSIBLE STATE AGENCY.—The  
20                  term ‘responsible State agency’ means the sin-  
21                  gle State agency that will be making the ad-  
22                  vance earned income payments to residents of  
23                  the State who elect to participate in a State Ad-  
24                  vance Payment Program.

1           “(C) ADVANCE EARNED INCOME PAY-  
2           MENTS.—The term ‘advance earned income  
3           payments’ means an amount paid by a respon-  
4           sible State agency to residents of the State pur-  
5           suant to a State Advance Payment Program.

6           “(D) PARTICIPATING RESIDENT.—The  
7           term ‘participating resident’ means an individ-  
8           ual who—

9                   “(i) is a resident of a State that has  
10                   in effect a designated State Advance Pay-  
11                   ment Program,

12                   “(ii) makes the election described in  
13                   paragraph (3)(C) pursuant to guidelines  
14                   prescribed by the State,

15                   “(iii) certifies to the State the number  
16                   of qualifying children the individual has,  
17                   and

18                   “(iv) provides to the State the certifi-  
19                   cations and statement set forth in sub-  
20                   sections (b)(1), (b)(2), (b)(3), and (b)(4)  
21                   (except that for purposes of this clause  
22                   (iv), the term ‘any employer’ shall be sub-  
23                   stituted for ‘another employer’ in sub-  
24                   section (b)(3)), along with any other infor-  
25                   mation required by the State.”.

1 (b) TECHNICAL ASSISTANCE.—The Secretaries of  
2 Treasury and Health and Human Services shall jointly en-  
3 sure that technical assistance is provided to State Advance  
4 Payment Programs and that these programs are rigor-  
5 ously evaluated.

6 (c) ANNUAL REPORTS.—The Secretary shall issue  
7 annual reports detailing the extent to which—

8 (1) residents participate in the State Advance  
9 Payment Programs,

10 (2) participating residents file Federal and  
11 State tax returns,

12 (3) participating residents report accurately the  
13 amount of the advance earned income payments  
14 made to them by the responsible State agency dur-  
15 ing the year, and

16 (4) recipients of excessive advance earned in-  
17 come payments repaid those amounts.

18 The report shall also contain an estimate of the amount  
19 of advance earned income payments made by each respon-  
20 sible State agency but not reported on the tax returns of  
21 a participating resident and the amount of excessive ad-  
22 vance earned income payments.

23 (d) AUTHORIZATION OF APPROPRIATIONS.—For pur-  
24 poses of providing technical assistance described in sub-  
25 section (b), preparing the reports described in subsection

1 (c), and providing grants to States in support of des-  
2 ignated State Advance Payment Programs, there are au-  
3 thorized to be appropriated in advance to the Secretary  
4 of the Treasury and the Secretary of Health and Human  
5 Services a total of \$1,400,000 for fiscal years 1996  
6 through 1999.

7 **TITLE VIII—SELF EMPLOYMENT/**

8 **MICROENTERPRISE DEMONSTRATIONS**

9 **SEC. 801. DEMONSTRATION PROGRAM TO PROVIDE SELF-**  
10 **EMPLOYMENT OPPORTUNITIES TO WELFARE**  
11 **RECIPIENTS AND LOW-INCOME INDIVIDUALS.**

12 (a) IN GENERAL.—The Secretary of Health and  
13 Human Services (hereinafter in this section referred to as  
14 the “Secretary”) and the Administrator of the Small Busi-  
15 ness Administration (hereinafter in this section referred  
16 to as the “Administrator”), shall, subject to the availabil-  
17 ity of appropriations in advance for this purpose, jointly  
18 develop a self-employment/microenterprise demonstration  
19 program for at least five years in length that will build  
20 on the experience of microenterprise and self-employment  
21 programs previously carried out by the Federal Govern-  
22 ment and other entities. The program shall be designed—  
23 (1) to identify regulatory and other barriers  
24 that prevent welfare recipients and low-income indi-  
25 viduals from increasing self-sufficiency through self-

1 employment and microenterprise development, and  
2 to identify and test effective means to eliminate such  
3 barriers;

4 (2) to develop and evaluate promising program  
5 models, based upon existing effective practices,  
6 which have the potential to (A) increase the number  
7 of welfare recipients and low-income individuals who  
8 become self-sufficient or increase self-sufficiency  
9 through self-employment and microenterprise devel-  
10 opment and (B) reduce Federal spending on transfer  
11 payments and services to welfare recipients and low-  
12 income individuals; and

13 (3) to demonstrate the potential for expanding  
14 the capacity of local organizations to provide serv-  
15 ices, technical assistance and loans which help wel-  
16 fare recipients and low-income individuals start or  
17 expand self-employment or microenterprises.

18 (b) USE OF INTERMEDIARIES.—To carry out such  
19 program, the Secretary and Administrator shall jointly  
20 enter into agreements with local intermediaries that—

21 (1) apply to participate in such program, and

22 (2) demonstrate that they are capable of imple-  
23 menting the provisions of the agreement.

24 (c) PROGRAM DESIGN.—In order to facilitate a ran-  
25 domized evaluation, as provided for in subsection (i)(1)

1 below, the Secretary and Administrator shall identify  
2 those predominant and effective program models currently  
3 used by existing intermediaries to provide self-employment  
4 and related services to low-income individuals, and shall  
5 design the demonstration program in order to evaluate at  
6 least two distinct types of program models with contrast-  
7 ing levels of technical assistance. In designing the dem-  
8 onstration program, the Secretary and Administrator shall  
9 consult with appropriate parties, such as—

10           (1) State and local agencies and private, non-  
11           profit organizations with experience in administering  
12           self-employment programs that serve low-income in-  
13           dividuals; and

14           (2) other persons with recognized expertise in  
15           conducting randomized evaluations of self-employ-  
16           ment programs or other related programs.

17           (d) ASSISTANCE TO INTERMEDIARIES.—

18           (1) IN GENERAL.—To carry out the program,  
19           the Secretary and Administrator may provide the  
20           following assistance to intermediaries selected to  
21           participate in the program—

22           (A) grants for providing technical assist-  
23           ance to eligible individuals, for operating costs  
24           and for costs associated with participating in

1 the evaluation provided for in subsection (i)(1)  
2 below;

3 (B) loan guarantees; and

4 (C) loans.

5 (2) TECHNICAL ASSISTANCE TO INTER-  
6 MEDIARIES.—The Secretary and Administrator may  
7 provide grants to intermediaries or third-party tech-  
8 nical assistance providers for the provision of tech-  
9 nical assistance to intermediaries selected to partici-  
10 pate in this program.

11 (3) TERMINATION OF ASSISTANCE.—Assistance  
12 awarded pursuant to this section may fully fund  
13 project periods of up to five years. The Secretary  
14 and Administrator may revoke, terminate or reduce  
15 assistance to an intermediary if the intermediary  
16 fails to comply with the terms of any agreement it  
17 enters into with the Secretary and Administrator.

18 (e) SELECTION OF INTERMEDIARIES.—

19 (1) IN GENERAL.—In determining whether to  
20 enter into an agreement with an intermediary under  
21 this section, the Secretary and Administrator shall  
22 take into consideration—

23 (A) the intermediary's record of success in  
24 serving low-income individuals;

1 (B) the intermediary's record of success in  
2 providing technical assistance or loans to low-  
3 income individuals for the purpose of self-em-  
4 ployment;

5 (C) the nature, types, and costs of tech-  
6 nical assistance and/or lending methods the  
7 intermediary will employ in serving the target  
8 population;

9 (D) the intermediary's ability to obtain  
10 matching funds from private sources; and

11 (E) such other matters as the Secretary  
12 and Administrator deem appropriate.

13 (2) ADDITIONAL PROGRAMS.—In addition to  
14 the demonstration program provided for in sub-  
15 section (c) above, the Secretary and Administrator  
16 may select up to five intermediaries that would em-  
17 ploy program models that would operate independ-  
18 ently of the randomized evaluation provided for in  
19 subsection (i)(1) below, where such program models  
20 demonstrate promising, innovative strategies that  
21 could not readily be evaluated by a randomized ex-  
22 perimental design.

23 (f) ELIGIBLE INDIVIDUALS.—An individual eligible to  
24 participate in a program conducted under this section is  
25 any low-income individual or welfare recipient. The Sec-

1 retary and Administrator shall ensure that an appropriate  
2 minimum percentage of welfare recipients will participate  
3 in each demonstration program funded under this section.

4 (g) PROVISIONS OF AGREEMENTS.—Any agreement  
5 entered into with an intermediary under this section shall  
6 provide that—

7 (1) the intermediary has or will have an agree-  
8 ment with the State agency responsible for admin-  
9 istering the job opportunities and basic skills train-  
10 ing program (as provided for under part F of title  
11 IV of the Social Security Act) (hereinafter in this  
12 section referred to as the “JOBS” programs) and  
13 the Work Program (as provided under part G of  
14 title IV of such Act) such that JOBS and Work Pro-  
15 gram funds will be used to provide support services,  
16 including training and technical assistance, to wel-  
17 fare recipients who are participating in the dem-  
18 onstration programs funded under this section;

19 (2) the intermediary will implement a program  
20 that is approved by the Secretary and Adminis-  
21 trator;

22 (3) the intermediary will cooperate with any  
23 independent evaluator(s) selected pursuant to sub-  
24 section (i) below; and

1           (4) the intermediary will meet any other obliga-  
2           tions required by the Secretary and Administrator,  
3           including any fund matching requirements.

4           (h) PROGRAM ADMINISTRATION.—

5           (1) IN GENERAL.—The Secretary and Adminis-  
6           trator shall enter into a memorandum of under-  
7           standing for the joint administration of the dem-  
8           onstration programs provided for by this section.  
9           The designation of intermediaries to participate in  
10          the program shall be completed no later than 12  
11          months after the date of appropriation of funds for  
12          this Act.

13          (2) COORDINATION WITH OTHER AGENCIES.—

14          The Secretary and Administrator shall also coordi-  
15          nate and consult with the Secretaries of the Depart-  
16          ment of Agriculture, the Department of Housing  
17          and Urban Development, and the Department of  
18          Labor, on regulatory or other reforms or coordinated  
19          efforts by such agencies that may further eliminate  
20          barriers to self-employment and legitimize  
21          microenterprise development by low-income individ-  
22          uals and welfare recipients.

23          (i) EVALUATION AND REPORT.—

24          (1) IN GENERAL.—The Secretary, in consulta-  
25          tion with the Administrator, shall conduct or provide

1 for an evaluation of the effectiveness of the dem-  
2 onstration program provided for in subsection (c)  
3 above and shall prepare and submit to the President  
4 and Congress a preliminary report of the evaluation  
5 no later than three years following the designation  
6 of intermediaries and a final report no later than  
7 seven years following such designation, together with  
8 such recommendations, including recommendations  
9 for legislation, as the Secretary and Administrator  
10 deem appropriate. Such evaluation shall be based on  
11 an experimental design with random assignment be-  
12 tween a treatment group and a control group. In de-  
13 signing the evaluation, the Secretary shall consider  
14 testing for—

15 (A) greater self-sufficiency as measured by  
16 employment and self-employment rates, amount  
17 of earned income, poverty rates, and exit and  
18 recidivism rates for Aid to Families With De-  
19 pendent Children (hereinafter in this section re-  
20 ferred to as “AFDC”), Food Stamps and other  
21 public assistance programs;

22 (B) reduced costs of public support as  
23 measured by changes in overall support pay-  
24 ments for items such as income maintenance,

1 food, child care, health care, housing, job train-  
2 ing and other benefits;

3 (C) number of businesses and jobs created,  
4 number of loans to welfare recipients and low-  
5 income individuals, repayment rates for loans,  
6 and business performance after welfare or other  
7 public assistance ends;

8 (D) the relative effectiveness, cost-to-bene-  
9 fit ratio, and degree of financial self-sufficiency  
10 of the different program models employed by  
11 the intermediaries participating in the dem-  
12 onstration program; and

13 (E) the program's impact and effectiveness  
14 in serving participants in a time-limited welfare  
15 system, as compared to other low-income indi-  
16 viduals.

17 (2) EVALUATION OF ADDITIONAL PROGRAMS.—

18 The Secretary, in consultation with the Adminis-  
19 trator, shall also conduct or provide for an independ-  
20 ent evaluation of the effectiveness of any program  
21 models selected pursuant to subsection (e)(2) above  
22 and shall prepare and submit to the President and  
23 Congress a preliminary report of the evaluation no  
24 later than three years following the designation of  
25 intermediaries, and a final report no later than five

1 years following such designation, together with such  
2 recommendations, including recommendations for  
3 legislation, as the Secretary and Administrator deem  
4 appropriate.

5 (3) PRELIMINARY REPORTS TO CONGRESS.—  
6 The preliminary reports provided for in paragraphs  
7 (1) and (2) of this subsection shall include an analy-  
8 sis of any regulatory or other barriers that prevent  
9 welfare recipients and low-income individuals from  
10 becoming self-sufficient through self-employment  
11 and microenterprise development.

12 (4) REQUIRED INFORMATION.—The Secretary  
13 may require each intermediary selected pursuant to  
14 this section to provide the Secretary with such infor-  
15 mation as the Secretary determines is necessary to  
16 carrying out the duties of this subsection.

17 (5) EARLY AND REGULAR INFORMATION SHAR-  
18 ING WITH INTERMEDIARIES.—The Secretary, in con-  
19 sultation with the Administrator, shall provide early  
20 and regular feedback and summaries to  
21 intermediaries selected to participate pursuant to  
22 this section of the progress of the evaluation, the  
23 data collected during the evaluation, preliminary  
24 findings and such other information as the Secretary  
25 deems appropriate. The Secretary shall provide such

1 feedback and summaries at least once a year for the  
2 life of the demonstration.

3 (j) AUTHORIZATION OF APPROPRIATIONS.—To carry  
4 out the purposes of this section there are authorized to  
5 be appropriated to the Secretary and Administrator—

6 (1) \$4,000,000 for fiscal year 1997,

7 (2) \$8,000,000 for each of fiscal years 1998,  
8 1999, 2000, and 2001, and

9 (3) \$4,000,000 for fiscal year 2002.

10 (k) DEFINITIONS.—For the purposes of this sec-  
11 tion—

12 (1) the term “intermediary” means an organi-  
13 zation, partnership, or consortium of organizations  
14 that acts as a lender and/or as a technical assistance  
15 provider to individuals who wish to start or expand  
16 a microenterprise;

17 (2) the term “low-income individual” means an  
18 individual whose income level does not exceed 130  
19 percent of the official poverty line as defined by the  
20 Office of Management and Budget;

21 (3) the term “microenterprise” generally means  
22 a business that has a net worth of less than  
23 \$15,000;

24 (4) the term “technical assistance” as it relates  
25 to assisting a welfare recipient or low-income indi-

1       vidual to become self-employed includes business  
2       technical assistance, entrepreneurial training, and/or  
3       personal development services; and

4               (5) the term “welfare recipient” means a par-  
5       ticipant in a time-limited welfare program who is eli-  
6       gible for the JOBS or Work program or a person  
7       who is receiving assistance from AFDC.

## 8                               **TITLE IX—FINANCING**

### 9       **SEC. 901. LIMITATION ON FEDERAL PAYMENTS FOR EMER-** 10                               **GENCY ASSISTANCE.**

11       Section 403(a)(5) of the Act is amended to read as  
12 follows:

13               “(5)(A) Each State shall be entitled to payment  
14       from the Secretary in an amount equal to 50 percent  
15       of the total amounts expended under the State plan  
16       in a fiscal year as emergency assistance to needy  
17       families with children, but such payment may not  
18       exceed the greater of—

19                       “(i) such State’s share of the limitation in  
20       subparagraph (B) for such fiscal year, or

21                       “(ii) the amount paid by the Secretary  
22       with respect to such State’s expenditures for  
23       emergency assistance to needy families with  
24       children for fiscal year 1991.

1           “(B) The limitation referred to in subparagraph  
2           (A) is \$418,000,000 for fiscal year 1995, and for  
3           fiscal year 1996 and for each fiscal year thereafter,  
4           \$418,000,000 multiplied by the ratio of the  
5           Consumer Price Index (prepared by the Department  
6           of Labor) for the third quarter of the preceding fis-  
7           cal year to such Index for the third quarter of fiscal  
8           year 1994.

9           “(C) For purposes of this paragraph, a ‘State’s  
10          share of the limitation in subparagraph (B)’ for a  
11          fiscal year means—

12                   “(i) such State’s share of the EA portion  
13                   of the limitation (as defined in subparagraph  
14                   (D)), plus

15                   “(ii) such State’s share of the AFDC por-  
16                   tion of the limitation (as defined in subpara-  
17                   graph (E)) for the fiscal year involved.

18          “(D) For the purposes of this paragraph, the  
19          EA portion of the limitation is—

20                   “(i) for fiscal year 1995 and each fiscal  
21                   year thereafter, the limitation for such year,  
22                   multiplied by—

23                           “(I) 90 percent, minus

24                           “(II) 10 percentage points for each  
25                           year after 1995.

1 but never less than zero.

2 “(E) For purposes of this paragraph, the  
3 AFDC portion of the limitation is—

4 “(i) for fiscal year 1995, the limitation for  
5 such year, multiplied by 10 percent, and

6 “(ii) for fiscal year 1996 and each fiscal  
7 year thereafter, the limitation for such year  
8 multiplied by—

9 “(I) 10 percent, plus

10 “(II) 10 percentage points for each  
11 year after 1995,

12 but never more than 100.

13 “(F) For purposes of this paragraph—

14 “(i) a State’s share of the EA portion of  
15 the limitation for a fiscal year is the limitation  
16 for such year multiplied by the ratio of the esti-  
17 mated expenditures in such State for emergency  
18 assistance to needy families with children for  
19 quarters in fiscal year 1994 to the sum of such  
20 estimated expenditures in all the States for  
21 quarters in such year, and

22 “(ii) a State’s share of the AFDC portion  
23 of the limitation for a fiscal year is the limita-  
24 tion for such year multiplied by the ratio of the  
25 estimated expenditures in such State for aid to

1 families with dependent children for quarters in  
2 the preceding fiscal year to the sum of such ex-  
3 penditures in all the States for quarters in such  
4 preceding fiscal year.”.

5 **SEC. 902. UNIFORM ALIEN ELIGIBILITY CRITERIA FOR PUB-**  
6 **LIC ASSISTANCE PROGRAMS.**

7 (a) FEDERAL AND FEDERALLY-ASSISTED PRO-  
8 GRAMS.—

9 (1) PROGRAM ELIGIBILITY CRITERIA.—

10 (A) AID TO FAMILIES WITH DEPENDENT  
11 CHILDREN.—Section 402(a)(33) of the Social  
12 Security Act is amended by striking “(A) a citi-  
13 zen” and all that follows and inserting the fol-  
14 lowing:

15 “(A) a citizen or national of the United  
16 States, or

17 “(B) a qualified alien (as defined in section  
18 1101(a)(10)), provided that such alien is not  
19 disqualified from receiving aid under a State  
20 plan approved under a State plan approved  
21 under this part by or pursuant to section 210(f)  
22 or 245A(h) of the Immigration and Nationality  
23 Act or any other provision of law;”.

1 (B) SUPPLEMENTAL SECURITY INCOME.—  
2 Section 1614(a)(1)(B)(i) of such Act is amend-  
3 ed to read as follows:

4 “(B)(i) is a resident of the United States,  
5 and is either (I) a citizen or national of the  
6 United States, or (II) a qualified alien (as de-  
7 fined in section 1101(a)(10)), or”.

8 (C) MEDICAID—

9 (i) Section 1903(v)(1) of such Act is  
10 amended to read as follows:

11 “(v)(1) Notwithstanding the preceding provisions of  
12 this section, (A) no payment may be made to a State  
13 under this section for medical assistance furnished to an  
14 individual who is disqualified from receiving such assist-  
15 ance by or pursuant to section 210(f) or 245A(h) of the  
16 Immigration and Nationality Act or any other provision  
17 of law, and (B) except as provided in paragraph (2), no  
18 such payment may be made for medical assistance fur-  
19 nished to an individual who is not a (i) citizen or national  
20 of the United States, or (ii) qualified alien (as defined in  
21 section 1101(a)(10)).”.

22 (ii) Section 1903(v)(2) of such Act is  
23 amended by—

24 (I) striking “paragraph (1)” and  
25 inserting “paragraph (1)(B)”; and

1 (II) striking “alien” each place it  
2 appears and inserting “individual”.

3 (iii) Section 1902(a) of such Act is  
4 amended in the last sentence by striking  
5 “alien” and all that follows and inserting  
6 “individual who is not (A) a citizen or na-  
7 tional of the United States, or (B) a quali-  
8 fied alien (as defined in section  
9 1101(a)(10)) only in accordance with sec-  
10 tion 1903(v).”.

11 (iv) Section 1902(b)(3) of such Act is  
12 amended by inserting “or national” after  
13 “citizen”.

14 (2) DEFINITION OF TERM “QUALIFIED ALIEN”.—  
15 Section 1101(a) of such Act is amended by adding at the  
16 end the following new paragraph:

17 “(10) The term ‘qualified alien’ means an  
18 alien—

19 “(A) who is lawfully admitted for perma-  
20 nent residence within the meaning of section  
21 101(a)(20) of the Immigration and Nationality  
22 Act;

23 “(B) who is admitted as a refugee pursu-  
24 ant to section 207 of such Act;

1           “(C) who is granted asylum pursuant to  
2 section 208 of such Act;

3           “(D) whose deportation is withheld pursu-  
4 ant to section 243(h) of such Act;

5           “(E) whose deportation is suspended pur-  
6 suant to section 244 of such Act;

7           “(F) who is granted conditional entry pur-  
8 suant to section 203(a)(7) of such Act as in ef-  
9 fect prior to April 1, 1980;

10          “(G) who is lawfully admitted for tem-  
11 porary residence pursuant to section 210 or  
12 245A of such Act;

13          “(H) who is within a class of aliens law-  
14 fully present within the United States pursuant  
15 to any other provision of such Act, provided  
16 that—

17               “(i) the Attorney General determines  
18 that the continued presence of such class  
19 of aliens serves a humanitarian or other  
20 compelling public interest, and

21               “(ii) the Secretary of Health and  
22 Human Services determines that such in-  
23 terest would be further served by treating  
24 each alien within such class as a ‘qualified  
25 alien’ for purposes of this Act; or

1           “(I) who is the spouse or unmarried child  
2           under 21 years of age of a citizen of the United  
3           States, or the parent of such a citizen if the cit-  
4           izen is 21 years of age or older, and with re-  
5           spect to whom an application for adjustment to  
6           lawful permanent residence is pending;  
7           such status not having changed.”.

8           (3) CONFORMING AMENDMENT.—Section  
9           244A(f)(1) of the Immigration and Nationality Act  
10          is amended by inserting “and shall not be considered  
11          to be a ‘qualified alien’ within the meaning of sec-  
12          tion 1101(a)(10) of the Social Security Act” imme-  
13          diately before the semicolon.

14          (b) STATE AND LOCAL PROGRAMS.—A State or polit-  
15          ical subdivision therein may provide that an alien is not  
16          eligible for any program of assistance based on need that  
17          is furnished by such State or political subdivision unless  
18          such alien is a “qualified alien” within the meaning of sec-  
19          tion 1101(a)(10) of the Social Security Act (as added by  
20          subsection (a)(2) of this section).

21          (c) EFFECTIVE DATE.—

22                 (1) The amendments made by subsection (a)  
23                 are effective with respect to benefits payable on the  
24                 basis of any application filed after the date of enact-  
25                 ment of this Act.

1           (2) Subsection (b) is effective upon the date of  
2           enactment of this Act.

3 **SEC. 903. ELIGIBILITY OF SPONSORED ALIENS FOR CER-**  
4 **TAIN PROGRAMS.**

5           (a) DEEMING OF SPONSOR'S INCOME AND RE-  
6 SOURCES TO AN ALIEN UNDER THE SUPPLEMENTAL SE-  
7 CURITY INCOME, AID TO FAMILIES WITH DEPENDENT  
8 CHILDREN, AND FOOD STAMP PROGRAMS.—

9           (1) LENGTH OF DEEMING PERIOD.—

10           (A) MAKING THE SSI 5-YEAR PERIOD PER-  
11 MANENT.—Subsection (b) of section 7 of the  
12 Unemployment Compensation Amendments of  
13 1993 (Public Law 103–152) is repealed.

14           (B) INCREASING THE AFDC PERIOD FROM  
15 3 TO 5 YEARS.—Section 415 of the Social Secu-  
16 rity Act is amended by striking “three years”  
17 each place such phrase appears and inserting  
18 “5 years”.

19           (C) INCREASING THE FOOD STAMP PERIOD  
20 FROM 3 TO 5 YEARS.—Section 5(i) of the Food  
21 Stamp Act of 1977 is amended by striking  
22 “three years” each place such phrase appears  
23 and inserting “5 years”.

1           (2) INAPPLICABILITY IN THE CASE OF ANY  
2 ALIEN WHOSE SPONSOR RECEIVES SSI OR AFDC  
3 BENEFITS.—

4           (A) SSI.—Section 1621(f) of the Social  
5 Security Act is amended by adding at the end  
6 the following new paragraph:

7           “(3) The provisions of this section shall not  
8 apply to any alien for any month for which such  
9 alien’s sponsor receives a benefit under this title  
10 (which includes, for purposes of this paragraph, the  
11 program of federally administered State supple-  
12 mentary payments made pursuant to section  
13 1616(a) of this Act or section 212(b) of Public Law  
14 93–66) or the program of aid to families with de-  
15 pendent children authorized by part A of title IV of  
16 this Act.”.

17           (B) AFDC.—Section 415(f) of the Social  
18 Security Act is amended—

19           (i) by redesignating paragraphs (1)  
20 through (5) as subparagraphs (A) through  
21 (E), respectively;

22           (ii) by striking “(f)” and inserting  
23 “(f)(1)”; and

24           (iii) by adding at the end the follow-  
25 ing new paragraph:

1           “(2) The provisions of this section shall not  
2           apply to any alien for any month for which such  
3           alien’s sponsor receives a benefit under the program  
4           authorized by this part, or the program of supple-  
5           mental security income authorized by title XVI of  
6           this Act (which includes, for purposes of this para-  
7           graph, the program of federally administered State  
8           supplementary payments made pursuant to section  
9           1616(a) of this Act or section 212(b) of Public Law  
10          93-66).”.

11           (C) FOOD STAMPS.—Section 5(i)(2)(E) of  
12          the Food Stamp Act of 1977 is amended—

13                   (i) by striking “(E)” and inserting  
14                   “(E)(i)”; and

15                   (ii) by adding at the end the follow-  
16                   ing:

17           “(ii) The provisions of this subsection shall not  
18           apply to any alien for any month for which such  
19           alien’s sponsor receives a benefit under the program  
20           of aid to families with dependent children authorized  
21           by part A of title IV of the Social Security Act or  
22           the program of supplemental security income author-  
23           ized by title XVI of such Act (which includes, for  
24           purposes of this paragraph, the program of federally  
25           administered State supplementary payments made

1       pursuant to section 1616(a) of such Act or section  
2       212(b) of Public Law 93-66).”.

3           (3) INEQUITABLE CIRCUMSTANCES.—

4           (A) SSI.—Section 1621 of the Social Secu-  
5       rity Act is amended by adding at the end the  
6       following new subsection:

7       “(g) The Secretary may, pursuant to regulations pro-  
8       mulgated after consultation with the Secretary of Agri-  
9       culture, alter or suspend the application of this section in  
10      any case in which the Secretary determines that such ap-  
11      plication would be inequitable under the circumstances.”

12          (B) AFDC.—Section 415 of the Social Se-  
13      curity Act is amended by adding at the end the  
14      following new subsection:

15      “(g) The Secretary may, pursuant to regulations pro-  
16      mulgated after consultation with the Secretary of Agri-  
17      culture, alter or suspend the application of this section in  
18      any case in which the Secretary determines that such ap-  
19      plication would be inequitable under the circumstances.”

20          (C) FOOD STAMPS.—Section 5(i)(2) of the  
21      Food Stamp Act of 1977 is amended by adding  
22      at the end the following new subparagraph:

23      “(F) The Secretary may, pursuant to regulations pro-  
24      mulgated after consultation with the Secretary of Health  
25      and Human Services, alter or suspend the application of

1 this section in any case in which the Secretary determines  
2 that such application would be inequitable under the cir-  
3 cumstances.”

4 (4) FOOD STAMPS EXEMPTION FOR BLIND OR  
5 DISABLED ALIENS.—Section 5(i)(2)(E) of the Food  
6 Stamp Act of 1977 (as previously amended by sub-  
7 section (a)(2)(C)) is further amended by adding at  
8 the end the following:

9 “(iii) The provisions of this subsection shall not  
10 apply with respect to any individual for any month  
11 for which such individual receives a benefit under  
12 the program of supplemental security income author-  
13 ized by title XVI of the Social Security Act by rea-  
14 son of blindness (as determined under section  
15 1614(a)(2) of such Act) or disability (as determined  
16 under section 1614(a)(3) of such Act), provided that  
17 such blindness or disability commenced after the  
18 date of such individual’s admission into the United  
19 States for permanent residence.”.

20 (5) INCREASE IN FOOD STAMP RESOURCE LIM-  
21 TATION.—Section 5(i)(2)(B)(ii) of the Food Stamp  
22 Act of 1977 is amended by striking “\$1,500” and  
23 inserting “\$2,000”.

24 (b) DISQUALIFICATION OF CERTAIN SPONSORED  
25 ALIENS AFTER THE 60TH MONTH AFTER ENTRY INTO

1 THE UNITED STATES UNDER THE SUPPLEMENTAL SECUR-  
2 RITY INCOME, AID TO FAMILIES WITH DEPENDENT  
3 CHILDREN, AND FOOD STAMP PROGRAMS.—

4 (1) IN GENERAL.—

5 (A) SSI.—Section 1611(e) of the Social  
6 Security Act is amended by inserting between  
7 paragraphs (3) and (5) a new paragraph (4) as  
8 follows:

9 “(4)(A) No individual (other than an individual  
10 described in section 1621(f)(1)) who is an alien shall  
11 be an eligible individual or eligible spouse for pur-  
12 poses of this title with respect to any month begin-  
13 ning after the 60th month after such individual’s  
14 entry into the United States if the adjusted gross in-  
15 come (as defined in section 62 of the Internal Reve-  
16 nue Code of 1986) of any person who (as a sponsor  
17 of such individual’s entry into the United States) ex-  
18 ecuted an affidavit of support with respect to such  
19 individual plus the adjusted gross income of such  
20 person’s spouse and dependent children (if any) for  
21 the most recently completed year for which—

22 “(i)(I) a return has been filed in connec-  
23 tion with the taxes imposed by subtitle A of the  
24 Internal Revenue Code of 1986 by or on behalf

1 of such person (and such person's spouse and  
2 dependent children, if any), or

3 “(II) no such return is required by such  
4 Code to be so filed, and

5 “(ii) the Secretary has published the  
6 United States median income for all families  
7 pursuant to subparagraph (B)(i)(I),  
8 exceeds the applicable measure of United States me-  
9 dian income for all families (determined in accord-  
10 ance with subparagraph (B)(i)(II)) for such year.

11 “(B)(i) The Secretary shall publish twice yearly  
12 in the Federal Register a notice—

13 “(I) setting out the United States median  
14 income for all families for not fewer than five  
15 of the years immediately preceding the year in  
16 which such notice is published, and

17 “(II) identifying the months for which each  
18 such figure shall be deemed to be the applicable  
19 measure for the purpose of making the deter-  
20 mination required by subparagraph (A).

21 “(ii) The United States median income for all  
22 families for any year published by the Secretary pur-  
23 suant to clause (i) shall be the amount reported for  
24 such year by the Census Bureau pursuant to its  
25 Current Population Survey, except that if such

1 amount has not been so reported for such year at  
2 the time such notice is published, then the measure  
3 of the United States median income for all families  
4 for such year shall be derived by increasing the  
5 amount reported by the Census Bureau for the im-  
6 mediately preceding year by a percentage equal to  
7 the percentage (rounded to the nearest one-tenth of  
8 one percent), if any, by which the Consumer Price  
9 Index (as prepared by the Department of Labor) for  
10 such year has increased over such immediately pre-  
11 ceding year.”.

12 (B) AFDC.—Section 402(a) of the Social  
13 Security Act is amended by—

14 (i) striking “and” at the end of para-  
15 graph (44);

16 (ii) striking the period at the end of  
17 paragraph (45) and inserting “; and”; and

18 (iii) adding at the end a new para-  
19 graph as follows:

20 “(46) provide that an individual who is an alien  
21 may not be considered a dependent child, a care-  
22 taker relative whose needs are to be taken into ac-  
23 count in making the determination under paragraph  
24 (7), or any other person whose needs should be  
25 taken into account in making such a determination

1 with respect to the child or relative, with respect to  
2 any month beginning after the 60th month after  
3 such individual's entry into the United States if the  
4 adjusted gross income (as defined in section 62 of  
5 the Internal Revenue Code of 1986) of any person  
6 who (as a sponsor of such individual's entry into the  
7 United States) executed an affidavit of support with  
8 respect to such individual plus the adjusted gross in-  
9 come of such person's spouse and dependent chil-  
10 dren (if any) for the most recently completed year  
11 for which—

12 “(A)(i) a return has been filed in connec-  
13 tion with the taxes imposed by subtitle A of the  
14 Internal Revenue Code of 1986 by or on behalf  
15 of such person (and such person's spouse and  
16 dependent children, if any), or

17 “(ii) no such return is required by such  
18 Code to be so filed, and

19 “(B) the United States median income for  
20 all families has been published, exceeds the ap-  
21 plicable measure of United States median in-  
22 come for all families for such year. For pur-  
23 poses of the preceding sentence, the require-  
24 ment for the publication of the United States  
25 median income for all families for any year

1 shall be satisfied by the publication of such  
2 data for such year pursuant to section  
3 1611(e)(4)(B)(i)(I), and the ‘applicable meas-  
4 ure of United States median income for all fam-  
5 ilies’ for any year shall be the measure applica-  
6 ble for such year pursuant to section  
7 1611(e)(4)(B)(i)(II).”.

8 (C) FOOD STAMPS.—Section 6 of the Food  
9 Stamp Act of 1977 is amended by adding at  
10 the end a new subsection as follows:

11 “(i) No alien who is a member of a household other-  
12 wise eligible to participate in the food stamp program  
13 under this section shall be eligible to participate in such  
14 program as a member of that or any other household with  
15 respect to any month beginning after the 60th month after  
16 such alien’s entry into the United States if the adjusted  
17 gross income (as defined in section 62 of the Internal Rev-  
18 enue Code of 1986) of any person who (as a sponsor of  
19 such alien’s entry into the United States) executed an affi-  
20 davit of support with respect to such alien plus the ad-  
21 justed gross income of such person’s spouse and depend-  
22 ent children (if any) for the most recently completed year  
23 for which—

24 “(1)(A) a return has been filed in connection  
25 with the taxes imposed by subtitle A of the Internal

1 Revenue Code of 1986 by or on behalf of such per-  
2 son (and such person's spouse and dependent chil-  
3 dren, if any), or

4 “(B) no such return is required by such Code  
5 to be so filed, and

6 “(2) the United States median income for all  
7 families has been published,

8 exceeds the applicable measure of United States median  
9 income for all families for such year. For purposes of the  
10 preceding sentence, the requirement for the publication of  
11 the United States median income for all families for any  
12 year shall be satisfied by the publication of such data for  
13 such year pursuant to section 1611(e)(4)(B)(i)(I) of the  
14 Social Security Act, and the ‘applicable measure of United  
15 States median income for all families’ for any year shall  
16 be the measure applicable for such year pursuant to sec-  
17 tion 1611(e)(4)(B)(i)(II) of such Act.”.

18 (2) CONFORMING AMENDMENTS.—

19 (A) COOPERATION REQUIREMENT.—

20 (i) SSI.—Section 1621(d)(1) of the  
21 Social Security Act is amended in the first  
22 sentence by—

23 (I) striking “during the period of  
24 5 years after entry into the United  
25 States,”; and

1 (II) inserting “or section  
2 1611(e)(4)” after “this section”.

3 (ii) AFDC.—The second sentence of  
4 section 415(c)(1) of the Social Security  
5 Act (as previously amended by subsection  
6 (a)(1)(B) of this section) is further amend-  
7 ed by—

8 (I) striking “during the period of  
9 5 years after his or her entry into the  
10 United States”; and

11 (II) inserting “or section  
12 402(a)(46)” after “this section”.

13 (iii) FOOD STAMPS.—The first sen-  
14 tence of section 5(i)(2)(C)(i) of the Food  
15 Stamp Act of 1977 (as previously amended  
16 by subsection (a)(1)(C) of this section) is  
17 further amended by—

18 (I) striking “during the period of  
19 5 years after entry into the United  
20 States,”; and

21 (II) inserting “or section 6(i)”  
22 after “this section”.

23 (B) LIABILITY FOR OVERPAYMENTS.—

24 (i) SSI.—Section 1621(e) of the So-  
25 cial Security Act is amended by—

1 (I) striking “during the period of  
2 5 years after such alien’s entry into  
3 the United States,”;

4 (II) inserting “or section  
5 1611(e)(4)” after “this section”; and

6 (III) adding at the end the fol-  
7 lowing sentence: “If an individual who  
8 is an alien subject to this subsection  
9 is naturalized as a citizen of the Unit-  
10 ed States, such naturalization shall  
11 have no effect upon the continued ap-  
12 plication of this subsection to such in-  
13 dividual or to such individual’s spon-  
14 sor.”.

15 (ii) AFDC.—Section 415(d) of the  
16 Social Security Act (as previously amended  
17 by subsection (a)(1)(B)) is further amend-  
18 ed by—

19 (I) striking “during the period of  
20 5 years after such alien’s entry into  
21 the United States,”;

22 (II) inserting “or section  
23 402(a)(46)” after “this section”; and

24 (III) adding at the end the fol-  
25 lowing sentence: “If an individual who

1 is an alien subject to this subsection  
2 is naturalized as a citizen of the Unit-  
3 ed States, such naturalization shall  
4 have no effect upon the continued ap-  
5 plication of this subsection to such in-  
6 dividual or to such individual's spon-  
7 sor.”.

8 (iii) FOOD STAMPS.—Section  
9 5(i)(2)(D) of the Food Stamp Act of 1977  
10 (as previously amended by subsection  
11 (a)(1)(C)) is further amended by—

12 (I) striking “during the period of  
13 5 years after such alien’s entry into  
14 the United States,”;

15 (II) inserting “or section 6(i)”  
16 after “this section”; and

17 (III) adding at the end the fol-  
18 lowing sentence: “If an individual who  
19 is an alien subject to this subpara-  
20 graph is naturalized as a citizen of  
21 the United States, such naturalization  
22 shall have no effect upon the contin-  
23 ued application of this subparagraph  
24 to such individual or to such individ-  
25 ual’s sponsor.”.

1           (3) DISCLOSURE OF TAX RETURN INFORMA-  
2           TION.—Section 6103(l)(7)(B) of the Internal Reve-  
3           nue Code of 1986 is amended by designating the ex-  
4           isting matter as clause (i) and adding at the end the  
5           following:

6           “(ii) The Secretary shall disclose, upon request, re-  
7           turn information with respect to adjusted gross income (as  
8           defined in section 62) from returns filed by, or with re-  
9           spect to, any individual (and such individual’s spouse and  
10          dependent children, if any) who (as a sponsor of an alien’s  
11          entry into the United States) executed an affidavit of sup-  
12          port with respect to such alien and whose income is consid-  
13          ered in connection with determining such alien’s eligibility  
14          for a program described in clause (i), (iii), or (vi) of sub-  
15          paragraph (D) to any Federal, State, or local agency ad-  
16          ministering such program, but only for the purpose of, and  
17          to the extent necessary, in determining the eligibility of  
18          such alien for benefits under such program.

19          “(iii) Information regarding any determination made  
20          pursuant to section 402(a)(46) of 415 of the Social Secu-  
21          rity Act (relating to the aid to families with dependent  
22          children program), section 1611(e)(4) or 1621 of such Act  
23          (relating to the supplemental security income program),  
24          or section 5(i) or 6(i) of the Food Stamp Act of 1977  
25          (relating to the program of assistance under that Act) in

1 connection with determining an alien's eligibility for bene-  
2 fits under any such program shall not be considered to  
3 be return information subject to the limitations on disclo-  
4 sure or redisclosure imposed by this section.”.

5 (c) STATE AND LOCAL PROGRAMS.—A State or polit-  
6 ical subdivision therein may provide that an alien is not  
7 eligible for any program of assistance based on need that  
8 is furnished by such State or political subdivision for any  
9 month if such alien has been determined to be ineligible  
10 for such month for benefits under—

11 (A) the program of aid to families with depend-  
12 ent children authorized by part A of title IV of the  
13 Social Security Act, as a result of the application of  
14 section 402(a)(46) or 415 of such Act;

15 (B) the program of supplemental security in-  
16 come authorized by title XVI of the Social Security  
17 Act, as a result of the application of section  
18 1611(e)(4) or 1621 of such Act; or

19 (C) the Food Stamp Act of 1977, as a result  
20 of the application of section 5(i) or 6(i) of such Act.

21 (d) EFFECTIVE DATE.—

22 (1) Except as otherwise provided in paragraph  
23 (2), the amendments made by subsections (a) and  
24 (b) are effective with respect to benefits under the  
25 program of aid to families with dependent children

1 authorized by part A of title IV of the Social Secu-  
2 rity Act, the program of supplemental security in-  
3 come authorized by title XVI of the Social Security  
4 Act, and the program authorized by the Food Stamp  
5 Act of 1977, payable for months beginning after  
6 September 30, 1994, on the basis of—

7 (A) an application filed after such date, or

8 (B) an application filed on or before such  
9 date by or on behalf of an individual subject to  
10 the provisions of section 1621(a) or section  
11 415(a) of the Social Security Act or section  
12 5(i)(1) of the Food Stamp Act of 1977 (as the  
13 case may be) on such date.

14 (2) The amendments made by clauses (i)(III),  
15 (ii)(III), and (iii)(III) of subsection (b)(2)(B) are ef-  
16 fective upon the date of enactment of this Act.

17 (3) Subsection (c) is effective on October 1,  
18 1994.

19 **SEC. 904. FAMILY DAY CARE HOMES.**

20 (a) Section 17(c) of the National School Lunch Act  
21 (42 U.S.C. 1766(c)) is amended—

22 (1) in paragraph (1), by inserting “except as  
23 provided in paragraphs (4) and (5) of this sub-  
24 section,” after “For purposes of this section,”;

1           (2) in paragraph (2), by inserting “except as  
2           provided in paragraphs (4) and (5) of this sub-  
3           section,” after “For purposes of this section,”;

4           (3) in paragraph (3), by inserting “except as  
5           provided in paragraphs (4) and (5) of this sub-  
6           section,” after “For purposes of this section,”;

7           (4) by redesignating paragraph (4) as para-  
8           graph (6); and

9           (5) by inserting after paragraph (3) the follow-  
10          ing new paragraphs:

11          “(4) For purposes of this section, the level one  
12          reimbursement factor for family or group day care  
13          homes shall be \$1.5050 for lunches or suppers,  
14          \$.8275 for breakfasts, and \$.4475 for supplements.  
15          The reimbursement factor under this paragraph  
16          shall be adjusted on July 1, 1996, to reflect changes  
17          in the Consumer Price Index for food away from  
18          home for the most recent 24-month period for which  
19          data are available, and on July 1 of each year, start-  
20          ing July 1, 1997, to reflect changes in the Consumer  
21          Price Index for food away from home for the most  
22          recent 12-month period for which data are available.  
23          The reimbursement factor under this paragraph  
24          shall be rounded to the nearest one-fourth cent.

1           “(5) For purposes of this section, the level two  
2 reimbursement factor for family or group day care  
3 homes shall be \$1.2675 for lunches or suppers,  
4 \$.5375 for breakfasts, and \$.25 for supplements.  
5 The reimbursement factor under this paragraph  
6 shall be adjusted on July 1, 1996, to reflect changes  
7 in the Consumer Price Index for food away from  
8 home for the most recent 24-month period for which  
9 data are available, and on July 1 of each year, start-  
10 ing July 1, 1997, to reflect changes in the Consumer  
11 Price Index for food away from home for the most  
12 recent 12-month period for which data are available.  
13 The reimbursement factor under this paragraph  
14 shall be rounded to the nearest one-fourth cent.”.

15           (b) Section 17(f)(3) of the National School Lunch  
16 Act (42 U.S.C. 1766(f)(3)) is amended—

17           (1) by adding after subparagraph (C) the fol-  
18 lowing new subparagraph:

19           “(D) The Secretary shall make payments,  
20 totalling not more than \$2,000,000 in fiscal  
21 year 1995 and \$5,000,000 in fiscal year 1996,  
22 to provide grants to States for the purpose of  
23 providing assistance, including grants to family  
24 or group day care home sponsoring organiza-  
25 tions and other appropriate organizations; for

1           securing and providing training, materials,  
2           automated data processing assistance, and  
3           other assistance for the staff of such sponsoring  
4           organizations; and for providing training and  
5           other assistance to family or group day care  
6           homes in order to assist in the implementation  
7           of the requirements contained in this sub-  
8           section. Of the amount of funds made available  
9           to each State under this subparagraph, an  
10          amount not to exceed 30 percent may be re-  
11          tained by the State to carry out the purposes  
12          of this subparagraph;”;

13          (2) in subparagraph (A), by deleting “, except  
14          that reimbursement shall not be provided” and all  
15          that follows through “nearest one-fourth cent.” and  
16          inserting in lieu thereof “as set forth in subpara-  
17          graphs (B) and (C).”;

18          (3) by redesignating subparagraphs (B), (C),  
19          and (D) (as added by paragraph (1)) as subpara-  
20          graphs (D), (E), and (L) respectively;

21          (4) by inserting after subparagraph (A) the fol-  
22          lowing new subparagraphs:

23                  “(B) Sponsoring organizations of family or  
24                  group day care homes located in low-income  
25                  areas shall be reimbursed for meals or supple-

1           ments served to children in those homes at the  
2           level one reimbursement rates established in  
3           subsection (c)(4) of this section.

4           “(C) Sponsoring organizations of family or  
5           group day care homes, except family or group  
6           day care homes covered under subparagraph  
7           (B) of this subsection, shall be reimbursed for  
8           meals or supplements served to children in  
9           those homes, at the election of the family or  
10          group day care home, either—

11                 “(i) at the level two reimbursement  
12                 rates established in subsection (c)(5) of  
13                 this section; or

14                 “(ii)(I) for meals and supplements  
15                 served to children from households that  
16                 meet the income eligibility guidelines for  
17                 free or reduced price meals and supple-  
18                 ments set forth in section 9(b) of this Act,  
19                 at the level one reimbursement rates estab-  
20                 lished in subsection (c)(4) of this section;  
21                 and

22                 “(II) for meals and supplements  
23                 served to children from families who do not  
24                 meet the requirements of paragraph  
25                 (C)(ii)(I) of this subsection, at the level

1 two reimbursement rates established in  
2 subsection (c)(5); or

3 “(iii) for meals and supplements  
4 served to children in family or group day  
5 care homes in which the family or group  
6 day care home provider meets the income  
7 eligibility guidelines for free or reduced  
8 price meals and supplements set forth in  
9 section 9(b) of this Act, at the level one re-  
10 imbursement rates established in section  
11 (c)(4) of this section.”;

12 (5) by adding at the end of subparagraph (D)  
13 (as redesignated by paragraph (3)) the following:  
14 “In addition, family or group day care home spon-  
15 soring organizations shall receive for their adminis-  
16 trative expenses an additional \$10 per month for  
17 each home located in a low-income area.”; and

18 (6) by adding after subparagraph (E) (as redesi-  
19 gnated by paragraph (3)) the following new sub-  
20 paragraphs:

21 “(F) Notwithstanding subparagraph (C),  
22 reimbursement shall not be provided for meals  
23 or supplements served to the children of a per-  
24 son acting as a family or group day care home  
25 provider unless such children meet the income

1 eligibility guidelines for free or reduced price  
2 meals under section 9(b) of this Act. Where so  
3 qualifying, the family or group day care home  
4 sponsoring organization shall be reimbursed for  
5 those meals and supplements at the level one  
6 rates established in subsection (c)(4).

7 “(G) For family or group day care home  
8 providers who elect to use the procedures under  
9 paragraph (3)(C)(ii) of this subsection, the Sec-  
10 retary shall implement streamlined and sim-  
11 plified counting and claiming procedures, pro-  
12 vided that such procedures do not compromise  
13 program accountability.

14 “(H) Sponsoring organizations of family or  
15 group day care homes (other than those located  
16 in low-income areas) may receive the level one  
17 reimbursement rates for meals and supplements  
18 established in subsection (c)(4) of this section  
19 for those children with a parent participating in  
20 the programs established under part F or G of  
21 title IV of the Social Security Act, the at-risk  
22 child care program under title IV of such Act,  
23 or a Federal or a State child care program with  
24 an income eligibility limit that does not exceed  
25 the income eligibility guidelines for free or re-

1           duced price meals and supplements set forth in  
2           section 9(b) of this Act.

3           “(I) For purposes of this section, ‘low-in-  
4           come areas’ is defined to mean ‘areas in which  
5           poor economic conditions exist’ as defined in  
6           section 13(a)(1)(C) of this Act.

7           “(J) For purposes of this section, deter-  
8           minations made by the State agency which es-  
9           tablish that a family or a group day care home  
10          is located in a ‘low income area’ shall be in ef-  
11          fect for 3 years, unless the State agency deter-  
12          mines that the area in which the home is lo-  
13          cated is no longer a ‘low income area’.

14          “(K) The Secretary shall make payments,  
15          totalling not more than \$5,000,000 in each of  
16          fiscal years 1997, 1998, 1999, and 2000 to pro-  
17          vide grants to States for the purpose of provid-  
18          ing assistance, including grants to family or  
19          group day care home sponsoring organizations,  
20          to assist family or group day care homes in low-  
21          income areas to become licensed or approved for  
22          the program under this section. Of the amount  
23          of funds available to each State under this sub-  
24          paragraph, an amount not to exceed 30 percent  
25          may be retained by the State to carry out the

1 purposes of this subparagraph. Any payments  
2 received under this subparagraph shall be in ad-  
3 dition to payments which States receive under  
4 subsection (b) of this section.”.

5 (c) EFFECTIVE DATES.—

6 (1) Except as provided in paragraph (2), the  
7 amendments made by subsections (a) and (b) shall  
8 take effect on July 1, 1996.

9 (2) The amendment made by subsection (b)(1)  
10 shall take effect on the date of enactment of this  
11 Act.

12 **SEC. 905. STATE RETENTION OF AMOUNTS RECOVERED.**

13 Section 16(a) of the Food Stamp Act of 1977 (7  
14 U.S.C. 2025(a)) is amended by striking “1995” both  
15 places it appears in the proviso of the first sentence and  
16 inserting in both places in lieu thereof “2004”.

17 **SEC. 906. COMMODITY PROGRAM INCOME INELIGIBILITY.**

18 Notwithstanding any other provision of law, a person  
19 with annual off-farm adjusted gross income in excess of  
20 \$100,000, as determined by the Secretary of Agriculture,  
21 shall not be eligible to receive from the Commodity Credit  
22 Corporation income support and price support through  
23 loans, purchases, payments, and other operations. The  
24 Secretary of Agriculture shall issue regulations defining  
25 the term “person” which shall conform, to the extent prac-

1 ticable, to the regulations issued in accordance with sec-  
2 tion 1001 of the Food Security Act of 1985, as amended.

3 **SEC. 907. AMENDMENTS RELATED TO SUPERFUND TAX**  
4 **EXTENSION.**

5 (a) EXTENSION OF TERMINATION DATE.—Para-  
6 graph (1) of section 59A(e) of the Internal Revenue Code  
7 of 1986 (26 U.S.C. 59A(e)(1)) is amended by striking  
8 “January 1, 1996” and inserting “February 1, 1998”.

9 (b) ADJUSTMENTS TO AMOUNTS COLLECTED.—  
10 Paragraph (3) of section 4611(e) of the Internal Revenue  
11 Code of 1986 (26 U.S.C. 4611(e)(3)) is amended—

12 (1) by striking “December 31, 1995” and in-  
13 sserting “September 30, 1998”;

14 (2) by striking “\$11,970,000,000” each time it  
15 appears and inserting “\$15,500,000,000”; and

16 (3) by striking “January 1, 1996” and insert-  
17 ing “October 1, 1998”.

18 (c) EFFECTIVE DATE.—The amendments made by  
19 subsections (a) and (b) shall apply to amounts collected  
20 and amounts credited after the date of the enactment of  
21 this Act.

22 **SEC. 908. FEDERAL RAILROAD ADMINISTRATION USER**  
23 **FEES.**

24 Section 216 of the Federal Railroad Safety Act of  
25 1970 (45 U.S.C. 447) is amended—

1 (1) by striking subsection (a)(3) and inserting  
2 the following:

3 “(3) Fees established under this section shall be  
4 assessed to railroads subject to this chapter and  
5 shall cover all costs incurred by the Federal Railroad  
6 Administration in administering this chapter, and  
7 those laws transferred to the jurisdiction of the Sec-  
8 retary of Transportation by subsections (e)(1), (2),  
9 and (6)(A) of section 1655 of title 49, other than ac-  
10 tivities described in section 431(a)(2) of this title.”;

11 (2) by inserting before the period in subsection  
12 (c) “, and those laws transferred to the jurisdiction  
13 of the Secretary of Transportation by subsections  
14 (e)(1), (2), and (6)(A) of section 1655 of title 49”;  
15 and

16 (3) by striking subsections (e) and (f).

17 **SEC. 909. SPECIAL EARNED INCOME TAX CREDIT RULES**  
18 **FOR MILITARY PERSONNEL.**

19 (a) MODIFIED RESIDENCY REQUIREMENT.—Sub-  
20 paragraph (E) of section 32(c)(3) (defining qualifying  
21 child) of the Internal Revenue Code of 1986 is amended  
22 by adding at the end the following sentence: “The preced-  
23 ing sentence does not apply during any period during  
24 which the taxpayer is stationed outside the United States  
25 while serving on extended active duty (as defined in sec-

1 tion 1034(h)(3)) with the Armed Forces of the United  
2 States.”

3 (b) REPORTING MILITARY EARNED INCOME.—Sub-  
4 section (a) of section 6051 (relating to receipts for employ-  
5 ees) of the Internal Revenue Code of 1986 is amended  
6 by striking “and” at the end of paragraph (8), by striking  
7 the period at the end of paragraph (9) and inserting in  
8 lieu thereof “, and”, and by inserting after paragraph (9)  
9 the following paragraph:

10 “(10) in the case of an employee who is a mem-  
11 ber of the Armed Forces of the United States, the  
12 total amount of earned income (as defined in section  
13 32(c)(2)).”.

14 (c) ADVANCE PAYMENT OF EARNED INCOME TAX  
15 CREDIT.—Paragraph (1) of section 3507(c) (defining  
16 earned income advance amount) of the Internal Revenue  
17 Code of 1986 is amended by adding at the end the follow-  
18 ing sentence: “For purposes of subparagraph (A) in the  
19 case of an employee who is a member of the Armed Forces  
20 of the United States, the employee’s earned income (as  
21 defined in section 32(c)(2)) shall be taken into account  
22 rather than the employee’s wages.”.

23 (d) EFFECTIVE DATES.—The amendments made by  
24 this section shall apply to taxable years beginning and re-  
25 munerated after December 31, 1994.

1 **SEC. 910. NONRESIDENT ALIENS NOT ELIGIBLE FOR**  
2 **EARNED INCOME TAX CREDIT.**

3 (a) IN GENERAL.—Section 32(c)(1) (defining eligible  
4 individual) of the Internal Revenue Code of 1986 is  
5 amended by adding at the end the following new subpara-  
6 graph:

7 “(E) EXCEPTION FOR NONRESIDENT ALIENS.—  
8 The term ‘eligible individual’ does not include a non-  
9 resident alien unless an election under section  
10 6013(g) (relating to treating a nonresident alien in-  
11 dividual as a resident of the United States) or sec-  
12 tion 6013(h) (relating to the year in which a non-  
13 resident alien becomes a resident of the United  
14 States) is in effect for the taxable year with respect  
15 to the nonresident alien.”.

16 (b) EFFECTIVE DATE.—The amendment made by  
17 this section shall apply to taxable years beginning after  
18 December 31, 1994.

19 **SEC. 911. EXTENSION OF CERTAIN CUSTOMS FEES.**

20 Subsection (j)(3) of section 13031 of the Consoli-  
21 dated Omnibus Budget Reconciliation Act of 1985, as  
22 amended, (19 U.S.C. 58c), is amended to read as follows:

23 “(3) Fees may not be charged under subsection (a)  
24 of this section after September 30, 2004.”.

1                   **TITLE X—EFFECTIVE DATES**

2   **SEC. 1001. EFFECTIVE DATES.**

3           (a) IN GENERAL.—Except as otherwise provided and  
4 subject to subsection (b), the amendments and repeals  
5 made by this Act, other than title VI, shall become effec-  
6 tive with respect to periods beginning on or after October  
7 1, 1995.

8           (b) The Secretary of Health and Human Services  
9 may, upon the request of a State, delay the effective date  
10 prescribed by subsection (a) with respect to such State  
11 upon a showing of circumstances beyond the State's con-  
12 trol, but such extension may not extend beyond October  
13 1, 1996.

14          (c) Notwithstanding any other provision of law, no  
15 State shall be found to have failed to comply with any  
16 requirement imposed on such State's programs by or pur-  
17 suant to the amendments made by titles I and II of this  
18 Act by reason of its failure to have such program (or re-  
19 quirements) in effect Statewide if such program is in ef-  
20 fect Statewide not later than 2 years after the effective  
21 date specified in subsection (a), or 2 years after such later  
22 date as is approved by the Secretary pursuant to sub-  
23 section (b).

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