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H. R. 1267

To reconnect families to the world of work, make work pay strengthen families, require personal responsibility, and support State flexibility.

IN THE HOUSE OF REPRESENTATIVES

MARCH 21, 1995

Mr. DEAL of Georgia (for himself, Mr. CLEMENT, Mr. TANNER, Mr. STENHOLM, Mrs. LINCOLN, Mrs. THURMAN, and Mr. PAYNE of Virginia) introduced the following bill; which was referred to the Committee on Economic and Educational Opportunities, and in addition to the Committees on the Judiciary, Commerce, National Security, Banking and Financial Services, and Agriculture, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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A BILL

To reconnect families to the world of work, make work pay strengthen families, require personal responsibility, and support State flexibility.

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

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Individual Responsibility Act of 1995''.

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Except as otherwise expressly provided, wherever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Social Security Act.

TITLE I—TIME-LIMITED TRANSITIONAL ASSISTANCE

SEC. 101. LIMITATION ON DURATION OF AFDC BENEFITS.

Section 402(a) (42 U.S.C. 602(a)) is amended—

(1) by striking ''and'' at the end of paragraph (44);

(2) by striking the period at the end of paragraph (45) and inserting ''; and''; and

(3) by inserting after paragraph (45) the following:

''(46) in the case of a State that has exercised the option provided for in paragraph (52), provide that—

''(A) a family shall not be eligible for aid under the State plan if a member of the family is—

''(i) prohibited from participating in the State program established under subpart 1 of part G by reason of section 497(b); or

''(ii) prohibited from participating in the State program established under subpart 2 of part G by reason of section 499(a)(4); and

''(B) each member of the family shall be considered to be receiving such aid for purposes of eligibility for medical assistance under the State plan approved under title XIX for so long as the family would be eligible for such aid but for subparagraph (A).''.

SEC. 102. ESTABLISHMENT OF FEDERAL DATA BASE.

Section 402 (42 U.S.C. 602) is amended by inserting after subsection (c) the following:

''(d) The Secretary shall establish and maintain a data base of participants in State programs established under parts F and G which shall be made available to the States for use in administering subsection (a)(46).''.

TITLE II—MAKE WORK PAY

Subtitle A—Health Care

SEC. 201. TRANSITIONAL MEDICAID BENEFITS.

(a) EXTENSION OF MEDICAID ENROLLMENT FOR FORMER AFDC RECIPIENTS FOR 1 ADDITIONAL YEAR.—

(1) IN GENERAL.—Section 1925(b)(1) (42 U.S.C. 1396r–6(b)(1)) is amended by striking the period at the end and inserting the following: ‘‘, and that the State shall offer to each such family the option of extending coverage under this subsection for any of the first 2 succeeding 6-month periods, in the same manner and under the same conditions as the option of extending coverage under this subsection for the first succeeding 6-month period.’’.

(2) CONFORMING AMENDMENTS.—Section 1925(b) (42 U.S.C. 1396r–6(b)) is amended—

(A) in the heading, by striking ‘‘EXTENSION’’ and inserting ‘‘EXTENSIONS’’;

(B) in the heading of paragraph (1), by striking ‘‘REQUIREMENT’’ and inserting ‘‘IN GENERAL’’;

(C) in paragraph (2)(B)(ii)—

(i) in the heading, by striking ‘‘PERIOD’’ and inserting ‘‘PERIODS’’, and

(ii) by striking ''in the period'' and inserting ''in each of the 6-month periods'';

(D) in paragraph (3)(A), by striking ''the 6-month period'' and inserting ''any 6-month period'';

(E) in paragraph (4)(A), by striking ''the extension period'' and inserting ''any extension period''; and

(F) in paragraph (5)(D)(i), by striking ''is a 3-month period'' and all that follows and inserting the following: ''is, with respect to a particular 6-month additional extension period provided under this subsection, a 3-month period beginning with the 1st or 4th month of such extension period.''.

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to calendar quarters beginning on or after October 1, 1997, without regard to whether or not final regulations to carry out such amendments have been promulgated by such date.

Subtitle B—Earned Income Tax Credit

SEC. 211. NOTICE OF AVAILABILITY REQUIRED TO BE PROVIDED TO APPLICANTS AND FORMER RECIPIENTS OF AFDC, FOOD STAMPS, AND MEDICAID.

(a) AFDC.—Section 402(a) (42 U.S.C. 602(a)), as amended by sections 101 and 102 of this Act, is amended—

(1) by striking ''and'' at the end of paragraph (46);

(2) by striking the period at the end of paragraph (47) and inserting ''; and''; and

(3) by inserting after paragraph (47) the following:

''(48) provide that the State agency must provide written notice of the existence and availability of the earned income credit under section 32 of the Internal Revenue Code of 1986 to—

''(A) any individual who applies for aid under the State plan, upon receipt of the application; and

''(B) any individual whose aid under the State plan is terminated, in the notice of termination of benefits.''.

(b) FOOD STAMPS.—Section 11(e) of the Food Stamp Act of 1977 (7 U.S.C. 2020(e)) is amended—

(1) in paragraph (24) by striking ''and'' at the end;

(2) in paragraph (25) by striking the period at the end and inserting ''; and''; and

(3) by inserting after paragraph (25) the following:

''(26) that whenever a household applies for food stamp benefits, and whenever such benefits are terminated with respect to a household, the State agency shall provide to each member of such household notice of—

''(A) the existence of the earned income tax credit under section 32 of the Internal Revenue Code of 1986; and

''(B) the fact that such credit may be applicable to such member.''.

(c) MEDICAID.—Section 1902(a) (42 U.S.C. 1396a(a)) is amended—

(1) by striking ''and'' at the end of paragraph (61);

(2) by striking the period at the end of paragraph (62) and inserting ''; and''; and

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

''(63) provide that the State shall provide notice of the existence and availability of the earned income tax credit under section 32 of the Internal Revenue Code of 1986 to each individual applying for medical assistance under the State plan and to each individual whose eligibility for medical assistance under the State plan is terminated.''.

SEC. 212. NOTICE OF AVAILABILITY OF EARNED INCOME TAX CREDIT AND DEPENDENT CARE TAX CREDIT TO BE INCLUDED ON W–4 FORM.

Section 11114 of the Omnibus Budget Reconciliation Act of 1990 (26 U.S.C. 21 note), relating to program to increase public awareness, is amended by adding at the end the following new sentence: ''Such means shall include printing a notice of the availability of such credits on the forms used by employees to determine the proper number of withholding exemptions under chapter 24 of the Internal Revenue Code of 1986.''.

SEC. 213. ADVANCE PAYMENT OF EARNED INCOME TAX CREDIT THROUGH STATE DEMONSTRATION PROGRAMS.

(a) IN GENERAL.—Section 3507 of the Internal Revenue Code of 1986 (relating to the advance payment of

the earned income tax credit) is amended by adding at the end the following:

"(g) STATE DEMONSTRATIONS.—

"(1) IN GENERAL.—In lieu of receiving earned income advance amounts from an employer under subsection (a), a participating resident shall receive advance earned income payments from a responsible State agency pursuant to a State Advance Payment Program that is designated pursuant to paragraph (2).

"(2) DESIGNATIONS.—

"(A) IN GENERAL.—From among the States submitting proposals satisfying the requirements of subsection (g)(3), the Secretary (in consultation with the Secretary of Health and Human Services) may designate not more than 4 State Advance Payment Demonstrations. States selected for the demonstrations may have, in the aggregate, no more than 5 percent of the total number of household participating in the program under the Food Stamp program in the immediately preceding fiscal year, Administrative costs of a State in conducting a demonstration under this section may be included for matching under section

403(a) of the Social Security Act and section 16(a) of the Food Stamp Act of 1977.

''(B) WHEN DESIGNATION MAY BE MADE.—Any designation under this paragraph shall be made no later than December 31, 1995.

''(C) PERIOD FOR WHICH DESIGNATION IS IN EFFECT.—

''(i) IN GENERAL.—Designations made under this paragraph shall be effective for advance earned income payments made after December 31, 1995, and before January 1, 1999.

''(ii) SPECIAL RULES.—

''(I) REVOCATION OF DESIGNATIONS.—The Secretary may revoke the designation under this paragraph if the Secretary determines that the State is not complying substantially with the proposal described in paragraph (3) submitted by the State.

''(II) AUTOMATIC TERMINATION OF DESIGNATIONS.—Any failure by a State to comply with the reporting requirements described in paragraphs

(3)(F) and (3)(G) has the effect of immediately terminating the designation under this paragraph (2) and rendering paragraph (5)(A)(ii) inapplicable to subsequent payments.

''(3) PROPOSALS.—No State may be designated under subsection (g)(2) unless the State's proposal for such designation—

''(A) identifies the responsible State agency,

''(B) describes how and when the advance earned income payments will be made by that agency, including a description of any other State or Federal benefits with which such payments will be coordinated,

''(C) describes how the State will obtain the information on which the amount of advance earned income payments made to each participating resident will be determined in accordance with paragraph (4),

''(D) describes how State residents who will be eligible to receive advance earned income payments will be selected, notified of the opportunity to receive advance earned income payments from the responsible State agency, and

given the opportunity to elect to participate in the program,

''(E) describes how the State will verify, in addition to receiving the certifications and statement described in paragraph (7)(D)(iv), the eligibility of participating residents for the earned tax credit,

''(F) commits the State to furnishing to each participating resident and to the Secretary by January 31 of each year a written statement showing—

''(i) the name and taxpayer identification number of the participating resident, and

''(ii) the total amount of advance earned income payments made to the participating resident during the prior calendar year,

''(G) commits the State to furnishing to the Secretary by December 1 of each year a written statement showing the name and taxpayer identification number of each participating resident,

''(H) commits the State to treat the advanced earned income payments as described in

subsection (g)(5) and any repayments of excessive advance earned income payments as described in subsection (g)(6),

''(I) commits the State to assess the development and implementation of its State Advance Payment Program, including an agreement to share its findings and lessons with other interested States in a manner to be described by the Secretary, and

''(J) is submitted to the Secretary on or before June 30, 1995.

''(4) AMOUNT AND TIMING OF ADVANCE EARNED INCOME PAYMENTS.—

''(A) AMOUNT.—

''(i) IN GENERAL.—The method for determining the amount of advance earned income payments made to each participating resident is to conform to the full extent possible with the provisions of subsection (c).

''(ii) SPECIAL RULE.—A State may, at its election, apply the rules of subsection (c)(2)(B) by substituting 'between 60 percent and 75 percent of the credit percentage in effect under section 32(b)(1) for an

individual with the corresponding number of qualifying children' for '60 percent of the credit percentage in effect under section 32(b)(1) for such an eligible individual with 1 qualifying child' in clause (i) and 'the same percentage (as applied in clause (i))' for '60 percent' in clause (ii).

''(B) TIMING.—The frequency of advance earned income payments may be made on the basis of the payroll periods of participating residents, on a single statewide schedule, or on any other reasonable basis prescribed by the State in its proposal; however, in no event may advance earned income payments be made to any participating resident less frequently than on a calendar-quarter basis.

''(5) PAYMENTS TO BE TREATED AS PAYMENTS OF WITHHOLDING AND FICA TAXES.—

''(A) IN GENERAL.—For purposes of this title, advance earned income payments during any calendar quarter—

''(i) shall neither be treated as a payment of compensation nor be included in gross income, and

''(ii) shall be treated as made out of—

"(I) amounts required to be deducted by the State and withheld for the calendar quarter by the State under section 3401 (relating to wage withholding), and

"(II) amounts required to be deducted for the calendar quarter under section 3102 (relating to FICA employee taxes), and

"(III) amounts of the taxes imposed on the State for the calendar quarter under section 3111 (relating to FICA employer taxes),

as if the State had paid to the Secretary, on the day on which payments are made to participating residents, an amount equal to such payments.

"(B) ADVANCE PAYMENTS EXCEED TAXES DUE.—If for any calendar quarter the aggregate amount of advance earned income payments made by the responsible State agency under a State Advance Payment Program exceeds the sum of the amounts referred to in subparagraph (A)(ii) (without regard to paragraph (6)(A)), each such advance earned in-

come payment shall be reduced by an amount which bears the same ratio to such excess as such advance earned income payment bears to the aggregate amount of all such advance earned income payments.

''(6) STATE REPAYMENT OF EXCESSIVE ADVANCE EARNED INCOME PAYMENTS.—

''(A) IN GENERAL.—Notwithstanding any other provision of law, in the case of an excessive advance earned income payment a State shall be treated as having deducted and withheld under section 3401 (relating to wage withholding), and therefore is required to pay to the United States, the repayment amount during the repayment calendar quarter.

''(B) EXCESSIVE ADVANCE EARNED INCOME PAYMENT.—For purposes of this section, an excessive advance income payment is that portion of any advance earned income payment that, when combined with other advance earned income payments previously made to the same participating resident during the same calendar year, exceeds the amount of earned income tax credit to which that participating resident is entitled under section 32 for that year.

"(C) REPAYMENT AMOUNT.—The repayment amount is equal to 50 percent of the excess of—

"(i) excessive advance earned income payments made by a State during a particular calendar year, over

"(ii) the sum of—

"(I) 4 percent of all advance earned income payments made by the State during that calendar year, and

"(II) the excessive advance earned income payments made by the State during that calendar year that have been collected from participating residents by the Secretary.

"(D) REPAYMENT CALENDAR QUARTER.—The repayment calendar quarter is the second calendar quarter of the third calendar year after the calendar year in which an excessive earned income payment is made.

"(7) DEFINITIONS.—For purposes of this section—

"(A) STATE ADVANCE PAYMENT PROGRAM.—The term 'State Advance Payment Program' means the program described in a

proposal submitted for designation under paragraph (1) and designated by the Secretary under paragraph (2).

''(B) RESPONSIBLE STATE AGENCY.—The term 'responsible State agency' means the single State agency that will be making the advance earned income payments to residents of the State who elect to participate in a State Advance Payment Program.

''(C) ADVANCE EARNED INCOME PAYMENTS.—The term 'advance earned income payments' means an amount paid by a responsible State agency to residents of the State pursuant to a State Advance Payment Program.

''(D) PARTICIPATING RESIDENT.—The term 'participating resident' means an individual who—

''(i) is a resident of a State that has in effect a designated State Advance Payment Program,

''(ii) makes the election described in paragraph (3)(C) pursuant to guidelines prescribed by the State,

''(iii) certifies to the State the number of qualifying children the individual has, and

''(iv) provides to the State the certifications and statement set forth in subsections (b)(1), (b)(2), (b)(3), and (b)(4) (except that for purposes of this clause (iv), the term 'any employer' shall be substituted for 'another employer' in subsection (b)(3)), along with any other information required by the State.''.

(b) TECHNICAL ASSISTANCE.—The Secretaries of Treasury and Health and Human Services shall jointly ensure that technical assistance is provided to State Advance Payment Programs and that these programs are rigorously evaluated.

(c) ANNUAL REPORTS.—The Secretary shall issue annual reports detailing the extent to which—

(1) residents participate in the State Advance Payment Programs,

(2) participating residents file Federal and State tax returns,

(3) participating residents report accurately the amount of the advance earned income payments

made to them by the responsible State agency during the year, and

(4) recipients of excessive advance earned income payments repaid those amounts.

The report shall also contain an estimate of the amount of advance earned income payments made by each responsible State agency but not reported on the tax returns of a participating resident and the amount of excessive advance earned income payments.

(d) AUTHORIZATION OF APPROPRIATIONS.—For purposes of providing technical assistance described in subsection (b), preparing the reports described in subsection (c), and providing grants to States in support of designated State Advance Payment Programs, there are authorized to be appropriated in advance to the Secretary of the Treasury and the Secretary of Health and Human Services a total of $1,400,000 for fiscal years 1996 through 1999.

Subtitle C—Child Care

SEC. 221. DEPENDENT CARE CREDIT TO BE REFUNDABLE; HIGH-INCOME TAXPAYERS INELIGIBLE FOR CREDIT.

(a) CREDIT TO BE REFUNDABLE.—

(1) IN GENERAL.—Section 21 of the Internal Revenue Code of 1986 (relating to expenses for

household and dependent care services necessary for gainful employment) is hereby moved to subpart C of part IV of subchapter A of chapter 1 of such Code (relating to refundable credits) and inserted after section 34.

(2) TECHNICAL AMENDMENTS.—

(A) Section 35 of such Code is redesignated as section 36.

(B) Section 21 of such Code is redesignated as section 35.

(C) Paragraph (1) of section 35(a) of such Code (as redesignated by subparagraph (B)) is amended by striking ''this chapter'' and inserting ''this subtitle''.

(D) Subparagraph (C) of section 129(a)(2) of such Code is amended by striking ''section 21(e)'' and inserting ''section 35(e)''.

(E) Paragraph (2) of section 129(b) of such Code is amended by striking ''section 21(d)(2)'' and inserting ''section 35(d)(2)''.

(F) Paragraph (1) of section 129(e) of such Code is amended by striking ''section 21(b)(2)'' and inserting ''section 35(b)(2)''.

(G) Subsection (e) of section 213 of such Code is amended by striking ''section 21'' and inserting ''section 35''.

(H) Paragraph (2) of section 1324(b) of title 31, United States Code, is amended by inserting before the period '', or from section 35 of such Code''.

(I) The table of sections for subpart C of part IV of subchapter A of chapter 1 of such Code is amended by striking the item relating to section 35 and inserting the following:

''Sec. 35. Expenses for household and dependent care services necessary for gainful employment.
''Sec. 36. Overpayments of tax.''.

(J) The table of sections for subpart A of such part IV is amended by striking the item relating to section 21.

(b) HIGHER-INCOME TAXPAYERS INELIGIBLE FOR CREDIT.—Subsection (a) of section 35 of such Code, as redesignated by subsection (a), is amended by adding at the end the following new paragraph:

''(3) PHASEOUT OF CREDIT FOR HIGHER-INCOME TAXPAYERS.—The amount of the credit which would (but for this paragraph) be allowed by this section shall be reduced (but not below zero) by an amount which bears the same ratio to such amount of credit as the excess of the taxpayer's adjusted

gross income for the taxable year over $60,000 bears to $20,000. Any reduction determined under the preceding sentence which is not a multiple of $10 shall be rounded to the nearest multiple of $10.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1996.

SEC. 222. FUNDING OF CHILD CARE SERVICES.

(a) ELIMINATION OF CHILD CARE PROGRAMS.—

(1) AFDC AND TRANSITIONAL CHILD CARE PROGRAMS.—

(A) REPEALER.—Section 402(g) (42 U.S.C. 602(g)) is hereby repealed.

(B) CONFORMING AMENDMENTS.—

(i) Section 403(a)(3) (42 U.S.C. 603(a)(3)) is amended by striking ''other than services furnished pursuant to section 402(g)''.

(ii) Section 403(e) (42 U.S.C. 603(e)) is amended—

(I) by striking '', 402(a)(43), and 402(g)(1),'' and inserting ''and 402(a)(43)''; and

(II) by striking the 2nd sentence.

(2) AT-RISK CHILD CARE PROGRAM.—Sections 402(i) and 403(n) (42 U.S.C. 602(i) and 603(n)) are hereby repealed.

(3) CHILD CARE PROGRAMS UNDER THE CHILD CARE AND DEVELOPMENT BLOCK GRANT ACT OF 1990.—The Child Care and Development Block Grant Act of 1990 (42 U.S.C. 9858 et seq.) is hereby repealed.

(b) FUNDING OF CHILD CARE SERVICES THROUGH SOCIAL SERVICES BLOCK GRANT PROGRAM.—Title XX (42 U.S.C. 1397–1397f) is amended by adding at the end the following:

"SEC. 2008. CHILD CARE.

''(a) CONDITIONAL ENTITLEMENT.—In addition to any payment under section 2002 or 2007, each State with a plan approved under this section for a fiscal year shall be entitled to payment of an amount equal to the special allotment of the State for the fiscal year.

''(b) STATE PLANS.—

''(1) CONTENT.—A plan meets the requirements of this paragraph if the plan—

''(A) identifies an appropriate State agency to be the lead agency responsible for administering at the State level, and coordinating

with local governments, the activities of the State pursuant to this section;

''(B) describes the activities the State will carry out with funds provided under this section;

''(C) provides assurances that the funds provided under this section will be used to supplement, not supplant, State and local funds as well as Federal funds provided under any Act and applied to child care activities in the State during fiscal year 1989;

''(D) provides assurances that the State will not expend more than 7 percent of the funds provided to the States under this section for the fiscal year for administrative expenses;

''(E) provides assurances that, in providing child care assistance, the State will give priority to families with low income and families living in a low-income geographical area;

''(F) ensures that child care providers reimbursed under this section meet applicable standards of State and local law;

''(G) provides assurances that the lead agency will coordinate the use of funds provided under this section with the use of other Federal

resources for child care provided under this Act, and with other Federal, State, or local child care and preschool programs operated in the State;

''(H) provides for the establishment of such fiscal and accounting procedures as may be necessary to—

''(i) ensure a proper accounting of Federal funds received by the State under this section; and

''(ii) ensure the proper verification of the reports submitted by the State under subsection (f)(2);

''(I) provides assurances that the State will not impose more stringent standards and licensing or regulatory requirements on child care providers receiving funds provided under this section than those imposed on other child care providers in the State;

''(J) provides assurances that the State will not implement any policy or practice which has the effect of significantly restricting parental choice by—

''(i) expressly or effectively excluding any category of care or type of provider within a category of care;

''(ii) limiting parental access to or choices from among various categories of care or types of providers; or

''(iii) excluding a significant number of providers in any category of care; and

''(K) provides assurances that parents will be informed regarding their options under this section, including the option of receiving a child care certificate or voucher.

''(2) FORM.—A State may submit a plan that meets the requirements of paragraph (1) in the form of amendments to the State plan submitted pursuant to section 658E of the Child Care and Development Block Grant Act of 1990, as in effect before the effective date of section 222 of the Individual Responsibility Act of 1995.

''(3) APPROVAL.—Not later than 90 days after the date the State submits a plan to the Secretary under this subsection, the Secretary shall either approve or disapprove the plan. If the Secretary disapproves the plan, the Secretary shall provide the

State with an explanation and recommendations for changes in the plan to gain approval.

''(c) SPECIAL ALLOTMENTS.—

''(1) IN GENERAL.—The special allotment of a State for a fiscal year equals the amount that bears the same ratio to the amount specified in paragraph (2) for the fiscal year, as the number of children who have not attained 13 years of age and are residing with families in the State bears to the total number of such children in all States with plans approved under this section for the fiscal year, determined on the basis of the most recent data available from the Department of Commerce at the time the special allotment is determined.

''(2) AMOUNT SPECIFIED.—The amount specified in this paragraph is—

''(A) $1,400,000,000 for fiscal year 1997; and

''(B) $1,450,000,000 for each of fiscal years 1998, 1999, and 2000.

''(d) PAYMENTS TO STATES.—

''(1) PAYMENTS.—The Secretary shall provide funds to each State with a plan approved under this section for a fiscal year from the special allotment

of the State for the fiscal year, in accordance with section 6503 of title 31, United States Code.

''(2) EXPENDITURE OF FUNDS BY STATES.—Except as provided in paragraph (3)(A), each State to which funds are paid under this section for a fiscal year shall expend such funds in the fiscal year or in the immediately succeeding fiscal year.

''(3) REDISTRIBUTION OF UNEXPENDED SPECIAL ALLOTMENTS.—

''(A) REMITTANCE TO THE SECRETARY.—Each State to which funds are paid under this section for a fiscal year shall remit to the Secretary that part of such funds which the State intends not to, or does not, expend in the fiscal year or in the immediately succeeding fiscal year.

''(B) REDISTRIBUTION.—The Secretary shall increase the special allotment of each State with a plan approved under this part for a fiscal year that does not remit any amount to the Secretary for the fiscal year by an amount equal to—

''(i) the aggregate of the amounts remitted pursuant to subparagraph (A) for the fiscal year; multiplied by

''(ii) the adjusted State share for the fiscal year.

''(C) ADJUSTED STATE SHARE.—As used in subparagraph (B)(ii), the term 'adjusted State share' means, with respect to a fiscal year—

''(i) the special allotment of the State for the fiscal year (before any increase under subparagraph (B)); divided by

''(ii)(I) the sum of the special allotments of all States with plans approved under this part for the fiscal year; minus

''(II) the aggregate of the amounts remitted to the Secretary pursuant to subparagraph (A) for the fiscal year.

''(e) USE OF FUNDS.—

''(1) IN GENERAL.—Funds provided under this section shall be used to expand parent choices in selecting child care, to address deficiencies in the supply of child care, and to expand and improve child care services, with an emphasis on providing such services to low-income families and geographical areas. Subject to the approval of the Secretary, States to which funds are paid under this section shall use such funds to carry out child care pro-

grams and activities through cash grants, certificates, or contracts with families, or public or private entities as the State determines appropriate. States shall take parental preference into account to the maximum extent possible in carrying out child care programs.

''(2) SPECIFIC USES.—Each State to which funds are paid under this section may expend such funds for—

''(A) child care services for infants, sick children, children with special needs, and children of adolescent parents;

''(B) after-school and before-school programs and programs during nontraditional hours for the children of working parents;

''(C) programs for the recruitment and training of day care workers, including older Americans;

''(D) grant and loan programs to enable child care workers and providers to meet State and local standards and requirements;

''(E) child care programs developed by public and private sector partnerships;

"(F) State efforts to provide technical assistance designed to help providers improve the services offered to parents and children; and

"(G) other child care-related programs consistent with the purpose of this section and approved by the Secretary.

"(3) LIMITATIONS ON USE OF FUNDS.—A State to which funds are paid under this section for a fiscal year shall use not less than 80 percent of such funds to provide direct child care assistance to low-income parents through child care certificates or vouchers, contracts, or grants.

"(4) METHODS OF FUNDING.—Funds for child care services under this title shall be for the benefit of parents and shall be provided through child care vouchers or certificates provided directly to parents or through contracts or grants with public or private providers.

"(5) PARENTAL RIGHTS OF CHOICE.—Any parent who receives a child care certificate under this title may use such certificate with any child care provider, including those providers which have religious activities, if such provider is freely chosen by the parent from among the available alternatives.

"(6) CHILD CARE CERTIFICATES.—

"(A) IN GENERAL.—For purposes of this title, a child care certificate is a certificate issued by a State directly to a parent or legal guardian for use only as payment for child care services in any child care facility eligible to receive funds under this Act.

"(B) REDEMPTION.—If the demand for child care services of families qualified to receive such services from a State under this Act exceeds the available supply of such services, the State shall ration assistance to obtain such services using procedures that do not disadvantage parents using child care certificates, relative to other methods of financing, in either the waiting period or the pecuniary value of such services.

"(C) COMMENCEMENT OF CERTIFICATE PROGRAM.—Beginning not later than 1 year after the date of the enactment of this section, each State that receives funds under this title shall offer a child care certificate program in accordance with this section.

"(D) AUTHORITY TO USE CHILD CARE FUNDS FOR CERTIFICATE PROGRAM.—Each State to which funds are paid under this title

may use the funds provided to the State under this title which are required to be used for child care activities to plan and establish the State's child care certificate program.

''(7) OPTION OF RECEIVING A CHILD CARE CERTIFICATE.—Each parent or legal guardian who receives assistance pursuant to this title shall be provided with the option of enrolling their child with an eligible child care provider that receives funds through grants, contracts, or child care certificates provided under this title. Such parent shall have the right to use such certificates to purchase child care services from an eligible provider of their choice. The State shall ensure that parental preference is considered to the maximum extent possible in awarding grants or contracts.

''(8) RIGHTS OF RELIGIOUS CHILD CARE PROVIDERS.—Notwithstanding any other provision of law, a religious child care provider who receives funds under this Act may require adherence by employees to the religious tenets or teachings of the provider.

''(9) ELIGIBLE CHILD CARE PROVIDERS.—Any child care provider who meets applicable standards of State and local law shall be eligible to receive

funds under this section. As used in this paragraph, the term 'child care provider' includes—

''(A) proprietary for-profit entities, relatives, informal day care homes, religious child care providers, day care centers, and any other entities that the State determines appropriate subject to approval of the Secretary;

''(B) nonprofit organizations under subsections (c) and (d) of section 501 of the Internal Revenue Code of 1986;

''(C) professional or employee associations;

''(D) consortia of small businesses; and

''(E) units of State and local governments, and elementary, secondary, and post-secondary educational institutions.

''(10) PROHIBITED USES.—Any State to which funds are paid under this section may not use such funds—

''(A) to satisfy any State matching requirement imposed under any Federal grant;

''(B) for the purchase or improvement of land, or the purchase, construction, or permanent improvement (other than minor remodeling) of any building or other facility; or

"(C) to provide any service which the State makes generally available to the residents of the State without cost to such residents and without regard to the income of such residents.

"(f) REPORTING REQUIREMENTS.—

"(1) NOTICE TO SECRETARY OF UNEXPENDED FUNDS.—Each State which has not completely expended the funds paid to the State under this section for a fiscal year in the fiscal year or the immediately succeeding fiscal year shall notify the Secretary of any amount not so expended.

"(2) STATE REPORTS ON USE OF FUNDS.—Not later than 18 months after the date of the enactment of this section, and each year thereafter, the State shall prepare and submit to the Secretary, in such form as the Secretary shall prescribe, a report describing the State's use of funds paid to the State under this section, including—

"(A) the number, type, and distribution of services and programs under this section;

"(B) the average cost of child care, by type of provider;

"(C) the number of children serviced under this section;

"(D) the average income and distribution of incomes of the families being served;

"(E) efforts undertaken by the State pursuant to this section to promote and ensure health and safety and improve quality; and

"(F) such other information as the Secretary considers appropriate.

"(3) GUIDELINES FOR STATE REPORTS; COORDINATION WITH REPORTS UNDER SECTION 2006.—Within 6 months after the date of the enactment of this section, the Secretary shall establish guidelines for State reports under paragraph (2). To the extent feasible, the Secretary shall coordinate such reporting requirement with the reports required under section 2006 and, as the Secretary deems appropriate, with other reporting requirements placed on States as a condition of receipt of other Federal funds which support child care.

"(4) REPORTS BY THE SECRETARY.—

"(A) REPORTS TO THE CONGRESS OF SUMMARY OF STATE REPORTS.—The Secretary shall annually summarize the information reported to the Secretary pursuant to paragraph (2) and provide such summary to the Congress.

''(B) REPORTS TO THE STATES ON EFFECTIVE PRACTICES.—The Secretary shall annually provide the States with a report on particularly effective practices and programs supported by funds paid to the State under this section, which ensure the health and safety of children in care, promote quality child care, and provide training to all types of providers.

''(g) ADMINISTRATION AND ENFORCEMENT.—

''(1) ADMINISTRATION.—The Secretary shall—

''(A) coordinate all activities of the Department of Health and Human Services relating to child care, and, to the maximum extent practicable, coordinate such activities with similar activities of other Federal entities;

''(B) collect, publish, and make available to the public a listing of State child care standards at least once every 3 years; and

''(C) provide technical assistance to assist States to carry out this section, including assistance on a reimbursable basis.

''(2) ENFORCEMENT.—

''(A) REVIEW OF COMPLIANCE WITH STATE PLAN.—The Secretary shall review and monitor State compliance with this section and

the plans approved under this section for the State, and shall have the power to terminate payments to the State in accordance with subparagraph (B).

''(B) NONCOMPLIANCE.—

''(i) IN GENERAL.—If the Secretary, after reasonable notice to a State and opportunity for a hearing, finds that—

''(I) there has been a failure by the State to comply substantially with any provision or requirement set forth in the plan approved under this section for the State; or

''(II) in the operation of any program for which assistance is provided under this section there is a failure by the State to comply substantially with any provision of this section;

the Secretary shall notify the State of the findings and that no further payments may be made to such State under this section (or, in the case of noncompliance in the operation of a program or activity, that no further payments to the State will be made with respect to such program or activity)

until the Secretary is satisfied that there is no longer any such failure to comply or that the noncompliance will be promptly corrected.

''(ii) ADDITIONAL SANCTIONS.—In the case of a finding of noncompliance made pursuant to clause (i), the Secretary may, in addition to imposing the sanctions described in such subparagraph, impose the other appropriate sanctions, including recoupment of money improperly expended for purposes prohibited or not authorized by this section, and disqualification from the receipt of financial assistance under this section.

''(iii) NOTICE.—The notice required under subparagraph (A) shall include a specific identification of any additional sanction being imposed under clause (ii).

''(C) ISSUANCE OF RULES.—The Secretary shall establish by rule procedures for—

''(i) receiving, processing, and determining the validity of complaints concerning any failure of a State to comply with

the State plan or any requirement of this section; and

''(ii) imposing sanctions under this subsection.

"SEC. 2009. CHILD CARE DURING PARTICIPATION IN EMPLOYMENT, EDUCATION, AND TRAINING; EXTENDED ELIGIBILITY.

''(a) CHILD CARE GUARANTEE.—

''(1) IN GENERAL.—Each State agency referred to in section 2008(b)(1)(A) shall guarantee child care in accordance with section 2008—

''(A) for any individual who is participating in an education or training activity (including participation in a program established under part G of title IV) if the State agency approves the activity and determines that the individual is participating satisfactorily in the activity;

''(B) for each family with a dependent child requiring such care to the extent that such care is determined by the State agency to be necessary for an individual in the family to accept employment or remain employed, including in a community service job under part H of title IV; and

''(C) to the extent that the State agency determines that such care is necessary for the employment of an individual, if the family of which the individual is a member has ceased to receive aid under the State plan approved under part A of title IV by reason of increased hours of, or income from, such employment or by reason of section 402(a)(8)(B)(ii)(II), subject to paragraph (2) of this subsection.

''(2) LIMITATIONS ON ELIGIBILITY FOR TRANSITIONAL CHILD CARE.—A family shall not be eligible for child care under paragraph (1)(C)—

''(A) for more than 12 months after the last month for which the family received aid described in such paragraph;

''(B) if the family did not receive such aid in at least 3 of the most recent 6 months in which the family received such aid;

''(C) if the family does not include a child who is (or, if needy, would be) a dependent child (within the meaning of part A of title IV);

''(D) for any month beginning after the caretaker relative (within the meaning of such part) in the family has terminated his or her employment without good cause; or

''(E) with respect to a child, for any month beginning after the caretaker relative in the family has refused to cooperate with the State in establishing or enforcing the obligation of any parent of the child to provide support for the child, without good cause as determined by the State agency in accordance with standards prescribed by the Secretary which shall take into consideration the best interests of the child.

''(b) STATE ENTITLEMENT TO PAYMENTS.—Each State with a plan approved under section 2008 shall be entitled to receive from the Secretary for any fiscal year an amount equal to—

''(1) the total amount expended by the State to carry out subsection (a) during the fiscal year; multiplied by

''(2) the greater of—

''(A) 70 percent; or

''(B) the Federal medical assistance percentage (as defined in the last sentence of section 1118, increased by 10 percentage points.''.

(c) EFFECTIVE DATE.—The amendments and repeals made by this section shall take effect on October 1, 1996.

Subtitle D—AFDC Work Disregards

SEC. 231. OPTION TO INCREASE DISREGARD OF EARNED INCOME.

Section 402(a)(8)(A) (42 U.S.C. 602(a)(8)(A)) is amended—

(1) by striking ''and'' at the end of clause (vii); and

(2) by adding at the end the following:

''(ix) if electing to disregard clauses (ii) and (iv), shall disregard from the earned income of any child, relative, or other individual specified in clause (ii) an amount equal to not less than the first $120 and not more than the first $225 of the total of such earned income not disregarded under any other clause of this subparagraph, plus not more than one third of the remainder of such earned income; and''.

SEC. 232. STATE OPTION TO ESTABLISH VOLUNTARY DIVERSION PROGRAM.

Section 402(a) (42 U.S.C. 602(a)), as amended by sections 101, 102, and 211(a) of this Act, is amended—

(1) by striking ''and'' at the end of paragraph (47);

(2) by striking the period at the end of paragraph (48) and inserting ''; and''; and

(3) by inserting after paragraph (48) the following:

''(49) at the option of the State, and in such part or parts of the State as the State may select, provide that—

''(A) upon the recommendation of the caseworker who is handling the case of a family eligible for aid under the State plan, the State shall, in lieu of any other payment under the State plan to a family during a time period of not more than 3 months, make a lump-sum payment to the family for the time period in an amount not to exceed—

''(i) the amount of the monthly benefit to which the family is entitled under the State plan; multiplied by

''(ii) the number of months in the time period;

''(B) a lump-sum payment pursuant to subparagraph (A) shall not be made more than once to any family; and

''(C) if, during a time period for which the State has made a lump-sum payment to a family pursuant to subparagraph (A), the family applies for and (but for the lump-sum payment)

would be eligible for aid under the State plan for a greater monthly benefit than the monthly benefit to which the family was entitled under the State plan at the time of the calculation of the lump sum payment, then, notwithstanding subparagraph (A), the State shall, for that part of the time period that remains after the family becomes eligible for the greater monthly benefit, provide monthly benefits to the family in an amount not to exceed—

''(i) the amount by which the greater monthly benefit exceeds the former monthly benefit, multiplied by the number of months in the time period; divided by

''(ii) the whole number of months remaining in the time period.''.

SEC. 233. ELIMINATION OF QUARTERS OF COVERAGE REQUIREMENT FOR MARRIED TEENS UNDER AFDC–UP PROGRAM.

(a) IN GENERAL.—Section 407(b)(1)(A)(iii)(I) (42 U.S.C. 607(b)(1)(A)(iii)(I)) is amended by inserting ''except in the case of a family in which the parents are married and neither parent has attained 20 years of age,'' after ''(I)''.

(b) EXTENSION OF AFDC–UP PROGRAM.—Section 401(h) of the Family Support Act of 1988 (42 U.S.C. 602 and note, 607) is amended by striking ''1998'' and inserting ''2000''.

Subtitle E—AFDC Asset Limitations

SEC. 241. INCREASE IN RESOURCE THRESHOLDS; SEPARATE THRESHOLD FOR VEHICLES.

Section 402(a)(7)(B) (42 U.S.C. 602(a)(7)(B)) is amended—

(1) by striking ''$1,000 or such lower amount as the State may determine'' and inserting ''$2,000''; and

(2) in clause (i), by striking ''such amount as the Secretary may prescribe'' and inserting ''the dollar amount prescribed by the Secretary of Agriculture under section 5(g) of the Food Stamp Act of 1977''.

SEC. 242. LIMITED DISREGARD OF AMOUNTS SAVED FOR POST-SECONDARY EDUCATION, THE PURCHASE OF A FIRST HOME, OR THE ESTABLISHMENT OR OPERATION OF A MICROENTERPRISE.

(a) DISREGARD FROM RESOURCES.—Section 402(a)(7)(B) (42 U.S.C. 602(a)(7)(B)) is amended—

(1) by striking ''or'' before ''(iv)''; and

(2) by inserting '', or (v) any amount not exceeding $8,000 in 1 qualified asset account (as defined in section 406(i)) of 1 member of such family'' before ''; and''.

(b) DISREGARD FROM INCOME.—

(1) IN GENERAL.—Section 402(a)(8)(A) (42 U.S.C. 602(a)(8)(A)), as amended by section 231 of this Act, is amended—

(A) by striking ''and'' at the end of clause (viii); and

(B) by inserting after clause (ix) the following new clause:

''(x) shall disregard any interest or income earned on a qualified asset account (as defined in section 406(i)) and paid into the account, to the extent that the total amount in the account, after such payment, does not exceed $8,000; and''.

(2) NONRECURRING LUMP SUM EXEMPT FROM LUMP SUM RULE.—Section 402(a)(17) (42 U.S.C. 602(a)(17)) is amended by adding at the end the following: ''; and that this paragraph shall not apply to earned or unearned income received in a month on a nonrecurring basis to the extent that such in-

come is placed in a qualified asset account (as defined in section 406(i)) the total amount in which, after such placement, does not exceed $8,000;''.

(3) TREATMENT AS INCOME.—Section 402(a)(7) (42 U.S.C. 602(a)(7)) is amended—

(A) by striking ''and'' at the end of subparagraph (B);

(B) by striking the semicolon at the end of subparagraph (C) and inserting ''; and''; and

(C) by adding at the end the following new subparagraph:

''(D) shall treat as income any distribution from a qualified asset account (as defined in section 406(i)(1)) that is not a qualified distribution (as defined in section 406(i)(2));''.

(c) DEFINITIONS.—Section 406 (42 U.S.C. 606) is amended by adding at the end the following:

''(i)(1) The term 'qualified asset account' means a mechanism approved by the State (such as individual retirement accounts, escrow accounts, or savings bonds) that allows savings of an individual receiving aid to families with dependent children to be used for a purpose described in paragraph (2).

''(2) The term 'qualified distribution' means a distribution for expenses directly related to 1 or more of the following purposes:

''(A) The attendance of a member of the family at any postsecondary education program.

''(B) The purchase of residential real property for the family that the family intends to occupy, if no member of the family has an ownership interest in such a property.

''(C) The establishment or operation of a microenterprise owned by a member of the family.

''(j) The term 'microenterprise' means a commercial enterprise which has 5 or fewer employees, 1 or more of whom owns the enterprise.''.

TITLE III—THE WORK FIRST PROGRAM

SEC. 301. WORK FIRST PROGRAM.

(a) STATE PLAN REQUIREMENT.—Section 402(a) (42 U.S.C. 602(a)), as amended by sections 101, 102, 211(a), and 232 of this Act, is amended—

(1) by striking ''and'' at the end of paragraph (48);

(2) by striking the period at the end of paragraph (49) and inserting ''; and''; and

(3) by inserting after paragraph (49) the following:

''(50) provide that the State—

''(A) shall develop an individual responsibility plan in accordance with part F for each applicant for, or recipient of, aid under the State plan who—

''(i) has attained 18 years of age; or

''(ii) has not completed high school or obtained a certificate of high school equivalency, and is not attending secondary school;

''(B) has in effect and operation—

''(i) a work first program that meets the requirements of subpart 1 of part G (or, for any fiscal year for which the Secretary has approved a State plan under subpart 2 of part G, such subpart 2); and

''(ii) a community service program that meets the requirements of part H, or a job placement voucher program that meets the requirements of part I, but not both;

''(C) shall provide a position in the workfare program established by the State

under part H, or a job placement voucher under the job placement voucher program established by the State under part I to any individual who, by reason of section 497(b), is prohibited from participating in the work first program operated by the State, and shall not provide such a position or such a voucher to any other individual; and

''(D) shall provide to participants in such programs such case management services as are necessary to ensure the integrated provision of benefits and services under such programs.''.

(b) ESTABLISHMENT AND OPERATION OF PROGRAM.—Title IV (42 U.S.C. 601 et seq.) is amended by striking part F and inserting the following:

"Part F—Individual Responsibility Plan

"SEC. 481. ASSESSMENT.

''The State agency referred to in section 402(a)(3) shall make an initial assessment of the skills, prior work experience, and employability of each individual for whom section 402(a)(50)(A) requires the State to develop an individual responsibility plan.

"SEC. 482. INDIVIDUAL RESPONSIBILITY PLANS.

''(a) IN GENERAL.—On the basis of the assessment made under section 481 with respect to an individual, the

State agency, in consultation with the individual, shall develop an individual responsibility plan for the individual, which—

''(1) shall provide that participation by the individual in job search activities shall be a condition of eligibility for aid under the State plan approved under part A, except during any period for which the individual is employed full-time in an unsubsidized job in the private sector;

''(2) sets forth an employment goal for the individual and a plan for moving the individual immediately into private sector employment;

''(3) sets forth the obligations of the individual, which may include a requirement that the individual attend school, maintain certain grades and attendance, keep school age children of the individual in school, immunize children, attend parenting and money management classes, or do other things that will help the individual become and remain employed in the private sector; and

''(4) may require that the individual enter the State program established under part G, if the caseworker determines that the individual will need education, training, job placement assistance, wage en-

hancement, or other services to become employed in the private sector.

''(b) TIMING.—The State agency shall comply with subsection (a) with respect to an individual—

''(1) within 90 days (or, at the option of the State, 180 days) after the effective date of this part, in the case of an individual who, as of such effective date, is a recipient of aid under the State plan approved under part A; or

''(2) within 30 days (or, at the option of the State, 90 days) after the individual is determined to be eligible for such aid, in the case of any other individual.

''SEC. 483. PROVISION OF PROGRAM AND EMPLOYMENT INFORMATION.

''The State shall inform all applicants for and recipients of aid under the State plan approved under part A of all available services under the State plan for which they are eligible.

''SEC. 484. REQUIREMENT THAT RECIPIENTS ENTER THE WORK FIRST PROGRAM.

''(a) IN GENERAL.—Beginning with fiscal year 2004, the State shall place recipients of aid under the State plan approved under part A, who have not become employed in the private sector within 1 year after signing an individ-

ual responsibility plan, in the first available slot in the State program established under part G, except as provided in subsection (b).

''(b) EXCEPTIONS.—A State may not be required to place a recipient of such aid in the State program established under part G if the recipient—

''(1) is ill, incapacitated, or of advanced age;

''(2) has not attained 18 years of age;

''(3) is caring for a child or parent who is ill or incapacitated; or

''(4) is enrolled in school or in educational or training programs that will lead to private sector employment.

''SEC. 485. PENALTIES.

''(a) STATE NOT OPERATING A WORK FIRST PROGRAM UNDER A STATE MODEL OR A WORKFARE PROGRAM.—In the case of a State that is not operating a program under subpart 2 of part G or under part H:

''(1) FAILURE TO COMPLY WITH INDIVIDUAL RESPONSIBILITY PLAN OR AGREEMENT OF MUTUAL RESPONSIBILITY.—

''(A) PROGRESSIVE REDUCTIONS IN AID FOR 1ST AND 2ND FAILURES.—The amount of aid otherwise payable under the State plan approved under part A to a family that includes

an individual who fails without good cause to comply with an individual responsibility plan (or, if the State has established a program under subpart 1 of part G and the individual is required to participate in the program, an agreement of mutual responsibility) signed by the individual (other than by reason of conduct described in paragraph (2)) shall be reduced by—

''(i) 33 percent for the 1st such act of noncompliance; or

''(ii) 66 percent for the 2nd such act of noncompliance.

''(B) DENIAL OF AID FOR 3RD FAILURE.—In the case of the 3rd such act of noncompliance, the family of which the individual is a member shall not thereafter be eligible for aid under the State plan approved under part A.

''(C) ACTS OF NONCOMPLIANCE.—For purposes of this paragraph, a 1st act of noncompliance by an individual continues for more than 1 calendar month shall be considered a 2nd act of noncompliance, and a 2nd act of noncompliance that continues for more than 3 calendar

months shall be considered a 3rd act of noncompliance.

''(2) DENIAL OF AFDC TO ADULTS REFUSING TO WORK, LOOK FOR WORK, OR ACCEPT A BONA FIDE OFFER OF EMPLOYMENT.—

''(A) REFUSAL TO WORK OR LOOK FOR WORK.—If an unemployed individual who has attained 18 years of age refuses to work or look for work—

''(i) in the case of the 1st such refusal, aid under the State plan approved under part A shall not be payable with respect to the individual until the later of—

''(I) a period of not less than 6 months after the date of the first such refusal; or

''(II) the first date the individual agrees to work or look for work.

''(ii) in the case of the 2nd such refusal, the family of which the individual is a member shall not thereafter be eligible for aid under the State plan approved under part A.

''(B) REFUSAL TO ACCEPT A BONA FIDE OFFER OF EMPLOYMENT.—If an unemployed

individual who has attained 18 years of age refuses to accept a bona fide offer of employment, the family of which the individual is a member shall not thereafter be eligible for aid under the State plan approved under part A.

''(b) OTHER STATES.—In the case of any other State, the State shall reduce, by such amount as the State considers appropriate, the amount of aid otherwise payable under the State plan approved under part A to a family that includes an individual who fails without good cause to comply with an individual responsibility plan signed by the individual.

''Part G—Work First Program

''Subpart 1—Federal Model

''SEC. 491. ESTABLISHMENT AND OPERATION OF STATE PROGRAMS.

''A work first program meets the requirements of this subpart if the program meets the following requirements:

''(1) OBJECTIVE.—The objective of the program is for each program participant to find and hold a full-time unsubsidized paid job, and for this goal to be achieved in a cost-effective fashion.

''(2) METHOD.—The method of the program is to connect recipients of aid to families with dependent children with the private sector labor market as

soon as possible and offer them the support and skills necessary to remain in the labor market. Each component of the program should be permeated with an emphasis on employment and with an understanding that minimum wage jobs are a stepping stone to more highly paid employment.

''(3) JOB CREATION.—The creation of jobs, with an emphasis on private sector jobs, shall be a component of the program and shall be a priority for each State office with responsibilities under the program.

''(4) USE OF INCENTIVES.—The State shall use incentives to change the culture of each State office with responsibilities under the State plan approved under part A, improve the performance of employees, and ensure that the objective of each employee of each such State office is to find an unsubsidized paid job for each program participant.

''(5) CASEWORKER TRAINING.—The State may provide such training to caseworkers and related personnel (including through the use of incentives) as may be necessary to ensure successful job placements that result in full-time public or private employment (outside the State agencies with responsibilities under part A) for program participants.

The State shall reward any caseworker who enters an agreement of mutual responsibility with a program participant that provides for education or training activities as well as work.

''(6) REPORTS.—Each office with responsibility for operating the program shall make monthly statistical reports to the governing body of the State, county, and city in which located, of job placements and the number of program participants who are no longer receiving aid under the State plan approved under part A as a result of participation in the program.

''(7) CASE MANAGEMENT TEAMS.—

''(A) DUTIES.—The program requires the State to assign to each individual required or allowed to participate in the program a case management team that shall meet with the program participant and develop an agreement of mutual responsibility for the individual.

''(B) DEADLINE.—

''(i) IN GENERAL.—The case management team shall comply with subparagraph (A) with respect to a program participant within 30 days (or, at the option of the

State, within a period not exceeding 90 days) after the later of—

''(I) the date the application of the program participant for aid under the State plan approved under part A was approved; or

''(II) the date this subpart first applies to the State.

''(ii) REPEAT PARTICIPANTS.—Within 30 days after the State makes a determination under section 497(b)(2) to allow an individual to participate in the program, the case management team shall meet with the individual and develop an agreement of mutual responsibility for the individual.

''(8) AGREEMENTS OF MUTUAL RESPONSIBILITY.—The agreement of mutual responsibility for a participant shall—

''(A) contain an individualized comprehensive plan, developed by the team and the participant, to move the participant into a full-time unsubsidized job, through activities under section 492, 493, 494, 495, or 496;

''(B) to the greatest extent possible, be designed to move the participant as quickly as possible into whatever type and amount of work as the participant is capable of handling, and increases the responsibility and amount of work over time until the participant is able to work full-time;

''(C) where necessary, provide for education or training of the participant;

''(D) provide that aid under the State plan is to be paid to the participant based on the number of hours that the participant spends in activities provided for in the agreement;

''(E) provide that the participant shall spend at least 30 hours per week (or, at State option, at least 20 hours per week during fiscal years 1997 and 1998, and at least 25 hours per week during fiscal year 1999) in activities provided for in the agreement;

''(F) provide that the participant shall accept any bona fide offer of unsubsidized full-time employment, unless the participant has good cause for not doing so;

"(G) at the option of the State, require the participant to undergo appropriate substance abuse treatment; and

"(H) at the option of the State, require the participant to have his or her children receive appropriate immunizations against disease.

"(9) OPTIONS FOR PARTICIPANTS.—The case manager for a program participant shall present the participant with each option offered under the State program through which the participant will, over time, be moved into full-time unsubsidized employment.

"(10) ONE-STOP EMPLOYMENT SHOPS.—

"(A) IN GENERAL.—In carrying out the program, the State shall utilize and make available to each program participant, through the establishment and operation or utilization of appropriate Federal or State one-stop employment shops, services under programs carried out under the following provisions of law:

"(i) Part A of title II of the Job Training Partnership Act (29 U.S.C. 1601 et seq.) (relating to the adult training program).

"(ii) Part B of title II of such Act (29 U.S.C. 1630 et seq.) (relating to the summer youth employment and training programs).

"(iii) Part C of title II of such Act (29 U.S.C. 1641 et seq.) (relating to the youth training program).

"(iv) Title III of such Act (29 U.S.C. 1651 et seq.) (relating to employment and training assistance for dislocated workers).

"(v) Part B of title IV of such Act (29 U.S.C. 1691 et seq.) (relating to the Job Corps).

"(vi) The Carl D. Perkins Vocational and Applied Technology Education Act (20 U.S.C. 2301 et seq.).

"(vii) The Adult Education Act (20 U.S.C. 1201 et seq.).

"(viii) Part B of chapter 1 of title I of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 2741 et seq.) (relating to Even Start family literacy programs).

"(ix) Subtitle A of title VII of the Stewart B. McKinney Homeless Assistance

Act (42 U.S.C. 11421) (relating to adult education for the homeless).

''(x) Subtitle B of title VII of such Act (42 U.S.C. 11431 et seq.) (relating to education for homeless children and youth).

''(xi) Subtitle C of title VII of such Act (42 U.S.C. 11441) (relating to job training for the homeless).

''(xii) The School-to-Work Opportunities Act of 1994.

''(xiii) The National and Community Service Act of 1990 (42 U.S.C. 12501 et seq.).

''(xiv) The National Skill Standards Act of 1994.

''(B) COORDINATION.—In utilizing appropriate Federal or State one-stop employment shops described in subparagraph (A), the State shall ensure coordination between the caseworker of each program participant and the administrators of the programs carried out under the provisions of law described in such subparagraph.

''(11) NONDISPLACEMENT.—The program may not be operated in a manner that results in—

''(A) the displacement of a currently employed worker or position by a program participant;

''(B) the replacement of an employee who has been terminated with a program participant; or

''(C) the replacement of an individual who is on layoff from the same position given to a program participant or any equivalent position.

''SEC. 492. REVAMPED JOBS PROGRAM.

''A State that establishes a program under this subpart may operate a program similar to the program known as the 'GAIN Program' that has been operated by Riverside County, California, under Federal law in effect immediately before the date this subpart first applies to the State of California.

''SEC. 493. USE OF PLACEMENT COMPANIES.

''(a) IN GENERAL.—A State that establishes a program under this subpart may enter into contracts with private companies (whether operated for profit or not for profit) for the placement of participants in the program in positions of full-time employment, preferably in the pri-

vate sector, for wages sufficient to eliminate the need of such participants for cash assistance.

"(b) REQUIRED CONTRACT TERMS.—Each contract entered into under this section with a company shall meet the following requirements:

"(1) PROVISION OF JOB READINESS AND SUPPORT SERVICES.—The contract shall require the company to provide, to any program participant who presents to the company a voucher issued under subsection (d) intensive personalized support and job readiness services designed to prepare the individual for employment and ensure the continued success of the individual in employment.

"(2) PAYMENTS.—

"(A) IN GENERAL.—The contract shall provide for payments to be made to the company with respect to each program participant who presents to the company a voucher issued under subsection (d).

"(B) STRUCTURE.—The contract shall provide for the majority of the amounts to be paid under the contract with respect to a program participant, to be paid after the company has placed the participant in a position of full-time employment and the participant has been

employed in the position for such period of not less than 5 months as the State deems appropriate.

''(c) COMPETITIVE BIDDING REQUIRED.—Contracts under this section shall be awarded only after competitive bidding.

''(d) VOUCHERS.—The State shall issue a voucher to each program participant whose agreement of mutual responsibility provides for the use of placement companies under this section, indicating that the participant is eligible for the services of such a company.

''SEC. 494. TEMPORARY SUBSIDIZED JOB CREATION.

''A State that establishes a program under this subpart may establish a program similar to the program known as 'JOBS Plus' that has been operated by the State of Oregon under Federal law in effect immediately before the date this subpart first applies to the State of Oregon.

''SEC. 495. MICROENTERPRISE.

''(a) GRANTS AND LOANS TO NONPROFIT ORGANIZATIONS FOR THE PROVISION OF TECHNICAL ASSISTANCE, TRAINING, AND CREDIT TO LOW INCOME ENTREPRENEURS.—A State that establishes a program under this subpart may make grants and loans to nonprofit organizations to provide technical assistance, training, and

credit to low income entrepreneurs for the purpose of establishing microenterprises.

''(b) MICROENTERPRISE DEFINED.—For purposes of this subsection, the term 'microenterprise' means a commercial enterprise which has 5 or fewer employees, 1 or more of whom owns the enterprise.

"SEC. 496. WORK SUPPLEMENTATION PROGRAM.

''(a) IN GENERAL.—A State that establishes a program under this subpart may institute a work supplementation program under which the State, to the extent it considers appropriate, may reserve the sums that would otherwise be payable to participants in the program as aid to families with dependent children and use the sums instead for the purpose of providing and subsidizing jobs for the participants (as described in subsection (c)(3)(A) and (B)), as an alternative to the aid to families with dependent children that would otherwise be so payable to the participants.

''(b) STATE FLEXIBILITY.—

''(1) Nothing in this subpart, or in any State plan approved under part A, shall be construed to prevent a State from operating (on such terms and conditions and in such cases as the State may find to be necessary or appropriate) a work supplementation program in accordance with this section

and section 494 (as in effect immediately before the date this subpart first applies to the State).

''(2) Notwithstanding section 402(a)(23) or any other provision of law, a State may adjust the levels of the standards of need under the State plan as the State determines to be necessary and appropriate for carrying out a work supplementation program under this section.

''(3) Notwithstanding section 402(a)(1) or any other provision of law, a State operating a work supplementation program under this section may provide that the need standards in effect in those areas of the State in which the program is in operation may be different from the need standards in effect in the areas in which the program is not in operation, and the State may provide that the need standards for categories of recipients may vary among such categories to the extent the State determines to be appropriate on the basis of ability to participate in the work supplementation program.

''(4) Notwithstanding any other provision of law, a State may make such further adjustments in the amounts of the aid to families with dependent children paid under the plan to different categories of recipients (as determined under paragraph (3)) in

order to offset increases in benefits from needs-related programs (other than the State plan approved under part A) as the State determines to be necessary and appropriate to further the purposes of the work supplementation program.

''(5) In determining the amounts to be reserved and used for providing and subsidizing jobs under this section as described in subsection (a), the State may use a sampling methodology.

''(6) Notwithstanding section 402(a)(8) or any other provision of law, a State operating a work supplementation program under this section—

''(A) may reduce or eliminate the amount of earned income to be disregarded under the State plan as the State determines to be necessary and appropriate to further the purposes of the work supplementation program; and

''(B) during 1 or more of the first 9 months of an individual's employment pursuant to a program under this subpart, may apply to the wages of the individual the provisions of subparagraph (A)(iv) of section 402(a)(8) without regard to the provisions of subparagraph (B)(ii)(II) of such section.

''(c) RULES RELATING TO SUPPLEMENTED JOBS.—

''(1) A work supplementation program operated by a State under this section may provide that any individual who is an eligible individual (as determined under paragraph (2)) shall take a supplemented job (as defined in paragraph (3)) to the extent that supplemented jobs are available under the program. Payments by the State to individuals or to employers under the work supplementation program shall be treated as expenditures incurred by the State for aid to families with dependent children except as limited by subsection (d).

''(2) For purposes of this section, an eligible individual is an individual who is in a category which the State determines should be eligible to participate in the work supplementation program, and who would, at the time of placement in the job involved, be eligible for aid to families with dependent children under an approved State plan if the State did not have a work supplementation program in effect.

''(3) For purposes of this subsection, a supplemented job is—

''(A) a job provided to an eligible individual by the State or local agency administering the State plan under part A; or

"(B) a job provided to an eligible individual by any other employer for which all or part of the wages are paid by the State or local agency.

A State may provide or subsidize under the program any job which the State determines to be appropriate.

"(4) At the option of the State, individuals who hold supplemented jobs under a State's work supplementation program shall be exempt from the retrospective budgeting requirements imposed pursuant to section 402(a)(13)(A)(ii) (and the amount of the aid which is payable to the family of any such individual for any month, or which would be so payable but for the individual's participation in the work supplementation program, shall be determined on the basis of the income and other relevant circumstances in that month).

"(d) COST LIMITATION.—The amount of the Federal payment to a State under section 403 for expenditures incurred in making payments to individuals and employers under a work supplementation program under this subsection shall not exceed an amount equal to the amount which would otherwise be payable under such section if the family of each individual employed in the program es-

tablished in the State under this section had received the maximum amount of aid to families with dependent children payable under the State plan to such a family with no income (without regard to adjustments under subsection (b)) for the lesser of—

''(1) 9 months; or

''(2) the number of months in which the individual was employed in the program.

''(e) RULES OF INTERPRETATION.—

''(1) This section shall not be construed as requiring the State or local agency administering the State plan to provide employee status to an eligible individual to whom the State or local agency provides a job under the work supplementation program (or with respect to whom the State or local agency provides all or part of the wages paid to the individual by another entity under the program), or as requiring any State or local agency to provide that an eligible individual filling a job position provided by another entity under the program be provided employee status by the entity during the first 13 weeks the individual fills the position.

''(2) Wages paid under a work supplementation program shall be considered to be earned income for purposes of any provision of law.

"(f) PRESERVATION OF MEDICAID ELIGIBILITY.—Any State that chooses to operate a work supplementation program under this section shall provide that any individual who participates in the program, and any child or relative of the individual (or other individual living in the same household as the individual) who would be eligible for aid to families with dependent children under the State plan approved under part A if the State did not have a work supplementation program, shall be considered individuals receiving aid to families with dependent children under the State plan approved under part A for purposes of eligibility for medical assistance under the State plan approved under title XIX.

"SEC. 497. PARTICIPATION RULES.

"(a) IN GENERAL.—Except as provided in subsection (b), a State that establishes a program under this part may require any individual receiving aid under the State plan approved under part A to participate in the program.

"(b) 2-YEAR LIMITATION ON PARTICIPATION.—

"(1) IN GENERAL.—Except as provided in paragraph (2), an individual may not participate in a State program established under this part if the individual has participated in the State program established under this part for 24 months after the date the individual first signed an agreement of mu-

tual responsibility under this part, excluding any month during which the individual worked for an average of at least 25 hours per week in a private sector job.

''(2) AUTHORITY TO ALLOW REPEAT PARTICIPATION.—

''(A) IN GENERAL.—Subject to subparagraph (B) of this paragraph, a State may allow an individual who, by reason of paragraph (1), would be prohibited from participating in the State program established under this part to participate in the program for such additional period or periods as the State determines appropriate.

''(B) LIMITATION ON PERCENTAGE OF REPEAT PARTICIPANTS.—

''(i) IN GENERAL.—Except as provided in clause (ii) of this subparagraph, the number of individuals allowed under subparagraph (A) to participate during a program year in a State program established under this part shall not exceed—

''(I) 10 percent of the total number of individuals who participated in the State program established under

this part or the State program established under part H during the immediately preceding program year; or

''(II) in the case of fiscal year 2004 or any succeeding fiscal year, 15 percent of such total number of individuals.

''(ii) AUTHORITY TO INCREASE LIMITATION.—

''(I) PETITION.—A State may request the Secretary to increase to not more than 15 percent the percentage limitation imposed by clause (i)(I) for a fiscal year before fiscal year 2004.

''(II) AUTHORITY TO GRANT REQUEST.—The Secretary may approve a request made pursuant to subclause (I) if the Secretary deems it appropriate. The Secretary shall develop recommendations on the criteria that should be applied in evaluating requests under subclause (I).

''SEC. 498. CASELOAD PARTICIPATION RATES; PERFORMANCE MEASURES.

''(a) PARTICIPATION RATES.—

"(1) REQUIREMENT.—A State that operates a program under this part shall achieve a participation rate for the following fiscal years of not less than the following percentage:

"Fiscal year:	Percentage:
1997	16
1998	20
1999	24
2000	28
2001	32
2002	40
2003 or later	52.

"(2) PARTICIPATION RATE DEFINED.—

"(A) IN GENERAL.—As used in this subsection, the term 'participation rate' means, with respect to a State and a fiscal year, an amount equal to—

"(i) the average monthly number of individuals who, during the fiscal year, participate in the State program established under this part or the State program (if any) established under part H; divided by

"(ii) the average monthly number of individuals for whom an individual responsibility plan is in effect under section 482 during the fiscal year.

"(B) SPECIAL RULE.—For each of the 1st 12 months after an individual ceases to receive

aid under a State plan approved under part A by reason of having become employed for more than 25 hours per week in an unsubsidized job in the private sector, the individual shall be considered to be participating in the State program established under this part, and to be an adult recipient of such aid, for purposes of subparagraph (A).

''(3) STATE COMPLIANCE REPORTS.—Each State that operates a program under this part for a fiscal year shall submit to the Secretary a report on the participation rate of the State for the fiscal year.

''(4) EFFECT OF FAILURE TO MEET PARTICIPATION RATES.—

''(A) IN GENERAL.—If a State reports that the State has failed to achieve the participation rate required by paragraph (1) for the fiscal year, the Secretary may make recommendations for changes in the State program established under this part and (if the State has established a program under part H) the State program established under part H. The State may elect to follow such recommendations, and shall demonstrate to the Secretary how the State will achieve the required participation rates.

"(B) SECOND CONSECUTIVE FAILURE.—Notwithstanding subparagraph (A), if a State fails to achieve the participation rate required by paragraph (1) for 2 consecutive fiscal years, the Secretary may—

"(i) require the State to make changes in the State program established under this part and (if the State has established a program under part H) the State program established under part H; and

"(ii) reduce by 5 percent the amount otherwise payable to the State under paragraph (1) or (2) (whichever applies to the State) of section 403(a).

"(b) PERFORMANCE STANDARDS.—The Secretary shall develop standards to be used to measure the effectiveness of the programs established under this part and part H in moving recipients of aid under the State plan approved under part A into full-time unsubsidized employment.

"(c) PERFORMANCE-BASED MEASURES.—

"(1) ESTABLISHMENT.—The Secretary shall, by regulation, establish measures of the effectiveness of the State programs established under this part and under part H in moving recipients of aid under the

State plan approved under part A into full-time unsubsidized employment, based on the performance of such programs.

''(2) ANNUAL COMPLIANCE REPORTS.—Each State that operates a program under this part shall submit to the Secretary annual reports that compare the achievements of the program with the performance-based measures established under paragraph (1).

"Subpart 2—Optional State Plans

"SEC. 499. STATE ROLE.

''(a) PROGRAM REQUIREMENTS.—Any State may establish and operate a work first program that meets the following requirements, unless the State is operating a work first program under subpart 1:

''(1) OBJECTIVE.—The objective of the program is for each program participant to find and hold a full-time unsubsidized paid job, and for this goal to be achieved in a cost-effective fashion.

''(2) METHOD.—The method of the program is to connect recipients of aid to families with dependent children with the private sector labor market as soon as possible and offer them the support and skills necessary to remain in the labor market. Each component of the program should be permeated with

an emphasis on employment and with an understanding that minimum wage jobs are a stepping stone to more highly paid employment. The program shall provide recipients with education, training, job search and placement, wage supplementation, temporary subsidized jobs, or such other services that the State deems necessary to help a recipient obtain private sector employment.

''(3) JOB CREATION.—The creation of jobs, with an emphasis on private sector jobs, shall be a component of the program and shall be a priority for each State office with responsibilities under the program.

''(4) FORMS OF ASSISTANCE.—The State shall provide assistance to participants in the program in the form of education, training, job placement services (including vouchers for job placement services), work supplementation programs, temporary subsidized job creation, job counseling, assistance in establishing microenterprises, or other services to provide individuals with the support and skills necessary to obtain and keep employment in the private sector.

''(5) 2-YEAR LIMITATION ON PARTICIPATION.—The program shall comply with section 497(b).

"(6) AGREEMENTS OF MUTUAL RESPONSIBILITY.—

"(A) IN GENERAL.—The State agency shall develop an agreement of mutual responsibility for each program participant, which will be an individualized comprehensive plan, developed by the team and the participant, to move the participant into a full-time unsubsidized job. The agreement should detail the education, training, or skills that the individual will be receiving to obtain a full-time unsubsidized job, and the obligations of the individual.

"(B) HOURS OF PARTICIPATION REQUIREMENT.—The agreement shall provide that the individual shall participate in activities in accordance with the agreement for—

"(i) not fewer than 20 hours per week during fiscal years 1997 and 1998;

"(ii) not fewer than 25 hours per week during fiscal year 1999; and

"(iii) not fewer than 30 hours per week thereafter.

"(7) CASELOAD PARTICIPATION RATES.—The program shall comply with section 498.

''(8) NONDISPLACEMENT.—The program shall comply with section 491(11).

''(b) ANNUAL REPORTS.—

''(1) COMPLIANCE WITH PERFORMANCE MEASURES.—Each State that operates a program under this subpart shall submit to the Secretary annual reports that compare the achievements of the program with the performance-based measures established under section 490(b).

''(2) COMPLIANCE WITH PARTICIPATION RATES.—Each State that operates a program under this subpart for a fiscal year shall submit to the Secretary a report on the participation rate of the State for the fiscal year.

''SEC. 500. FEDERAL ROLE.

''(a) APPROVAL OF STATE PLANS.—

''(1) IN GENERAL.—Within 60 days after the date a State submits to the Secretary a plan that provides for the establishment and operation of a work first program that meets the requirements of section 499, the Secretary shall approve the plan.

''(2) AUTHORITY TO EXTEND APPROVAL DEADLINE.—The 60-day deadline established in paragraph (1) with respect to a State may be extended

in accordance with an agreement between the Secretary and the State.

''(b) PERFORMANCE-BASED MEASURES.—The Secretary shall, by regulation, establish measures of the effectiveness of the State program established under this subpart and (if the State has established a program under part H) the State program established under part H in moving recipients of aid under the State plan approved under part A into full-time unsubsidized employment, based on the performance of such programs.

''(c) EFFECT OF FAILURE TO MEET PARTICIPATION RATES.—

''(1) IN GENERAL.—If a State reports that the State has failed to achieve the participation rate required by section 499(a)(7) for the fiscal year, the Secretary may make recommendations for changes in the State program established under this subpart and (if the State has established a program under part H) the State program established under part H. The State may elect to follow such recommendations, and shall demonstrate to the Secretary how the State will achieve the required participation rates.

''(2) SECOND CONSECUTIVE FAILURE.—Notwithstanding paragraph (1), if the State has failed

to achieve the participation rates required by section 499(a)(7) for 2 consecutive fiscal years, the Secretary may require the State to make changes in the State program established under this subpart and (if the State has established a program under part H) the State program established under part H.

"Part H—Workfare Program

"SEC. 500A. ESTABLISHMENT AND OPERATION OF PROGRAM.

''(a) IN GENERAL.—A State that establishes a work first program under a subpart of part G may establish and carry out a workfare program that meets the requirements of this part, unless the State has established a job placement voucher program under part I.

''(b) OBJECTIVE.—The objective of the workfare program is for each program participant to find and hold a full-time unsubsidized paid job, and for this goal to be achieved in a cost-effective fashion.

''(c) CASE MANAGEMENT TEAMS.—The State shall assign to each program participant a case management team that shall meet with the participant and assist the participant to choose the most suitable workfare job under subsection (e), (f), or (g) and to eventually obtain a full-time unsubsidized paid job.

"(d) PROVISION OF JOBS.—The State shall provide each participant in the program with a community service job that meets the requirements of subsection (e) or a subsidized job that meets the requirements of subsection (f) or (g).

"(e) COMMUNITY SERVICE JOBS.—

"(1) IN GENERAL.—Except as provided in paragraphs (2) and (3), each participant shall work for not fewer than 30 hours per week (or, at the option of the State, 20 hours per week during fiscal years 1997 and 1998, not fewer than 25 hours per week during fiscal year 1999, not fewer than 30 hours per week during fiscal years 2000 and 2001, and not fewer than 35 hours per week thereafter) in a community service job, and be paid at a rate which is not greater than 75 percent (or, at the option of the State, 100 percent) of the maximum amount of aid payable under the State plan approved under part A to a family of the same size and composition with no income.

"(2) EXCEPTION.—(A) If the participant has obtained unsubsidized part-time employment in the private sector, the State shall provide the participant with a part-time community service job.

"(B) If the State provides a participant a part-time community service job under subparagraph (A), the State shall ensure that the participant works for not fewer than 30 hours per week.

"(3) WAGES NOT CONSIDERED EARNED INCOME.—Wages paid under a workfare program shall not be considered to be earned income for purposes of any provision of law.

"(4) COMMUNITY SERVICE JOB DEFINED.—For purposes of this section, the term 'community service job' means—

"(A) a job provided to a participant by the State administering the State plan under part A; or

"(B) a job provided to a participant by any other employer for which all or part of the wages are paid by the State.

A State may provide or subsidize under the program any job which the State determines to be appropriate.

"(f) TEMPORARY SUBSIDIZED JOB CREATION.—A State that establishes a workfare program under this part may establish a program similar to the program operated by the State of Oregon, which is known as 'JOBS Plus'.

"(g) WORK SUPPLEMENTATION PROGRAM.—

"(1) IN GENERAL.—A State that establishes a workfare program under this part may institute a work supplementation program under which the State, to the extent it considers appropriate, may reserve the sums that would otherwise be payable to participants in the program as a community service minimum wage and use the sums instead for the purpose of providing and subsidizing private sector jobs for the participants.

"(2) EMPLOYER AGREEMENT.—An employer who provides a private sector job to a participant under paragraph (1) shall agree to provide to the participant an amount in wages equal to the poverty threshold for a family of three.

"(h) JOB SEARCH REQUIREMENT.—The State shall require each participant to spend a minimum of 5 hours per week on activities related to securing unsubsidized full-time employment in the private sector.

"(i) DURATION OF PARTICIPATION.—

"(1) IN GENERAL.—Except as provided in paragraph (2), an individual may not participate for more than 2 years in a workfare program under this part.

"(2) AUTHORITY TO ALLOW REPEATED PARTICIPATION.—

"(A) IN GENERAL.—Subject to subparagraph (B), a State may allow an individual who, by reason of paragraph (1), would be prohibited from participating in the State program established under this part to participate in the program for such additional period or periods as the State determines appropriate.

"(B) LIMITATION ON PERCENTAGE OF REPEAT PARTICIPANTS.—

"(i) IN GENERAL.—Except as provided in clause (ii), the number of individuals allowed under subparagraph (A) to participate during a program year in a State program established under this part shall not exceed 10 percent of the total number of individuals who participated in the program during the immediately preceding program year.

"(ii) AUTHORITY TO INCREASE LIMITATION.—

"(I) PETITION.—A State may request the Secretary to increase the percentage limitation imposed by clause (i) to not more than 15 percent.

''(II) AUTHORITY TO GRANT REQUEST.—The Secretary may approve a request made pursuant to subclause (I) if the Secretary deems it appropriate. The Secretary shall develop recommendations on the criteria that should be applied in evaluating requests under subclause (I).

''(j) USE OF PLACEMENT COMPANIES.—A State that establishes a workfare program under this part may enter into contracts with private companies (whether operated for profit or not for profit) for the placement of participants in the program in positions of full-time employment, preferably in the private sector, for wages sufficient to eliminate the need of such participants for cash assistance in accordance with section 493.

''(k) MAXIMUM OF 3 COMMUNITY SERVICE JOBS.—A program participant may not receive more than 3 community service jobs under the program.

"Part I—Job Placement Voucher Program

"SEC. 500B. JOB PLACEMENT VOUCHER PROGRAM.

''A State that is not operating a workfare program under part H may establish a job placement voucher program that meets the following requirements:

''(1) The program shall offer each program participant a voucher which the participant may use to obtain employment in the private sector.

''(2) An employer who receives a voucher issued under the program from an individual may redeem the voucher at any time after the individual has been employed by the employer for 6 months, unless another employee of the employer was displaced by the employment of the individual.

''(3) Upon presentation of a voucher by an employer to the State agency responsible for the administration of the program, the State agency shall pay to the employer an amount equal to 50 percent of the total amount of aid paid under the State plan approved under part A to the family of which the individual is a member for the most recent 12 months for which the family was eligible for such aid.''.

(c) FUNDING.—Section 403 (42 U.S.C. 603) is amended by inserting after subsection (b) the following:

''(c)(1) Each State that is operating a program in accordance with subpart 1 of part G (or in accordance with a plan approved under subpart 2 of part G), and a program in accordance with part H or I shall be entitled to payments under subsection (d) for any fiscal year in an amount equal to the sum of the applicable percentages

(specified in such subsection) of its expenditures to carry out such programs (subject to limitations prescribed by or pursuant to such parts or this section on expenditures that may be included for purposes of determining payment under subsection (d)), but such payments for any fiscal year in the case of any State may not exceed the limitation determined under paragraph (2) with respect to the State.

''(2) The limitation determined under this paragraph with respect to a State for any fiscal year is the amount that bears the same ratio to the amount specified in paragraph (3) for such fiscal year as the average monthly number of adult recipients (as defined in paragraph (4)) in the State in the preceding fiscal year bears to the average monthly number of such recipients in all the States for such preceding year.

''(3)(A) The amount specified in this paragraph is—

''(i) $1,500,000,000 for fiscal year 1997;

''(iii) $2,000,000,000 for fiscal year 1998;

''(iv) $2,600,000,000 for fiscal year 1999;

''(v) $3,100,000,000 for fiscal year 2000; and

''(vi) the amount determined under subparagraph (B) for fiscal year 2001 and each succeeding fiscal year.

''(B) The amount determined under this subparagraph for a fiscal year is the product of the following:

''(i) The amount specified in this paragraph for the immediately preceding fiscal year.

''(ii) 1.00 plus the percentage (if any) by which—

''(I) the average of the Consumer Price Index (as defined in section 1(f)(5) of the Internal Revenue Code of 1986) for the most recent 12-month period for which such information is available; exceeds

''(II) the average of the Consumer Price Index (as so defined) for the 12-month period ending on June 30 of the 2nd preceding fiscal year.

''(iii) The amount that bears the same ratio to the amount specified in this paragraph for the immediately preceding fiscal year as the number of individuals whom the Secretary estimates will participate in programs operated under part G, H, or I during the fiscal year bears to the total number of individuals who participated in such programs during such preceding fiscal year.

''(4) For purposes of this subsection, the term 'adult recipient' in the case of any State means an individual other than a dependent child (unless such child is the custodial parent of another dependent child) whose needs are

met (in whole or in part) with payments of aid to families with dependent children.

''(d)(1) In lieu of any payment under subsection (a), the Secretary shall pay to each State that is operating a program in accordance with subpart 1 of part G (or in accordance with a plan approved under subpart 2 of part G), and a program in accordance with part H or I, and to which section 1108 does not apply, with respect to expenditures by the State to carry out such programs, an amount equal to 70 percent, or the Federal medical assistance percentage (as defined in section 1905(b)) increased by 10 percentage points, whichever is the greater, of the total amount expended during the quarter for the operation and administration of such programs.

''(2) In lieu of any payment under subsection (a), the Secretary shall pay to each State that is operating a program in accordance with subpart 1 of part G (or in accordance with a plan approved under subpart 2 of part G), and a program in accordance with part H or I, and to which section 1108 applies, with respect to expenditures by the State to carry out such programs (including expenditures for child care under section 402(g)(1)(A)), an amount equal to—

''(A) with respect to so much of such expenditures in a fiscal year as do not exceed the State's

expenditures in the fiscal year 1987 with respect to which payments were made to such State from its allotment for such fiscal year pursuant to part C of this title as then in effect, 90 percent; and

''(B) with respect to so much of such expenditures in a fiscal year as exceed the amount described in subparagraph (A)—

''(i) 50 percent, in the case of expenditures for administrative costs made by a State in operating such programs for such fiscal year (other than the personnel costs for staff employed full-time in the operation of such program) and the costs of transportation and other work-related supportive services under section 402(g)(2); and

''(ii) 70 percent or the Federal medical assistance percentage (as defined in the last sentence of section 1118) increased by 10 percentage points, whichever is the greater, in the case of expenditures made by a State in operating such programs for such fiscal year (other than for costs described in clause (i)).

''(3) With respect to the amount for which payment is made to a State under paragraph (2)(A), the State's

expenditures for the costs of operating such programs may be in cash or in kind, fairly evaluated.

''(4) Not more than 10 percent of the amount payable to a State under this subsection for a quarter may be for expenditures made during the quarter with respect to program participants who are not eligible for aid under the State plan approved under part A.''.

(d) SECRETARY'S SPECIAL ADJUSTMENT FUND.—Section 403 (42 U.S.C. 603) is amended by adding at the end the following:

''(p)(1) There shall be available to the Secretary from the amount appropriated for payments under subsection (c) for States' programs under parts G and H for fiscal year 1996, $300,000,000 for special adjustments to States' limitations on Federal payments for such programs.

''(2) A State may, not later than March 1 and September 1 of each fiscal year, submit to the Secretary a request to adjust the limitation on payments under this section with respect to its program under part G (and, in fiscal years after 1997) its program under part H for the following fiscal year. The Secretary shall only consider such a request from a State which has, or which demonstrates convincingly on the basis of estimates that it will, submit allowable claims for Federal payment in the

full amount available to it under subsection (c) in the current fiscal year and obligated 95 percent of its full amount in the prior fiscal year. The Secretary shall by regulation prescribe criteria for the equitable allocation among the States of Federal payments pursuant to adjustments of the limitations referred to in the preceding sentence in the case where the requests of all States that the Secretary finds reasonable exceed the amount available, and, within 30 days following the dates specified in this paragraph, will notify each State whether one or more of its limitations will be adjusted in accordance with the State's request and the amount of the adjustment (which may be some or all of the amount requested).

''(3) The Secretary may adjust the limitation on Federal payments to a State for a fiscal year under subsection (c), and upon a determination by the Secretary that (and the amount by which) a State's limitation should be raised, the amount specified in either such subsection, or both, shall be considered to be so increased for the following fiscal year.

''(4) The amount made available under paragraph (1) for special adjustments shall remain available to the Secretary until expended. That amount shall be reduced by the sum of the adjustments approved by the Secretary in any fiscal year, and the amount shall be increased in a

fiscal year by the amount by which all States' limitations under subsection (c) of this section and section 2008 for a fiscal year exceeded the sum of the Federal payments under such provisions of law for such fiscal year, but for fiscal years after 1997, such amount at the end of such fiscal year shall not exceed $400,000,000.''.

(e) CONFORMING AMENDMENTS.—

(1) Section 402(a) (42 U.S.C. 602(a)) is amended by striking paragraph (19).

(2) Section 403 (42 U.S.C. 603) is amended by striking subsections (k) and (l).

(3) Section 407(b)(1)(B) (42 U.S.C. 607(b)(1)(B)) is amended—

(A) by adding ''and'' at the end of clause (iii);

(B) by striking ''; and'' at the end of clause (iv) and inserting a period; and

(C) by striking clause (v).

(4) Section 407(b)(2)(B)(ii)(I) (42 U.S.C. 607(b)(2)(B)(ii)(I)) is amended by striking ''under section 402(a)(19) or''.

(5) Section 407(b)(2)(C) (42 U.S.C. 607(b)(2)(C)) is amended by striking ''section 402(a)(19) and''.

(6) Section 1115(b)(2)(A) (42 U.S.C. 1315(b)(2)(A)) is amended by striking ‘‘, and 402(a)(19) (relating to the work incentive program)’’.

(7) Section 1108 (42 U.S.C. 1308) is amended—

(A) in subsection (a), by striking ‘‘or, in the case of part A of title IV, section 403(k)’’; and

(B) in subsection (d), by striking ‘‘(exclusive of any amounts on account of services and items to which, in the case of part A of such title, section 403(k) applies)’’.

(8) Section 1902(a)(19)(A)(i)(I) (42 U.S.C. 1396a(a)(19)(A)(i)(I)) is amended by striking ‘‘482(e)(6)’’ and inserting ‘‘486(f)’’.

(9) Section 1928(a)(1) (42 U.S.C. 1396s(a)(1)) is amended by striking ‘‘482(e)(6)’’ and inserting ‘‘486(f)’’.

(f) INTENT OF THE CONGRESS.—The Congress intends for State activities under section 494 of the Social Security Act (as added by the amendment made by section 301(b) of this Act) to emphasize the use of the funds that would otherwise be used to provide individuals with aid to families with dependent children under part A of title

IV of the Social Security Act and with food stamp benefits under the Food Stamp Act of 1977, to subsidize the wages of such individuals in temporary jobs.

(g) SENSE OF THE CONGRESS.—It is the sense of the Congress that States should target individuals who have not attained 25 years of age for participation in the program established by the State under part G of title IV of the Social Security Act (as added by the amendment made by section 301(b) of this section) in order to break the cycle of welfare dependency.

SEC. 302. REGULATIONS.

The Secretary of Health and Human Services shall prescribe such regulations as may be necessary to implement the amendments made by this title.

SEC. 303. APPLICABILITY TO STATES.

(a) STATE OPTION TO ACCELERATE APPLICABILITY.—If a State formally notifies the Secretary of Health and Human Services that the State desires to accelerate the applicability to the State of the amendments made by this title, the amendments shall apply to the State on and after such earlier date as the State may select.

(b) STATE OPTION TO DELAY APPLICABILITY UNTIL WAIVERS EXPIRE.—The amendments made by this title shall not apply to a State with respect to which there is in effect a waiver issued under section 1115 of the Social

Security Act for the State program established under part G of title IV of such Act, until the waiver expires, if the State formally notifies the Secretary of Health and Human Services that the State desires to so delay such effective date.

(c) AUTHORITY OF THE SECRETARY OF HEALTH AND HUMAN SERVICES TO DELAY APPLICABILITY TO A STATE.—If a State formally notifies the Secretary of Health and Human Services that the State desires to delay the applicability to the State of the amendments made by this title, the amendments shall apply to the State on and after any later date agreed upon by the Secretary and the State.

SEC. 304. SENSE OF THE CONGRESS RELATING TO AVAILABILITY OF WORK FIRST PROGRAM IN RURAL AREAS.

It is the sense of the Congress that the Secretary of Health and Human Services and the States should consider the needs of rural areas in designing State plans under part G of title IV of the Social Security Act.

SEC. 305. GRANTS TO COMMUNITY-BASED ORGANIZATIONS.

(a) IN GENERAL.—The Secretary of Health and Human Services may make grants in accordance with this section to community-based organizations that move recipients of aid to families with dependent children under

a State plan approved under part A of title IV of the Social Security Act or under other public assistance programs into private sector work.

(b) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this section $25,000,000 for fiscal year 1996 and $50,000,000 for fiscal years 1997, 1998, 1999, and 2000.

(c) ELIGIBLE ORGANIZATIONS.—The Secretary of Health and Human Services shall award grants to community-based organizations that—

(1) receive at least 5 percent of their funding from local government sources; and

(2) move recipients referred to in subsection (a) in the direction of unsubsidized private employment by integrating and co-locating at least 5 of the following services—

(A) case management;

(B) job training;

(C) child care;

(D) housing;

(E) health care services;

(F) nutrition programs;

(G) life skills training; and

(H) parenting skills.

(d) AWARDING OF GRANTS.—

(1) IN GENERAL.—The Secretary shall award grants based on the quality of applications, subject to paragraphs (2) and (3).

(2) PREFERENCE IN AWARDING GRANTS.—In awarding grants under this section, the Secretary shall give preference to organizations which receive more than 50 percent of their funding from State government, local government or private sources.

(3) DISTRIBUTION OF GRANT.—The Secretary shall award at least 1 grant to each State from which the Secretary received an application.

(4) LIMITATION ON SIZE OF GRANT.—The Secretary shall not award any grants under this section of more than $1,000,000.

(e) ISSUANCE OF REGULATIONS.—Not less than 6 months after the date of the enactment of this section, the Secretary shall prescribe such regulations as may be necessary to implement this section.

TITLE IV—FAMILY RESPONSIBILITY AND IMPROVED CHILD SUPPORT ENFORCEMENT

Subtitle A—Eligibility and Other Matters Concerning Title IV–D Program Clients

SEC. 401. STATE OBLIGATION TO PROVIDE PATERNITY ESTABLISHMENT AND CHILD SUPPORT ENFORCEMENT SERVICES.

(a) STATE LAW REQUIREMENTS.—Section 466(a) (42 U.S.C. 666(a)) is amended by inserting after paragraph (11) the following:

''(12) USE OF CENTRAL CASE REGISTRY AND CENTRALIZED COLLECTIONS UNIT.—Procedures under which—

''(A) every child support order established or modified in the State on or after October 1, 1998, is recorded in the central case registry established in accordance with section 454A(e); and

''(B) child support payments are collected through the centralized collections unit established in accordance with section 454B—

''(i) on and after October 1, 1998, under each order subject to wage withholding under section 466(b); and

''(ii) on and after October 1, 1999, under each other order required to be recorded in such central case registry under this paragraph or section 454A(e), except as provided in subparagraph (C); and

''(C)(i) parties subject to a child support order described in subparagraph (B)(ii) may opt out of the procedure for payment of support through the centralized collections unit (but not the procedure for inclusion in the central case registry) by filing with the State agency a written agreement, signed by both parties, to an alternative payment procedure; and

''(ii) an agreement described in clause (i) becomes void whenever either party advises the State agency of an intent to vacate the agreement.''.

(b) STATE PLAN REQUIREMENTS.—Section 454 (42 U.S.C. 654) is amended—

(1) by striking paragraph (4) and inserting the following:

''(4) provide that such State will undertake—

''(A) to provide appropriate services under this part to—

''(i) each child with respect to whom an assignment is effective under section 402(a)(26), 471(a)(17), or 1912 (except in cases where the State agency determines, in accordance with paragraph (25), that it is against the best interests of the child to do so); and

''(ii) each child not described in clause (i)—

''(I) with respect to whom an individual applies for such services; and

''(II) (on and after October 1, 1998) each child with respect to whom a support order is recorded in the central State case registry established under section 454A, regardless of whether application is made for services under this part; and

''(B) to enforce the support obligation established with respect to the custodial parent of a child described in subparagraph (A) unless the parties to the order which establishes the support obligation have opted, in accordance

with section 466(a)(12)(C), for an alternative payment procedure.''; and

(2) in paragraph (6)—

(A) by striking subparagraph (A) and inserting the following:

''(A) services under the State plan shall be made available to nonresidents on the same terms as to residents;'';

(B) in subparagraph (B)—

(i) by inserting ''on individuals not receiving assistance under part A'' after ''such services shall be imposed''; and

(ii) by inserting ''but no fees or costs shall be imposed on any absent or custodial parent or other individual for inclusion in the central State registry maintained pursuant to section 454A(e)''; and

(C) in each of subparagraphs (B), (C), and (D)—

(i) by indenting such subparagraph and aligning its left margin with the left margin of subparagraph (A); and

(ii) by striking the final comma and inserting a semicolon.

(c) CONFORMING AMENDMENTS.—

(1) Section 452(g)(2)(A) (42 U.S.C. 652(g)(2)(A)) is amended by striking ''454(6)'' each place it appears and inserting ''454(4)(A)(ii)''.

(2) Section 454(23) (42 U.S.C. 654(23)) is amended, effective October 1, 1998, by striking ''information as to any application fees for such services and''.

(3) Section 466(a)(3)(B) (42 U.S.C. 666(a)(3)(B)) is amended by striking ''in the case of overdue support which a State has agreed to collect under section 454(6)'' and inserting ''in any other case''.

(4) Section 466(e) (42 U.S.C. 666(e)) is amended by striking ''or (6)''.

SEC. 402. DISTRIBUTION OF PAYMENTS.

(a) DISTRIBUTIONS THROUGH STATE CHILD SUPPORT ENFORCEMENT AGENCY TO FORMER ASSISTANCE RECIPIENTS.—Section 454(5) (42 U.S.C. 654(5)) is amended—

(1) in subparagraph (A)—

(A) by inserting ''except as otherwise specifically provided in section 464 or 466(a)(3),'' after ''is effective,''; and

(B) by striking ''except that'' and all that follows through the semicolon; and

(2) in subparagraph (B), by striking ‘‘, except’’ and all that follows through ‘‘medical assistance’’.

(b) DISTRIBUTION TO A FAMILY CURRENTLY RECEIVING AFDC.—Section 457 (42 U.S.C. 657) is amended—

(1) by striking subsection (a) and redesignating subsection (b) as subsection (a);

(2) in subsection (a), as redesignated—

(A) in the matter preceding paragraph (2), to read as follows:

‘‘(a) IN THE CASE OF A FAMILY RECEIVING AFDC.—Amounts collected under this part during any month as support of a child who is receiving assistance under part A (or a parent or caretaker relative of such a child) shall (except in the case of a State exercising the option under subsection (b)) be distributed as follows:

‘‘(1) an amount equal to the amount that will be disregarded pursuant to section 402(a)(8)(A)(vi) shall be taken from each of—

‘‘(A) amounts received in a month which represent payments for that month; and

‘‘(B) amounts received in a month which represent payments for a prior month which were made by the absent parent in the month when due;

and shall be paid to the family without affecting its eligibility for assistance or decreasing any amount otherwise payable as assistance to such family during such month;'';

(B) in paragraph (4), by striking ''or (B)'' and all that follows and inserting ''; then (B) from any remainder, amounts equal to arrearages of such support obligations assigned, pursuant to part A, to any other State or States shall be paid to such other State or States and used to pay any such arrearages (with appropriate reimbursement of the Federal Government to the extent of its participation in the financing); and then (C) any remainder shall be paid to the family.''.

(3) by inserting after subsection (a), as redesignated, the following new subsection:

''(b) ALTERNATIVE DISTRIBUTION IN CASE OF FAMILY RECEIVING AFDC.—In the case of a State electing the option under this subsection, amounts collected as described in subsection (a) shall be distributed as follows:

''(1) an amount equal to the amount that will be disregarded pursuant to section 402(a)(8)(A)(vi) shall be taken from each of—

''(A) amounts received in a month which represent payments for that month; and

''(B) amounts received in a month which represent payments for a prior month which were made by the absent parent in the month when due;

and shall be paid to the family without affecting its eligibility for assistance or decreasing any amount otherwise payable as assistance to such family during such month;

''(2) second, from any remainder, amounts equal to the balance of support owed for the current month shall be paid to the family;

''(3) third, from any remainder, amounts equal to arrearages of such support obligations assigned, pursuant to part A, to the State making the collection shall be retained and used by such State to pay any such arrearages (with appropriate reimbursement of the Federal Government to the extent of its participation in the financing);

''(4) fourth, from any remainder, amounts equal to arrearages of such support obligations assigned, pursuant to part A, to any other State or States shall be paid to such other State or States and used to pay any such arrearages (with appro-

priate reimbursement of the Federal Government to the extent of its participation in the financing); and

''(5) fifth, any remainder shall be paid to the family.''.

(c) DISTRIBUTION TO A FAMILY NOT RECEIVING AFDC.—

(1) IN GENERAL.—Section 457(c) (42 U.S.C. 657(c)) is amended to read as follows:

''(c) IN CASE OF FAMILY NOT RECEIVING AFDC.—Amounts collected by a State agency under this part during any month as support of a child who is not receiving assistance under part A (or of a parent or caretaker relative of such a child) shall (subject to the remaining provisions of this section) be distributed as follows:

''(1) first, amounts equal to the total of such support owed for such month shall be paid to the family;

''(2) second, from any remainder, amounts equal to arrearages of such support obligations for months during which such child did not receive assistance under part A shall be paid to the family;

''(3) third, from any remainder, amounts equal to arrearages of such support obligations assigned to the State making the collection pursuant to part A shall be retained and used by such State to pay any

such arrearages (with appropriate reimbursement of the Federal Government to the extent of its participation in the financing);

''(4) fourth, from any remainder, amounts equal to arrearages of such support obligations assigned to any other State pursuant to part A shall be paid to such other State or States, and used to pay such arrearages, in the order in which such arrearages accrued (with appropriate reimbursement of the Federal Government to the extent of its participation in the financing).''.

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall take effect on October 1, 1999.

(d) DISTRIBUTION TO A CHILD RECEIVING ASSISTANCE UNDER PART E.—Section 457(d) (42 U.S.C. 657(d)) is amended, in the matter preceding paragraph (1), by striking ''Notwithstanding the preceding provisions of this section, amounts'' and inserting the following:

''(d) IN CASE OF A CHILD RECEIVING ASSISTANCE UNDER PART E.—Amounts''.

(e) SUSPENSION OR CANCELLATION OF DEBTS UPON MARRIAGE OF PARENTS.—Section 457 (42 U.S.C. 657) is amended by adding at the end the following:

"(e) SUSPENSION OR CANCELLATION OF DEBTS TO STATE UPON MARRIAGE OF PARENTS.—

"(1) CIRCUMSTANCES REQUIRING SUSPENSION OR CANCELLATION.—In any case in which a State has been assigned rights to support owed with respect to a child who is receiving or has received assistance under part A and—

"(A) the parent owing such support marries (or remarries) the parent with whom such child is living and to whom such support is owed and applies to the State for relief under this subsection;

"(B) the State determines (in accordance with procedures and criteria established by the Secretary) that the marriage is not a sham marriage entered into solely to satisfy this subsection; and

"(C) the combined income of such parents is less than twice the Federal poverty line,

the State shall afford relief to the parent owing such support in accordance with paragraph (2).

"(2) SUSPENSION OR CANCELLATION.—In the case of a marriage or remarriage described in paragraph (1), the State shall either—

"(A) cancel all debts owed to the State pursuant to such assignment; or

"(B) suspend collection of such debts for the duration of such marriage, and cancel such debts if such duration extends beyond the end of the period with respect to which support is owed.

"(3) NOTICE REQUIRED.—The State shall notify custodial parents of children who are receiving aid under part A of the relief available under this subsection to individuals who marry (or remarry).".

(f) STATE OPTIONS TO PASS THROUGH AND TO DISREGARD CHILD SUPPORT AMOUNTS.—

(1) STATE OPTION TO PASS THROUGH CHILD SUPPORT.—Section 457(b)(1) (42 U.S.C. 657(b)(1)) is amended to read as follows:

"(1) at State option, an amount determined by the State, equal to all or a portion of the monthly support obligation, may be paid to the family from each of—

"(A) amounts received in a month which represent payments for that month; and

"(B) amounts received in a month which represent payments for a prior month which

were made by the absent parent in the month when due;''.

(2) STATE OPTION TO DISREGARD CHILD SUPPORT.—Section 402(a)(8)(A)(vi) (42 U.S.C 602(a)(8)(A)(vi)) is amended—

(A) by striking ''shall disregard the first $50'' and inserting ''may disregard all or any portion'';

(B) by striking ''the first $50'' and inserting ''and all or any portion''; and

(C) by striking ''section 457(b)'' and inserting ''section 457(a)''.

(g) PASS THROUGH AND DISREGARD OF SUPPORT COLLECTED ON BEHALF OF A FAMILY SUBJECT TO THE FAMILY CAP.—

(1) PASS THROUGH.—Section 457 (42 U.S.C. 657), as amended by subsection (e) of this section, is amended by adding at the end the following:

''(f) PASS THROUGH OF SUPPORT COLLECTED ON BEHALF OF A FAMILY SUBJECT TO THE FAMILY CAP.—Amounts collected by a State agency under this part during any month as support of a child who is a member of a 1-parent family subject to section 402(a)(51) shall be distributed to the family.''.

(2) DISREGARD.—Section 402(a)(8)(A)(vi) (42 U.S.C. 602(a)(8)(A)(vi)) is amended by inserting ‘‘, except that, in the case of a 1-parent family subject to paragraph (51), all support payments collected and paid to the family under section 457(f) shall be disregarded’’ before the semicolon.

(h) REGULATIONS.—The Secretary of Health and Human Services shall promulgate regulations—

(1) under part D of title IV of the Social Security Act, establishing a uniform nationwide standard for allocation of child support collections from an obligor owing support to more than one family; and

(2) under part A of such title, establishing standards applicable to States electing the alternative formula under section 457(b) of such Act for distribution of collections on behalf of families receiving Aid to Families with Dependent Children, designed to minimize irregular monthly payments to such families.

(i) CLERICAL AMENDMENT.—Section 454 (42 U.S.C. 654) is amended—

(1) in paragraph (11), by striking ‘‘(11)’’ and inserting ‘‘(11)(A)’’; and

(2) by redesignating paragraph (12) as subparagraph (B) of paragraph (11).

SEC. 403. DUE PROCESS RIGHTS.

(a) IN GENERAL.—Section 454 (42 U.S.C. 654), as amended by section 402(f) of this Act, is amended by inserting after paragraph (11) the following new paragraph:

''(12) provide for procedures to ensure that—

''(A) individuals who are applying for or receiving services under this part, or are parties to cases in which services are being provided under this part—

''(i) receive notice of all proceedings in which support obligations might be established or modified; and

''(ii) receive a copy of any order establishing or modifying a child support obligation, or (in the case of a petition for modification) a notice of determination that there should be no change in the amount of the child support award, within 14 days after issuance of such order or determination;

''(B) individuals applying for or receiving services under this part have access to a fair hearing that meets standards established by the Secretary and ensures prompt consideration and resolution of complaints (but the resort to

such procedure shall not stay the enforcement of any support order); and

''(C) individuals adversely affected by the establishment or modification of (or, in the case of a petition for modification, the determination that there should be no change in) a child support order shall be afforded not less than 30 days after the receipt of the order or determination to initiate proceedings to challenge such order or determination;''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall become effective on October 1, 1997.

SEC. 404. PRIVACY SAFEGUARDS.

(a) STATE PLAN REQUIREMENT.—Section 454 (42 U.S.C. 454) is amended—

(1) by striking ''and'' at the end of paragraph (23);

(2) by striking the period at the end of paragraph (24) and inserting ''; and''; and

(3) by adding after paragraph (24) the following:

''(25) will have in effect safeguards applicable to all sensitive and confidential information handled by the State agency designed to protect the privacy rights of the parties, including—

''(A) safeguards against unauthorized use or disclosure of information relating to proceedings or actions to establish paternity, or to establish or enforce support;

''(B) prohibitions on the release of information on the whereabouts of one party to another party against whom a protective order with respect to the former party has been entered; and

''(C) prohibitions on the release of information on the whereabouts of one party to another party if the State has reason to believe that the release of the information may result in physical or emotional harm to the former party.''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall become effective on October 1, 1997.

Subtitle B—Program Administration and Funding

SEC. 411. FEDERAL MATCHING PAYMENTS.

(a) INCREASED BASE MATCHING RATE.—Section 455(a)(2) (42 U.S.C. 655(a)(2)) is amended to read as follows:

''(2) The applicable percent for a quarter for purposes of paragraph (1)(A) is—

''(A) for fiscal year 1997, 69 percent,

''(B) for fiscal year 1998, 72 percent, and

''(C) for fiscal year 1999 and succeeding fiscal years, 75 percent.''.

(b) MAINTENANCE OF EFFORT.—Section 455 (42 U.S.C. 655) is amended—

(1) in subsection (a)(1), in the matter preceding subparagraph (A), by striking ''From'' and inserting ''Subject to subsection (c), from''; and

(2) by inserting after subsection (b) the following new subsection:

''(c) MAINTENANCE OF EFFORT.—Notwithstanding the provisions of subsection (a), total expenditures for the State program under this part for fiscal year 1997 and each succeeding fiscal year, reduced by the percentage specified for such fiscal year under subsection (a)(2)(A), (B), or (C)(i), shall not be less than such total expenditures for fiscal year 1996, reduced by 66 percent.''.

SEC. 412. PERFORMANCE-BASED INCENTIVES AND PENALTIES.

(a) INCENTIVE ADJUSTMENTS TO FEDERAL MATCHING RATE.—Section 458 (42 U.S.C. 658) is amended to read as follows:

''INCENTIVE ADJUSTMENTS TO MATCHING RATE

''SEC. 458. (a) INCENTIVE ADJUSTMENT.—(1) IN GENERAL.—In order to encourage and reward State child

support enforcement programs which perform in an effective manner, the Federal matching rate for payments to a State under section 455(a)(1)(A), for each fiscal year beginning on or after October 1, 1998, shall be increased by a factor reflecting the sum of the applicable incentive adjustments (if any) determined in accordance with regulations under this section with respect to Statewide paternity establishment and to overall performance in child support enforcement.

''(2) STANDARDS.—(A) IN GENERAL.—The Secretary shall specify in regulations—

''(i) the levels of accomplishment, and rates of improvement as alternatives to such levels, which States must attain to qualify for incentive adjustments under this section; and

''(ii) the amounts of incentive adjustment that shall be awarded to States achieving specified accomplishment or improvement levels, which amounts shall be graduated, ranging up to—

''(I) 5 percentage points, in connection with Statewide paternity establishment; and

''(II) 10 percentage points, in connection with overall performance in child support enforcement.

"(B) LIMITATION.—In setting performance standards pursuant to subparagraph (A)(i) and adjustment amounts pursuant to subparagraph (A)(ii), the Secretary shall ensure that the aggregate number of percentage point increases as incentive adjustments to all States do not exceed such aggregate increases as assumed by the Secretary in estimates of the cost of this section as of June 1995, unless the aggregate performance of all States exceeds the projected aggregate performance of all States in such cost estimates.

"(3) DETERMINATION OF INCENTIVE ADJUSTMENT.—The Secretary shall determine the amount (if any) of incentive adjustment due each State on the basis of the data submitted by the State pursuant to section 454(15)(B) concerning the levels of accomplishment (and rates of improvement) with respect to performance indicators specified by the Secretary pursuant to this section.

"(4) FISCAL YEAR SUBJECT TO INCENTIVE ADJUSTMENT.—The total percentage point increase determined pursuant to this section with respect to a State program in a fiscal year shall apply as an adjustment to the applicable percent under section 455(a)(2) for payments to such State for the succeeding fiscal year.

"(5) RECYCLING OF INCENTIVE ADJUSTMENT.—A State shall expend in the State program under this part

all funds paid to the State by the Federal Government as a result of an incentive adjustment under this section.

''(b) MEANING OF TERMS.—For purposes of this section—

''(1) the term 'Statewide paternity establishment percentage' means, with respect to a fiscal year, the ratio (expressed as a percentage) of—

''(A) the total number of out-of-wedlock children in the State under one year of age for whom paternity is established or acknowledged during the fiscal year, to

''(B) the total number of children born out of wedlock in the State during such fiscal year; and

''(2) the term 'overall performance in child support enforcement' means a measure or measures of the effectiveness of the State agency in a fiscal year which takes into account factors including—

''(A) the percentage of cases requiring a child support order in which such an order was established;

''(B) the percentage of cases in which child support is being paid;

''(C) the ratio of child support collected to child support due; and

"(D) the cost-effectiveness of the State program, as determined in accordance with standards established by the Secretary in regulations.".

(b) ADJUSTMENT OF PAYMENTS UNDER PART D OF TITLE IV.—Section 455(a)(2) (42 U.S.C. 655(a)(2)), as amended by section 411(a) of this Act, is amended—

(1) by striking the period at the end of subparagraph (C)(ii) and inserting a comma; and

(2) by adding after and below subparagraph (C), flush with the left margin of the subsection, the following:

"increased by the incentive adjustment factor (if any) determined by the Secretary pursuant to section 458.".

(c) CONFORMING AMENDMENTS.—Section 454(22) (42 U.S.C. 654(22)) is amended—

(1) by striking "incentive payments" the first place it appears and inserting "incentive adjustments"; and

(2) by striking "any such incentive payments made to the State for such period" and inserting "any increases in Federal payments to the State resulting from such incentive adjustments".

(d) CALCULATION OF IV–D PATERNITY ESTABLISHMENT PERCENTAGE.—(1) Section 452(g)(1) (42 U.S.C.

652(g)(1)) is amended in the matter preceding subparagraph (A) by inserting ''its overall performance in child support enforcement is satisfactory (as defined in section 458(b) and regulations of the Secretary), and'' after ''1994,''.

(2) Section 452(g)(2) (42 U.S.C. 652(g)(2)) is amended—

(A) in subparagraph (A), in the matter preceding clause (i)—

(i) by striking ''paternity establishment percentage'' and inserting ''IV–D paternity establishment percentage''; and

(ii) by striking ''(or all States, as the case may be)'';

(B) in subparagraph (A)(i), by striking ''during the fiscal year'';

(C) in subparagraph (A)(ii)(I), by striking ''as of the end of the fiscal year'' and inserting ''in the fiscal year or, at the option of the State, as of the end of such year'';

(D) in subparagraph (A)(ii)(II), by striking ''or (E) as of the end of the fiscal year'' and inserting ''in the fiscal year or, at the option of the State, as of the end of such year'';

(E) in subparagraph (A)(iii)—

(i) by striking ''during the fiscal year''; and

(ii) by striking ''and'' at the end; and

(F) in the matter following subparagraph (A)—

(i) by striking ''who were born out of wedlock during the immediately preceding fiscal year'' and inserting ''born out of wedlock'';

(ii) by striking ''such preceding fiscal year'' both places it appears and inserting ''the preceding fiscal year''; and

(iii) by striking ''or (E)'' the second place it appears.

(3) Section 452(g)(3) (42 U.S.C. 652(g)(3)) is amended—

(A) by striking subparagraph (A) and redesignating subparagraphs (B) and (C) as subparagraphs (A) and (B), respectively;

(B) in subparagraph (A), as redesignated, by striking ''the percentage of children born out-of-wedlock in the State'' and inserting ''the percentage of children in the State who are born out of wedlock or for whom support has not been established''; and

(C) in subparagraph (B), as redesignated—

(i) by inserting ''and overall performance in child support enforcement'' after ''paternity establishment percentages''; and

(ii) by inserting ''and securing support'' before the period.

(e) REDUCTION OF PAYMENTS UNDER PART D OF TITLE IV.—

(1) NEW REQUIREMENTS.—Section 455 (42 U.S.C. 655) is amended by inserting after subsection (b) the following:

''(c)(1) If the Secretary finds, with respect to a State program under this part in a fiscal year beginning on or after October 1, 1997—

''(A)(i) on the basis of data submitted by a State pursuant to section 454(15)(B), that the State program in such fiscal year failed to achieve the IV–D paternity establishment percentage (as defined in section 452(g)(2)(A)) or the appropriate level of overall performance in child support enforcement (as defined in section 458(b)(2)), or to meet other performance measures that may be established by the Secretary, or

''(ii) on the basis of an audit or audits of such State data conducted pursuant to section 452(a)(4)(C), that the State data submitted pursu-

ant to section 454(15)(B) is incomplete or unreliable; and

''(B) that, with respect to the succeeding fiscal year—

''(i) the State failed to take sufficient corrective action to achieve the appropriate performance levels as described in subparagraph (A)(i) of this paragraph, or

''(ii) the data submitted by the State pursuant to section 454(15)(B) is incomplete or unreliable,

the amounts otherwise payable to the State under this part for quarters following the end of such succeeding fiscal year, prior to quarters following the end of the first quarter throughout which the State program is in compliance with such performance requirement, shall be reduced by the percentage specified in paragraph (2).

''(2) The reductions required under paragraph (1) shall be—

''(A) not less than 6 nor more than 8 percent, or

''(B) not less than 8 nor more than 12 percent, if the finding is the second consecutive finding made pursuant to paragraph (1), or

"(C) not less than 12 nor more than 15 percent, if the finding is the third or a subsequent consecutive such finding.

"(3) For purposes of this subsection, section 402(a)(27), and section 452(a)(4), a State which is determined as a result of an audit to have submitted incomplete or unreliable data pursuant to section 454(15)(B), shall be determined to have submitted adequate data if the Secretary determines that the extent of the incompleteness or unreliability of the data is of a technical nature which does not adversely affect the determination of the level of the State's performance.".

(2) CONFORMING AMENDMENTS.—

(A) Section 403 (42 U.S.C. 603) is amended by striking subsection (h).

(B) Section 452(a)(4) (42 U.S.C. 652(a)(4)) is amended by striking "403(h)" each place such term appears and inserting "455(c)".

(C) Subsections (d)(3)(A), (g)(1), and (g)(3)(A) of section 452 (42 U.S.C. 652) are each amended by striking "403(h)" and inserting "455(c)".

(f) EFFECTIVE DATES.—

(1) INCENTIVE ADJUSTMENTS.—(A) The amendments made by subsections (a), (b), and (c) shall become effective October 1, 1997, except to the extent provided in subparagraph (B).

(B) Section 458 of the Social Security Act, as in effect prior to the enactment of this section, shall be effective for purposes of incentive payments to States for fiscal years prior to fiscal year 1999.

(2) PENALTY REDUCTIONS.—(A) The amendments made by subsection (d) shall become effective with respect to calendar quarters beginning on and after the date of enactment of this Act.

(B) The amendments made by subsection (e) shall become effective with respect to calendar quarters beginning on and after the date one year after the date of enactment of this Act.

SEC. 413. FEDERAL AND STATE REVIEWS AND AUDITS.

(a) STATE AGENCY ACTIVITIES.—Section 454 (42 U.S.C. 654) is amended—

(1) in paragraph (14), by striking ''(14)'' and inserting ''(14)(A)'';

(2) by redesignating paragraph (15) as subparagraph (B) of paragraph (14); and

(3) by inserting after paragraph (14) the following new paragraph:

''(15) provide for—

''(A) a process for annual reviews of and reports to the Secretary on the State program under this part, which shall include such information as may be necessary to measure State compliance with Federal requirements for expedited procedures and timely case processing, using such standards and procedures as are required by the Secretary, under which the State agency will determine the extent to which such program is in conformity with applicable requirements with respect to the operation of State programs under this part (including the status of complaints filed under the procedure required under paragraph (12)(B)); and

''(B) a process of extracting from the State automated data processing system and transmitting to the Secretary data and calculations concerning the levels of accomplishment (and rates of improvement) with respect to applicable performance indicators (including IV–D paternity establishment percentages and overall performance in child support enforcement) to the extent necessary for purposes of sections 452(g) and 458.''.

(b) FEDERAL ACTIVITIES.—Section 452(a)(4) (42 U.S.C. 652(a)(4)) is amended to read as follows:

''(4)(A) review data and calculations transmitted by State agencies pursuant to section 454(15)(B) on State program accomplishments with respect to performance indicators for purposes of section 452(g) and 458, and determine the amount (if any) of penalty reductions pursuant to section 455(c) to be applied to the State;

''(B) review annual reports by State agencies pursuant to section 454(15)(A) on State program conformity with Federal requirements; evaluate any elements of a State program in which significant deficiencies are indicated by such report on the status of complaints under the State procedure under section 454(12)(B); and, as appropriate, provide to the State agency comments, recommendations for additional or alternative corrective actions, and technical assistance; and

''(C) conduct audits, in accordance with the government auditing standards of the United States Comptroller General—

''(i) at least once every 3 years (or more frequently, in the case of a State which fails to meet requirements of this part, or of regula-

tions implementing such requirements, concerning performance standards and reliability of program data) to assess the completeness, reliability, and security of the data, and the accuracy of the reporting systems, used for the calculations of performance indicators specified in subsection (g) and section 458;

''(ii) of the adequacy of financial management of the State program, including assessments of—

''(I) whether Federal and other funds made available to carry out the State program under this part are being appropriately expended, and are properly and fully accounted for; and

''(II) whether collections and disbursements of support payments and program income are carried out correctly and are properly and fully accounted for; and

''(iii) for such other purposes as the Secretary may find necessary;''.

(c) EFFECTIVE DATE.—The amendments made by this section shall be effective with respect to calendar quarters beginning on or after the date one year after enactment of this section.

SEC. 414. REQUIRED REPORTING PROCEDURES.

(a) ESTABLISHMENT.—Section 452(a)(5) (42 U.S.C. 652(a)(5)) is amended by inserting ‘‘, and establish procedures to be followed by States for collecting and reporting information required to be provided under this part, and establish uniform definitions (including those necessary to enable the measurement of State compliance with the requirements of this part relating to expedited processes and timely case processing) to be applied in following such procedures’’ before the semicolon.

(b) STATE PLAN REQUIREMENT.—Section 454 (42 U.S.C. 654), as amended by section 404(a) of this Act, is amended—

(1) by striking ‘‘and’’ at the end of paragraph (24);

(2) by striking the period at the end of paragraph (25) and inserting ‘‘; and’’; and

(3) by adding after paragraph (25) the following:

‘‘(26) provide that the State shall use the definitions established under section 452(a)(5) in collecting and reporting information as required under this part.’’.

SEC. 415. AUTOMATED DATA PROCESSING REQUIREMENTS.

(a) REVISED REQUIREMENTS.—(1) Section 454(16) (42 U.S.C. 654(16)) is amended—

(A) by striking ‘‘, at the option of the State,’’;

(B) by inserting ‘‘and operation by the State agency’’ after ‘‘for the establishment’’;

(C) by inserting ‘‘meeting the requirements of section 454A’’ after ‘‘information retrieval system’’;

(D) by striking ‘‘in the State and localities thereof, so as (A)’’ and inserting ‘‘so as’’;

(E) by striking ‘‘(i)’’; and

(F) by striking ‘‘(including’’ and all that follows and inserting a semicolon.

(2) Part D of title IV (42 U.S.C. 651–669) is amended by inserting after section 454 the following new section:

‘‘AUTOMATED DATA PROCESSING

‘‘SEC. 454A. (a) IN GENERAL.—In order to meet the requirements of this section, for purposes of the requirement of section 454(16), a State agency shall have in operation a single statewide automated data processing and information retrieval system which has the capability to perform the tasks specified in this section, and performs such tasks with the frequency and in the manner specified in this part or in regulations or guidelines of the Secretary.

‘‘(b) PROGRAM MANAGEMENT.—The automated system required under this section shall perform such functions as the Secretary may specify relating to management of the program under this part, including—

"(1) controlling and accounting for use of Federal, State, and local funds to carry out such program; and

"(2) maintaining the data necessary to meet Federal reporting requirements on a timely basis.

"(c) CALCULATION OF PERFORMANCE INDICATORS.—In order to enable the Secretary to determine the incentive and penalty adjustments required by sections 452(g) and 458, the State agency shall—

"(1) use the automated system—

"(A) to maintain the requisite data on State performance with respect to paternity establishment and child support enforcement in the State; and

"(B) to calculate the IV–D paternity establishment percentage and overall performance in child support enforcement for the State for each fiscal year; and

"(2) have in place systems controls to ensure the completeness, and reliability of, and ready access to, the data described in paragraph (1)(A), and the accuracy of the calculations described in paragraph (1)(B).

"(d) INFORMATION INTEGRITY AND SECURITY.—The State agency shall have in effect safeguards on the integ-

rity, accuracy, and completeness of, access to, and use of data in the automated system required under this section, which shall include the following (in addition to such other safeguards as the Secretary specifies in regulations):

''(1) POLICIES RESTRICTING ACCESS.—Written policies concerning access to data by State agency personnel, and sharing of data with other persons, which—

''(A) permit access to and use of data only to the extent necessary to carry out program responsibilities;

''(B) specify the data which may be used for particular program purposes, and the personnel permitted access to such data; and

''(C) ensure that data obtained or disclosed for a limited program purpose is not used or redisclosed for another, impermissible purpose.

''(2) SYSTEMS CONTROLS.—Systems controls (such as passwords or blocking of fields) to ensure strict adherence to the policies specified under paragraph (1).

''(3) MONITORING OF ACCESS.—Routine monitoring of access to and use of the automated system, through methods such as audit trails and feed-

back mechanisms, to guard against and promptly identify unauthorized access or use.

''(4) TRAINING AND INFORMATION.—The State agency shall have in effect procedures to ensure that all personnel (including State and local agency staff and contractors) who may have access to or be required to use sensitive or confidential program data are fully informed of applicable requirements and penalties, and are adequately trained in security procedures.

''(5) PENALTIES.—The State agency shall have in effect administrative penalties (up to and including dismissal from employment) for unauthorized access to, or disclosure or use of, confidential data.''.

(3) REGULATIONS.—Section 452 (42 U.S.C. 652) is amended by adding at the end the following:

''(j) The Secretary shall prescribe final regulations for implementation of the requirements of section 454A not later than 2 years after the date of the enactment of this subsection.''.

(4) IMPLEMENTATION TIMETABLE.—Section 454(24) (42 U.S.C. 654(24)), as amended by sections 404(a)(2) and 414(b)(1) of this Act, is amended to read as follows:

''(24) provide that the State will have in effect an automated data processing and information retrieval system—

''(A) by October 1, 1995, meeting all requirements of this part which were enacted on or before the date of enactment of the Family Support Act of 1988; and

''(B) by October 1, 1999, meeting all requirements of this part enacted on or before the date of enactment of the Individual Responsibility Act of 1995 (but this provision shall not be construed to alter earlier deadlines specified for elements of such system), except that such deadline shall be extended by 1 day for each day (if any) by which the Secretary fails to meet the deadline imposed by section 452(j);''.

(b) SPECIAL FEDERAL MATCHING RATE FOR DEVELOPMENT COSTS OF AUTOMATED SYSTEMS.—Section 455(a) (42 U.S.C. 655(a)) is amended—

(1) in paragraph (1)(B)—

(A) by striking ''90 percent'' and inserting ''the percent specified in paragraph (3)'';

(B) by striking ''so much of''; and

(C) by striking ''which the Secretary'' and all that follows and inserting '', and''; and

(2) by adding at the end the following new paragraph:

''(3)(A) The Secretary shall pay to each State, for each quarter in fiscal year 1996, 90 percent of so much of State expenditures described in subparagraph (1)(B) as the Secretary finds are for a system meeting the requirements specified in section 454(16), or meeting such requirements without regard to clause (D) thereof.

''(B)(i) The Secretary shall pay to each State, for each quarter in fiscal years 1997 through 2001, the percentage specified in clause (ii) of so much of State expenditures described in subparagraph (1)(B) as the Secretary finds are for a system meeting the requirements specified in section 454(16) and 454A, subject to clause (iii).

''(ii) The percentage specified in this clause, for purposes of clause (i), is the higher of—

''(I) 80 percent, or

''(II) the percentage otherwise applicable to Federal payments to the State under subparagraph (A) (as adjusted pursuant to section 458).''.

(c) CONFORMING AMENDMENT.—Section 123(c) of the Family Support Act of 1988 (102 Stat. 2352; Public Law 100–485) is repealed.

(d) ADDITIONAL PROVISIONS.—For additional provisions of section 454A, as added by subsection (a) of this

section, see the amendments made by sections 421, 422(c), and 433(d) of this Act.

SEC. 416. DIRECTOR OF CSE PROGRAM; STAFFING STUDY.

(a) REPORTING TO SECRETARY.—Section 452(a) (42 U.S.C. 652(a)) is amended in the matter preceding paragraph (1) by striking ''directly''.

(b) STAFFING STUDIES.—

(1) SCOPE.—The Secretary of Health and Human Services shall, directly or by contract, conduct studies of the staffing of each State child support enforcement program under part D of title IV of the Social Security Act. Such studies shall include a review of the staffing needs created by requirements for automated data processing, maintenance of a central case registry and centralized collections of child support, and of changes in these needs resulting from changes in such requirements. Such studies shall examine and report on effective staffing practices used by the States and on recommended staffing procedures.

(2) FREQUENCY OF STUDIES.—The Secretary shall complete the first staffing study required under paragraph (1) by October 1, 1997, and may conduct additional studies subsequently at appropriate intervals.

(3) REPORT TO THE CONGRESS.—The Secretary shall submit a report to the Congress stating the findings and conclusions of each study conducted under this subsection.

SEC. 417. FUNDING FOR SECRETARIAL ASSISTANCE TO STATE PROGRAMS.

Section 452 (42 U.S.C. 652), as amended by section 415(a)(3) of this Act, is amended by adding at the end the following new subsection:

''(k) FUNDING FOR FEDERAL ACTIVITIES ASSISTING STATE PROGRAMS.—(1) There shall be available to the Secretary, from amounts appropriated for fiscal year 1996 and each succeeding fiscal year for payments to States under this part, the amount specified in paragraph (2) for the costs to the Secretary for—

''(A) information dissemination and technical assistance to States, training of State and Federal staff, staffing studies, and related activities needed to improve programs (including technical assistance concerning State automated systems);

''(B) research, demonstration, and special projects of regional or national significance relating to the operation of State programs under this part; and

''(C) operation of the Federal Parent Locator Service under section 453, to the extent such costs are not recovered through user fees.

''(2) The amount specified in this paragraph for a fiscal year is the amount equal to a percentage of the reduction in Federal payments to States under part A on account of child support (including arrearages) collected in the preceding fiscal year on behalf of children receiving aid under such part A in such preceding fiscal year (as determined on the basis of the most recent reliable data available to the Secretary as of the end of the third calendar quarter following the end of such preceding fiscal year), equal to—

''(A) 1 percent, for the activities specified in subparagraphs (A) and (B) of paragraph (1); and

''(B) 2 percent, for the activities specified in subparagraph (C) of paragraph (1).''.

SEC. 418. REPORTS AND DATA COLLECTION BY THE SECRETARY.

(a) ANNUAL REPORT TO CONGRESS.—(1) Section 452(a)(10)(A) (42 U.S.C. 652(a)(10)(A)) is amended—

(A) by striking ''this part;'' and inserting ''this part, including—''; and

(B) by adding at the end the following indented clauses:

''(i) the total amount of child support payments collected as a result of services furnished during such fiscal year to individuals receiving services under this part;

''(ii) the cost to the States and to the Federal Government of furnishing such services to those individuals; and

''(iii) the number of cases involving families—

''(I) who became ineligible for aid under part A during a month in such fiscal year; and

''(II) with respect to whom a child support payment was received in the same month;''.

(2) Section 452(a)(10)(C) (42 U.S.C. 652(a)(10)(C)) is amended—

(A) in the matter preceding clause (i)—

(i) by striking ''with the data required under each clause being separately stated for cases'' and inserting ''separately stated for (1) cases'';

(ii) by striking ''cases where the child was formerly receiving'' and inserting ''or formerly received'';

(iii) by inserting ''or 1912'' after ''471(a)(17)''; and

(iv) by inserting ''(2)'' before ''all other'';

(B) in each of clauses (i) and (ii), by striking '', and the total amount of such obligations'';

(C) in clause (iii), by striking ''described in'' and all that follows and inserting ''in which support was collected during the fiscal year;'';

(D) by striking clause (iv); and

(E) by redesignating clause (v) as clause (vii), and inserting after clause (iii) the following new clauses:

''(iv) the total amount of support collected during such fiscal year and distributed as current support;

''(v) the total amount of support collected during such fiscal year and distributed as arrearages;

''(vi) the total amount of support due and unpaid for all fiscal years; and''.

(3) Section 452(a)(10)(G) (42 U.S.C. 652(a)(10)(G)) is amended by striking ''on the use of Federal courts and''.

(4) Section 452(a)(10) (42 U.S.C. 652(a)(10)) is amended by striking all that follows subparagraph (I).

(b) DATA COLLECTION AND REPORTING.—Section 469 (42 U.S.C. 669) is amended—

(1) by striking subsections (a) and (b) and inserting the following:

''(a) The Secretary shall collect and maintain, on a fiscal year basis, up-to-date statistics, by State, with respect to services to establish paternity and services to establish child support obligations, the data specified in subsection (b), separately stated, in the case of each such service, with respect to—

''(1) families (or dependent children) receiving aid under plans approved under part A (or E); and

''(2) families not receiving such aid.

''(b) The data referred to in subsection (a) are—

''(1) the number of cases in the caseload of the State agency administering the plan under this part in which such service is needed; and

''(2) the number of such cases in which the service has been provided.''; and

(2) in subsection (c), by striking ''(a)(2)'' and inserting ''(b)(2)''.

(c) EFFECTIVE DATE.—The amendments made by this section shall be effective with respect to fiscal year 1996 and succeeding fiscal years.

Subtitle C—Locate and Case Tracking

SEC. 421. CENTRAL STATE AND CASE REGISTRY.

Section 454A, as added by section 415(a)(2) of this Act, is amended by adding at the end the following:

''(e) CENTRAL CASE REGISTRY.—(1) IN GENERAL.—The automated system required under this section shall perform the functions, in accordance with the provisions of this subsection, of a single central registry containing records with respect to each case in which services are being provided by the State agency (including, on and after October 1, 1998, each order specified in section 466(a)(12)), using such standardized data elements (such as names, social security numbers or other uniform identification numbers, dates of birth, and case identification numbers), and containing such other information (such as information on case status) as the Secretary may require.

''(2) PAYMENT RECORDS.—Each case record in the central registry shall include a record of—

''(A) the amount of monthly (or other periodic) support owed under the support order, and other amounts due or overdue (including arrears, interest or late payment penalties, and fees);

''(B) the date on which or circumstances under which the support obligation will terminate under such order;

''(C) all child support and related amounts collected (including such amounts as fees, late payment penalties, and interest on arrearages);

''(D) the distribution of such amounts collected; and

''(E) the birth date of the child for whom the child support order is entered.

''(3) UPDATING AND MONITORING.—The State agency shall promptly establish and maintain, and regularly monitor, case records in the registry required by this subsection, on the basis of—

''(A) information on administrative actions and administrative and judicial proceedings and orders relating to paternity and support;

''(B) information obtained from matches with Federal, State, or local data sources;

''(C) information on support collections and distributions; and

''(D) any other relevant information.

''(f) DATA MATCHES AND OTHER DISCLOSURES OF INFORMATION.—The automated system required under this section shall have the capacity, and be used by the

State agency, to extract data at such times, and in such standardized format or formats, as may be required by the Secretary, and to share and match data with, and receive data from, other data bases and data matching services, in order to obtain (or provide) information necessary to enable the State agency (or Secretary or other State or Federal agencies) to carry out responsibilities under this part. Data matching activities of the State agency shall include at least the following:

''(1) DATA BANK OF CHILD SUPPORT ORDERS.—Furnish to the Data Bank of Child Support Orders established under section 453(h) (and update as necessary, with information including notice of expiration of orders) minimal information (to be specified by the Secretary) on each child support case in the central case registry.

''(2) FEDERAL PARENT LOCATOR SERVICE.—Exchange data with the Federal Parent Locator Service for the purposes specified in section 453.

''(3) AFDC AND MEDICAID AGENCIES.—Exchange data with State agencies (of the State and of other States) administering the programs under part A and title XIX, as necessary for the performance of State agency responsibilities under this part and under such programs.

"(4) INTRA- AND INTERSTATE DATA MATCHES.—Exchange data with other agencies of the State, agencies of other States, and interstate information networks, as necessary and appropriate to carry out (or assist other States to carry out) the purposes of this part.".

SEC. 422. CENTRALIZED COLLECTION AND DISBURSEMENT OF SUPPORT PAYMENTS.

(a) STATE PLAN REQUIREMENT.—Section 454 (42 U.S.C. 654), as amended by sections 404(a) and 414(b) of this Act, is amended—

(1) by striking "and" at the end of paragraph (25);

(2) by striking the period at the end of paragraph (26) and inserting "; and"; and

(3) by adding after paragraph (26) the following new paragraph:

"(27) provide that the State agency, on and after October 1, 1998—

"(A) will operate a centralized, automated unit for the collection and disbursement of child support under orders being enforced under this part, in accordance with section 454B; and

"(B) will have sufficient State staff (consisting of State employees), and (at State op-

tion) contractors reporting directly to the State agency to monitor and enforce support collections through such centralized unit, including carrying out the automated data processing responsibilities specified in section 454A(g) and to impose, as appropriate in particular cases, the administrative enforcement remedies specified in section 466(c)(1).''.

(b) ESTABLISHMENT OF CENTRALIZED COLLECTION UNIT.—Part D of title IV (42 U.S.C. 651–669) is amended by adding after section 454A the following new section:

''CENTRALIZED COLLECTION AND DISBURSEMENT OF SUPPORT PAYMENTS

''SEC. 454B. (a) IN GENERAL.—In order to meet the requirement of section 454(27), the State agency must operate a single centralized, automated unit for the collection and disbursement of support payments, coordinated with the automated data system required under section 454A, in accordance with the provisions of this section, which shall be—

''(1) operated directly by the State agency (or by two or more State agencies under a regional cooperative agreement), or by a single contractor responsible directly to the State agency; and

''(2) used for the collection and disbursement (including interstate collection and disbursement) of

payments under support orders in all cases being enforced by the State pursuant to section 454(4).

''(b) REQUIRED PROCEDURES.—The centralized collections unit shall use automated procedures, electronic processes, and computer-driven technology to the maximum extent feasible, efficient, and economical, for the collection and disbursement of support payments, including procedures—

''(1) for receipt of payments from parents, employers, and other States, and for disbursements to custodial parents and other obligees, the State agency, and the State agencies of other States;

''(2) for accurate identification of payments;

''(3) to ensure prompt disbursement of the custodial parent's share of any payment; and

''(4) to furnish to either parent, upon request, timely information on the current status of support payments.''.

(c) USE OF AUTOMATED SYSTEM.—Section 454A, as added by section 415(a)(2) of this Act and as amended by section 421 of this Act, is amended by adding at the end the following new subsection:

''(g) CENTRALIZED COLLECTION AND DISTRIBUTION OF SUPPORT PAYMENTS.—The automated system required under this section shall be used, to the maximum

extent feasible, to assist and facilitate collections and disbursement of support payments through the centralized collections unit operated pursuant to section 454B, through the performance of functions including at a minimum—

''(1) generation of orders and notices to employers (and other debtors) for the withholding of wages (and other income)—

''(A) within two working days after receipt (from the directory of New Hires established under section 453(i) or any other source) of notice of and the income source subject to such withholding; and

''(B) using uniform formats directed by the Secretary;

''(2) ongoing monitoring to promptly identify failures to make timely payment; and

''(3) automatic use of enforcement mechanisms (including mechanisms authorized pursuant to section 466(c)) where payments are not timely made.''.

(d) EFFECTIVE DATE.—The amendments made by this section shall become effective on October 1, 1998.

SEC. 423. AMENDMENTS CONCERNING INCOME WITHHOLDING.

(a) MANDATORY INCOME WITHHOLDING.—(1) Section 466(a)(1) (42 U.S.C. 666(a)(1)) is amended to read as follows:

''(1) INCOME WITHHOLDING.—(A) UNDER ORDERS ENFORCED UNDER THE STATE PLAN.—Procedures described in subsection (b) for the withholding from income of amounts payable as support in cases subject to enforcement under the State plan.

''(B) UNDER CERTAIN ORDERS PREDATING CHANGE IN REQUIREMENT.—Procedures under which all child support orders issued (or modified) before October 1, 1996, and which are not otherwise subject to withholding under subsection (b), shall become subject to withholding from wages as provided in subsection (b) if arrearages occur, without the need for a judicial or administrative hearing.''.

(2) Section 466(a)(8) (42 U.S.C. 666(a)(8)) is repealed.

(3) Section 466(b) (42 U.S.C. 666(b)) is amended—

(A) in the matter preceding paragraph (1), by striking ''subsection (a)(1)'' and inserting ''subsection (a)(1)(A)'';

(B) in paragraph (5), by striking all that follows ''administered by'' and inserting ''the State

through the centralized collections unit established pursuant to section 454B, in accordance with the requirements of such section 454B.'';

(C) in paragraph (6)(A)(i)—

(i) by inserting '', in accordance with timetables established by the Secretary,'' after ''must be required''; and

(ii) by striking ''to the appropriate agency'' and all that follows and inserting ''to the State centralized collections unit within 5 working days after the date such amount would (but for this subsection) have been paid or credited to the employee, for distribution in accordance with this part.'';

(D) in paragraph (6)(A)(ii), by inserting ''be in a standard format prescribed by the Secretary, and'' after ''shall''; and

(E) in paragraph (6)(D)—

(i) by striking ''employer who discharges'' and inserting ''employer who—(A) discharges'';

(ii) by relocating subparagraph (A), as designated, as an indented subparagraph after and below the introductory matter;

(iii) by striking the period at the end; and

(iv) by adding after and below subparagraph (A) the following new subparagraph:

''(B) fails to withhold support from wages, or to pay such amounts to the State centralized collections unit in accordance with this subsection.''.

(b) CONFORMING AMENDMENT.—Section 466(c) (42 U.S.C. 666(c)) is repealed.

(c) DEFINITION OF TERMS.—The Secretary shall promulgate regulations providing definitions, for purposes of part D of title IV of the Social Security Act, for the term ''income'' and for such other terms relating to income withholding under section 466(b) of such Act as the Secretary may find it necessary or advisable to define.

SEC. 424. LOCATOR INFORMATION FROM INTERSTATE NETWORKS.

Section 466(a) (42 U.S.C. 666(a)), as amended by section 423(a)(2) of this Act, is amended by inserting after paragraph (7) the following:

''(8) LOCATOR INFORMATION FROM INTERSTATE NETWORKS.—Procedures ensuring that the State will neither provide funding for, nor use for any purpose (including any purpose unrelated to the purposes of this part), any automated interstate network or system used to locate individuals—

''(A) for purposes relating to the use of motor vehicles; or

''(B) providing information for law enforcement purposes (where child support enforcement agencies are otherwise allowed access by State and Federal law),

unless all Federal and State agencies administering programs under this part (including the entities established under section 453) have access to information in such system or network to the same extent as any other user of such system or network.''.

SEC. 425. EXPANDED FEDERAL PARENT LOCATOR SERVICE.

(a) EXPANDED AUTHORITY TO LOCATE INDIVIDUALS AND ASSETS.—Section 453 (42 U.S.C. 653) is amended—

(1) in subsection (a), by striking all that follows ''subsection (c))'' and inserting the following:

'', for the purpose of establishing parentage, establishing, setting the amount of, modifying, or enforcing child support obligations—

''(1) information on, or facilitating the discovery of, the location of any individual—

''(A) who is under an obligation to pay child support;

''(B) against whom such an obligation is sought; or

''(C) to whom such an obligation is owed, including such individual's social security number (or numbers), most recent residential address, and the name, address, and employer identification number of such individual's employer; and

''(2) information on the individual's wages (or other income) from, and benefits of, employment (including rights to or enrollment in group health care coverage); and

''(3) information on the type, status, location, and amount of any assets of, or debts owed by or to, any such individual.''; and

(2) in subsection (b)—

(A) in the matter preceding paragraph (1), by striking ''social security'' and all that follows through ''absent parent'' and inserting ''information specified in subsection (a)''; and

(B) in paragraph (2), by inserting before the period '', or from any consumer reporting agency (as defined in section 603(f) of the Fair Credit Reporting Act (15 U.S.C. 1681a(f))'';

(3) in subsection (e)(1), by inserting before the period '', or by consumer reporting agencies''.

(b) REIMBURSEMENT FOR DATA FROM FEDERAL AGENCIES.—Section 453(e)(2) (42 U.S.C. 653(e)(2)) is amended in the fourth sentence by inserting before the period ''in an amount which the Secretary determines to be reasonable payment for the data exchange (which amount shall not include payment for the costs of obtaining, compiling, or maintaining the data)''.

(c) ACCESS TO CONSUMER REPORTS UNDER FAIR CREDIT REPORTING ACT.—(1) Section 608 of the Fair Credit Reporting Act (15 U.S.C. 1681f) is amended—

(A) by striking '', limited to'' and inserting ''to a governmental agency (including the entire consumer report, in the case of a Federal, State, or local agency administering a program under part D of title IV of the Social Security Act, and limited to''; and

(B) by striking ''employment, to a governmental agency'' and inserting ''employment, in the case of any other governmental agency)''.

(2) REIMBURSEMENT FOR REPORTS BY STATE AGENCIES AND CREDIT BUREAUS.—Section 453 (42 U.S.C. 653) is amended by adding at the end the following new subsection:

''(g) The Secretary is authorized to reimburse costs to State agencies and consumer credit reporting agencies

the costs incurred by such entities in furnishing information requested by the Secretary pursuant to this section in an amount which the Secretary determines to be reasonable payment for the data exchange (which amount shall not include payment for the costs of obtaining, compiling, or maintaining the data).''.

(d) DISCLOSURE OF TAX RETURN INFORMATION.—(1) Section 6103(1)(6)(A)(ii) of the Internal Revenue Code of 1986 is amended by striking '', but only if'' and all that follows and inserting a period.

(2) Section 6103(1)(8)(A) of the Internal Revenue Code of 1986 is amended by inserting ''Federal,'' before ''State or local''.

(e) TECHNICAL AMENDMENTS.—

(1) Sections 452(a)(9), 453(a), 453(b), 463(a), and 463(e) (42 U.S.C. 652(a)(9), 653(a), 653(b), 663(a), and 663(e)) are each amended by inserting ''Federal'' before ''Parent'' each place it appears.

(2) Section 453 (42 U.S.C. 653) is amended in the heading by adding ''FEDERAL'' before ''PARENT''.

(f) NEW COMPONENTS.—Section 453 (42 U.S.C. 653), as amended by subsection (c)(2) of this section, is amended by adding at the end the following:

''(h) DATA BANK OF CHILD SUPPORT ORDERS.—

"(1) IN GENERAL.—Not later than October 1, 1998, in order to assist States in administering their State plans under this part and parts A, F, and G, and for the other purposes specified in this section, the Secretary shall establish and maintain in the Federal Parent Locator Service an automated registry to be known as the Data Bank of Child Support Orders, which shall contain abstracts of child support orders and other information described in paragraph (2) on each case in each State central case registry maintained pursuant to section 454A(e), as furnished (and regularly updated), pursuant to section 454A(f), by State agencies administering programs under this part.

"(2) CASE INFORMATION.—The information referred to in paragraph (1), as specified by the Secretary, shall include sufficient information (including names, social security numbers or other uniform identification numbers, and State case identification numbers) to identify the individuals who owe or are owed support (or with respect to or on behalf of whom support obligations are sought to be established), and the State or States which have established or modified, or are enforcing or seeking to establish, such an order.

''(i) DIRECTORY OF NEW HIRES.—

''(1) IN GENERAL.—Not later than October 1, 1998, In order to assist States in administering their State plans under this part and parts A, F, and G, and for the other purposes specified in this section, the Secretary shall establish and maintain in the Federal Parent Locator Service an automated directory to be known as the directory of New Hires, containing—

''(A) information supplied by employers on each newly hired individual, in accordance with paragraph (2); and

''(B) information supplied by State agencies administering State unemployment compensation laws, in accordance with paragraph (3).

''(2) EMPLOYER INFORMATION.—

''(A) INFORMATION REQUIRED.—Subject to subparagraph (D), each employer shall furnish to the Secretary, for inclusion in the directory established under this subsection, not later than 10 days after the date (on or after October 1, 1998) on which the employer hires a new employee (as defined in subparagraph (C)), a report containing the name, date of birth, and

social security number of such employee, and the employer identification number of the employer.

''(B) REPORTING METHOD AND FORMAT.—The Secretary shall provide for transmission of the reports required under subparagraph (A) using formats and methods which minimize the burden on employers, which shall include—

''(i) automated or electronic transmission of such reports;

''(ii) transmission by regular mail; and

''(iii) transmission of a copy of the form required for purposes of compliance with section 3402 of the Internal Revenue Code of 1986.

''(C) EMPLOYEE DEFINED.—For purposes of this paragraph, the term 'employee' means any individual subject to the requirement of section 3402(f)(2) of the Internal Revenue Code of 1986.

''(D) PAPERWORK REDUCTION REQUIREMENT.—As required by the information resources management policies published by the

Director of the Office of Management and Budget pursuant to section 3504(b)(1) of title 44, United States Code, the Secretary, in order to minimize the cost and reporting burden on employers, shall not require reporting pursuant to this paragraph if an alternative reporting mechanism can be developed that either relies on existing Federal or State reporting or enables the Secretary to collect the needed information in a more cost-effective and equally expeditious manner, taking into account the reporting costs on employers.

''(E) CIVIL MONEY PENALTY ON NON-COMPLYING EMPLOYERS.—(i) Any employer that fails to make a timely report in accordance with this paragraph with respect to an individual shall be subject to a civil money penalty, for each calendar year in which the failure occurs, of the lesser of $500 or 1 percent of the wages or other compensation paid by such employer to such individual during such calendar year.

''(ii) Subject to clause (iii), the provisions of section 1128A (other than subsections (a) and (b) thereof) shall apply to a civil money penalty under clause (i) in the same manner as

they apply to a civil money penalty or proceeding under section 1128A(a).

''(iii) Any employer with respect to whom a penalty under this subparagraph is upheld after an administrative hearing shall be liable to pay all costs of the Secretary with respect to such hearing.

''(3) EMPLOYMENT SECURITY INFORMATION.—

''(A) REPORTING REQUIREMENT.—Each State agency administering a State unemployment compensation law approved by the Secretary of Labor under the Federal Unemployment Tax Act shall furnish to the Secretary of Health and Human Services extracts of the reports to the Secretary of Labor concerning the wages and unemployment compensation paid to individuals required under section 303(a)(6), in accordance with subparagraph (B).

''(B) MANNER OF COMPLIANCE.—The extracts required under subparagraph (A) shall be furnished to the Secretary of Health and Human Services on a quarterly basis, with respect to calendar quarters beginning on and after October 1, 1996, by such dates, in such

format, and containing such information as required by that Secretary in regulations.

''(j) DATA MATCHES AND OTHER DISCLOSURES.—

''(1) VERIFICATION BY SOCIAL SECURITY ADMINISTRATION.—(A) The Secretary shall transmit data on individuals and employers maintained under this section to the Social Security Administration to the extent necessary for verification in accordance with subparagraph (B).

''(B) The Social Security Administration shall verify the accuracy of, correct or supply to the extent necessary and feasible, and report to the Secretary, the following information in data supplied by the Secretary pursuant to subparagraph (A):

''(i) the name, social security number, and birth date of each individual; and

''(ii) the employer identification number of each employer.

''(2) CHILD SUPPORT LOCATOR MATCHES.—For the purpose of locating individuals for purposes of paternity establishment and establishment and enforcement of child support, the Secretary shall—

''(A) match data in the directory of New Hires against the child support order abstracts

in the Data Bank of Child Support Orders not less often than every 2 working days; and

''(B) report information obtained from such a match to concerned State agencies operating programs under this part not later than 2 working days after such match.

''(3) DATA MATCHES AND DISCLOSURES OF DATA IN ALL REGISTRIES FOR TITLE IV PROGRAM PURPOSES.—The Secretary shall—

''(A) perform matches of data in each component of the Federal Parent Locator Service maintained under this section against data in each other such component (other than the matches required pursuant to paragraph (1)), and report information resulting from such matches to State agencies operating programs under this part and parts A, F, and G; and

''(B) disclose data in such registries to such State agencies,

to the extent, and with the frequency, that the Secretary determines to be effective in assisting such States to carry out their responsibilities under such programs.

''(k) FEES.—

"(1) FOR SSA VERIFICATION.—The Secretary shall reimburse the Commissioner of Social Security, at a rate negotiated between the Secretary and the Commissioner, the costs incurred by the Commissioner in performing the verification services specified in subsection (j).

"(2) FOR INFORMATION FROM SESAS.—The Secretary shall reimburse costs incurred by State employment security agencies in furnishing data as required by subsection (j)(3), at rates which the Secretary determines to be reasonable (which rates shall not include payment for the costs of obtaining, compiling, or maintaining such data).

"(3) FOR INFORMATION FURNISHED TO STATE AND FEDERAL AGENCIES.—State and Federal agencies receiving data or information from the Secretary pursuant to this section shall reimburse the costs incurred by the Secretary in furnishing such data or information, at rates which the Secretary determines to be reasonable (which rates shall include payment for the costs of obtaining, verifying, maintaining, and matching such data or information).

"(l) RESTRICTION ON DISCLOSURE AND USE.—Data in the Federal Parent Locator Service, and information

resulting from matches using such data, shall not be used or disclosed except as specifically provided in this section.

''(m) RETENTION OF DATA.—Data in the Federal Parent Locator Service, and data resulting from matches performed pursuant to this section, shall be retained for such period (determined by the Secretary) as appropriate for the data uses specified in this section.

''(n) INFORMATION INTEGRITY AND SECURITY.—The Secretary shall establish and implement safeguards with respect to the entities established under this section designed to—

''(1) ensure the accuracy and completeness of information in the Federal Parent Locator Service; and

''(2) restrict access to confidential information in the Federal Parent Locator Service to authorized persons, and restrict use of such information to authorized purposes.

''(o) LIMIT ON LIABILITY.—The Secretary shall not be liable to either a State or an individual for inaccurate information provided to a component of the Federal Parent Locator Service section and disclosed by the Secretary in accordance with this section.''.

(g) CONFORMING AMENDMENTS.—

(1) TO PART D OF TITLE IV OF THE SOCIAL SECURITY ACT.—Section 454(8)(B) (42 U.S.C. 654(8)(B)) is amended to read as follows:

''(B) the Federal Parent Locator Service established under section 453;''.

(2) TO FEDERAL UNEMPLOYMENT TAX ACT.—Section 3304(16) of the Internal Revenue Code of 1986 is amended—

(A) by striking ''Secretary of Health, Education, and Welfare'' each place such term appears and inserting ''Secretary of Health and Human Services'';

(B) in subparagraph (B), by striking ''such information'' and all that follows and inserting ''information furnished under subparagraph (A) or (B) is used only for the purposes authorized under such subparagraph;'';

(C) by striking ''and'' at the end of subparagraph (A);

(D) by redesignating subparagraph (B) as subparagraph (C); and

(E) by inserting after subparagraph (A) the following new subparagraph:

''(B) wage and unemployment compensation information contained in the records of

such agency shall be furnished to the Secretary of Health and Human Services (in accordance with regulations promulgated by such Secretary) as necessary for the purposes of the directory of New Hires established under section 453(i) of the Social Security Act, and''.

(3) TO STATE GRANT PROGRAM UNDER TITLE III OF THE SOCIAL SECURITY ACT.—Section 303(a) (42 U.S.C. 503(a)) is amended—

(A) by striking ''and'' at the end of paragraph (8);

(B) by striking the period at the end of paragraph (9) and inserting ''; and''; and

(C) by adding after paragraph (9) the following new paragraph:

''(10) The making of quarterly electronic reports, at such dates, in such format, and containing such information, as required by the Secretary of Health and Human Services under section 453(i)(3), and compliance with such provisions as such Secretary may find necessary to ensure the correctness and verification of such reports.''.

SEC. 426. USE OF SOCIAL SECURITY NUMBERS.

(a) STATE LAW REQUIREMENT.—Section 466(a) (42 U.S.C. 666(a)), as amended by section 401(a) of this Act,

is amended by inserting after paragraph (12) the following:

''(13) SOCIAL SECURITY NUMBERS REQUIRED.—Procedures requiring the recording of social security numbers—

''(A) of both parties on marriage licenses and divorce decrees; and

''(B) of both parents, on birth records and child support and paternity orders.''.

(b) CLARIFICATION OF FEDERAL POLICY.—Section 205(c)(2)(C)(ii) (42 U.S.C. 405(c)(2)(C)(ii)) is amended by striking the third sentence and inserting ''This clause shall not be considered to authorize disclosure of such numbers except as provided in the preceding sentence.''.

Subtitle D—Streamlining and Uniformity of Procedures

SEC. 431. ADOPTION OF UNIFORM STATE LAWS.

Section 466(a) (42 U.S.C. 666(a)), as amended by sections 401(a) and 426(a) of this Act, is amended inserting after paragraph (13) the following:

''(14) INTERSTATE ENFORCEMENT.—(A) ADOPTION OF UIFSA.—Procedures under which the State adopts in its entirety (with the modifications and additions specified in this paragraph) not later than January 1, 1997, and uses on and after such date,

the Uniform Interstate Family Support Act, as approved by the National Conference of Commissioners on Uniform State Laws in August, 1992.

''(B) EXPANDED APPLICATION OF UIFSA.—The State law adopted pursuant to subparagraph (A) shall be applied to any case—

''(i) involving an order established or modified in one State and for which a subsequent modification is sought in another State; or

''(ii) in which interstate activity is required to enforce an order.

''(C) JURISDICTION TO MODIFY ORDERS.—The State law adopted pursuant to subparagraph (A) of this paragraph shall contain the following provision in lieu of section 611(a)(1) of the Uniform Interstate Family Support Act described in such subparagraph (A):

'' '(1) the following requirements are met:

'' '(i) the child, the individual obligee, and the obligor—

'' '(I) do not reside in the issuing State; and

'' '(II) either reside in this State or are subject to the jurisdiction of this State pursuant to section 201; and

''(ii) (in any case where another State is exercising or seeks to exercise jurisdiction to modify the order) the conditions of section 204 are met to the same extent as required for proceedings to establish orders; or'.

''(D) SERVICE OF PROCESS.—The State law adopted pursuant to subparagraph (A) shall recognize as valid, for purposes of any proceeding subject to such State law, service of process upon persons in the State (and proof of such service) by any means acceptable in another State which is the initiating or responding State in such proceeding.

''(E) COOPERATION BY EMPLOYERS.—The State law adopted pursuant to subparagraph (A) shall provide for the use of procedures (including sanctions for noncompliance) under which all entities in the State (including for-profit, nonprofit, and governmental employers) are required to provide promptly, in response to a request by the State agency of that or any other State administering a program under this part, information on the employment, compensation, and benefits of any individual employed by such entity as an employee or contractor.''.

SEC. 432. IMPROVEMENTS TO FULL FAITH AND CREDIT FOR CHILD SUPPORT ORDERS.

Section 1738B of title 28, United States Code, is amended—

(1) in subsection (a)(2), by striking ''subsection (e)'' and inserting ''subsections (e), (f), and (i)'';

(2) in subsection (b), by inserting after the 2nd undesignated paragraph the following:

'' 'child's home State' means the State in which a child lived with a parent or a person acting as parent for at least six consecutive months immediately preceding the time of filing of a petition or comparable pleading for support and, if a child is less than six months old, the State in which the child lived from birth with any of them. A period of temporary absence of any of them is counted as part of the six-month period.'';

(3) in subsection (c), by inserting ''by a court of a State'' before ''is made'';

(4) in subsection (c)(1), by inserting ''and subsections (e), (f), and (g)'' after ''located'';

(5) in subsection (d)—

(A) by inserting ''individual'' before ''contestant''; and

(B) by striking ''subsection (e)'' and inserting ''subsections (e) and (f)'';

(6) in subsection (e), by striking ''make a modification of a child support order with respect to a child that is made'' and inserting ''modify a child support order issued'';

(7) in subsection (e)(1), by inserting ''pursuant to subsection (i)'' before the semicolon;

(8) in subsection (e)(2)—

(A) by inserting ''individual'' before ''contestant'' each place such term appears; and

(B) by striking ''to that court's making the modification and assuming'' and inserting ''with the State of continuing, exclusive jurisdiction for a court of another State to modify the order and assume'';

(9) by redesignating subsections (f) and (g) as subsections (g) and (h), respectively;

(10) by inserting after subsection (e) the following:

''(f) RECOGNITION OF CHILD SUPPORT ORDERS.—If one or more child support orders have been issued in this or another State with regard to an obligor and a child, a court shall apply the following rules in determining which order to recognize for purposes of continuing, exclusive jurisdiction and enforcement:

''(1) If only one court has issued a child support order, the order of that court must be recognized.

''(2) If two or more courts have issued child support orders for the same obligor and child, and only one of the courts would have continuing, exclusive jurisdiction under this section, the order of that court must be recognized.

''(3) If two or more courts have issued child support orders for the same obligor and child, and only one of the courts would have continuing, exclusive jurisdiction under this section, an order issued by a court in the current home State of the child must be recognized, but if an order has not been issued in the current home State of the child, the order most recently issued must be recognized.

''(4) If two or more courts have issued child support orders for the same obligor and child, and none of the courts would have continuing, exclusive jurisdiction under this section, a court may issue a child support order, which must be recognized.

''(5) The court that has issued an order recognized under this subsection is the court having continuing, exclusive jurisdiction.'';

(11) in subsection (g) (as so redesignated)—

(A) by striking ''PRIOR'' and inserting ''MODIFIED''; and

(B) by striking ''subsection (e)'' and inserting ''subsections (e) and (f)'';

(12) in subsection (h) (as so redesignated)—

(A) in paragraph (2), by inserting ''including the duration of current payments and other obligations of support'' before the comma; and

(B) in paragraph (3), by inserting ''arrears under'' after ''enforce''; and

(13) by adding at the end the following:

''(i) REGISTRATION FOR MODIFICATION.—If there is no individual contestant or child residing in the issuing State, the party or support enforcement agency seeking to modify, or to modify and enforce, a child support order issued in another State shall register that order in a State with jurisdiction over the nonmovant for the purpose of modification.''.

SEC. 433. STATE LAWS PROVIDING EXPEDITED PROCEDURES.

(a) STATE LAW REQUIREMENTS.—Section 466 (42 U.S.C. 666) is amended—

(1) in subsection (a)(2), in the first sentence, to read as follows: ''Expedited administrative and judicial procedures (including the procedures specified in

subsection (c)) for establishing paternity and for establishing, modifying, and enforcing support obligations.''; and

(2) by adding after subsection (b) the following new subsection:

''(c) EXPEDITED PROCEDURES.—The procedures specified in this subsection are the following:

''(1) ADMINISTRATIVE ACTION BY STATE AGENCY.—Procedures which give the State agency the authority (and recognize and enforce the authority of State agencies of other States), without the necessity of obtaining an order from any other judicial or administrative tribunal (but subject to due process safeguards, including (as appropriate) requirements for notice, opportunity to contest the action, and opportunity for an appeal on the record to an independent administrative or judicial tribunal), to take the following actions relating to establishment or enforcement of orders:

''(A) GENETIC TESTING.—To order genetic testing for the purpose of paternity establishment as provided in section 466(a)(5).

''(B) DEFAULT ORDERS.—To enter a default order, upon a showing of service of proc-

ess and any additional showing required by State law—

''(i) establishing paternity, in the case of any putative father who refuses to submit to genetic testing; and

''(ii) establishing or modifying a support obligation, in the case of a parent (or other obligor or obligee) who fails to respond to notice to appear at a proceeding for such purpose.

''(C) SUBPOENAS.—To subpoena any financial or other information needed to establish, modify, or enforce an order, and to sanction failure to respond to any such subpoena.

''(D) ACCESS TO PERSONAL AND FINANCIAL INFORMATION.—To obtain access, subject to safeguards on privacy and information security, to the following records (including automated access, in the case of records maintained in automated data bases):

''(i) records of other State and local government agencies, including—

''(I) vital statistics (including records of marriage, birth, and divorce);

''(II) State and local tax and revenue records (including information on residence address, employer, income and assets);

''(III) records concerning real and titled personal property;

''(IV) records of occupational and professional licenses, and records concerning the ownership and control of corporations, partnerships, and other business entities;

''(V) employment security records;

''(VI) records of agencies administering public assistance programs;

''(VII) records of the motor vehicle department; and

''(VIII) corrections records; and

''(ii) certain records held by private entities, including—

''(I) customer records of public utilities and cable television companies; and

''(II) information (including information on assets and liabilities) on

individuals who owe or are owed support (or against or with respect to whom a support obligation is sought) held by financial institutions (subject to limitations on liability of such entities arising from affording such access).

''(E) INCOME WITHHOLDING.—To order income withholding in accordance with subsection (a)(1) and (b) of section 466.

''(F) CHANGE IN PAYEE.—(In cases where support is subject to an assignment under section 402(a)(26), 471(a)(17), or 1912, or to a requirement to pay through the centralized collections unit under section 454B) upon providing notice to obligor and obligee, to direct the obligor or other payor to change the payee to the appropriate government entity.

''(G) SECURE ASSETS TO SATISFY ARREARAGES.—For the purpose of securing overdue support—

''(i) to intercept and seize any periodic or lump-sum payment to the obligor by or through a State or local government agency, including—

"(I) unemployment compensation, workers' compensation, and other benefits;

"(II) judgments and settlements in cases under the jurisdiction of the State or local government; and

"(III) lottery winnings;

"(ii) to attach and seize assets of the obligor held by financial institutions;

"(iii) to attach public and private retirement funds in appropriate cases, as determined by the Secretary; and

"(iv) to impose liens in accordance with paragraph (a)(4) and, in appropriate cases, to force sale of property and distribution of proceeds.

"(H) INCREASE MONTHLY PAYMENTS.—For the purpose of securing overdue support, to increase the amount of monthly support payments to include amounts for arrearages (subject to such conditions or restrictions as the State may provide).

"(I) SUSPENSION OF DRIVERS' LICENSES.—To suspend drivers' licenses of indi-

viduals owing past-due support, in accordance with subsection (a)(16).

''(2) SUBSTANTIVE AND PROCEDURAL RULES.—The expedited procedures required under subsection (a)(2) shall include the following rules and authority, applicable with respect to all proceedings to establish paternity or to establish, modify, or enforce support orders:

''(A) LOCATOR INFORMATION; PRESUMPTIONS CONCERNING NOTICE.—Procedures under which—

''(i) the parties to any paternity or child support proceedings are required (subject to privacy safeguards) to file with the tribunal before entry of an order, and to update as appropriate, information on location and identity (including Social Security number, residential and mailing addresses, telephone number, driver's license number, and name, address, and telephone number of employer); and

''(ii) in any subsequent child support enforcement action between the same parties, the tribunal shall be authorized, upon sufficient showing that diligent effort has

been made to ascertain such party's current location, to deem due process requirements for notice and service of process to be met, with respect to such party, by delivery to the most recent residential or employer address so filed pursuant to clause (i).

''(B) STATEWIDE JURISDICTION.—Procedures under which—

''(i) the State agency and any administrative or judicial tribunal with authority to hear child support and paternity cases exerts statewide jurisdiction over the parties, and orders issued in such cases have statewide effect; and

''(ii) (in the case of a State in which orders in such cases are issued by local jurisdictions) a case may be transferred between jurisdictions in the State without need for any additional filing by the petitioner, or service of process upon the respondent, to retain jurisdiction over the parties.''.

(c) EXCEPTIONS FROM STATE LAW REQUIREMENTS.—Section 466(d) (42 U.S.C. 666(d)) is amended—

(1) by striking ''(d) If'' and inserting the following:

''(d) EXEMPTIONS FROM REQUIREMENTS.—

''(1) IN GENERAL.—Subject to paragraph (2), if''; and

(2) by adding at the end the following new paragraph:

''(2) NONEXEMPT REQUIREMENTS.—The Secretary shall not grant an exemption from the requirements of—

''(A) subsection (a)(5) (concerning procedures for paternity establishment);

''(B) subsection (a)(10) (concerning modification of orders);

''(C) subsection (a)(12) (concerning recording of orders in the central State case registry);

''(D) subsection (a)(13) (concerning recording of Social Security numbers);

''(E) subsection (a)(14) (concerning interstate enforcement); or

''(F) subsection (c) (concerning expedited procedures), other than paragraph (1)(A) thereof (concerning establishment or modification of support amount).''.

(d) AUTOMATION OF STATE AGENCY FUNCTIONS.—Section 454A, as added by section 415(a)(2) of this Act and as amended by sections 421 and 422(c) of this Act, is amended by adding at the end the following new subsection:

''(h) EXPEDITED ADMINISTRATIVE PROCEDURES.—The automated system required under this section shall be used, to the maximum extent feasible, to implement any expedited administrative procedures required under section 466(c).''.

Subtitle E—Paternity Establishment

SEC. 441. SENSE OF THE CONGRESS.

It is the sense of the Congress that social services should be provided in hospitals to women who have become pregnant as a result of rape or incest.

SEC. 442. AVAILABILITY OF PARENTING SOCIAL SERVICES FOR NEW FATHERS.

Section 466(a) (42 U.S.C. 666(a)), as amended by sections 401(a), 426(a), and 431 of this Act, is amended by inserting after paragraph (14) the following:

''(15) Procedures for providing new fathers with positive parenting counseling that stresses the importance of paying child support in a timely manner, in accordance with regulations prescribed by the Secretary.''.

SEC. 443. COOPERATION REQUIREMENT AND GOOD CAUSE EXCEPTION.

(a) CHILD SUPPORT ENFORCEMENT REQUIREMENTS.—Section 454 (42 U.S.C. 654) is amended—

(1) by striking ''and'' at the end of paragraph (23);

(2) by striking the period at the end of paragraph (24) and inserting ''; and''; and

(3) by inserting after paragraph (24) the following:

''(25) provide that the State agency administering the plan under this part—

''(A) will make the determination specified under paragraph (4), as to whether an individual is cooperating with efforts to establish paternity and secure support (or has good cause not to cooperate with such efforts) for purposes of the requirements of sections 402(a)(26) and 1912;

''(B) will advise individuals, both orally and in writing, of the grounds for good cause exceptions to the requirement to cooperate with such efforts;

''(C) will take the best interests of the child into consideration in making the determination whether such individual has good cause not to cooperate with such efforts;

''(D)(i) will make the initial determination as to whether an individual is cooperating (or has good cause not to cooperate) with efforts to establish paternity within 10 days after such individual is referred to such State agency by the State agency administering the program under part A of title XIX;

''(ii) will make redeterminations as to cooperation or good cause at appropriate intervals; and

''(iii) will promptly notify the individual, and the State agencies administering such programs, of each such determination and redetermination;

''(E) with respect to any child born on or after the date 10 months after enactment of this provision, will not determine (or redeter-

mine) the mother (or other custodial relative) of such child to be cooperating with efforts to establish paternity unless such individual furnishes—

''(i) the name of the putative father (or fathers); and

''(ii) sufficient additional information to enable the State agency, if reasonable efforts were made, to verify the identity of the person named as the putative father (including such information as the putative father's present address, telephone number, date of birth, past or present place of employment, school previously or currently attended, and names and addresses of parents, friends, or relatives able to provide location information, or other information that could enable service of process on such person), and

''(F)(i) (where a custodial parent who was initially determined not to be cooperating (or to have good cause not to cooperate) is later determined to be cooperating or to have good cause not to cooperate) will immediately notify the State agencies administering the programs

under part A of title XIX that this eligibility condition has been met; and

''(ii) (where a custodial parent was initially determined to be cooperating (or to have good cause not to cooperate)) will not later determine such individual not to be cooperating (or not to have good cause not to cooperate) until such individual has been afforded an opportunity for a hearing.''.

(b) AFDC AMENDMENTS.—

(1) Section 402(a)(11) (42 U.S.C. 602(a)(11)) is amended by striking ''furnishing of'' and inserting ''application for''.

(2) Section 402(a)(26) (42 U.S.C. 602(a)(26)) is amended—

(A) in each of subparagraphs (A) and (B), by redesignating clauses (i) and (ii) as subclauses (I) and (II);

(B) by indenting and redesignating subparagraphs (A), (B), and (C) as clauses (i), (ii), and (iv), respectively;

(C) in clause (ii), as redesignated—

(i) by striking ''is claimed, or in obtaining any other payments or property

due such applicant or such child,'' and inserting ''is claimed;''; and

(ii) by striking ''unless'' and all that follows through ''aid is claimed; and'';

(D) by adding after clause (ii) the following new clause:

''(iii) to cooperate with the State in obtaining any other payments or property due such applicant or such child; and'';

(E) in the matter preceding clause (i) (as so redesignated) to read as follows:

''(26) provide—

''(A) that, as a condition of eligibility for aid, each applicant or recipient will be required (subject to subparagraph (C))—'';

(F) in subparagraph (A)(iv), as redesignated, by striking '', unless such individual'' and all that follows through ''individuals involved'';

(G) by adding at the end the following new subparagraphs:

''(B) that the State agency will immediately refer each applicant requiring paternity establishment services to the State agency administering the program under part D;

''(C) that an individual will not be required to cooperate with the State, as provided under subparagraph (A), if the individual is found to have good cause for refusing to cooperate, as determined in accordance with standards prescribed by the Secretary, which standards shall take into consideration the best interests of the child on whose behalf aid is claimed—

''(i) to the satisfaction of the State agency administering the program under part D, as determined in accordance with section 454(25), with respect to the requirements under clauses (i) and (ii) of subparagraph (A); and

''(ii) to the satisfaction of the State agency administering the program under this part, with respect to the requirements under clauses (iii) and (iv) of subparagraph (A);

''(D) that (except as provided in subparagraph (E)) an applicant requiring paternity establishment services (other than an individual eligible for emergency assistance as defined in section 406(e)) shall not be eligible for any aid

under a State plan approved under this part until such applicant—

''(i) has furnished to the agency administering the State plan under part D the information specified in section 454(25)(E); or

''(ii) has been determined by such agency to have good cause not to cooperate;

''(E) that the provisions of subparagraph (D) shall not apply—

''(i) if the State agency specified in such subparagraph has not, within 10 days after such individual was referred to such agency, provided the notification required by section 454(25)(D)(iii), until such notification is received; and

''(ii) if such individual appeals a determination that the individual lacks good cause for noncooperation, until after such determination is affirmed after notice and opportunity for a hearing; and''; and

(H)(i) by relocating and redesignating as subparagraph (F) the text at the end of subparagraph (A)(ii) beginning with ''that, if the

relative'' and all that follows through the semicolon;

(ii) in subparagraph (F), as so redesignated and relocated, by striking ''subparagraphs (A) and (B) of this paragraph'' and inserting ''subparagraph (A)''; and

(iii) by striking ''and'' at the end of subparagraph (a)(ii).

(c) MEDICAID AMENDMENTS.—Section 1912(a) (42 U.S.C. 1396k(a)) is amended—

(1) in paragraph (1)(B), by inserting ''(except as provided in paragraph (2))'' after ''to cooperate with the State'';

(2) in subparagraphs (B) and (C) of paragraph (1) by striking '', unless'' and all that follows and inserting a semicolon; and

(3) by redesignating paragraph (2) as paragraph (5), and inserting after paragraph (1) the following new paragraphs:

''(2) provide that the State agency will immediately refer each applicant or recipient requiring paternity establishment services to the State agency administering the program under part D of title IV;

''(3) provide that an individual will not be required to cooperate with the State, as provided

under paragraph (1), if the individual is found to have good cause for refusing to cooperate, as determined in accordance with standards prescribed by the Secretary, which standards shall take into consideration the best interests of the individuals involved—

''(A) to the satisfaction of the State agency administering the program under part D, as determined in accordance with section 454(25), with respect to the requirements to cooperate with efforts to establish paternity and to obtain support (including medical support) from a parent; and

''(B) to the satisfaction of the State agency administering the program under this title, with respect to other requirements to cooperate under paragraph (1);

''(4) provide that (except as provided in paragraph (5)) an applicant requiring paternity establishment services (other than an individual eligible for emergency assistance as defined in section 406(e), or presumptively eligible pursuant to section 1920) shall not be eligible for medical assistance under this title until such applicant—

''(i) has furnished to the agency administering the State plan under part D of title IV the information specified in section 454(25)(E); or

''(ii) has been determined by such agency to have good cause not to cooperate; and

''(5) provide that the provisions of paragraph (4) shall not apply with respect to an applicant—

''(i) if such agency has not, within 10 days after such individual was referred to such agency, provided the notification required by section 454(25)(D)(iii), until such notification is received); and

''(ii) if such individual appeals a determination that the individual lacks good cause for noncooperation, until after such determination is affirmed after notice and opportunity for a hearing.''.

(d) EFFECTIVE DATE.—The amendments made by this section shall be effective with respect to applications filed in or after the first calendar quarter beginning 10 months or more after the date of the enactment of this Act (or such earlier quarter as the State may select) for aid under a State plan approved under part A of title IV

or for medical assistance under a State plan approved under title XIX.

SEC. 444. FEDERAL MATCHING PAYMENTS.

(a) INCREASED BASE MATCHING RATE.—Section 455(a)(2) (42 U.S.C. 655(a)(2)) is amended to read as follows:

''(2) The applicable percent for a quarter for purposes of paragraph (1)(A) is—

''(A) for fiscal year 1996, 69 percent;

''(B) for fiscal year 1997, 72 percent; and

''(C) for fiscal year 1998 and succeeding fiscal years, 75 percent.''.

(b) MAINTENANCE OF EFFORT.—Section 455 (42 U.S.C. 655) is amended—

(1) in subsection (a)(1), in the matter preceding subparagraph (A), by striking ''From'' and inserting ''Subject to subsection (c), from''; and

(2) by inserting after subsection (b) the following:

''(c) MAINTENANCE OF EFFORT.—Notwithstanding subsection (a), total expenditures for the State program under this part for fiscal year 1996 and each succeeding fiscal year, reduced by the percentage specified for such fiscal year under subparagraph (A), (B), or (C)(i) of para-

graph (2), shall not be less than such total expenditures for fiscal year 1995, reduced by 66 percent.''.

SEC. 445. PERFORMANCE-BASED INCENTIVES AND PENALTIES.

(a) INCENTIVE ADJUSTMENTS TO FEDERAL MATCHING RATE.—Section 458 (42 U.S.C. 658) is amended to read as follows:

''INCENTIVE ADJUSTMENTS TO MATCHING RATE

''SEC. 458. (a) INCENTIVE ADJUSTMENT.—

''(1) IN GENERAL.—In order to encourage and reward State child support enforcement programs which perform in an effective manner, the Federal matching rate for payments to a State under section 455(a)(1)(A), for each fiscal year beginning on or after October 1, 1997, shall be increased by a factor reflecting the sum of the applicable incentive adjustments (if any) determined in accordance with regulations under this section with respect to Statewide paternity establishment and the overall performance of the State in child support enforcement.

''(2) STANDARDS.—

''(A) IN GENERAL.—The Secretary shall specify in regulations—

''(i) the levels of accomplishment, and rates of improvement as alternatives to such levels, which States must attain to

qualify for incentive adjustments under this section; and

''(ii) the amounts of incentive adjustment that shall be awarded to States achieving specified accomplishment or improvement levels, which amounts shall be graduated, ranging up to—

''(I) 5 percentage points, in connection with Statewide paternity establishment; and

''(II) 10 percentage points, in connection with overall performance in child support enforcement.

''(B) LIMITATION.—In setting performance standards pursuant to subparagraph (A)(i) and adjustment amounts pursuant to subparagraph (A)(ii), the Secretary shall ensure that the aggregate number of percentage point increases as incentive adjustments to all States do not exceed such aggregate increases as assumed by the Secretary in estimates of the cost of this section as of June 1994, unless the aggregate performance of all States exceeds the projected aggregate performance of all States in such cost estimates.

"(3) DETERMINATION OF INCENTIVE ADJUSTMENT.—

"(A) USE OF PERFORMANCE INDICATORS.—The Secretary shall, for fiscal year 1998 and each succeeding fiscal year, determine the amount (if any) of incentive adjustment for each State on the basis of the data submitted by the State pursuant to section 454(15)(B) with respect to performance indicators established by the Secretary.

"(B) MINIMUM PERFORMANCE REQUIRED.—

"(i) IN GENERAL.—The Secretary shall not determine an incentive adjustment for a State for a fiscal year if the level of performance of the State for the fiscal year with respect to such performance indicators is below the performance threshold established by the Secretary for the State for the fiscal year.

"(ii) ESTABLISHMENT OF STATE PERFORMANCE THRESHOLD.—The performance threshold with respect to such performance indicators for a State and a fis-

cal year shall be at or above the greater of—

''(I) the national average level of performance with respect to such indicators, as of the date of the enactment of this section; or

''(II) the level of performance of the State with respect to such indicators for the immediately preceding fiscal year.

''(C) DEADLINE FOR ISSUANCE OF REGULATIONS.—Within 90 days after the date of the enactment of this section, the Secretary shall issue regulations setting forth the criteria for awarding incentive adjustments.

''(4) FISCAL YEAR SUBJECT TO INCENTIVE ADJUSTMENT.—The total percentage point increase determined pursuant to this section with respect to a State program in a fiscal year shall apply as an adjustment to the percent applicable under section 455(a)(2) for payments to such State for the succeeding fiscal year.

''(b) DEFINITIONS.—As used in subsection (a):

''(1) STATEWIDE PATERNITY ESTABLISHMENT PERCENTAGE.—The term 'Statewide paternity estab-

lishment percentage' means, with respect to a fiscal year, the ratio (expressed as a percentage) of—

''(A) the total number of out-of-wedlock children in the State under one year of age for whom paternity is established or acknowledged during the fiscal year, to

''(B) the total number of children born out of wedlock in the State during such fiscal year.

''(2) OVERALL PERFORMANCE OF THE STATE IN CHILD SUPPORT ENFORCEMENT.—The term 'overall performance of the State in child support enforcement' means a measure or measures of the effectiveness of the State agency in a fiscal year which takes into account factors including—

''(A) the percentage of cases requiring a child support order in which such an order was established;

''(B) the percentage of cases in which child support is being paid;

''(C) the ratio of child support collected to child support due; and

''(D) the cost-effectiveness of the State program, as determined in accordance with standards established by the Secretary in regulations.''.

(b) TITLE IV–D PAYMENT ADJUSTMENT.—Section 455(a)(2) (42 U.S.C. 655(a)(2)), as amended by section 415(a) of this Act, is amended—

(1) by striking the period at the end of subparagraph (C) and inserting a semicolon; and

(2) by adding after and below subparagraph (C), flush with the left margin of the subsection, the following:

''increased by the incentive adjustment factor (if any) determined by the Secretary pursuant to section 458.''.

(c) CONFORMING AMENDMENTS.—Section 454(22) (42 U.S.C. 654(22)) is amended—

(1) by striking ''incentive payments'' the 1st place such term appears and inserting ''incentive adjustments''; and

(2) by striking ''any such incentive payments made to the State for such period'' and inserting ''any increases in Federal payments to the State resulting from such incentive adjustments''.

(d) CALCULATION OF IV–D PATERNITY ESTABLISHMENT PERCENTAGE.—

(1) Section 452(g)(1) (42 U.S.C. 652(g)(1)) is amended in the matter preceding subparagraph (A) by inserting ''its overall performance in child support enforcement is satisfactory (as defined in sec-

tion 458(b) and regulations of the Secretary), and'' after ''1994,''.

(2) Section 452(g)(2)(A) (42 U.S.C. 652(g)(2)(A)) is amended in the matter preceding clause (i)—

(A) by striking ''paternity establishment percentage'' and inserting ''IV–D paternity establishment percentage''; and

(B) by striking ''(or all States, as the case may be)''.

(3) Section 452(g)(3) (42 U.S.C. 652(g)(3)) is amended—

(A) by striking subparagraph (A) and redesignating subparagraphs (B) and (C) as subparagraphs (A) and (B), respectively;

(B) in subparagraph (A) (as so redesignated), by striking ''the percentage of children born out-of-wedlock in a State'' and inserting ''the percentage of children in a State who are born out of wedlock or for whom support has not been established''; and

(C) in subparagraph (B) (as so redesignated)—

(i) by inserting ''and overall performance in child support enforcement'' after ''paternity establishment percentages''; and

(ii) by inserting ''and securing support'' before the period.

(e) TITLE IV–A PAYMENT REDUCTION.—Section 403 (42 U.S.C. 603) is amended—

(1) in subsection (a), by striking ''1958—'' and inserting ''1958—'' (subject to subsection (h))—'';

(2) in subsection (h), by striking all that precedes paragraph (3) and inserting the following:

''(h)(1) If the Secretary finds, with respect to a State program under this part in a fiscal year beginning on or after October 1, 1996—

''(A)(i) on the basis of data submitted by a State pursuant to section 454(15)(B), that the State program in such fiscal year failed to achieve the IV–D paternity establishment percentage (as defined in section 452(g)(2)(A)) or the appropriate level of overall performance in child support enforcement (as defined in section 458(b)(2)), or to meet other performance measures that may be established by the Secretary, or

''(ii) on the basis of an audit or audits of such State data conducted pursuant to section

452(a)(4)(C), that the State data submitted pursuant to section 454(15)(B) is incomplete or unreliable; and

''(B) that, with respect to the succeeding fiscal year—

''(i) the State failed to take sufficient corrective action to achieve the appropriate performance levels as described in subparagraph (A)(i), or

''(ii) the data submitted by the State pursuant to section 454(15)(B) is incomplete or unreliable,

the amounts otherwise payable to the State under this part for quarters following the end of such succeeding fiscal year, prior to quarters following the end of the first quarter throughout which the State program is in compliance with such performance requirement, shall be reduced by the percentage specified in paragraph (2).

''(2) The reductions required under paragraph (1) shall be—

''(A) not less than 1 nor more than 2 percent, or

''(B) not less than 2 nor more than 3 percent, if the finding is the 2nd consecutive finding made pursuant to paragraph (1), or

''(C) not less than 3 nor more than 5 percent, if the finding is the 3rd or a subsequent consecutive such finding.''; and

(3) in subsection (h)(3), by striking ''not in full compliance'' and all that follows and inserting ''determined as a result of an audit to have submitted incomplete or unreliable data pursuant to section 454(15)(B), shall be determined to have submitted adequate data if the Secretary determines that the extent of the incompleteness or unreliability of the data is of a technical nature which does not adversely affect the determination of the level of the State's performance.''.

(f) EFFECTIVE DATES.—

(1) INCENTIVE ADJUSTMENTS.—(A) The amendments made by subsections (a), (b), and (c) shall become effective October 1, 1996, except to the extent provided in subparagraph (B).

(B) Section 458 of the Social Security Act, as in effect immediately before the date of the enactment of this section, shall be effective for purposes of incentive payments to States for fiscal years before fiscal year 1998.

(2) PENALTY REDUCTIONS.—(A) The amendments made by subsection (d) shall become effective

with respect to calendar quarters beginning on and after the date of enactment of this Act.

(B) The amendments made by subsection (e) shall become effective with respect to calendar quarters beginning on and after the date that is 1 year after the date of enactment of this Act.

SEC. 446. STATE LAWS CONCERNING PATERNITY ESTABLISHMENT.

(a) STATE LAWS REQUIRED.—Section 466(a)(5) (42 U.S.C. 666(a)(5)) is amended—

(1) by striking ''(5)'' and inserting the following:

''(5) PROCEDURES CONCERNING PATERNITY ESTABLISHMENT.—'';

(2) in subparagraph (A)—

(A) by striking ''(A)(i)'' and inserting the following:

''(A) ESTABLISHMENT PROCESS AVAILABLE FROM BIRTH UNTIL AGE EIGHTEEN.—(i)''; and

(B) by indenting clauses (i) and (ii) so that the left margin of such clauses is 2 ems to the right of the left margin of paragraph (4);

(3) in subparagraph (B)—

(A) by striking ''(B)'' and inserting the following:

''(B) PROCEDURES CONCERNING GENETIC TESTING.—(i)'';

(B) in clause (i), as redesignated, by inserting before the period '', where such request is supported by a sworn statement (I) by such party alleging paternity setting forth facts establishing a reasonable possibility of the requisite sexual contact of the parties, or (II) by such party denying paternity setting forth facts establishing a reasonable possibility of the nonexistence of sexual contact of the parties;'';

(C) by inserting after and below clause (i) (as redesignated) the following new clause:

''(ii) Procedures which require the State agency, in any case in which such agency orders genetic testing—

''(I) to pay costs of such tests, subject to recoupment (where the State so elects) from the putative father if paternity is established; and

''(II) to obtain additional testing in any case where an original test result is

disputed, upon request and advance payment by the disputing party.'';

(4) by striking subparagraphs (C) and (D) and inserting the following:

''(C) PATERNITY ACKNOWLEDGMENT.—(i) Procedures for a simple civil process for voluntarily acknowledging paternity under which the State must provide that, before a mother and a putative father can sign an acknowledgment of paternity, the putative father and the mother must be given notice, orally, in writing, and in a language that each can understand, of the alternatives to, the legal consequences of, and the rights (including, if 1 parent is a minor, any rights afforded due to minority status) and responsibilities that arise from, signing the acknowledgment.

''(ii) Such procedures must include a hospital-based program for the voluntary acknowledgment of paternity focusing on the period immediately before or after the birth of a child.

''(iii) Such procedures must require the State agency responsible for maintaining birth records to offer voluntary paternity establishment services.

''(iv) The Secretary shall prescribe regulations governing voluntary paternity establishment services offered by hospitals and birth record agencies. The Secretary shall prescribe regulations specifying the types of other entities that may offer voluntary paternity establishment services, and governing the provision of such services, which shall include a requirement that such an entity must use the same notice provisions used by, the same materials used by, provide the personnel providing such services with the same training provided by, and evaluate the provision of such services in the same manner as, voluntary paternity establishment programs of hospitals and birth record agencies.

''(v) Such procedures must require the State and those required to establish paternity to use only the affidavit developed under section 452(a)(7) for the voluntary acknowledgment of paternity, and to give full faith and credit to such an affidavit signed in any other State.

''(D) STATUS OF SIGNED PATERNITY ACKNOWLEDGMENT.—(i) Procedures under which a signed acknowledgment of paternity is consid-

ered a legal finding of paternity, subject to the right of any signatory to rescind the acknowledgment within 60 days.

''(ii)(I) Procedures under which, after the 60-day period referred to in clause (i), a signed acknowledgment of paternity may be challenged in court only on the basis of fraud, duress, or material mistake of fact, with the burden of proof upon the challenger, and under which the legal responsibilities (including child support obligations) of any signatory arising from the acknowledgment may not be suspended during the challenge, except for good cause shown.

''(II) Procedures under which, after the 60-day period referred to in clause (i), a minor who signs an acknowledgment of paternity other than in the presence of a parent or court-appointed guardian ad litem may rescind the acknowledgment in a judicial or administrative proceeding, until the earlier of—

''(aa) attaining the age of majority; or

''(bb) the date of the first judicial or administrative proceeding brought (after the signing) to establish a child support obligation, visitation rights, or custody

rights with respect to the child whose paternity is the subject of the acknowledgment, and at which the minor is represented by a parent, guardian ad litem, or attorney.'';

(5) by striking subparagraph (E) and inserting the following:

''(E) BAR ON ACKNOWLEDGMENT RATIFICATION PROCEEDINGS.—Procedures under which no judicial or administrative proceedings are required or permitted to ratify an unchallenged acknowledgment of paternity.'';

(6) by striking subparagraph (F) and inserting the following:

''(F) ADMISSIBILITY OF GENETIC TESTING RESULTS.—Procedures—

''(i) requiring that the State admit into evidence, for purposes of establishing paternity, results of any genetic test that is—

''(I) of a type generally acknowledged, by accreditation bodies designated by the Secretary, as reliable evidence of paternity; and

''(II) performed by a laboratory approved by such an accreditation body;

''(ii) that any objection to genetic testing results must be made in writing not later than a specified number of days before any hearing at which such results may be introduced into evidence (or, at State option, not later than a specified number of days after receipt of such results); and

''(iii) that, if no objection is made, the test results are admissible as evidence of paternity without the need for foundation testimony or other proof of authenticity or accuracy.''; and

(7) by adding after subparagraph (H) the following new subparagraphs:

''(I) NO RIGHT TO JURY TRIAL.—Procedures providing that the parties to an action to establish paternity are not entitled to jury trial.

''(J) TEMPORARY SUPPORT ORDER BASED ON PROBABLE PATERNITY IN CONTESTED CASES.—Procedures which require that a temporary order be issued, upon motion by a party, requiring the provision of child support pending

an administrative or judicial determination of parentage, where there is clear and convincing evidence of paternity (on the basis of genetic tests or other evidence).

''(K) PROOF OF CERTAIN SUPPORT AND PATERNITY ESTABLISHMENT COSTS.—Procedures under which bills for pregnancy, childbirth, and genetic testing are admissible as evidence without requiring third-party foundation testimony, and shall constitute prima facie evidence of amounts incurred for such services and testing on behalf of the child.

''(L) WAIVER OF STATE DEBTS FOR COOPERATION.—At the option of the State, procedures under which the tribunal establishing paternity and support has discretion to waive rights to all or part of amounts owed to the State (but not to the mother) for costs related to pregnancy, childbirth, and genetic testing and for public assistance paid to the family where the father cooperates or acknowledges paternity before or after genetic testing.

''(M) STANDING OF PUTATIVE FATHERS.—Procedures ensuring that the putative father

has a reasonable opportunity to initiate a paternity action.''.

(b) NATIONAL PATERNITY ACKNOWLEDGMENT AFFIDAVIT.—Section 452(a)(7) (42 U.S.C. 652(a)(7)) is amended by inserting '', and develop an affidavit to be used for the voluntary acknowledgment of paternity which shall include the social security account number of each parent'' before the semicolon.

(c) TECHNICAL AMENDMENT.—Section 468 (42 U.S.C. 668) is amended by striking ''a simple civil process for voluntarily acknowledging paternity and''.

SEC. 447. OUTREACH FOR VOLUNTARY PATERNITY ESTABLISHMENT.

(a) STATE PLAN REQUIREMENT.—Section 454(23) (42 U.S.C. 654(23)) is amended by adding at the end the following new subparagraph:

''(C) publicize the availability and encourage the use of procedures for voluntary establishment of paternity and child support through a variety of means, which—

''(i) include distribution of written materials at health care facilities (including hospitals and clinics), and other locations such as schools;

''(ii) may include pre-natal programs to educate expectant couples on individual and joint rights and responsibilities with respect to paternity (and may require all expectant recipients of assistance under part A to participate in such pre-natal programs, as an element of cooperation with efforts to establish paternity and child support);

''(iii) include, with respect to each child discharged from a hospital after birth for whom paternity or child support has not been established, reasonable follow-up efforts (including at least one contact of each parent whose whereabouts are known, except where there is reason to believe such follow-up efforts would put mother or child at risk), providing—

''(I) in the case of a child for whom paternity has not been established, information on the benefits of and procedures for establishing paternity; and

''(II) in the case of a child for whom paternity has been established

but child support has not been established, information on the benefits of and procedures for establishing a child support order, and an application for child support services;''.

(b) ENHANCED FEDERAL MATCHING.—Section 455(a)(1)(C) (42 U.S.C. 655(a)(1)(C)) is amended—

(1) by inserting ''(i)'' before ''laboratory costs'', and

(2) by inserting before the semicolon '', and (ii) costs of outreach programs designed to encourage voluntary acknowledgment of paternity''.

(c) EFFECTIVE DATES.—(1) The amendments made by subsection (a) shall become effective October 1, 1997.

(2) The amendments made by subsection (b) shall be effective with respect to calendar quarters beginning on and after October 1, 1996.

Subtitle F—Establishment and Modification of Support Orders

SEC. 451. NATIONAL CHILD SUPPORT GUIDELINES COMMISSION.

(a) ESTABLISHMENT.—There is hereby established a commission to be known as the ''National Child Support Guidelines Commission'' (in this section referred to as the ''Commission'').

(b) GENERAL DUTIES.—The Commission shall develop a national child support guideline for consideration by the Congress that is based on a study of various guideline models, the benefits and deficiencies of such models, and any needed improvements.

(c) MEMBERSHIP.—

(1) NUMBER; APPOINTMENT.—

(A) IN GENERAL.—The Commission shall be composed of 12 individuals appointed jointly by the Secretary of Health and Human Services and the Congress, not later than January 15, 1997, of which—

(i) 2 shall be appointed by the Chairman of the Committee on Finance of the Senate, and 1 shall be appointed by the ranking minority member of the Committee;

(ii) 2 shall be appointed by the Chairman of the Committee on Ways and Means of the House of Representatives, and 1 shall be appointed by the ranking minority member of the Committee; and

(iii) 6 shall be appointed by the Secretary of Health and Human Services.

(B) QUALIFICATIONS OF MEMBERS.—Members of the Commission shall have expertise and experience in the evaluation and development of child support guidelines. At least 1 member shall represent advocacy groups for custodial parents, at least 1 member shall represent advocacy groups for noncustodial parents, and at least 1 member shall be the director of a State program under part D of title IV of the Social Security Act.

(2) TERMS OF OFFICE.—Each member shall be appointed for a term of 2 years. A vacancy in the Commission shall be filled in the manner in which the original appointment was made.

(d) COMMISSION POWERS, COMPENSATION, ACCESS TO INFORMATION, AND SUPERVISION.—The first sentence of subparagraph (C), the first and third sentences of subparagraph (D), subparagraph (F) (except with respect to the conduct of medical studies), clauses (ii) and (iii) of subparagraph (G), and subparagraph (H) of section 1886(e)(6) of the Social Security Act shall apply to the Commission in the same manner in which such provisions apply to the Prospective Payment Assessment Commission.

(e) REPORT.—Not later than 2 years after the appointment of members, the Commission shall submit to the President, the Committee on Ways and Means of the House of Representatives, and the Committee on Finance of the Senate, a recommended national child support guideline and a final assessment of issues relating to such a proposed national child support guideline.

(f) TERMINATION.—The Commission shall terminate 6 months after the submission of the report described in subsection (e).

SEC. 452. SIMPLIFIED PROCESS FOR REVIEW AND ADJUSTMENT OF CHILD SUPPORT ORDERS.

(a) IN GENERAL.—Section 466(a)(10) (42 U.S.C. 666(a)(10)) is amended to read as follows:

''(10) PROCEDURES FOR MODIFICATION OF SUPPORT ORDERS.—

''(A)(i) Procedures under which—

''(I) every 3 years, at the request of either parent subject to a child support order, the State shall review and, as appropriate, adjust the order in accordance with the guidelines established under section 467(a) if the amount of the child support award under the order differs from the amount that would be awarded in accord-

ance with such guidelines, without a requirement for any other change in circumstances; and

''(II) upon request at any time of either parent subject to a child support order, the State shall review and, as appropriate, adjust the order in accordance with the guidelines established under section 467(a) based on a substantial change in the circumstances of either such parent.

''(ii) Such procedures shall require both parents subject to a child support order to be notified of their rights and responsibilities provided for under clause (i) at the time the order is issued and in the annual information exchange form provided under subparagraph (B).

''(B) Procedures under which each child support order issued or modified in the State after the effective date of this subparagraph shall require the parents subject to the order to provide each other with a complete statement of their respective financial condition annually on a form which shall be established by the Secretary and provided by the State. The Secretary

shall establish regulations for the enforcement of such exchange of information.''.

Subtitle G—Enforcement of Support Orders

SEC. 461. FEDERAL INCOME TAX REFUND OFFSET.

(a) CHANGED ORDER OF REFUND DISTRIBUTION UNDER INTERNAL REVENUE CODE.—Section 6402(c) of the Internal Revenue Code of 1986 is amended by striking the 3rd sentence.

(b) ELIMINATION OF DISPARITIES IN TREATMENT OF ASSIGNED AND NON-ASSIGNED ARREARAGES.—(1) Section 464(a) (42 U.S.C. 664(a)) is amended—

(A) by striking ''(a)'' and inserting ''(a) OFFSET AUTHORIZED.—'';

(B) in paragraph (1)—

(i) in the first sentence, by striking ''which has been assigned to such State pursuant to section 402(a)(26) or section 471(a)(17)''; and

(ii) in the second sentence, by striking ''in accordance with section 457 (b)(4) or (d)(3)'' and inserting ''as provided in paragraph (2)'';

(C) in paragraph (2), to read as follows:

''(2) The State agency shall distribute amounts paid by the Secretary of the Treasury pursuant to paragraph (1)—

''(A) in accordance with section 457 (a)(4) or (d)(3), in the case of past-due support assigned to a State pursuant to section 402(a)(26) or section 471(a)(17); and

''(B) to or on behalf of the child to whom the support was owed, in the case of past-due support not so assigned.'';

(D) in paragraph (3)—

(i) by striking ''or (2)'' each place it appears; and

(ii) in subparagraph (B), by striking ''under paragraph (2)'' and inserting ''on account of past-due support described in paragraph (2)(B)''.

(2) Section 464(b) (42 U.S.C. 664(b)) is amended—

(A) by striking ''(b)(1)'' and inserting ''(b) REGULATIONS.—''; and

(B) by striking paragraph (2).

(3) Section 464(c) (42 U.S.C. 664(c)) is amended—

(A) by striking ''(c)(1) Except as provided in paragraph (2), as'' and inserting ''(c) DEFINITION.—As''; and

(B) by striking paragraphs (2) and (3).

(c) TREATMENT OF LUMP-SUM TAX REFUND UNDER AFDC.—

(1) EXEMPTION FROM LUMP-SUM RULE.—Section 402(a)(17) (42 U.S.C. 602(a)(17)) is amended by adding at the end the following: ''but this paragraph shall not apply to income received by a family that is attributable to a child support obligation owed with respect to a member of the family and that is paid to the family from amounts withheld from a Federal income tax refund otherwise payable to the person owing such obligation, to the extent that such income is placed in a qualified asset account (as defined in section 406(j)) the total amounts in which, after such placement, does not exceed $10,000;''.

(2) QUALIFIED ASSET ACCOUNT DEFINED.—Section 406 (42 U.S.C. 606), as amended by section 402(g)(2) of this Act, is amended by adding at the end the following:

''(j)(1) The term 'qualified asset account' means a mechanism approved by the State (such as individual retirement accounts, escrow accounts, or savings bonds) that allows savings of a family receiving aid to families with dependent children to be used for qualified distributions.

''(2) The term 'qualified distribution' means a distribution from a qualified asset account for expenses directly related to 1 or more of the following purposes:

''(A) The attendance of a member of the family at any education or training program.

''(B) The improvement of the employability (including self-employment) of a member of the family (such as through the purchase of an automobile).

''(C) The purchase of a home for the family.

''(D) A change of the family residence.''.

(d) EFFECTIVE DATE.—The amendments made by this section shall become effective October 1, 1999.

SEC. 462. INTERNAL REVENUE SERVICE COLLECTION OF ARREARS.

(a) AMENDMENT TO INTERNAL REVENUE CODE.—Section 6305(a) of the Internal Revenue Code of 1986 is amended—

(1) in paragraph (1), by inserting ''except as provided in paragraph (5)'' after ''collected'';

(2) by striking ''and'' at the end of paragraph (3);

(3) by striking the period at the end of paragraph (4) and inserting a comma;

(4) by adding after paragraph (4) the following new paragraph:

''(5) no additional fee may be assessed for adjustments to an amount previously certified pursuant to such section 452(b) with respect to the same obligor.''; and

(5) by striking ''Secretary of Health, Education, and Welfare'' each place it appears and inserting ''Secretary of Health and Human Services''.

(b) EFFECTIVE DATE.—The amendments made by this section shall become effective October 1, 1997.

SEC. 463. AUTHORITY TO COLLECT SUPPORT FROM FEDERAL EMPLOYEES.

(a) CONSOLIDATION AND STREAMLINING OF AUTHORITIES.—

(1) Section 459 (42 U.S.C. 659) is amended in the caption by inserting ''INCOME WITHHOLDING,'' before ''GARNISHMENT''.

(2) Section 459(a) (42 U.S.C. 659(a)) is amended—

(A) by striking ''(a)'' and inserting ''(a) CONSENT TO SUPPORT ENFORCEMENT.—

(B) by striking ''section 207'' and inserting ''section 207 of this Act and 38 U.S.C. 5301''; and

(C) by striking all that follows ''a private person,'' and inserting ''to withholding in ac-

cordance with State law pursuant to subsections (a)(1) and (b) of section 466 and regulations of the Secretary thereunder, and to any other legal process brought, by a State agency administering a program under this part or by an individual obligee, to enforce the legal obligation of such individual to provide child support or alimony.''.

(3) Section 459(b) (42 U.S.C. 659(b)) is amended to read as follows:

''(b) CONSENT TO REQUIREMENTS APPLICABLE TO PRIVATE PERSON.— Except as otherwise provided herein, each entity specified in subsection (a) shall be subject, with respect to notice to withhold income pursuant to subsection (a)(1) or (b) of section 466, or to any other order or process to enforce support obligations against an individual (if such order or process contains or is accompanied by sufficient data to permit prompt identification of the individual and the moneys involved), to the same requirements as would apply if such entity were a private person.''.

(4) Section 459(c) (42 U.S.C. 659(c)) is redesignated and relocated as paragraph (2) of subsection (f), and is amended—

(A) by striking ''responding to interrogatories pursuant to requirements imposed by section 461(b)(3)'' and inserting ''taking actions necessary to comply with the requirements of subsection (A) with regard to any individual''; and

(B) by striking ''any of his duties'' and all that follows and inserting ''such duties.''.

(5) Section 461 (42 U.S.C. 661) is amended by striking subsection (b), and section 459 (42 U.S.C. 659) is amended by inserting after subsection (b) (as added by paragraph (3) of this subsection) the following:

''(c) DESIGNATION OF AGENT; RESPONSE TO NOTICE OR PROCESS.—(1) The head of each agency subject to the requirements of this section shall—

''(A) designate an agent or agents to receive orders and accept service of process; and

''(B) publish (i) in the appendix of such regulations, (ii) in each subsequent republication of such regulations, and (iii) annually in the Federal Register, the designation of such agent or agents, identified by title of position, mailing address, and telephone number.''.

(6) Section 459 (42 U.S.C. 659) is amended by striking subsection (d) and by inserting after subsection (c)(1) (as added by paragraph (5) of this subsection) the following:

''(2) Whenever an agent designated pursuant to paragraph (1) receives notice pursuant to subsection (a)(1) or (b) of section 466, or is effectively served with any order, process, or interrogatories, with respect to an individual's child support or alimony payment obligations, such agent shall—

''(A) as soon as possible (but not later than fifteen days) thereafter, send written notice of such notice or service (together with a copy thereof) to such individual at his duty station or last-known home address;

''(B) within 30 days (or such longer period as may be prescribed by applicable State law) after receipt of a notice pursuant to subsection (a)(1) or (b) of section 466, comply with all applicable provisions of such section 466; and

''(C) within 30 days (or such longer period as may be prescribed by applicable State law) after effective service of any other such order, process, or interrogatories, respond thereto.''.

(7) Section 461 (42 U.S.C. 661) is amended by striking subsection (c), and section 459 (42 U.S.C. 659) is amended by inserting after subsection (c) (as added by paragraph (5) and amended by paragraph (6) of this subsection) the following:

''(d) PRIORITY OF CLAIMS.—In the event that a governmental entity receives notice or is served with process, as provided in this section, concerning amounts owed by an individual to more than one person—

''(1) support collection under section 466(b) must be given priority over any other process, as provided in section 466(b)(7);

''(2) allocation of moneys due or payable to an individual among claimants under section 466(b) shall be governed by the provisions of such section 466(b) and regulations thereunder; and

''(3) such moneys as remain after compliance with subparagraphs (A) and (B) shall be available to satisfy any other such processes on a first-come, first-served basis, with any such process being satisfied out of such moneys as remain after the satisfaction of all such processes which have been previously served.''.

(8) Section 459(e) (42 U.S.C. 659(e)) is amended by striking ''(e)'' and inserting the following:

''(e) NO REQUIREMENT TO VARY PAY CYCLES.—''.

(9) Section 459(f) (42 U.S.C. 659(f)) is amended by striking ''(f)'' and inserting the following:

''(f) RELIEF FROM LIABILITY.—(1)''.

(10) Section 461(a) (42 U.S.C. 661(a)) is redesignated and relocated as section 459(g), and is amended—

(A) by striking ''(g)'' and inserting the following:

''(g) REGULATIONS.—''; and

(B) by striking ''section 459'' and inserting ''this section''.

(11) Section 462 (42 U.S.C. 662) is amended by striking subsection (f), and section 459 (42 U.S.C. 659) is amended by inserting the following after subsection (g) (as added by paragraph (10) of this subsection):

''(h) MONEYS SUBJECT TO PROCESS.—(1) Subject to subsection (i), moneys paid or payable to an individual which are considered to be based upon remuneration for employment, for purposes of this section—

''(A) consist of—

''(i) compensation paid or payable for personal services of such individual, whether such compensation is denominated as wages, salary, commission, bonus, pay, allowances, or otherwise (including severance pay, sick pay, and incentive pay);

''(ii) periodic benefits (including a periodic benefit as defined in section 228(h)(3)) or other payments—

''(I) under the insurance system established by title II;

''(II) under any other system or fund established by the United States which provides for the payment of pensions, retirement or retired pay, annuities, dependents' or survivors' benefits, or similar amounts payable on account of personal services performed by the individual or any other individual;

''(III) as compensation for death under any Federal program;

''(IV) under any Federal program established to provide 'black lung' benefits; or

''(V) by the Secretary of Veterans Affairs as pension, or as compensation for a service-connected disability or death (except any compensation paid by such Secretary to a former member of the Armed Forces who is in receipt of retired or retainer pay if such former member has waived a portion of his retired pay in order to receive such compensation); and

''(iii) worker's compensation benefits paid under Federal or State law; but

''(B) do not include any payment—

''(i) by way of reimbursement or otherwise, to defray expenses incurred by such individual in carrying out duties associated with his employment; or

''(ii) as allowances for members of the uniformed services payable pursuant to chapter 7 of title 37, United States Code, as prescribed by the Secretaries concerned (defined by section 101(5) of such title) as necessary for the efficient performance of duty.''.

(12) Section 462(g) (42 U.S.C. 662(g)) is redesignated and relocated as section 459(i) (42 U.S.C. 659(i)).

(13)(A) Section 462 (42 U.S.C. 662) is amended—

(i) in subsection (e)(1), by redesignating subparagraphs (A), (B), and (C) as clauses (i), (ii), and (iii); and

(ii) in subsection (e), by redesignating paragraphs (1) and (2) as subparagraphs (A) and (B).

(B) Section 459 (42 U.S.C. 659) is amended by adding at the end the following:

''(j) DEFINITIONS.—For purposes of this section—''.

(C) Subsections (a) through (e) of section 462 (42 U.S.C. 662), as amended by subparagraph (A) of this paragraph, are relocated and redesignated as paragraphs (1) through (4), respectively of section 459(j) (as added by subparagraph (B) of this paragraph, (42 U.S.C. 659(j)), and the left margin of each of such paragraphs (1) through (4) is indented 2 ems to the right of the left margin of subsection (i) (as added by paragraph (12) of this subsection).

(b) CONFORMING AMENDMENTS.—

(1) TO PART D OF TITLE IV.—Sections 461 and 462 (42 U.S.C. 661), as amended by subsection (a) of this section, are repealed.

(2) TO TITLE 5, UNITED STATES CODE.—Section 5520a of title 5, United States Code, is amended, in subsections (h)(2) and (i), by striking ''sections 459, 461, and 462 of the Social Security Act (42 U.S.C. 659, 661, and 662)'' and inserting ''section 459 of the Social Security Act (42 U.S.C. 659)''.

(c) MILITARY RETIRED AND RETAINER PAY.—(1) DEFINITION OF COURT.—Section 1408(a)(1) of title 10, United States Code, is amended—

(A) by striking ''and'' at the end of subparagraph (B);

(B) by striking the period at the end of subparagraph (C) and inserting ''; and''; and

(C) by adding after subparagraph (C) the following new paragraph:

''(D) any administrative or judicial tribunal of a State competent to enter orders for support or maintenance (including a State agency administering a State program under part D of title IV of the Social Security Act).'';

(2) DEFINITION OF COURT ORDER.—Section 1408(a)(2) of such title is amended by inserting ''or a court order for the payment of child support not included

in or accompanied by such a decree or settlement,'' before ''which—''.

(3) PUBLIC PAYEE.—Section 1408(d) of such title is amended—

(A) in the heading, by striking ''to spouse'' and inserting ''to (or for benefit of)''; and

(B) in paragraph (1), in the first sentence, by inserting ''(or for the benefit of such spouse or former spouse to a State central collections unit or other public payee designated by a State, in accordance with part D of title IV of the Social Security Act, as directed by court order, or as otherwise directed in accordance with such part D)'' before ''in an amount sufficient''.

(4) RELATIONSHIP TO PART D OF TITLE IV.—Section 1408 of such title is amended by adding at the end the following new subsection:

''(j) RELATIONSHIP TO OTHER LAWS.—In any case involving a child support order against a member who has never been married to the other parent of the child, the provisions of this section shall not apply, and the case shall be subject to the provisions of section 459 of the Social Security Act.''.

(d) EFFECTIVE DATE.—The amendments made by this section shall become effective 6 months after the date of the enactment of this Act.

SEC. 464. ENFORCEMENT OF CHILD SUPPORT OBLIGATIONS OF MEMBERS OF THE ARMED FORCES.

(a) AVAILABILITY OF LOCATOR INFORMATION.—

(1) MAINTENANCE OF ADDRESS INFORMATION.—The Secretary of Defense shall establish a centralized personnel locator service that includes the address of each member of the Armed Forces under the jurisdiction of the Secretary. Upon request of the Secretary of Transportation, addresses for members of the Coast Guard shall be included in the centralized personnel locator service.

(2) TYPE OF ADDRESS.—

(A) RESIDENTIAL ADDRESS.—Except as provided in subparagraph (B), the address for a member of the Armed Forces shown in the locator service shall be the residential address of that member.

(B) DUTY ADDRESS.—The address for a member of the Armed Forces shown in the locator service shall be the duty address of that member in the case of a member—

(i) who is permanently assigned overseas, to a vessel, or to a routinely deployable unit; or

(ii) with respect to whom the Secretary concerned makes a determination that the member's residential address should not be disclosed due to national security or safety concerns.

(3) UPDATING OF LOCATOR INFORMATION.—Within 30 days after a member listed in the locator service establishes a new residential address (or a new duty address, in the case of a member covered by paragraph (2)(B)), the Secretary concerned shall update the locator service to indicate the new address of the member.

(4) AVAILABILITY OF INFORMATION.—The Secretary of Defense shall make information regarding the address of a member of the Armed Forces listed in the locator service available, on request, to the Federal Parent Locator Service.

(b) FACILITATING GRANTING OF LEAVE FOR ATTENDANCE AT HEARINGS.—

(1) REGULATIONS.—The Secretary of each military department, and the Secretary of Transportation with respect to the Coast Guard when it is

not operating as a service in the Navy, shall prescribe regulations to facilitate the granting of leave to a member of the Armed Forces under the jurisdiction of that Secretary in a case in which—

(A) the leave is needed for the member to attend a hearing described in paragraph (2);

(B) the member is not serving in or with a unit deployed in a contingency operation (as defined in section 101 of title 10, United States Code); and

(C) the exigencies of military service (as determined by the Secretary concerned) do not otherwise require that such leave not be granted.

(2) COVERED HEARINGS.—Paragraph (1) applies to a hearing that is conducted by a court or pursuant to an administrative process established under State law, in connection with a civil action—

(A) to determine whether a member of the Armed Forces is a natural parent of a child; or

(B) to determine an obligation of a member of the Armed Forces to provide child support.

(3) DEFINITIONS.—For purposes of this subsection:

(A) The term ''court'' has the meaning given that term in section 1408(a) of title 10, United States Code.

(B) The term ''child support'' has the meaning given such term in section 462 of the Social Security Act (42 U.S.C. 662).

(c) PAYMENT OF MILITARY RETIRED PAY IN COMPLIANCE WITH CHILD SUPPORT ORDERS.—

(1) DATE OF CERTIFICATION OF COURT ORDER.—Section 1408 of title 10, United States Code, is amended—

(A) by redesignating subsection (i) as subsection (j); and

(B) by inserting after subsection (h) the following new subsection (i):

''(i) CERTIFICATION DATE.—It is not necessary that the date of a certification of the authenticity or completeness of a copy of a court order or an order of an administrative process established under State law for child support received by the Secretary concerned for the purposes of this section be recent in relation to the date of receipt by the Secretary.''.

(2) PAYMENTS CONSISTENT WITH ASSIGNMENTS OF RIGHTS TO STATES.—Section 1408(d)(1) of such title is amended by inserting after the first

sentence the following: ''In the case of a spouse or former spouse who, pursuant to section 402(a)(26) of the Social Security Act (42 U.S.C. 602(26)), assigns to a State the rights of the spouse or former spouse to receive support, the Secretary concerned may make the child support payments referred to in the preceding sentence to that State in amounts consistent with that assignment of rights.''.

(3) ARREARAGES OWED BY MEMBERS OF THE UNIFORMED SERVICES.—Section 1408(d) of such title is amended by adding at the end the following new paragraph:

''(6) In the case of a court order or an order of an administrative process established under State law for which effective service is made on the Secretary concerned on or after the date of the enactment of this paragraph and which provides for payments from the disposable retired pay of a member to satisfy the amount of child support set forth in the order, the authority provided in paragraph (1) to make payments from the disposable retired pay of a member to satisfy the amount of child support set forth in a court order or an order of an administrative process established under State law shall apply to payment of any amount of child support arrearages set forth in that

order as well as to amounts of child support that currently become due.''.

SEC. 465. MOTOR VEHICLE LIENS.

Section 466(a)(4) (42 U.S.C. 666(a)(4)) is amended—

(1) by striking ''(4) Procedures'' and inserting the following:

''(4) LIENS.—

''(A) IN GENERAL.—Procedures''; and

(2) by adding at the end the following new subparagraph:

''(B) MOTOR VEHICLE LIENS.—Procedures for placing liens for arrears of child support on motor vehicle titles of individuals owing such arrears equal to or exceeding two months of support, under which—

''(i) any person owed such arrears may place such a lien;

''(ii) the State agency administering the program under this part shall systematically place such liens;

''(iii) expedited methods are provided for—

''(I) ascertaining the amount of arrears;

''(II) affording the person owing the arrears or other titleholder to contest the amount of arrears or to obtain a release upon fulfilling the support obligation;

''(iv) such a lien has precedence over all other encumbrances on a vehicle title other than a purchase money security interest; and

''(v) the individual or State agency owed the arrears may execute on, seize, and sell the property in accordance with State law.''.

SEC. 466. VOIDING OF FRAUDULENT TRANSFERS.

Section 466(a) (42 U.S.C. 666(a)), as amended by sections 401(a), 426(a), 431, and 442 of this Act, is amended by inserting after paragraph (15) the following:

''(16) FRAUDULENT TRANSFERS.—Procedures under which—

''(A) the State has in effect—

''(i) the Uniform Fraudulent Conveyance Act of 1981,

''(ii) the Uniform Fraudulent Transfer Act of 1984, or

''(iii) another law, specifying indicia of fraud which create a prima facie case that a debtor transferred income or property to avoid payment to a child support creditor, which the Secretary finds affords comparable rights to child support creditors; and

''(B) in any case in which the State knows of a transfer by a child support debtor with respect to which such a prima facie case is established, the State must—

''(i) seek to void such transfer; or

''(ii) obtain a settlement in the best interests of the child support creditor.''.

SEC. 467. STATE LAW AUTHORIZING SUSPENSION OF LICENSES.

Section 466(a) (42 U.S.C. 666(a)), as amended by sections 401(a), 426(a), 431, 442, and 466 of this Act, is amended by inserting after paragraph (16) the following:

''(17) AUTHORITY TO WITHHOLD OR SUSPEND LICENSES.—Procedures under which the State has (and uses in appropriate cases) authority (subject to appropriate due process safeguards) to withhold or suspend, or to restrict the use of driver's licenses,

and professional and occupational licenses of individuals owing overdue child support or failing, after receiving appropriate notice, to comply with subpoenas or warrants relating to paternity or child support proceedings.''.

SEC. 468. REPORTING ARREARAGES TO CREDIT BUREAUS.

Section 466(a)(7) (42 U.S.C. 666(a)(7)) is amended to read as follows:

''(7) REPORTING ARREARAGES TO CREDIT BUREAUS.—(A) Procedures (subject to safeguards pursuant to subparagraph (B)) requiring the State to report periodically to consumer reporting agencies (as defined in section 603(f) of the Fair Credit Reporting Act (15 U.S.C. 1681a(f)) the name of any absent parent who is delinquent by 90 days or more in the payment of support, and the amount of overdue support owed by such parent.

''(B) Procedures ensuring that, in carrying out subparagraph (A), information with respect to an absent parent is reported—

''(i) only after such parent has been afforded all due process required under State law, including notice and a reasonable opportunity to contest the accuracy of such information; and

''(ii) only to an entity that has furnished evidence satisfactory to the State that the entity is a consumer reporting agency.''.

SEC. 469. EXTENDED STATUTE OF LIMITATION FOR COLLECTION OF ARREARAGES.

(a) AMENDMENTS.—Section 466(a)(9) (42 U.S.C. 666(a)(9)) is amended—

(1) by striking ''(9) Procedures'' and inserting the following:

''(9) LEGAL TREATMENT OF ARREARS.—

''(A) FINALITY.—Procedures'';

(2) by redesignating subparagraphs (A), (B), and (C) as clauses (i), (ii), and (iii), respectively, and by indenting each of such clauses 2 additional ems to the right; and

(3) by adding after and below subparagraph (A), as redesignated, the following new subparagraph:

''(B) STATUTE OF LIMITATIONS.—Procedures under which the statute of limitations on any arrearages of child support extends at least until the child owed such support is 30 years of age.''.

(b) APPLICATION OF REQUIREMENT.—The amendment made by this section shall not be read to require

any State law to revive any payment obligation which had lapsed prior to the effective date of such State law.

SEC. 470. CHARGES FOR ARREARAGES.

(a) STATE LAW REQUIREMENT.—Section 466(a) (42 U.S.C. 666(a)), as amended by sections 401(a), 426(a), 431, 442, 466, and 467 of this Act, is amended by inserting after paragraph (17) the following:

"(18) CHARGES FOR ARREARAGES.—Procedures providing for the calculation and collection of interest or penalties for arrearages of child support, and for distribution of such interest or penalties collected for the benefit of the child (except where the right to support has been assigned to the State).".

(b) REGULATIONS.—The Secretary of Health and Human Services shall establish by regulation a rule to resolve choice of law conflicts arising in the implementation of the amendment made by subsection (a).

(c) CONFORMING AMENDMENT.—Section 454(21) (42 U.S.C. 654(21)) is repealed.

(d) EFFECTIVE DATE.—The amendments made by this section shall be effective with respect to arrearages accruing on or after October 1, 1998.

SEC. 471. DENIAL OF PASSPORTS FOR NONPAYMENT OF CHILD SUPPORT.

(a) HHS CERTIFICATION PROCEDURE.—

(1) SECRETARIAL RESPONSIBILITY.—Section 452 (42 U.S.C. 652), as amended by sections 415(a)(3) and 417 of this Act, is amended by adding at the end the following new subsection:

''(l) CERTIFICATIONS FOR PURPOSES OF PASSPORT RESTRICTIONS.—

''(1) IN GENERAL.—Where the Secretary receives a certification by a State agency in accordance with the requirements of section 454(28) that an individual owes arrearages of child support in an amount exceeding $5,000 or in an amount exceeding 24 months' worth of child support, the Secretary shall transmit such certification to the Secretary of State for action (with respect to denial, revocation, or limitation of passports) pursuant to section 471(b) of the Individual Responsibility Act of 1995.

''(2) LIMIT ON LIABILITY.—The Secretary shall not be liable to an individual for any action with respect to a certification by a State agency under this section.''.

(2) STATE CSE AGENCY RESPONSIBILITY.—Section 454 (42 U.S.C. 654), as amended by sections 404(a), 414(b), and 422(a) of this Act, is amended—

(A) by striking ''and'' at the end of paragraph (26);

(B) by striking the period at the end of paragraph (27) and inserting ''; and''; and

(C) by adding after paragraph (27) the following new paragraph:

''(28) provide that the State agency will have in effect a procedure (which may be combined with the procedure for tax refund offset under section 464) for certifying to the Secretary, for purposes of the procedure under section 452(l) (concerning denial of passports) determinations that individuals owe arrearages of child support in an amount exceeding $5,000 or in an amount exceeding 24 months' worth of child support, under which procedure—

''(A) each individual concerned is afforded notice of such determination and the consequences thereof, and an opportunity to contest the determination; and

''(B) the certification by the State agency is furnished to the Secretary in such format, and accompanied by such supporting documentation, as the Secretary may require.''.

(b) STATE DEPARTMENT PROCEDURE FOR DENIAL OF PASSPORTS.—

(1) IN GENERAL.—The Secretary of State, upon certification by the Secretary of Health and Human Services, in accordance with section 452(l) of the Social Security Act, that an individual owes arrearages of child support in excess of $5,000, shall refuse to issue a passport to such individual, and may revoke, restrict, or limit a passport issued previously to such individual.

(2) LIMIT ON LIABILITY.—The Secretary of State shall not be liable to an individual for any action with respect to a certification by a State agency under this section.

(c) EFFECTIVE DATE.—This section and the amendments made by this section shall become effective October 1, 1996.

SEC. 472. INTERNATIONAL CHILD SUPPORT ENFORCEMENT.

(a) SENSE OF THE CONGRESS THAT THE UNITED STATES SHOULD RATIFY THE UNITED NATIONS CONVENTION OF 1956.—It is the sense of the Congress that the United States should ratify the United Nations Convention of 1956.

(b) TREATMENT OF INTERNATIONAL CHILD SUPPORT CASES AS INTERSTATE CASES.—Section 454 (42

U.S.C. 654), as amended by sections 404(a), 414(b), 422(a), and 471(a)(2) of this Act, is amended—

(1) by striking ''and'' at the end of paragraph (27);

(2) by striking the period at the end of paragraph (28) and inserting ''; and''; and

(3) by inserting after paragraph (28) the following:

''(29) provide that the State must treat international child support cases in the same manner as the State treats interstate child support cases.''.

SEC. 473. SEIZURE OF LOTTERY WINNINGS, SETTLEMENTS, PAYOUTS, AWARDS, AND BEQUESTS, AND SALE OF FORFEITED PROPERTY, TO PAY CHILD SUPPORT ARREARAGES.

Section 466(a) (42 U.S.C. 666(a)), as amended by sections 401(a), 426(a), 431, 442, 466, 467, and 470(a) of this Act, is amended by inserting after paragraph (18) the following:

''(19) Procedures, in addition to other income withholding procedures, under which a lien is imposed against property with the following effect:

''(A) The distributor of the winnings from a State lottery or State-sanctioned or tribal-sanctioned gambling house or casino shall—

''(i) suspend payment of the winnings from the person otherwise entitled to the payment until an inquiry is made to and a response is received from the State child support enforcement agency as to whether the person owes a child support arrearage; and

''(ii) if there is such an arrearage, withhold from the payment the lesser of the amount of the payment or the amount of the arrearage, and pay the amount withheld to the agency for distribution.

''(B) The person required to make a payment under a policy of insurance or a settlement of a claim made with respect to the policy shall—

''(i) suspend the payment until an inquiry is made to and a response received from the agency as to whether the person otherwise entitled to the payment owes a child support arrearage; and

''(ii) if there is such an arrearage, withhold from the payment the lesser of the amount of the payment or the amount

of the arrearage, and pay the amount withheld to the agency for distribution.

''(C) The payor of any amount pursuant to an award, judgment, or settlement in any action brought in Federal or State court shall—

''(i) suspend the payment of the amount until an inquiry is made to and a response is received from the agency as to whether the person otherwise entitled to the payment owes a child support arrearage; and

''(ii) if there is such an arrearage, withhold from the payment the lesser of the amount of the payment or the amount of the arrearage, and pay the amount withheld to the agency for distribution.

''(D) If the State seizes property forfeited to the State by an individual by reason of a criminal conviction, the State shall—

''(i) hold the property until an inquiry is made to and a response is received from the agency as to whether the individual owes a child support arrearage; and

''(ii) if there is such an arrearage, sell the property and, after satisfying the

claims of all other private or public claimants to the property and deducting from the proceeds of the sale the attendant costs (such as for towing, storage, and the sale), pay the lesser of the remaining proceeds or the amount of the arrearage directly to the agency for distribution.

''(E) Any person required to make a payment in respect of a decedent shall—

''(i) suspend the payment until an inquiry is made to and a response received from the agency as to whether the person otherwise entitled to the payment owes a child support arrearage; and

''(ii) if there is such an arrearage, withhold from the payment the lesser of the amount of the payment or the amount of the arrearage, and pay the amount withheld to the agency for distribution.''.

SEC. 474. LIABILITY OF GRANDPARENTS FOR FINANCIAL SUPPORT OF CHILDREN OF THEIR MINOR CHILDREN.

Section 466(a) (42 U.S.C. 666(a)), as amended by sections 401(a), 426(a), 431, 442, 466, 467, 470(a), and

473 of this Act, is amended by inserting after paragraph (19) the following:

''(20) Procedures under which each parent of an individual who has not attained 18 years of age is liable for the financial support of any child of the individual to the extent that the individual is unable to provide such support. The preceding sentence shall not apply to the State if the State plan explicitly provides for such inapplicability.''.

SEC. 475. SENSE OF THE CONGRESS REGARDING PROGRAMS FOR NONCUSTODIAL PARENTS UNABLE TO MEET CHILD SUPPORT OBLIGATIONS.

It is the sense of the Congress that the States should develop programs, such as the program of the State of Wisconsin known as the ''Children's First Program'', that are designed to work with noncustodial parents who are unable to meet their child support obligations.

Subtitle H—Medical Support

SEC. 481. TECHNICAL CORRECTION TO ERISA DEFINITION OF MEDICAL CHILD SUPPORT ORDER.

(a) IN GENERAL.—Section 609(a)(2)(B) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1169(a)(2)(B)) is amended—

(1) by striking ''issued by a court of competent jurisdiction'';

(2) by striking the period at the end of clause (ii) and inserting a comma; and

(3) by adding, after and below clause (ii), the following:

''if such judgment, decree, or order (I) is issued by a court of competent jurisdiction or (II) is issued by an administrative adjudicator and has the force and effect of law under applicable State law.''.

(b) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall take effect on the date of the enactment of this Act.

(2) PLAN AMENDMENTS NOT REQUIRED UNTIL JANUARY 1, 1996.—Any amendment to a plan required to be made by an amendment made by this section shall not be required to be made before the first plan year beginning on or after January 1, 1996, if—

(A) during the period after the date before the date of the enactment of this Act and before such first plan year, the plan is operated

in accordance with the requirements of the amendments made by this section, and

(B) such plan amendment applies retroactively to the period after the date before the date of the enactment of this Act and before such first plan year.

A plan shall not be treated as failing to be operated in accordance with the provisions of the plan merely because it operates in accordance with this paragraph.

SEC. 482. EXTENSION OF MEDICAID ELIGIBILITY FOR FAMILIES LOSING AFDC DUE TO INCREASED CHILD SUPPORT COLLECTIONS.

Section 402(a) (42 U.S.C. 602(a)), as amended by the other provisions of this Act, is amended—

(1) by striking ''and'' at the end of paragraph (55);

(2) by striking the period at the end of paragraph (56) and inserting ''; and''; and

(3) by inserting after paragraph (56) the following:

''(57) provide that each member of a family which would be eligible for aid under the State plan but for the receipt of child support payments shall be considered to be receiving such aid for purposes

of eligibility for medical assistance under the State plan approved under title XIX for so long as the family would (but for such receipt) be eligible for such aid.''.

Subtitle I—Effect of Enactment

SEC. 491. EFFECTIVE DATES.

(a) IN GENERAL.—Except as otherwise specifically provided (but subject to subsections (b) and (c))—

(1) provisions of this title requiring enactment or amendment of State laws under section 466 of the Social Security Act, or revision of State plans under section 454 of such Act, shall be effective with respect to periods beginning on and after October 1, 1996; and

(2) all other provisions of this title shall become effective upon enactment.

(b) GRACE PERIOD FOR STATE LAW CHANGES.—The provisions of this title shall become effective with respect to a State on the later of—

(1) the date specified in this title, or

(2) the effective date of laws enacted by the legislature of such State implementing such provisions, but in no event later than the first day of the first calendar quarter beginning after the close of the first regular session of the State legislature that begins after the date

of enactment of this Act. For purposes of the previous sentence, in the case of a State that has a 2-year legislative session, each year of such session shall be deemed to be a separate regular session of the State legislature.

(c) GRACE PERIOD FOR STATE CONSTITUTIONAL AMENDMENT.—A State shall not be found out of compliance with any requirement enacted by this title if it is unable to comply without amending the State constitution until the earlier of—

(1) the date one year after the effective date of the necessary State constitutional amendment, or

(2) the date five years after enactment of this title.

SEC. 492. SEVERABILITY.

If any provision of this title or the application thereof to any person or circumstance is held invalid, the invalidity shall not affect other provisions or applications of this title which can be given effect without regard to the invalid provision or application, and to this end the provisions of this title shall be severable.

TITLE V—TEEN PREGNANCY AND FAMILY STABILITY

Subtitle A—Federal Role

SEC. 501. STATE OPTION TO DENY AFDC FOR ADDITIONAL CHILDREN.

(a) IN GENERAL.—Section 402(a) (42 U.S.C. 602(a)), as amended by sections 101, 102, 211(a), 232, and 301(a) of this Act, is amended—

(1) by striking ''and'' at the end of paragraph (49);

(2) by striking the period at the end of paragraph (50) and inserting ''; and''; and

(3) by inserting after paragraph (50) the following:

''(51) at the option of the State, provide that—

''(A)(i) notwithstanding paragraph (7)(A), the needs of a child will not be taken into account in making the determination under paragraph (7) with respect to the family of the child if the child was born (other than as a result of rape or incest) to a member of the family—

''(I) while the family was a recipient of aid under the State plan; or

''(II) during the 6-month period ending with the date the family applied for such aid; and

''(ii) if the amount of aid payable to a family under the State plan is reduced by reason of subparagraph (A), each member of the family shall be considered to be receiving such aid for purposes of eligibility for medical assistance under the State plan approved under title XIX for so long as such aid would otherwise not be so reduced; and

''(B) if the State exercises the option, the State may provide the family with vouchers, in amounts not exceeding the amount of any such reduction in aid, that may be used only to pay for particular goods and services specified by the State as suitable for the care of the child of the parent (such as diapers, clothing, or school supplies).''.

(b) APPLICABILITY.—The amendments made by subsection (a) shall apply to payments under a State plan approved under part A of title IV of the Social Security Act for months beginning after the date of the enactment of this Act, and to payments to States under such part for quarters beginning after such date.

SEC. 502. MINORS RECEIVING AFDC REQUIRED TO LIVE UNDER RESPONSIBLE ADULT SUPERVISION.

Section 402(a)(43) (42 U.S.C. 602(a)(43)) is amended by striking ''at the option of the State,''.

SEC. 503. NATIONAL CLEARINGHOUSE ON ADOLESCENT PREGNANCY.

(a) IN GENERAL.—Title XX (42 U.S.C. 1397–1397f), as amended by section 222(b) of this Act, is amended by adding at the end the following:

''SEC. 2010. NATIONAL CLEARINGHOUSE ON ADOLESCENT PREGNANCY.

''(a) NATIONAL CLEARINGHOUSE ON ADOLESCENT PREGNANCY.—

''(1) ESTABLISHMENT.—The responsible Federal officials shall establish, through grant or contract, a national center for the collection and provision of programmatic information and technical assistance that relates to adolescent pregnancy prevention programs, to be known as the 'National Clearinghouse on Adolescent Pregnancy Prevention Programs'.

''(2) FUNCTIONS.—The national center established under paragraph (1) shall serve as a national information and data clearinghouse, and as a training, technical assistance, and material development

source for adolescent pregnancy prevention programs. Such center shall—

''(A) develop and maintain a system for disseminating information on all types of adolescent pregnancy prevention program and on the state of adolescent pregnancy prevention program development, including information concerning the most effective model programs;

''(B) develop and sponsor a variety of training institutes and curricula for adolescent pregnancy prevention program staff;

''(C) identify model programs representing the various types of adolescent pregnancy prevention programs;

''(D) develop technical assistance materials and activities to assist other entities in establishing and improving adolescent pregnancy prevention programs;

''(E) develop networks of adolescent pregnancy prevention programs for the purpose of sharing and disseminating information; and

''(F) conduct such other activities as the responsible Federal officials find will assist in developing and carrying out programs or activities to reduce adolescent pregnancy.

''(b) FUNDING.—The responsible Federal officials shall make grants to eligible entities for the establishment and operation of a National Clearinghouse on Adolescent Pregnancy Prevention Programs under subsection (a) so that in the aggregate the expenditures for such grants do not exceed $2,000,000 for fiscal year 1996, $4,000,000 for fiscal year 1997, $8,000,000 for fiscal year 1998, and $10,000,000 for fiscal year 1999 and each subsequent fiscal year.

''(c) DEFINITIONS.—As used in this section:

''(1) ADOLESCENTS.—The term 'adolescents' means youth who are ages 10 through 19.

''(2) ELIGIBLE ENTITY.—The term 'eligible entity' means a partnership that includes—

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

''(B) one or more community-based organizations, institutions of higher education, or public or private agencies or organizations.

''(3) ELIGIBLE AREA.—The term 'eligible area' means a school attendance area in which—

''(A) at least 75 percent of the children are from low-income families as that term is used in part A of title I of the Elementary and Secondary Education Act of 1965; or

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

''(C) the unmarried adolescent birth rate is high, as determined by the responsible Federal officials.

''(4) SCHOOL.—The term 'school' means a public elementary, middle, or secondary school.

''(5) RESPONSIBLE FEDERAL OFFICIALS.—The term 'responsible Federal officials' means the Secretary of Education, the Secretary of Health and Human Services, and the Chief Executive Officer of the Corporation for National and Community Service.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall become effective October 1, 1994.

SEC. 504. INCENTIVE FOR TEEN PARENTS TO ATTEND SCHOOL.

Section 402(a) (42 U.S.C. 602(a)), as amended by sections 101, 102, 211(a), 232, 301(a), and 501(a) of this Act, is amended—

(1) by striking ''and'' at the end of paragraph (50);

(2) by striking the period at the end of paragraph (51) and inserting ''; and''; and

(3) by inserting after paragraph (51) the following:

''(52) provide that the amount of aid otherwise payable under the plan for a month to a family that includes a parent who has not attained 20 years of age and has not completed secondary school (or received a certificate of high school equivalency) may be reduced by 25 percent if, during the immediately preceding month, the parent has failed without good cause (as defined by the State in consultation with the Secretary) to maintain minimum attendance (as defined by the State in consultation with the Secretary) at an educational institution.''.

SEC. 505. STATE OPTION TO DISREGARD 100–HOUR RULE UNDER AFDC–UP PROGRAM.

Section 407(a) (42 U.S.C. 607(a)) is amended—

(1) by inserting ''(1)'' after ''(a)''; and

(2) by adding at the end the following:

''(2) A standard prescribed pursuant to paragraph (1) that imposes a limit on the amount of time during which a parent who is the principal earner in a family in which both parents are married may be employed during a month shall not apply to a State if the State plan

under this part explicitly provides for such inapplicability.''.

SEC. 506. STATE OPTION TO DISREGARD 6–MONTH LIMITATION ON AFDC–UP BENEFITS.

Section 407(b)(2)(B) (42 U.S.C. 607(b)(2)(B)) is amended by adding at the end the following:

''(iv) A regulation prescribed by the Secretary that limits the length of time with respect to which a family of a dependent child in which both parents are married may receive aid to families with dependent children by reason of this section shall not apply to a State if the State plan under this part explicitly provides for such inapplicability.''.

SEC. 507. ELIMINATION OF QUARTERS OF COVERAGE REQUIREMENT UNDER AFDC–UP PROGRAM FOR FAMILIES IN WHICH BOTH PARENTS ARE TEENS.

Section 407(b)(1)(A)(iii) (42 U.S.C. 607(b)(1)(A)(iii)) is amended by striking ''(iii)(I)'' and inserting ''(iii) neither of the child's parents have attained 20 years of age, and (I)''.

SEC. 508. DENIAL OF FEDERAL HOUSING BENEFITS TO MINORS WHO BEAR CHILDREN OUT-OF-WEDLOCK.

(a) PROHIBITION OF ASSISTANCE.—Notwithstanding any other provision of law, a household whose head of household is an individual who has borne a child out-of-wedlock before attaining 18 years of age may not be provided Federal housing assistance for a dwelling unit until attaining such age, unless—

(1) after the birth of the child—

(A) the individual marries an individual who has been determined by the relevant State to be the biological father of the child; or

(B) the biological parent of the child has legal custody of the child and marries an individual who legally adopts the child;

(2) the individual is a biological and custodial parent of another child who was not born out-of-wedlock; or

(3) eligibility for such Federal housing assistance is based in whole or in part on any disability or handicap of a member of the household.

(b) DEFINITIONS.—For purposes of this section, the following definitions shall apply:

(1) COVERED PROGRAM.—The term ''covered program'' means—

(A) the program of rental assistance on behalf of low-income families provided under section 8 of the United States Housing Act of 1937 (42 U.S.C. 1437f);

(B) the public housing program under title I of the United States Housing Act of 1937 (42 U.S.C. 1437 et seq.);

(C) the program of rent supplement payments on behalf of qualified tenants pursuant to contracts entered into under section 101 of the Housing and Urban Development Act of 1965 (12 U.S.C. 1701s);

(D) the program of interest reduction payments pursuant to contracts entered into by the Secretary of Housing and Urban Development under section 236 of the National Housing Act (12 U.S.C. 1715z–1);

(E) the program for mortgage insurance provided pursuant to sections 221(d) (3) or (4) of the National Housing Act (12 U.S.C. 1715l(d)) for multifamily housing for low- and moderate-income families;

(F) the rural housing loan program under section 502 of the Housing Act of 1949 (42 U.S.C. 1472);

(G) the rural housing loan guarantee program under section 502(h) of the Housing Act of 1949 (42 U.S.C. 1472(h));

(H) the loan and grant programs under section 504 of the Housing Act of 1949 (42 U.S.C. 1474) for repairs and improvements to rural dwellings;

(I) the program of loans for rental and cooperative rural housing under section 515 of the Housing Act of 1949 (42 U.S.C. 1485);

(J) the program of rental assistance payments pursuant to contracts entered into under section 521(a)(2)(A) of the Housing Act of 1949 (42 U.S.C. 1490a(a)(2)(A));

(K) the loan and assistance programs under sections 514 and 516 of the Housing Act of 1949 (42 U.S.C. 1484, 1486) for housing for farm labor;

(L) the program of grants and loans for mutual and self-help housing and technical assistance under section 523 of the Housing Act of 1949 (42 U.S.C. 1490c);

(M) the program of grants for preservation and rehabilitation of housing under section 533

of the Housing Act of 1949 (42 U.S.C. 1490m); and

(N) the program of site loans under section 524 of the Housing Act of 1949 (42 U.S.C. 1490d).

(2) COVERED PROJECT.—The term ''covered project'' means any housing for which Federal housing assistance is provided that is attached to the project or specific dwelling units in the project.

(3) FEDERAL HOUSING ASSISTANCE.—The term ''Federal housing assistance'' means—

(A) assistance provided under a covered program in the form of any contract, grant, loan, subsidy, cooperative agreement, loan or mortgage guarantee or insurance, or other financial assistance; or

(B) occupancy in a dwelling unit that is—

(i) provided assistance under a covered program; or

(ii) located in a covered project and subject to occupancy limitations under a covered program that are based on income.

(4) STATE.—The term ''State'' means the States of the United States, the District of Columbia, the Commonwealth of Puerto Rico, the Com-

monwealth of the Northern Mariana Islands, Guam, the Virgin Islands, American Samoa, and any other territory or possession of the United States.

(c) LIMITATIONS ON APPLICABILITY.—Subsection (a) shall not apply to Federal housing assistance provided for a household pursuant to an application or request for such assistance made by such household before the effective date of this Act if the household was receiving such assistance on the effective date of this Act.

SEC. 509. STATE OPTION TO DENY AFDC TO MINOR PARENTS.

(a) IN GENERAL.—Section 402(a) (42 U.S.C. 602(a)), as amended by sections 101, 102, 211(a), 232, 301(a), 501(a), and 504 of this Act, is amended—

(1) by striking ''and'' at the end of paragraph (51);

(2) by striking the period at the end of paragraph (52) and inserting ''; and''; and

(3) by inserting after paragraph (52) the following:

''(53)(A) at the option of the State, provide that—

''(i) in making the determination under paragraph (7) with respect to a family, the State may disregard the needs of any family

member who is a parent and has not attained 18 years of age or such lesser age as the State may prescribe; and

''(ii) if the amount of aid payable to a family under the State plan is reduced by reason of subparagraph (A), each member of the family shall be considered to be receiving such aid for purposes of eligibility for medical assistance under the State plan approved under title XIX for so long as such aid would otherwise not be so reduced; and

''(B) if the State exercises the option, the State may provide the family with vouchers, in amounts not exceeding the amount of any such reduction in aid, that may be used only to pay for—

''(i) particular goods and services specified by the State as suitable for the care of the child of the parent (such as diapers, clothing, or cribs); and

''(ii) the costs associated with a maternity home, foster home, or other adult-supervised supportive living arrangement in which the parent and the child live.''.

(b) APPLICABILITY.—The amendments made by subsection (a) shall apply to payments under a State plan

approved under part A of title IV of the Social Security Act for months beginning on or after January 1, 1998, and to payments to States under such part for quarters beginning after such date.

Subtitle B—State Role

SEC. 511. TEENAGE PREGNANCY PREVENTION AND FAMILY STABILITY.

(a) FINDINGS.—The Congress finds that—

(1) long-term welfare dependency is increasing driven by illegitimate births;

(2) too many teens are becoming parents and too few are able to responsibly care for and nurture their children;

(3) new research has shown that spending time in a single-parent family puts children at substantially increased risk of dropping out of high school, having a child out-of-wedlock, or being neither in school nor at work; and

(4) between 1986 and 1991, the rate of births to teens aged 15 to 19 rose 24 percent, from 50.2 to 62.1 births per 1,000 females.

(b) SENSE OF THE CONGRESS.—It is the sense of the Congress that—

(1) children should be educated about the risks involved in choosing parenthood at an early age;

(2) reproductive family planning and education should be made available to every potential parent so as to give such parents the opportunity to avoid unintended births;

(3) States should use funds provided under title XX of the Social Security Act to provide comprehensive services to youth in high risk neighborhoods, through community organizations, churches, and schools; and

(4) States should work with schools for the early identification and referral of children at risk for parenthood at an early age.

SEC. 512. AVAILABILITY OF FAMILY PLANNING SERVICES.

Section 402(a)(15)(A) (42 U.S.C. 602(a)(15)(A)) is amended by striking ''out of wedlock''.

TITLE VI—PROGRAM SIMPLIFICATION

Subtitle A—Increased State Flexibility

SEC. 601. STATE OPTION TO PROVIDE AFDC THROUGH ELECTRONIC BENEFIT TRANSFER SYSTEMS.

Section 402(a) (42 U.S.C. 602(a)), as amended by sections 101, 102, 211(a), 232, 301(a), 501(a), 504, and 509(a) of this Act, is amended—

(1) by striking ''and'' at the end of paragraph (52);

(2) by striking the period at the end of paragraph (53) and inserting ''; and''; and

(3) by inserting after paragraph (53) the following:

''(54) at the option of the State, provide for the payment of aid under the State plan through the use of electronic benefit transfer systems.''.

SEC. 602. DEADLINE FOR ACTION ON APPLICATION FOR WAIVER OF REQUIREMENT APPLICABLE TO PROGRAM OF AID TO FAMILIES WITH DEPENDENT CHILDREN.

Section 1115 (42 U.S.C. 1315) is amended by adding at the end the following:

''(e) The Secretary shall approve or deny an application for a waiver under this section with respect to a requirement of section 402, not later than 90 days after the Secretary receives the application, unless otherwise agreed upon by the Secretary and the applicant.''.

Subtitle B—Coordination of AFDC and Food Stamp Programs

SEC. 611. AMENDMENTS TO PART A OF TITLE IV OF THE SOCIAL SECURITY ACT.

(a) STATE OPTION TO USE INCOME AND ELIGIBILITY VERIFICATION SYSTEM.—Section 1137(b) (42 U.S.C. 1320b–7(b)) is amended—

(1) by striking paragraphs (1) and (4), and redesignating paragraphs (2), (3), and (5) as paragraphs (1), (2), and (3), respectively; and

(2) in paragraph (2) (as so redesignated), by adding ''or'' at the end.

(b) STATE OPTION TO USE RETROSPECTIVE BUDGETING WITHOUT MONTHLY REPORTING.—Section 402(a)(13) (42 U.S.C. 602(a)(13)) is amended—

(1) by striking all that precedes subparagraph (A) and inserting the following:

''(13) provide, at the option of the State and with respect to such category or categories as the State may select and identify in the State plan, that—''; and

(2) in each of subparagraphs (A) and (B), by striking '', in the case of families who are required to report monthly to the State agency pursuant to paragraph (14)''.

(c) EXCLUSION FROM INCOME OF ALL INCOME OF DEPENDENT CHILD WHO IS A STUDENT.—Section 402(a)(8)(A)(i) (42 U.S.C. 602(a)(8)(A)(i)) is amended—

(1) by striking ''earned''; and

(2) by inserting ''applying for or'' before ''receiving''.

(d) EXCLUSION FROM INCOME OF CERTAIN ENERGY ASSISTANCE PAYMENTS BASED ON NEED.—

(1) IN GENERAL.—Section 402(a)(8)(A) (42 U.S.C. 602(a)(8)(A)), as amended by sections 231 and 242(b)(1) of this Act, is amended—

(A) by striking ''and'' at the end of clause (ix); and

(B) by adding at the end the following:

''(xi) shall disregard any energy or utility-cost assistance payment based on need, that is paid to any member of the family under—

''(I) a State or local general assistance program; or

''(II) another basic assistance program comparable to general assistance (as determined by the Secretary); and''.

(2) INCLUSION OF ENERGY ASSISTANCE PROVIDED UNDER THE LIHEAP PROGRAM.—Section

402(a)(8)(B) (42 U.S.C. 602(a)(8)(B)) is amended—

(A) by striking ''and'' at the end of clause (i); and

(B) by adding at the end the following:

''(iii) shall not disregard any assistance provided directly to, or indirectly for the benefit of, any person described in subparagraph (A)(ii) under the Low-Income Home Energy Assistance Act of 1981, notwithstanding section 2605(f)(1) of such Act; and''.

(e) APPLICABILITY TO AFDC OF FUTURE INCOME EXCLUSIONS UNDER FOOD STAMP PROGRAM.—Section 402(a)(8)(A) (42 U.S.C. 602(a)(8)(A)), as amended by sections 231, 242(b)(1) of this Act and by subsection (d)(1) of this section, is amended—

(1) by striking ''and'' at the end of clause (x); and

(2) by adding at the end the following:

''(xii) shall disregard from the income of any child, relative, or other individual described in clause (ii) applying for aid under the State plan, any child, relative, or other individual so described receiving such aid, or both, any funds

that a Federal statute (enacted after the date of the enactment of this clause) excludes from income for purposes of determining eligibility for benefits under the food stamp program under the Food Stamp Act of 1977, the level of benefits under the program, or both, respectively.''.

(f) PERIODIC REVIEWS.—Section 402(a) (42 U.S.C. 602(a)), as amended by sections 101, 102, 211(a), 232, 301(a), 501(a), 504, 509(a), and 601 of this Act, is amended—

(1) by striking ''and'' at the end of paragraph (53);

(2) by striking the period at the end of paragraph (54) and inserting ''; and''; and

(3) by inserting after paragraph (54) the following:

''(55) provide that the State shall, not less frequently than annually review each determination made under the State plan with respect to the eligibility of each recipient of aid under the State plan;''.

(g) EXCLUSION FROM RESOURCES OF ESSENTIAL EMPLOYMENT-RELATED PROPERTY.—Section 402(a)(7)(B) (42 U.S.C. 602(a)(7)(B)), as amended by section 242(a) of this Act, is amended—

(1) by striking ''or'' at the end of clause (iv); and

(2) by inserting '', or (vi) the value of real and tangible personal property (other than currency, commercial paper, and similar property) of a family member that is essential to the employment or self-employment of the member, until the expiration of the 1-year period beginning on the date the member ceases to be so employed or so self-employed'' before the semicolon.

(h) EXCLUSION FROM RESOURCES OF EQUITY IN CERTAIN INCOME-PRODUCING REAL PROPERTY.—Section 402(a)(7)(B) (42 U.S.C. 602(a)(7)(B)), as amended by section 242(a) of this Act and by subsection (g) of this section, is amended—

(1) by striking ''or'' at the end of clause (v); and

(2) by inserting '', or (vii) the equity of any member of the family in real property to which 1 or more members of the family have sole and clear title, that the State agency determines is producing income consistent with the fair market value of the property'' before the semicolon.

(i) EXCLUSION FROM RESOURCES OF LIFE INSURANCE POLICIES.—Section 402(a)(7)(B) (42 U.S.C.

602(a)(7)(B)), as amended by section 242(a) of this Act and by subsections (g) and (h) of this section, is amended—

(1) by striking ''or'' at the end of clause (vi); and

(2) by inserting '', or (viii) any life insurance policy'' before the semicolon.

(j) EXCLUSION FROM RESOURCES OF REAL PROPERTY THAT THE FAMILY IS MAKING A GOOD FAITH EFFORT TO SELL.—Section 402(a)(7)(B)(iii) (42 U.S.C. 602(a)(7)(B)(iii)) is amended—

(1) by striking ''for such period or periods of time as the Secretary may prescribe''; and

(2) by striking ''any such period'' and inserting ''any period during which the family is making such an effort''.

(k) PROMPT RESTORATION OF BENEFITS WRONGFULLY DENIED.—Section 402(a) (42 U.S.C. 602(a)), as amended by sections 101, 102, 211(a), 232, 301(a), 501(a), 504, 509(a), and 601 of this Act and by subsection (f) of this section, is amended—

(1) by striking ''and'' at the end of paragraph (54);

(2) by striking the period at the end of paragraph (55) and inserting ''; and''; and

(3) by inserting after paragraph (55) the following:

''(56) provide that, upon receipt of a request from a family for the payment of any amount of aid under the State plan the payment of which to the family has been wrongfully denied or terminated, the State shall promptly pay the amount to the family if the wrongful denial or termination occurred not more than 1 year before the date of the request or the date the State agency is notified or otherwise discovers the wrongful denial or termination.''.

SEC. 612. AMENDMENTS TO THE FOOD STAMP ACT OF 1977.

(a) CERTIFICATION PERIOD.—(1) Section 3(c) of the Food Stamp Act of 1977 (7 U.S.C. 2012(c)) is amended to read as follows:

''(c) 'Certification period' means the period specified by the State agency for which households shall be eligible to receive authorization cards, except that such period shall be—

''(1) 24 months for households in which all adult members are elderly or disabled; and

''(2) not more than 12 months for all other households.''.

(2) Section 6(c)(1)(C) of the Food Stamp Act of 1977 (7 U.S.C. 2015(c)(1)(C)) is amended—

(A) in clause (ii) by adding ''and'' at the end;

(B) in clause (iii) by striking ''; and'' at the end and inserting a period; and

(C) by striking clause (iv).

(b) INCLUSION OF ENERGY ASSISTANCE IN INCOME.—

(1) AMENDMENTS TO THE FOOD STAMP ACT OF 1977.—Section 5 of the Food Stamp Act of 1977 (7 U.S.C. 2014) is amended—

(A) in subsection (d)—

(i) by striking paragraph (11); and

(ii) by redesignating paragraphs (12) through (16) as paragraphs (11) through (15), respectively; and

(B) in subsection (k)—

(i) in paragraph (1)(B) by striking '', not including energy or utility-cost assistance,''; and

(ii) in paragraph (2)—

(I) by striking subparagraph (C); and

(II) by redesignating subparagraphs (D) through (H) as subparagraphs (C) through (J), respectively.

(2) AMENDMENTS TO THE LOW-INCOME HOME ENERGY ASSISTANCE ACT OF 1981.—Section

2605(f) of the Low-Income Home Energy Assistance Act of 1981 (42 U.S.C. 8624(f)) is amended—

(A) in paragraph (1) by striking ''food stamps,''; and

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

''(2) Paragraph (1) shall not apply for any purpose under the Food Stamp Act of 1977.''.

(c) EXCLUSION OF CERTAIN JTPA INCOME.—Section 5(d) of the Food Stamp Act of 1977 (7 U.S.C. 2014(d)), as amended by subsection (b), is amended—

(1) by striking ''and (15)'' and inserting ''(15)''; and

(2) by inserting before the period the following: '', and (16) income received under the Job Training Partnership Act by a household member who is less than 19 years of age''.

(d) EXCLUSION OF EDUCATIONAL ASSISTANCE FROM INCOME.—Section 5(d) of the Food Stamp Act of 1977 (7 U.S.C. 2014(d)) is amended—

(1) by amending paragraph (3) to read as follows: ''(3) all educational loans on which payment is deferred (including any loan origination fees or insurance premiums associated with such loans), grants, scholarships, fellowships, veterans' educational benefits, and the like

awarded to a household member enrolled at a recognized institution of post-secondary education, at a school for the handicapped, in a vocational education program, or in a program that provides for completion of a secondary school diploma or obtaining the equivalent thereof,''; and

(2) in paragraph (5) by striking ''and no portion'' and all that follows through ''reimbursement''.

(e) LIMITATION ON ADDITIONAL EARNED INCOME DEDUCTION.—The 3rd sentence of section 5(e) of the Food Stamp Act of 1977 (7 U.S.C. 2014(e)) is amended by striking ''earned income that'' and all that follows through ''report'', and inserting ''determining an overissuance due to the failure of a household to report earned income''.

(f) EXCLUSION OF ESSENTIAL EMPLOYMENT-RELATED PROPERTY.—Section 5(g)(3) of the Food Stamp Act of 1977 (7 U.S.C. 2014(g)(3)) is amended to read as follows:

''(3) The value of real and tangible personal property (other than currency, commercial paper, and similar property) of a household member that is essential to the employment or self-employment of such member shall be excluded by the Secretary from financial resources until the expiration of the 1-year period beginning on the date such member ceases to be so employed or so self-employed.''.

(g) EXCLUSION OF LIFE INSURANCE POLICIES.—Section 5(g) of the Food Stamp Act of 1977 (7 U.S.C. 2014(g)) is amended by adding at the end the following:

''(6) The Secretary shall exclude from financial resources the cash value of any life insurance policy owned by a member of a household.''.

(h) IN-TANDEM EXCLUSIONS FROM INCOME.—Section 5 of the Food Stamp Act of 1977 (7 U.S.C. 2014) is amended by adding at the end the following:

''(n) Whenever a Federal statute enacted after the date of the enactment of this Act excludes funds from income for purposes of determining eligibility, benefit levels, or both under State plans approved under part A of title IV of the Social Security Act, then such funds shall be excluded from income for purposes of determining eligibility, benefit levels, or both, respectively, under the food stamp program of households all of whose members receive benefits under a State plan approved under part A of title IV of the Social Security Act.''.

(i) APPLICATION OF AMENDMENTS.—The amendments made by this section shall not apply with respect to certification periods beginning before the effective date of this section.

Subtitle C—Fraud Reduction

SEC. 631. SENSE OF THE CONGRESS IN SUPPORT OF THE EFFORTS OF THE ADMINISTRATION TO ADDRESS THE PROBLEMS OF FRAUD AND ABUSE IN THE SUPPLEMENTAL SECURITY INCOME PROGRAM.

The Congress hereby expresses support for the efforts of the Social Security Administration to reduce fraud and abuse in the supplemental security income program under title XVI of the Social Security Act by implementing a structured approach to disability decisionmaking that takes into consideration the large number of disability claims received while providing a basis for consistent, equitable decisionmaking by claims adjudicators at each level, that provides for the following:

(1) A simplification of the monetary guidelines for determining whether an individual (except those filing for benefits based on blindness) is engaging in substantial gainful activity.

(2) The replacement of a threshold severity requirement for determining whether a claimant has a medically determinable impairment with a threshold inquiry as to whether the claimant has a medically determinable physical or mental impairment that

can be demonstrated by acceptable clinical and laboratory diagnostic techniques.

(3) The comparison of an impairment referred to in paragraph (2) with an index of disabling impairments that contains fewer impairments, has less detail and complexity, and does not rely on the concept of ''medical equivalence''.

(4)(A) The consideration of whether an individual has the ability to perform substantial gainful activity despite any functional loss caused by a medically determinable physical or mental impairment.

(B) The definition of the physical and mental requirements of substantial gainful activity.

(C) The objective measurement, to the extent possible, of whether an individual meets such requirements.

(D) The development, with the assistance of the medical community and other outside experts from disability programs, of standardized criteria which can be used to measure an individual's functional ability.

(E) The assumption by the Social Security Administration of primary responsibility for documenting functional ability using the standardized measurement criteria, with the goal of developing func-

tional assessment instruments that are standardized, accurately measure an individual's functional abilities, and are universally accepted by the public, the advocacy community, and health care professionals.

(F) The use of the results of the standardized functional measurement with a new standard to describe basic physical and mental demands of a baseline of work that represents substantial gainful activity and that exists in significant numbers in the national economy.

(5)(A) An evaluation of whether a child is engaging in substantial gainful activity, whether a child has a medically determinable physical or mental impairment that will meet the duration requirement, and whether a child has an impairment that meets the criteria in the index of disabling impairments.

(B) The development, with the assistance of the medical community and educational experts, of standardized criteria which can be used to measure a child's functional ability to perform a baseline of functions that are comparable to the baseline of occupational demands for an adult.

(C) The conduct of research to specifically identify a skill acquisition threshold to measure broad

areas required to develop the ability to perform substantial gainful activity.

SEC. 632. STUDY ON FEASIBILITY OF SINGLE TAMPER-PROOF IDENTIFICATION CARD TO SERVE PROGRAMS UNDER BOTH THE SOCIAL SECURITY ACT AND HEALTH REFORM LEGISLATION.

(a) STUDY.—As soon as practicable after the date of the enactment of this Act, the Commissioner of Social Security shall conduct a study of the feasibility of issuing, in counterfeit-resistant form, a single identification card which would combine the features of the social security card now issued pursuant to section 205 of the Social Security Act and any health security card which may be provided for in health reform legislation enacted in the 104th Congress. In such study, the Commissioner shall devote particular consideration to—

(1) employment in such card of finger-print identification, bar code validation, a photograph, a hologram, or any other identifiable feature,

(2) the efficiencies and economies which may be achieved by combining the features of the social security card as currently issued and the features of any health security card which might be issued under health reform legislation, and

(3) any costs and risks which might result from combining such features in a single identification card and possible means of alleviating any such costs and risks.

(b) REPORT.—The Commissioner of Social Security shall, not later than 1 year after the date of the enactment of this Act, transmit a report to each House of the Congress setting forth the Commissioner's findings from the study conducted pursuant to subsection (a). Such report may include such recommendations for administrative or legislative changes as the Commissioner considers appropriate.

Subtitle D—Additional Provisions

SEC. 641. STATE OPTIONS REGARDING UNEMPLOYED PARENT PROGRAM.

(a) DURATION OF UNEMPLOYMENT AND RECENCY-OF-WORK TESTS.—Section 407(b)(1)(A) (42 U.S.C. 607(b)(1)(A)), as amended by section 507 of this Act, is amended—

(1) by striking the matter preceding clause (i) and inserting the following:

''(A) subject to paragraph (2), shall provide for the payment of aid to families with dependent children with respect to a dependent child within the meaning of subsection (a)—''.

(2) in clause (i), by striking ''whichever'' and inserting ''when, if the State chooses to so require (and specifies in its State plan), whichever'';

(3) in clause (ii), by inserting ''when'' before such parent; and

(4) in clause (iii), by inserting ''when, if the State chooses to so require (and so specifies in its State plan)'' after ''(iii)''.

(b) STATE OPTION TO EXPAND PROGRAM.—Section 407(a) (42 U.S.C. 607(a)) is amended by inserting ''or the unemployment (as defined (if at all) by the State in the State plan approved under section 402)'' before ''of the parent''.

(c) EFFECTIVE DATE.—Subsection (b) and the amendments made by subsection (a) shall become effective October 1, 1996.

SEC. 642. DEFINITION OF ESSENTIAL PERSON.

(a) GENERAL REQUIREMENT.—Section 402 (42 U.S.C. 602), as amended by section 222(a)(1)(A) of this Act, is amended by inserting after subsection (f) the following:

''(g) In order that the State may include the needs of an individual in determining the needs of the dependent child and relative with whom the child is living, such indi-

vidual must be living in the same home as such child and relative, and—

''(1) furnishing personal services required because of the relative's physical or mental inability to provide care necessary for herself or himself or for the dependent child (which, for purposes of this subsection only, includes a child receiving supplemental security income benefits under title XVI); or

''(2) furnishing child care services, or care for an incapacitated member of the family, that is necessary to permit the caretaker relative—

''(A) to engage in full or part-time employment outside the home, or

''(B) to attend a course of education designed to lead to a high school diploma (or its equivalent) or a course of training on a full or part-time basis, or to participate in the program under part G on a full or part-time basis.''.

SEC. 643. "FILL-THE-GAP" BUDGETING.

(a) IN GENERAL.—Section 402(a)(8)(A) (42 U.S.C. 602(a)(8)(A)), as amended by sections 231, 242(b)(1), and 611(d)(1) of this Act, is amended—

(1) by striking ''and'' at the end of clause (xi); and

(2) by adding at the end the following:

''(xiii) in addition to any other amounts required or permitted by this paragraph to be disregarded in a month, may exempt countable income identified in the State plan by type or source and by amount, but in an amount not exceeding the difference between the State's standard of need applicable to the family and the amount from which all remaining nonexempt income is subtracted to determine the amount of aid payable under the State plan to a family of the same size with no other income;''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect on October 1, 1997.

SEC. 644. REPEAL OF REQUIREMENT TO MAKE CERTAIN SUPPLEMENTAL PAYMENTS IN STATES PAYING LESS THAN THEIR NEEDS STANDARDS.

Section 402(a)(28) (42 U.S.C. 602(a)(28)) is hereby repealed.

SEC. 645. COLLECTION OF AFDC OVERPAYMENTS FROM FEDERAL TAX REFUNDS.

(a) AUTHORITY TO INTERCEPT TAX REFUND.—(1) Part A of title IV (42 U.S.C. 601–617) is amended by adding at the end the following:

''COLLECTION OF OVERPAYMENTS FROM FEDERAL TAX REFUNDS

''SEC. 418. (a) Upon receiving notice from a State agency administering a plan approved under this part that a named individual has been overpaid under the State plan approved under this part, the Secretary of the Treasury shall determine whether any amounts as refunds of Federal taxes paid are payable to such individual, regardless of whether such individual filed a tax return as a married or unmarried individual. If the Secretary of the Treasury finds that any such amount is payable, he shall withhold from such refunds an amount equal to the overpayment sought to be collected by the State and pay such amount to the State agency.

''(b) The Secretary of the Treasury shall issue regulations, approved by the Secretary of Health and Human Services, that provide—

''(1) that a State may only submit under subsection (a) requests for collection of overpayments with respect to individuals (A) who are no longer receiving aid under the State plan approved under this part, (B) with respect to whom the State has already taken appropriate action under State law against the income or resources of the individuals or families involved as required under section

402(a)(22) (B), and (C) to whom the State agency has given notice of its intent to request withholding by the Secretary of the Treasury from their income tax refunds;

''(2) that the Secretary of the Treasury will give a timely and appropriate notice to any other person filing a joint return with the individual whose refund is subject to withholding under subsection (a); and

''(3) the procedures that the State and the Secretary of the Treasury will follow in carrying out this section which, to the maximum extent feasible and consistent with the specific provisions of this section, will be the same as those issued pursuant to section 464(b) applicable to collection of past-due child support.''.

(2) Section 6402 of the Internal Revenue Code of 1986 (as amended by section 443(a) of this Act) is amended—

(A) in subsection (a), by striking ''(c) and (d)'' and inserting ''(c), (d), and (e)'';

(B) by redesignating subsections (e) through (i) as subsections (f) through (j), respectively; and

(C) by inserting after subsection (d) the following:

"(g) COLLECTION OF OVERPAYMENTS UNDER TITLE IV–A OF THE SOCIAL SECURITY ACT.—The amount of any overpayment to be refunded to the person making the overpayment shall be reduced (after reductions pursuant to subsections (c) and (d), but before a credit against future liability for an internal revenue tax) in accordance with section 418 of the Social Security Act (concerning recovery of overpayments to individuals under State plans approved under part A of title IV of such Act).".

(b) CONFORMING AMENDMENT.—Section 552a(a)(8)(B)(iv)(III) of title 5, United States Code, is amended by striking "section 464 or 1137 of the Social Security Act" and inserting "section 419, 464, or 1137 of the Social Security Act."

SEC. 646. TERRITORIES.

(a) IN GENERAL.—Section 1108(a) (42 U.S.C. 1308(a)) is amended by striking paragraphs (1), (2), and (3) and inserting the following:

"(1) for payment to Puerto Rico shall not exceed—

"(A) $82,000,000 with respect to fiscal years 1994, 1995, and 1996, and

"(B) $102,500,000 or, if greater, such amount adjusted by the CPI (as prescribed in

subsection (f)) for fiscal year 1997 and each fiscal year thereafter;

''(2) for payment to the Virgin Islands shall not exceed—

''(A) $2,800,000 with respect to fiscal years 1994, 1995, and 1996, and

''(B) $3,500,000 or, if greater, such amount adjusted by the CPI (as prescribed in subsection (f)) for fiscal year 1997 and each fiscal year thereafter; and

''(3) for payment to Guam shall not exceed—

''(A) $3,800,000 with respect to fiscal year 1994, 1995, and 1996, and

''(B) $4,750,000 or, if greater, such amount adjusted by the CPI (as prescribed in subsection (f)), for fiscal year 1997 and each fiscal year thereafter.''.

(b) CPI ADJUSTMENT.—Section 1108 (42 U.S.C. 1308) is amended by adding at the end the following:

''(f) For purposes of subsection (a), an amount is 'adjusted by the CPI' for months in calendar year by multiplying that amount by the ratio of the Consumer Price Index as prepared by the Department of Labor for—

''(1) the third quarter of the preceding calendar year, to

''(2) the third quarter of calendar year 1996, and rounding the product, if not a multiple of $10,000, to the nearer multiple of $10,000.''.

SEC. 647. DISREGARD OF STUDENT INCOME.

(a) IN GENERAL.—Section 402(a)(8)(A)(i) (42 U.S.C. 602(a)(8)(A)(i)) is amended by striking ''dependent child'' and all that follows and inserting ''individual who has not attained 19 years of age and is an elementary or secondary school student''.

(b) CONFORMING AMENDMENTS.—Section 402(a) (42 U.S.C. 602(a)) is amended—

(1) in paragraph (8)(A)(vii)—

(A) by striking ''a dependent child who is a full-time student'' and inserting ''an individual who has not attained 19 years of age and is an elementary or secondary school student''; and

(B) by striking ''such child'' and inserting ''such individual''; and

(2) in paragraph (18), by striking ''of a dependent child'' and inserting ''of an individual under age 19''.

SEC. 648. LUMP-SUM INCOME.

Section 402(a)(8)(A) (42 U.S.C. 602(a)(8)(A)), as amended by sections 231, 242(b)(1), 611(d)(1), and 643(a) of this Act, is amended—

(1) by striking ''and'' at the end of clause (xii); and

(2) by adding at the end the following:

''(xiv) shall disregard from the income of any family member any amounts of income received in the form of nonrecurring lump-sum payments other than payments made pursuant to an order for child or spousal support being enforced by the agency administering the State plan approved under part D;''.

TITLE VII—CHILD PROTECTION BLOCK GRANT PROGRAM

SEC. 701. ESTABLISHMENT OF PROGRAMS.

Part B of title IV (42 U.S.C. 620–635) is amended to read as follows:

PART B—CHILD PROTECTION BLOCK GRANT PROGRAM

''SEC. 420. PURPOSES; AUTHORIZATIONS OF APPROPRIATIONS.

''The purpose of this part is to enable States to carry out a program of child welfare and child protection services which includes—

''(1) child protection services for children who are, or are suspected of being or at risk of becoming, victims of abuse or neglect;

''(2) preventive services and activities, including community-based family support services, designed to strengthen and preserve families and to prevent child abuse and neglect; and

''(3) permanency planning services and activities to achieve planned, permanent living arrangements (including family reunification, adoption, and independent living) for children who have been removed from their families.

"SEC. 421. STATE PLANS.

''(a) IN GENERAL.—In order to be eligible for payment under this part, a State must have an approved plan (developed jointly by the Secretary and the State agency, after consultation with persons and entities specified in subsection (b)) for the provision of services to children and families which meet the requirements of subsection (c).

''(b) CONSULTATION WITH APPROPRIATE ENTITIES.—A State, in developing its plan for approval under this part, shall consult with concerned persons and entities, including—

''(1) public and nonprofit private agencies and community-based organizations with experience in

administering programs of child welfare services for children and families; and

''(2) representatives of and advocates for children and families.

''(c) STATE PLAN REQUIREMENTS.—A State plan under this part shall—

''(1) describe the services and activities to be performed, and the service delivery mechanisms (including service providers and statewide distribution of services) to be used, to provide—

''(A) child protection services described in section 420(1) (including such services provided under this part and part E);

''(B) preventive services described in section 420(2) (and shall provide for delivery of such services through a statewide network of local nonprofit community-based family support programs, in collaboration with existing health, mental health, education, employment, training, child welfare, and other social services agencies); and

''(C) permanency planning services described in section 420(3) (including family reunification, adoption, and independent living);

''(2)(A)(i) declare the State's goals for accomplishments under the plan is in operation in the State, and (ii) be updated periodically to declare the State's goals for accomplishments under the plan by the end of each fifth fiscal year thereafter;

''(B) describe the methods to be used in measuring progress toward accomplishment of the goals; and

''(C) contain a commitment that the State—

''(i) will perform an interim review of its progress toward accomplishment of the goals after the end of each of the first 4 fiscal years covered by the goals, and on the basis of such interim review will revise the statement of goals in the plan, if necessary, to reflect changed circumstances or other relevant factors; and

''(ii) will perform, after the end of the last fiscal year covered by the goals, a final review of its progress toward accomplishment of the goals and prepare a report to the Secretary on the basis of such final review;

''(3) provide assurances that reasonable amounts will be expended under this part to carry out each of the purposes specified in paragraphs (1) through (3) of section 420; and

''(4) provide assurances that the State has in effect a program of foster care safeguards meeting the requirements of section 425.

''(d) SECRETARIAL APPROVAL.—The Secretary shall approve a State plan that meets the requirements of this section.

"SEC. 422. RESERVATIONS; ALLOTMENTS TO STATES.

''(a) IN GENERAL..—The Secretary shall allot the amount specified in subsection (b) for each fiscal year in accordance with subsections (c) through (f).

''(b) FEDERAL FUNDING.—The amount specified for purposes of this section shall be—

''(1) $653,000,000 for fiscal year 1996;

''(1) $682,000,000 for fiscal year 1997;

''(1) $713,000,000 for fiscal year 1998;

''(1) $737,000,000 for fiscal year 1999; and

''(1) $763,000,000 for fiscal year 2000.

''(c) PROJECTS OF NATIONAL SIGNIFICANCE.—Two percent of the amount specified under subsection (b) for each fiscal year shall be reserved for expenditure by the Secretary for projects of national significance related to the purposes of this part.

''(d) TRAINING AND TECHNICAL ASSISTANCE.—Two percent of the amount specified under subsection (b) for each fiscal year shall be reserved for expenditure by the

Secretary for training and technical assistance to State and local public and nonprofit private entities related to the program under this part.

''(e) INDIAN TRIBES.—One percent of the amount specified under subsection (b) for each fiscal year shall be reserved for allotment to Indian tribes in accordance with section 424.

''(f) STATES.—From the balance of the amount specified for each fiscal year under subsection (b) remaining after the application of subsections (c), (d), and (e), the Secretary shall allot to each State an amount which bears the same ratio to the amount specified as the total amount that would have been allotted to the State for such fiscal year under this part, as in effect on September 30, 1995, bears to the total amount that would have been so allotted to all States for such fiscal year.

"SEC. 423. PAYMENTS TO STATES.

''(a) ENTITLEMENT TO PAYMENT; FEDERAL SHARE OF COSTS.—Each State which has a plan approved under this part shall be entitled to payment, equal to its allotment under section 422 for a fiscal year, for use in payment by the State of 75 percent of the costs of activities under the State plan during such fiscal year. The remaining 25 percent of such costs shall be paid by the State with funds from non-Federal sources.

''(b) PAYMENT INSTALLMENTS.—The Secretary shall make payments in accordance with section 6503 of title 31, United States Code, to each State from its allotment for use under this part.

"SEC. 424. PAYMENTS TO INDIAN TRIBES.

''(a) IN GENERAL.—The Secretary shall make payments under this part for a fiscal year directly to the tribal organization of an Indian tribe with a plan approved under this part, except that such plan need not meet any requirement under such section that the Secretary determines is inappropriate with respect to such Indian tribe.

''(b) ALLOTMENT.—From the amount reserved pursuant to section 422(e) for any fiscal year, the Secretary shall allot to each Indian tribe meeting the conditions specified in subsection (a), an amount bearing the same ratio to such reserved amount as the number of children in all Indian tribes with State plans so approved, as determined by the Secretary on the basis of the most current and reliable information available to the Secretary.

"SEC. 425. FOSTER CARE PROTECTION.

''In order to meet the requirements of this section, for purposes of section 421(c)(4), a State shall—

''(1) since June 17, 1980, have completed an inventory of all children who, before the inventory,

had been in foster care under the responsibility of the State for 6 months or more, which determined—

''(A) the appropriateness of, and necessity for, the foster care placement;

''(B) whether the child could or should be returned to the parents of the child or should be freed for adoption or other permanent placement; and

''(C) the services necessary to facilitate the return of the child or the placement of the child for adoption or legal guardianship;

''(2) be operating, to the satisfaction of the Secretary—

''(A) a statewide information system from which can be readily determined the status, demographic characteristics, location, and goals for the placement of every child who is (or, within the immediately preceding 12 months, has been) in foster care;

''(B) a case review system (as defined in section 475(5)) for each child receiving foster care under the supervision of the State;

''(C) a service program designed to help children—

''(i) where appropriate, return to families from which they have been removed; or

''(ii) be placed for adoption, with a legal guardian, or, if adoption or legal guardianship is determined not to be appropriate for a child, in some other planned, permanent living arrangement; and

''(D) a replacement preventive services program designed to help children at risk of foster care placement remain with their families; and

''(3)(A) have reviewed (or by October 31, 1995 will have reviewed) State policies and administrative and judicial procedures in effect for children abandoned at or shortly after birth (including policies and procedures providing for legal representation of such children); and

''(B) be implementing (or by October 31, 1996, will be implementing) such policies and procedures as the State determines, on the basis of the review described in clause (i), to be necessary to enable permanent decisions to be made expeditiously with respect to the placement of such children.

SEC. 702. REPEALS AND CONFORMING AMENDMENTS.

(a) ABANDONED INFANTS ASSISTANCE.—

(1) REPEAL.—The Abandoned Infants Assistance Act of 1988 (42 U.S.C. 670 note) is repealed.

(2) CONFORMING AMENDMENT.—Section 421(7) of the Domestic Violence Service Act of 1973 (42 U.S.C. 5061(7)) is amended to read as follows:

''(7) the term 'boarder baby' means an infant who is medically cleared for discharge from an acute-care hospital setting, but remains hospitalized because of a lack of appropriate out-of-hospital placement alternatives.''.

(b) CHILD ABUSE PREVENTION AND TREATMENT.—

(1) REPEAL.—The Child Abuse Prevention and Treatment Act (42 U.S.C. 5101 et seq.) is repealed.

(2) CONFORMING AMENDMENTS.—The Victims of Crime Act of 1984 (42 U.S.C. 10601 et seq.) is amended by striking section 1404A.

(c) ADOPTION OPPORTUNITIES.—The Child Abuse Prevention and Treatment and Adoption Reform Act of 1978 (42 U.S.C. 5111 et seq.) is repealed.

(d) FAMILY SUPPORT CENTERS.—Subtitle F of title VII of the Stewart B. McKinney Homeless Assistance Act (42 U.S.C. 11481–11489) is repealed.

(e) FOSTER CARE.—Section 472(d) (42 U.S.C. 672(d)) is amended by striking ''422(b)(9)'' and inserting ''425''.

SEC. 703. EFFECTIVE DATE.

The amendments and repeals made by this title shall take effect on October 1, 1995, and shall apply with respect to activities under State programs on and after that date.

TITLE VIII—SSI REFORM

Subtitle A—Eligibility of Children for Benefits

SEC. 801. RESTRICTIONS ON ELIGIBILITY.

(a) IN GENERAL.—Section 1614(a)(3)(A) (42 U.S.C. 1382c(a)(3)(A)) is amended—

(1) by inserting ''(i)'' after ''(3)(A)'';

(2) by inserting ''who has attained 18 years of age'' before ''shall be considered'';

(3) by striking ''he'' and inserting ''the individual'';

(4) by striking ''(or, in the case of an individual under the age of 18, if he suffers from any medically determinable physical or mental impairment of comparable severity)''; and

(5) by adding after and below the end the following:

"(ii) An individual who has not attained 18 years of age shall be considered to be disabled for purposes of this title for a month if the individual has any medically determinable physical or mental impairment (or combination of impairments) that meets the requirements, applicable to individuals who have not attained 18 years of age, of the Listings of Impairments set forth in appendix 1 of subpart P of part 404 of title 20, Code of Federal Regulations, or the individual has a combination of impairments the effect of which should be considered disabling for purposes of this title. In applying this clause, such Listings shall not include maladaptive behavior or psychoactive substance dependence disorder (as specified in the appendix setting forth such Listings)."

(b) TRANSITION TO NEW ELIGIBILITY CRITERIA.—Within 3 months after the date of the enactment of this Act, the Commissioner of Social Security shall establish a functional equivalency standard separate from the Listing of Impairments (set forth in appendix 1 of subpart P of part 404 of title 20, Code of Federal Regulations (revised as of April 1, 1994)) under which a child with a combination of impairments should be considered disabled for purposes of the supplemental security income program under title XVI of the Social Security Act. Within 10 months after the date of the enactment of this Act,

the Commissioner shall review the case of each individual who, immediately before such date of enactment, qualified for benefits under such program by reason of an individualized functional assessment in order to determine eligibility under such Listings and the criteria established under such standard.

SEC. 802. CONTINUING DISABILITY REVIEWS FOR CERTAIN CHILDREN.

Section 1614(a)(3)(G) (42 U.S.C. 1382c(a)(3)(G)) is amended—

(1) by inserting ''(i)'' after ''(G)''; and

(2) by adding at the end the following:

''(ii)(I) Not less frequently than once every 3 years, the Commissioner shall redetermine the eligibility for benefits under this title of each individual who has not attained 18 years of age and is eligible for such benefits by reason of disability.

''(II) Subclause (I) shall not apply to an individual if the individual has an impairment (or combination of impairments) which is (or are) not expected to improve.

''(III) Subject to recommendations made by the Commissioner, parents or guardians of recipients whose cases are reviewed under this clause shall present, at the time of review, evidence demonstrating that funds provided under this title have been used to assist the recipient in

improving the condition which was the basis for providing benefits under this title.''.

SEC. 803. DISABILITY REVIEW REQUIRED FOR SSI RECIPIENTS WHO ARE 18 YEARS OF AGE.

(a) IN GENERAL.—Section 1614(a)(3)(G) (42 U.S.C. 1382c(a)(3)(G)), as amended by section 802 of this subtitle, is amended by adding at the end the following:

''(iii)(I) The Commissioner shall redetermine the eligibility of a qualified individual for supplemental security income benefits under this title by reason of disability, by applying the criteria used in determining eligibility for such benefits of applicants who have attained 18 years of age.

''(II) The redetermination required by subclause (I) with respect to a qualified individual shall be conducted during the 1-year period that begins on the date the qualified individual attains 18 years of age.

''(III) As used in this clause, the term 'qualified individual' means an individual who attains 18 years of age and is a recipient of benefits under this title by reason of disability.

''(IV) A redetermination under subclause (I) of this clause shall be considered a substitute for a review required under any other provision of this subparagraph.''.

(b) REPORT TO THE CONGRESS.—Not later than October 1, 1998, the Commissioner of Social Security shall submit to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate a report on the activities conducted under section 1614(a)(3)(G)(iii) of the Social Security Act.

(c) CONFORMING REPEAL.—Section 207 of the Social Security Independence and Program Improvements Act of 1994 (42 U.S.C. 1382 note; 108 Stat. 1516) is hereby repealed.

SEC. 804. APPLICABILITY.

(a) NEW ELIGIBILITY STANDARDS AND DISABILITY REVIEWS FOR CHILDREN.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by sections 801 and 802 shall apply to benefits for months beginning more than 9 months after the date of the enactment of this Act, without regard to whether regulations have been issued to implement such amendments.

(2) TRANSITIONAL RULE.—

(A) IN GENERAL.—For months beginning after the date of the enactment of this Act and before the first month to which the amendments made by section 801 apply under paragraph (1) and subject to subparagraph (B), no

individual who has not attained 18 years of age shall be considered to be disabled for purposes of the supplemental security income program under title XVI of the Social Security Act solely on the basis of maladaptive behavior or psychoactive substance dependence disorder.

(B) EXCEPTION FOR CURRENT BENEFICIARIES.—Subparagraph (A) shall not apply in the case of an individual who is a recipient of supplemental security income benefits under such title for the month in which this Act becomes law.

(b) DISABILITY REVIEWS FOR 18-YEAR OLD RECIPIENTS.—The amendments made by section 803 shall apply to benefits for months beginning after the date of the enactment of this Act.

Subtitle B—Denial of SSI Benefits by Reason of Disability to Drug Addicts and Alcoholics

SEC. 811. DENIAL OF SSI BENEFITS BY REASON OF DISABILITY TO DRUG ADDICTS AND ALCOHOLICS.

(a) IN GENERAL.—Section 1614(a)(3) (42 U.S.C. 1382c(a)(3)) is amended by adding at the end the following:

"(I) Notwithstanding subparagraph (A), an individual shall not be considered to be disabled for purposes of this title if alcoholism or drug addiction would (but for this subparagraph) be a contributing factor material to the Commissioner's determination that the individual is disabled.".

(b) CONFORMING AMENDMENTS.—

(1) Section 1611(e) (42 U.S.C. 1382(e)) is amended by striking paragraph (3).

(2) Section 1631(a)(2)(A)(ii) (42 U.S.C. 1383(a)(2)(A)(ii)) is amended—

(A) by striking "(I)"; and

(B) by striking subclause (II).

(3) Section 1631(a)(2)(B) (42 U.S.C. 1383(a)(2)(B)) is amended—

(A) by striking clause (vii);

(B) in clause (viii), by striking "(ix)" and inserting "(viii)";

(C) in clause (ix)—

(i) by striking "(viii)" and inserting "(vii)"; and

(ii) in subclause (II), by striking all that follows "15 years" and inserting a period;

(D) in clause (xiii)—

(i) by striking ''(xii)'' and inserting ''(xi)''; and

(ii) by striking ''(xi)'' and inserting ''(x)''; and

(E) by redesignating clauses (viii) through (xiii) as clauses (vii) through (xii), respectively.

(4) Section 1631(a)(2)(D)(i)(II) (42 U.S.C. 1383(a)(2)(D)(i)(II)) is amended by striking all that follows ''$25.00 per month'' and inserting a period.

(5) Section 1634 (42 U.S.C. 1383c) is amended by striking subsection (e).

(6) Section 201(c)(1) of the Social Security Independence and Program Improvements Act of 1994 (42 U.S.C. 425 note) is amended—

(A) by striking ''—'' and all that follows through ''(A)'' the 1st place such term appears;

(B) by striking ''and'' the 3rd place such term appears;

(C) by striking subparagraph (B);

(D) by striking ''either subparagraph (A) or subparagraph (B)'' and inserting ''the preceding sentence''; and

(E) by striking ''subparagraph (A) or (B)'' and inserting ''the preceding sentence''.

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect on October 1, 1995, and shall apply with respect to months beginning on or after such date.

(d) FUNDING OF CERTAIN PROGRAMS FOR DRUG ADDICTS AND ALCOHOLICS.—Out of any money in the Treasury of the United States not otherwise appropriated, the Secretary of the Treasury shall pay to the Director of the National Institute on Drug Abuse—

(1) $95,000,000, for each of fiscal years 1997, 1998, 1999, and 2000, for expenditure through the Federal Capacity Expansion Program to expand the availability of drug treatment; and

(2) $5,000,000 for each of fiscal years 1997, 1998, 1999, and 2000 to be expended solely on the medication development project to improve drug abuse and drug treatment research.

TITLE IX—FINANCING

Subtitle A—Treatment of Aliens

SEC. 901. EXTENSION OF DEEMING OF INCOME AND RESOURCES UNDER AFDC, SSI, AND FOOD STAMP PROGRAMS.

(a) IN GENERAL.—Except as provided in subsections (b) and (c), in applying sections 415 and 1621 of the Social Security Act and section 5(i) of the Food Stamp Act

of 1977, the period in which each respective section otherwise applies with respect to an alien shall be extended through the date (if any) on which the alien becomes a citizen of the United States (under chapter 2 of title III of the Immigration and Nationality Act).

(b) EXCEPTION.—Subsection (a) shall not apply to an alien if—

(1) the alien has been lawfully admitted to the United States for permanent residence, has attained 75 years of age, and has resided in the United States for at least 5 years;

(2) the alien—

(A) is a veteran (as defined in section 101 of title 38, United States Code) with a discharge characterized as an honorable discharge,

(B) is on active duty (other than active duty for training) in the Armed Forces of the United States, or

(C) is the spouse or unmarried dependent child of an individual described in subparagraph (A) or (B);

(3) the alien is the subject of domestic violence by the alien's spouse and a divorce between the alien and the alien's spouse has been initiated through the

filing of an appropriate action in an appropriate court; or

(4) there has been paid with respect to the self-employment income or employment of the alien, or of a parent or spouse of the alien, taxes under chapter 2 or chapter 21 of the Internal Revenue Code of 1986 in each of 20 different calendar quarters.

(c) HOLD HARMLESS FOR MEDICAID ELIGIBILITY.—Subsection (a) shall not apply with respect to determinations of eligibility for benefits under part A of title IV of the Social Security Act or under the supplemental income security program under title XVI of such Act but only insofar as such determinations provide for eligibility for medical assistance under title XIX of such Act.

(d) EFFECTIVE DATE.—This section shall take effect on October 1, 1995.

SEC. 902. REQUIREMENTS FOR SPONSOR'S AFFIDAVITS OF SUPPORT.

(a) IN GENERAL.—Title II of the Immigration and Nationality Act is amended by inserting after section 213 the following new section:

''REQUIREMENTS FOR SPONSOR'S AFFIDAVIT OF SUPPORT

''SEC. 213A. (a) ENFORCEABILITY.—

''(1) IN GENERAL.—No affidavit of support may be accepted by the Attorney General or by any consular officer to establish that an alien is not ex-

cludable under section 212(a)(4) unless such affidavit is executed as a contract—

"(A) which is legally enforceable against the sponsor by the Federal Government, by a State, or by any political subdivision of a State, providing cash benefits under a public cash assistance program (as defined in subsection (f)(2)), but not later than 5 years after the date the alien last receives any such cash benefit; and

"(B) in which the sponsor agrees to submit to the jurisdiction of any Federal or State court for the purpose of actions brought under subsection (e)(2).

"(2) EXPIRATION OF LIABILITY.—Such contract shall only apply with respect to cash benefits described in paragraph (1)(A) provided to an alien before the earliest of the following:

"(A) CITIZENSHIP.—The date the alien becomes a citizen of the United States under chapter 2 of title III.

"(B) VETERAN.—The first date the alien is described in section 901(b)(2)(A).

"(C) PAYMENT OF SOCIAL SECURITY TAXES.—The first date as of which the condi-

tion described in section 901(b)(4) is met with respect to the alien.

''(3) NONAPPLICATION DURING CERTAIN PERIODS.—Such contract also shall not apply with respect to cash benefits described in paragraph (1)(A) provided during any period in which the alien is described in section 901(b)(2)(B) or 901(b)(2)(C).

''(b) FORMS.—Not later than 90 days after the date of enactment of this section, the Attorney General, in consultation with the Secretary of State and the Secretary of Health and Human Services, shall formulate an affidavit of support consistent with the provisions of this section.

''(c) NOTIFICATION OF CHANGE OF ADDRESS.—

''(1) REQUIREMENT.—The sponsor shall notify the Federal Government and the State in which the sponsored alien is currently resident within 30 days of any change of address of the sponsor during the period specified in subsection (a)(1)(A).

''(2) ENFORCEMENT.—Any person subject to the requirement of paragraph (1) who fails to satisfy such requirement shall be subject to a civil penalty of—

''(A) not less than $250 or more than $2,000, or

"(B) if such failure occurs with knowledge that the sponsored alien has received any benefit under any means-tested public benefits program, not less than $2,000 or more than $5,000.

"(d) REIMBURSEMENT OF GOVERNMENT EXPENSES.—

"(1) REQUEST FOR REIMBURSEMENT.—

"(A) IN GENERAL.—Upon notification that a sponsored alien has received any cash benefits described in subsection (a)(1)(A), the appropriate Federal, State, or local official shall request reimbursement by the sponsor in the amount of such cash benefits.

"(B) REGULATIONS.—The Attorney General, in consultation with the Secretary of Health and Human Services, shall prescribe such regulations as may be necessary to carry out subparagraph (A).

"(2) INITIATION OF ACTION.—If within 45 days after requesting reimbursement, the appropriate Federal, State, or local agency has not received a response from the sponsor indicating a willingness to commence payments, an action may be brought

against the sponsor pursuant to the affidavit of support.

''(3) FAILURE TO ABIDE BY REPAYMENT TERMS.—If the sponsor fails to abide by the repayment terms established by such agency, the agency may, within 60 days of such failure, bring an action against the sponsor pursuant to the affidavit of support.

''(4) LIMITATION ON ACTIONS.—No cause of action may be brought under this subsection later than 5 years after the date the alien last received any cash benefit described in subsection (a)(1)(A).

''(f) DEFINITIONS.—For the purposes of this section:

''(1) SPONSOR.—The term 'sponsor' means an individual who—

''(A) is a citizen or national of the United States or an alien who is lawfully admitted to the United States for permanent residence;

''(B) is 18 years of age or over; and

''(C) is domiciled in any State.

''(2) PUBLIC CASH ASSISTANCE PROGRAM.—The term 'public cash assistance program' means a program of the Federal Government or of a State or political subdivision of a State that provides direct cash assistance for the purpose of income mainte-

nance and in which the eligibility of an individual, household, or family eligibility unit for cash benefits under the program, or the amount of such cash benefits, or both are determined on the basis of income, resources, or financial need of the individual, household, or unit. Such term does not include any program insofar as it provides medical, housing, education, job training, food, or in-kind assistance or social services.''.

(b) CLERICAL AMENDMENT.—The table of contents of such Act is amended by inserting after the item relating to section 213 the following:

''Sec. 213A. Requirements for sponsor's affidavit of support.''.

(c) EFFECTIVE DATE.—Subsection (a) of section 213A of the Immigration and Nationality Act, as inserted by subsection (a) of this section, shall apply to affidavits of support executed on or after a date specified by the Attorney General, which date shall be not earlier than 60 days (and not later than 90 days) after the date the Attorney General formulates the form for such affidavits under subsection (b) of such section 213A.

SEC. 903. EXTENDING REQUIREMENT FOR AFFIDAVITS OF SUPPORT TO FAMILY-RELATED AND DIVERSITY IMMIGRANTS.

(A) IN GENERAL.—Section 212(a)(4) of the Immigration and Nationality Act (8 U.S.C. 1182(a)(4)) is amended to read as follows:

''(4) PUBLIC CHARGE AND AFFIDAVITS OF SUPPORT.—

''(A) PUBLIC CHARGE.—Any alien who, in the opinion of the consular officer at the time of application for a visa, or in the opinion of the Attorney General at the time of application for admission or adjustment of status, is likely at any time to become a public charge is excludable.

''(B) AFFIDAVITS OF SUPPORT.—Any immigrant who seeks admission or adjustment of status as any of the following is excludable unless there has been executed with respect to the immigrant an affidavit of support pursuant to section 213A:

''(i) As an immediate relative (under section 201(b)(2)).

''(ii) As a family-sponsored immigrant under section 203(a) (or as the spouse or

child under section 203(d) of such an immigrant).

''(iii) As the spouse or child (under section 203(d)) of an employment-based immigrant under section 203(b).

''(iv) As a diversity immigrant under section 203(c) (or as the spouse or child under section 203(d) of such an immigrant).''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to aliens with respect to whom an immigrant visa is issued (or adjustment of status is granted) after the date specified by the Attorney General under section 902(c).

Subtitle B—Limitation on Emergency Assistance Expenditures

SEC. 911. LIMITATION ON EXPENDITURES FOR EMERGENCY ASSISTANCE.

(a) IN GENERAL.—Section 403(a)(5) (42 U.S.C. 602(a)(5)) is amended to read as follows:

''(5) in the case of any State, an amount equal to the lesser of—

''(A) 50 percent of the total amount expended under the State plan during such quar-

ter as emergency assistance to needy families with children; or

''(B) the greater of—

''(i) the total amount expended under the State plan during the fiscal year that immediately precedes the fiscal year in which the quarter occurs; multiplied by

''(I) 4 percent, if the national unemployment rate for the United States (as determined by the Secretary of Labor) for the 3rd or 4th quarter of the immediately preceding fiscal year is at least 7 percent; or

''(II) 3 percent, otherwise; or

''(ii) the total amount expended under the State plan during fiscal year 1995 as emergency assistance to needy families with children.''.

(b) AUTHORITY OF STATES TO DEFINE EMERGENCY ASSISTANCE.—Section 406(e)(1) (42 U.S.C. 606(e)(1)) is amended to read as follows:

''(e)(1)(A) The term 'emergency assistance to needy families with children' means emergency assistance furnished by an eligible State with respect to an eligible needy

child to avoid destitution of the child or to provide living arrangements in a home for the child.

''(B) As used in this paragraph:

''(i) The term 'emergency assistance' means emergency assistance as provided for in the State plan approved under section 402 of an eligible State, but shall not include care for an eligible needy child or other member of the household in which the child is living to the extent that the child or other member is entitled to such care as medical assistance under the State plan under title XIX.

''(ii) The term 'eligible needy child' means a needy child—

''(I) who has not attained 21 years of age;

''(II) who is or (within such period as the Secretary may specify) has been living with any relative specified in subsection (a)(1) in a place of residence maintained by 1 or more of such relatives as the home of the relative or relatives;

''(III) who is without available resources; and

''(IV) whose requirement for emergency assistance did not arise because the child or relative refused without good cause to accept employment or training for employment.

''(iii) The term ''eligible State'' means a State whose State plan approved under section 402 includes provision for emergency assistance.''.

Subtitle C—Tax Provisions

SEC. 921. CERTAIN FEDERAL ASSISTANCE INCLUDIBLE IN GROSS INCOME.

(a) IN GENERAL.—Part II of subchapter B of chapter 1 of the Internal Revenue Code of 1986 (relating to items specifically included in gross income) is amended by adding at the end the following new section:

''SEC. 91. CERTAIN FEDERAL ASSISTANCE.

''(a) IN GENERAL.—Gross income shall include an amount equal to the specified Federal assistance received by the taxpayer during the taxable year.

''(b) SPECIFIED FEDERAL ASSISTANCE.—For purposes of this section—

''(1) IN GENERAL.—The term 'specified Federal assistance' means—

''(A) aid provided under a State plan approved under part A of title IV of the Social Security Act (relating to aid to families with dependent children), and

''(B) assistance provided under any food stamp program.

"(2) SPECIAL RULE.—In the case of assistance provided under a program described in subsection (d)(2), such term shall include only the assistance required to be provided under section 21 or 22 (as the case may be) of the Food Stamp Act of 1977.

"(c) INDIVIDUALS SUBJECT TO TAX.—For purposes of this section—

"(1) AFDC.—Aid described in subsection (b)(1)(A) shall be treated as received by the relative with whom the dependent child is living (within the meaning of section 406(c) of the Social Security Act).

"(2) FOOD STAMPS.—In the case of assistance described in subsection (b)(1)(B)—

"(A) IN GENERAL.—Except as provided in subparagraph (B), such assistance shall be treated as received ratably by each of the individuals taken into account in determining the amount of such assistance for the benefit of such individuals.

"(B) ASSISTANCE TO CHILDREN TREATED AS RECEIVED BY PARENTS, ETC.—The amount of assistance which would (but for this subparagraph) be treated as received by a child shall be treated as received as follows:

"(i) If there is an includible parent, such amount shall be treated as received by the includible parent (or if there is more than 1 includible parent, as received ratably by each includible parent).

"(ii) If there is no includible parent and there is an includible grandparent, such amount shall be treated as received by the includible grandparent (or if there is more than 1 includible grandparent, as received ratably by each includible grandparent).

"(iii) If there is no includible parent or grandparent, such amount shall be treated as received ratably by each includible adult.

"(C) DEFINITIONS.—For purposes of subparagraph (B)—

"(i) CHILD.—The term 'child' means any individual who has not attained age 16 as of the close of the taxable year. Such term shall not include any individual who is an includible parent of a child (as defined in the preceding sentence).

''(ii) ADULT.—The term 'adult' means any individual who is not a child.

''(iii) INCLUDIBLE.—The term 'includible' means, with respect to any individual, an individual who is included in determining the amount of assistance paid to the household which includes the child.

''(iv) PARENT.—The term 'parent' includes the stepfather and stepmother of the child.

''(v) GRANDPARENT.—The term 'grandparent' means any parent of a parent of the child.

''(d) FOOD STAMP PROGRAM.—For purposes of subsection (b), the term 'food stamp program' means—

''(1) the food stamp program (as defined in section 3(h) of the Food Stamp Act of 1977), and

''(2) the portion of the program under sections 21 and 22 of such Act which provides food assistance.''

(b) REPORTING.—

(1) IN GENERAL.—Subpart B of part III of subchapter A of chapter 61 of such Code is amended by adding at the end the following new section:

"SEC. 6050Q. PAYMENTS OF CERTAIN FEDERAL ASSISTANCE.

''(a) REQUIREMENT OF REPORTING.—The appropriate official shall make a return, according to the forms and regulations prescribed by the Secretary, setting forth—

''(1) the aggregate amount of specified Federal assistance paid to any individual during any calendar year, and

''(2) the name, address, and TIN of such individual.

''(b) STATEMENTS TO BE FURNISHED TO PERSONS WITH RESPECT TO WHOM INFORMATION IS REQUIRED.—Every person required to make a return under subsection (a) shall furnish to each individual whose name is required to be set forth in such return a written statement showing—

''(1) the name of the agency making the payments, and

''(2) the aggregate amount of payments made to the individual which are required to be shown on such return.

The written statement required under the preceding sentence shall be furnished to the individual on or before January 31 of the year following the calendar year for which the return under subsection (a) was required to be made.

"(c) DEFINITIONS AND SPECIAL RULE.—For purposes of this section—

"(1) APPROPRIATE OFFICIAL.—The term 'appropriate official' means—

"(A) in the case of specified Federal assistance described in section 91(b)(1)(A), the head of the State agency administering the plan under which such assistance is provided,

"(B) in the case of specified Federal assistance described in section 91(b)(1)(B), the head of the State agency administering the program under which such assistance is provided, and

"(C) in the case of specified Federal assistance described in section 91(b)(1)(C), the head of the State pubic housing agency administering the program under which such assistance is provided.

"(2) SPECIFIED FEDERAL ASSISTANCE.—The term 'specified Federal assistance' has the meaning given such term by section 91(b).

"(3) AMOUNTS TREATED AS PAID.—The rules of section 91(c) shall apply for purposes of determining to whom specified Federal assistance is paid."

(2) PENALTIES.—

(A) Subparagraph (B) of section 6724(b)(1) of such Code is amended by redesignating clauses (ix) through (xiv) as clauses (x) through (xv), respectively, and by inserting after clause (viii) the following new clause:

''(ix) section 6050Q (relating to payments of certain Federal assistance),''.

(B) Paragraph (2) of section 6724(d) of such Code is amended by redesignating subparagraphs (Q) through (T) as subparagraphs (R) through (U), respectively, and by inserting after subparagraph (P) the following new subparagraph:

''(Q) section 6050Q(b) (relating to payments of certain Federal assistance),''.

(c) CLERICAL AMENDMENTS.—

(1) The table of sections for part II of subchapter B of chapter 1 of such Code is amended by adding at the end the following new item:

''Sec. 91. Certain Federal assistance.''

(2) The table of sections for subpart B of part III of subchapter A of chapter 61 of such Code is amended by adding at the end the following new item:

''Sec. 6050Q. Payments of certain Federal assistance.''

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to benefits received after December 31, 1995.

SEC. 922. EARNED INCOME TAX CREDIT DENIED TO INDIVIDUALS NOT AUTHORIZED TO BE EMPLOYED IN THE UNITED STATES.

(a) IN GENERAL.—Section 32(c)(1) of the Internal Revenue Code of 1986 (relating to individuals eligible to claim the earned income tax credit) is amended by adding at the end the following new subparagraph:

''(F) IDENTIFICATION NUMBER REQUIREMENT.—The term 'eligible individual' does not include any individual who does not include on the return of tax for the taxable year—

''(i) such individual's taxpayer identification number, and

''(ii) if the individual is married (within the meaning of section 7703), the taxpayer identification number of such individual's spouse.''

(b) SPECIAL IDENTIFICATION NUMBER.—Section 32 of such Code is amended by adding at the end the following new subsection:

''(k) IDENTIFICATION NUMBERS.—Solely for purposes of subsections (c)(1)(F) and (c)(3)(D), a taxpayer

identification number means a social security number issued to an individual by the Social Security Administration (other than a social security number issued pursuant to clause (II) (or that portion of clause (III) that relates to clause (II)) of section 205(c)(2)(B)(i) of the Social Security Act).''

(c) EXTENSION OF PROCEDURES APPLICABLE TO MATHEMATICAL OR CLERICAL ERRORS.—Section 6213(g)(2) of such Code (relating to the definition of mathematical or clerical errors) is amended by striking ''and'' at the end of subparagraph (D), by striking the period at the end of subparagraph (E) and inserting '', and'', and by inserting after subparagraph (E) the following new subparagraph:

''(F) an omission of a correct taxpayer identification number required under section 32 (relating to the earned income tax credit) to be included on a return.''

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1995.

SEC. 923. PHASEOUT OF EARNED INCOME CREDIT FOR INDIVIDUALS HAVING MORE THAN $2,500 OF TAXABLE INTEREST AND DIVIDENDS.

(a) IN GENERAL.—Section 32 of the Internal Revenue Code of 1986 is amended by redesignating subsections (i) and (j) as subsections (j) and (k), respectively, and by inserting after subsection (h) the following new subsection:

''(i) PHASEOUT OF CREDIT FOR INDIVIDUALS HAVING MORE THAN $2,500 OF TAXABLE INTEREST AND DIVIDENDS.—If the aggregate amount of interest and dividends includible in the gross income of the taxpayer for the taxable year exceeds $2,500, the amount of the credit which would (but for this subsection) be allowed under this section for such taxable year shall be reduced (but not below zero) by an amount which bears the same ratio to such amount of credit as such excess bears to $650.''

(b) INFLATION ADJUSTMENT.—Subsection (j) of section 32 of such Code (relating to inflation adjustments), as redesignated by subsection (a), is amended by striking paragraph (2) and by inserting the following new paragraphs:

''(2) INTEREST AND DIVIDEND INCOME LIMITATION.—In the case of a taxable year beginning in a calendar year after 1996, each dollar amount con-

tained in subsection (i) shall be increased by an amount equal to—

''(A) such dollar amount, multiplied by

''(B) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 1995' for 'calendar year 1992' in subparagraph (B) thereof.

''(3) ROUNDING.—If any amount as adjusted under paragraph (1) or (2) is not a multiple of $10, such dollar amount shall be rounded to the nearest multiple of $10.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1995.

SEC. 924. AFDC AND FOOD STAMP BENEFITS NOT TAKEN INTO ACCOUNT FOR PURPOSES OF THE EARNED INCOME TAX CREDIT.

(a) IN GENERAL.—Section 32 of the Internal Revenue Code of 1986 (relating to the earned income tax credit), as amended by section 932(b) of this Act, is amended by adding at the end the following new subsection:

''(l) ADJUSTED GROSS INCOME DETERMINED WITHOUT REGARD TO CERTAIN FEDERAL ASSISTANCE.—For

purposes of this section, adjusted gross income shall be determined without regard to any amount which is includible in gross income solely by reason of section 91.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 1995.

TITLE X—FOOD ASSISTANCE REFORM

Subtitle A—Food Stamp Program Integrity and Reform

SEC. 1001. AUTHORITY TO ESTABLISH AUTHORIZATION PERIODS.

Section 9(a)(1) of the Food Stamp Act of 1977 (7 U.S.C. 2018(a)(1)) is amended by adding at the end the following: ''The Secretary is authorized to issue regulations establishing specific time periods during which authorization to accept and redeem coupons under the food stamp program shall be valid.''.

SEC. 1002. SPECIFIC PERIOD FOR PROHIBITING PARTICIPATION OF STORES BASED ON LACK OF BUSINESS INTEGRITY.

Section 9(a)(1) of the Food Stamp Act of 1977 (7 U.S.C. 2018(a)(1)), as amended by section 1001, is amended by adding at the end the following: ''The Secretary is authorized to issue regulations establishing spe-

cific time periods during which a retail food store or wholesale food concern that has an application for approval to accept and redeem coupons denied or that has such an approval withdrawn on the basis of business integrity and reputation cannot submit a new application for approval. Such periods shall reflect the severity of business integrity infractions that are the basis of such denials or withdrawals.''.

SEC. 1003. INFORMATION FOR VERIFYING ELIGIBILITY FOR AUTHORIZATION.

Section 9(c) of the Food Stamp Act of 1977 (7 U.S.C. 2018(c)) is amended—

(1) in the first sentence by inserting '', which may include relevant income and sales tax filing documents,'' after ''submit information'' ; and

(2) by inserting after the first sentence the following: ''The regulations may require retail food stores and wholesale food concerns to provide written authorization for the Secretary to verify all relevant tax filings with appropriate agencies and to obtain corroborating documentation from other sources in order that the accuracy of information provided by such stores and concerns may be verified.''.

SEC. 1004. WAITING PERIOD FOR STORES THAT INITIALLY FAIL TO MEET AUTHORIZATION CRITERIA.

Section 9(d) of the Food Stamp Act of 1977 (7 U.S.C. 2018(d)) is amended by adding at the end the following: ''Regulations issued pursuant to this Act shall prohibit a retail food store or wholesale food concern that has an application for approval to accept and redeem coupons denied because it does not meet criteria for approval established by the Secretary in regulations from submitting a new application for six months from the date of such denial.''.

SEC. 1005. BASES FOR SUSPENSIONS AND DISQUALIFICATIONS.

Section 12(a) of the Food Stamp Act of 1977 (7 U.S.C. 2021(a)) is amended by adding at the end the following: ''Regulations issued pursuant to this Act shall provide criteria for the finding of violations and the suspension or disqualification of a retail food store or wholesale food concern on the basis of evidence which may include, but is not limited to, facts established through on-site investigations, inconsistent redemption data, or evidence obtained through transaction reports under electronic benefit transfer systems.''.

SEC. 1006. AUTHORITY TO SUSPEND STORES VIOLATING PROGRAM REQUIREMENTS PENDING ADMINISTRATIVE AND JUDICIAL REVIEW.

(a) Section 12(a) of the Food Stamp Act of 1977 (7 U.S.C. 2021(a)), as amended by section 1005, is amended by adding at the end the following: ''Such regulations may establish criteria under which the authorization of a retail food store or wholesale food concern to accept and redeem coupons may be suspended at the time such store or concern is initially found to have committed violations of program requirements. Such suspension may coincide with the period of a review as provided in section 14. The Secretary shall not be liable for the value of any sales lost during any suspension or disqualification period.''.

(b) Section 14(a) of the Food Stamp Act of 1977 (7 U.S.C. 2023(a)) is amended—

(1) in the first sentence by inserting ''suspended,'' before ''disqualified or subjected'';

(2) in the fifth sentence by inserting before the period at the end the following: '', except that in the case of the suspension of a retail food store or wholesale food concern pursuant to section 12(a), such suspension shall remain in effect pending any administrative or judicial review of the proposed disqualification action, and the period of suspension

shall be deemed a part of any period of disqualification which is imposed.''; and

(3) by striking the last sentence.

SEC. 1007. DISQUALIFICATION OF RETAILERS WHO ARE DISQUALIFIED FROM THE WIC PROGRAM.

Section 12 of the Food Stamp Act of 1977 (7 U.S.C. 2021) is amended by adding at the end the following:

''(g) The Secretary shall issue regulations providing criteria for the disqualification of approved retail food stores and wholesale food concerns that are otherwise disqualified from accepting benefits under the Special Supplemental Nutrition Program for Women, Infants and Children (WIC) authorized under section 17 of the Child Nutrition Act of 1966. Such disqualification—

''(1) shall be for the same period as the disqualification from the WIC Program;

''(2) may begin at a later date; and

''(3) notwithstanding section 14 of this Act, shall not be subject to administrative or judicial review.''.

SEC. 1008. PERMANENT DEBARMENT OF RETAILERS WHO INTENTIONALLY SUBMIT FALSIFIED APPLICATIONS.

Section 12 of the Food Stamp Act of 1977 (7 U.S.C. 2021), as amended by section 1007, is amended by adding at the end the following:

''(h) The Secretary shall issue regulations providing for the permanent disqualification of a retail food store or wholesale food concern that is determined to have knowingly submitted an application for approval to accept and redeem coupons which contains false information about one or more substantive matters which were the basis for providing approval. Any disqualification imposed under this subsection shall be subject to administrative and judicial review pursuant to section 14, but such disqualification shall remain in effect pending such review.''.

SEC. 1009. EXPANDED CIVIL AND CRIMINAL FORFEITURE FOR VIOLATIONS OF THE FOOD STAMP ACT.

(a) FORFEITURE OF ITEMS EXCHANGED IN FOOD STAMP TRAFFICKING.—Section 15(g) of the Food Stamp Act of 1977 (7 U.S.C. 2024(g)) is amended by striking ''or intended to be furnished''.

(b) CIVIL AND CRIMINAL FORFEITURE.—Section 15 of the Food Stamp Act of 1977 (7 U.S.C. 2024)) is amended by adding at the end the following:

''(h)(1) CIVIL FORFEITURE FOR FOOD STAMP BENEFIT VIOLATIONS.—

''(A) Any food stamp benefits and any property, real or personal—

''(i) constituting, derived from, or traceable to any proceeds obtained directly or indirectly from, or

''(ii) used, or intended to be used, to commit, or to facilitate,

the commission of a violation of subsection (b) or subsection (c) involving food stamp benefits having an aggregate value of not less than $5,000, shall be subject to forfeiture to the United States.

''(B) The provisions of chapter 46 of title 18, relating to civil forfeitures shall extend to a seizure or forfeiture under this subsection, insofar as applicable and not inconsistent with the provisions of this subsection.

''(2) CRIMINAL FORFEITURE FOR FOOD STAMP BENEFIT VIOLATIONS.—

''(A)(i) Any person convicted of violating subsection (b) or subsection (c) involving food stamp benefits having an aggregate value of not less than $5,000, shall forfeit to the United States, irrespective of any State law—

''(I) any food stamp benefits and any property constituting, or derived from, or traceable to any proceeds such person obtained directly or indirectly as a result of such violation; and

''(II) any food stamp benefits and any of such person's property used, or intended to be used, in any manner or part, to commit, or to facilitate the commission of such violation.

''(ii) In imposing sentence on such person, the court shall order that the person forfeit to the United States all property described in this subsection.

''(B) All food stamp benefits and any property subject to forfeiture under this subsection, any seizure and disposition thereof, and any administrative or judicial proceeding relating thereto, shall be governed by subsections (b), (c), (e), and (g) through (p) of section 413 of the Comprehensive Drug Abuse Prevention and Control Act of 1970 (21 U.S.C. 853), insofar as applicable and not inconsistent with the provisions of this subsection.

''(3) This subsection shall not apply to property specified in subsection (g) of this section.

''(4) The Secretary may prescribe such rules and regulations as may be necessary to carry out this subsection.''.

SEC. 1010. EXPANDED AUTHORITY FOR SHARING INFORMATION PROVIDED BY RETAILERS.

(a) Section 205(c)(2)(C)(iii) (42 U.S.C. 405(c)(2)(C)(iii)) (as amended by section 316(a) of the Social Security Administrative Reform Act of 1994 (Public Law 103–296; 108 Stat. 1464) is amended—

(1) by inserting in the first sentence of subclause (II) after ''instrumentality of the United States'' the following: '', or State government officers and employees with law enforcement or investigative responsibilities, or State agencies that have the responsibility for administering the Special Supplemental Nutrition Program for Women, Infants and Children (WIC)'';

(2) by inserting in the last sentence of subclause (II) immediately after ''other Federal'' the words ''or State''; and

(3) by inserting ''or a State'' in subclause (III) immediately after ''United States''.

(b) Section 6109(f)(2) of the Internal Revenue Code of 1986 (26 U.S.C. 6109(f)(2)) (as added by section 316(b) of the Social Security Administrative Reform

Act of 1994 (Public Law 103–296; 108 Stat. 1464)) is amended—

(1) by inserting in subparagraph (A) after ''instrumentality of the United States'' the following: '', or State government officers and employees with law enforcement or investigative responsibilities, or State agencies that have the responsibility for administering the Special Supplemental Nutrition Program for Women, Infants and Children (WIC)'';

(2) in the last sentence of subparagraph (A) by inserting ''or State'' after ''other Federal''; and

(3) in subparagraph (B) by inserting ''or a State'' after ''United States''.

SEC. 1011. EXPANDED DEFINITION OF "COUPON".

Section 3(d) of the Food Stamp Act of 1977 (7 U.S.C. 2012(d)) is amended by striking ''or type of certificate'' and inserting ''type of certificate, authorization cards, cash or checks issued of coupons or access devices, including, but not limited to, electronic benefit transfer cards and personal identification numbers''.

SEC. 1012. DOUBLED PENALTIES FOR VIOLATING FOOD STAMP PROGRAM REQUIREMENTS.

Section 6(b)(1) of the Food Stamp Act of 1977 (7 U.S.C. 2015(b)(1)) is amended—

(1) in clause (i)—

(A) by striking ''six months'' and inserting ''1 year''; and

(B) by adding ''and'' at the end; and

(2) striking clauses (ii) and (iii) and inserting the following:

''(ii) permanently upon—

''(I) the second occasion of any such determination; or

''(II) the first occasion of a finding by a Federal, State, or local court of the trading of a controlled substance (as defined in section 102 of the Controlled Substances Act (21 U.S.C. 802)), firearms, ammunition, or explosives for coupons.''.

SEC. 1013. MANDATORY CLAIMS COLLECTION METHODS.

(a) Section 11(e)(8) of the Food Stamp Act of 1977 (7 U.S.C. 2020(e)(8)) is amended by inserting ''or refunds of Federal taxes as authorized pursuant to 31 U.S.C. 3720A'' before the semicolon at the end.

(b) Section 13(d) of the Food Stamp Act of 1977 (7 U.S.C. 2022(d)) is amended—

(1) by striking ''may'' and inserting ''shall''; and

(2) by inserting ''or refunds of Federal taxes as authorized pursuant to 31 U.S.C. 3720A'' before the period at the end.

(c) Section 6103(1) of the Internal Revenue Code (26 U.S.C. 6103(1)) is amended—

(1) by striking ''officers and employees'' in paragraph (10)(A) and inserting ''officers, employees or agents, including State agencies''; and

(2) by striking ''officers and employees'' in paragraph (10)(B) and inserting ''officers, employees or agents, including State agencies''.

SEC. 1014. REDUCTION OF BASIC BENEFIT LEVEL.

Section 3(o) of the Food Stamp Act of 1977 (7 U.S.C. 2012(o)) is amended—

(1) by striking ''and (11)'' and inserting ''(11)'';

(2) in clause (11) by inserting ''through October 1, 1994'' after ''each October 1 thereafter''; and

(3) by inserting before the period at the end the following:

'', and (12) on October 1, 1995, and on each October 1 thereafter, adjust the cost of such diet to reflect 102 percent of the cost, in the preceding June (without regard to any previous adjustment made under this clause or clauses (4) through (11) of this subsection) and round the

result to the nearest lower dollar increment for each household size''.

SEC. 1015. PRO-RATING BENEFITS AFTER INTERRUPTIONS IN PARTICIPATION.

Section 8(c)(2)(B) of the Food Stamp Act of 1977 (7 U.S.C. 2017(c)(2)(B)) is amended by striking ''of more than one month''.

SEC. 1016. WORK REQUIREMENT FOR ABLE-BODIED RECIPIENTS.

(a) WORK REQUIREMENT.—Section 6(d) of the Food Stamp Act of 1977 (7 U.S.C. 2015(d)) is amended by adding at the end the following:

''(5)(A) Except as provided in subparagraphs (B), (C), and (D), an individual who has received an allotment for six consecutive months during which such individual has not been employed a minimum of an average of 20 hours per week shall be disqualified if such individual is not employed at least an average of 20 hours per week, participating in a workfare program under section 20 (or a comparable State or local workfare program), or participating in and complying with the requirements of an approved employment and training program under paragraph (4).

''(B) The provisions of subparagraph (A) shall not apply in the case of an individual who—

''(i) is under eighteen or over fifty years of age;

''(ii) is certified by a physician as physically or mentally unfit for employment;

''(iii) is a parent or other member of a household that includes a minor child;

''(iv) is participating a minimum of an average of 20 hours per week and is in compliance with the requirements of—

''(I) a program under the Job Training Partnership Act (29 U.S.C. 1501 et seq.);

''(II) a program under section 236 of the Trade Act of 1974 (19 U.S.C. 2296); or

''(III) another program for the purpose of employment and training operated by a State or local government, as determined appropriate by the Secretary; or

''(v) or would otherwise be exempt under subsection (d)(2).

''(C) The Secretary may waive the requirements of subparagraph (A) in the case of some or all individuals within all or part of State if the Secretary finds that such area—

''(i) has an unemployment rate of over 7 percent; or

''(ii) does not have a sufficient number of jobs to provide employment for individuals subject to this paragraph. The Secretary shall report to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate on the basis in which the Secretary made this decision.

''(D) An individual who has been disqualified from the food stamp program by reason of subparagraph (A) may reestablish eligibility for assistance—

''(i) by meeting the requirements of subparagraph (A);

''(ii) by becoming exempt under subparagraph (B); or

''(iii) if the Secretary grants a waiver under subparagraph (C).

''(E) A household (as defined in section 3(i) of the Food Stamp Act of 1977 (7 U.S.C. 2015(i)) that includes an individual who refuses to work, refuses to look for work, turns down a job, or refuses to participate in the State program if the State places the individual in such program shall be ineligible to receive food stamp benefits. The State agency shall reduce, by such amount the State considers appropriate, the amount otherwise payable to a household that includes an individual who fails without

good cause to comply with other requirements of the individual responsibility plan signed by the individual.

''(F) The State agency shall make an initial assessment of the skills, prior work experience, and employability of each participant not exempted under subparagraph (B) within six months of initial certification. The State agency shall use such assessment, in consultation with the program participant, to develop an Individual Responsibility Plan for the participant. Such plan—

''(i) shall provide that participation in food stamp employment and training activities shall be a condition of eligibility for food stamp benefits, except during any period of unsubsidized full-time employment in the private sector;

''(ii) shall establish an employment goal and a plan for moving the individual into private sector employment immediately;

''(iii) shall establish the obligations of the participant, which shall include actions that will help the individual obtain and keep private sector employment; and

''(iv) may require that the individual enter the State program approved under part G or part H of title IV of the Social Security Act if the caseworker determines that the individual will need education,

training, job placement assistance, wage enhancement, or other services to obtain private sector employment.''.

(b) ENHANCED EMPLOYMENT AND TRAINING PROGRAM.—Section 16(h)(1) of the Food Stamp Act of 1977 (7 U.S.C. 2025 (h)(1)) is amended—

(1) in subparagraph (A)—

(A) by striking ''$75,000,000'' and inserting ''$150,000,000''; and

(B) by striking ''1991 through 1995'' and inserting ''1996 through 2000'';

(2) by striking subparagraphs (B), (C), (E) and (F) and redesignating subparagraph (D) as subparagraph (B); and

(3) in subparagraph (B) (as so redesignated), by striking ''for each'' and all that follows through ''of $60,000,000'' and inserting ''the Secretary shall allocate funding''.

(c) REQUIRED PARTICIPATION IN WORK AND TRAINING PROGRAMS.—Section 6(d)(4) of the Food Stamp Act of 1977 (7 U.S.C. 2015(d)(4)), is amended by adding at the end the following:

''(O) The State agency shall provide an opportunity to participate in the employment and training program under this paragraph to any individual who would other-

wise become subject to disqualification under paragraph (5)(A).''.

(d) COORDINATING WORK REQUIREMENTS IN AFDC AND FOOD STAMP PROGRAMS.—Section 6(d)(4) of the Food Stamp Act of 1977 (7 U.S.C. 2015(d)(4)), as amended by subsection (c), is amended by adding at the end the following:

''(P)(i) Notwithstanding any other provision of this paragraph, a State agency that meets the participation requirements of paragraph (ii) may operate its employment and training program for persons receiving allotments under this Act as part of its Work First Program under part F of title IV of the Social Security Act (42 U.S.C. 681 et seq.), except that sections 487(b) and 489(a)(4) shall not apply to any months during which a person participates in such program while not receiving income under part A of subtitle IV of the Social Security Act (42 U.S.C. 601 et seq.). If a State agency exercises the option provided under this subparagraph, the operation of this program shall be subject to the requirements of such part F, except that any reference to 'aid to families with dependent children' in such part shall be deemed a reference to food stamp benefits for purposes of any person not receiving income under such part A.

''(ii) A State may exercise the option provided under clause (i) if it provides any persons subject to the requirements of paragraph (5) who is not employed at least an average of 20 hours per week or participating in a workfare program under section 20 (or a comparable State or local program) with the opportunity to participate in an approved employment and training program. A State agency shall be considered to have complied with the requirements of this subparagraph in any area for which a waiver under subsection (5)(4)(C) is in effect.''.

SEC. 1017. EXTENDING CURRENT CLAIMS RETENTION RATES.

Section 16(a) of the Food Stamp Act of 1977 (7 U.S.C. 2025(a)) is amended by striking ''September 30, 1995'' each place it appears and inserting ''September 30, 2000''.

SEC. 1018. COORDINATION OF EMPLOYMENT AND TRAINING PROGRAMS.

(a) Section 8(d) of the Food Stamp Act of 1977 (7 U.S.C. 2019(d)) is amended—

(1) by inserting ''or any work requirement under such program'' after ''assistance program''; and

(2) by adding at the end the following:

''If a household fails to comply with a work requirement in the program under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.), the household shall not receive an increased allotment under this Act as a result of a decrease in the household's income caused by a penalty imposed under such Act, and the State agency is authorized to reduce the household's allotment by no more than 25 percent.''.

SEC. 1019. PROMOTING EXPANSION OF ELECTRONIC BENEFITS TRANSFER.

Section 7(i) of the Food Stamp Act of 1977 (7 U.S.C. 2016(i)(1)) is amended—

(1) by amending paragraph (1) to read:

''(1)(A) State agencies are encouraged to implement an on-line electronic benefit transfer system in which household benefits determined under section 8(a) are issued from and stored in a central data bank and electronically accessed by household members at the point-of-sale.

''(B) Subject to paragraph (2), a State agency is authorized to procure and implement an electronic benefit transfer system under the terms, conditions, and design that the State agency deems appropriate.

''(C) The Secretary shall, upon request of a State agency, waive any provision of this subsection prohibiting the effective implementation of an electronic benefit trans-

fer system consistent with the purposes of this Act. The Secretary shall act upon any request for such a waiver within 90 days of receipt of a complete application.'';

(2) in paragraph (2), by striking ''for the approval''; and

(3) in paragraph (3), by striking ''the Secretary shall not approve such a system unless'' and inserting ''the State agency shall ensure that''.

SEC. 1020. ONE-YEAR FREEZE OF STANDARD DEDUCTION.

Section 5(e) of the Food Stamp Act of 1977 (7 U.S.C. 2014(e)) is amended in the second sentence by inserting ''except October 1, 1995'' after ''thereafter''.

SEC. 1021. NUTRITION ASSISTANCE FOR PUERTO RICO.

Section 19(a)(1)(A) of the Food Stamp Act of 1977 (7 U.S.C. 2028(a)(1)(A)) is amended—

(1) by striking ''1994, and'' and inserting ''1994,''; and

(2) by inserting ''and $1,143,000,000 for fiscal year 1996,'' before ''to finance''.

SEC. 1022. OTHER AMENDMENTS TO THE FOOD STAMP ACT OF 1977.

(a) CERTIFICATION PERIOD.—(1) Section 3(c) of the Food Stamp Act of 1977 (7 U.S.C. 2012(c)) is amended to read as follows:

''(c) 'Certification period' means the period specified by the State agency for which households shall be eligible to receive authorization cards, except that such period shall be—

''(1) 24 months for households in which all adult members are elderly or disabled; and

''(2) not more than 12 months for all other households.''.

(2) Section 6(c)(1)(C) of the Food Stamp Act of 1977 (7 U.S.C. 2015(c)(1)(C)) is amended—

(A) in clause (ii) by adding ''and'' at the end;

(B) in clause (iii) by striking ''; and'' at the end and inserting a period; and

(C) by striking clause (iv).

(b) INCLUSION OF ENERGY ASSISTANCE IN INCOME.—

(1) AMENDMENTS TO THE FOOD STAMP ACT OF 1977.—Section 5 of the Food Stamp Act of 1977 (7 U.S.C. 2014) is amended—

(A) in subsection (d)—

(i) by striking paragraph (11); and

(ii) by redesignating paragraphs (12) through (16) as paragraphs (11) through (15), respectively; and

(B) in subsection (k)—

(i) in paragraph (1)(B) by striking ‘‘, not including energy or utility-cost assistance,’’; and

(ii) in paragraph (2)—

(I) by striking subparagraph (C); and

(II) by redesignating subparagraphs (D) through (H) as subparagraphs (C) through (J), respectively.

(2) AMENDMENTS TO THE LOW-INCOME HOME ENERGY ASSISTANCE ACT OF 1981.—Section 2605(f) of the Low-Income Home Energy Assistance Act of 1981 (42 U.S.C. 8624(f)) is amended—

(A) in paragraph (1) by striking ‘‘food stamps,’’; and

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

‘‘(2) Paragraph (1) shall not apply for any purpose under the Food Stamp Act of 1977.’’.

(c) EXCLUSION OF CERTAIN JTPA INCOME.—Section 5(d) of the Food Stamp Act of 1977 (7 U.S.C. 2014(d)), as amended by subsection (b), is amended—

(1) by striking ‘‘and (15)’’ and inserting ‘‘(15)’’; and

(2) by inserting before the period the following:

‘‘, and (16) income received under the Job Training Partnership Act by a household member who is less than 19 years of age’’.

(d) EXCLUSION OF EDUCATIONAL ASSISTANCE FROM INCOME.—Section 5(d) of the Food Stamp Act of 1977 (7 U.S.C. 2014(d)) is amended—

(1) by amending paragraph (3) to read as follows: ‘‘(3) all educational loans on which payment is deferred (including any loan origination fees or insurance premiums associated with such loans), grants, scholarships, fellowships, veterans’ educational benefits, and the like awarded to a household member enrolled at a recognized institution of post-secondary education, at a school for the handicapped, in a vocational education program, or in a program that provides for completion of a secondary school diploma or obtaining the equivalent thereof,’’; and

(2) in paragraph (5) by striking ‘‘and no portion’’ and all that follows through ‘‘reimbursement’’.

(e) LIMITATION ON ADDITIONAL EARNED INCOME DEDUCTION.—The 3rd sentence of section 5(e) of the Food Stamp Act of 1977 (7 U.S.C. 2014(e)) is amended by striking ‘‘earned income that’’ and all that follows through ‘‘report’’, and inserting ‘‘determining an

overissuance due to the failure of a household to report earned income''.

(f) EXCLUSION OF ESSENTIAL EMPLOYMENT-RELATED PROPERTY.—Section 5(g)(3) of the Food Stamp Act of 1977 (7 U.S.C. 2014(g)(3)) is amended to read as follows:

''(3) The value of real and tangible personal property (other than currency, commercial paper, and similar property) of a household member that is essential to the employment or self-employment of such member shall be excluded by the Secretary from financial resources until the expiration of the 1-year period beginning on the date such member ceases to be so employed or so self-employed.''.

(g) EXCLUSION OF LIFE INSURANCE POLICIES.—Section 5(g) of the Food Stamp Act of 1977 (7 U.S.C. 2014(g)) is amended by adding at the end the following:

''(6) The Secretary shall exclude from financial resources the cash value of any life insurance policy owned by a member of a household.''.

(h) IN-TANDEM EXCLUSIONS FROM INCOME.—Section 5 of the Food Stamp Act of 1977 (7 U.S.C. 2014) is amended by adding at the end the following:

''(n) Whenever a Federal statute enacted after the date of the enactment of this Act excludes funds from income for purposes of determining eligibility, benefit levels,

or both under State plans approved under part A of title IV of the Social Security Act, then such funds shall be excluded from income for purposes of determining eligibility, benefit levels, or both, respectively, under the food stamp program of households all of whose members receive benefits under a State plan approved under part A of title IV of the Social Security Act.''.

(i) APPLICATION OF AMENDMENTS.—The amendments made by this section shall not apply with respect to certification periods beginning before the effective date of this section.

Subtitle B—Commodity Distribution

SEC. 1051. SHORT TITLE.

This subtitle may be cited as the ''Commodity Distribution Act of 1995''.

SEC. 1052. AVAILABILITY OF COMMODITIES.

(a) Notwithstanding any other provision of law, the Secretary of Agriculture (hereinafter in this subtitle referred to as the ''Secretary'') is authorized during fiscal years 1996 through 2000 to purchase a variety of nutritious and useful commodities and distribute such commodities to the States for distribution in accordance with this subtitle.

(b) In addition to the commodities described in subsection (a), the Secretary may expend funds made available to carry out the section 32 of the Act of August 24, 1935 (7 U.S.C. 612c), which are not expended or needed to carry out such sections, to purchase, process, and distribute commodities of the types customarily purchased under such section to the States for distribution in accordance to this subtitle.

(c) In addition to the commodities described in subsections (a) and (b), agricultural commodities and the products thereof made available under clause (2) of the second sentence of section 32 of the Act of August 24, 1935 (7 U.S.C. 612c), may be made available by the Secretary to the States for distribution in accordance with this subtitle.

(d) In addition to the commodities described in subsections (a), (b), and (c), commodities acquired by the Commodity Credit Corporation that the Secretary determines, in the discretion of the Secretary, are in excess of quantities needed to—

(1) carry out other domestic donation programs;

(2) meet other domestic obligations;

(3) meet international market development and food aid commitments, and

(4) carry out the farm price and income stabilization purposes of the Agricultural Adjustment Act of 1938, the Agricultural Act of 1949, and the Commodity Credit Corporation Charter Act; shall be made available by the Secretary, without charge or credit for such commodities, to the States for distribution in accordance with this subtitle.

(e) During each fiscal year, the types, varieties, and amounts of commodities to be purchased under this subtitle shall be determined by the Secretary. In purchasing such commodities, except those commodities purchased pursuant to section 1060, the Secretary shall, to the extent practicable and appropriate, make purchases based on—

(1) agricultural market conditions;

(2) the preferences and needs of States and distributing agencies; and

(3) the preferences of the recipients.

SEC. 1053. STATE, LOCAL AND PRIVATE SUPPLEMENTATION OF COMMODITIES.

(a) The Secretary shall establish procedures under which State and local agencies, recipient agencies, or any other entity or person may supplement the commodities distributed under this subtitle for use by recipient agencies with nutritious and wholesome commodities that such en-

tities or persons donate for distribution, in all or part of the State, in addition to the commodities otherwise made available under this subtitle.

(b) States and eligible recipient agencies may use—

(1) the funds appropriated for administrative cost under section 1059(b);

(2) equipment, structures, vehicles, and all other facilities involved in the storage, handling, or distribution of commodities made available under this subtitle; and

(3) the personnel, both paid or volunteer, involved in such storage, handling, or distribution; to store, handle or distribute commodities donated for use under subsection (a).

(c) States and recipient agencies shall continue, to the maximum extent practical, to use volunteer workers, and commodities and other foodstuffs donated by charitable and other organizations, in the distribution of commodities under this subtitle.

SEC. 1054. STATE PLAN.

(a) A State seeking to receive commodities under this subtitle shall submit a plan of operation and administration every four years to the Secretary for approval. The plan may be amended at any time, with the approval of the Secretary.

(b) The State plan, at a minimum, shall—

(1) designate the State agency responsible for distributing the commodities received under this subtitle;

(2) set forth a plan of operation and administration to expeditiously distribute commodities under this subtitle in quantities requested to eligible recipient agencies in accordance with sections 1056 and 1060;

(3) set forth the standards of eligibility for recipient agencies; and

(4) set forth the standards of eligibility for individual or household recipients of commodities, which at minimum shall require—

(A) individuals or households to be comprised of needy persons; and

(B) individual or household members to be residing in the geographic location served by the distributing agency at the time of application for assistance.

(c) The Secretary shall encourage each State receiving commodities under this subtitle to establish a State advisory board consisting of representatives of all interested entities, both public and private, in the distribution of commodities received under this subtitle in the State.

(d) A State agency receiving commodities under this subtitle may—

(1)(A) enter into cooperative agreements with State agencies of other States to jointly provide commodities received under this subtitle to eligible recipient agencies that serve needy persons in a single geographical area which includes such States; or

(B) transfer commodities received under this subtitle to any such eligible recipient agency in the other State under such agreement; and

(2) advise the Secretary of an agreement entered into under this subsection and the transfer of commodities made pursuant to such agreement.

SEC. 1055. ALLOCATION OF COMMODITIES TO STATES.

(a) In each fiscal year, except for those commodities purchased under section 1060, the Secretary shall allocate the commodities distributed under this subtitle as follows:

(1) 60 percent of such total value of commodities shall be allocated in a manner such that the value of commodities allocated to each State bears the same ratio to 60 percent of such total value as the number of persons in households within the State having incomes below the poverty line bears to the total number of persons in households within all States having incomes below such poverty line. Each

State shall receive the value of commodities allocated under this paragraph.

(2) 40 percent of such total value of commodities shall be allocated in a manner such that the value of commodities allocated to each State bears the same ratio to 40 percent of such total value as the average monthly number of unemployed persons within the State bears to the average monthly number of unemployed persons within all States during the same fiscal year. Each State shall receive the value of commodities allocated to the State under this paragraph.

(b)(1) The Secretary shall notify each State of the amount of commodities that such State is allotted to receive under subsection (a) or this subsection, if applicable. Each State shall promptly notify the Secretary if such State determines that it will not accept any or all of the commodities made available under such allocation. On such a notification by a State, the Secretary shall reallocate and distribute such commodities in a manner the Secretary deems appropriate and equitable. The Secretary shall further establish procedures to permit States to decline to receive portions of such allocation during each fiscal year in a manner the State determines is appropriate

and the Secretary shall reallocate and distribute such allocation as the Secretary deems appropriate and equitable.

(2) In the event of any drought, flood, hurricane, or other natural disaster affecting substantial numbers of persons in a State, county, or parish, the Secretary may request that States unaffected by such a disaster consider assisting affected States by allowing the Secretary to reallocate commodities from such unaffected State to States containing areas adversely affected by the disaster.

(c) Purchases of commodities under this subtitle shall be made by the Secretary at such times and under such conditions as the Secretary determines appropriate within each fiscal year. All commodities so purchased for each such fiscal year shall be delivered at reasonable intervals to States based on the allocations and reallocations made under subsections (a) and (b), and or carry out section 1060, not later than December 31 of the following fiscal year.

SEC. 1056. PRIORITY SYSTEM FOR STATE DISTRIBUTION OF COMMODITIES.

(a) In distributing the commodities allocated under subsections (a) and (b) of section 1055, the State agency, under procedures determined by the State agency, shall offer, or otherwise make available, its full allocation of

commodities for distribution to emergency feeding organizations.

(b) If the State agency determines that the State will not exhaust the commodities allocated under subsections (a) and (b) of section 1055 through distribution to organizations referred to in subsection (a), its remaining allocation of commodities shall be distributed to charitable institutions described in section 1063(3) not receiving commodities under subsection (a).

(c) If the State agency determines that the State will not exhaust the commodities allocated under subsections (a) and (b) of section 1055 through distribution to organizations referred to in subsections (a) and (b), its remaining allocation of commodities shall be distributed to any eligible recipient agency not receiving commodities under subsections (a) and (b).

SEC. 1057. INITIAL PROCESSING COSTS.

The Secretary may use funds of the Commodity Credit Corporation to pay the costs of initial processing and packaging of commodities to be distributed under this subtitle into forms and in quantities suitable, as determined by the Secretary, for use by the individual households or eligible recipient agencies, as applicable. The Secretary may pay such costs in the form of Corporation-owned commodities equal in value to such costs. The Sec-

retary shall ensure that any such payments in kind will not displace commercial sales of such commodities.

SEC. 1058. ASSURANCES; ANTICIPATED USE.

(a) The Secretary shall take such precautions as the Secretary deems necessary to ensure that commodities made available under this subtitle will not displace commercial sales of such commodities or the products thereof. The Secretary shall submit to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate by December 31, 1997, and not less than every two years thereafter, a report as to whether and to what extent such displacements or substitutions are occurring.

(b) The Secretary shall determine that commodities provided under this subtitle shall be purchased and distributed only in quantities that can be consumed without waste. No eligible recipient agency may receive commodities under this subtitle in excess of anticipated use, based on inventory records and controls, or in excess of its ability to accept and store such commodities.

SEC. 1059. AUTHORIZATION OF APPROPRIATIONS.

(a) PURCHASE OF COMMODITIES.—To carry out this subtitle, there are authorized to be appropriated $260,000,000 for each of the fiscal years 1996 through

2000 to purchase, process, and distribute commodities to the States in accordance with this subtitle.

(b) ADMINISTRATIVE FUNDS.—

(1) There are authorized to be appropriated $40,000,000 for each of the fiscal years 1996 through 2000 for the Secretary to make available to the States for State and local payments for costs associated with the distribution of commodities by eligible recipient agencies under this subtitle, excluding costs associated with the distribution of those commodities distributed under section 1060. Funds appropriated under this paragraph for any fiscal year shall be allocated to the States on an advance basis dividing such funds among the States in the same proportions as the commodities distributed under this subtitle for such fiscal year are allocated among the States. If a State agency is unable to use all of the funds so allocated to it, the Secretary shall reallocate such unused funds among the other States in a manner the Secretary deems appropriate and equitable.

(2)(A) A State shall make available in each fiscal year to eligible recipient agencies in the State not less than 40 percent of the funds received by the State under paragraph (1) for such fiscal year, as

necessary to pay for, or provide advance payments to cover, the allowable expenses of eligible recipient agencies for distributing commodities to needy persons, but only to the extent such expenses are actually so incurred by such recipient agencies.

(B) As used in this paragraph, the term ''allowable expenses'' includes—

(i) costs of transporting, storing, handling, repackaging, processing, and distributing commodities incurred after such commodities are received by eligible recipient agencies;

(ii) costs associated with determinations of eligibility, verification, and documentation;

(iii) costs of providing information to persons receiving commodities under this subtitle concerning the appropriate storage and preparation of such commodities; and

(iv) costs of recordkeeping, auditing, and other administrative procedures required for participation in the program under this subtitle.

(C) If a State makes a payment, using State funds, to cover allowable expenses of eligible recipient agencies, the amount of such payment shall be counted toward the amount a State must make

available for allowable expenses of recipient agencies under this paragraph.

(3) States to which funds are allocated for a fiscal year under this subsection shall submit financial reports to the Secretary, on a regular basis, as to the use of such funds. No such funds may be used by States or eligible recipient agencies for costs other than those involved in covering the expenses related to the distribution of commodities by eligible recipient agencies.

(4)(A) Except as provided in subparagraph (B), to be eligible to receive funds under this subsection, a State shall provide in cash or in kind (according to procedures approved by the Secretary for certifying these in-kind contributions) from non-Federal sources a contribution equal to the difference between—

(i) the amount of such funds so received; and

(ii) any part of the amount allocated to the State and paid by the State—

(I) to eligible recipient agencies; or

(II) for the allowable expenses of such recipient agencies;for use in carrying out this subtitle.

(B) Funds allocated to a State under this section may, upon State request, be allocated before States satisfy the matching requirement specified in subparagraph (A), based on the estimated contribution required. The Secretary shall periodically reconcile estimated and actual contributions and adjust allocations to the State to correct for overpayments and underpayments.

(C) Any funds distributed for administrative costs under section 1060(b) shall not be covered by this paragraph.

(5) States may not charge for commodities made available to eligible recipient agencies, and may not pass on to such recipient agencies the cost of any matching requirements, under this subtitle.

(c) VALUE OF COMMODITIES.—The value of the commodities made available under subsections (c) and (d) of section 1052, and the funds of the Corporation used to pay the costs of initial processing, packaging (including forms suitable for home use), and delivering commodities to the States shall not be charged against appropriations authorized by this section.

SEC. 1060. COMMODITY SUPPLEMENTAL FOOD PROGRAM.

(a) From the funds appropriated under section 1059(a), $94,500,000 shall be used for each fiscal year

to purchase and distribute commodities to supplemental feeding programs serving woman, infants, and children or elderly individuals (hereinafter in this section referred to as the ''commodity supplemental food program''), or serving both groups wherever located.

(b) Not more than 20 percent of the funds made available under subsection (a) shall be made available to the States for State and local payments of administrative costs associated with the distribution of commodities by eligible recipient agencies under this section. Administrative costs for the purposes of the commodity supplemental food program shall include, but not be limited to, expenses for information and referral, operation, monitoring, nutrition education, start-up costs, and general administration, including staff, warehouse and transportation personnel, insurance, and administration of the State or local office.

(c)(1) During each fiscal year the commodity supplemental food program is in operation, the types, varieties, and amounts of commodities to be purchased under this section shall be determined by the Secretary, but, if the Secretary proposes to make any significant changes in the types, varieties, or amounts from those that were available or were planned at the beginning of the fiscal year the Secretary shall report such changes before implementation to the Committee on Agriculture of the House of Rep-

resentatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate.

(2) Notwithstanding any other provision of law, the Commodity Credit Corporation shall, to the extent that the Commodity Credit Corporation inventory levels permit, provide not less than 9,000,000 pounds of cheese and not less than 4,000,000 pounds of nonfat dry milk in each of the fiscal years 1996 through 2000 to the Secretary. The Secretary shall use such amounts of cheese and nonfat dry milk to carry out the commodity supplemental food program before the end of each fiscal year.

(d) The Secretary shall, in each fiscal year, approve applications of additional sites for the program, including sites that serve only elderly persons, in areas in which the program currently does not operate, to the full extent that applications can be approved within the appropriations available for the program for the fiscal year and without reducing actual participation levels (including participation of elderly persons under subsection (e)) in areas in which the program is in effect.

(e) If a local agency that administers the commodity supplemental food program determines that the amount of funds made available to the agency to carry out this section exceeds the amount of funds necessary to provide assistance under such program to women, infants, and

children, the agency, with the approval of the Secretary, may permit low-income elderly persons (as defined by the Secretary) to participate in and be served by such program.

(f)(1) If it is necessary for the Secretary to pay a significantly higher than expected price for one or more types of commodities purchased under this section, the Secretary shall promptly determine whether the price is likely to cause the number of persons that can be served in the program in a fiscal year to decline.

(2) If the Secretary determines that such a decline would occur, the Secretary shall promptly notify the State agencies charged with operating the program of the decline and shall ensure that a State agency notify all local agencies operating the program in the State of the decline.

(g) Commodities distributed to States pursuant to this section shall not be considered in determining the commodity allocation to each State under section 1055 or priority of distribution under section 1056.

SEC. 1061. COMMODITIES NOT INCOME.

Notwithstanding any other provision of law, commodities distributed under this subtitle shall not be considered income or resources for purposes of determining recipient eligibility under any Federal, State, or local means-tested program.

SEC. 1062. PROHIBITION AGAINST CERTAIN STATE CHARGES.

Whenever a commodity is made available without charge or credit under this subtitle by the Secretary for distribution within the States to eligible recipient agencies, the State may not charge recipient agencies any amount that is in excess of the State's direct costs of storing, and transporting to recipient agencies the commodities minus any amount the Secretary provides the State for the costs of storing and transporting such commodities.

SEC. 1063. DEFINITIONS.

As used in this subtitle:

(1) The term ''average monthly number of unemployed persons'' means the average monthly number of unemployed persons within a State in the most recent fiscal year for which such information is available as determined by the Bureau of Labor Statistics of the Department of Labor.

(2) The term ''elderly persons'' means individuals 60 years of age or older.

(3) The term ''eligible recipient agency'' means a public or nonprofit organization that administers—

(A) an institution providing commodities to supplemental feeding programs serving women,

infants, and children or serving elderly persons, or serving both groups;

(B) an emergency feeding organization;

(C) a charitable institution (including hospitals and retirement homes and excluding penal institutions) to the extent that such institution serves needy persons;

(D) a summer camp for children, or a child nutrition program providing food service;

(E) a nutrition project operating under the Older Americans Act of 1965, including such projects that operate a congregate nutrition site and a project that provides home-delivered meals; or

(F) a disaster relief program; and that has been designated by the appropriate State agency, or by the Secretary, and approved by the Secretary for participation in the program established under this subtitle.

(4) The term ''emergency feeding organization'' means a public or nonprofit organization that administers activities and projects (including the activities and projects of a charitable institution, a food bank, a food pantry, a hunger relief center, a soup kitchen, or a similar public or private nonprofit eligi-

ble recipient agency) providing nutrition assistance to relieve situations of emergency and distress through the provision of food to needy persons, including low-income and unemployed persons.

(5) The term ''food bank'' means a public and charitable institution that maintains an established operation involving the provision of food or edible commodities, or the products thereof, to food pantries, soup kitchens, hunger relief centers, or other food or feeding centers that, as an integral part of their normal activities, provide meals or food to feed needy persons on a regular basis.

(6) The term ''food pantry'' means a public or private nonprofit organization that distributes food to low-income and unemployed households, including food from sources other than the Department of Agriculture, to relieve situations of emergency and distress.

(7) The term ''needy persons'' means—

(A) individuals who have low incomes or who are unemployed, as determined by the State (in no event shall the income of such individual or household exceed 185 percent of the poverty line);

(B) households certified as eligible to participate in the food stamp program under the Food Stamp Act of 1977 (7 U.S.C. 2011 et seq.); or

(C) individuals or households participating in any other Federal, or federally assisted, means-tested program.

(8) The term ''poverty line'' has the same meaning given such term in section 673(2) of the Community Services Block Grant Act (42 U.S.C. 9902(2)).

(9) The term ''soup kitchen'' means a public and charitable institution that, as integral part of its normal activities, maintains an established feeding operation to provide food to needy homeless persons on a regular basis.

SEC. 1064. REGULATIONS.

(a) The Secretary shall issue regulations within 120 days to implement this subtitle.

(b) In administering this subtitle, the Secretary shall minimize, to the maximum extent practicable, the regulatory, recordkeeping, and paperwork requirements imposed on eligible recipient agencies.

(c) The Secretary shall as early as feasible but not later than the beginning of each fiscal year, publish in the

Federal Register a nonbinding estimate of the types and quantities of commodities that the Secretary anticipates are likely to be made available under the commodity distribution program under this subtitle during the fiscal year.

(d) The regulations issued by the Secretary under this section shall include provisions that set standards with respect to liability for commodity losses for the commodities distributed under this subtitle in situations in which there is no evidence of negligence or fraud, and conditions for payment to cover such losses. Such provisions shall take into consideration the special needs and circumstances of eligible recipient agencies.

SEC. 1065. FINALITY OF DETERMINATIONS.

Determinations made by the Secretary under this subtitle and the facts constituting the basis for any donation of commodities under this subtitle, or the amount thereof, when officially determined in conformity with the applicable regulations prescribed by the Secretary, shall be final and conclusive and shall not be reviewable by any other officer or agency of the Government.

SEC. 1066. RELATIONSHIP TO OTHER PROGRAMS.

(a) Section 4(b) of the Food Stamp Act of 1977 (7 U.S.C. 2013(b)) shall not apply with respect to the distribution of commodities under this subtitle.

(b) Except as otherwise provided in section 1057, none of the commodities distributed under this subtitle shall be sold or otherwise disposed of in commercial channels in any form.

SEC. 1067. SETTLEMENT AND ADJUSTMENT OF CLAIMS.

(a) The Secretary may—

(1) determine the amount of, settle, and adjust any claim arising under this subtitle; and

(2) waive such a claim if the Secretary determines that to do so will serve the purposes of this subtitle.

(b) Nothing contained in this section shall be construed to diminish the authority of the Attorney General of the United States under section 516 of title 28, United States Code, to conduct litigation on behalf of the United States.

SEC. 1068. REPEALERS; AMENDMENTS.

(a) REPEALER.—The Emergency Food Assistance Act of 1983 (7 U.S.C. 612c note) is repealed.

(b) AMENDMENTS.—

(1) The Hunger Prevention Act of 1988 (7 U.S.C. 612c note) is amended—

(A) by striking section 110; and

(B) by striking section 502.

(2) The Commodity Distribution Reform Act and WIC Amendments of 1987 (7 U.S.C. 612c note) is amended by striking section 4.

(3) The Charitable Assistance and Food Bank Act of 1987 (7 U.S.C. 612c note) is amended by striking section 3.

(4) The Food Security Act of 1985 (7 U.S.C. 612c note) is amended—

(A) by striking section 1562(a) and section 1571; and

(B) in section 1562(d), by striking ''section 4 of the Agricultural and Consumer Protection Act of 1973'' and inserting ''section 1060 of the Commodity Distribution Act of 1995''.

(5) The Agricultural and Consumer Protection Act of 1973 (7 U.S.C. 612c note) is amended—

(A) in section 4(a), by striking ''institutions (including hospitals and facilities caring for needy infants and children), supplemental feeding programs serving women, infants and children or elderly persons, or both, wherever located, disaster areas, summer camps for children,'';

(B) in subsection 4(c), by striking ''the Emergency Food Assistance Act of 1983'' and inserting ''the Commodity Distribution Act of 1995''; and

(C) by striking section 5.

(6) The Food, Agriculture, Conservation, and Trade Act of 1990 (7 U.S.C. 612c note) is amended by striking section 1773(f).

Title XI—DEFICIT REDUCTION

SEC. 1101. DEDICATION OF SAVINGS TO DEFICIT REDUCTION.

(a) Upon the enactment of this Act, the Director of the Office of Management and Budget shall make downward adjustments in the discretionary spending limits (new budget authority and outlays), as adjusted, set forth in 601(a)(2) of the Congressional Budget Act of 1974 for each of fiscal years 1996 through 1998 as follows:

(1) For fiscal year 1996, reduce new budget authority by $1,420,000,000 and reduce outlays by $1,420,000,000.

(2) For fiscal year 1997, reduce new budget authority by $1,420,000,000 and reduce outlays by $1,420,000,000.

(3) For fiscal year 1998, reduce new budget authority by $1,470,000,000 and reduce outlays by $1,470,000,000.

(b) Reductions in outlays resulting from the enactment of this Act shall not be taken into account for purposes of section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985.

TITLE XII—EFFECTIVE DATE

SEC. 1201. EFFECTIVE DATE.

Except as otherwise provided in this Act, this Act and the amendments made by this Act shall take effect on October 1, 1996.

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