

104TH CONGRESS
1ST SESSION

S. 746

To amend the Social Security Act to provide certain reforms to welfare programs, and for other purposes.

IN THE SENATE OF THE UNITED STATES

MAY 3 (legislative day, MAY 1), 1995

Ms. MOSELEY-BRAUN introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Social Security Act to provide certain reforms to welfare programs, and for other purposes.

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

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Economic Opportunity and Family Responsibility Act of
6 1995”.

7 (b) TABLE OF CONTENTS.—The table of contents for
8 this Act is as follows:

- Sec. 1. Short title; table of contents.
- Sec. 2. References to Social Security Act.

TITLE I—WORK-RELATED REFORMS

- Sec. 101. Increase in JOBS program funding.
- Sec. 102. Increase in JOBS matching rate; continuation of minimum rate.
- Sec. 103. Increase in required JOBS participation rates.
- Sec. 104. Additional requirements for JOBS participation.
- Sec. 105. Activities that are considered participation in the JOBS program.
- Sec. 106. Training and employment for noncustodial parents.
- Sec. 107. Demonstration project for private sector employment.
- Sec. 108. Coordination of services.

TITLE II—REFORMS OF AFDC AND TREATMENT OF TEENAGE PARENTS

Subtitle A—AFDC Reforms

- Sec. 201. Increased income disregard.
- Sec. 202. Disregard of income and resources designated for education, training, and employability.
- Sec. 203. Elimination of marriage disincentives.

Subtitle B—Teenage Parents

- Sec. 211. Minor teenage parent residency requirement.
- Sec. 212. Schooling and employment requirements.
- Sec. 213. Planning, startup, and reporting.
- Sec. 214. Case management.

TITLE III—STRENGTHENING PARENTAL RESPONSIBILITY AND FAMILY STABILITY

Subtitle A—Federal Responsibilities

- Sec. 301. Expansion of functions of Federal parent locator service.
- Sec. 302. Expansion of Federal parent locator systems.
- Sec. 303. Federal child support order registry.
- Sec. 304. National reporting of employees and child support information.
- Sec. 305. Federal matching payments.
- Sec. 306. Performance-based incentives and penalties.
- Sec. 307. Increased Federal financial participation for States with unified child support enforcement programs.
- Sec. 308. New child support audit process.
- Sec. 309. National child support guidelines commission.
- Sec. 310. Child support audit advisory committee.

Subtitle B—Paternity Establishment

- Sec. 311. Paternity establishment procedures.
- Sec. 312. Enhancing outreach to encourage paternity establishment.
- Sec. 313. Strengthening civil procedures for paternity establishment.
- Sec. 314. Penalty for failure to establish paternity promptly.

Subtitle C—Enforcement

- Sec. 321. Access to financial records.
- Sec. 322. Presumed address of obligor and obligee.
- Sec. 323. Fair credit reporting act amendment.
- Sec. 324. Additional benefits subject to garnishment.
- Sec. 325. Hold on occupational, professional, and business licenses.

- Sec. 326. Driver's licenses and vehicle registrations denied to persons failing to appear in child support cases.
- Sec. 327. Liens.
- Sec. 328. Fraudulent transfer pursuit.
- Sec. 329. Reporting of child support arrearages to credit bureaus.
- Sec. 330. Denial of passports to noncustodial parents subject to State arrest warrants in cases of nonpayment of child support.
- Sec. 331. Statutes of limitation.
- Sec. 332. Collection of past-due support using tax collection authority.

Subtitle D—State Responsibilities

- Sec. 341. State role.
- Sec. 342. Uniform terms in orders.
- Sec. 343. States required to enact the Uniform Interstate Family Support Act.
- Sec. 344. Expedited processes and administrative procedures.
- Sec. 345. Due process.
- Sec. 346. Outreach and accessibility.
- Sec. 347. Cost-of-living adjustment of child support awards.
- Sec. 348. Simplified process for review and adjustment of certain child support orders.
- Sec. 349. Prevention of conflicts of interest.
- Sec. 350. Staffing.
- Sec. 351. Training.
- Sec. 352. Priorities in distribution of collected child support.
- Sec. 353. Teenage noncustodial parents and child support.

Subtitle E—Demonstrations, Grants, and Miscellaneous

- Sec. 361. Establishment of child support assurance demonstration projects.
- Sec. 362. Establishment of simple child support modification demonstration projects.
- Sec. 363. Establishment of demonstration projects for providing services to certain noncustodial parents.
- Sec. 364. Grants to States for access and visitation programs.
- Sec. 365. Technical correction to ERISA definition of medical child support order.

Subtitle F—Tax Reforms

- Sec. 371. Quarterly advanced EITC.
- Sec. 372. Expansion of the tax counseling for the elderly program.

TITLE IV—CHILD CARE REFORMS

- Sec. 401. Child care for needy families block grant.
- Sec. 402. Repeals and technical and conforming amendments.
- Sec. 403. State option to extend transitional medicaid benefits.

TITLE V—EQUITY INVESTMENT

- Sec. 501. Short title.
- Sec. 502. Definitions.

Subtitle A—Equity Investment Development Zones

- Sec. 511. Designation procedure.
- Sec. 512. Eligibility criteria.

- Sec. 513. Period for which designation is in effect.
- Sec. 514. Subsequent designations.
- Sec. 515. Special rules.

Subtitle B—Equity Investments in Qualified Companies

PART I—CERTIFICATE PROGRAM

- Sec. 521. Calculation of imputed earnings; issuance of certificates.
- Sec. 522. Investment in qualified companies.
- Sec. 523. Reimbursement.
- Sec. 524. Transferability of certificates.
- Sec. 525. Expiration of certificates.
- Sec. 526. Effective date.

PART II—COMMUNITY EQUITY INVESTMENT CORPORATION

- Sec. 531. Establishment.
- Sec. 532. Incorporators; board of directors.
- Sec. 533. Restrictions on transferability of corporation stock.
- Sec. 534. Dissolution of the corporation.

Subtitle C—Assistance to Qualified Companies Receiving Equity Investments

- Sec. 541. Wage supplementation program.

TITLE VI—EFFECTIVE DATE

- Sec. 601. Effective date.

1 **SEC. 2. REFERENCES TO SOCIAL SECURITY ACT.**

2 Except as otherwise specifically provided, whenever in
 3 this Act an amendment is expressed in terms of an amend-
 4 ment to or repeal of a section or other provision, the ref-
 5 erence shall be considered to be made to that section or
 6 other provision of the Social Security Act (42 U.S.C. 301
 7 et seq.).

8 **TITLE I—WORK-RELATED**
 9 **REFORMS**

10 **SEC. 101. INCREASE IN JOBS PROGRAM FUNDING.**

11 Section 403(k)(3) (42 U.S.C. 603(k)(3)) is
 12 amended—

1 (1) in subparagraph (E), by striking “and”;
2 and

3 (2) by striking subparagraph (F) and inserting
4 the following:

5 “(F) \$1,540,000,000 in the case of the fiscal
6 year 1996,

7 “(G) \$1,980,000,000 in the case of the fiscal
8 year 1997,

9 “(H) \$2,420,000,000 in the case of the fiscal
10 year 1998,

11 “(I) \$2,860,000,000 in the case of the fiscal
12 year 1999, and

13 “(J) \$3,300,000,000 in the case of the fiscal
14 year 2000 and each succeeding fiscal year.”.

15 **SEC. 102. INCREASE IN JOBS MATCHING RATE; CONTINU-**
16 **ATION OF MINIMUM RATE.**

17 Section 403(*l*)(1) (42 U.S.C. 603(*l*)(1)) is amended—

18 (1) in subparagraph (A)(ii)(II), by striking “60
19 percent” and inserting “the percentage described for
20 that fiscal year in subparagraph (C),”; and

21 (2) by adding at the end the following new sub-
22 paragraph:

23 “(C) The percentage described in this subparagraph
24 for a fiscal year is as follows:

1 “(i) 65 percent, if the fiscal year is 1996 or
2 1997;

3 “(ii) 67 percent, if the fiscal year is 1998;

4 “(iii) 69 percent, if the fiscal year is 1999; and

5 “(iv) 70 percent, if the fiscal year is 2000 or
6 thereafter.”.

7 **SEC. 103. INCREASE IN REQUIRED JOBS PARTICIPATION**
8 **RATES.**

9 (a) IN GENERAL.—Section 403(*l*)(3) (42 U.S.C.
10 603(*l*)(3)) is amended—

11 (1) in subparagraph (A)—

12 (A) in clause (v), by striking “and”;

13 (B) in clause (vi), by striking the period
14 and inserting a semicolon; and

15 (C) by adding at the end the following new
16 clauses:

17 “(vii) 25 percent if such year is 1996;

18 “(viii) 30 percent if such year is 1997;

19 “(ix) 35 percent if such year is 1998; and

20 “(x) 40 percent if such year is 1999.”; and

21 (2) in subparagraph (B)(ii)(IV), by striking
22 “and 1995” and inserting “through 1999”.

23 (b) CONFORMING AMENDMENTS.—Section 204(b)(2)
24 of the Family Support Act of 1988 (42 U.S.C. 681 note)
25 is amended—

1 (1) by inserting “, and amended by section
2 103(a) of the Economic Opportunity and Family Re-
3 sponsibility Act of 1995” after “this Act”; and

4 (2) by striking “1995” and inserting “1999”.

5 **SEC. 104. ADDITIONAL REQUIREMENTS FOR JOBS PARTICI-
6 PATION.**

7 (a) MINIMUM HOURS FOR JOBS PARTICIPATION.—

8 (1) IN GENERAL.—Section 403(l)(3)(D) (42
9 U.S.C. 603(l)(3)(D)) is amended by striking “has
10 participated” and all that follows through “estab-
11 lish” and inserting “has participated—

12 “(i) in an activity described in section 482(d)
13 for not less than 15 and not more than 35 hours per
14 week; and

15 “(ii) in accordance with such program require-
16 ments, consistent with regulations of the Secretary,
17 as the State shall establish.”.

18 (2) CONFORMING AMENDMENT.—Section
19 402(a)(19)(C)(iv) (42 U.S.C. 602(a)(19)(C)(iv)) is
20 amended by striking “30” and inserting “35”.

21 (b) NO PARTICIPATION REQUIRED FOR PARENT OF
22 YOUNG CHILDREN.—Section 402(a)(19)(C)(iii) (42
23 U.S.C. 602(a)(19)(C)(iii)) is amended—

24 (1) in subclause (I), by striking “under 3 years
25 of age” and all that follows through “one year)” and

1 inserting “not older than the 12 work weeks of leave
 2 provided for in section 102(a)(1)(A) of the Family
 3 and Medical Leave Act of 1993 (29 U.S.C.
 4 2612(a)(1)(A))”; and

5 (2) in subclause (II), by striking “and that par-
 6 ticipation” and all that follows through “a week”.

7 **SEC. 105. ACTIVITIES THAT ARE CONSIDERED PARTICIPA-**
 8 **TION IN THE JOBS PROGRAM.**

9 (a) SERVICES AND ACTIVITIES UNDER THE PRO-
 10 GRAM.—Section 482(d) (42 U.S.C. 682(d)) is amended—

11 (1) in clause (i)—

12 (A) by striking “shall include—” and in-
 13 serting “may include—”;

14 (B) in subclause (III), by striking “and”
 15 at the end;

16 (C) in subclause (IV), by striking “and” at
 17 the end; and

18 (D) by adding at the end the following new
 19 subclauses:

20 “(V) the costs of school or training de-
 21 scribed in section 402(a)(19)(F)(i) for an indi-
 22 vidual participating in the program;

23 “(VI) voluntary activities that are related
 24 to a school or day care center, or parenting by
 25 a custodial parent; and

1 “(VII) any other activity that the State
2 deems appropriate in preparing an individual
3 for work; and”;

4 (2) in clause (ii), by striking “must also” and
5 inserting “may also”.

6 (b) CONFORMING AMENDMENTS.—Section
7 402(a)(19)(F) (42 U.S.C. 602(a)(19)(F)) is amended—

8 (1) by adding “and” at the end of clause (ii);

9 (2) by striking clause (iii); and

10 (3) by redesignating clause (iv) as clause (iii).

11 **SEC. 106. TRAINING AND EMPLOYMENT FOR NON- CUSTO-**
12 **DIAL PARENTS.**

13 Section 482 (42 U.S.C. 682) is amended by adding
14 at the end the following new subsection:

15 “(j) TRAINING AND EMPLOYMENT FOR
16 NONCUSTODIAL PARENTS.—A State operating a program
17 under this part may use not more than 5 percent of the
18 sum of the amounts available to it for a fiscal year under
19 section 403(l) for conducting a program of training and
20 employment opportunities for noncustodial parents.”.

21 **SEC. 107. DEMONSTRATION PROJECT FOR PRIVATE SEC-**
22 **TOR EMPLOYMENT.**

23 (a) ESTABLISHMENT.—The Secretary of Health and
24 Human Services (in this section referred to as the “Sec-
25 retary”) shall enter into an agreement with an eligible en-

1 tity (as described in subsection (c)(2)) that has submitted
2 an application in accordance with subsection (c) to con-
3 duct a demonstration project described in subsection (b).

4 (b) PROJECT DESCRIBED.—

5 (1) IN GENERAL.—A demonstration project
6 conducted under this section shall provide individ-
7 uals who—

8 (A) are receiving aid or assistance under
9 part A of title IV of the Social Security Act (42
10 U.S.C. 601 et seq.);

11 (B) are eligible to participate in the JOBS
12 program under part F of such title of such Act
13 (42 U.S.C. 681 et seq.); and

14 (C) reside in an eligible community, as de-
15 fined in subsection (c)(3),

16 with employment at a private sector business that is
17 not located in the eligible community, and employ-
18 ment-related support services.

19 (2) EMPLOYMENT-RELATED SUPPORT SERV-
20 ICES.—For purposes of this section, the term “em-
21 ployment-related support services” includes—

22 (A) transportation to and from an employ-
23 ment location;

24 (B) child care (in addition to any child
25 care that an individual participating in the

1 demonstration project may be receiving under
2 part G of title IV of the Social Security Act or
3 another State low-income or limited assets as-
4 sistance program); and

5 (C) any other support services that the
6 Secretary deems appropriate.

7 (c) APPLICATIONS.—

8 (1) IN GENERAL.—Each eligible entity desiring
9 to conduct a demonstration project under this sec-
10 tion in an eligible community shall prepare and sub-
11 mit to the Secretary an application—

12 (A) containing—

13 (i) the information described in para-
14 graph (2); and

15 (ii) any other information that the
16 Secretary may require; and

17 (B) in such form as the Secretary may re-
18 quire.

19 (2) ELIGIBLE ENTITIES.—In order to be eligi-
20 ble to submit an application to conduct a demonstra-
21 tion project under this section, an entity shall—

22 (A) be a public or private not-for-profit en-
23 tity; and

24 (B) include in the application—

1 (i) certification (in such manner as
2 the Secretary may require) that the entity
3 has an agreement with a private sector
4 business that is not located in the eligible
5 community, to provide employment to eligi-
6 ble individuals who reside in such commu-
7 nity; and

8 (ii) documentation demonstrating that
9 the community to be served by the project
10 is an eligible community.

11 (3) ELIGIBLE COMMUNITY DEFINED.—

12 (A) IN GENERAL.—For purposes of this
13 section, the term “eligible community” means a
14 community that—

15 (i) in 1989, had a per capita income
16 measured in accordance with subparagraph
17 (B) of less than \$3,000; and

18 (ii) meets such other criteria as the
19 Secretary may require.

20 (B) PER CAPITA INCOME.—The Secretary
21 of Health and Human Services in consultation
22 with the States shall develop an appropriate
23 measure for determining per capita income in
24 poor communities.

1 (d) LIMIT ON NUMBER OF PROJECTS PER YEAR.—
2 The Secretary shall authorize not more than 5 demonstra-
3 tion projects under this section during any fiscal year.

4 (e) REPORTS.—An eligible entity that conducts a
5 demonstration project under this section shall prepare and
6 submit to the Secretary annual and final reports in such
7 form and containing such information as the Secretary
8 may require.

9 (f) AUTHORIZATION OF APPROPRIATIONS.—There
10 are authorized to be appropriated \$1,000,000 for each of
11 fiscal years 1996 through 1998 for the purpose of con-
12 ducting demonstration projects in accordance with this
13 section.

14 **SEC. 108. COORDINATION OF SERVICES.**

15 (a) IN GENERAL.—Section 402(a) (42 U.S.C.
16 602(a)) is amended—

17 (1) in paragraph (44), by striking “and” after
18 the semicolon;

19 (2) in paragraph (45), by striking the period
20 and inserting “; and”; and

21 (3) by inserting after paragraph (45) the fol-
22 lowing new paragraph:

23 “(46) provide that the State agency may—

24 “(A) establish at least 1 convenient loca-
25 tion in each community (if practicable, as de-

1 fined by the Secretary in regulations) at which
2 a person having an income which is not greater
3 than 185 percent of the income official poverty
4 line (as defined by the Office of Management
5 and Budget, and revised annually in accordance
6 with section 673(2) of the Omnibus Budget
7 Reconciliation Act of 1981) that is applicable to
8 a family of the size involved, may apply for and
9 (if appropriate) receive, directly or through re-
10 ferral to the appropriate provider, in appro-
11 priate languages and in a culturally sensitive
12 manner—

- 13 “(i) aid under the State plan;
14 “(ii) employment and education coun-
15 seling;
16 “(iii) job placement;
17 “(iv) child care;
18 “(v) health care;
19 “(vi) transportation assistance;
20 “(vii) housing assistance;
21 “(viii) child support services;
22 “(ix) assistance under the National
23 and Community Service Act of 1990 and
24 the Domestic Volunteer Service Act of
25 1973;

1 “(x) unemployment insurance;

2 “(xi) assistance under the Carl D.
3 Perkins Vocational and Applied Tech-
4 nology Education Act;

5 “(xii) assistance under the School-to-
6 Work Opportunities Act of 1994;

7 “(xiii) assistance under Federal stu-
8 dent loan programs;

9 “(xiv) assistance under the Job Train-
10 ing Partnership Act; and

11 “(xv) other types of counseling and
12 support services; and

13 “(B) assign to each recipient of aid under
14 the State plan, and to each applicant for such
15 aid (within 30 days after the date of applica-
16 tion), a case manager who—

17 “(i) is knowledgeable about commu-
18 nity resources;

19 “(ii) is qualified to refer the applicant
20 or recipient to appropriate education and
21 training opportunities, employment pro-
22 grams, and needed health and social serv-
23 ices; and

24 “(iii) is required to coordinate the
25 provision of benefits and services by the

1 State to the applicant or recipient, until
2 the applicant or recipient is no longer eligi-
3 ble for—

4 “(I) aid under the State plan;

5 “(II) child care guaranteed by
6 the State in accordance with part G of
7 title IV; and

8 “(III) medical assistance under
9 the State plan approved under title
10 XIX.”.

11 (b) STAFFING GUIDELINES.—Section 402 (42 U.S.C.
12 602) is amended by adding at the end the following new
13 subsection:

14 “(j)(1) The Secretary shall establish guidelines for
15 the staffing of the State agencies operating or overseeing
16 the services and programs referred to in subsection
17 (a)(46)(A) that include recommendations for qualifica-
18 tions of personnel employed by such agencies and for ap-
19 propriate caseload size.

20 “(2) Every 2 years, each State shall report to the
21 Secretary on—

22 “(A) the extent to which the State is staffing
23 the State agencies operating or overseeing the serv-
24 ices and programs referred to in subsection
25 (a)(46)(A) in accordance with the guidelines estab-

1 lished pursuant to paragraph (1) of this subsection;
2 and

3 “(B) to the extent the State is not doing so,
4 how the State is carrying out the provisions of the
5 State plan required by subsection (a)(46).”.

6 **TITLE II—REFORMS OF AFDC**
7 **AND TREATMENT OF TEEN-**
8 **AGE PARENTS**

9 **Subtitle A—AFDC Reforms**

10 **SEC. 201. INCREASED INCOME DISREGARD.**

11 Section 402(a)(8) is amended—

12 (1) in subparagraph (A)—

13 (A) in clause (ii), by striking “the first \$90
14 of the total of such earned income for such
15 month” and inserting “an amount equal to (I)
16 the first \$120 of the total of such earned in-
17 come, plus (II) $\frac{1}{3}$ of the remainder of such
18 earned income for such month”.

19 (B) by repealing clause (iv); and

20 (2) in subparagraph (B)—

21 (A) by striking clause (ii);

22 (B) by striking “agency—” and all that
23 follows through “(i) shall not” and inserting
24 “agency shall not”; and

1 (C) by redesignating subclauses (I) and
2 (II) as clauses (i) and (ii), respectively and
3 moving such clauses (as redesignated) 2 ems to
4 the left.

5 **SEC. 202. DISREGARD OF INCOME AND RESOURCES DES-**
6 **IGNATED FOR EDUCATION, TRAINING, AND**
7 **EMPLOYABILITY.**

8 (a) DISREGARD AS RESOURCE.—Section
9 402(a)(7)(B) (42 U.S.C. 602(a)(7)(B)) is amended—

10 (1) by striking “or” before “(iv)”; and

11 (2) by inserting “, or (v) at the option of the
12 State, in the case of a family receiving aid under the
13 State plan (and a family not receiving such aid but
14 which received such aid in at least 1 of the preced-
15 ing 4 months or became ineligible for such aid dur-
16 ing the preceding 12 months because of excessive
17 earnings), any amount not to exceed \$10,000 in a
18 qualified asset account (as defined in section 406(i))
19 of such family, reduced by the amount (if any) ex-
20 cluded from the resources of the family pursuant to
21 paragraph (46)(A)(i) of this subsection” before “;
22 and”.

23 (b) DISREGARD AS INCOME.—

24 (1) IN GENERAL.—Section 402(a)(8)(A) (42
25 U.S.C. 602(a)(8)(A)) is amended—

1 (A) by striking “and” at the end of clause
2 (vii); and

3 (B) by inserting after clause (viii) the fol-
4 lowing new clause:

5 “(ix) at the option of the State, shall
6 disregard any interest or income earned on
7 a qualified asset account (as defined in
8 section 406(i)); and”.

9 (2) NONRECURRING LUMP-SUM EXEMPT FROM
10 LUMP SUM RULE.—Section 402(a)(17) (42 U.S.C.
11 602(a)(17)) is amended by adding at the end the
12 following: “; and that, at the option of the State,
13 this paragraph shall not apply to earned or unearned
14 income received in a month on a nonrecurring basis
15 to the extent that such income is placed in a quali-
16 fied asset account (as defined in section 406(i)) the
17 total amount in which, after such placement, does
18 not exceed \$10,000;”.

19 (3) TREATMENT AS INCOME.—Section
20 402(a)(7) (42 U.S.C. 602(a)(7)) is amended—

21 (A) by striking “and” at the end of sub-
22 paragraph (B);

23 (B) by striking the semicolon at the end of
24 subparagraph (C) and inserting “; and”; and

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

3 “(D) at the option of the State, shall treat
4 as income any distribution from a qualified
5 asset account (as defined in section 406(i)(I))
6 which does not meet the definition of a qualified
7 distribution under section 406(i)(2);”.

8 (c) QUALIFIED ASSET ACCOUNTS.—Section 406 (42
9 U.S.C. 606) is amended by adding at the end the follow-
10 ing:

11 “(i)(1) The term ‘qualified asset account’ means a
12 mechanism approved by the State (such as individual re-
13 tirement accounts, escrow accounts, or savings bonds) that
14 allows savings of a family receiving aid to families with
15 dependent children to be used for a qualified distribution.

16 “(2) The term ‘qualified distribution’ means a dis-
17 tribution for expenses directly related to 1 or more of the
18 following purposes:

19 “(A) The attendance of a member of the family
20 at any education or training program.

21 “(B) The improvement of the employability (in-
22 cluding self-employment) of a member of the family
23 (such as through the purchase of an automobile).

24 “(C) The purchase of a home for the family.

25 “(D) A change of the family residence.”.

1 (d) STUDY OF USE OF QUALIFIED ASSET ACCOUNTS;
2 REPORT.—The Secretary of Health and Human Services
3 shall conduct a study of the use of qualified asset accounts
4 established pursuant to the amendments made by this sec-
5 tion, and shall report on such study and any recommenda-
6 tions for modifications of such amendments to the Com-
7 mittee on Finance of the Senate and the Committee on
8 Ways and Means of the House of Representatives not later
9 than January 1, 1998.

10 **SEC. 203. ELIMINATION OF MARRIAGE DISINCENTIVES.**

11 (a) ELIMINATION OF RECENT WORK HISTORY RE-
12 QUIREMENT.—Section 407(b)(1)(A)(iii) (42 U.S.C.
13 607(b)(1)(A)(iii)) is amended—

14 (1) in subclause (I), by striking “in any 13-cal-
15 endar-quarter period ending within one year prior to
16 the application for such aid”; and

17 (2) in subclause (II), by striking “, within one
18 year prior to the application for such aid”.

19 (b) ELIMINATION OF 100-HOUR RULE.—Section 407
20 (42 U.S.C. 607) shall be applied without regard to the
21 100-hour rule under section 233.100(a)(1)(i) of title 45,
22 Code of Federal Regulations, or any other regulation or
23 ruling providing for the same result.

1 (c) ELIMINATION OF 6-MONTH LIMIT.—Section
2 407(b)(2)(B)(ii) (42 U.S.C. 607(b)(2)(B)(ii)) is amend-
3 ed—

4 (1) by striking subclause (II); and

5 (2) by redesignating subclause (III) as
6 subclause (II).

7 (d) TREATMENT OF STEPPARENT INCOME.—

8 (1) OPTION OF FAMILY TO HAVE NEEDS OF
9 STEPPARENT CONSIDERED.—Section 402(a)(7)(A)
10 (42 U.S.C. 602(a)(7)(A)) is amended by inserting “,
11 at the option of such relative, of any stepparent of
12 the child (living in the same home as such child and
13 relative)” before “, or of any other individual”.

14 (2) MODIFICATION OF STEPPARENT INCOME
15 DISREGARD.—Section 402(a)(31) (42 U.S.C.
16 602(a)(31)) is amended—

17 (A) by inserting “if the needs of a step-
18 parent of the dependent child living in the same
19 home as the child are not considered” before
20 “in making”;

21 (B) by striking “dependent child’s step-
22 parent living in the same home as such child”
23 and inserting “stepparent”; and

24 (C) by adding at the end of subparagraph
25 (B) the following: “or, if greater, 130 percent

1 of the income official poverty line (as defined by
 2 the Office of Management and Budget, and re-
 3 vised annually in accordance with section
 4 673(2) of the Omnibus Budget Reconciliation
 5 Act of 1981) applicable to such a family.”.

6 **Subtitle B—Teenage Parents**

7 **SEC. 211. MINOR TEENAGE PARENT RESIDENCY REQUIRE-** 8 **MENT.**

9 Section 402(a)(43) (42 U.S.C. 602(a)(43)) is amend-
 10 ed to read as follows:

11 “(43) provide that—

12 “(A) subject to subparagraphs (B) and
 13 (C), aid under the State plan shall not be pro-
 14 vided to an individual who has not attained 18
 15 years of age, has never married, and has a de-
 16 pendent child in the individual’s care or is preg-
 17 nant and eligible for such aid, for the individual
 18 and the dependent child (or for herself in the
 19 case of a pregnant woman), if the case manager
 20 for the individual determines that—

21 “(i) the individual is not residing in a
 22 place of residence maintained by a parent,
 23 legal guardian, or other adult relative of
 24 the individual as the home of the parent,
 25 legal guardian, or other adult relative, re-

1 spectively, or in a foster home, maternity
2 home, or other adult-supervised supportive
3 living arrangement;

4 “(ii) an appropriate adult-supervised
5 living arrangement is available for the indi-
6 vidual and the dependent child (or for her-
7 self in the case of a pregnant woman); and

8 “(iii) the individual should be required
9 to relocate to such a place of residence;

10 “(B) subparagraph (A) shall not apply to
11 an individual if—

12 “(i) the circumstances described in
13 subparagraph (A) have persisted for less
14 than 2 months since the case manager
15 made the determination described in sub-
16 paragraph (A);

17 “(ii) the individual does not have a
18 parent or legal guardian who is living in
19 the State and whose whereabouts are
20 known;

21 “(iii) the individual has been living
22 independently from any parent or legal
23 guardian of the individual for at least 1
24 year before the date the child was born or

1 the date the individual applied for aid
2 under the State plan;

3 “(iv) the individual is a ward of the
4 court or of the State, and the court or the
5 State (as the case may be) has approved
6 the individual for independent living; or

7 “(v) the individual has been emanci-
8 pated by court order;

9 “(C) subparagraph (A) shall not apply to
10 an individual if the case manager for the indi-
11 vidual determines—

12 “(i) that the individual does not have
13 a parent or legal guardian who will allow
14 the individual to live in the home of the
15 parent or legal guardian;

16 “(ii) that the physical or emotional
17 health or safety of the individual or the de-
18 pendent child would be jeopardized if the
19 individual and the child lived in the same
20 residence with the parent or legal guardian
21 of the individual;

22 “(iii) that the application of subpara-
23 graph (A) would prevent the continued
24 participation of the individual in—

1 “(I) a substance abuse treatment
2 program approved by the State; or

3 “(II) an education or training
4 program, or in employment, without
5 providing an equivalent alternative; or

6 “(iv) in accordance with regulations
7 issued by the Secretary, that there is other
8 good cause for not applying subparagraph
9 (A) to the individual;

10 “(D) in making the determinations de-
11 scribed in subparagraphs (A), (B), and (C), the
12 case manager for an individual shall—

13 “(i) consider all relevant factors, in-
14 cluding—

15 “(I) whether there is evidence
16 that the individual or the child has
17 suffered or is at risk of suffering
18 physical or emotional abuse by some-
19 one in the place;

20 “(II) whether illegal activity oc-
21 curs at the place; and

22 “(III) whether a mandatory relo-
23 cation of the individual would result
24 in overcrowding, violation of the terms

1 of a lease, or a violation of local
2 health or safety standards; and

3 “(ii) if the case manager is not a fam-
4 ily counselor, consult with a family coun-
5 selor who has specialized training or dem-
6 onstrated experience serving individuals
7 and families, and the written recommenda-
8 tions of the counselor shall be included in
9 the case record;

10 “(E) if the case manager determines that
11 the individual should be required to relocate,
12 the State agency shall offer the individual coun-
13 seling and other services designed to help the
14 individual make the transition from independ-
15 ent to supervised living; and

16 “(F) the case manager shall determine in
17 all cases in which aid under the State plan is
18 payable to an individual who is pregnant or a
19 parent, and has not attained 20 years of age,
20 for the needs of the individual and for the needs
21 of a dependent child of the individual, whether
22 such aid should be paid to another individual in
23 the manner described in section 406(b)(2);”.

1 **SEC. 212. SCHOOLING AND EMPLOYMENT REQUIREMENTS.**

2 (a) IN GENERAL.—Section 482 (42 U.S.C. 682), as
3 amended by section 106 of this Act, is amended by adding
4 at the end the following new subsection:

5 “(k) SCHOOLING REQUIREMENTS.—Notwithstanding
6 any other provision of this part, each State program estab-
7 lished under this part shall impose only the following re-
8 quirements with respect to each participant who has not
9 attained 20 years of age, has not completed secondary
10 school or received a certificate of high school equivalency,
11 and is a custodial parent or pregnant:

12 “(1) PARTICIPATION REQUIREMENT.—The par-
13 ticipant shall participate in an educational program,
14 a program that leads to a high school diploma, or
15 job search and job placement activities unless—

16 “(A) the participant has a need for child
17 care or other supportive services that cannot be
18 addressed by the program; or

19 “(B) the case manager determines, after
20 consultation with the school or training pro-
21 gram, that the recipient would not benefit from
22 direct placement in any such program, in which
23 case the recipient shall participate in appro-
24 priate alternative activities specified in an indi-
25 vidualized plan developed for the individual by

1 the case manager which may include a plan for
2 subsequent placement in such a program.

3 “(2) PENALTIES.—

4 “(A) IN GENERAL.—If an individual re-
5 quired to participate in a program referred to
6 in paragraph (1) fails to meet a standard (es-
7 tablished by the State in accordance with sub-
8 paragraph (B)) for minimum performance in
9 the program, the amount of aid otherwise pay-
10 able to the individual on a monthly basis under
11 the State plan approved under part A shall be
12 reduced by the lesser of—

13 “(i) \$60;

14 “(ii) 20 percent of such otherwise
15 payable amount; or

16 “(iii) the difference between such oth-
17 erwise payable amount and the amount of
18 such aid that would be so payable if the
19 family of the individual included 1 less per-
20 son.

21 “(B) MINIMUM PERFORMANCE STAND-
22 ARD.—The minimum performance standard re-
23 ferred to in subparagraph (A)—

24 “(i) shall be based on the achievement
25 of satisfactory progress in the program or

1 on fulfillment of an attendance standard
2 established by the State; and

3 “(ii) if based on the achievement of
4 satisfactory progress—

5 “(I) shall not require mainte-
6 nance of a grade that is higher than
7 a passing grade in the school district
8 in which the program is located, or if
9 the program does not award grades,
10 of a performance level higher than a
11 level prescribed by the Secretary in
12 regulations; and

13 “(II) shall provide for consider-
14 ation, under a plan approved by the
15 Secretary, of whether the failure of an
16 individual to achieve a specified grade
17 or other applicable performance level
18 is due to limitations on the ability of
19 the individual to learn or other cir-
20 cumstances that limit the ability of
21 the individual to perform up to the in-
22 dividual’s capacities, or shall provide
23 for deeming progress to be satisfac-
24 tory if the individual meets a specified
25 attendance standard.

1 “(C) GOOD CAUSE.—Subparagraph (A)
2 shall not apply to an individual who has good
3 cause (as determined by the State in accord-
4 ance with regulations prescribed by the Sec-
5 retary) for failing to meet the standard of mini-
6 mum performance.

7 “(D) ESCROW ACCOUNT.—The State may
8 place in an escrow account with respect to an
9 individual whose aid is reduced pursuant to
10 subparagraph (A) an amount equal to the
11 amount of the reduction in such aid, and may
12 pay to the individual all amounts placed in an
13 escrow account with respect to the individual,
14 upon a demonstration by the individual of a
15 satisfactory effort (as defined by the State in
16 accordance with regulations prescribed by the
17 Secretary) in the program.

18 “(E) SCHOOL-BASED MONITORING.—The
19 State shall monitor the percentage of the per-
20 sons attending each school upon whom sanc-
21 tions are imposed pursuant to subparagraph
22 (A), and, if the State determines that the per-
23 centage for any school significantly exceeds
24 such percentage at similar schools, the State
25 shall determine the reasons for the excessive

1 sanction percentage, and shall suspend the im-
2 position of sanctions upon the persons attend-
3 ing the school until the State determines that
4 the sanction percentage is not excessive.

5 “(3) INCENTIVES.—

6 “(A) IN GENERAL.—If an individual re-
7 quired to participate in a program referred to
8 in paragraph (1) meets a standard (established
9 by the State in accordance with subparagraph
10 (B)) for sufficient performance in the program,
11 the amount of aid otherwise payable to the indi-
12 vidual on a monthly basis under the State plan
13 approved under part A shall be increased by not
14 less than the lesser of—

15 “(i) \$60;

16 “(ii) 20 percent of such otherwise
17 payable amount; or

18 “(iii) the difference between such oth-
19 erwise payable amount and the amount of
20 such aid that would be so payable if the
21 family of the individual included 1 less per-
22 son.

23 “(B) SUFFICIENT PERFORMANCE STAND-
24 ARD.—The sufficient performance standard re-
25 ferred to in subparagraph (A) shall be based on

1 measurement of the same factors used to deter-
2 mine whether the minimum performance stand-
3 ard referred to in paragraph (2)(B)(i) has been
4 met, and may require a higher degree of per-
5 formance (subject to such limits as the Sec-
6 retary shall prescribe in regulations) than the
7 minimum performance standard.”.

8 (b) CONFORMING AMENDMENTS.—Section
9 402(a)(19) (42 U.S.C. 602(a)(19)), as amended by section
10 201(b) of this Act, is amended—

11 (1) in subparagraph (C)—

12 (A) in clause (iii), by inserting “, is not de-
13 scribed by clause (viii), and” before “—”;

14 (B) in clause (v)—

15 (i) by inserting a comma after “16”;

16 and

17 (ii) by inserting “and is not a custo-
18 dial parent or pregnant” before the semi-
19 colon;

20 (C) by striking “or” at the end of clause
21 (vii);

22 (D) by adding “or” at the end of clause
23 (viii); and

24 (E) by adding at the end the following new
25 clause:

1 “(ix)(I) has not attained 20 years of
2 age,

3 “(II) has not completed secondary
4 school or received a certificate of high
5 school equivalency, and

6 “(III) is pregnant, or is a custodial
7 parent of a child who has not attained 4
8 months of age and is personally providing
9 care for the child;” and

10 (2) by striking subparagraph (E).

11 **SEC. 213. PLANNING, STARTUP, AND REPORTING.**

12 (a) **REQUIRED PARTICIPATION RATES.**—Section
13 403(*l*) (42 U.S.C. 603(*l*)) is amended by adding at the
14 end the following new paragraph:

15 “(5)(A) Notwithstanding paragraph (1), the Sec-
16 retary shall pay to a State an amount equal to 50 percent
17 of the expenditures made by such State in a fiscal year
18 in operating its program established under part F (in lieu
19 of any different percentage specified in paragraph (1)(A))
20 if the State’s teen participation rate (determined under
21 subparagraph (B)) for the preceding fiscal year does not
22 exceed or equal—

23 “(i) 15 percent if the preceding fiscal year is
24 1996;

25 “(ii) 40 percent if such year is 1997;

1 “(iii) 70 percent if such year is 1998; or

2 “(iv) 90 percent if such year is 1999.

3 “(B) The State’s teen participation rate for a fiscal
4 year shall be the average of its teen participation rates
5 for each month in such fiscal year.

6 “(C) The State’s teen participation rate for a month
7 shall be the number, expressed as a percentage, equal to—

8 “(i) the average monthly number of individuals
9 required to comply with section 482(k) for the
10 month who have received aid under the State plan
11 approved under part A for at least 60 days, and—

12 “(I) are in an assigned or individualized
13 activity or in the midst of a regularly scheduled
14 school break;

15 “(II) have good cause for not participating
16 in a program under such section;

17 “(III) are in conciliation or whose aid
18 under the State plan approved under this part
19 has been reduced pursuant to such section; or

20 “(IV) are former recipients of such aid
21 who are receiving case management services
22 under the State plan; divided by

23 “(ii) the number of individuals required to com-
24 ply with section 482(k) for the month, plus the num-

1 ber of former recipients of such aid who are receiv-
2 ing case management services under the State plan.

3 “(D) Subparagraphs (D) and (E) of paragraph (3)
4 shall apply in like manner to this paragraph.

5 “(E) The State shall submit to the Secretary a report
6 on the number of individuals in each category or sub-
7 category of participants in programs under section 482(k)
8 as the Secretary may define.

9 “(F) The Secretary shall develop such procedures as
10 may be necessary to ensure that participation rates re-
11 ported by States are accurate, and shall annually submit
12 to the Congress a compilation of the State reports made
13 pursuant to subparagraph (E).”.

14 (b) STATE PLAN REQUIREMENT.—Section
15 482(a)(1)(B) (42 U.S.C. 682(a)(1)(B)) is amended by
16 striking “and (iii)” and inserting “(iii) a description of
17 the plans of the State for ensuring that, within 5 years
18 after the effective date of this clause, all individuals re-
19 quired to comply with subsection (k) do so, including the
20 strategy for phasing in the requirements of subsection (k),
21 which shall reflect the finding of a needs assessment that
22 identifies the current and projected numbers of recipients
23 of aid under the State plan in different regions of the
24 State who have not attained 20 years of age, the availabil-
25 ity of appropriate educational institutions and alternatives

1 (including parenting education capacity) and the availabil-
2 ity of support services, and of the plans of the State for
3 ensuring that service providers have agreed to cooperate
4 in supplying necessary data (such as reports on attend-
5 ance, satisfactory participation, and performance), and a
6 commitment by the State to make annual reports to the
7 Secretary on progress in carrying out this clause and sub-
8 section (k), and (iv).”.

9 **SEC. 214. CASE MANAGEMENT.**

10 Section 402(a) (42 U.S.C. 602(a)), as amended by
11 section 108(a) of this Act, is amended—

12 (1) by striking “and” at the end of paragraph
13 (45);

14 (2) by striking the period at the end of para-
15 graph (46) and inserting “; and”; and

16 (3) by inserting after paragraph (46) the fol-
17 lowing:

18 “(47) provide that the State agency—

19 “(A) shall assign a case manager—

20 “(i) to each recipient of aid under the
21 State plan who—

22 “(I) is a custodial parent of a
23 child or pregnant; and

24 “(II) has not attained 20 years
25 of age; and

1 “(ii) for 1 year, to each former recipi-
2 ent of such aid who—

3 “(I) is a custodial parent;

4 “(II) has not attained 20 years
5 of age; and

6 “(III) has not declined such as-
7 signment;

8 “(B) may assign a case manager to any in-
9 dividual—

10 “(i) who—

11 “(I) is a noncustodial parent re-
12 ceiving aid under the State plan; and

13 “(II) has not attained 20 years
14 of age; or

15 “(ii) (I) who is a parent not receiving
16 aid under the State plan;

17 “(II) who has not attained 20 years of
18 age;

19 “(III) whose income does not exceed
20 150 percent of the income official poverty
21 line (as defined by the Office of Manage-
22 ment and Budget, and revised annually in
23 accordance with section 673(2) of the Om-
24 nibus Budget Reconciliation Act of 1981)

1 applicable to a family of the size involved;
2 and

3 “(IV) who has not declined the as-
4 signment;

5 “(C) shall require each case manager to
6 improve the capacity of any individual to whom
7 assigned to assume greater responsibility for
8 the individual and the family of the individual,
9 by—

10 “(i) in the case of an individual re-
11 ceiving aid under the State plan who is a
12 custodial parent and has not attained 18
13 years of age, assessing the appropriateness
14 of the living arrangement of the individual;

15 “(ii) providing referrals to appropriate
16 services (such as prenatal care, pre- and
17 post-partum school reentry, child care,
18 well-baby care (including immunizations),
19 and home visits if appropriate) needed for
20 the individual to complete educational pro-
21 grams or employment preparation pro-
22 grams;

23 “(iii) facilitating paternity establish-
24 ment through contacts with the putative
25 father during the mother’s pregnancy, if

1 appropriate, and if paternity is not estab-
2 lished at birth, exploring ways to establish
3 paternity;

4 “(iv) explaining the rights and respon-
5 sibilities of such individuals as established
6 under the State plans approved under this
7 part and part D, and helping such individ-
8 uals meet their responsibilities;

9 “(v) developing and monitoring the
10 case plan and service provision in order to
11 assess progress and make necessary
12 changes;

13 “(vi) ensuring that the case plan in-
14 corporates education, health, and employ-
15 ment goals during and after the completion
16 of secondary school or the training pro-
17 gram, and if the individual is required or
18 allowed to participate in the program es-
19 tablished by the State under part F, ensur-
20 ing that the case plan is the employability
21 plan for purposes of the State program es-
22 tablished under part F;

23 “(vii) attempting to identify the cause
24 of, and address, any problems that are
25 causing those of such individuals who are

1 receiving aid under the State plan to be in
2 danger of a reduction in aid;

3 “(viii) recommending to the State
4 agency that those of such individuals who
5 are involved in an educational activity pur-
6 suant to a program established under sec-
7 tion 482(k) receive bonuses, or that the
8 State apply sanctions, as appropriate,
9 under the State plan, or that there be ex-
10 emptions from a requirement imposed by
11 or under the State plan; and

12 “(ix) in the case of an individual who
13 has not attained 20 years of age and is a
14 parent or pregnant, providing the individ-
15 ual with health agency information and
16 family planning materials, and facilitating
17 appointments with respect to such matters
18 on request;

19 “(D) shall, to the extent feasible, require
20 each case manager to work with such individ-
21 uals to identify appropriate opportunities for
22 volunteer activities;

23 “(E) shall locate case managers in State
24 offices that administer the State plan, or allow
25 such offices to subcontract the duties of case

1 managers to community-based organizations or
2 other agencies of State government such as
3 health or education agencies; and

4 “(F) shall ensure that the case load of a
5 case manager assigned full-time to teenage par-
6 ent case management does not exceed 65 cases,
7 and that the average number of cases managed
8 by such full-time case managers does not exceed
9 50, and the Secretary shall prescribe regula-
10 tions to address situations in which a case man-
11 ager works less than full-time with teenage par-
12 ents.”.

13 **TITLE III—STRENGTHENING PA-**
14 **RENTAL RESPONSIBILITY**
15 **AND FAMILY STABILITY**
16 **Subtitle A—Federal**
17 **Responsibilities**

18 **SEC. 301. EXPANSION OF FUNCTIONS OF FEDERAL PARENT**
19 **LOCATOR SERVICE.**

20 Section 453(a) (42 U.S.C. 653(a)) is amended by
21 striking “enforcing support obligations against such par-
22 ent” and inserting “establishing parentage, or establish-
23 ing, modifying, and enforcing child support obligations,
24 and which shall use safeguards to prevent the disclosure
25 of information in cases that would jeopardize the safety

1 of the custodial parent, the noncustodial parent, or any
2 child of either such parent”.

3 **SEC. 302. EXPANSION OF FEDERAL PARENT LOCATOR SYS-**
4 **TEMS.**

5 (a) ACCESS TO ADDITIONAL DATA BASES.—Section
6 453 (42 U.S.C. 653) is amended—

7 (1) in subsection (b), by striking “the most re-
8 cent address and place of employment” and insert-
9 ing “the most recent residential address, employer
10 name and address, and amounts and nature of in-
11 come and assets”; and

12 (2) in subsection (e), by adding at the end the
13 following new paragraph:

14 “(4) The Secretary of the Treasury shall enter into
15 an agreement with the Secretary to provide prompt access
16 by the Secretary (in accordance with this subsection and
17 section 6103(l)(6) of the Internal Revenue Code of 1986)
18 to all Federal income tax returns filed by individuals with
19 the Internal Revenue Service.”.

20 (b) EXPANSION OF ACCESS TO THE NATIONAL PAR-
21 ENT LOCATOR NETWORK.—Section 453 (42 U.S.C. 653)
22 is amended by adding at the end the following new sub-
23 section:

24 “(g) The Secretary shall expand the Parent Locator
25 Service to establish a national network based on the com-

1 prehensive statewide child support enforcement systems
2 developed by the States, to—

3 “(1) allow each State to—

4 “(A) locate any absent parent who owes
5 child support or for whom a child support obli-
6 gation is being established, by—

7 “(i) accessing the records of other
8 State agencies and sources of locate infor-
9 mation directly from one computer system
10 to another; and

11 “(ii) accessing Federal sources of lo-
12 cate information in the same fashion;

13 “(B) access the files of other States to de-
14 termine whether there are other child support
15 orders and obtain the details of those orders;

16 “(C) provide for both on-line and batch
17 processing of locate requests, with on-line ac-
18 cess restricted to cases in which the information
19 is needed immediately (for such reasons as
20 court appearances) and batch processing used
21 to access data bases to locate individuals or up-
22 date information periodically; and

23 “(D) direct locate requests to individual
24 States or Federal agencies, broadcast requests
25 to selected States, or broadcast cases to all

1 States when there is no indication of the source
2 of needed information;

3 “(2) provide for a maximum of 48-hour turn-
4 around time for information to be broadcast and re-
5 turned to a requesting State;

6 “(3) provide ready access to courts and admin-
7 istrative agencies of the information on the network
8 by location of a computer terminal in each court;
9 and

10 “(4) access the registries of child support or-
11 ders maintained by States pursuant to section
12 466(a)(20)(A).”.

13 **SEC. 303. FEDERAL CHILD SUPPORT ORDER REGISTRY.**

14 (a) ESTABLISHMENT.—Not later than October 1,
15 1995, the Secretary shall establish a Federal registry of
16 all child support orders recorded in State registries estab-
17 lished pursuant to section 466(a)(20)(A) of the Social Se-
18 curity Act.

19 (b) COMPARISON OF INFORMATION ON W-4 FORMS
20 WITH INFORMATION IN CHILD SUPPORT ORDERS.—Not
21 later than 10 days after the date on which a registry es-
22 tablished under subsection (a) receives a W-4 form of an
23 employee, the registry shall—

1 (1) compare the information on the form with
2 the information in the registry on the child support
3 obligations of the employee; and

4 (2) transmit to the registry established pursu-
5 ant to section 466(a)(20)(A) of the Social Security
6 Act of the State that is collecting and disbursing the
7 child support payment—

8 (A) a notice as to whether the amount
9 specified on the W-4 form as the monthly child
10 support obligation of the employee is accurate
11 or not; and

12 (B) the name and address of the employee.

13 (c) REGULATIONS.—The Secretary shall prescribe
14 such regulations as may be necessary to carry out this
15 section, especially in cases involving an employee who has
16 2 or more employers or child support obligations.

17 (d) STATE ACCESS TO THE REGISTRY.—The Sec-
18 retary shall, upon request of any State, provide the State
19 with access to the information contained in the registry
20 established under subsection (a).

21 (e) SAFEGUARDS.—The Secretary shall implement
22 such safeguards as may be necessary to prevent the disclo-
23 sure of information of the registry established under sub-
24 section (a) in cases that would jeopardize the safety of

1 a custodial parent, a noncustodial parent, or a child of
2 such a parent.

3 (f) DEFINITIONS.—As used in this section:

4 (1) CHILD SUPPORT ORDER.—The term “child
5 support order” means an order requiring payments
6 for support (including medical support) and mainte-
7 nance of a child or of a child and the parent with
8 whom the child is living.

9 (2) SECRETARY.—The term “Secretary” means
10 the Secretary of Health and Human Services.

11 (3) STATE.—The term “State” includes the
12 several States, the District of Columbia, the Com-
13 monwealth of Puerto Rico, the Commonwealth of the
14 Northern Mariana Islands, the United States Virgin
15 Islands, Guam, American Samoa, and the Trust
16 Territory of the Pacific Islands.

17 **SEC. 304. NATIONAL REPORTING OF EMPLOYEES AND**
18 **CHILD SUPPORT INFORMATION.**

19 (a) IN GENERAL.—The Secretary of the Treasury, in
20 consultation with the Secretary of Labor, shall establish
21 a system of reporting of employees by requiring employers
22 to provide a copy of every employee’s W-4 form to the
23 Federal child support order registry established pursuant
24 to section 303(a) of this Act—

1 (1) in the case of employees hired on or after
2 the effective date of this section, on the date the em-
3 ployee is hired; or

4 (2) in the case of employees hired before such
5 effective date, not later than 10 days after such ef-
6 fective date.

7 (b) INCLUSION OF CHILD SUPPORT INFORMATION
8 ON W-4 FORMS.—The Secretary of the Treasury shall
9 modify the W-4 form to enable the employee to indicate
10 on the form—

11 (1) whether the employee owes child support,
12 and if so—

13 (A) the amount of the support payable;

14 (B) whether the support is to be paid
15 through wage withholding; and

16 (C) to whom the support is to be paid; and

17 (2) whether health care insurance is available to
18 the new employee, and, if so, whether the employee
19 has obtained such insurance for the dependent chil-
20 dren of the employee.

21 **SEC. 305. FEDERAL MATCHING PAYMENTS.**

22 (a) INCREASED BASE MATCHING RATE.—Section
23 455(a)(2) (42 U.S.C. 655(a)(2)) is amended to read as
24 follows:

1 “(2) For purposes of paragraph (1)(A), the per-
2 cent described in this paragraph for a quarter in a
3 fiscal year is—

4 “(A) 69 percent, for fiscal year 1997;

5 “(B) 72 percent, for fiscal year 1998; and

6 “(C) 75 percent, for fiscal year 1999 and
7 each succeeding fiscal year.”.

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

10 (1) in subsection (a)(1), in the matter preced-
11 ing subparagraph (A), by striking “From” and in-
12 serting “Subject to subsection (c), from”; and

13 (2) by inserting after subsection (b) the follow-
14 ing new subsection:

15 “(c) Notwithstanding subsection (a), the total ex-
16 penditures for the State program under this part for each
17 fiscal year, reduced by the percent specified in subsection
18 (a)(2) for the fiscal year, shall not be less than such total
19 expenditures for fiscal year 1995, reduced by 66 percent.”.

20 (c) CONFORMING AMENDMENT.—Section
21 455(a)(1)(A) (42 U.S.C. 655(a)(1)(A)) is amended by
22 striking “specified” and inserting “described”.

1 **SEC. 306. PERFORMANCE-BASED INCENTIVES AND PEN-**
2 **ALTIES.**

3 (a) INCENTIVE ADJUSTMENTS TO FEDERAL MATCH-
4 ING RATE.—Section 458 (42 U.S.C. 658) is amended to
5 read as follows:

6 “INCENTIVE ADJUSTMENTS TO MATCHING RATE

7 “SEC. 458. (a) INCENTIVE ADJUSTMENT.—

8 “(1) IN GENERAL.—In order to encourage and
9 reward State child support enforcement programs
10 which perform in an effective manner, the Federal
11 matching rate for payments to a State under section
12 455(a)(1)(A), for each fiscal year beginning on or
13 after October 1, 1997, shall be increased by a factor
14 reflecting the sum of the applicable incentive adjust-
15 ments (if any) determined in accordance with regu-
16 lations under this section with respect to statewide
17 paternity establishment and to overall performance
18 in child support enforcement.

19 “(2) STANDARDS.—

20 “(A) IN GENERAL.—The Secretary shall
21 specify in regulations—

22 “(i) the levels of accomplishment, and
23 rates of improvement as alternatives to
24 such levels, which States must attain to
25 qualify for incentive adjustments under
26 this section; and

1 “(ii) the amounts of incentive adjust-
2 ment that shall be awarded to States
3 achieving specified accomplishment or im-
4 provement levels, which amounts shall be
5 graduated, ranging up to—

6 “(I) 5 percentage points, in con-
7 nection with statewide paternity es-
8 tablishment; and

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

12 “(B) LIMITATION.—In setting performance
13 standards pursuant to subparagraph (A)(i) and
14 adjustment amounts pursuant to subparagraph
15 (A)(ii), the Secretary shall ensure that the ag-
16 gregate number of percentage point increases as
17 incentive adjustments to all States do not ex-
18 ceed such aggregate increases as assumed by
19 the Secretary in estimates of the cost of this
20 section as of June 1994, unless the aggregate
21 performance of all States exceeds the projected
22 aggregate performance of all States in such cost
23 estimates.

24 “(3) DETERMINATION OF INCENTIVE ADJUST-
25 MENT.—The Secretary shall determine the amount

1 (if any) of the incentive adjustment due each State
2 on the basis of the data submitted by the State
3 through the system prescribed by the Secretary in
4 regulations issued pursuant to section 308 of the
5 Economic Opportunity and Family Responsibility
6 Act of 1995, concerning the levels of accomplish-
7 ment (and rates of improvement) with respect to
8 performance indicators specified by the Secretary
9 pursuant to this section.

10 “(4) FISCAL YEAR SUBJECT TO INCENTIVE AD-
11 JUSTMENT.—The total percentage point increase de-
12 termined pursuant to this section with respect to a
13 State program in a fiscal year shall apply as an ad-
14 justment to the percent described in section
15 455(a)(2) for payments to such State for the suc-
16 ceeding fiscal year.

17 “(b) MEANING OF TERMS.—For purposes of this sec-
18 tion—

19 “(1) the term ‘statewide paternity establish-
20 ment percentage’ means, with respect to a fiscal
21 year, the ratio (expressed as a percentage) of—

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

1 “(B) the total number of children born out
2 of wedlock in the State during such fiscal year;
3 and

4 “(2) the term ‘overall performance in child sup-
5 port enforcement’ means a measure or measures of
6 the effectiveness of the State agency in a fiscal year
7 which takes into account factors including—

8 “(A) the percentage of cases requiring a
9 child support order in which such an order was
10 established;

11 “(B) the percentage of cases in which child
12 support is being paid;

13 “(C) the ratio of child support collected to
14 child support due; and

15 “(D) the cost-effectiveness of the State
16 program, as determined in accordance with
17 standards established by the Secretary in regu-
18 lations.”.

19 (b) TITLE IV–D PAYMENT ADJUSTMENT.—Section
20 455(a)(2) (42 U.S.C. 655(a)(2)), as amended by section
21 305 of this Act, is amended—

22 (1) by striking the period at the end of sub-
23 paragraph (C) and inserting a comma; and

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

4 “increased by the incentive adjustment factor (if any) de-
5 termined by the Secretary pursuant to section 458.”.

6 (c) CONFORMING AMENDMENTS.—Section 454(22)
7 (42 U.S.C. 654(22)) is amended—

8 (1) by striking “incentive payments” the first
9 place it appears and inserting “incentive adjust-
10 ments”; and

11 (2) by striking “any such incentive payments
12 made to the State for such period” and inserting
13 “any increases in Federal payments to the State re-
14 sulting from such incentive adjustments”.

15 (d) CALCULATION OF IV-D PATERNITY ESTABLISH-
16 MENT PERCENTAGE.—

17 (1) OVERALL PERFORMANCE.—Section
18 452(g)(1) (42 U.S.C. 652(g)(1)) is amended in the
19 matter preceding subparagraph (A), by inserting
20 “its overall performance in child support enforce-
21 ment is satisfactory (as defined in section 458(b)
22 and regulations of the Secretary), and” after
23 “1994,”

1 (2) DEFINITION.—Section 452(g)(2)(A) (42
2 U.S.C. 652(g)(2)(A)) is amended in the matter pre-
3 ceding clause (i)—

4 (A) by striking “paternity establishment
5 percentage” and inserting “IV-D paternity es-
6 tablishment percentage”; and

7 (B) by striking “(or all States, as the case
8 may be)”.

9 (3) MODIFICATION OF REQUIREMENTS.—Sec-
10 tion 452(g)(3) (42 U.S.C. 652(g)(3)) is amended—

11 (A) by striking subparagraph (A) and re-
12 designating subparagraphs (B) and (C) as sub-
13 paragraphs (A) and (B), respectively;

14 (B) in subparagraph (A), as redesignated,
15 by striking “the percentage of children born
16 out-of-wedlock in the State” and inserting “the
17 percentage of children in the State who are
18 born out of wedlock or for whom support has
19 not been established”; and

20 (C) in subparagraph (B), as redesign-
21 nated—

22 (i) by inserting “and overall perform-
23 ance in child support enforcement” after
24 “paternity establishment percentages”; and

1 (ii) by inserting “and securing sup-
2 port” before the period.

3 (e) TITLE IV–A PAYMENT REDUCTION.—Section
4 403 (42 U.S.C. 603) is amended—

5 (1) in subsection (a), in the matter preceding
6 paragraph (1), by striking “From” and inserting
7 “Subject to subsection (h), from”;

8 (2) in subsection (h), by striking “(h)(1)” and
9 all that follows through paragraph (2) and inserting
10 the following:

11 “(h)(1) If the Secretary finds, with respect to a State
12 program under this part in a fiscal year beginning on or
13 after October 1, 1996—

14 “(A)(i) on the basis of data submitted by a
15 State through the system referred to in section
16 458(a)(3), that the State program in such fiscal
17 year failed to achieve the required IV–D paternity
18 establishment percentage (as defined in section
19 452(g)(2)(A)) or the appropriate level of overall per-
20 formance in child support enforcement (as defined in
21 section 458(b)(2)), or to meet other performance
22 measures that may be established by the Secretary;
23 or

24 “(ii) on the basis of an audit or audits of such
25 State data conducted pursuant to section 452(a)(4),

1 that the State data submitted through the system
2 prescribed by the Secretary in regulations issued
3 pursuant to 308 of the Economic Opportunity and
4 Family Responsibility Act of 1995 is incomplete or
5 unreliable; and

6 “(B) that, with respect to the succeeding fiscal
7 year—

8 “(i) the State failed to take sufficient cor-
9 rective action to achieve the appropriate per-
10 formance levels as described in subparagraph
11 (A)(i); or

12 “(ii) the data submitted by the State
13 through the system prescribed by the Secretary
14 in regulations issued pursuant to 308 of the
15 Economic Opportunity and Family Responsibil-
16 ity Act of 1995 is incomplete or unreliable,

17 the amounts otherwise payable to the State under this
18 part for quarters beginning after the end of the imme-
19 diately succeeding fiscal year, and before quarters begin-
20 ning after the end of the first quarter throughout which
21 the State program is in compliance with the performance
22 requirement, shall be reduced by the percentage specified
23 in paragraph (2) of this subsection.

24 “(2) The reductions required under paragraph (1)
25 shall be—

1 “(A) not less than 1 nor more than 2 percent;

2 “(B) not less than 2 nor more than 3 percent,
3 if the finding is the second consecutive finding made
4 pursuant to paragraph (1); or

5 “(C) not less than 3 nor more than 5 percent,
6 if the finding is the third or a subsequent consecu-
7 tive such finding.”; and

8 (3) in subsection (h)(3), by striking “not in full
9 compliance” and all that follows and inserting “de-
10 termined as a result of an audit to have submitted
11 incomplete or unreliable data through the system
12 prescribed by the Secretary in regulations issued
13 pursuant to 308 of the Economic Opportunity and
14 Family Responsibility Act of 1995, shall be deter-
15 mined to have submitted adequate data if the Sec-
16 retary determines that the extent of the incomplete-
17 ness or unreliability of the data is of a technical na-
18 ture which does not adversely affect the determina-
19 tion of the level of the State’s performance.”.

20 (f) CONFORMING AMENDMENT.—Section 452(a)(4)
21 is amended by striking “, or which is operating under a
22 corrective action plan in accordance with section
23 403(h)(2),”.

24 (g) EFFECTIVE DATES.—

25 (1) INCENTIVE ADJUSTMENTS.—

1 (A) IN GENERAL.—The amendments made
2 by subsections (a), (b), and (c) shall become ef-
3 fective on October 1, 1997, except to the extent
4 provided in subparagraph (B).

5 (B) EXCEPTION.—Section 458 of the So-
6 cial Security Act, as in effect prior to the enact-
7 ment of this section, shall be effective for pur-
8 poses of incentive payments to States for fiscal
9 years prior to fiscal year 1999.

10 (2) OTHER AMENDMENTS.—The amendments
11 made by subsections (d), (e), and (f) shall become
12 effective with respect to calendar quarters beginning
13 on and after the date of the enactment of this Act.

14 **SEC. 307. INCREASED FEDERAL FINANCIAL PARTICIPATION**
15 **FOR STATES WITH UNIFIED CHILD SUPPORT**
16 **ENFORCEMENT PROGRAMS.**

17 (a) IN GENERAL.—Section 455(a)(2) (42 U.S.C.
18 655(a)(2)), as amended by sections 305(a) and 306(b) of
19 this Act, is amended—

20 (1) by inserting “(A)” after “(2)”;

21 (2) by redesignating subparagraphs (A), (B),
22 and (C) as clauses (i), (ii), and (iii), respectively;
23 and

24 (3) by adding at the end the following:

1 “(B) The percent described in this paragraph for a
2 State for a quarter in a fiscal year shall be the percent
3 specified in subparagraph (A) for the fiscal year increased
4 by 5 percentage points if the following apply to the State
5 child support enforcement program:

6 “(i) All authority, accountability, and respon-
7 sibility for the program is centered at the State level
8 in a unified State agency.

9 “(ii) The program is administered by a single
10 agency, and policymaking for the program is central-
11 ized.

12 “(iii) There is statewide uniformity of case-
13 processing procedures and forms.

14 “(iv) There is a uniform hearing and appeal
15 process.

16 “(v) All financing decisions are made at the
17 State level.

18 “(vi) All non-Federal funding is appropriated at
19 the State level.

20 “(vii) All personnel and contracting decision
21 making is made by the State agency, and all person-
22 nel are employees of the State agency, except that
23 the Secretary may by regulation establish exceptions
24 with respect to not more than 10 percent of person-
25 nel.”.

1 (b) CONFORMING AMENDMENT.—Section 455(c) (42
2 U.S.C. 655(c)), as added by section 305 of this Act, is
3 amended by striking “(a)(2)” and inserting “(a)(2)(A)”.

4 **SEC. 308. NEW CHILD SUPPORT AUDIT PROCESS.**

5 (a) IN GENERAL.—After consultation with the Child
6 Support Audit Advisory Committee, the Secretary of
7 Health and Human Services shall—

8 (1) in accordance with subsection (b), promul-
9 gate new criteria and standards for conducting re-
10 views under section 452(a)(4) of the Social Security
11 Act and establishing a system for the reporting of
12 data relevant to such reviews, which emphasize pro-
13 gram outcomes; and

14 (2) not later than the first day of the twelfth
15 calendar month beginning after the date of the en-
16 actment of this Act, recommend to the Congress
17 such legislation as may be necessary, with respect to
18 the financing of State child support programs under
19 part D of title IV of the Social Security Act, to en-
20 hance the effectiveness of such audits and the asso-
21 ciated penalty process under section 403(h) of the
22 Social Security Act.

23 (b) TIMING.—

24 (1) NOTICE OF PROPOSED RULEMAKING.—Not
25 later than 270 days after the date of the enactment

1 of this Act, the Secretary of Health and Human
2 Services shall issue a notice of proposed rulemaking
3 with respect to the audit criteria and standards re-
4 quired by subsection (a)(1).

5 (2) FINAL REGULATIONS.—Not later than the
6 first day of the twelfth calendar month beginning
7 after the date of the enactment of this Act, and
8 after allowing not less than 45 days for public com-
9 ment on the proposed rulemaking required by para-
10 graph (1) of this subsection, the Secretary of Health
11 and Human Services shall issue final regulations
12 with respect to the audit criteria and standards re-
13 quired by subsection (a)(1).

14 **SEC. 309. NATIONAL CHILD SUPPORT GUIDELINES COMMIS-**
15 **SION.**

16 (a) ESTABLISHMENT.—There is hereby established a
17 commission to be known as the “National Child Support
18 Guidelines Commission” (in this section referred to as the
19 “Commission”).

20 (b) GENERAL DUTIES.—The Commission shall de-
21 velop a national child support guideline for consideration
22 by the Congress that is based on a study of various guide-
23 line models, the benefits and deficiencies of such models,
24 and any needed improvements.

25 (c) MEMBERSHIP.—

1 (1) NUMBER; APPOINTMENT.—

2 (A) IN GENERAL.—The Commission shall
3 be composed of 12 individuals appointed jointly
4 by the Secretary of Health and Human Services
5 and the Congress, not later than January 15,
6 1996, of which—

7 (i) 2 shall be appointed by the Chair-
8 man of the Committee on Finance of the
9 Senate, and 1 shall be appointed by the
10 ranking minority member of the Commit-
11 tee;

12 (ii) 2 shall be appointed by the Chair-
13 man of the Committee on Ways and Means
14 of the House of Representatives, and 1
15 shall be appointed by the ranking minority
16 member of the Committee; and

17 (iii) 6 shall be appointed by the Sec-
18 retary of Health and Human Services.

19 (B) QUALIFICATIONS OF MEMBERS.—
20 Members of the Commission shall have exper-
21 tise and experience in the evaluation and devel-
22 opment of child support guidelines. At least 1
23 member shall represent advocacy groups for
24 custodial parents, at least 1 member shall rep-
25 resent advocacy groups for noncustodial par-

1 ents, and at least 1 member shall be the direc-
2 tor of a State program under part D of title IV
3 of the Social Security Act.

4 (2) TERMS OF OFFICE.—Each member shall be
5 appointed for a term of 2 years. A vacancy in the
6 Commission shall be filled in the manner in which
7 the original appointment was made.

8 (d) COMMISSION POWERS, COMPENSATION, ACCESS
9 TO INFORMATION, AND SUPERVISION.—The first sentence
10 of subparagraph (C), the first and third sentences of sub-
11 paragraph (D), subparagraph (F) (except with respect to
12 the conduct of medical studies), clauses (ii) and (iii) of
13 subparagraph (G), and subparagraph (H) of section
14 1886(e)(6) of the Social Security Act shall apply to the
15 Commission in the same manner in which such provisions
16 apply to the Prospective Payment Assessment Commis-
17 sion.

18 (e) REPORT.—Not later than 2 years after the ap-
19 pointment of members, the Commission shall submit to
20 the President, the Committee on Ways and Means of the
21 House of Representatives, and the Committee on Finance
22 of the Senate, a recommended national child support
23 guideline and a final assessment of issues relating to such
24 a proposed national child support guideline.

1 (f) TERMINATION.—The Commission shall terminate
2 6 months after the submission of the report described in
3 subsection (e).

4 **SEC. 310. CHILD SUPPORT AUDIT ADVISORY COMMITTEE.**

5 (a) ESTABLISHMENT.—Not later than 60 days after
6 the date of the enactment of this Act, the Secretary of
7 Health and Human Services (in this section referred to
8 as the “Secretary”) shall establish a committee which
9 shall be known as the Child Support Audit Advisory Com-
10 mittee (in this section referred to as the “Committee”).

11 (b) DUTIES.—The Committee shall assist the Sec-
12 retary in—

13 (1) developing revised audit criteria and stand-
14 ards to be used pursuant to section 452(a)(4) of the
15 Social Security Act based on—

16 (A) common data elements which are de-
17 fined, collected, and reported in a uniform man-
18 ner from each State;

19 (B) numeric measures of the outcomes of
20 the child support enforcement program under
21 part D of title IV of such Act; and

22 (C) numeric measures for assessing com-
23 pliance with the regulations issued by the Sec-
24 retary pursuant to subsections (h) and (i) of
25 section 452 of such Act;

1 (2) formulating a definition of substantial com-
2 pliance that is based on such revised audit criteria
3 and standards;

4 (3) determining the period of time after interim
5 or final Federal regulations are issued implementing
6 such revised audit criteria and standards after which
7 a State may be audited to determine compliance
8 with such regulations; and

9 (4) recommending to the Congress such legisla-
10 tion as may be necessary, with respect to the financ-
11 ing of child support programs under part D of title
12 IV of such Act, to enhance the effectiveness of au-
13 dits required to be conducted under section
14 452(a)(4) of such Act and the associated penalty
15 process under section 403(h) of such Act.

16 (c) MEMBERSHIP.—The Committee shall be com-
17 posed of not less than 6 members appointed by the Sec-
18 retary, including—

19 (1) at least 1 director of a State child support
20 enforcement program operating under part D of title
21 IV of the Social Security Act;

22 (2) at least 1 commissioner of a State human
23 services agency;

1 (3) individuals who have demonstrated expertise
2 in the development of quantitative and qualitative
3 measures for performance-based audits; and

4 (4) at least 2 representatives of recipients of
5 child support enforcement services.

6 (d) PROCEDURE.—

7 (1) PARTICIPATION OF THE SECRETARY.—The
8 Secretary (or a designee of the Secretary) shall be
9 an ex officio member of the Committee, and shall
10 not vote on matters before the Committee.

11 (2) MEETINGS.—The Committee shall meet at
12 the call of the Secretary or a designee of the Sec-
13 retary.

14 (e) COMPENSATION.—

15 (1) IN GENERAL.—No member of the Commit-
16 tee may receive compensation for service on the
17 Committee.

18 (2) TRAVEL EXPENSES.—Each member of the
19 Committee shall receive travel expenses, including
20 per diem in lieu of subsistence, in accordance with
21 sections 5702 and 5703 of title 5, United States
22 Code.

23 (f) ADMINISTRATIVE SUPPORT.—Upon request of the
24 Committee, the Secretary shall provide to the Committee

1 the administrative support services necessary for the Com-
2 mittee to carry out its duties under this Act.

3 (g) INAPPLICABILITY OF THE FEDERAL ADVISORY
4 COMMITTEE ACT.—The Federal Advisory Committee Act
5 shall not apply to the Committee.

6 (h) REPORT.—Within 180 days after the date of the
7 enactment of this Act, the Committee shall submit to the
8 Secretary a report that contains proposed criteria and
9 standards for conducting audits under section 452(a)(4)
10 of the Social Security Act, which emphasize program out-
11 comes.

12 **Subtitle B—Paternity** 13 **Establishment**

14 **SEC. 311. PATERNITY ESTABLISHMENT PROCEDURES.**

15 (a) IN GENERAL.—Section 466(a)(5) (42 U.S.C.
16 666(a)(5)) is amended by striking subparagraphs (C) and
17 (D) and inserting the following:

18 “(C)(i) Procedures for a simple civil process for
19 voluntarily acknowledging paternity under which the
20 State must provide that, before a mother and a pu-
21 tative father can sign an acknowledgment of pater-
22 nity, the putative father and the mother must be
23 given notice, orally, in writing, and in a language
24 that each can understand, of the alternatives to, the
25 legal consequences of, and the rights (including, if 1

1 parent is a minor, any rights afforded due to minor-
2 ity status) and responsibilities that arise from, sign-
3 ing the acknowledgment.

4 “(ii) Such procedures must include a hospital-
5 based program for the voluntary acknowledgment of
6 paternity focusing on the period immediately before
7 or after the birth of a child.

8 “(iii) Such procedures must require the State
9 agency responsible for maintaining birth records to
10 offer voluntary paternity establishment services.

11 “(iv) The Secretary shall prescribe regulations
12 governing voluntary paternity establishment services
13 offered by hospitals and birth record agencies. The
14 Secretary shall prescribe regulations specifying the
15 types of other entities that may offer voluntary pa-
16 ternity establishment services, and governing the
17 provision of such services, which shall include a re-
18 quirement that such an entity must use the same
19 notice provisions used by, the same materials used
20 by, provide the personnel providing such services
21 with the same training provided by, and evaluate the
22 provision of such services in the same manner as,
23 voluntary paternity establishment programs of hos-
24 pitals and birth record agencies.

1 “(v) Such procedures must require the State
2 and those required to establish paternity to use only
3 the affidavit developed under section 452(a)(7) for
4 the voluntary acknowledgment of paternity, and to
5 give full faith and credit to such an affidavit signed
6 in any other State.

7 “(D)(i) Procedures under which a signed ac-
8 knowledgment of paternity is considered a legal find-
9 ing of paternity, subject to the right of any signa-
10 tory to rescind the acknowledgment within 30 days.

11 “(ii)(I) Procedures under which, after the 30-
12 day period referred to in clause (i), a signed ac-
13 knowledgment of paternity may be challenged in
14 court only on the basis of fraud, duress, or material
15 mistake of fact, with the burden of proof upon the
16 challenger, and under which the legal responsibilities
17 (including child support obligations) of any signatory
18 arising from the acknowledgment may not be sus-
19 pended during the challenge, except for good cause
20 shown.

21 “(II) Procedures under which, after the 30-day
22 period referred to in clause (i), a minor who signs
23 an acknowledgment of paternity other than in the
24 presence of a parent or court-appointed guardian ad

1 litem may rescind the acknowledgment in a judicial
 2 or administrative proceeding, until the earlier of—

3 “(aa) attaining the age of majority; or

4 “(bb) the date of the first judicial or ad-
 5 ministrative proceeding brought (after the sign-
 6 ing) to establish a child support obligation, visi-
 7 tation rights, or custody rights with respect to
 8 the child whose paternity is the subject of the
 9 acknowledgment, and at which the minor is rep-
 10 resented by a parent, guardian ad litem, or at-
 11 torney.”.

12 (b) NATIONAL PATERNITY ACKNOWLEDGMENT AFFI-
 13 DAVIT.—Section 452(a)(7) (42 U.S.C. 652(a)(7)) is
 14 amended by inserting “, and develop an affidavit to be
 15 used for the voluntary acknowledgment of paternity which
 16 shall include the social security account number of each
 17 parent” before the semicolon.

18 **SEC. 312. ENHANCING OUTREACH TO ENCOURAGE PATER-**
 19 **NITY ESTABLISHMENT.**

20 (a) IN GENERAL.—Section 454 (42 U.S.C. 654) is
 21 amended—

22 (1) by striking “and” at the end of paragraph
 23 (23);

24 (2) by striking the period at the end of para-
 25 graph (24) and inserting “; and”; and

1 (3) by inserting after paragraph (24) the fol-
2 lowing new paragraph:

3 “(25) in order to encourage voluntary paternity
4 acknowledgement, provide for—

5 “(A) the development and distribution of
6 material at schools, hospitals, agencies admin-
7 istering programs under part A of this title and
8 title XIX, prenatal health-care providers, WIC
9 programs, health departments, clinics, driver’s
10 license offices, public parks, military bases, and
11 other appropriate locations, that describe the
12 benefits and responsibilities of paternity estab-
13 lishment and the process by which paternity
14 services may be obtained; and

15 “(B) outreach programs at hospitals and
16 birthing facilities and programs for prenatal
17 care, child birth, and parenting, in accordance
18 with regulations which shall be prescribed by
19 the Secretary not later than 1 year after such
20 effective date.”.

21 (b) ENHANCED FEDERAL MATCH.—Section
22 455(a)(1) (42 U.S.C. 655(a)(1)) is amended—

23 (1) by striking “and” at the end of subpara-
24 graph (B);

1 (2) by inserting “and” at the end of subpara-
2 graph (C); and

3 (3) by inserting after subparagraph (C) the fol-
4 lowing new subparagraph:

5 “(D) equal to 90 percent (rather than the
6 percentage specified in subparagraph (A)) of so
7 much of the sums expended during such quar-
8 ter as are attributable to costs incurred in car-
9 rying out section 454(25);”.

10 **SEC. 313. STRENGTHENING CIVIL PROCEDURES FOR PA-**
11 **TERNITY ESTABLISHMENT.**

12 Section 466(a) (42 U.S.C. 666(a)) is amended by in-
13 serting after paragraph (11) the following new paragraph:

14 “(12) As part of the State’s civil procedures for
15 establishment of paternity, the State shall—

16 “(A) allow for expedited procedures for or-
17 dering genetic tests upon the birth of a child if
18 the putative father of the child has not ac-
19 knowledged paternity of the child;

20 “(B)(i) contract for genetic testing with
21 accredited laboratories (as determined by the
22 Secretary; and

23 “(ii) authorize the State agency to order
24 all parties to a paternity action to submit to ge-
25 netic testing upon request of any party or if the

1 putative father denies paternity or fails to ap-
2 pear at any scheduled conference to respond to
3 the allegation of paternity;

4 “(C)(i) advance the costs of genetic tests,
5 subject to recoupment from the putative father
6 of a child if he is determined to be the biologi-
7 cal father of the child; and

8 “(ii) if the result of genetic testing done by
9 a laboratory is disputed, then, upon reasonable
10 request of any party, order that additional test-
11 ing be done by the same laboratory or by an
12 independent laboratory at the expense of the re-
13 questing party;

14 “(D) authorize the State to forgive costs
15 incurred by the State for delivery medical ex-
16 penses or payments of aid under the State plan
17 approved under part A (but not forgive debts
18 owed to the mother) if the father of the child
19 cooperates or acknowledges paternity before or
20 after the completion of a genetic test;

21 “(E) authorize the State agency to enter
22 default orders to establish paternity if a party
23 refuses to comply with an order to submit to
24 genetic testing;

1 “(F) prohibit the use of hearings by a
2 court or administrative agency to ratify an ac-
3 knowledgement of paternity;

4 “(G) allow a putative father of a child (if
5 not presumed to be the father under State law)
6 standing to bring paternity actions;

7 “(H) after paternity of a child is estab-
8 lished by affidavit, and until an action for cus-
9 tody of the child is brought and heard by a tri-
10 bunal, presume that the primary caretaker of a
11 child born out of wedlock has physical custody
12 of the child (with the mother presumed to be
13 the primary caretaker of a newborn child whose
14 paternity is established by affidavit in a hos-
15 pital), unless the mother and father of the child
16 agree that physical custody should be with an-
17 other individual;

18 “(I) upon motion by a party, require a tri-
19 bunal in contested cases to order the absent
20 parent of a child to provide child support with
21 respect to the child on a temporary basis in ac-
22 cordance with State law if—

23 “(i) the results of parentage testing
24 create a rebuttable presumption that the
25 putative parent is a parent of the child;

1 “(ii) the person from whom support is
2 sought has signed a verified statement of
3 parentage of the child; or

4 “(iii) there is other clear and convinc-
5 ing evidence that the person from whom
6 support is sought is a parent of the child;

7 “(J) repeal any law that provides for pa-
8 ternity cases to be tried by a jury, except to the
9 extent that such a trial is required by the State
10 constitution; and

11 “(K) have and use laws that provide for
12 the introduction and admission into evidence,
13 without need for third-party foundation testi-
14 mony, of pre-natal and post-natal birth-related
15 and parentage-testing bills, under which such a
16 bill shall be regarded as prima facie evidence of
17 the amount incurred on behalf of the child for
18 the procedures included in the bill.”.

19 **SEC. 314. PENALTY FOR FAILURE TO ESTABLISH PATER-**
20 **NITY PROMPTLY.**

21 (a) IN GENERAL.—Section 403 (42 U.S.C. 603) is
22 amended by inserting after subsection (h) the following
23 new subsection:

24 “(i) PENALTY FOR FAILURE TO ESTABLISH PATER-
25 NITY PROMPTLY.—

1 “(1) IN GENERAL.—The amounts otherwise
2 payable under subsection (a) to a State for any cal-
3 endar quarter beginning 10 months or more after
4 the date of the enactment of this subsection shall be
5 reduced by an amount, determined pursuant to regu-
6 lations in accordance with paragraph (2), for certain
7 children for whom paternity has not been estab-
8 lished.

9 “(2) REDUCTION FORMULA.—The Secretary
10 shall promulgate regulations specifying the formula
11 for the reduction required under this subsection,
12 which formula shall provide for a reduction in Fed-
13 eral matching payments to a State under this sec-
14 tion by an amount equal to the product of—

15 “(A) the number (after allowing for the
16 tolerance level established under paragraph (3))
17 of children born on or after the date that is 10
18 months after the date of the enactment of this
19 subsection—

20 “(i) who are receiving aid under the
21 State plan approved under part A;

22 “(ii) whose custodial relatives have,
23 throughout the preceding 12-month period,
24 complied with the cooperation require-

1 ments specified in section
2 402(a)(26)(B)(i); and

3 “ (iii) for whom paternity has not been
4 established;

5 “ (B) the average monthly assistance pay-
6 ment under the State plan approved under this
7 part; and

8 “ (C) the Federal matching rate applicable
9 to the assistance payment.

10 “(3) TOLERANCE LEVEL.—

11 “(A) IN GENERAL.—For purposes of para-
12 graph (2)(A), the tolerance level shall not be
13 higher than the applicable percentage of chil-
14 dren in the State described in paragraph (1),
15 and may decrease over time to make allowance
16 for a State’s inability to establish paternity in
17 all cases.

18 “(B) APPLICABLE PERCENTAGE.—As used
19 in subparagraph (A), the term ‘applicable per-
20 centage’ means—

21 “ (i) 25 percent for fiscal years 1998
22 and 1999;

23 “ (ii) 20 percent for fiscal years 2000
24 and 2001;

1 “(iii) 15 percent for fiscal years 2002
2 and 2003; and

3 “(iv) 10 percent for fiscal year 20043
4 and each succeeding fiscal year.”.

5 (b) CONFORMING AMENDMENT.—Section 403(a) (42
6 U.S.C. 603(a)) is amended in the matter preceding para-
7 graph (1), by striking “From the” and inserting “Subject
8 to subsection (i), from the”.

9 **Subtitle C—Enforcement**

10 **SEC. 321. ACCESS TO FINANCIAL RECORDS.**

11 Section 466(a) (42 U.S.C. 666(a)), as amended by
12 section 313 of this Act, is amended by inserting after
13 paragraph (12) the following new paragraph:

14 “(13) Procedures under which the State may
15 obtain access to financial records maintained by any
16 financial institution doing business in the State, for
17 the purpose of establishing, modifying, or enforcing
18 a child support obligation of the person.”.

19 **SEC. 322. PRESUMED ADDRESS OF OBLIGOR AND OBLIGEE.**

20 Section 466(a) (42 U.S.C. 666(a)), as amended by
21 sections 313 and 321 of this Act, is amended by inserting
22 after paragraph (13) the following new paragraph:

23 “(14) Procedures under which the State shall—
24 “(A) require the court or administrative
25 agency with authority to issue the final order in

1 a child support or parentage case to require
2 each party subject to the order to file with the
3 court or administrative agency, on or before the
4 date the order is issued—

5 “(i) the party’s residential address or
6 addresses;

7 “(ii) the party’s mailing address or
8 addresses;

9 “(iii) the party’s home telephone num-
10 ber or numbers;

11 “(iv) the party’s driver’s license num-
12 ber and the State that issued the license;

13 “(v) the party’s social security ac-
14 count number;

15 “(vi) the name of each employer of
16 the party;

17 “(vii) the addresses of each place of
18 employment of the party; and

19 “(viii) the party’s work telephone
20 number or numbers; and

21 “(B) require the court or administrative
22 agency in any action related to child support to
23 presume, for the purpose of providing sufficient
24 notice (other than the initial notice in an action
25 to establish parentage or a child support order),

1 that the parent resides at the last residential
2 address given by the parent to the court or
3 agency.”.

4 **SEC. 323. FAIR CREDIT REPORTING ACT AMENDMENT.**

5 Section 604 of the Fair Credit Reporting Act (15
6 U.S.C. 1681b) is amended by adding at the end the follow-
7 ing new paragraph:

8 “(4) To a State agency administering a State plan
9 under section 454 of the Social Security Act, for use to
10 establish, modify, or enforce a child support award.”.

11 **SEC. 324. ADDITIONAL BENEFITS SUBJECT TO GARNISH-**
12 **MENT.**

13 (a) FEDERAL DEATH BENEFITS, BLACK LUNG BEN-
14 EFITS, AND VETERANS BENEFITS.—Section 462(f)(2) (42
15 U.S.C. 662(f)(2)) is amended by striking “(not including”
16 and all that follows through “compensation)”.

17 (b) WORKERS’ COMPENSATION.—Section 462(f) (42
18 U.S.C. 662(f)) is amended—

19 (1) by striking “or” at the end of paragraph

20 (1);

21 (2) by striking the period at the end of para-
22 graph (2) and inserting “, or”; and

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

25 “(3) workers’ compensation benefits.”.

1 **SEC. 325. HOLD ON OCCUPATIONAL, PROFESSIONAL, AND**
2 **BUSINESS LICENSES.**

3 (a) STATE HOLD BASED ON WARRANT OR SUPPORT
4 DELINQUENCY.—Section 466(a) (42 U.S.C. 666(a)), as
5 amended by sections 313, 321, and 322 of this Act, is
6 amended by inserting after paragraph (14) the following
7 new paragraph:

8 “(15) Procedures under which the State occu-
9 pational licensing and regulating departments and
10 agencies (other than the department or agency re-
11 sponsible for licensing the operation of motor vehi-
12 cles) may not issue or renew any occupational, pro-
13 fessional, or business license of—

14 “(A) a noncustodial parent who is the sub-
15 ject of an outstanding failure to appear war-
16 rant, capias, or bench warrant related to a child
17 support proceeding that appears on the State’s
18 crime information system, until removed from
19 the system; or

20 “(B) an individual who is delinquent in the
21 payment of child support, until the obligee or a
22 State entity responsible for child support en-
23 forcement consents to, or a court or administra-
24 tive agency that is responsible for the order’s
25 enforcement orders, the release of the hold on
26 the license, or an expedited inquiry and review

1 is completed while the individual is granted a
2 60-day temporary license.”.

3 (b) FEDERAL HOLD BASED ON SUPPORT DELIN-
4 QUENCY.—A Federal agency may not issue or renew any
5 occupational, professional, or business license of an indi-
6 vidual who is delinquent in the payment of child support,
7 until the obligee, the obligee’s attorney or a State entity
8 responsible for child support enforcement consents to, or
9 a court or administrative agency that is responsible for
10 the order’s enforcement orders, the release of the hold on
11 the license, or an expedited inquiry and review is com-
12 pleted while the individual is granted a 60-day temporary
13 license.

14 **SEC. 326. DRIVER’S LICENSES AND VEHICLE REGISTRA-**
15 **TIONS DENIED TO PERSONS FAILING TO AP-**
16 **PEAR IN CHILD SUPPORT CASES.**

17 Section 466(a) (42 U.S.C. 666(a)), as amended by
18 sections 313, 321, 322, and 325 of this Act, is amended
19 by inserting after paragraph (15) the following new para-
20 graph:

21 “(16) Procedures under which—

22 “(A) the State motor vehicle department—

23 “(i) may not issue or renew the driv-
24 er’s license or any vehicle registration
25 (other than temporary) of any noncustodial

1 parent who is the subject of an outstand-
2 ing failure to appear warrant, capias, or
3 bench warrant related to a child support
4 proceeding that appears on the State's
5 crime information system, until removed
6 from the system; and

7 “(ii) in any case in which a show
8 cause order has been issued as described in
9 subparagraph (B), may grant a temporary
10 license or vehicle registration to the indi-
11 vidual pending the show cause hearing or
12 the removal of the warrant, whichever oc-
13 curs first; and

14 “(B) a State court, upon receiving notice
15 that an individual to whom a State driver's li-
16 cense or vehicle registration has been issued is
17 the subject of a warrant related to a child sup-
18 port proceeding, shall issue a show cause order
19 to the individual requesting the individual to
20 demonstrate why the individual's driver's li-
21 cense or vehicle registration should not be sus-
22 pended until the warrant is removed by the
23 State responsible for issuing the warrant.”.

1 **SEC. 327. LIENS.**

2 Section 466(a) (42 U.S.C. 666(a)), as amended by
3 sections 313, 321, 322, 325, and 326 of this Act, is
4 amended by inserting after paragraph (16) the following
5 new paragraph:

6 “(17) Procedures under which the State shall
7 systematically place liens on all nonexempt real and
8 titled personal property for child support arrearages
9 determined under a court order or an order of an
10 administrative process established under State law,
11 using a method for updating the value of the lien on
12 a regular basis or allowing for an expedited inquiry
13 to and response from a State child support order
14 registry established pursuant to paragraph (20)(A)
15 for proof of the amount of arrears, with an expe-
16 dited method for the titleholder or the individual
17 owing the arrearage to contest the arrearage or to
18 request a release upon fulfilling the support obliga-
19 tion, and under which such a lien has precedence
20 over all other encumbrances on a title to personal
21 property other than a purchase money security inter-
22 est, and that the individual owed the arrearage may
23 execute on, seize, and sell the property in accordance
24 with State law.”.

1 **SEC. 328. FRAUDULENT TRANSFER PURSUIT.**

2 Section 466(a) (42 U.S.C. 666(a)), as amended by
3 sections 313, 321, 322, 325, 326, and 327 of this Act,
4 is amended by inserting after paragraph (17) the following
5 new paragraph:

6 “(18) Procedures requiring that, in any case re-
7 lated to child support, any transfer of property for
8 significantly less than the fair market value of the
9 property by an individual who owes a child support
10 arrearage shall be presumed to be made with the in-
11 tent to avoid payment of the arrearage, and may be
12 rebutted by evidence to the contrary.”.

13 **SEC. 329. REPORTING OF CHILD SUPPORT ARREARAGES TO**
14 **CREDIT BUREAUS.**

15 Section 466(a)(7)(A) (42 U.S.C. 666(a)(7)(A)) is
16 amended by striking “\$1,000” and inserting “the amount
17 of the monthly support obligation”.

18 **SEC. 330. DENIAL OF PASSPORTS TO NONCUSTODIAL PAR-**
19 **ENTS SUBJECT TO STATE ARREST WARRANTS**
20 **IN CASES OF NONPAYMENT OF CHILD SUP-**
21 **PORT.**

22 The Secretary of State is authorized to refuse a pass-
23 port or revoke, restrict, or limit a passport in any case
24 in which the Secretary of State determines or is informed
25 by competent authority that the applicant or passport
26 holder is a noncustodial parent who is the subject of an

1 outstanding State warrant of arrest for nonpayment of
2 child support, where the amount in controversy is not less
3 than \$10,000.

4 **SEC. 331. STATUTES OF LIMITATION.**

5 (a) IN GENERAL.—Section 466(a) (42 U.S.C.
6 666(a)), as amended by sections 313, 321, 322, 325, 326,
7 327, and 328 of this Act, is amended by inserting after
8 paragraph (18) the following new paragraph:

9 “(19) Procedures which permit the enforcement
10 of any child support order until the child attains at
11 least 30 years of age.”

12 (b) APPLICABILITY.—The amendment made by this
13 section shall apply to orders entered before, on, and after
14 the date of the enactment of this Act.

15 **SEC. 332. COLLECTION OF PAST-DUE SUPPORT USING TAX**
16 **COLLECTION AUTHORITY.**

17 (a) EXPANDED ROLE OF THE INTERNAL REVENUE
18 SERVICE.—

19 (1) IN GENERAL.—Section 6305 of the Internal
20 Revenue Code of 1986 (relating to collection of cer-
21 tain liability) is amended by redesignating sub-
22 sections (a) and (b) as subsections (b) and (c), re-
23 spectively, and by inserting before subsection (b) (as
24 so redesignated) the following new subsection:

1 “(a) IN GENERAL.—The head of any State child sup-
2 port order registry established pursuant to section
3 466(a)(20)(A) of the Social Security Act may certify to
4 the Secretary for collection under this subsection the
5 amount of any child support obligation. No amount may
6 be certified under the preceding sentence except the
7 amount of the delinquency under a court or administrative
8 order for support and upon a showing by such agency head
9 that such State has made reasonable efforts to collect such
10 amount using its own collection mechanisms.”.

11 (2) CONFORMING AMENDMENTS.—

12 (A) Subsection (b) of section 6305 of such
13 Code (as redesignated by subsection (a)) is
14 amended by striking “Upon receiving” and all
15 that follows through “Welfare” the second place
16 it appears and inserting “Upon receiving a cer-
17 tification referred to in subsection (a)”.

18 (B) Subsection (c) of section 6305 of such
19 Code (as redesignated by subsection (a)) is
20 amended by striking “subsection (a)” and in-
21 serting “subsection (b)”.

22 (b) COLLECTION OF PAST-DUE SUPPORT USING RE-
23 FUND OFFSET.—

24 (1) IN GENERAL.—Subsection (c) of section
25 6402 of the Internal Revenue Code of 1986 (relating

1 to authority to make credits or refunds) is amended
2 to read as follows:

3 “(c) OFFSET OF PAST-DUE SUPPORT AGAINST
4 OVERPAYMENTS.—

5 “(1) IN GENERAL.—Upon receiving notice from
6 any State registry that an individual owes past-due
7 support, the Secretary shall determine whether any
8 amounts, as refunds of Federal taxes paid, are pay-
9 able to such individual (regardless of whether such
10 individual filed a tax return as a married or unmar-
11 ried individual). If the Secretary finds that any such
12 amount is payable, the Secretary—

13 “(A) shall withhold from such refunds an
14 amount equal to the past-due support,

15 “(B) shall concurrently send a notice to
16 such individual that the withholding has been
17 made (including in or with such notice a notifi-
18 cation to any other individual who may have
19 filed a joint return with such individual of the
20 steps which such other individual may take in
21 order to secure his or her proper share of the
22 refund), and

23 “(C) shall pay such amount to such reg-
24 istry (together with notice of the individual’s
25 home address).

1 “(2) PROCEDURE.—

2 “(A) IN GENERAL.—

3 “(i) PROVISION OF NOTICE.—Prior to
4 notifying the Secretary under paragraph
5 (1) that an individual owes past-due sup-
6 port, the head of the State registry shall
7 send notice to such individual that a with-
8 holding will be made from any refund oth-
9 erwise payable to such individual.

10 “(ii) CONTENTS OF NOTICE.—The no-
11 tice shall also—

12 “(I) instruct the individual owing
13 the past-due support of the steps
14 which may be taken to contest the
15 State registry’s determination that
16 past-due support is owed or the
17 amount of the past-due support, and

18 “(II) provide information, as may
19 be prescribed by the Secretary of
20 Health and Human Services by regu-
21 lation in consultation with the Sec-
22 retary, with respect to procedures to
23 be followed, in the case of a joint re-
24 turn, to protect the share of the re-

1 fund which may be payable to another
2 individual.

3 “(B) SPECIAL RULES FOR OFFSETS
4 AGAINST OVERPAYMENTS ON JOINT RE-
5 TURNS.—

6 “(i) IN GENERAL.—If the Secretary
7 determines that an amount should be with-
8 held under paragraph (1), and that the re-
9 fund from which it should be withheld is
10 based upon a joint return, the Secretary
11 shall notify the State registry that the
12 withholding is being made from a refund
13 based upon a joint return, and shall fur-
14 nish to the State registry the names and
15 addresses of each spouse filing such joint
16 return.

17 “(ii) SHARE OF REFUND PAYABLE TO
18 SPOUSE NOT OWING PAST-DUE SUPPORT.—
19 If the other individual filing the joint re-
20 turn with the named individual owing the
21 past-due support takes appropriate action
22 to secure his or her proper share of a re-
23 fund from which a withholding was made
24 under paragraph (1), the Secretary shall
25 pay such share to such other individual.

1 The Secretary shall deduct the amount of
2 such payment from amounts subsequently
3 payable to the State registry to which the
4 amount originally withheld from such re-
5 fund was paid.

6 “(C) ERRONEOUS OFFSETS.—In any case
7 in which an amount was withheld under para-
8 graph (1) and paid to a State registry, and the
9 State registry subsequently determines that the
10 amount certified as past-due support was in ex-
11 cess of the amount actually owed at the time
12 the amount withheld is to be distributed to or
13 on behalf of the child, the State registry shall
14 pay the excess amount withheld to the named
15 individual thought to have owed the past-due
16 support (or, in the case of amounts withheld on
17 the basis of a joint return, jointly to the parties
18 filing such return).

19 “(3) REGULATIONS; CONTENTS, ETC.—The
20 Secretary shall issue regulations, approved by the
21 Secretary of Health and Human Services, prescrib-
22 ing the time or times at which State registries must
23 submit notices of past-due support, the manner in
24 which such notices must be submitted, and the nec-

1 essary information that must be contained in or ac-
2 company the notices. The regulations—

3 “(A) shall be consistent with the provisions
4 of paragraph (2),

5 “(B) shall specify the minimum amount of
6 past-due support to which the offset procedure
7 established by paragraph (1) may be applied,
8 and

9 “(C) shall provide that the Secretary will
10 advise the Secretary of Health and Human
11 Services, not less frequently than annually, of—

12 “(i) the State registries which have
13 furnished notices of past-due support
14 under paragraph (1) of this subsection,

15 “(ii) the number of cases in each
16 State with respect to which such notices
17 have been furnished,

18 “(iii) the amount of support sought to
19 be collected under this subsection by each
20 State registry, and

21 “(iv) the amount of such collections
22 actually made in the case of each State
23 registry.

24 “(4) STATE REGISTRY.—For purposes of this
25 subsection, the term ‘State registry’ means any

1 State child support order registry established pursu-
2 ant to section 466(a)(20)(A) of the Social Security
3 Act.

4 “(5) PAST-DUE SUPPORT.—For purposes of
5 this subsection, the term ‘past-due support’ means
6 the amount of a delinquency, determined under a
7 court order, or an order of an administrative process
8 established under State law, for support (including
9 medical support) and maintenance of a child, or of
10 a child and the parent with whom the child is living.

11 “(6) SUBSECTION APPLIED BEFORE CREDITING
12 TO FUTURE LIABILITY.—This subsection shall be ap-
13 plied to an overpayment prior to its being credit to
14 a taxpayer’s future liability for any internal revenue
15 tax.”

16 (2) CONFORMING AMENDMENT.—Paragraph (2)
17 of section 6402(d) of such Code is amended by strik-
18 ing “with respect to past-due support collected pur-
19 suant to an assignment under section 402(a)(26) of
20 the Social Security Act”.

21 (c) ELIMINATION OF THE ROLE OF THE SECRETARY
22 OF HEALTH AND HUMAN SERVICES.—

23 (1) Section 464 (42 U.S.C. 664) is repealed.

24 (2) Section 452 (42 U.S.C. 652) is amended by
25 repealing subsections (b) and (c).

1 **Subtitle D—State Responsibilities**

2 **SEC. 341. STATE ROLE.**

3 (a) STATE CHILD SUPPORT ORDER REGISTRIES,
4 ETC.—

5 (1) IN GENERAL.—Section 466(a) (42 U.S.C.
6 666(a)), as amended by subtitle C of this title, is
7 amended by inserting after paragraph (19) the fol-
8 lowing new paragraph:

9 “(20) Procedures under which—

10 “(A) the State child support enforcement
11 agency shall—

12 “(i) establish an automated central
13 child support order registry (including, at
14 State option, by integrating local registries
15 through computers, if the cost of such inte-
16 gration does not exceed the cost of a single
17 centralized registry) which shall maintain a
18 current record of—

19 “(I) each child support order is-
20 sued, modified, or registered in the
21 State under the State plan;

22 “(II) each child support order is-
23 sued, modified, or being enforced in
24 the State after the effective date of
25 this paragraph; and

1 “(III) any other child support
2 order, at the request of a party to the
3 order;

4 “(ii) for each such child support
5 order, record the amount of support or-
6 dered and maintain a record of payments
7 under the order;

8 “(iii) prepare a support abstract that
9 conforms to the child support order ab-
10 stract developed pursuant to section
11 452(a)(11), forward the abstract to the
12 Federal child support order registry estab-
13 lished under section 303 of the Economic
14 Opportunity and Family Responsibility Act
15 of 1995, and enter the abstract into the
16 State registry for purposes of matching
17 against other data bases on a regular
18 basis;

19 “(iv) program the statewide auto-
20 mated system to extract weekly updates
21 automatically of all case records included
22 in the State registry;

23 “(v) provide a central point of access
24 to the Federal new-hire reporting directory

1 and other Federal data bases, statewide
2 data bases, and interstate case activity;

3 “(vi) routinely match information in
4 the State registry against other State data
5 bases to which the agency has access;

6 “(vii) use a national identification
7 number, preferably the social security ac-
8 count number, for all individuals or cases
9 as determined by the Secretary;

10 “(viii) maintain procedures (such as
11 notification to parents) to ensure that ar-
12 rearages do not accrue after the child for
13 whom support is ordered is no longer eligi-
14 ble for support or the order becomes in-
15 valid;

16 “(ix) use technology and automated
17 procedures in operating the State registry
18 wherever feasible and cost-effective;

19 “(x) ensure that the amount of any
20 interest due with respect to delinquent
21 child support obligations can be automati-
22 cally calculated;

23 “(xi) ensure that the State registry
24 has access to vital statistics or other infor-
25 mation necessary to provide the Secretary

1 with such information as the Secretary
2 may require in order to apply the formula
3 provided for in section 403(i);

4 “(xii) use the State registry (whether
5 centralized or established through the inte-
6 gration of local registries)—

7 “(I) as a clearinghouse for the
8 centralized collection and disburse-
9 ment of child support payments, ena-
10 bling the functions to be carried out
11 (by the State or a private entity) at 1
12 location within the State, and through
13 a fully automated process (including,
14 at State option, through multi-State
15 regional cooperative agreements
16 through 1 ‘drop box’ location with
17 computer linkage to the individual
18 State registries); and

19 “(II) as the central payment cen-
20 ter—

21 “(aa) for all employers re-
22 mitting child support withheld
23 from wages; and

24 “(bb) for all payments not
25 made through wage withholding,

1 through the use of payment cou-
2 pons or stubs or electronic
3 means, unless otherwise agreed
4 by the parties to the order and
5 the court or administrative agen-
6 cy that issued or modified the
7 order (which agreement may be
8 unilaterally rescinded by the indi-
9 vidual to whom child support is
10 payable under the order or by the
11 individual obligated to pay child
12 support under the order, without
13 permission of any court or ad-
14 ministrative agency), and, at
15 State option, payments may be
16 made at local offices or financial
17 institutions only if the payments
18 are remitted to the State registry
19 by the local office or financial in-
20 stitution for payment processing
21 by electronic funds transfer with-
22 in 24 hours after receipt; and
23 “(xiii) require the State registry to—
24 “(I) accept all payments for child
25 support by any means of transfer;

1 “(II) generate bills which provide
2 for accurate payment identification,
3 such as return stubs or coupons, for
4 cases with respect to which wage with-
5 holding is not required;

6 “(III) identify all payments made
7 to the State registry and match the
8 payment to the correct child support
9 case record;

10 “(IV) distribute all collections as
11 required by law;

12 “(V) disburse to custodial par-
13 ents child support payments that are
14 payable to such parents, including
15 through the use of direct deposit upon
16 the request of the custodial parent;

17 “(VI) process and send to custo-
18 dial parents child support payments
19 that are payable to such parents with-
20 in 24 hours after receipt;

21 “(VII) maintain records of trans-
22 actions and the status of all accounts,
23 including arrears, and monitor all
24 payments of support;

1 “(VIII) develop automatic mon-
2 itoring procedures for all cases where
3 a disruption in payments triggers
4 automatic enforcement mechanisms;

5 “(IX) accept and transmit inter-
6 state collections to other States, when-
7 ever possible, using electronic funds
8 transfer technology; and

9 “(X) when necessary, change
10 payees in child support cases adminis-
11 tratively, with notice to both parties;

12 “(B) each child support order issued or
13 modified in the State is required to be transmit-
14 ted to the registry within such period of time
15 after the issuance or modification as the Sec-
16 retary shall prescribe in regulations; and

17 “(C) the State shall—

18 “(i) prohibit any State agency from
19 imposing a fee on any custodial or
20 noncustodial parent for inclusion in the
21 State registry, or imposing any new fee on
22 a custodial parent for routine establish-
23 ment, enforcement, or modification of
24 cases handled through the State registry;

1 “(ii) have automated procedures to
2 monitor cases and impose those enforce-
3 ment measures that can be handled on a
4 mass or group basis using computer auto-
5 mation technology, by—

6 “(I) monitoring all cases within
7 the State registry on a regular basis,
8 determining on at least a monthly
9 basis whether the child support pay-
10 ment has been made;

11 “(II) maintaining automation ca-
12 pability whereby a disruption in pay-
13 ments triggers automatic enforcement
14 mechanisms; and

15 “(III) administratively imposing
16 measures such as—

17 “(aa) ordering wages to be
18 withheld automatically for the
19 purposes of satisfying child sup-
20 port obligations, and directing
21 wage withholding orders to em-
22 ployers immediately upon notifi-
23 cation by the Federal child sup-
24 port order registry established
25 under section 303(a) of the Eco-

1 nomic Opportunity and Family
2 Responsibility Act of 1995;

3 “(bb) attaching accounts at
4 financial institutions, including,
5 at State option, freezing with-
6 draws from such accounts and,
7 if the freeze is not challenged,
8 turning over the part of the ac-
9 count subject to the freeze up to
10 the amount of the child support
11 debt to the person or State seek-
12 ing the support;

13 “(cc) intercepting certain
14 lump-sum monies such as lottery
15 winnings and settlements to be
16 turned over to the State to sat-
17 isfy pending arrearages;

18 “(dd) attaching public and
19 private retirement funds in ap-
20 propriate cases, as determined by
21 the Secretary;

22 “(ee) attaching unemploy-
23 ment compensation, worker’s
24 compensation, and other State
25 benefits;

1 “(ff) increasing required
2 payments to cover arrearages;

3 “(gg) intercepting State tax
4 refunds; and

5 “(hh) submitting cases for
6 Federal tax refund offset; and

7 “(iii) be able to provide parents with
8 up-do-date information on payments that
9 are not past due, payments that are past
10 due, and general information on available
11 child support services;

12 “(D) child support arrears with respect to
13 cases in the State registry are considered judg-
14 ments by operation of law, and reducing the
15 amount of such arrears to money judgments is
16 not a prerequisite to enforcement;

17 “(E) all cases in the State registry shall
18 receive services offered by the registry without
19 regard to whether an application for such serv-
20 ices has been made; and

21 “(F) the State agency referred to in sec-
22 tion 402(a)(3) shall notify the State child sup-
23 port enforcement agency of the commencement
24 or termination of aid under the State plan ap-
25 proved under part A to any individual or fam-

1 ily, within 10 days after the commencement or
2 termination.”.

3 (2) CONFORMING AMENDMENT.—Section
4 466(b) (42 U.S.C. 666(b)) is amended by striking
5 paragraph (5).

6 (b) WAGE WITHHOLDING.—

7 (1) IN GENERAL.—Section 466(b) (42 U.S.C.
8 666(b)) is amended by adding at the end the follow-
9 ing new paragraph:

10 “(11)(A)(i) Upon the issuance or modification
11 by a State court or administrative agency of an
12 order imposing a child support obligation on an indi-
13 vidual, the State shall transmit to any employer of
14 the individual a wage withholding order developed
15 under section 452(a)(11) directing the employer to
16 withhold amounts from the wages of the individual
17 pursuant to the order, or such greater amount as
18 the State child support order registry established
19 pursuant to subsection (a)(20)(A) may determine is
20 the total amount of the child support obligations of
21 the individual.

22 “(ii) Clause (i) shall not apply to an order upon
23 agreement of the parties to the order and the court
24 or administrative agency that issued or modified the
25 order.

1 “(iii) An agreement referred to in clause (ii)
2 may be unilaterally rescinded by the individual to
3 whom child support is payable under the order or by
4 the individual obligated to pay child support under
5 the order, without permission of any court or admin-
6 istrative agency.

7 “(B) Any individual or entity engaged in com-
8 merce, as a condition of doing business in the State,
9 shall, on receipt of a wage withholding order devel-
10 oped under section 452(a)(11) that is regular on its
11 face and has been issued by a court or administra-
12 tive agency of any State—

13 “(i) immediately provide a copy of the
14 order to the employee subject to the order;

15 “(ii) comply with the order by forwarding
16 to the State registry established pursuant to
17 subsection (a)(20)(A) of this section, within 5
18 days after the end of each payroll period ending
19 after receipt of the order, the greater of—

20 “(I) the amount required to be with-
21 held pursuant to the order; or

22 “(II) the amount that the State reg-
23 istry has notified the individual or family
24 is the amount required to be withheld from
25 the wages of the employee for payment of

1 child support obligations of the employee;
2 and

3 “(iii) keep records of the amounts so with-
4 held and the dates of such withholding.

5 “(C) Such an order may be served on the indi-
6 vidual or entity directly or by first-class mail.

7 “(D) An individual or entity who complies with
8 subparagraph (B)(ii) with respect to such an order
9 may not be held liable for wrongful withholding of
10 income from the employee subject to the order.

11 “(E) The State shall impose a civil fine of
12 \$1,000 on any individual or entity who receives such
13 an order for each failure to comply with subpara-
14 graph (B)(ii) with respect to the order.

15 “(F) The State shall have in effect such proce-
16 dures as the Secretary may require by regulation for
17 carrying out this paragraph in cases involving an
18 employee who has 2 or more employers or child sup-
19 port obligations.

20 “(12) If the State transmits to an individual or
21 entity engaged in commerce only outside the State
22 a wage withholding order issued by the State with
23 respect to an employee of the individual or entity,
24 and the individual or entity refuses to comply with
25 the order, the State shall send an informational copy

1 of the order to the registry established pursuant to
2 subsection (a)(20)(A) of any other State in which
3 the individual or entity is engaged in commerce.

4 “(13) If an employee requests a hearing to con-
5 test wage withholding based on claim of a mistake
6 of fact, the hearing may be held in the State from
7 which the child support is collected, and, within 45
8 days after the income source receives the withhold-
9 ing order, the entity conducting the hearing must
10 adjudicate the claim. The State in which the hearing
11 is held shall provide appropriate services in cases en-
12 forced under the State plan to ensure that the inter-
13 ests of the individual to whom the withheld income
14 is to be paid are adequately represented.”.

15 (2) CONFORMING AMENDMENT.—Section
16 466(b)(6)(A)(i) (42 U.S.C. 666(b)(6)(A)(i)) is
17 amended by striking “(which may include” and all
18 that follows through “paragraph (5))” and inserting
19 “and pay such amount to the State registry estab-
20 lished under subsection (a)(12)”.

21 (c) PRIORITIES IN APPLICATION OF WITHHELD
22 WAGES.—Section 466(b) (42 U.S.C. 666(b)), as amended
23 by subsection (b)(1) of this section, is amended by insert-
24 ing after paragraph (13) the following new paragraph:

1 “(14) Procedures under which the amounts
2 withheld pursuant to a child support or wage with-
3 holding order are to be applied in the following
4 order:

5 “(A) To payments of support due during
6 the month of withholding.

7 “(B) To payments of premiums for health
8 care insurance coverage for dependent children.

9 “(C) To payments of support due before
10 the month of withholding or collection, and of
11 unreimbursed health-care expenses.”.

12 (d) ACCESS TO VARIOUS DATA BASES.—Section
13 466(a) (42 U.S.C. 666(a)), as amended by subtitle C of
14 this title and by subsection (a) of this section, is amended
15 by inserting after paragraph (20) the following new para-
16 graph:

17 “(21) Procedures under which the State child
18 support enforcement agency shall have automated
19 on-line or batch access (or, if necessary,
20 nonautomated access) to information regarding resi-
21 dential addresses, employers and employer address-
22 es, income and assets, and medical insurance bene-
23 fits with respect to absent parents that is available
24 through any data base maintained by—

1 “(A) any agency of the State or any politi-
2 cal subdivision thereof, that contains informa-
3 tion on residential addresses, or on employers
4 and employer addresses;

5 “(B) any publicly regulated utility com-
6 pany located in the State; and

7 “(C) any credit reporting agency.”.

8 (e) EXPANDED INTERACTION WITH THE NATIONAL
9 PARENT LOCATOR NETWORK.—Section 454(16) (42
10 U.S.C. 654(16)) is amended—

11 (1) by striking “and (E)” and inserting “(E)”;
12 and

13 (2) by striking “enforcement;” and inserting
14 “enforcement, and (F) to provide access to the na-
15 tional network developed pursuant to section
16 453(g);”.

17 (f) STATE PLAN REQUIREMENT.—Section 454 (42
18 U.S.C. 654), as amended by section 212(a) of this Act,
19 is amended—

20 (1) by striking “and” at the end of paragraph
21 (24);

22 (2) by striking the period at the end of para-
23 graph (25) and inserting “; and”; and

24 (3) by inserting after paragraph (25) the fol-
25 lowing new paragraph:

1 “(26) will have in effect safeguards applicable
2 to all sensitive and confidential information handled
3 by the State agency designed to protect the privacy
4 rights of the parties, including—

5 “(A) safeguards against unauthorized use
6 or disclosure of information relating to proceed-
7 ings or actions to establish paternity, or to es-
8 tablish or enforce support; and

9 “(B) prohibitions against the release of in-
10 formation on the whereabouts of a party to an-
11 other party against whom a protective order
12 with respect to the party has been entered.”.

13 **SEC. 342. UNIFORM TERMS IN ORDERS.**

14 Section 452(a) (42 U.S.C. 652(a)) is amended—

15 (1) in paragraph (9), by striking “and” after
16 the semicolon;

17 (2) in paragraph (10), by striking the period at
18 the end of the second sentence and inserting “;
19 and”; and

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

22 “(11) not later than 12 months after the date
23 of the enactment of this paragraph, develop a uni-
24 form abstract of a child support order, for use by
25 the child support order registry established pursuant

1 to section 466(a)(20)(A), in which may be re-
2 corded—

3 “(A) the date support payments are to
4 begin under the order;

5 “(B) the circumstances upon which sup-
6 port payments are to end under the order;

7 “(C) the amount of child support payable
8 pursuant to the order expressed as a sum cer-
9 tain to be paid on a monthly basis, arrearages
10 expressed as a sum certain as of a certain date,
11 and any payback schedule for the arrearages;

12 “(D) whether the order awards support in
13 a lump sum (nonallocated) or per child;

14 “(E) if the award is in a lump sum, the
15 event causing a change in the support award
16 and the amount of any change;

17 “(F) other expenses covered by the order;

18 “(G) the names of the parents subject to
19 the order;

20 “(H) the social security account numbers
21 of the parents;

22 “(I) the name, date of birth, and social se-
23 curity account number (if any) of each child
24 covered by the order;

1 “(J) the identification (FIPS code, name,
2 and address) of the court or administrative
3 agency that issued the order;

4 “(K) any information on health care sup-
5 port required by the order;

6 “(L) the party to contact if additional in-
7 formation is obtained; and

8 “(M) such other information as the Sec-
9 retary deems appropriate.”.

10 **SEC. 343. STATES REQUIRED TO ENACT THE UNIFORM**
11 **INTERSTATE FAMILY SUPPORT ACT.**

12 (a) IN GENERAL.—Section 466 (42 U.S.C. 666) is
13 amended by adding at the end the following new sub-
14 section:

15 “(f) In order to satisfy section 454(20)(A), each
16 State must have in effect laws which adopt the officially
17 approved version of the Uniform Interstate Family Sup-
18 port Act adopted by the National Conference of Commis-
19 sioners on Uniform State Laws in August 1992.”.

20 (b) APPLICABILITY.—

21 (1) IN GENERAL.—Except as provided in para-
22 graph (2) of this subsection, the amendment made
23 by subsection (a) shall apply with respect to cal-
24 endar quarters beginning on or after 12 months
25 after the date of the enactment of this Act, without

1 regard to whether regulations to implement such
2 amendments are promulgated by such date.

3 (2) DELAY PERMITTED IF STATE LEGISLATION
4 REQUIRED.—In the case of a State plan approved
5 under part D of title IV of the Social Security Act
6 which the Secretary of Health and Human Services
7 determines requires State legislation (other than leg-
8 islation appropriating funds) in order for the plan to
9 meet the additional requirement imposed by the
10 amendment made by subsection (a) of this section,
11 the State plan shall not be regarded as failing to
12 comply with such additional requirement solely on
13 the basis of the failure of the plan to meet such ad-
14 ditional requirement before the first day of the first
15 calendar quarter beginning after the close of the
16 first regular session of the State legislature that be-
17 gins after the date of the enactment of this Act. For
18 purposes of the previous sentence, in the case of a
19 State that has a 2-year legislative session, each year
20 of such session shall be deemed to be a separate reg-
21 ular session of the State legislature.

22 **SEC. 344. EXPEDITED PROCESSES AND ADMINISTRATIVE**
23 **PROCEDURES.**

24 (a) MONITORING OF COMPLIANCE.—Section
25 452(a)(4) (42 U.S.C. 652(a)(4)) is amended by inserting

1 “and to determine whether the expedited processes re-
2 quired under section 466(a)(2)(A) are in effect” before “,
3 and, not less”.

4 (b) NONCOMPLIANT STATES WITH JUDICIAL SYS-
5 TEM FOR PROCESSING CHILD SUPPORT CASES REQUIRED
6 TO CONVERT TO ADMINISTRATIVE SYSTEM.—Section
7 466(a)(2) (42 U.S.C. 666(a)(2)) is amended by inserting
8 after the first sentence the following: “If the Secretary
9 finds that the processes for obtaining and modifying child
10 support orders under the State judicial system has not
11 met the standards established in such regulations, such
12 procedures shall provide for the use of State administra-
13 tive processes for obtaining and modifying such orders.”.

14 **SEC. 345. DUE PROCESS.**

15 Section 454 (42 U.S.C. 654), as amended by sections
16 312(a) and 341(f) of this Act, is amended—

17 (1) by striking “and” at the end of paragraph
18 (25);

19 (2) by striking the period at the end of para-
20 graph (26) and inserting “; and”; and

21 (3) by inserting after paragraph (26) the fol-
22 lowing new paragraph:

23 “(27) provide for procedures to ensure that—

1 “(A) individuals who are parties to cases
2 in which services are being provided under this
3 part—

4 “(i) receive notice of all proceedings in
5 which support obligations might be estab-
6 lished or modified; and

7 “(ii) receive a copy of any order estab-
8 lishing or modifying a child support obliga-
9 tion within 14 days after issuance of such
10 order; and

11 “(B) individuals receiving services under
12 this part have timely access to a fair hearing or
13 other formal complaint procedure, meeting
14 standards established by the Secretary, that en-
15 sures prompt consideration and resolution of
16 complaints (but the resort to the procedure
17 shall not stay the enforcement of any support
18 order);”.

19 **SEC. 346. OUTREACH AND ACCESSIBILITY.**

20 (a) UNIFORM APPLICATION FOR CHILD SUPPORT
21 SERVICES.—

22 (1) REQUIREMENT THAT STATES USE FEDERAL
23 APPLICATION FORM.—Section 454(6)(A) (42 U.S.C.
24 654(6)(A)) is amended by inserting “(which shall be

1 made on the service application form developed
2 under section 452(a)(7))” after “State”.

3 (2) DUTY TO DEVELOP APPLICATION FORM.—
4 Section 452(a)(7) (42 U.S.C. 652(a)(7)), as amend-
5 ed by section 311(b) of this Act, is amended by in-
6 serting “, and develop a form to be used to apply
7 for services established under State plans under this
8 part” before the semicolon.

9 (b) OUTREACH.—

10 (1) STATE PLAN REQUIREMENT.—Section 454
11 (42 U.S.C. 654), as amended by sections 312(a),
12 341(f), and 345 of this Act, is amended—

13 (A) by striking “and” at the end of para-
14 graph (26);

15 (B) by striking the period at the end of
16 paragraph (27) and inserting “; and”; and

17 (C) by inserting after paragraph (27) the
18 following new paragraph:

19 “(28) provide for the establishment and conduct
20 of an ongoing program of outreach to persons eligi-
21 ble for services under the plan, in accordance with
22 regulations issued under section 452(a)(12).”.

23 (2) REGULATIONS.—Section 452(a) (42 U.S.C.
24 652(a)), as amended by section 342 of this Act, is
25 amended—

1 (A) in paragraph (10), by striking “and”
2 after the semicolon;

3 (B) in paragraph (11), by striking the pe-
4 riod and inserting “; and”; and

5 (C) by adding at the end the following new
6 paragraph:

7 “(12) issue such regulations as are necessary to
8 ensure that State agencies—

9 “(A) develop and implement a plan for
10 serving underserved populations;

11 “(B) use appropriate personnel and print-
12 ed material for use by persons who do not
13 speak English or whose hearing is impaired;
14 and

15 “(C) work in cooperation with other Fed-
16 eral, State, and local government agencies and
17 private nonprofit organizations which serve low-
18 income families to publicize the availability of
19 such services and coordinate the delivery of
20 such services.”.

21 **SEC. 347. COST-OF-LIVING ADJUSTMENT OF CHILD SUP-**
22 **PORT AWARDS.**

23 Part D of title IV (42 U.S.C. 651–669) is amended
24 by inserting after section 467 the following new section:

1 **“SEC. 467A. COST-OF-LIVING ADJUSTMENT OF CHILD SUP-**
2 **PORT AWARDS.**

3 “(a) IN GENERAL.—Each State, as a condition for
4 having its State plan approved under this part, shall have
5 in effect such laws and procedures as are necessary to en-
6 sure that each child support order issued or modified in
7 the State after the effective date of this section provides
8 that amount of child support payable under the order dur-
9 ing the 12-month period that begins on each anniversary
10 of the date the order was issued or most recently so modi-
11 fied shall be an amount equal to—

12 “(1) the amount of the award specified in the
13 order; multiplied by

14 “(2) the percentage (if any) by which—

15 “(A) the average of the Consumer Price
16 Index (as defined in section 1(f)(5) of the Inter-
17 nal Revenue Code of 1986) for the most recent
18 12-month period for which such information is
19 available; exceeds

20 “(B) the average of the Consumer Price
21 Index (as so defined) for the 12-month period
22 that ends on the date the order was issued or
23 most recently so modified.

24 “(b) NOTICE REQUIREMENTS.—The laws and proce-
25 dures described in subsection (a) shall include a require-

1 ment that notice of the cost-of-living adjustment of a child
2 support award be provided to—

3 “(1) the individual obligated to pay the child
4 support, and if wages are to be withheld to pay such
5 support, to each employer of the individual; and

6 “(2) the individual to whom the child support
7 is owed.

8 “(c) RULE OF INTERPRETATION.—Subsection (a)
9 shall not be construed to affect other grounds for modify-
10 ing a child support award.”.

11 **SEC. 348. SIMPLIFIED PROCESS FOR REVIEW AND ADJUST-**
12 **MENT OF CERTAIN CHILD SUPPORT ORDERS.**

13 Section 466(a)(10) (42 U.S.C. 666(a)(10)) is amend-
14 ed by adding at the end the following new subparagraphs:

15 “(D)(i) Procedures under which—

16 “(I) every 3 years, at the request of either
17 parent subject to a child support order, the
18 State shall review and, as appropriate, adjust
19 the order in accordance with the guidelines es-
20 tablished under section 467(a) if the amount of
21 the child support award under the order differs
22 from the amount that would be awarded in ac-
23 cordance with such guidelines by more than the
24 total of the adjustments required to be made in
25 the amount of the award pursuant to section

1 467A during the 3 year period ending on the
2 date of the request; and

3 “(II) upon request of either parent subject
4 to a child support order, the State shall review
5 and, as appropriate, adjust the order in accord-
6 ance with the guidelines established under sec-
7 tion 467(a) based on a significant change in the
8 circumstances of either such parent.

9 “(ii) Such procedures shall require both parents
10 subject to a child support order to be notified of
11 their rights provided for under clause (i) at the time
12 the order is issued and in the annual information ex-
13 change form provided under subparagraph (E).

14 “(E) Procedures under which each child sup-
15 port order issued or modified in the State after the
16 effective date of this subparagraph shall require the
17 parents subject to the order to provide each other
18 with a complete statement of their respective finan-
19 cial condition annually on a form which shall be es-
20 tablished by the Secretary and provided by the
21 State.”.

22 **SEC. 349. PREVENTION OF CONFLICTS OF INTEREST.**

23 Section 466(a)(10) (42 U.S.C. 666(a)(10)), as
24 amended by section 348 of this Act, is amended by adding
25 at the end the following new subparagraph:

1 “(F) Procedures to ensure that the State does
2 not provide to any noncustodial parent of a child
3 representation relating to the review or adjustment
4 of an order for the payment of child support with re-
5 spect to the child, unless the State makes provision
6 for such representation outside the State agency.”.

7 **SEC. 350. STAFFING.**

8 (a) STUDIES.—The Secretary of Health and Human
9 Services (in this section referred to as the “Secretary”)
10 shall conduct and, not later than 1 year after the date
11 of the enactment of this Act, complete staffing studies for
12 each State child support enforcement program, including
13 each agency and court involved in the child support proc-
14 ess.

15 (b) REPORT TO THE CONGRESS.—Within 90 days
16 after the end of the 1-year period described in subsection
17 (a), the Secretary shall report to the Committee on Ways
18 and Means of the House of Representatives and the Com-
19 mittee on Finance of the Senate, and to each State, the
20 results of the studies required by subsection (a).

21 (c) IMPLEMENTATION.—Section 455(a) (42 U.S.C.
22 655(a)) is amended by adding at the end the following
23 new paragraph:

24 “(3) The Secretary shall reduce by 2 percent the
25 amount otherwise payable to a State pursuant to para-

1 graph (1)(A) for any calendar quarter ending 2 or more
2 years after the State receives a report transmitted pursu-
3 ant to section 350(b) of the Economic Opportunity and
4 Family Responsibility Act of 1995, if the Secretary deter-
5 mines that, during the quarter, the State has not met per-
6 formance standards and has not implemented the staffing
7 levels recommended in the report.”.

8 **SEC. 351. TRAINING.**

9 (a) FEDERAL TRAINING ASSISTANCE.—Section
10 452(a)(7) (42 U.S.C. 652(a)(7)) is amended by inserting
11 “and training” after “technical assistance”.

12 (b) STATE TRAINING PROGRAM.—Section 454 (42
13 U.S.C. 654), as amended by sections 312(a), 341(f), 345,
14 and 346(b)(1) of this Act, is amended—

15 (1) by striking “and” at the end of paragraph
16 (27);

17 (2) by striking the period at the end of para-
18 graph (28) and inserting “; and”; and

19 (3) by inserting after paragraph (28) the fol-
20 lowing new paragraph:

21 “(29) provide that the State will develop and
22 implement a training program under which training
23 is to be provided not less frequently than annually
24 to all personnel performing functions under the
25 State plan.”.

1 (c) REPORT.—Section 452(a)(10) (42 U.S.C.
2 652(a)(10)) is amended by redesignating subparagraphs
3 (H) and (I) as subparagraphs (I) and (J), respectively,
4 and by inserting after subparagraph (G) the following new
5 subparagraph:

6 “(H) the training activities at the Federal
7 and State levels, the training audit, and the
8 amounts expended on training;”.

9 (d) RESOURCES.—For technical assistance, training,
10 operational research, demonstrations, and staffing studies
11 under part D of title IV of the Social Security Act, there
12 are authorized to be appropriated to the Secretary of
13 Health and Human Services for each fiscal year an
14 amount equal to not more than 2 percent of the total
15 amount paid to the Federal Government pursuant to sec-
16 tion 457(b) of such Act during the immediately preceding
17 fiscal year.

18 **SEC. 352. PRIORITIES IN DISTRIBUTION OF COLLECTED**
19 **CHILD SUPPORT.**

20 (a) IN GENERAL.—Section 457(a) (42 U.S.C.
21 657(a)) is amended to read as follows:

22 “(a) Amounts collected as support by a State pursu-
23 ant to a child support or wage withholding order are to
24 be allocated as follows:

1 “(1) First, for support payments for the month
2 that are not past due, as follows:

3 “(A) First, for cash support payments.

4 “(B) Then, for payments related to pre-
5 miums for health care insurance coverage of
6 children covered by the order.

7 “(2) Then, for payments of support that are
8 past due, and for payment of unreimbursed health
9 care expenses.”.

10 (b) INCREASE IN PASS-THROUGH OF COLLECTED
11 CHILD SUPPORT.—

12 (1) IN GENERAL.—Section 457(b)(1) (42
13 U.S.C. 657(b)(1)) is amended by inserting “or such
14 greater amount of such child support payments as
15 the State may establish and provide for in the State
16 plan, or if greater, 1/2” after “the first \$50” each
17 place such term appears.

18 (2) INCREASE IN DISREGARD OF PASSED
19 THROUGH CHILD SUPPORT.—Section
20 402(a)(8)(A)(vi) (42 U.S.C. 602(a)(8)(A)(vi)) is
21 amended to read as follows:

22 “(vi) shall disregard—

23 “(I) the first \$50 (for the calendar
24 quarter in which the month occurs) or
25 such greater amount of such child support

1 payments as the State may establish and
2 provide for in the State plan, or, if greater,
3 $\frac{1}{2}$ of any child support payments for the
4 month received in the month;

5 “(II) the first \$50 or such greater
6 amount of such child support payments as
7 the State may establish and provide for in
8 the State plan, or if greater, $\frac{1}{2}$ of child
9 support payments for each prior month re-
10 ceived in the month if the payments were
11 made by the absent parent in the month in
12 which due; and

13 “(III) any amount paid to the family
14 under section 457(b)(1), with respect to
15 the dependent child or children in the fam-
16 ily;”.

17 (c) PERSONS NO LONGER RECEIVING AFDC.—Sec-
18 tion 457(c) (42 U.S.C. 657(c)) is amended—

19 (1) by striking “any amount of support col-
20 lected” and all that follows through “the individ-
21 uals” and inserting “to the family any amount of
22 support collected in payment of current or future
23 support obligations or arrears accrued for a month
24 for which the family did not receive such assistance,
25 subject to the same conditions and on the same

1 basis as in the case of payments made to families”;
2 and

3 (2) by adding at the end the following: “If col-
4 lections are received in a month with respect to a
5 family which has ceased to receive such assistance,
6 the collections shall be credited first as payments for
7 the month that are not past due, then to payments
8 of arrears accrued in months for which the family
9 did not receive such assistance, then to any other
10 unpaid arrears, and then against future support ob-
11 ligations.”.

12 (d) MARRIED COUPLES.—Section 457 (42 U.S.C.
13 657) is amended by adding at the end the following new
14 subsection:

15 “(e) If an individual obligor and obligee join house-
16 holds by marrying or remarrying each other, or (if married
17 to each other) by reuniting after a period of legal separa-
18 tion, the State shall suspend or forgive collection of child
19 support arrearages owed to the State if the income of the
20 resulting family is less than 200 percent of the poverty
21 line (as determined by the Secretary).”.

22 **SEC. 353. TEENAGE NONCUSTODIAL PARENTS AND CHILD**
23 **SUPPORT.**

24 (a) AUTHORITY OF STATES TEMPORARILY TO WAIVE
25 RIGHT TO COLLECT CHILD SUPPORT OBLIGATIONS OF

1 TEENAGE NONCUSTODIAL PARENTS WHO ARE PARTICI-
2 PATING IN A STATE EDUCATIONAL OR EMPLOYMENT
3 PREPARATION PROGRAM.—Section 454 (42 U.S.C. 454),
4 as amended by sections 312(a), 341(f), 345, 346(b)(1),
5 and 351(b) of this Act, is amended—

6 (1) by striking “and” at the end of paragraph
7 (28);

8 (2) by striking the period at the end of para-
9 graph (29) and inserting “; and”; and

10 (3) by inserting after paragraph (29) the fol-
11 lowing new paragraph:

12 “(30) at the option of the State, provide that,
13 if the State agency determines that a noncustodial
14 parent who has not attained 20 years of age owes
15 but is unable to pay child support, then the State
16 may, in lieu of enforcing the right to such support
17 for such period as the State considers appropriate,
18 allow the parent to choose to comply with an edu-
19 cational or job training program.”.

20 (b) CONFORMITY OF STATE GUIDELINES FOR CHILD
21 SUPPORT AWARDS.—Section 467 (42 U.S.C. 667) is
22 amended by adding at the end the following new sub-
23 section:

24 “(d) The guidelines established pursuant to sub-
25 section (a) shall provide that if the State agency deter-

1 mines that a noncustodial parent who has not attained 20
2 years of age owes but is unable to pay child support, then
3 the State may, in lieu of enforcing the right to such sup-
4 port for such period as the State considers appropriate,
5 allow the parent to choose to comply with an educational
6 or job training program.”.

7 **Subtitle E—Demonstrations,**
8 **Grants, and Miscellaneous**

9 **SEC. 361. ESTABLISHMENT OF CHILD SUPPORT ASSUR-**
10 **ANCE DEMONSTRATION PROJECTS.**

11 (a) IN GENERAL.—In order to encourage States to
12 provide a guaranteed minimum level of child support for
13 every eligible child not receiving such support, the Sec-
14 retary of Health and Human Services (hereafter in this
15 section referred to as the “Secretary”) shall make grants
16 to not more than 6 States to conduct demonstration
17 projects for the purpose of establishing or improving a sys-
18 tem of assured minimum child support payments in ac-
19 cordance with this section.

20 (b) CONTENTS OF APPLICATION.—An application for
21 grants under this section shall be submitted by the Gov-
22 ernor of a State and shall—

23 (1) contain a description of the proposed child
24 support assurance project to be established, imple-
25 mented, or improved using amounts provided under

1 this section, including the level of the assured bene-
2 fit to be provided, the specific activities to be under-
3 taken, and the agencies that will be involved;

4 (2) specify whether the project will be carried
5 out throughout the State or in limited areas of the
6 State;

7 (3) estimate the number of children who will be
8 eligible for assured minimum child support payments
9 under the project, and the amounts to which they
10 will be entitled on average as individuals and in the
11 aggregate;

12 (4) describe the child support guidelines and re-
13 view procedures which are in use in the State and
14 any expected modifications;

15 (5) contain a commitment by the State to carry
16 out the project during a period of not less than 7
17 and not more than 10 consecutive fiscal years begin-
18 ning with fiscal year 1996;

19 (6) contain assurances that the State—

20 (A) is currently at or above the national
21 median paternity establishment rate (as defined
22 in section 452(g)(2) of the Social Security Act);

23 (B) will improve the performance of the
24 agency designated by the State to carry out the
25 requirements under part D of title IV of the

1 Social Security Act by at least 4 percent each
2 year in which the State operates a child support
3 assurance project under this section in—

4 (i) the number of cases in which pa-
5 ternity is established when required;

6 (ii) the number of cases in which child
7 support orders are obtained; and

8 (iii) the number of cases with child
9 support orders in which collections are
10 made; and

11 (C) to the maximum extent possible under
12 current law, will use Federal, State, and local
13 job training assistance to assist obligors who
14 have been determined to be unable to meet
15 their child support obligations;

16 (7) describe the extent to which multiple agen-
17 cies, including those responsible for administering
18 the program of aid to families with dependent chil-
19 dren under part A of title IV of the Social Security
20 Act and child support collection, enforcement, and
21 payment under part D of such title, will be involved
22 in the design and operation of the child support as-
23 surance project; and

24 (8) contain such other information as the Sec-
25 retary may require by regulation.

1 (c) USE OF FUNDS.—A State shall use amounts pro-
2 vided under a grant awarded under this section to carry
3 out a child support assurance project designed to provide
4 a minimum monthly child support benefit for each eligible
5 child in the State to the extent that such minimum child
6 support is not paid in a month by the noncustodial parent.

7 (d) REQUIREMENTS.—

8 (1) IN GENERAL.—A child support assurance
9 project funded under this section shall provide
10 that—

11 (A) a child shall be eligible for the assured
12 child support benefit if—

13 (i) the child has a living noncustodial
14 parent for whom—

15 (I) a child support order has
16 been sought (as defined in paragraph
17 (3)); or

18 (II) a child support order has
19 been obtained and is being enforced
20 by the State child support order reg-
21 istry established pursuant to section
22 466(a)(12) of the Social Security Act;
23 or

1 (ii) a parent of the child has good
2 cause for not seeking or enforcing a sup-
3 port order;

4 (B) the assured child support benefit shall
5 be paid promptly to the custodial parent at
6 least once a month and shall be—

7 (i) an amount determined by the
8 State which is—

9 (I) not less than \$1,500 per year
10 for the first child, \$1,000 per year for
11 the second child, and \$500 per year
12 for the third and each subsequent
13 child, and

14 (II) not more than \$3,000 per
15 year for the first child and \$1,000 per
16 year for the second and each subse-
17 quent child;

18 (ii) indexed and adjusted for inflation;

19 and

20 (iii) in the case of a family of children
21 with multiple noncustodial parents, cal-
22 culated in the same manner as if all such
23 children were full siblings;

24 (C) when child support is collected for a
25 child in a month in which the child has received

1 a child support assurance benefit, the amount
2 due to the child from the child support collec-
3 tion shall be reduced by the child support as-
4 surance already paid to the child for the month,
5 and if the child is receiving child support assur-
6 ance benefits in common with siblings or half-
7 siblings, the amount of the child support assur-
8 ance benefits attributable to the child shall be
9 not more than the child's pro rata share of the
10 total benefits;

11 (D) for purposes of determining the need
12 of a child or relative and the level of assistance
13 under part A of title IV of the Social Security
14 Act, $\frac{1}{2}$ of the amount received as a child sup-
15 port assurance benefit shall be disregarded
16 from income until the total amount of child
17 support and aid to families with dependent chil-
18 dren benefit received under part A of title IV
19 of the Social Security Act equals the Federal
20 poverty level for a family of comparable size;

21 (E) in determining need and the amount of
22 assistance under part A of title IV of the Social
23 Security Act, the needs of any family member
24 not receiving an assured child support benefit

1 shall be determined without consideration of the
2 assured child support benefits;

3 (F) the consideration under a State plan
4 under part A of title IV of the Social Security
5 Act of any child support payment received by a
6 family other than a child support assurance
7 benefit shall be governed by section
8 402(a)(8)(A)(vi) of such Act; and

9 (G) in order to participate in the child sup-
10 port assurance project, the child's caretaker
11 shall apply for or be receiving services of the
12 State's child support enforcement program
13 under part D of title IV of the Social Security
14 Act.

15 (2) DEFINITION OF CHILD.—For purposes of
16 this section, the term “child” means an individual
17 who is of such an age, disability, or educational sta-
18 tus as to be eligible for child support as provided for
19 by the law of the State in which such individual re-
20 sides.

21 (3) DEFINITION OF SOUGHT.—For purposes of
22 this section, a child support order shall be deemed
23 to have been “sought” where an individual has ap-
24 plied for or is receiving services from the State child
25 support agency, or has sought a child support order

1 through representation by private or public counsel
2 or pro se.

3 (e) CONSIDERATION AND PRIORITY OF APPLICA-
4 TIONS.—

5 (1) IN GENERAL.—The Secretary shall consider
6 all applications received from States desiring to con-
7 duct demonstration projects under this section and
8 shall approve not more than 6 applications which ap-
9 pear likely to contribute significantly to the achieve-
10 ment of the purpose of this section. In selecting
11 States to conduct demonstration projects under this
12 section, the Secretary shall—

13 (A) ensure that the applications selected
14 represent a diversity of minimum benefits dis-
15 tributed throughout the range specified in sub-
16 section (d)(1)(B)(i);

17 (B) consider the geographic dispersion and
18 variation in population of the applicants;

19 (C) give priority to States the applications
20 of which demonstrate—

21 (i) significant recent improvements
22 in—

23 (I) establishing paternity and
24 child support awards,

1 (II) enforcement of child support
2 awards, and

3 (III) collection of child support
4 payments;

5 (ii) a record of effective automation;
6 and

7 (iii) that efforts will be made to link
8 child support systems with other service
9 delivery systems;

10 (D) ensure that the proposed projects will
11 be of a size sufficient to obtain a meaningful
12 measure of the effects of child support assur-
13 ance;

14 (E) give priority, first, to States intending
15 to operate a child support assurance project on
16 a statewide basis, and, second, to States that
17 are committed to phasing in an expansion of
18 such project to the entire State, if interim eval-
19 uations suggest such expansion is warranted;
20 and

21 (F) ensure that, if feasible, the States se-
22 lected use a variety of approaches for child sup-
23 port guidelines.

24 (2) INTENSIVE INTEGRATED SOCIAL SERV-
25 ICES.—The Secretary shall, if feasible, require at

1 least 2 of the States selected to participate in the
2 demonstration projects conducted under this section
3 to provide intensive integrated social services for
4 low-income participants in the child support assur-
5 ance project, for the purpose of assisting such par-
6 ticipants in improving their employment, housing,
7 health, and educational status.

8 (f) DURATION.—During the 12-month period begin-
9 ning on the date of the enactment of this Act, the Sec-
10 retary shall develop criteria, select the States to partici-
11 pate in the demonstration, and plan for the evaluation re-
12 quired under subsection (h). The demonstration projects
13 conducted under this section shall commence on the day
14 after the end of such 12-month period, and shall be con-
15 ducted for not less than 7 and not more than 10 consecu-
16 tive fiscal years, except that the Secretary may terminate
17 a project before the end of such period if the Secretary
18 determines that the State conducting the project is not
19 in substantial compliance with the terms of the application
20 approved by the Secretary under this section. The Sec-
21 retary shall determine from interim reports required under
22 subsection (i) whether a project may be extended beyond
23 such period, and Federal financial participation shall be
24 available for such an extension.

1 (g) COST SAVINGS RECOVERY.—The Secretary shall
2 develop a methodology to identify any State cost savings
3 realized in connection with the implementation of a child
4 support assurance project conducted under this section.
5 Any such savings realized as a result of the implementa-
6 tion of a child support assurance project shall be utilized
7 for child support enforcement improvements or expansions
8 and improvements in the program of aid to families with
9 dependent children conducted under part A of title IV of
10 the Social Security Act within the participating State.

11 (h) EVALUATION AND REPORT TO CONGRESS.—

12 (1) EVALUATION.—The Secretary shall conduct
13 an evaluation of the effectiveness of the demonstra-
14 tion projects funded under this section and deter-
15 mine whether to recommend that such projects be
16 phased in on a national basis. The evaluation shall
17 include an assessment of the effect of an assured
18 benefit on—

19 (A) parental income from nongovernment
20 sources and the number of hours worked;

21 (B) the use and amount of government
22 supports by the parents;

23 (C) the ability of the parents to accumu-
24 late resources;

1 (D) the well-being of the children receiving
2 child support assurance benefits, including edu-
3 cational attainment and school behavior; and

4 (E) the State's rates of establishing pater-
5 nity and support orders and of collecting sup-
6 port.

7 (2) REPORT.—Four years after commencement
8 of the demonstration projects, and at the completion
9 of the designated duration of a demonstration
10 project, the Secretary shall submit an interim and
11 final report based on the evaluation to the Commit-
12 tee on Finance and the Committee on Labor and
13 Human Resources of the Senate, and the Committee
14 on Ways and Means and the Committee on Eco-
15 nomic and Educational Opportunities of the House
16 of Representatives concerning the effectiveness of
17 the child support assurance projects funded under
18 this section.

19 (i) STATE REPORTS.—The Secretary shall require
20 each State that conducts a demonstration project under
21 this section to annually report such information on the
22 project's operation as the Secretary may require, except
23 that all such information shall be reported according to
24 a uniform format prescribed by the Secretary. Each such
25 State shall provide an opportunity for the public to com-

1 ment on the demonstration project during such period as
2 the State may establish, and shall include any such com-
3 ments in the annual report.

4 (j) RESTRICTIONS ON MATCHING AND USE OF
5 FUNDS.—

6 (1) IN GENERAL.—A State conducting a dem-
7 onstration project under this section shall be re-
8 quired—

9 (A) except as provided in paragraph (2), to
10 provide not less than 20 percent of the total
11 amounts expended in each calendar year of the
12 project to pay the costs associated with the
13 project funded under this section;

14 (B) to maintain its level of expenditures
15 for child support collection, enforcement, and
16 payment at the same level, or at a higher level,
17 than such expenditures were prior to such
18 State's participation in a demonstration project
19 provided by this section; and

20 (C) to maintain the aid to families with de-
21 pendent children benefits provided under part A
22 of title IV of the Social Security Act at the
23 same level, or at a higher level, as the level of
24 such benefits on the date of the enactment of
25 this Act.

1 (2) FUTURE YEARS.—A State participating in a
2 demonstration project under this section may pro-
3 vide no less than 10 percent of the total amounts ex-
4 pended to pay the costs associated with the project
5 funded under this section in years after the first
6 year such project is conducted in a State if the State
7 improves its performance as specified in subsection
8 (b)(6)(B).

9 (k) COORDINATION WITH CERTAIN MEANS-TESTED
10 PROGRAMS.—For purposes of—

11 (1) the United States Housing Act of 1937;

12 (2) title V of the Housing Act of 1949;

13 (3) section 101 of the Housing and Urban De-
14 velopment Act of 1965;

15 (4) sections 221(d)(3), 235, and 236 of the Na-
16 tional Housing Act;

17 (5) the Food Stamp Act of 1977;

18 (6) title XIX of the Social Security Act; and

19 (7) child care assistance provided through part
20 G of title IV of the Social Security Act, or title XX
21 of the such Act,

22 any payment made to an individual within the demonstra-
23 tion project area for child support up to the amount which
24 an assured child support benefit would provide shall not
25 be treated as income and shall not be taken into account

1 in determining resources for the month of its receipt and
2 the following month.

3 (l) TREATMENT OF CHILD SUPPORT BENEFIT.—Any
4 assured child support benefit received by an individual
5 under this section shall be considered child support for
6 purposes of the Internal Revenue Code of 1986.

7 (m) AUTHORIZATION OF APPROPRIATIONS.—There
8 are authorized to be appropriated such sums as may be
9 necessary in each of the fiscal years 1995, 1996, 1997,
10 1998, 1999, and 2000 to carry out this section.

11 **SEC. 362. ESTABLISHMENT OF SIMPLE CHILD SUPPORT**
12 **MODIFICATION DEMONSTRATION PROJECTS.**

13 (a) IN GENERAL.—The Secretary of Health and
14 Human Services (hereafter in this section referred to as
15 the “Secretary”) shall make grants to not more than 5
16 States to conduct demonstration projects in accordance
17 with subsection (b) for the purpose of establishing a sim-
18 ple process for the modification of child support orders
19 based on changed family circumstances.

20 (b) REQUIREMENTS OF PROJECT.—A project con-
21 ducted in accordance with this subsection shall provide
22 that child support obligations shall not accrue during any
23 period during which—

1 (1) the parents of the child (who is the subject
2 of the order) marry or otherwise reconcile after pre-
3 viously maintaining separate residences;

4 (2) custody of the child changes from one par-
5 ent to the other without order of the court; or

6 (3) the parent obligated to pay child support is
7 unemployed.

8 (c) APPLICATIONS.—Each State desiring to conduct
9 a demonstration project under this section shall prepare
10 and submit to the Secretary an application at such time,
11 in such manner, and containing such information as the
12 Secretary may require.

13 (d) REPORTS.—A State that conducts a demonstra-
14 tion project under this section shall prepare and submit
15 to the Secretary annual and final reports in such form
16 and containing such information as the Secretary may re-
17 quire.

18 (e) AUTHORIZATION OF APPROPRIATIONS.—There
19 are authorized to be appropriated \$1,000,000 for each of
20 fiscal years 1997 through 1999 for the purpose of con-
21 ducting demonstration projects in accordance with this
22 section.

1 **SEC. 363. ESTABLISHMENT OF DEMONSTRATION PROJECTS**
2 **FOR PROVIDING SERVICES TO CERTAIN**
3 **NONCUSTODIAL PARENTS.**

4 (a) IN GENERAL.—The Secretary of Health and
5 Human Services (hereafter in this section referred to as
6 the “Secretary”) shall make grants to not more than 5
7 States to conduct demonstration projects in accordance
8 with subsection (b) for the purpose of providing services
9 to noncustodial parents who are unable to meet child sup-
10 port obligations due to unemployment or
11 underemployment.

12 (b) REQUIREMENTS OF PROJECT.—A project con-
13 ducted in accordance with this subsection shall provide
14 noncustodial parents who are unable to meet child support
15 obligations due to unemployment or underemployment
16 with the following services:

17 (1) Assessment of job readiness.

18 (2) Referrals to job training and education pro-
19 grams.

20 (3) Court monitored job search.

21 (4) Court ordered participation in State work
22 programs or other specialized employment programs.

23 (5) Technical assistance and information and
24 interpretation of legal proceedings.

25 (6) Information dissemination and referrals to
26 other available services.

1 (7) Other services determined by the State.

2 (c) APPLICATIONS.—Each State desiring to conduct
3 a demonstration project under this section shall prepare
4 and submit to the Secretary an application at such time,
5 in such manner, and containing such information as the
6 Secretary may require.

7 (d) REPORTS.—A State that conducts a demonstra-
8 tion project under this section shall prepare and submit
9 to the Secretary annual and final reports in such form
10 and containing such information as the Secretary may re-
11 quire.

12 (e) AUTHORIZATION OF APPROPRIATIONS.—There
13 are authorized to be appropriated \$1,000,000 for each of
14 fiscal years 1996 through 1998 for the purpose of con-
15 ducting demonstration projects in accordance with this
16 section.

17 **SEC. 364. GRANTS TO STATES FOR ACCESS AND VISITATION**
18 **PROGRAMS.**

19 (a) IN GENERAL.—Part D of title IV is amended by
20 adding at the end the following new section:

21 “GRANTS TO STATES FOR ACCESS AND VISITATION
22 PROGRAMS

23 “SEC. 469A. (a) PURPOSES; AUTHORIZATION OF AP-
24 PROPRIATIONS.—For the purposes of enabling States to
25 establish and administer programs to support and facili-
26 tate absent parents’ access to and visitation of their chil-

1 dren, by means of activities including mediation (both vol-
2 untary and mandatory), counseling, education, develop-
3 ment of parenting plans, visitation enforcement (including
4 monitoring, supervision and neutral drop-off and pickup),
5 and development of guidelines for visitation and alter-
6 native custody arrangements, there are authorized to be
7 appropriated \$5,000,000 for each of fiscal years 1996 and
8 1997, and \$10,000,000 for each succeeding fiscal year.

9 “(b) PAYMENTS TO STATES.—(1) Each State shall,
10 subject to appropriations, be entitled to payment under
11 this section for each fiscal year in an amount equal to
12 its allotment under subsection (c) for such fiscal year, to
13 be used for payment of 90 percent of State expenditures
14 for the purposes specified in subsection (a).

15 “(2) Payments under this section shall be used by
16 a State to supplement (and not to substitute for) expendi-
17 tures by the State, for activities specified in subsection
18 (a), at a level at least equal to the level of such expendi-
19 tures for fiscal year 1994.

20 “(c) ALLOTMENTS TO STATES.—

21 “(1) IN GENERAL.—For purposes of subsection
22 (b), each State shall be entitled (subject to subpara-
23 graph (b)(1)) to an amount for each fiscal year
24 bearing the same ratio to the amount authorized to
25 be appropriated pursuant to subsection (a) for such

1 fiscal year as the number of children in the State
2 living with only one biological parent bears to the
3 total number of such children in all States.

4 “(2) MINIMUM ALLOTMENT.—Allotments to
5 States under paragraph (1) shall be adjusted as nec-
6 essary to ensure that no State is allotted less than
7 \$50,000 for fiscal year 1996 or 1997, or \$100,000
8 for any succeeding fiscal year.

9 “(d) FEDERAL ADMINISTRATION.—The program
10 under this section shall be administered by the Adminis-
11 tration for Children and Families.

12 “(e) STATE PROGRAM ADMINISTRATION.—(1) Each
13 State may administer the program under this section di-
14 rectly or through grants to or contracts with courts, local
15 public agencies, or non-profit private entities.

16 “(2) State programs under this section may, but need
17 not, be statewide.

18 “(3) States administering programs under this sec-
19 tion shall monitor, evaluate, and report on such programs
20 in accordance with requirements established by the Sec-
21 retary.”.

1 **SEC. 365. TECHNICAL CORRECTION TO ERISA DEFINITION**
2 **OF MEDICAL CHILD SUPPORT ORDER.**

3 (a) IN GENERAL.—Section 609(a)(2)(B) of the Em-
4 ployee Retirement Income Security Act of 1974 (29
5 U.S.C. 1169(a)(2)(B)) is amended—

6 (1) by striking “issued by a court of competent
7 jurisdiction”;

8 (2) by striking the period at the end of clause
9 (ii) and inserting a comma; and

10 (3) by adding, after and below clause (ii), the
11 following:

12 “if such judgment, decree, or order (I) is issued
13 by a court of competent jurisdiction, or (II) is
14 issued by an administrative adjudicator and has
15 the force and effect of law under applicable
16 State law.”.

17 (b) PLAN AMENDMENTS NOT REQUIRED UNTIL OC-
18 TOBER 1, 1996.—

19 (1) IN GENERAL.—Any amendment to a plan
20 required to be made by an amendment made by this
21 section shall not be required to be made before the
22 first plan year beginning on or after October 1,
23 1996, if—

24 (A) during the period after the date before
25 the effective date of this Act and before such
26 first plan year, the plan is operated in accord-

1 ance with the requirements of the amendments
2 made by this section; and

3 (B) the plan amendment applies retro-
4 actively to the period after the date before the
5 effective date of this Act and before such first
6 plan year.

7 (2) HOLD HARMLESS PROVISION.—A plan shall
8 not be treated as failing to be operated in accord-
9 ance with the provisions of the plan merely because
10 it operates in accordance with paragraph (1).

11 **Subtitle F—Tax Reforms**

12 **SEC. 371. QUARTERLY ADVANCED EITC.**

13 Not later than 6 months after the date of the enact-
14 ment of this Act, the Secretary of the Treasury shall pro-
15 vide for the quarterly lump sum advance payment of the
16 earned income tax credit under section 32 of the Internal
17 Revenue Code of 1986.

18 **SEC. 372. EXPANSION OF THE TAX COUNSELING FOR THE** 19 **ELDERLY PROGRAM.**

20 (a) IN GENERAL.—Not later than 6 months after the
21 date of the enactment of this Act, the Commissioner of
22 the Internal Revenue Service shall provide for the expan-
23 sion of the Tax Counseling for the Elderly (TCE) program
24 to include assistance to low-income families with incomes
25 not greater than 185 percent of the income official poverty

1 line (as defined by the Office of Management and Budget,
2 and revised annually in accordance with section 673(2) of
3 the Omnibus Budget Reconciliation Act of 1981) applica-
4 ble to a family of the size involved, with specific outreach
5 to families—

6 (1) receiving aid to families with dependent
7 children under part A of title IV of the Social Secu-
8 rity Act;

9 (2) participating in the food stamp program es-
10 tablished by the Food Stamp Act of 1977;

11 (3) who are homeless; or

12 (4) receiving child care assistance through part
13 G of title IV of the Social Security Act (42 U.S.C.
14 602(i)) by reason of a child in the family being eligi-
15 ble for such assistance under section 491A(4)(B)(ii)
16 of such Act.

17 (b) ELEMENTS OF EXPANSION.—The expansion de-
18 scribed in subsection (a) may include—

19 (1) the recruitment, training, coordination, and
20 oversight of volunteers to provide tax assistance, and

21 (2) the provision of assistance with tax audits,
22 administrative hearings, and judicial proceedings.

23 (c) AUTHORIZATION OF APPROPRIATIONS.—In addi-
24 tion to any other amounts authorized to be appropriated
25 for the Tax Counseling for the Elderly (TCE) program,

1 there are authorized to be appropriated for the expansion
 2 of the program under this section, \$1,000,000 for each
 3 fiscal year beginning with fiscal year 1996.

4 **TITLE IV—CHILD CARE**
 5 **REFORMS**

6 **SEC. 401. CHILD CARE FOR NEEDY FAMILIES BLOCK**
 7 **GRANT.**

8 Title IV (42 U.S.C. 601 et seq.) is amended by add-
 9 ing at the end the following new part:

10 **“PART G—CHILD CARE FOR NEEDY**
 11 **FAMILIES BLOCK GRANT**

12 **“SEC. 491A. DEFINITIONS.**

13 “For purposes of this part:

14 “(1) CAREGIVER.—The term ‘caregiver’ means
 15 an individual who provides a service directly to an
 16 eligible child on a person-to-person basis.

17 “(2) CHILD CARE CERTIFICATE.—The term
 18 ‘child care certificate’ means a certificate (that may
 19 be a check or other disbursement) that is issued by
 20 a State or local government under this part directly
 21 to a parent who may use such certificate only as
 22 payment for child care services. Nothing in this part
 23 shall preclude the use of such certificates for sectar-
 24 ian child care services if freely chosen by the parent.

1 For purposes of this part, child care certificates
2 shall not be considered to be grants or contracts.

3 “(3) ELEMENTARY SCHOOL.—The term ‘ele-
4 mentary school’ means a day or residential school
5 that provides elementary education, as determined
6 under State law.

7 “(4) ELIGIBLE CHILD.—The term ‘eligible
8 child’ means the following:

9 “(A) CHILDREN FOR WHOM CHILD CARE IS
10 GUARANTEED.—

11 “(i) A child who would have been eli-
12 gible to receive child care under section
13 402(g)(1)(A)(i), as such section was in ef-
14 fect on September 30, 1995.

15 “(ii) A child who would have been eli-
16 gible to receive child care under section
17 402(g)(1)(A)(ii) (relating to transitional
18 child care), as such section was in effect on
19 September 30, 1995. At the option of the
20 State the State may, uniformly for all chil-
21 dren, elect to extend the period for which
22 a child is eligible for care under this clause
23 for—

24 “(I) 12 months; or

1 “(II) until the income of the family
2 exceeds 185 percent of the income official
3 poverty line (as defined by the Office of
4 Management and Budget, and revised an-
5 nually in accordance with section 673(2) of
6 the Omnibus Budget Reconciliation Act of
7 1981) that is applicable for a family of the
8 size involved.

9 “(B) CHILDREN FOR WHOM CHILD CARE
10 IS NOT GUARANTEED.—

11 “(i) An individual—

12 “(I) who is less than 13 years of
13 age;

14 “(II) who has a family income
15 not in excess of an amount deter-
16 mined by the State which may not ex-
17 ceed a maximum of 75 percent of the
18 State median income for a family of
19 the same size; and

20 “(III) who meets any additional
21 eligibility criteria established by the
22 State.

23 “(ii) A child who would have been eli-
24 gible to receive child care under section
25 402(i) (relating to at-risk child care), as

1 such section was in effect on September
2 30, 1995.

3 “(iii) At the option of the State, a
4 child who requires child care services as a
5 result of a family member’s voluntarily en-
6 gaging in community service activities ap-
7 proved by the State if such family member
8 is required to comply with section 482(k).

9 “(5) ELIGIBLE CHILD CARE PROVIDER.—The
10 term ‘eligible child care provider’ means—

11 “(A) a center-based child care provider, a
12 group home child care provider, a family child
13 care provider, or other provider of child care
14 services for compensation that—

15 “(i) is licensed, regulated, or reg-
16 istered under State law as described in sec-
17 tion 491E(c)(2)(E); and

18 “(ii) satisfies the State and local re-
19 quirements, including those referred to in
20 section 491E(c)(2)(F);

21 applicable to the child care services it provides;

22 or

23 “(B) a child care provider that is 18 years
24 of age or older who provides child care services
25 only to eligible children who are, by affinity or

1 consanguinity, or by court decree, the grand-
2 child, niece, or nephew of such provider, if such
3 provider is registered and complies with any
4 State requirements that govern child care pro-
5 vided by the relative involved.

6 “(6) FAMILY CHILD CARE PROVIDER.—The
7 term ‘family child care provider’ means one individ-
8 ual who provides child care services for fewer than
9 24 hours per day, as the sole caregiver, and in a pri-
10 vate residence.

11 “(7) INDIAN TRIBE.—The term ‘Indian tribe’
12 has the meaning given it in section 4(e) of the In-
13 dian Self-Determination and Education Assistance
14 Act (25 U.S.C. 450b(e)).

15 “(8) LEAD AGENCY.—The term ‘lead agency’
16 means the agency designated under section 491D(a).

17 “(9) PARENT.—The term ‘parent’ includes a
18 legal guardian or other person standing in loco
19 parentis.

20 “(10) SECONDARY SCHOOL.—The term ‘second-
21 ary school’ means a day or residential school which
22 provides secondary education, as determined under
23 State law.

1 “(11) SLIDING FEE SCALE.—The term ‘sliding
2 fee scale’ means a system of cost sharing by a family
3 based on income and size of the family.

4 “(12) STATE.—The term ‘State’ means any of
5 the several States, the District of Columbia, the Vir-
6 gin Islands of the United States, the Commonwealth
7 of Puerto Rico, Guam, American Samoa, the Com-
8 monwealth of the Northern Mariana Islands, the
9 Trust Territory of the Pacific Islands, or an Indian
10 tribe.

11 “(13) TRIBAL ORGANIZATION.—The term ‘trib-
12 al organization’ has the meaning given it in section
13 4(l) of the Indian Self-Determination and Education
14 Assistance Act (25 U.S.C. 450b(l)).

15 **“SEC. 491B. PURPOSES; LIMITATIONS ON AUTHORIZATIONS**
16 **OF APPROPRIATIONS.**

17 “(a) PURPOSE; LIMITATION ON AUTHORIZATION OF
18 APPROPRIATIONS.—For the purpose of encouraging and
19 enabling each State to develop, establish, or expand, and
20 to operate a program to provide child care services, there
21 are authorized to be appropriated to the Secretary the
22 amounts described in subsection (b) for the fiscal years
23 specified in such subsection.

24 “(b) DESCRIPTION OF AMOUNTS.—The amounts de-
25 scribed in this subsection are—

1 “(1) for fiscal year 1996, \$2,302,000,000;

2 “(2) for fiscal year 1997, \$2,790,000,000;

3 “(3) for fiscal year 1998, \$3,040,000,000

4 “(4) for fiscal year 1999, \$3,460,000,000; and

5 “(5) for fiscal year 2000, \$4,030,000,000.

6 **“SEC. 491C. ESTABLISHMENT OF BLOCK GRANT PROGRAM.**

7 “The Secretary shall make grants to States in ac-
8 cordance with the provisions of this part.

9 **“SEC. 491D. LEAD AGENCY.**

10 “(a) DESIGNATION.—The chief executive officer of a
11 State desiring to receive a grant under this part shall des-
12 ignate, in an application submitted to the Secretary under
13 section 491E, an appropriate State agency that complies
14 with the requirements of subsection (b) to act as the lead
15 agency.

16 “(b) DUTIES.—

17 “(1) IN GENERAL.—The lead agency shall—

18 “(A) administer, directly or through other
19 State agencies, the funds received under this
20 part by the State;

21 “(B) develop the State plan to be submit-
22 ted to the Secretary under section 491E;

23 “(C) in conjunction with the development
24 of the State plan as required under subpara-
25 graph (B), hold at least one hearing in the

1 State to provide to the public an opportunity to
2 comment on the provision of child care services
3 under the State plan; and

4 “(D) coordinate the provision of services
5 under this part with other Federal, State, and
6 local child care and early childhood development
7 programs.

8 “(2) DEVELOPMENT OF PLAN.—In the develop-
9 ment of the State plan described in paragraph
10 (1)(B), the lead agency shall consult with appro-
11 priate representatives of units of general purpose
12 local government. Such consultations may include
13 consideration of local child care needs and resources,
14 the effectiveness of existing child care and early
15 childhood development services, and the methods by
16 which funds made available under this part can be
17 used to effectively address local shortages.

18 **“SEC. 491E. APPLICATION AND PLAN.**

19 “(a) APPLICATION.—To be eligible to receive funds
20 under this part, a State shall prepare and submit to the
21 Secretary an application at such time, in such manner,
22 and containing such information as the Secretary shall by
23 rule require, including—

24 “(1) an assurance that the State will comply
25 with the requirements of this part; and

1 “(2) a State plan that meets the requirements
2 of subsection (c).

3 “(b) PERIOD COVERED BY PLAN.—The State plan
4 contained in the application under subsection (a) shall be
5 designed to be implemented—

6 “(1) during a 3-year period for the initial State
7 plan; and

8 “(2) during a 2-year period for subsequent
9 State plans.

10 “(c) REQUIREMENTS OF A PLAN.—

11 “(1) LEAD AGENCY.—The State plan shall
12 identify the lead agency designated under section
13 491D.

14 “(2) POLICIES AND PROCEDURES.—The State
15 plan shall provide the following assurances:

16 “(A) GUARANTEE OF CHILD CARE FOR
17 CERTAIN ELIGIBLE CHILDREN.—Assurances
18 that the State will guarantee child care services
19 for which assistance is provided under this part,
20 to eligible children described in section
21 491A(4)(A).

22 “(B) PARENTAL CHOICE OF PROVIDERS.—
23 Assurances that—

24 “(i) the parent or parents of each eli-
25 gible child within the State who receives or

1 is offered child care services for which as-
2 sistance is provided under this part, other
3 than through assistance provided under
4 paragraph (3)(C), are given the option ei-
5 ther—

6 “(I) to enroll such child with a
7 child care provider that has a grant or
8 contract for the provision of such
9 services; or

10 “(II) to receive a child care cer-
11 tificate;

12 “(ii) in cases in which the parent se-
13 lects the option described in clause (i)(I),
14 the child will be enrolled with the eligible
15 provider selected by the parent to the max-
16 imum extent practicable; and

17 “(iii) child care certificates offered to
18 parents selecting the option described in
19 clause (i)(II) shall be of a value commen-
20 surate with the subsidy value of child care
21 services provided under the option de-
22 scribed in clause (i)(I);

23 except that nothing in this subparagraph shall
24 require a State to have a child care certificate
25 program in operation prior to October 1, 1998.

1 “(C) UNLIMITED PARENTAL ACCESS.—Assur-
2 surances that procedures are in effect within
3 the State to ensure that child care providers
4 who provide services for which assistance is
5 made available under this part afford parents
6 unlimited access to their children and to the
7 providers caring for their children, during the
8 normal hours of operation of such providers and
9 whenever such children are in the care of such
10 providers.

11 “(D) PARENTAL COMPLAINTS.—Assur-
12 ances that the State maintains a record of sub-
13 stantiated parental complaints and makes infor-
14 mation regarding such parental complaints
15 available to the public on request.

16 “(E) CONSUMER EDUCATION.—Assurances
17 that consumer education information will be
18 made available to parents and the general pub-
19 lic within the State concerning licensing and
20 regulatory requirements, complaint procedures,
21 and policies and practices relative to child care
22 services within the State.

23 “(F) COMPLIANCE WITH STATE AND
24 LOCAL REGULATORY REQUIREMENTS.—Assur-
25 ances that—

1 “(i) all providers of child care services
2 within the State for which assistance is
3 provided under this part comply with all li-
4 censing or regulatory requirements (includ-
5 ing registration requirements) applicable
6 under State and local law; and

7 “(ii) providers within the State that
8 are not required to be licensed or regulated
9 under State or local law are required to be
10 registered with the State prior to payment
11 being made under this part, in accordance
12 with procedures designed to facilitate ap-
13 propriate payment to such providers, and
14 to permit the State to furnish information
15 to such providers, including information on
16 the availability of health and safety train-
17 ing, technical assistance, and any relevant
18 information pertaining to regulatory re-
19 quirements in the State, and that such
20 providers shall be permitted to register
21 with the State after selection by the par-
22 ents of eligible children and before such
23 payment is made.

24 This subparagraph shall not be construed to
25 prohibit a State from imposing more stringent

1 standards and licensing or regulatory require-
2 ments on child care providers within the State
3 that provide services for which assistance is
4 provided under this part than the standards or
5 requirements imposed on other child care pro-
6 viders in the State.

7 “(G) ESTABLISHMENT OF HEALTH AND
8 SAFETY REQUIREMENTS.—Assurances that
9 there are in effect within the State, under State
10 or local law, requirements designed to protect
11 the health and safety of children that are appli-
12 cable to child care providers that provide serv-
13 ices for which assistance is made available
14 under this part. Such requirements shall in-
15 clude—

16 “(i) the prevention and control of in-
17 fectious diseases (including immunization);

18 “(ii) building and physical premises
19 safety; and

20 “(iii) minimum health and safety
21 training appropriate to the provider set-
22 ting.

23 Nothing in this subparagraph shall be con-
24 strued to require the establishment of addi-
25 tional health and safety requirements for child

1 care providers that are subject to health and
2 safety requirements in the categories described
3 in this subparagraph on the date of enactment
4 of this part under State or local law.

5 “(H) COMPLIANCE WITH STATE AND
6 LOCAL HEALTH AND SAFETY REQUIREMENTS.—
7 Assurances that procedures are in effect to en-
8 sure that child care providers within the State
9 that provide services for which assistance is
10 provided under this part comply with all appli-
11 cable State or local health and safety require-
12 ments as described in subparagraph (G).

13 “(I) REDUCTION IN STANDARDS.—Assur-
14 ances that if the State reduces the level of
15 standards applicable to child care services pro-
16 vided in the State on the date of enactment of
17 this part, the State shall inform the Secretary
18 of the rationale for such reduction in the an-
19 nual report of the State described in section
20 491L.

21 “(J) REVIEW OF STATE LICENSING AND
22 REGULATORY REQUIREMENTS.—Assurances
23 that not later than 18 months after the date of
24 the submission of the application under this
25 section, the State will complete a full review of

1 the law applicable to, and the licensing and reg-
2 ulatory requirements and policies of, each li-
3 censing agency that regulates child care services
4 and programs in the State unless the State has
5 reviewed such law, requirements, and policies in
6 the 3-year period ending on the date of the en-
7 actment of this part.

8 “(K) SUPPLEMENTATION.—Assurances
9 that funds received under this part by the State
10 will be used only to supplement, not to sup-
11 plant, the amount of Federal, State, and local
12 funds otherwise expended for the support of
13 child care services and related programs in the
14 State.

15 “(3) USE OF BLOCK GRANT FUNDS.—

16 “(A) GENERAL REQUIREMENT.—The State
17 plan shall provide that the State will use the
18 amounts provided to the State for each fiscal
19 year under this part as required under subpara-
20 graphs (B) and (C).

21 “(B) CHILD CARE SERVICES.—Subject to
22 the reservation contained in subparagraph (C),
23 and subject to the child care guarantee for cer-
24 tain children contained in 491A 4(A)(i) and (ii)

1 the State shall use amounts provided to the
2 State for each fiscal year under this part for—

3 “(i) child care services, that meet the
4 requirements of this part, that are pro-
5 vided to eligible children in the State using
6 funding methods provided for in subsection
7 (c)(2)(B)—

8 “(I) without the imposition of a
9 fee with respect to services provided
10 to children described in section
11 491(a)(5)(A)(i); and

12 “(II) on a sliding fee scale basis
13 with respect to eligible children not
14 described section 491(a)(5)(A)(i), with
15 priority being given for services pro-
16 vided to children of families with very
17 low family incomes (taking into con-
18 sideration family size) and to children
19 with special needs; and

20 “(ii) activities designed to improve the
21 availability and quality of child care.

22 “(C) ACTIVITIES TO IMPROVE THE QUAL-
23 ITY OF CHILD CARE AND TO INCREASE THE
24 AVAILABILITY OF EARLY CHILDHOOD DEVELOP-
25 MENT AND BEFORE- AND AFTER-SCHOOL CARE

1 SERVICES.—The State shall reserve 25 percent
2 of the amounts provided to the State for each
3 fiscal year under this part to carry out activities
4 designed to improve the quality of child care (as
5 described in section 491G), to provide before-
6 and after-school and early childhood develop-
7 ment services (as described in section 491H),
8 and to provide for infrastructure development
9 (as described in section 491I).

10 “(4) PAYMENT RATES.—

11 “(A) IN GENERAL.—The State plan shall
12 provide assurances that payment rates for the
13 provision of child care services for which assist-
14 ance is provided under this part are sufficient
15 to ensure equal access for eligible children to
16 comparable child care services in the State or
17 substate area that are provided to children
18 whose parents are not eligible to receive assist-
19 ance under this part or for child care assistance
20 under any other Federal or State programs.
21 Such payment rates shall take into account the
22 variations in the costs of providing child care in
23 different settings and to children of different
24 age groups, and the additional costs of provid-
25 ing child care for children with special needs.

1 “(B) CONSTRUCTION.—Nothing in this
2 paragraph shall be construed to create a private
3 right of action.

4 “(5) SLIDING FEE SCALE.—The State plan
5 shall provide that the State will establish and peri-
6 odically revise, by rule, a sliding fee scale that pro-
7 vides for cost sharing by the families that receive
8 child care services for which assistance is provided
9 under this part.

10 “(d) APPROVAL OF APPLICATION.—The Secretary
11 shall approve an application that satisfies the require-
12 ments of this section.

13 **“SEC. 491F. LIMITATIONS ON USE OF FUNDS.**

14 “(a) NO ENTITLEMENT TO CONTRACT OR GRANT.—
15 Nothing in this part shall be construed—

16 “(1) to entitle any child care provider or recipi-
17 ent of a child care certificate to any contract, grant
18 or benefit; or

19 “(2) to limit the right of any State to impose
20 additional limitations or conditions on contracts or
21 grants funded under this part.

22 “(b) USE OF FUNDS FOR ADMINISTRATIVE PUR-
23 POSES.—A State shall not use more than 10 percent of
24 the amount it receives under this part for the administra-
25 tion of the plan approved under this part.

1 **“SEC. 491G. ACTIVITIES TO IMPROVE THE QUALITY OF**
2 **CHILD CARE.**

3 “(a) IN GENERAL.—A State that receives financial
4 assistance under this part shall use 20 percent of the
5 amounts reserved by such State under section
6 491E(c)(3)(C) for each fiscal year for one or more of the
7 following:

8 “(1) RESOURCE AND REFERRAL PROGRAMS.—
9 Operating directly or providing financial assistance
10 to private nonprofit organizations or public organiza-
11 tions (including units of general purpose local gov-
12 ernment) for the development, establishment, expan-
13 sion, operation, and coordination of resource and re-
14 ferral programs specifically related to child care.

15 “(2) GRANTS OR LOANS TO ASSIST IN MEETING
16 STATE AND LOCAL STANDARDS.—Making grants or
17 providing loans to child care providers to assist such
18 providers in meeting applicable State and local child
19 care standards.

20 “(3) MONITORING OF COMPLIANCE WITH LI-
21 CENSING AND REGULATORY REQUIREMENTS.—Im-
22 proving the monitoring of compliance with, and en-
23 forcement of, State and local licensing and regu-
24 latory requirements (including registration require-
25 ments).

1 “(b) PROGRAM DESCRIPTION.—Programs that re-
2 ceive assistance under this section shall—

3 “(1) in the case of early childhood development
4 programs, consist of services that are not intended
5 to serve as a substitute for compulsory academic
6 programs but that are intended to provide an envi-
7 ronment that enhances the educational, social, cul-
8 tural, emotional, and recreational development of
9 children; and

10 “(2) in the case of before- and after-school child
11 care programs—

12 “(A) be provided Monday through Friday,
13 including school holidays and vacation periods
14 other than legal public holidays, to children at-
15 tending early childhood development programs,
16 kindergarten, or elementary or secondary school
17 classes during such times of the day and on
18 such days that regular instructional services are
19 not in session; and

20 “(B) not be intended to extend or replace
21 the regular academic program.

22 “(c) PRIORITY FOR ASSISTANCE.—In awarding
23 grants and contracts under this section, the State shall
24 give the highest priority to geographic areas within the
25 State that are eligible to receive grants under section 1006

1 of the Elementary and Secondary Education Act of 1965,
2 and shall then give priority to—

3 “(1) any other areas with concentrations of
4 poverty; and

5 “(2) any areas with very high or very low popu-
6 lation densities.

7 **“SEC. 491I. INFRASTRUCTURE DEVELOPMENT.**

8 “A State that receives financial assistance under this
9 part shall use 5 percent of the amounts received by the
10 State under section 491E(c)(3)(C) for the development of
11 infrastructure to be used to provide child care services in
12 accordance with this part, including the construction of
13 or renovation of child care facilities.

14 **“SEC. 491J. ADMINISTRATION AND ENFORCEMENT.**

15 “(a) ADMINISTRATION.—The Secretary shall—

16 “(1) coordinate all activities of the Department
17 of Health and Human Services relating to child
18 care, and, to the maximum extent practicable, co-
19 ordinate such activities with similar activities of
20 other Federal entities;

21 “(2) collect, publish and make available to the
22 public a listing of State child care standards at least
23 once every 3 years; and

1 “(3) provide technical assistance to assist
2 States to carry out this part, including assistance on
3 a reimbursable basis.

4 “(b) ENFORCEMENT.—

5 “(1) REVIEW OF COMPLIANCE WITH STATE
6 PLAN.—The Secretary shall review and monitor
7 State compliance with this part and the plan ap-
8 proved under section 491E(d) for the State, and
9 shall have the power to terminate payments to the
10 State in accordance with paragraph (2).

11 “(2) NONCOMPLIANCE.—

12 “(A) IN GENERAL.—If the Secretary, after
13 reasonable notice to a State and opportunity for
14 a hearing, finds that—

15 “(i) there has been a failure by the
16 State to comply substantially with any pro-
17 vision or requirement set forth in the plan
18 approved under section 491E(d) for the
19 State; or

20 “(ii) in the operation of any program
21 for which assistance is provided under this
22 part there is a failure by the State to com-
23 ply substantially with any provision of this
24 part;

1 the Secretary shall notify the State of the find-
2 ing and that no further payments may be made
3 to such State under this part (or, in the case
4 of noncompliance in the operation of a program
5 or activity, that no further payments to the
6 State will be made with respect to such pro-
7 gram or activity) until the Secretary is satisfied
8 that there is no longer any such failure to com-
9 ply or that the noncompliance will be promptly
10 corrected.

11 “(B) ADDITIONAL SANCTIONS.—In the
12 case of a finding of noncompliance made pursu-
13 ant to subparagraph (A), the Secretary may, in
14 addition to imposing the sanctions described in
15 such subparagraph, impose other appropriate
16 sanctions, including recoupment of money im-
17 properly expended for purposes prohibited or
18 not authorized by this part, and disqualification
19 from the receipt of financial assistance under
20 this part.

21 “(C) NOTICE.—The notice required under
22 subparagraph (A) shall include a specific identi-
23 fication of any additional sanction being im-
24 posed under subparagraph (B).

1 “(3) ISSUANCE OF RULES.—The Secretary shall
2 establish by rule procedures for—

3 “(A) receiving, processing, and determin-
4 ing the validity of complaints concerning any
5 failure of a State to comply with the State plan
6 or any requirement of this part; and

7 “(B) imposing sanctions under this sec-
8 tion.

9 **“SEC. 491K. PAYMENTS.**

10 “(a) IN GENERAL.—

11 “(1) PAYMENTS.—Each State that has an ap-
12 plication approved by the Secretary under section
13 491E(d) shall be entitled to a payment under this
14 section for each fiscal year in an amount equal to
15 the sum of—

16 “(A) the hold harmless amount determined
17 under subsection (c); and

18 “(B) the additional amount determined
19 under subsection (d).

20 “(2) STATE ENTITLEMENT.—The provisions of
21 this part constitute budget authority in advance of
22 appropriations Acts, and represent the obligation of
23 the Federal Government to provide for the payment
24 to States of the amount described in paragraph (1).

25 “(b) METHOD OF PAYMENT.—

1 “(1) IN GENERAL.—Subject to paragraph (2),
2 the Secretary may make payments to a State in in-
3 stallments, and in advance or by way of reimburse-
4 ment, with necessary adjustments on account of
5 overpayments or underpayments, as the Secretary
6 may determine.

7 “(2) LIMITATION.—The Secretary may not
8 make such payments in a manner that prevents the
9 State from complying with the requirement specified
10 in section 491E(c)(3).

11 “(c) HOLD HARMLESS AMOUNT.—

12 “(1) IN GENERAL.—For purposes of subsection
13 (a), the hold harmless amount determined under this
14 subsection is the amount equal to the aggregate
15 amount of Federal funds received by a State under
16 the child care programs specified in paragraph (2)
17 (as such programs were in effect in fiscal year 1995)
18 for fiscal year 1995.

19 “(2) CHILD CARE PROGRAMS SPECIFIED.—The
20 child care programs specified in this paragraph are
21 the following:

22 “(A) The child care and development block
23 grant program operated in accordance with the
24 Child Care and Development Block Grant Act
25 of 1990 (42 U.S.C. 9858A–9858Q).

1 “(B) The AFDC–JOBS guaranteed child
2 care program operated in accordance with sec-
3 tion 402(g)(1)(A)(i) of this Act (42 U.S.C.
4 602(g)(1)(A)(i)).

5 “(C) The at-risk child care program oper-
6 ated in accordance with section 402(i) of this
7 Act (42 U.S.C. 602(i)).

8 “(D) The transitional child care program
9 operated in accordance with section
10 402(g)(1)(A)(ii) of this Act (42 U.S.C.
11 602(g)(1)(A)(ii)).

12 “(E) The child development associate pro-
13 gram operated in accordance with title VI of
14 the Human Services Reauthorization Act of
15 1986 (commonly known as the Child Develop-
16 ment Associate Scholarship Assistance Act of
17 1985) (42 U.S.C. 10901 et seq.).

18 “(F) The State dependent care planning
19 and development grant program operated in ac-
20 cordance with subchapter E of chapter 8 of
21 subtitle A of title VI of the Omnibus Budget
22 Reconciliation Act of 1981 (commonly known as
23 the State Dependent Care Development Grants
24 Act) (42 U.S.C. 9871 et seq.).

25 “(d) ADDITIONAL AMOUNT.—

1 “(1) TERRITORIES, POSSESSIONS, AND INDIAN
2 TRIBES.—

3 “(A) IN GENERAL.—With respect to a
4 State that is a territory, possession, or Indian
5 tribe, the additional amount determined under
6 this subsection for a fiscal year is an amount
7 equal to the lesser of—

8 “(i) 80 percent of the amount that
9 such territory, possession, or Indian tribe
10 expended under the plan for child care
11 services, activities designed to improve the
12 quality of child care, and before- and after-
13 school and early childhood development
14 services (including the cost of administra-
15 tion of the plan) in excess of the hold-
16 harmless amount determined under sub-
17 section (c); or

18 “(ii) an amount that bears the same
19 ratio to the remainder amount determined
20 under subparagraph (B) as—

21 “(I) the hold harmless amount
22 received by the territory, possession,
23 or Indian tribe under subsection (c) in
24 such fiscal year; bears

1 “(II) to the total hold harmless
2 amount determined for all territories,
3 possessions, Indian tribes, and other
4 States under subsection (c) in such
5 fiscal year.

6 “(B) REMAINDER AMOUNT.—For purposes
7 of this subparagraph, the remainder amount de-
8 termined under this subparagraph for a fiscal
9 year is equal to—

10 “(i) the amount described in section
11 491B(b) for such fiscal year; minus

12 “(ii) the aggregate hold harmless
13 amount determined under subsection (c)
14 for all territories, possessions, Indian
15 tribes, and other States for such fiscal
16 year.

17 “(2) OTHER STATES.—

18 “(A) IN GENERAL.—With respect to a
19 State that is not a State described in paragraph
20 (1), the additional amount determined under
21 this subsection for a fiscal year is an amount
22 equal to the lesser of—

23 “(i) 80 percent of the amount that the
24 State expended under the plan for child
25 care services, activities designed to improve

1 the quality of child care, and before- and
2 after-school and early childhood develop-
3 ment services (including the cost of admin-
4 istration of the plan) during the fiscal year
5 in excess of the hold-harmless amount de-
6 termined under subsection (b) for the fis-
7 cal year; or

8 “(ii) the State’s child poverty amount
9 determined under subparagraph (B) for
10 the fiscal year.

11 “(B) CHILD POVERTY AMOUNT.—For pur-
12 poses of subparagraph (A), the child poverty
13 amount determined under this subparagraph
14 for a fiscal year for a State (other than a State
15 described in paragraph (1)) is an amount equal
16 to the product of—

17 “(i)(I) the amount described in sec-
18 tion 491B(b) for the fiscal year; minus

19 “(II) the sum of the aggregate
20 amounts determined under—

21 “(aa) subsection (c) for all
22 States; and

23 “(bb) paragraph (1) for terri-
24 tories, possessions, and Indian tribes
25 in such fiscal year; and

1 “(ii) an amount equal to—

2 “(I) the number of children 17
3 years of age and younger living in
4 families in the State in the fiscal year
5 with annual income lower than the in-
6 come official poverty line (as defined
7 by the Office of Management and
8 Budget, and revised annually in ac-
9 cordance with section 673(2) of the
10 Omnibus Budget Reconciliation Act of
11 1981) that is applicable to a family of
12 the size involved; divided by

13 “(II) the number of such children
14 living in all States (other than States
15 described in paragraph (1)) in the fis-
16 cal year.

17 “(e) DATA AND INFORMATION.—The Secretary shall
18 use decennial census data to determine the child poverty
19 amount under subsection (d)(2)(B)(ii) in a State until
20 such time as the Bureau of the Census develops a meth-
21 odology to compile more frequent estimates to make such
22 determinations.

23 “(f) SPENDING OF FUNDS BY STATE.—Payments to
24 a State under this section for any fiscal year may be ex-

1 pended by the State in that fiscal year or in the succeeding
2 3 fiscal years.

3 **“SEC. 491L. ANNUAL REPORT AND AUDITS.**

4 “(a) ANNUAL REPORT.—Not later than December
5 31, 1998, and annually thereafter, a State that receives
6 assistance under this part shall prepare and submit to the
7 Secretary a report—

8 “(1) specifying the uses for which the State ex-
9 pended funds specified under paragraph (3) of sec-
10 tion 491E(c) and the amount of funds expended for
11 such uses;

12 “(2) containing available data on the manner in
13 which the child care needs of families in the State
14 are being fulfilled, including information concern-
15 ing—

16 “(A) the number of children being assisted
17 with funds provided under this part, and under
18 other Federal child care and pre-school pro-
19 grams;

20 “(B) the type and number of child care
21 programs, child care providers, caregivers, and
22 support personnel located in the State;

23 “(C) salaries and other compensation paid
24 to full- and part-time staff who provide child
25 care services; and

1 “(D) activities in the State to encourage
2 public-private partnerships that promote busi-
3 ness involvement in meeting child care needs;

4 “(3) describing the extent to which the afford-
5 ability and availability of child care services has in-
6 creased;

7 “(4) if applicable, describing, in either the first
8 or second such report, the findings of the review of
9 State licensing and regulatory requirements and
10 policies described in section 491E(c), including a de-
11 scription of actions taken by the State in response
12 to such reviews;

13 “(5) containing an explanation of any State ac-
14 tion, in accordance with section 491E, to reduce the
15 level of child care standards in the State, if applica-
16 ble;

17 “(6) describing the standards and health and
18 safety requirements applicable to child care provid-
19 ers in the State, including a description of State ef-
20 forts to improve the quality of child care; and

21 “(7) containing measurements of the State’s
22 success in meeting child care needs of low-income
23 families in the State in accordance with the perform-
24 ance-based and outcome-based measures developed
25 in accordance with subsection (c);

1 during the period for which such report is required to be
2 submitted.

3 “(b) AUDITS.—

4 “(1) REQUIREMENT.—A State shall, after the
5 close of each program period covered by an applica-
6 tion approved under section 491E(d) audit its ex-
7 penditures during such program period from
8 amounts received under this part.

9 “(2) INDEPENDENT AUDITOR.—Audits under
10 this subsection shall be conducted by an entity that
11 is independent of any agency administering activities
12 that receive assistance under this part and be in ac-
13 cordance with generally accepted auditing principles.

14 “(3) SUBMISSION.—Not later than 30 days
15 after the completion of an audit under this sub-
16 section, the State shall submit a copy of the audit
17 to the legislature of the State and to the Secretary.

18 “(4) REPAYMENT OF AMOUNTS.—Each State
19 shall repay to the United States any amounts deter-
20 mined through an audit under this subsection not to
21 have been expended in accordance with this part, or
22 the Secretary may offset such amounts against any
23 other amount to which the State is or may be enti-
24 tled under this part.

1 “(c) DEVELOPMENT OF OUTCOME AND PERFORM-
2 ANCE-BASED MEASURES.—

3 “(1) IN GENERAL.—Not later than 12 months
4 after the date of the enactment of the Economic Op-
5 portunity and Family Responsibility Act of 1995,
6 the Secretary, in consultation with the States, shall
7 develop and publish in the Federal Register perform-
8 ance-based and outcome-based measures for deter-
9 mining a State’s success in meeting the child care
10 needs of low-income families in a State.

11 “(2) REPLACEMENT OF OLD STANDARDS.—The
12 measures developed under paragraph (1) shall, upon
13 publication of such measures in the Federal Reg-
14 ister, replace any matter required in the report
15 under subsection (a) as the Secretary may determine
16 appropriate.

17 **“SEC. 491M. REPORT BY SECRETARY.**

18 “Not later than July 31, 1999, and annually there-
19 after, the Secretary shall prepare and submit to the Com-
20 mittee on Ways and Means of the House of Representa-
21 tives and the Committee on Finance of the Senate a report
22 that contains a summary and analysis of the data and in-
23 formation provided to the Secretary in the State reports
24 submitted under section 491L. Such report shall include
25 an assessment, and where appropriate, recommendations

1 for the Congress concerning efforts that should be under-
2 taken to improve the access of the public to quality and
3 affordable child care in the United States.

4 **“SEC. 491N. LIMITATIONS ON USE OF FINANCIAL ASSIST-**
5 **ANCE FOR CERTAIN PURPOSES.**

6 “(a) **SECTARIAN PURPOSES AND ACTIVITIES.**—No fi-
7 nancial assistance provided under this part, pursuant to
8 the choice of a parent under section 491E(c)(2)(A)(i)(I)
9 or through any other grant or contract under the State
10 plan, shall be expended for any sectarian purpose or activ-
11 ity, including sectarian worship or instruction.

12 “(b) **TUITION.**—With regard to services provided to
13 students enrolled in grades 1 through 12, no financial as-
14 sistance provided under this part shall be expended for—

15 “(1) any services provided to such students dur-
16 ing the regular school day;

17 “(2) any services for which such students re-
18 ceive academic credit toward graduation; or

19 “(3) any instructional services which supplant
20 or duplicate the academic program of any public or
21 private school.

22 **“SEC. 491O. NONDISCRIMINATION.**

23 “(a) **RELIGIOUS NONDISCRIMINATION.**—

24 “(1) **CONSTRUCTION.**—

1 “(A) IN GENERAL.—Except as provided in
2 subparagraph (B), nothing in this section shall
3 be construed to modify or affect the provisions
4 of any other Federal law or regulation that re-
5 lates to discrimination in employment on the
6 basis of religion.

7 “(B) EXCEPTION.—A sectarian organiza-
8 tion may require that employees adhere to the
9 religious tenets and teachings of such organiza-
10 tion, and such organization may require that
11 employees adhere to rules forbidding the use of
12 drugs or alcohol.

13 “(2) DISCRIMINATION AGAINST CHILD.—

14 “(A) IN GENERAL.—A child care provider
15 (other than a family child care provider) that
16 receives assistance under this part shall not dis-
17 criminate against any child on the basis of reli-
18 gion in providing child care services.

19 “(B) NON-FUNDED CHILD CARE SLOTS.—
20 Nothing in this section shall prohibit a child
21 care provider from selecting children for child
22 care slots that are not funded directly with as-
23 sistance provided under this part because such
24 children or their family members participate on

1 a regular basis in other activities of the organi-
2 zation that owns or operates such provider.

3 “(3) EMPLOYMENT IN GENERAL.—

4 “(A) PROHIBITION.—A child care provider
5 that receives assistance under this part shall
6 not discriminate in employment on the basis of
7 the religion of the prospective employee if such
8 employee’s primary responsibility is or will be
9 working directly with children in the provision
10 of child care services.

11 “(B) QUALIFIED APPLICANTS.—If 2 or
12 more prospective employees are qualified for
13 any position with a child care provider receiving
14 assistance under this part, nothing in this sec-
15 tion shall prohibit such child care provider from
16 employing a prospective employee who is al-
17 ready participating on a regular basis in other
18 activities of the organization that owns or oper-
19 ates such provider.

20 “(C) PRESENT EMPLOYEES.—This para-
21 graph shall not apply to employees of child care
22 providers receiving assistance under this part if
23 such employees are employed with the provider
24 on the date of enactment of this part.

1 “(4) EMPLOYMENT AND ADMISSION PRAC-
2 TICES.—Notwithstanding paragraphs (1)(B), (2),
3 and (3), if assistance provided under this part, and
4 any other Federal or State program, amounts to 80
5 percent or more of the operating budget of a child
6 care provider that receives such assistance, the Sec-
7 retary shall not permit such provider to receive any
8 further assistance under this part unless the grant
9 or contract relating to the financial assistance, or
10 the employment and admissions policies of the pro-
11 vider, specifically provides that no person with re-
12 sponsibilities in the operation of the child care pro-
13 gram, project, or activity of the provider will dis-
14 criminate against any individual in employment, if
15 such employee’s primary responsibility is or will be
16 working directly with children in the provision of
17 child care, or admissions because of the religion of
18 such individual.

19 “(b) EFFECT ON STATE LAW.—Nothing in this part
20 shall be construed to supersede or modify any provision
21 of a State constitution or State law that prohibits the ex-
22 penditure of public funds in or by sectarian institutions,
23 except that no provision of a State constitution or State
24 law shall be construed to prohibit the expenditure in or

1 by sectarian institutions of any Federal funds provided
2 under this part.

3 **“SEC. 491P. PARENTAL RIGHTS AND RESPONSIBILITIES.**

4 “Nothing in this part shall be construed or applied
5 in any manner to infringe on or usurp the moral and legal
6 rights and responsibilities of parents or legal guardians.

7 **“SEC. 491Q. SEVERABILITY.**

8 “If any provision of this part or the application there-
9 of to any person or circumstance is held invalid, the inva-
10 lidity shall not affect other provisions of applications of
11 this part which can be given effect without regard to the
12 invalid provision or application, and to this end the provi-
13 sions of this part shall be severable.

14 **“SEC. 491R. MISCELLANEOUS PROVISIONS.**

15 “Notwithstanding any other law, the value of any
16 child care provided or arranged (or any amount received
17 as payment for such care or reimbursement for costs in-
18 curred for such care) under this part shall not be treated
19 as income for purposes of any other Federal or federally-
20 assisted program that bases eligibility, or the amount of
21 benefits, on need.”.

1 **SEC. 402. REPEALS AND TECHNICAL AND CONFORMING**
2 **AMENDMENTS.**

3 (a) CHILD CARE AND DEVELOPMENT BLOCK GRANT
4 OF 1990.—The Child Care and Development Block Grant
5 of 1990 (42 U.S.C. 9858 et seq.) is repealed.

6 (b) CHILD DEVELOPMENT ASSOCIATE SCHOLARSHIP
7 ASSISTANCE ACT OF 1985.—Title VI of the Human Serv-
8 ices Reauthorization Act of 1986 (commonly known as the
9 Child Development Associate Scholarship Assistance Act
10 of 1985) (42 U.S.C. 10901 et seq.) is repealed.

11 (c) STATE DEPENDENT CARE DEVELOPMENT
12 GRANTS ACT.—Subchapter E of chapter 8 of subtitle A
13 of title VI of the Omnibus Budget Reconciliation Act of
14 1981 (commonly known as the State Dependent Care De-
15 velopment Grants Act) (42 U.S.C. 9871 et seq.) is re-
16 pealed.

17 (d) AFDC, AFDC AT-RISK, AND TRANSITIONAL
18 CHILD CARE PROGRAMS.—

19 (1) IN GENERAL.—Section 402 (42 U.S.C. 602)
20 is amended—

21 (A) in subsection (g)—

22 (i) by striking paragraph (1), and
23 paragraphs (3) through (7); and

24 (ii) by striking “(g)” and all that fol-
25 lows through “(2) In” and inserting “(g)
26 In”; and

1 (B) by striking subsection (i).

2 (2) TECHNICAL AND CONFORMING AMEND-
3 MENTS.—

4 (A) FOOD STAMP ACT OF 1977.—Section
5 17(b)(3)(C) of the Food Stamp Act of 1977 (7
6 U.S.C. 2026(b)(3)(C)) is amended by striking
7 “(but not including the provision of transitional
8 benefits under clauses (ii) through (vii) of sec-
9 tion 402(g)(1)(A))”.

10 (B) AFDC STATE PLAN.—Section 402 (42
11 U.S.C. 602) is amended—

12 (i) in subsection (a)(19)—

13 (I) in subparagraph (B)(i)(I), by
14 striking “section 402(g)” and insert-
15 ing “part G”;

16 (II) in subparagraph (C)(iii)(II),
17 by striking “section 402(g)” and in-
18 sserting “part G”;

19 (III) in subparagraph (D), by
20 striking “section 402(g)” and insert-
21 ing “part G”; and

22 (IV) in subparagraph (F)(iv), by
23 striking “day care, transportation,”
24 and inserting “transportation”; and

1 (ii) in subsection (g), as amended by
2 paragraph (1) by striking “(in addition to
3 guaranteeing child care under paragraph
4 (1))” and inserting “(in addition to the
5 provision by the State of child care under
6 part G)”.

7 (C) AFDC PAYMENTS TO STATES.—Sec-
8 tion 403 (42 U.S.C. 603) is amended—

9 (i) in subsection (e)—

10 (I) in the first sentence, by strik-
11 ing “, 402(a)(43), and 402(g)(1)(A),”
12 and inserting “and 402(a)(43)”; and

13 (II) by striking the second sen-
14 tence;

15 (ii) in subsection (l)(1)(A)—

16 (I) in the matter preceding clause
17 (i), by striking “(including expendi-
18 tures for child care under section
19 402(g)(1)(A)(i), but only in the case
20 of a State with respect to which sec-
21 tion 1108 applies)”; and

22 (II) in clause (ii)(I), by striking
23 “section 402(g)(2)” and inserting
24 “section 402(g)”; and

25 (iii) by striking subsection (n).

1 (D) FAMILY SUPPORT ACT OF 1988.—Sec-
2 tion 502 of the Family Support Act of 1988
3 (42 U.S.C. 1315 note) is repealed.

4 (E) HEAD START ACT.—Section 642(c) of
5 the Head Start Act (42 U.S.C. 9837(c)) is
6 amended by striking “section 402(g) of the So-
7 cial Security Act, and other”.

8 **SEC. 403. STATE OPTION TO EXTEND TRANSITIONAL MED-**
9 **ICAID BENEFITS.**

10 (a) OPTIONAL EXTENSION OF MEDICAID ENROLL-
11 MENT FOR FORMER AFDC RECIPIENTS FOR 1 ADDI-
12 TIONAL YEAR.—

13 (1) IN GENERAL.—Section 1925(b)(1) (42
14 U.S.C. 1396r-6(b)(1)) is amended by striking the
15 period at the end and inserting the following: “, and
16 may provide that the State shall offer to each such
17 family the option of extending coverage under this
18 subsection for any of the first 2 succeeding 6-month
19 periods, in the same manner and under the same
20 conditions as the option of extending coverage under
21 this subsection for the first succeeding 6-month pe-
22 riod.”.

23 (2) CONFORMING AMENDMENTS.—

24 (A) IN GENERAL.—Section 1925 (42
25 U.S.C. 1396r-6) is amended—

1 (i) in subsection (b)—

2 (I) in the heading, by striking
3 “EXTENSION” and inserting “EXTEN-
4 SIONS”;

5 (II) in the heading of paragraph
6 (1), by striking “REQUIREMENT” and
7 inserting “IN GENERAL”;

8 (III) in paragraph (2)(B)(ii)—

9 (aa) in the heading, by
10 striking “PERIOD” and inserting
11 “PERIODS”; and

12 (bb) by striking “in the pe-
13 riod” and inserting “in each of
14 the 6-month periods”;

15 (IV) in paragraph (3)(A), by
16 striking “the 6-month period” and in-
17 serting “any 6-month period”;

18 (V) in paragraph (4)(A), by
19 striking “the extension period” and
20 inserting “any extension period”; and

21 (VI) in paragraph (5)(D)(i), by
22 striking “is a 3-month period” and all
23 that follows and inserting the follow-
24 ing: “is, with respect to a particular
25 6-month additional extension period

1 provided under this subsection, a 3-
2 month period beginning with the first
3 or fourth month of such extension pe-
4 riod.”; and

5 (ii) by striking subsection (f).

6 (B) FAMILY SUPPORT ACT.—Section
7 303(f)(2) of the Family Support Act of 1988
8 (42 U.S.C. 602 note) is amended—

9 (i) by striking “(A)”;

10 (ii) by striking subparagraphs (B) and

11 (C).

12 (b) EFFECTIVE DATE.—

13 (1) IN GENERAL.—Except as provided in para-
14 graph (2), the amendments made by subsection (a)
15 shall apply to calendar quarters beginning on or
16 after October 1, 1996, without regard to whether
17 final regulations to carry out such amendments have
18 been promulgated by such date.

19 (2) WHEN STATE LEGISLATION IS REQUIRED.—

20 In the case of a State plan for medical assistance
21 under title XIX of the Social Security Act which the
22 Secretary of Health and Human Services determines
23 requires State legislation (other than legislation ap-
24 propriating funds) in order for the plan to meet the
25 additional requirements imposed by the amendments

1 made by subsection (a), the State plan shall not be
2 regarded as failing to comply with the requirements
3 of such title solely on the basis of its failure to meet
4 these additional requirements before the first day of
5 the first calendar quarter beginning after the close
6 of the first regular session of the State legislature
7 that begins after the date of the enactment of this
8 Act. For purposes of the previous sentence, in the
9 case of a State that has a 2-year legislative session,
10 each year of such session shall be deemed to be a
11 separate regular session of the State legislature.

12 **TITLE V—EQUITY INVESTMENT**

13 **SEC. 501. SHORT TITLE.**

14 This title may be cited as the “Equity Investment De-
15 velopment Act of 1995”.

16 **SEC. 502. DEFINITIONS.**

17 For purposes of this title, the following definitions
18 shall apply:

19 (1) **AFFILIATE.**—The term “affiliate” has the
20 same meaning as in section 2 of the Bank Holding
21 Company Act of 1956.

22 (2) **ADJUSTED FACE VALUE.**—The term “ad-
23 justed face value” means, with respect to any certifi-
24 cate issued under subtitle B, the difference be-
25 tween—

1 (A) the face value of the certificate; and

2 (B) any necessary and reasonable expenses
3 incurred by an insured depository institution,
4 the Corporation, or any third party in making
5 an equity investment in a qualified company
6 under subtitle B.

7 (3) APPROPRIATE FEDERAL FINANCIAL SUPER-
8 VISORY AGENCY.—The term “appropriate Federal fi-
9 nancial supervisory agency” has the same meaning
10 as in section 803 of the Community Reinvestment
11 Act of 1977.

12 (4) APPROPRIATE SECRETARY.—The term “ap-
13 propriate Secretary” means—

14 (A) the Secretary of Housing and Urban
15 Development, in the case of any area nominated
16 for designation that is located in an urban area;
17 and

18 (B) the Secretary of Agriculture, in the
19 case of any area nominated for designation that
20 is located in a rural area.

21 (5) BOARD.—The term “Board” means the
22 Board of Governors of the Federal Reserve System.

23 (6) CORPORATION.—The term “Corporation”
24 means the corporation established pursuant to sec-
25 tion 531.

1 (7) DEPOSIT INSURANCE FUND.—The term
2 “deposit insurance fund” has the same meaning as
3 in section 3 of the Federal Deposit Insurance Act.

4 (8) EQUITY INVESTMENT DEVELOPMENT
5 ZONE.—The term “equity investment development
6 zone” means an area designated as an equity invest-
7 ment development zone in accordance with subtitle
8 A.

9 (9) FEDERAL LOW-INCOME ASSISTANCE PRO-
10 GRAM.—The term “Federal low-income assistance
11 program” means—

12 (A) any program conducted under the So-
13 cial Security Act based on low income or limited
14 assets which, directly or indirectly, provides aid
15 or assistance to individuals;

16 (B) the food stamp program, as defined in
17 section 3(h) of the Food Stamp Act of 1977;

18 (C) any program conducted under the
19 Public Health Service Act based on low income
20 or limited assets which, directly or indirectly,
21 provides aid or assistance to individuals; and

22 (D) any other Federal program based on
23 low-income or limited assets which, directly or
24 indirectly, provides aid or assistance to individ-

1 uals, or under which aid or assistance is avail-
2 able for—

- 3 (i) education;
- 4 (ii) employment training;
- 5 (iii) health;
- 6 (iv) housing;
- 7 (v) nutrition; or
- 8 (vi) other social services.

9 (10) INSURED DEPOSITORY INSTITUTION.—The
10 term “insured depository institution” has the same
11 meaning as in section 3 of the Federal Deposit In-
12 surance Act.

13 (11) LOCAL GOVERNMENT.—The term “local
14 government” means—

15 (A) any county, city, town, township, par-
16 ish, village, or other general purpose political
17 subdivision of a State; and

18 (B) any combination of political subdivi-
19 sions described in subparagraph (A) recognized
20 by the appropriate Secretary.

21 (12) MEMBER BANK.—The term “member
22 bank” has the same meaning as in section 1 of the
23 Federal Reserve Act.

24 (13) QUALIFIED COMPANY.—The term “quali-
25 fied company” means any entity that certifies in

1 writing to any entity seeking to make an equity in-
2 vestment under subtitle B, that—

3 (A) such entity is or will be located in or
4 near an equity investment development zone;
5 and

6 (B) not less than 50 percent of its employ-
7 ees are, or will be, underemployed residents of
8 the equity investment development zone, par-
9 ticularly residents experiencing long-term unem-
10 ployment and residents receiving or eligible for
11 assistance under any Federal low-income assist-
12 ance program.

13 (14) RESERVE BANK.—The term “reserve
14 bank” has the same meaning as in section 1 of the
15 Federal Reserve Act.

16 (15) RESERVES.—The term “reserves” means
17 funds required to be maintained by insured deposi-
18 tory institutions under section 19(b) of the Federal
19 Reserve Act.

20 (16) RURAL AREA.—The term “rural area”
21 means any area that is—

22 (A) outside of a metropolitan statistical
23 area (within the meaning of section
24 143(k)(2)(B) of the Internal Revenue Code of
25 1986); or

1 (B) determined by the Secretary of Agri-
2 culture, after consultation with the Secretary of
3 Commerce, to be a rural area.

4 (17) URBAN AREA.—The term “urban area”
5 means an area that is not a rural area.

6 **Subtitle A—Equity Investment** 7 **Development Zones**

8 **SEC. 511. DESIGNATION PROCEDURE.**

9 (a) AUTHORIZATION.—Not later than 1 year after
10 the date of enactment of this title, the appropriate Sec-
11 retaries shall designate 10 areas as equity investment de-
12 velopment zones in accordance with this title.

13 (b) DESIGNATION PROCESS.—The appropriate Sec-
14 retary may designate an area as an equity investment de-
15 velopment zone if—

16 (1) the area meets the eligibility requirements
17 for designation under section 512;

18 (2) the area is nominated by one or more local
19 governments and the State or States in which it is
20 located for designation under this section;

21 (3) such State or States and the local govern-
22 ments have the authority—

23 (A) to nominate the area for designation
24 under this section; and

1 (B) to provide the assurances described in
2 paragraph (4);

3 (4) such State or States and the local govern-
4 ments provide written assurances satisfactory to the
5 appropriate Secretary that the strategic plan re-
6 ferred to in paragraph (5)(B) for such area will be
7 implemented;

8 (5) the appropriate Secretary determines that—

9 (A) the area satisfies the eligibility criteria
10 described in section 512; and

11 (B) the area has a strategic plan for ac-
12 complishing the purposes of this title that—

13 (i) describes the coordinated eco-
14 nomic, human, community, and physical
15 development plan and related activities
16 proposed for the area;

17 (ii) describes the proposed implemen-
18 tation of the plan and the extent to which
19 local institutions and organizations have
20 contributed to the planning process;

21 (iii) identifies the amount of State,
22 local, and private resources that will be
23 available in the area and the private-public
24 partnerships to be used, which may include
25 participation by, and cooperation with, uni-

1 versities, medical centers, and other private
2 and public entities;

3 (iv) identifies baselines, methods, and
4 benchmarks for measuring the success of
5 carrying out the strategic plan, including
6 the extent to which poor persons and fami-
7 lies will be empowered to become economi-
8 cally self-sufficient; and

9 (v) includes such other information as
10 may be required by the appropriate Sec-
11 retary; and

12 (6) any information furnished to the Secretary
13 under this subsection is determined by the Secretary
14 to be accurate.

15 (c) LOCATION OF ZONES.—Seven areas shall be des-
16 ignated as equity investment development zones in urban
17 areas, and 3 areas shall be designated in rural areas.

18 **SEC. 512. ELIGIBILITY CRITERIA.**

19 (a) IN GENERAL.—An area shall be eligible for des-
20 ignation under section 511 only if it meets the following
21 criteria:

22 (1) POPULATION.—The area has a maximum
23 population of—

24 (A) in the case of an urban area, not more
25 than 300,000; or

1 (B) in the case of a rural area, not more
2 than 30,000.

3 (2) DISTRESS.—The area is one of pervasive
4 poverty, unemployment, and general distress.

5 (3) SIZE.—The area—

6 (A) does not exceed—

7 (i) 30 square miles, in the case of an
8 urban area; or

9 (ii) 1,000 square miles, in the case of
10 a rural area;

11 (B) has a boundary that is continuous, or,
12 except in the case of a rural area located in
13 more than 1 State, consists of not more than
14 3 noncontiguous parcels;

15 (C) in the case of—

16 (i) an urban area, is located entirely
17 within not more than 2 contiguous States;
18 and

19 (ii) a rural area, is located entirely
20 within not more than 3 contiguous States;
21 and

22 (D) does not include any portion of a
23 central business district (as such term is used
24 for purposes of the most recent Census of Re-
25 tail Trade prepared by the Bureau of the Cen-

1 sus of the Department of Commerce) unless the
2 poverty rate for each population census tract in
3 such district is not less than 35 percent.

4 (4) POVERTY RATE OR UNEMPLOYMENT
5 RATE.—The—

6 (A) poverty rate—

7 (i) for each population census tract
8 within the area is not less than 20 percent;

9 (ii) for not less than 90 percent of the
10 population census tracts within the area is
11 not less than 25 percent; and

12 (iii) for not less than 50 percent of
13 the population census tracts within the
14 area is not less than 35 percent; or

15 (B) average rate of total unemployment
16 within the area during the most recent 12-
17 month period for which data is published by the
18 Secretary of Labor is not less than 30 percent
19 higher than the average rate of total unemploy-
20 ment in the State or States in which the area
21 is located during such 12-month period.

22 (b) SPECIAL RULES RELATING TO DETERMINATION
23 OF POVERTY RATE.—For purposes of subsection

24 (a)(4)(A) the following restrictions shall apply:

1 (1) TREATMENT OF CENSUS TRACTS WITH
2 SMALL POPULATIONS.—

3 (A) TRACTS WITH NO POPULATION.—In
4 the case of a population census tract with no
5 population—

6 (i) such tract shall be treated as hav-
7 ing a poverty rate that meets the require-
8 ments of clauses (i) and (ii) of subsection
9 (a)(4)(A); but

10 (ii) such tract shall be treated as hav-
11 ing a zero poverty rate for purposes of ap-
12 plying subsection (a)(4)(iii).

13 (B) TRACTS WITH POPULATIONS OF LESS
14 THAN 2,000.—A population census tract with a
15 population of less than 2,000 shall be treated as
16 having a poverty rate that meets the require-
17 ments of clauses (i) and (ii) of subsection
18 (a)(4)(A) if more than 75 percent of such tract
19 is zoned for commercial or industrial use.

20 (2) DISCRETION TO ADJUST REQUIREMENTS
21 FOR EQUITY INVESTMENT DEVELOPMENT ZONE.—

22 (A) IN GENERAL.—The appropriate Sec-
23 retary may, if necessary to carry out the pur-
24 poses of this title, reduce any of the poverty
25 rate thresholds established under subsection

1 (a)(4)(A) by 5 percentage points for the greater
2 of 10 percent of the population census tracts or
3 5 population census tracts in the area.

4 (B) ALTERNATIVE.—In lieu of applying
5 subparagraph (A), the Secretary may reduce
6 the poverty rate threshold under subsection
7 (a)(4)(a)(iii) by 10 percentage points for not
8 more than 3 population census tracts.

9 (3) EACH NONCONTIGUOUS AREA MUST SAT-
10 ISFY POVERTY RATE RULE.—An area nominated for
11 designation as an equity investment development
12 zone may not include a noncontiguous parcel unless
13 such parcel separately meets (subject to paragraphs
14 (1) and (2)) the criteria set forth in subsection
15 (a)(4)(A).

16 (4) AREAS NOT WITHIN CENSUS TRACTS.—In
17 the case of an area that is not tracted for population
18 census tracts, the equivalent county divisions (as de-
19 fined by the Bureau of the Census of the Depart-
20 ment of Commerce, for purposes of defining poverty
21 areas) shall be used for purposes of determining pov-
22 erty rates.

1 **SEC. 513. PERIOD FOR WHICH DESIGNATION IS IN EFFECT.**

2 (a) IN GENERAL.—Any designation under this sec-
3 tion shall remain in effect unless revoked by the appro-
4 priate Secretary under paragraph (2).

5 (b) REVOCATION OF DESIGNATION.—The appro-
6 priate Secretary shall revoke a designation of an area
7 under this subtitle if such Secretary determines that the
8 area—

9 (1) has an average annual poverty rate that is
10 less than or equal to the average annual poverty rate
11 in the State or States in which the zone is located;
12 or

13 (2) has an average rate of total unemployment
14 that, during any 2-year period beginning after the
15 date of the designation, is less than or equal to the
16 average rate of total unemployment in the State or
17 States in which the zone is located.

18 **SEC. 514. SUBSEQUENT DESIGNATIONS.**

19 (a) IN GENERAL.—In addition to the areas des-
20 ignated under section 101, during the period beginning on
21 the effective date of part I of subtitle B and ending not
22 later than 6 years after the date of enactment of this title,
23 the appropriate Secretaries may designate not more than
24 100 areas as equity investment development zones in ac-
25 cordance with this subtitle.

1 (b) URBAN AND RURAL AREAS.—Not more than 70
2 areas may be designated as equity investment development
3 zones in urban areas under this section, and not more
4 than 30 areas may be designated in rural areas.

5 **SEC. 515. SPECIAL RULES.**

6 For purposes of this subtitle, the following restric-
7 tions shall apply:

8 (1) GOVERNMENTS.—If more than one State or
9 local government seeks to nominate an area for des-
10 ignation as an equity investment development zone
11 under this subtitle, any reference to, or requirement
12 of, this subtitle shall apply to each such government.

13 (2) ECONOMIC DEVELOPMENT CORPORATION
14 NOMINATIONS.—An area shall be treated as an area
15 nominated by a State and a local government if it
16 is nominated by an economic development corpora-
17 tion chartered by the State.

18 (3) USE OF CENSUS DATA.—Population and
19 poverty rate shall be determined by the most recent
20 decennial census of the Bureau of the Census of the
21 Department of Commerce.

1 **Subtitle B—Equity Investments in**
2 **Qualified Companies**

3 **PART I—CERTIFICATE PROGRAM**

4 **SEC. 521. CALCULATION OF IMPUTED EARNINGS; ISSUANCE**
5 **OF CERTIFICATES.**

6 (a) ESTABLISHMENT OF RATE OF INTEREST.—

7 (1) IN GENERAL.—Not later than the effective
8 date of this part, the Board shall, by rule, regula-
9 tion, or order, establish a single rate of interest ap-
10 plicable to all reserves.

11 (2) ADJUSTMENTS.—The Board may, by rule,
12 regulation, or order, on a quarterly basis, make such
13 adjustments to the rate of interest established under
14 paragraph (1) as the Board determines to be nec-
15 essary or appropriate.

16 (b) CALCULATION OF IMPUTED EARNINGS.—

17 (1) IN GENERAL.—On March 1 of each year,
18 the Board shall calculate the imputed earnings on all
19 reserves during the preceding calendar year, based
20 on the rate of interest established under subsection
21 (a), and any adjustments to such rate effected prior
22 to March 1.

23 (2) EFFECTIVE DATE.—This subsection shall
24 take effect on March 1 of the first calendar year
25 commencing after the date of enactment of this title.

1 (c) ISSUANCE OF CERTIFICATES.—

2 (1) IN GENERAL.—Except as provided in para-
3 graph (2), after making a calculation under sub-
4 section (b), the Board shall issue a certificate to
5 each insured depository institution, which shall have
6 a face value equal to the imputed earnings on the
7 reserves maintained by that insured depository insti-
8 tution during the calendar year described in sub-
9 section (b).

10 (2) INITIAL ISSUANCE.—

11 (A) ISSUANCE TO THE CORPORATION.—
12 Subject to section 534, after making a calcula-
13 tion under subsection (b) for the first calendar
14 year for which such a calculation is made, the
15 Board shall issue a certificate to the Corpora-
16 tion, which shall have a face value equal to the
17 difference between—

18 (i) the imputed earnings on all re-
19 serves during such calendar year; and

20 (ii) the total face value of all certifi-
21 cates issued to insured depository institu-
22 tions under subparagraph (B).

23 (B) ISSUANCE TO INSURED DEPOSITORY
24 INSTITUTIONS.—Notwithstanding subparagraph
25 (A), upon the written request of an insured de-

1 pository institution, after making a calculation
2 under subsection (b) for the first calendar year
3 for which such a calculation is made, the Board
4 shall issue a certificate to the insured deposi-
5 tory institution which shall have a face value
6 equal to the imputed earnings on the reserves
7 maintained by that insured depository institu-
8 tion during such calendar year.

9 **SEC. 522. INVESTMENT IN QUALIFIED COMPANIES.**

10 (a) BY INSURED DEPOSITORY INSTITUTIONS.—A
11 certificate issued to an insured depository institution
12 under section 521(c) may—

13 (1) be used by the insured depository institu-
14 tion to make an equity investment in one or more
15 qualified companies, acting through an affiliate or
16 consortium of affiliates, in an amount equal to the
17 adjusted face value of the certificate;

18 (2) be transferred by the insured depository in-
19 stitution to the Corporation; or

20 (3) be sold by the insured depository institution
21 to a third party.

22 (b) BY THE CORPORATION.—

23 (1) IN GENERAL.—

24 (A) CERTIFICATE ISSUED TO CORPORA-
25 TION.—The certificate issued to the Corpora-

1 tion under section 521(c)(2)(A) shall be used by
2 the Corporation to make an equity investment
3 in one or more qualified companies in an
4 amount equal to the adjusted face value of the
5 certificate (taking into account any reduction in
6 the face value of the certificate under para-
7 graph (2)(B)).

8 (B) CERTIFICATES TRANSFERRED TO COR-
9 PORATION.—Any certificate transferred to the
10 Corporation under subsection (a)(2) shall be
11 used by the Corporation to make an equity in-
12 vestment in one or more qualified companies in
13 an amount equal to the adjusted face value of
14 the certificate.

15 (2) STARTUP EXPENSES.—Upon the request of
16 the Corporation, the Board shall—

17 (A) provide funds to cover the startup ex-
18 penses of the Corporation in an amount not to
19 exceed 5 percent of the total face value of the
20 certificate issued to the Corporation under sec-
21 tion 521(c)(2)(A); and

22 (B) reduce the face value of the certificate
23 issued to the Corporation under section
24 521(c)(2)(A) by an amount equal to the
25 amount provided under subparagraph (A).

1 (c) BY THIRD PARTY.—Any entity that purchases a
2 certificate, either from an insured depository institution
3 or from any other party, may—

4 (1) make an equity investment in one or more
5 qualified companies in an amount equal to the ad-
6 justed face value of the certificate; or

7 (2) resell the certificate to another party.

8 **SEC. 523. REIMBURSEMENT.**

9 (a) REIMBURSEMENT RELATING TO DIRECT INVEST-
10 MENT.—

11 (1) CERTIFICATION TO FDIC.—

12 (A) IN GENERAL.—After making an equity
13 investment under section 522(a)(1), an insured
14 depository institution may submit to the Fed-
15 eral Deposit Insurance Corporation—

16 (i) the certificate; and

17 (ii) a written certification that an in-
18 vestment has been made in accordance
19 with section 522(a)(1).

20 (B) REDUCTION IN DEPOSIT INSURANCE
21 LIABILITY.—Upon receipt of a certificate and
22 written certification submitted under subpara-
23 graph (A), the Federal Deposit Insurance Cor-
24 poration shall—

1 (i) reduce the most recent semiannual
2 assessment against the insured depository
3 institution under section 7(b) of the Fed-
4 eral Deposit Insurance Act by an amount
5 equal to the face value of the certificate;
6 and

7 (ii) submit the certificate to the
8 Board.

9 (C) REIMBURSEMENT TO INSURANCE
10 FUNDS.—Upon receipt of a certificate submit-
11 ted under subparagraph (B)(ii), the Board shall
12 reimburse the appropriate deposit insurance
13 fund in an amount equal to the face value of
14 the certificate.

15 (2) CERTIFICATION TO APPROPRIATE FEDERAL
16 FINANCIAL SUPERVISORY AGENCY.—

17 (A) IN GENERAL.—After making an equity
18 investment under section 522(a)(1), an insured
19 depository institution may submit to the appro-
20 priate Federal financial supervisory agency a
21 written certification that an investment has
22 been made in accordance with section
23 522(a)(1).

24 (B) CRA CREDIT.—Section 804 of the
25 Community Reinvestment Act of 1977 (12

1 U.S.C. 2903) is amended by adding at the end
2 the following:

3 “(c) EQUITY INVESTMENTS IN QUALIFIED COMPA-
4 NIES.—In assessing and taking into account, under sub-
5 section (a), the record of a financial institution in meeting
6 the credit needs of the community, the appropriate Fed-
7 eral supervisory agency shall take into consideration—

8 “(1) any equity investment in a qualified com-
9 pany (as such term is defined in section 502 of the
10 Equity Investment Development Act of 1995) made
11 by such financial institution under subtitle C of the
12 Equity Investment Development Act of 1995; and

13 “(2) any transfer of certificates to the Corpora-
14 tion (as such term is defined in section 3 of the Eq-
15 uity Investment Development Act of 1995) made by
16 such financial institution under subtitle C of the Eq-
17 uity Investment Development Act of 1995.”.

18 (b) REIMBURSEMENT RELATING TO THE CORPORA-
19 TION.—

20 (1) STOCK CERTIFICATES TO INSURED DEPOSI-
21 TORY INSTITUTIONS.—

22 (A) INITIAL ISSUANCE.—Subject to section
23 214, after carrying out section 521(c)(2), the
24 Corporation shall issue to each insured deposi-
25 tory institution shares of common stock in the

1 Corporation having a total value that is propor-
2 tionate to the institution's pro rata share of the
3 face value of the certificate issued to the Cor-
4 poration under section 521(c)(2).

5 (B) ANNUAL ISSUANCE.—The Corporation
6 shall, on an annual basis, provide to each in-
7 sured depository institution shares of common
8 stock in the Corporation having a total value
9 that is proportionate to the face value of all cer-
10 tificates transferred by the insured depository
11 institution to the Corporation under section
12 522(a)(2).

13 (2) REIMBURSEMENT BY BOARD.—

14 (A) IN GENERAL.—After making an equity
15 investment under section 522(b)(1), the Cor-
16 poration may submit to the Board—

17 (i) the certificate; and

18 (ii) a written certification that an in-
19 vestment has been made in accordance
20 with section 522(b)(1).

21 (B) REDUCTION IN DEPOSIT INSURANCE
22 LIABILITY.—Upon receipt of a certificate and
23 written certification submitted under subpara-
24 graph (A), the Board shall reimburse the Cor-

1 poration in an amount equal to the face value
2 of the certificate.

3 (c) REIMBURSEMENT RELATING TO CERTIFICATES
4 SOLD BY INSURED DEPOSITORY INSTITUTIONS.—

5 (1) CERTIFICATION TO SECRETARY OF HOUS-
6 ING AND URBAN DEVELOPMENT.—After making an
7 equity investment under section 522(c)(1), the pur-
8 chasing entity may submit to the Secretary of Hous-
9 ing and Urban Development—

10 (A) the certificate; and

11 (B) a written certification that an invest-
12 ment has been made in accordance with section
13 522(c)(1).

14 (2) REIMBURSEMENT BY HUD.—Upon receipt
15 of the certificate and written certification submitted
16 under paragraph (2), the Secretary of Housing and
17 Urban Development shall—

18 (A) reimburse the purchasing entity in an
19 amount equal to the face value of the certifi-
20 cate; and

21 (B) submit the certificate to the Board.

22 (3) REIMBURSEMENT BY BOARD.—Upon receipt
23 of a certificate submitted under paragraph (2)(B),
24 the Board shall reimburse the Secretary of Housing

1 and Urban Development in an amount equal to the
2 face value of the certificate.

3 **SEC. 524. TRANSFERABILITY OF CERTIFICATES.**

4 Except as provided in section 522(b), each certificate
5 issued under this part shall be fully transferable.

6 **SEC. 525. EXPIRATION OF CERTIFICATES.**

7 (a) IN GENERAL.—Each certificate issued under this
8 subtitle shall expire upon the expiration of the 2-year pe-
9 riod beginning on the date on which the certificate is is-
10 sued. An expired certificate may not be submitted for re-
11 imbursement under section 203 or consideration under
12 section 804(c) of the Community Reinvestment Act of
13 1977, as added by this title.

14 (b) REPLACEMENT OF EXPIRED CERTIFICATES.—
15 The Board may issue, in accordance with this title, a new
16 certificate with a face value equal to that of any expired
17 certificate. New certificates shall be issued proportionately
18 to each insured depository institution that has used each
19 of the certificates that was issued to the institution during
20 the year in which the expired certificates were originally
21 issued.

22 **SEC. 526. EFFECTIVE DATE.**

23 Except as provided in section 521(b), this part shall
24 become effective on the date on which all of the initial

1 designations of equity investment development zones are
2 made in accordance with section 511.

3 **PART II—COMMUNITY EQUITY INVESTMENT**

4 **CORPORATION**

5 **SEC. 531. ESTABLISHMENT.**

6 (a) IN GENERAL.—Not later than 6 months after the
7 date of enactment of this title, there shall be established
8 a corporation to be known as the Community Equity In-
9 vestment Corporation, or such other corporate name as
10 may be duly adopted by the Corporation.

11 (b) STATUS.—The Corporation—

12 (1) shall be a for-profit corporation;

13 (2) shall not be an agency or instrumentality of
14 the Federal Government; and

15 (3) shall initially be incorporated in the State of
16 Delaware.

17 **SEC. 532. INCORPORATORS; BOARD OF DIRECTORS.**

18 (a) DESIGNATION.—The board of directors of each
19 reserve bank shall designate 1 person, who shall be—

20 (1) an incorporator of the Corporation; and

21 (2) a member of the interim board of directors
22 of the Corporation.

23 (b) DUTIES OF INCORPORATORS.—The incorporators
24 of the Corporation designated under subsection (a) shall
25 take such steps as may be necessary to establish the Cor-

1 poration, including the filing of articles of incorporation
2 in accordance with the laws of the State of Delaware.

3 (c) INTERIM BOARD OF DIRECTORS.—

4 (1) DUTIES OF INTERIM BOARD OF DIREC-
5 TORS.—The interim board of directors of the Cor-
6 poration designated under subsection (a) shall—

7 (A) establish and adopt the bylaws of the
8 Corporation; and

9 (B) designate a chief executive officer of
10 the Corporation, who shall be selected from
11 among the members of the interim board of di-
12 rectors of the Corporation.

13 (2) TERMS OF INTERIM BOARD OF DIREC-
14 TORS.—Each member of the interim board of direc-
15 tors of the Corporation shall serve for a term of 3
16 years.

17 (d) APPOINTMENT OF BOARD OF DIRECTORS.—
18 Upon the expiration of the term of each member of the
19 interim board of directors of the Corporation, members
20 of the board of directors of the Corporation shall be ap-
21 pointed in accordance with the bylaws of the Corporation.

22 (e) VACANCIES.—

23 (1) BOARD OF DIRECTORS.—Except as provided
24 in paragraph (2), any vacancy in the board of direc-

1 solved and the imputed earnings during such calendar
2 year shall be transferred to the Board for distribution to
3 insured depository institutions in accordance with section
4 521(c)(1).

5 **Subtitle C—Assistance to Qualified**
6 **Companies Receiving Equity In-**
7 **vestments**

8 **SEC. 541. WAGE SUPPLEMENTATION PROGRAM.**

9 (a) IN GENERAL.—The Secretary of Health and
10 Human Services and the Secretary of Agriculture shall es-
11 tablish a wage supplementation program (hereafter in this
12 section referred to as the “program”) described in sub-
13 section (b).

14 (b) PROGRAM DESCRIBED.—A State may, at its op-
15 tion, operate a program under which—

16 (1) certain individuals who are eligible for aid
17 to families with dependent children under title IV of
18 the Social Security Act (42 U.S.C. 601 et seq.), or
19 who are members of households who are eligible for
20 food stamp benefits under the Food Stamp Act of
21 1977 (7 U.S.C. 2011 et seq.), or both, would be
22 given an incentive to work; and

23 (2) the State would use funds available to pay
24 the cash or food stamp benefits described in para-
25 graph (1) to such families or households to make

1 monthly incentive payments (in lieu of such benefits)
2 to participating employers.

3 Each such program shall meet the requirements of sub-
4 section (c).

5 (c) WAGE SUPPLEMENTATION PROGRAM.—

6 (1) IN GENERAL.—A program conducted under
7 this section shall provide the following:

8 (A) INCENTIVES TO WORK.—

9 (i) IN GENERAL.—The program
10 shall—

11 (I) require as a condition of par-
12 ticipation in the program that an eli-
13 gible individual be employed by a par-
14 ticipating employer for at least 40
15 hours per week;

16 (II) provide that the State shall
17 make monthly incentive payments to
18 any participating employer for each
19 month of employment in an amount
20 equal to the applicable percentage (de-
21 scribed in clause (ii)) of benefits de-
22 scribed in subsection (a)(2) which
23 would otherwise be payable to the
24 family or household of the eligible in-
25 dividual, determined as of the first

1 day of the first full month of employ-
2 ment of such individual by a partici-
3 pating employer; and

4 (III) provide that such payments
5 be in lieu of such cash or food bene-
6 fits.

7 (ii) APPLICABLE PERCENTAGE.—For
8 purposes of clause (i), the applicable per-
9 centage is equal to—

10 (I) 90 percent, in the first year
11 of employment of the eligible individ-
12 ual by a participating employer;

13 (II) 70 percent, in the second
14 year of employment of the eligible in-
15 dividual by a participating employer;
16 and

17 (III) 40 percent, in the third
18 year of employment of the eligible in-
19 dividual by a participating employer.

20 (iii) CAP.—The monthly incentive
21 payment under clause (i)(II) with respect
22 to an eligible individual may not exceed
23 two-thirds of the total monthly wage paid
24 by the participating employer to such indi-
25 vidual.

1 (B) PERIOD OF PARTICIPATION.—The pro-
2 gram shall not permit an eligible individual to
3 participate in the program for more than 36
4 months (whether or not consecutive).

5 (2) SPECIAL RULES FOR TREATMENT UNDER
6 FEDERAL PROGRAMS.—Notwithstanding any other
7 provision of law, the following special rules shall
8 apply to an eligible individual participating in the
9 program:

10 (A) WAGES AS EARNED INCOME.—Except
11 as provided in subparagraph (B), monthly
12 wages paid to an eligible individual by a partici-
13 pating employer under this section shall be con-
14 sidered to be earned income.

15 (B) EXCEPTION FOR BENEFIT PRO-
16 GRAMS.—Monthly wages paid to an eligible in-
17 dividual by a participating employer shall not
18 be considered to be earned income for purposes
19 of determining continued eligibility (other than
20 for the benefits for which the monthly incentive
21 payments are in lieu of) for—

22 (i) aid to families with dependent chil-
23 dren under a State plan approved under
24 part A of title IV of the Social Security
25 Act (42 U.S.C. 601 et seq.);

1 (ii) medical assistance under a State
2 plan approved under title XIX of such Act
3 (42 U.S.C. 1396 et seq.); or

4 (iii) food stamp benefits under the
5 Food Stamp Act of 1977 (7 U.S.C. 2011
6 et seq.).

7 (C) ADDITIONAL CHILD SUPPORT
8 AMOUNTS.—An eligible individual who partici-
9 pates in the program shall remain eligible for
10 the program notwithstanding the receipt of any
11 amounts paid to the family of the individual
12 under section 457(b)(4)(B) of the Social Secu-
13 rity Act (42 U.S.C. 657(b)(4)(B)) (relating to
14 certain child support amounts).

15 (D) HOUSING.—Any wages paid to an eli-
16 gible individual by a participating employer dur-
17 ing the period of time that an eligible individual
18 participates in the program shall not be taken
19 into account in determining—

20 (i) the monthly rent under section
21 3(a) of the United States Housing Act of
22 1937 for any family residing in a dwelling
23 unit assisted under such Act; and

1 (ii) the monthly assistance payment
2 for any family under section 8(o)(2) of
3 such Act.

4 (3) ELIGIBLE INDIVIDUAL AND PARTICIPATING
5 EMPLOYER.—

6 (A) ELIGIBLE INDIVIDUAL.—For purposes
7 of this section, an individual is an eligible indi-
8 vidual if the individual is, at the time of place-
9 ment in the job involved—

10 (i) eligible for aid to families with de-
11 pendent children under an approved State
12 plan under title IV of the Social Security
13 Act (42 U.S.C. 601 et seq.); or

14 (ii) a member of a household that is
15 eligible for food stamp benefits under the
16 Food Stamp Act of 1977 (7 U.S.C. 20141
17 et seq.).

18 (B) PARTICIPATING EMPLOYER.—

19 (i) IN GENERAL.—For purposes of
20 this section, an employer is a participating
21 employer with respect to an eligible indi-
22 vidual if the employer provides the State
23 with a written agreement certifying—

1 (I) that the employer is a quali-
2 fied company that has received an eq-
3 uity investment under title III;

4 (II) that the gross wages (as de-
5 fined in section 209 of the Social Se-
6 curity Act (42 U.S.C. 609) deter-
7 mined without regard to any dollar
8 limitation) paid to such eligible indi-
9 vidual by the employer during any
10 month will not be less than the
11 amount determined under clause (ii);

12 (III) that the employer will not
13 receive any wage subsidy under any
14 other provision of Federal law, includ-
15 ing part F of title IV of the Social Se-
16 curity Act with respect to the employ-
17 ment of such eligible individual; and

18 (IV) that the eligible individual
19 receives the same employer-provided
20 benefits (other than health care bene-
21 fits) that other employees of the em-
22 ployer receive.

23 (ii) MINIMUM WAGE.—The amount
24 determined under this clause is equal to
25 the product of—

1 (I) the greater of the Federal
2 minimum wage or the applicable State
3 minimum wage, and

4 (II) the number of hours worked
5 by an individual.

6 (iii) CONTINUING CERTIFICATION RE-
7 QUIREMENT.—A participating employer
8 shall be required to submit a monthly re-
9 port to the State (in a form and in such
10 manner as the State requires) certifying
11 that the employer has complied with each
12 of the requirements under clause (i) with
13 respect to an eligible individual during the
14 period such individual participates under
15 the program.

16 (d) FUNDING FOR PROGRAM.—For each State that
17 conducts a program under this section—

18 (1) the portion of the monthly incentive pay-
19 ments that the State makes to an eligible employer
20 under subsection (c)(1)(A)(i)(II) that is attributable
21 to aid to families with dependent children under part
22 A of title IV of the Social Security Act (42 U.S.C.
23 601 et seq.) shall be considered expenditures under
24 the State plan for such aid;

1 (2) the expenses incurred by the State in the
2 administration of the program shall be considered
3 expenditures by the State for administrative costs in
4 operating a program under part F of title IV of the
5 Social Security Act (42 U.S.C. 601 et seq.); and

6 (3) the portion of the monthly payments that
7 the State makes to an eligible employer under sub-
8 section (c)(1)(A)(i)(II) that is attributable to the
9 cash value of an allotment received under the Food
10 Stamp Act of 1977 (7 U.S.C. 2011 et seq.) shall be
11 considered to be expenditures for allotments under
12 such Act.

13 (e) APPLICATION FOR EMPLOYMENT.—An employer
14 seeking to be a participating employer with respect to an
15 individual may, prior to employing an individual, verify
16 with the State the status of the individual as an eligible
17 individual and the amount of monthly incentive payment
18 the employer may receive under the program with respect
19 to the individual.

20 **TITLE VI—EFFECTIVE DATE**

21 **SEC. 601. EFFECTIVE DATE.**

22 (a) IN GENERAL.—Except as otherwise provided in
23 this Act, this Act and the amendments made by this Act
24 shall take effect 12 months after the date of the enactment
25 of this Act.

1 (b) DELAY IF STATE LEGISLATION REQUIRED.—In
 2 the case of a State which the Secretary of Health and
 3 Human Services determines requires State legislation
 4 (other than legislation authorizing or appropriating funds)
 5 in order to comply with this Act or the amendments made
 6 by this Act, the State shall not be regarded as failing to
 7 comply with the Act or such amendments solely on the
 8 basis of its failure to meet the requirements of the Act
 9 or such amendments before the first day of the first cal-
 10 endar quarter beginning after the close of the first regular
 11 session of the State legislature that begins after the date
 12 of the enactment of this Act. For purposes of the preced-
 13 ing sentence, in the case of a State that has a 2-year legis-
 14 lative session, each year of such session shall be deemed
 15 to be a separate regular session of the State legislature.

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S 746 IS—2

S 746 IS—3

S 746 IS—4

S 746 IS—5

S 746 IS—6

S 746 IS—7

S 746 IS—8

S 746 IS—9

S 746 IS—10

S 746 IS—11

S 746 IS—12

S 746 IS—13

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S 746 IS—16