

*Repub.
Contract*

The Family Reinforcement Act

104th CONGRESS
1st Session

H. R. _____

IN THE HOUSE OF REPRESENTATIVES

House Republicans will introduce the following bill

A BILL

To strengthen the rights of parents.

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

3 SECTION 1. SHORT TITLE.

4 This Act may be cited as the "Family Reinforcement Act".

5 **TITLE I—ADOPTION ASSISTANCE**

6 SEC. 101. REFUNDABLE CREDIT FOR ADOPTION EXPENSES.

7 (a) IN GENERAL.—Subpart C of part IV of subchapter A of chapter
8 1 of the Internal Revenue Code of 1986 (relating to refundable credits) is
9 amended by redesignating section 35 as section 36 and by inserting after
10 section 34 the following new section:

1 "SEC. 35. ADOPTION EXPENSES.

2 "(a) ALLOWANCE OF CREDIT.—In the case of an individual, there shall
3 be allowed as a credit against the tax imposed by this subtitle for the tax-
4 able year the amount of the qualified adoption expenses paid or incurred
5 by the taxpayer during such taxable year.

6 "(b) LIMITATIONS.—

7 "(1) DOLLAR LIMITATION.—The aggregate amount of qualified
8 adoptions expenses which may be taken into account under subsection
9 (a) with respect to the adoption of a child shall not exceed \$5,000.

10 "(2) INCOME LIMITATION.—The amount allowable as a credit
11 under subsection (a) for any taxable year shall be reduced (but not
12 below zero) by an amount which bears the same ratio to the amount
13 so allowable (determined without regard to this paragraph but with re-
14 gard to paragraph (1)) as—

15 "(A) the amount (if any) by which the taxpayer's adjusted
16 gross income exceeds \$60,000, bears to

17 "(B) \$40,000.

18 For purposes of this paragraph, adjusted gross income shall be deter-
19 mined without regard to section 136.

20 "(3) DENIAL OF DOUBLE BENEFIT.—

21 "(A) IN GENERAL.—No credit shall be allowed under sub-
22 section (a) for any expense for which a deduction or credit is al-
23 lowable under any other provision of this chapter.

24 "(B) GRANTS.—No credit shall be allowed under subsection
25 (a) for any expenses paid from any funds received under any Fed-
26 eral, State, or local program.

27 "(c) QUALIFIED ADOPTION EXPENSES.—For purposes of this section,
28 the term 'qualified adoption expenses' means reasonable and necessary
29 adoption fees, court costs, attorney fees, and other expenses which are di-
30 rectly related to the legal adoption of a child by the taxpayer and which
31 are not incurred in violation of State or Federal law or in carrying out any
32 surrogate parenting arrangement. The term 'qualified adoption expenses'
33 shall not include any expenses in connection with the adoption by an indi-
34 vidual of a child who is the child of such individual's spouse."

35 (b) CLERICAL AMENDMENT.—The table of sections for subpart C of
36 part IV of subchapter A of chapter 1 of such Code is amended by striking
37 the last item and inserting the following:

 "Sec. 35. Adoption expenses.
 "Sec. 36. Overpayments of tax."

38 (c) EFFECTIVE DATE.—The amendments made by this section shall
39 apply to taxable years beginning after December 31, 1995.

TITLE II—ELDERCARE ASSISTANCE**SEC. 201. REFUNDABLE CREDIT FOR CUSTODIAL CARE OF CERTAIN DEPENDENTS IN TAXPAYER'S HOME.**

(a) **IN GENERAL.**—Subpart C of part IV of subchapter A of chapter I of the Internal Revenue Code of 1986 (relating to refundable credits) is amended by redesignating section 36 as section 37 and by inserting after section 35 the following new section:

“SEC. 36. CREDIT FOR TAXPAYERS WITH CERTAIN PERSONS REQUIRING CUSTODIAL CARE IN THEIR HOUSEHOLDS.

“(a) **ALLOWANCE OF CREDIT.**—In the case of an individual who maintains a household which includes as a member one or more qualified persons, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to \$500 for each such person.

“(b) **DEFINITIONS.**—For purposes of this section—

“(1) **QUALIFIED PERSON.**—The term ‘qualified person’ means any individual—

“(A) who is a parent or grandparent of the taxpayer,

“(B) who has been certified by a physician as—

“(i) being unable to perform (without substantial assistance from another individual) at least 2 activities of daily living (as defined in paragraph (2)), or

“(ii) having a similar level of disability due to cognitive impairment, and

“(C) who has as his principal place of abode for more than half of the taxable year the home of the taxpayer.

“(2) **ACTIVITIES OF DAILY LIVING.**—For purposes of paragraph (1), each of the following is an activity of daily living:

“(A) **BATHING.**—The overall complex behavior of getting water and cleansing the whole body, including turning on the water for a bath, shower, or sponge bath, getting to, in, and out of a tub or shower, and washing and drying oneself.

“(B) **DRESSING.**—The overall complex behavior of getting clothes from closets and drawers and then getting dressed.

“(C) **TOILETING.**—The act of going to the toilet room for bowel and bladder function, transferring on and off the toilet, cleaning after elimination, and arranging clothes.

“(D) **TRANSFER.**—The process of getting in and out of bed or in and out of a chair or wheelchair.

“(E) **EATING.**—The process of getting food from a plate or its equivalent into the mouth.

TITLE III—CHILD PROTECTION

SEC. 301. INCREASED PENALTIES FOR USE OF A COMPUTER IN SEXUAL CRIMES AGAINST CHILDREN.

The United States Sentencing Commission shall amend the sentencing guidelines applicable to section 2252 of title 18, United States Code, to increase the offense level by 2 levels if a computer was used in the transporting or shipment of the visual depiction.

SEC. 302. MANDATORY MINIMUM SENTENCE FOR PROSTITUTION OF CHILDREN.

Section 2423 of title 18, United States Code, is amended by striking "or imprisoned not more than ten years, or both." and inserting "and imprisoned not less than 3 nor more than 10 years."

SEC. 303. SENTENCING GUIDELINES RELATING TO PROSTITUTION OF CHILDREN.

The United States Sentencing Commission shall amend the sentencing guidelines applicable to section 2423 of title 18, United States Code, to assure that an increase in the age of the child who is the victim of the offense does not result in a lighter punishment.

SEC. 304. INCREASE IN PENALTY FOR SEXUAL ABUSE OF A MINOR.

Section 2243(a) of title 18, United States Code, is amended by inserting "less than 3 nor" after "imprisoned not".

SEC. 305. INCREASE IN PENALTY FOR SEXUAL ABUSE OF A WARD.

Section 2243(b) of title 18, United States Code, is amended by striking "more than one year" and inserting "less than 3 nor more than 15 years".

TITLE IV—FAMILY PRIVACY PROTECTION

SEC. 401. FAMILY PRIVACY PROTECTION.

(a) Notwithstanding any other provision of law, no program or activity funded in whole in or part by any Federal department or agency shall require a minor to submit to a survey, analysis, or evaluation that reveals information concerning:

- (1) parental political affiliations;
- (2) mental or psychological problems potentially embarrassing to the minor or his family;
- (3) sexual behavior or attitudes;
- (4) illegal, anti-social, self-incriminating, or demeaning behavior;
- (5) appraisals of other individuals with whom the minor has a familial relationship;
- (6) relationships that are legally recognized as privileged, such as those with lawyers, physicians, and members of the clergy;

1 (7) the minor's household income, other than information required
2 by law to determine eligibility for participation in a program or for re-
3 ceiving financial assistance from a program; or

4 (8) religious beliefs,
5 without the written consent of at least one of the minor's parents or guard-
6 ians or, in the case of an emancipated minor, the prior consent of the minor
7 himself.

8 (b) Subsection (a) shall not apply to tests intended to measure aca-
9 demic performance except to the extent that such tests would require a
10 minor to reveal information listed in paragraphs (1) through (6) of sub-
11 section (a).

12 SEC. 402. NOTIFICATION PROCEDURES.

13 A department or agency which, in whole or in part, supports a program
14 or activity involving any survey, analysis, or evaluation of minors shall es-
15 tablish procedures by which the department or agency, or its grantees, shall
16 notify minors and their parents of their rights under this title.

17 SEC. 403. EFFECTIVE DATE.

18 This title shall take effect 30 days after the date of the enactment of
19 this Act.

20 TITLE V—CHILD SUPPORT 21 ENFORCEMENT

22 SEC. 501. ENFORCEMENT OF CHILD SUPPORT ORDERS.

23 (a) IN GENERAL.—Section 1738A of title 28, United States Code, is
24 amended—

25 (1) in subsection (a) by inserting "or child support order" after
26 "child custody determination";

27 (2) in subsection (b)—

28 (A) by redesignating paragraphs (2) through (8) as para-
29 graphs (3) through (9), respectively; and

30 (B) by inserting after paragraph (1) the following new para-
31 graph:

32 "(2) 'child support order' means a judgment, decree, or order of
33 a court requiring the payment of money, whether in periodic amounts
34 or lump sum, for the support of a child and includes permanent and
35 temporary orders, initial orders and modifications, on-going support
36 and arrearages;"

37 (3) in subsection (c)—

38 (A) in the first sentence by inserting "or child support order"
39 after "child custody determination"; and

40 (B) in paragraph (2)(D)(i) by inserting "or support" after
41 "determine the custody";

1 (4) in subsection (d), by striking out "the requirement of sub-
2 section (e)(1) of this section continues to be met and"; and

3 (5) in subsection (f)(2), by inserting "as described under sub-
4 section (d) of this section," after "no longer has jurisdiction,".

5 (b) TECHNICAL AND CONFORMING AMENDMENTS.—(1) The heading
6 for section 1738A of title 28, United States Code, is amended to read as
7 follows:

8 "SEC. 1738A. FULL FAITH AND CREDIT GIVEN TO CHILD CUSTODY DE-
9 TERMINATIONS AND CHILD SUPPORT ORDERS."

10 (2) The table of sections for chapter 115 of title 28, United States
11 Code, is amended by striking out the item relating to section 1738A and
12 inserting in lieu thereof:

"1738A. Full faith and credit given to child custody determinations and child support orders."

13 (c) EFFECTIVE DATE.—The amendments made by this section shall be
14 effective on and after the date of the enactment of this Act.

15 SEC. 502. UNIFORM TERMS IN ORDERS.

16 (a) IN GENERAL.—Section 452(a) of the Social Security Act (42
17 U.S.C. 652(a)) is amended—

18 (1) in paragraph (9), by striking "and" after the semicolon;

19 (2) in paragraph (10), by striking the period at the end of the 2nd
20 sentence and inserting "; and"; and

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

22 "(11) develop, in conjunction with State executive and judicial or-
23 ganizations, a uniform abstract of a child support order, for use by all
24 State courts to record in each child support order—

25 "(A) the date support payments are to begin under the order;

26 "(B) the circumstances upon which support payments are to
27 end under the order;

28 "(C) the amount of child support payable pursuant to the
29 order expressed as a sum certain to be paid on a monthly basis,
30 arrearages expressed as a sum certain as of a certain date, and
31 any payback schedule for the arrearages;

32 "(D) whether the order awards support in a lump sum
33 (nonallocated) or per child;

34 "(E) if the award is in a lump sum, the event causing a
35 change in the support award and the amount of any change;

36 "(F) other expenses covered by the order;

37 "(G) the names of the parents subject to the order;

38 "(H) the social security account numbers of the parents;

1 “(I) the name, date of birth, and social security account num-
2 ber (if any) of each child covered by the order;

3 “(K) the identification (FIPS code, name, and address) of the
4 court that issued the order;

5 “(L) any information on health care support required by the
6 order; and

7 “(M) the party to contact if additional information is ob-
8 tained.”.

9 SEC. 503. WORK REQUIREMENT FOR NONCUSTODIAL PARENTS WITH
10 CHILD SUPPORT ARREARAGES.

11 (a) IN GENERAL.—Section 466(a) of the Social Security Act (42
12 U.S.C. 666(a)) is amended by inserting after paragraph (11) the following:

13 “(12) Procedures requiring that—

14 “(A) upon a determination by the State agency referred to in
15 section 402(a)(3) that the noncustodial parent of any child who
16 is applying for or receiving aid under the State plan approved
17 under part A owes child support (as defined in section 462(b))
18 with respect to the child, is in arrears in the payment of such sup-
19 port in an amount that is not less than twice the amount of the
20 monthly child support obligation, is not incapacitated, and is not
21 subject to a court-approved plan for payment of such arrearage,
22 the State agency referred to in section 402(a)(3) send to the
23 noncustodial parent a letter notifying the noncustodial parent that
24 the noncustodial parent—

25 “(i) is required to pay child support with respect to the
26 child; and

27 “(ii) is subject to fines and other penalties for failure to
28 pay the full amount of such support in a timely manner; and

29 “(B) if, by the end of the 30-day period that begins with the
30 date the letter is sent pursuant to subparagraph (A), the amount
31 of the arrearage has not decreased by at least a percentage
32 amount specified by the State agency, the State seek a court order
33 requiring the noncustodial parent—

34 “(i) to participate in a job search program established by
35 the State, for not less than 2 weeks and not more than 4
36 weeks; and

37 “(ii) if, by the end of the 30-day period beginning on the
38 date the order is entered, the amount of the arrearage has
39 not decreased by at least a percentage amount specified by
40 the State agency, to participate in a work program estab-
41 lished by the State, for not less than 35 hours per week (or,

1 if the program also requires job search, for not less than 30
2 hours per week)."

Bruce

The Personal Responsibility Act

104th Congress
1st Session

H. R. _____

IN THE HOUSE OF REPRESENTATIVES

House Republicans will introduce the following bill

A BILL

To restore the American family, reduce illegitimacy, control welfare spending
and reduce welfare dependence.

- 1 *Be it enacted by the Senate and House of Representatives of the United*
- 2 *States of America in Congress assembled,*
- 3 SECTION 1. SHORT TITLE.
- 4 This Act may be cited as "The Personal Responsibility Act."
- 5 SEC. 2. TABLE OF CONTENTS.
- 6 The table of contents for this Act is as follows:

- Sec. 1. Short title.
- Sec. 2. Table of contents.

TITLE I—REDUCING ILLEGITIMACY

- Sec. 100. Sense of the Congress.
- Sec. 101. Reduction or denial of AFDC for certain children whose paternity is not established.

- Sec. 102. Teens receiving AFDC required to live at home.
- Sec. 103. Earlier paternity establishment efforts by States.
- Sec. 104. Increase in paternity establishment percentage.
- Sec. 105. Denial of AFDC for certain children born out-of-wedlock.
- Sec. 106. Denial of AFDC for additional children.
- Sec. 107. State option to deny AFDC benefits to children born out-of-wedlock to individuals aged 18, 19, or 20, and to deny such benefits and housing benefits to such individuals.
- Sec. 108. Grants to States for assistance to children born out-of-wedlock.
- Sec. 109. Removal of barriers to interethnic adoption.

TITLE II—REQUIRING WORK

- Sec. 201. Findings; intent; statement of purpose.
- Sec. 202. Work program.
- Sec. 203. Work supplementation program amendments.
- Sec. 204. Payments to States for certain individuals receiving food assistance from the State who perform work on behalf of the State.

TITLE III—CAPPING THE AGGREGATE GROWTH OF WELFARE SPENDING

- Sec. 301. Cap on growth of Federal spending on certain welfare programs.
- Sec. 302. Conversion of funding under certain welfare programs.
- Sec. 303. Savings from welfare spending limits to be used for deficit reduction.

TITLE IV—RESTRICTING WELFARE FOR ALIENS

- Sec. 401. Ineligibility of aliens for public welfare assistance.
- Sec. 402. State AFDC agencies required to provide information on illegal aliens to the Immigration and Naturalization Service.

TITLE V—CONSOLIDATING FOOD ASSISTANCE PROGRAMS

- Sec. 501. Food assistance block grant program.
- Sec. 502. Availability of Federal coupon system to States.
- Sec. 503. Authority to sell Federal surplus commodities.
- Sec. 504. Definitions.
- Sec. 505. Repealers; amendments.
- Sec. 506. Effective date; application of repealers and amendments.

TITLE VI—EXPANDING STATUTORY FLEXIBILITY OF STATES

- Sec. 601. Option to convert AFDC into a block grant program.
- Sec. 602. Option to treat new residents of a State under rules of former State.
- Sec. 603. Option to impose penalty for failure to attend school.
- Sec. 604. Option to provide married couple transition benefit.
- Sec. 605. Option to disregard income and resources designated for education, training, and employability, or related to self-employment.
- Sec. 606. Option to require attendance at parenting and money management classes, and prior approval of any action that would result in a change of school for a dependent child.

TITLE VII—DRUG TESTING FOR WELFARE RECIPIENTS

- Sec. 701. AFDC recipients required to undergo necessary substance abuse treatment as a condition of receiving AFDC.

TITLE VIII—EFFECTIVE DATE

- Sec. 801. Effective date.

1 **TITLE I—REDUCING ILLEGITIMACY**

2 **SEC. 100. SENSE OF THE CONGRESS.**

3 It is the sense of the Congress that—

4 (1) marriage is the foundation of a successful society;

5 (2) marriage is an essential social institution which promotes the
6 interests of children and society at large;

7 (3) the negative consequences of an out-of-wedlock birth on the
8 child, the mother, and society are well documented as follows:

1 (A) the illegitimacy rate among black Americans was 26 per-
2 cent in 1965, but today the rate is 68 percent and climbing;

3 (B) the illegitimacy rate among white Americans has risen
4 tenfold, from 2.29 percent in 1960 to 22 percent today;

5 (C) the total of all out-of-wedlock births between 1970 and
6 1991 has risen from 10 percent to 30 percent and if the current
7 trend continues, 50 percent of all births by the year 2015 will be
8 out-of-wedlock;

9 (D) $\frac{3}{4}$ of illegitimate births among whites are to women with
10 a high school education or less;

11 (E) the one-parent family is six times more likely to be poor
12 than the two-parent family;

13 (F) children born into families receiving welfare assistance
14 are three times more likely to be on welfare when they reach
15 adulthood;

16 (G) teenage single parent mothering is the single biggest con-
17 tributor to low birth weight babies;

18 (H) children born out-of-wedlock are more likely to experience
19 low verbal cognitive attainment, child abuse, and neglect;

20 (I) young people from single parent or stepparent families are
21 two to three times more likely to have emotional or behavioral
22 problems than those from intact families;

23 (J) young white women who were raised in a single parent
24 family are more than twice as likely to have children out-of-wed-
25 lock and to become parents as teenagers, and almost twice as like-
26 ly to have their marriages end in divorce, as are children from 2-
27 parent families;

28 (K) the younger the single parent mother, the less likely she
29 is to finish high school;

30 (L) young women who have children before finishing high
31 school are more likely to receive welfare assistance for a longer pe-
32 riod of time;

33 (M) between 1985 and 1990, the public cost of births to teen-
34 age mothers under the aid to families with dependent children pro-
35 gram, the food stamp program, and the medicaid program has
36 been estimated at \$120,000,000,000;

37 (N) the absence of a father in the life of a child has a nega-
38 tive effect on school performance and peer adjustment;

39 (O) the likelihood that a young black man will engage in
40 criminal activities doubles if he is raised without a father and tri-

Ball curve

1 ples if he lives in a neighborhood with a high concentration of sin-
2 gle parent families; and

3 (P) the greater the incidence of single parent families in a
4 neighborhood, the higher the incidence of violent crime and bur-
5 glary; and

6 (4) in light of this demonstration of the crisis in our Nation, the
7 reduction of out-of-wedlock births is an important government interest
8 and the policy contained in provisions of this title address the crisis.

9 **SEC. 101. REDUCTION OR DENIAL OF AFDC FOR CERTAIN CHILDREN**
10 **WHOSE PATERNITY IS NOT ESTABLISHED.**

11 (a) IN GENERAL.—Section 402(a) of the Social Security Act (42
12 U.S.C. 602(a)) is amended—

13 (1) by striking “and” at the end of paragraph (44);

14 (2) by striking the period at the end of paragraph (45) and insert-
15 ing “; and”; and

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

17 “(46) provide that—

18 “(A) except as provided in subparagraph (B), aid under the
19 State plan shall not be payable to a family with respect to a de-
20 pendent child whose paternity has not been established, unless—

21 “(i) the child was conceived as a result of rape or incest;
22 or

23 “(ii) the State determines that efforts to establish such
24 paternity would result in physical danger to the relative
25 claiming such aid;

26 “(B) if the paternity of a dependent child has not been estab-
27 lished, the relative claiming such aid alleges that any of not more
28 than 3 named individuals may be the biological father of the child
29 and provides the address of each of the named individuals (or, if
30 the relative is not aware of the address of such a named individ-
31 ual, the address of the immediate relatives of the named individ-
32 ual), and the State has not disproved the allegation, then—

33 “(i) aid under the State plan shall be payable to the
34 family, and the needs of the dependent child shall be dis-
35 regarded in determining the amount of such aid; and

36 “(ii) the entire family shall be eligible for medical assist-
37 ance under the State plan approved under title XIX; and

38 “(C) the relative claiming such aid shall have the burden of
39 proving any allegation of paternity of a dependent child by an in-
40 dividual who is deceased, in accordance with procedures estab-
41 lished by the State in consultation with the Secretary.”

1 (b) NO EFFECT ON ELIGIBILITY FOR FOSTER CARE MAINTENANCE
2 PAYMENTS.—Section 472(a)(4)(B) of such Act (42 U.S.C. 672(a)(4)) is
3 amended—

4 (1) in clause (i), by inserting “and section 402(a)(46) were not
5 applied to the child” before the comma; and

6 (2) in clause (ii), by inserting “, section 402(a)(46) were not ap-
7 plied to the child,” before “and application”.

8 (c) NO EFFECT ON ELIGIBILITY FOR ADOPTION ASSISTANCE PAY-
9 MENTS.—Section 473(a)(2)(B)(ii) of such Act (42 U.S.C. 673(a)(2)(B)(ii))
10 is amended—

11 (1) in subclause (I), by inserting “and section 402(a)(48) were not
12 applied to the child” before the comma; and

13 (2) in subclause (II), by inserting “, section 402(a)(48) were not
14 applied to the child,” before “and application”.

15 SEC. 102. TEENS RECEIVING AFDC REQUIRED TO LIVE AT HOME.

16 Section 402(a)(43) of the Social Security Act (42 U.S.C. 602(a)(43))
17 is amended—

18 (1) by striking “at the option of the State,”; and

19 (2) by striking “18” and inserting “19”.

20 SEC. 103. EARLIER PATERNITY ESTABLISHMENT EFFORTS BY STATES.

21 (a) IN GENERAL.—Section 466(a)(5)(C) of the Social Security Act (42
22 U.S.C. 666(a)(5)(C)) is amended by redesignating clauses (i) and (ii) as
23 clauses (ii) and (iii) and by inserting before clause (ii) (as so redesignated)
24 the following: “(i) a requirement that, as soon as an officer or employee of
25 the State becomes aware, in the performance of official duties, of a preg-
26 nant, unmarried individual, the officer or employee (I) inform the individual,
27 orally and in writing, that she will be ineligible for aid under the State plan
28 under part A unless she informs the State of the identity of the prospective
29 father and, after the child is born, cooperates in establishing the paternity
30 of the child, and (II) encourage the individual to urge the prospective father
31 to acknowledge paternity.”.

32 (b) CONFORMING AMENDMENTS.—Section 466(a)(5) of such Act (42
33 U.S.C. 666(a)(5)) is amended in each of subparagraphs (D) and (E) by
34 striking “(C)(ii)” and inserting “(C)(iii)”.

35 (c) SENSE OF THE CONGRESS.—The Congress encourages the States
36 to—

37 (1) develop procedures in public hospitals and clinics to facilitate
38 the acknowledgement of paternity; and

39 (2) establish legal procedures that permit the establishment of pa-
40 ternity as quickly and easily as possible.

✓
Idea: Expand on
teen moms provision
to all under 20.
unwed moms

Idea: State option
to phase in after
1st - sharp reduction
after cutoff - works
Low teen mom
provision would then
affect more than teens.

1 SEC. 104. INCREASE IN PATERNITY ESTABLISHMENT PERCENTAGE.

2 Section 452(g)(1) of the Social Security Act (42 U.S.C. 652(g)(1)) is
3 amended by striking all that follows "—" and inserting the following:

4 "(A) 90 percent;

5 "(B) for a State with a paternity establishment percentage of not
6 less than 50 percent but less than 90 percent for such fiscal year, the
7 paternity establishment percentage of the State for the immediately
8 preceding fiscal year plus 6 percentage points; or

9 "(C) for a State with a paternity establishment percentage of less
10 than 50 percent for such fiscal year, the paternity establishment per-
11 centage of the State for the immediately preceding fiscal year plus 10
12 percentage points."

13 SEC. 105. DENIAL OF AFDC FOR CERTAIN CHILDREN BORN OUT-OF-
14 WEDLOCK.

15 (a) DENIAL OF AFDC.—

16 (1) IN GENERAL.—Section 402(a) of the Social Security Act (42
17 U.S.C. 602(a)), as amended by section 101(a) of this Act, is
18 amended—

19 (A) by striking "and" at the end of paragraph (45);

20 (B) by striking the period at the end of paragraph (46) and
21 inserting "; and"; and

22 (C) by inserting after paragraph (46) the following:

23 "(47) provide that aid under the plan shall not be payable with
24 respect to a child born out-of-wedlock to an individual who, at the time
25 of such birth, had not attained 18 years of age, unless, after the birth
26 of the child—

27 "(A) the individual marries an individual who the State deter-
28 mines is the biological father of the child; or

29 "(B) the biological parent of the child has legal custody of
30 the child and marries an individual who legally adopts the child."

31 (2) LIMITATION ON APPLICABILITY.—The amendments made by
32 paragraph (1) shall not apply to a child born before the effective date
33 of this Act who is a member of a family whose most recent application
34 for aid to families with dependent children under a State plan approved
35 under part A of title IV of the Social Security Act was made before
36 such effective date.

37 (b) NO EFFECT ON ELIGIBILITY FOR FOSTER CARE MAINTENANCE
38 PAYMENTS.—Section 472(a)(4)(B) of such Act (42 U.S.C. 672(a)(4)), as
39 amended by section 101(b) of this Act, is amended in each of clauses (i)
40 and (ii) by striking "section 402(a)(46)" and inserting "paragraphs (46)
41 and (47) of section 402(a)".

→ Do the same

→ Constitutional?
(Ask panel of conservative
scholars for opinion.)
→ Does it deny child,
or child's parent?

1 (c) NO EFFECT ON ELIGIBILITY FOR ADOPTION ASSISTANCE PAY-
 2 MENTS.—Section 473(a)(2)(B)(ii) of such Act (42 U.S.C. 673(a)(2)(B)(ii))
 3 is amended in each of subclauses (I) and (II) by striking “section
 4 402(a)(46)” and inserting “paragraphs (46) and (47) of section 402(a)”.

5 SEC. 106. DENIAL OF AFDC FOR ADDITIONAL CHILDREN.

6 Section 402(a) of the Social Security Act (42 U.S.C. 602(a)), as
 7 amended by sections 101(a) and 105(a)(1) of this Act, is amended—

8 (1) by striking “and” at the end of paragraph (46);

9 (2) by striking the period at the end of paragraph (47) and insert-
 10 ing “; and”; and

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

12 “(48) provide that aid under the plan shall not be payable with
 13 respect to a child born to—

14 “(A) a recipient of aid under any State plan approved under
 15 this part; or

16 “(B) an individual who received aid under any such State
 17 plan at any time during the 10-month period ending with the birth
 18 of the child.”

19 SEC. 107. STATE OPTION TO DENY AFDC BENEFITS TO CHILDREN
 20 BORN OUT-OF-WEDLOCK TO INDIVIDUALS AGED 18, 19,
 21 OR 20, AND TO DENY SUCH BENEFITS AND HOUSING
 22 BENEFITS TO SUCH INDIVIDUALS.

23 (a) DENIAL OF AFDC.—

24 (1) IN GENERAL.—Section 402(a) of the Social Security Act (42
 25 U.S.C. 602(a)), as amended by sections 101(a), 105(a)(1), and 106 of
 26 this Act, is amended—

27 (A) by striking “and” at the end of paragraph (47);

28 (B) by striking the period at the end of paragraph (48) and
 29 inserting “; and”; and

30 (C) by inserting after paragraph (48) the following:

31 “(49) at the option of the State, provide that—

32 “(A) aid under the plan shall not be payable with respect to
 33 a child born out-of-wedlock to an individual who, at the time of
 34 such birth, had attained 18 years of age but had not attained such
 35 age not exceeding 21 years as the State may determine; and

36 “(B) aid under the plan shall not be payable with respect to
 37 an individual who has borne a child out-of-wedlock after attaining
 38 18 years of age but before attaining 21 years of age, unless—

39 “(i) after the birth of the child—

40 “(I) the individual marries an individual who the
 41 State determines is the biological father of the child; or

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1 “(I) the biological parent of the child has legal cus-
2 tody of the child and marries an individual who legally
3 adopts the child; or

4 “(ii) the individual is a biological and custodial parent of
5 another child who was not born out-of-wedlock.”.

6 (2) LIMITATION ON APPLICABILITY.—The amendments made by
7 paragraph (1) shall not apply to a child born before the effective date
8 of this Act who is a member of a family whose most recent application
9 for aid to families with dependent children under a State plan approved
10 under part A of title IV of the Social Security Act was made before
11 such effective date.

12 (b) HOUSING BENEFITS.—

13 (1) PROHIBITION OF ASSISTANCE.—Notwithstanding any other
14 provision of law, a household whose head of household is an individual
15 who has borne a child out-of-wedlock after attaining 18 years of age
16 but before attaining 21 years of age may not be provided Federal hous-
17 ing assistance for a dwelling unit located in a covered State, unless—

18 (A) after the birth of the child—

19 (i) the individual marries an individual who has been de-
20 termined by the relevant State to be the biological father of
21 the child; or

22 (ii) the biological parent of the child has legal custody
23 of the child and marries an individual who legally adopts the
24 child;

25 (B) the individual is a biological and custodial parent of an-
26 other child who was not born out-of-wedlock; or

27 (C) eligibility for such Federal housing assistance is based in
28 whole or in part on any disability or handicap of a member of the
29 household.

30 (2) COVERED STATES.—A State shall be considered a covered
31 State for purposes of this subsection only during the period that—

32 (A) begins upon certification, made by the chief executive of-
33 ficer of the State (at the option of the State) to the Secretary or
34 Housing and Urban Development and the Secretary of Agri-
35 culture, that the State is a covered State for purposes of this sub-
36 section; and

37 (B) ends upon submission of written notice (at the option of
38 the State), by the chief executive officer of the State to such Sec-
39 retaries, that the State is not a covered State for purposes of this
40 subsection.

→ what about
housing under 21?

1 (3) NOTIFICATION OF HOUSING PROVIDERS.—Upon certification
2 under paragraph (2)(A) for a State and periodically thereafter during
3 the period that the State is a covered State, the Secretary of Housing
4 and Urban Development and the Secretary of Agriculture shall provide
5 written notice that the State is a covered State for purposes of this
6 subsection to—

7 (A) each public housing agency whose area of jurisdiction is
8 located in whole or part within the State; and

9 (B) the owner or manager of each covered project.

10 (4) DEFINITIONS.—For purposes of this subsection, the following
11 definitions shall apply:

12 (A) COVERED PROGRAM.—The term “covered program”
13 means—

14 (i) the program of rental assistance on behalf of low-in-
15 come families provided under section 8 of the United States
16 Housing Act of 1937 (42 U.S.C. 1437f);

17 (ii) the public housing program under title I of the Unit-
18 ed States Housing Act of 1937 (42 U.S.C. 1437 et seq.);

19 (iii) the program of rent supplement payments on behalf
20 of qualified tenants pursuant to contracts entered into under
21 section 101 of the Housing and Urban Development Act of
22 1965 (12 U.S.C. 1701s);

23 (iv) the program of interest reduction payments pursu-
24 ant to contracts entered into by the Secretary of Housing and
25 Urban Development under section 236 of the National Hous-
26 ing Act (12 U.S.C. 1715z-1);

27 (v) the program for mortgage insurance provided pursu-
28 ant to sections 221(d)(3) or (4) of the National Housing Act
29 (12 U.S.C. 1715l(d)) for multifamily housing for low- and
30 moderate-income families; ??

31 (vi) the rural housing loan program under section 502 of ??
32 the Housing Act of 1949 (42 U.S.C. 1472);

33 (vii) the rural housing loan guarantee program under
34 section 502(b) of the Housing Act of 1949 (42 U.S.C.
35 1472(h));

36 (viii) the loan and grant programs under section 504 of
37 the Housing Act of 1949 (42 U.S.C. 1474) for repairs and
38 improvements to rural dwellings;

39 (ix) the program of loans for rental and cooperative rural
40 housing under section 515 of the Housing Act of 1949 (42
41 U.S.C. 1485);

1 (x) the program of rental assistance payments pursuant
2 to contracts entered into under section 521(a)(2)(A) of the
3 Housing Act of 1949 (42 U.S.C. 1490a(a)(2)(A));

4 (xi) the loan and assistance programs under sections 514
5 and 516 of the Housing Act of 1949 (42 U.S.C. 1484, 1486)
6 for housing for farm labor;

7 (xii) the program of grants and loans for mutual and
8 self-help housing and technical assistance under section 523
9 of the Housing Act of 1949 (42 U.S.C. 1490c);

10 (xiii) the program of grants for preservation and reha-
11 bilitation of housing under section 533 of the Housing Act of
12 1949 (42 U.S.C. 1490m); and

13 (xiv) the program of site loans under section 524 of the
14 Housing Act of 1949 (42 U.S.C. 1490d).

15 (B) COVERED PROJECT.—The term "covered project" means
16 any housing for which Federal housing assistance is provided that
17 is attached to the project or specific dwelling units in the project.

18 (C) FEDERAL HOUSING ASSISTANCE.—The term "Federal
19 housing assistance" means—

20 (i) assistance provided under a covered program in the
21 form of any contract, grant, loan, subsidy, cooperative agree-
22 ment, loan or mortgage guarantee or insurance, or other fi-
23 nancial assistance; or

24 (ii) occupancy in a dwelling unit that is—

25 (I) provided assistance under a covered program; or

26 (II) located in a covered project and subject to occu-
27 pancy limitations under a covered program that are
28 based on income.

29 (D) PUBLIC HOUSING AGENCY.—The term "public housing
30 agency" has the meaning given the term in section 3(a) of the
31 United States Housing Act of 1937.

32 (E) STATE.—The term "State" means the States of the Unit-
33 ed States, the District of Columbia, the Commonwealth of Puerto
34 Rico, the Commonwealth of the Northern Mariana Islands, Guam,
35 the Virgin Islands, American Samoa, and any other territory or
36 possession of the United States.

37 (5) LIMITATIONS ON APPLICABILITY.—Paragraph (1) shall not
38 apply to Federal housing assistance provided for a household pursuant
39 to an application or request for such assistance made by such house-
40 hold before the effective date of this Act.

1 SEC. 108. GRANTS TO STATES FOR ASSISTANCE TO CHILDREN BORN
2 OUT-OF-WEDLOCK.

3 (a) IN GENERAL.—Title IV of the Social Security Act (42 U.S.C. 601
4 et seq.) is amended by inserting after part B the following:

5 "PART C—GRANTS FOR ASSISTANCE TO CHILDREN BORN OUT-
6 OF-WEDLOCK

7 "SEC. 440. PURPOSE.

8 (a) IN GENERAL.—The purpose of this part is to grant a qualified
9 State the flexibility and resources necessary to provide such services and ac-
10 tivities as the State deems appropriate to discourage out-of-wedlock births
11 and care for children born out-of-wedlock.

12 "(b) QUALIFIED STATE DEFINED.—For purposes of this part, the
13 term 'qualified State' means a State which—

14 "(1) has a plan approved under section 402; and

15 "(2) has certified to the Secretary that—

16 "(A) the payments made to the State under this part will be
17 used by the State in accordance with this part; and

18 "(B) not less frequently than every 2 years, the State will
19 audit the expenditures of the amounts paid to the State under this
20 part.

21 "SEC. 441. USE OF GRANT FUNDS.

22 (a) IN GENERAL.—Except as provided in subsection (b), each qualified
23 State that receives grant funds under this part shall use such funds—

24 "(1) to establish or expand programs to reduce out-of-wedlock
25 pregnancies;

26 "(2) to promote adoption;

27 "(3) to establish and operate orphansages;

28 "(4) to establish and operate closely supervised residential group
29 homes for unwed mothers; or

30 "(5) in any manner that the State deems appropriate to accom-
31 plish the purpose of this part.

32 "(b) PROHIBITIONS ON USE OF FUNDS.—

33 "(1) NO INDIVIDUAL PAYMENTS.—A qualified State that receives
34 grant funds under this part shall not, directly or indirectly, use such
35 funds for providing payments to an individual who is the parent of a
36 child born out-of-wedlock and such child if the parent and the child
37 live—

38 "(A) in a household headed by such parent;

39 "(B) in the household of a relative; or

40 "(C) in any other conventional residential or community set-
41 ting.

→ COST ESTIMATES

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1 “(2) NO FUNDS USED FOR ABORTION.—No grant funds received
2 by a qualified State under this part shall be used for making abortion
3 available as a method of family planning or for any counseling or advis-
4 ing with respect to abortion.

5 “(c) PENALTY FOR MISUSE OF FUNDS.—If a qualified State fails to
6 comply with subsection (b) in any fiscal year, the Secretary shall reduce the
7 amount to be paid to such State under this part for the succeeding fiscal
8 year by an amount equal to the amount of funds misused by such State.

9 “SEC. 442. AMOUNT OF GRANT.

10 “(a) IN GENERAL.—The Secretary shall make a payment to each quali-
11 fied State for each fiscal year in an amount equal to the Federal savings
12 amount for the State determined under subsection (b)(1) for the applicable
13 fiscal year.

14 “(b) DETERMINATION OF GRANT AMOUNT.—

15 “(1) IN GENERAL.—The Federal savings amount for a State for
16 a fiscal year is an amount that is equal to the product of—

17 “(A) the State per capita amount for the fiscal year (as de-
18 termined under paragraph (2)); and

19 “(B) the State's excluded population (as determined under
20 paragraph (3)).

21 “(2) PER CAPITA AMOUNT.—The State per capita amount for a
22 fiscal year determined under this paragraph is the average per capita
23 amount that the Secretary estimates the State will receive under sec-
24 tion 403 of the Social Security Act during the fiscal year for providing
25 aid to families with dependent children to individuals eligible to receive
26 such aid.

27 “(3) STATE EXCLUDED POPULATION.—

28 “(A) IN GENERAL.—The Congressional Budget Office shall
29 determine an excluded population for each qualified State for each
30 fiscal year in accordance with this paragraph.

31 “(B) DETERMINATION.—A State's excluded population for a
32 fiscal year shall equal the sum of—

33 “(i) the number of excluded children for the State for
34 the fiscal year as determined under subparagraph (C);

35 “(ii) the number of excluded parents for the State for
36 the fiscal year as determined under subparagraph (D); and

37 “(iii) the number of individuals in the phase-in popu-
38 lation for the State for the fiscal year as determined under
39 subparagraph (E).

40 “(C) EXCLUDED CHILDREN.—

1 “(i) IN GENERAL.—The number of excluded children for
2 a State for a fiscal year shall be—

3 “(I) for fiscal year 1996, zero;

4 “(II) for fiscal year 1997, 50 percent of the monthly
5 average number of base year excluded children (as de-
6 fined in clause (ii)) who were under age 1 during the
7 base year (as defined in clause (iii));

8 “(III) for fiscal year 1998, the sum of—

9 “(aa) the monthly average number of base year
10 excluded children who were under age 1 during the
11 base year; and

12 “(bb) 50 percent of the monthly average num-
13 ber of base year excluded children who were over
14 age 1 and under age 2 during the base year;

15 “(IV) for fiscal year 1999, the sum of—

16 “(aa) the monthly average number of base year
17 excluded children who were under age 2 during the
18 base year; and

19 “(bb) 50 percent of the monthly average num-
20 ber of base year excluded children who were over
21 age 2 and under age 3 during the base year;

22 “(V) for fiscal year 2000, the sum of—

23 “(aa) the monthly average number of base year
24 excluded children who were under age 3 during the
25 base year; and

26 “(bb) 50 percent of the monthly average num-
27 ber of base year excluded children who were over
28 age 3 and under age 4 during the base year; and

29 “(VI) for fiscal years after fiscal year 2000, a num-
30 ber determined by the Secretary using a formula
31 which—

32 “(aa) takes into account changes in out-of-wed-
33 lock birth rates in previous years, State incentives
34 to continue programs designed to reduce illegitimate
35 births, and other factors deemed relevant by the
36 Secretary; and

37 “(bb) does not result in a payment to any
38 State under this section for any fiscal year that ex-
39 ceeds the payment made to the State under this sec-
40 tion for fiscal year 2000.

1 “(ii) **BASE YEAR EXCLUDED CHILDREN.**—The term ‘base
2 year excluded children’ means children who received aid under
3 the State’s plan during the base year who would not have
4 been eligible for such aid if paragraphs (47) and (49) of sec-
5 tion 402(a) (as in effect during the applicable fiscal year) had
6 been in effect at the time such children were born.

7 “(iii) **BASE YEAR.**—For purposes of this part, the term
8 ‘base year’ means—

9 “(I) 1994, if the Congressional Budget Office is
10 able to determine an excluded population for each State
11 for each fiscal year that such a determination is required
12 using data provided by the National Integrated Quality
13 Control System operated by the Department of Health
14 and Human Services and other relevant data sources; or

15 “(II) 1994, or another period determined appro-
16 priate by the Secretary, based on a survey conducted or
17 approved by the Secretary.

18 “(D) **EXCLUDED PARENTS.**—The number of excluded parents
19 for a State for a fiscal year shall be the number of parents ex-
20 cluded in connection with the exclusion of their children under
21 subparagraph (C).

22 “(E) **PHASE-IN POPULATION ADJUSTED FOR DATE OF ENACT-**
23 **MENT.**—

24 “(i) **FISCAL YEAR 1996.**—For fiscal year 1996, the
25 phase-in population for a State shall be the product of
26 subclauses (I), (II), and (III).

27 “(I) 4.17 percent.

28 “(II) The average monthly number of base year ex-
29 cluded children (as defined in clause (ii) of subparagraph
30 (C)) in the State who were under age 1 during the base
31 year (as defined in clause (iii) of subparagraph (C)) and
32 the number of parents excluded in connection with such
33 children.

34 “(III) The number of months (in whole or in part)
35 by which the date of the enactment of the Personal Re-
36 sponsibility Act of 1995 precedes October 1, 1995.

37 “(ii) **SUCCEEDING FISCAL YEARS.**—For fiscal year 1997
38 and succeeding fiscal years, the phase-in population for a
39 State shall be the product of subclauses (I), (II), (III), and
40 (IV).

41 “(I) 4.17 percent.

1 “(II) The average monthly number of base year ex-
2 cluded children (as defined in clause (ii) of subparagraph
3 (C)) in the State who were under age 1 during the base
4 year (as defined in clause (iii) of subparagraph (C)) and
5 the number of parents excluded in connection with such
6 children.

7 “(III) The number of months (in whole or in part)
8 by which the date of the enactment of the Personal Re-
9 sponsibility Act of 1995 precedes or succeeds October 1,
10 1995.

11 “(IV)(aa) If the date of the enactment of the Per-
12 sonal Responsibility Act of 1995 precedes October 1,
13 1995, 1; or

14 “(bb) If the date of the enactment of the Personal
15 Responsibility Act of 1995 succeeds October 1, 1995,
16 -1.”

17 (b) **STUDY.**—Not later than October 1, 1998, and not later than Octo-
18 ber 1 of each of the 3 immediately succeeding years, the Comptroller General
19 of the United States shall submit to the Congress a report on how States
20 have expended funds provided under part C of title IV of the Social Security
21 Act, the effect of such expenditures on the well-being of mothers and chil-
22 dren, and whether there is evidence that illegitimacy rates have changed as
23 as result of the implementation of such part. Any such report may address
24 such related matters as the Comptroller deems appropriate to examine.

25 **SEC. 109. REMOVAL OF BARRIERS TO INTERETHNIC ADOPTION.**

26 (a) **FINDINGS.**—The Congress finds that—

27 (1) nearly 500,000 children are in foster care in the United
28 States;

29 (2) tens of thousands of children in foster care are waiting for
30 adoption;

31 (3) 2 years and 8 months is the median length of time that chil-
32 dren wait to be adopted;

33 (4) child welfare agencies should work to eliminate racial, ethnic,
34 and national origin discrimination and bias in adoption and foster care
35 recruitment, selection, and placement procedures; and

36 (5) active, creative, and diligent efforts are needed to recruit par-
37 ents, from every race and culture, for children needing foster care or
38 adoptive parents.

39 (b) **PURPOSE.**—The purpose of this section is to decrease the length
40 of time that children wait to be adopted and to prevent discrimination in
41 the placement of children on the basis of race, color, or national origin.

(e) MULTIRACIAL PLACEMENTS.—

(1) ACTIVITIES.—

(A) PROHIBITION.—An agency or entity that receives Federal assistance and is involved in adoption or foster care placements may not—

(i) deny to any person the opportunity to become an adoptive or a foster parent, on the basis of the race, color, or national origin of the adoptive or foster parent, or of the child, involved; or

(ii) delay or deny the placement of a child for adoption or into foster care, or otherwise discriminate in making a placement decision, on the basis of the race, color, or national origin of the adoptive or foster parent, or the child, involved.

(B) DEFINITION.—As used in this paragraph, the term "placement decision" means the decision to place, or to delay or deny the placement of, a child in a foster care or an adoptive home, and includes the decision of the agency or entity involved to seek the termination of birth parent rights or otherwise make a child legally available for adoptive placement.

(2) LIMITATION.—The Secretary of Health and Human Services shall not provide placement and administrative funds under section 474(a)(3) of the Social Security Act (42 U.S.C. 674(a)(3)) to an agency or entity described in paragraph (1)(A) of this subsection that is not in compliance with paragraph (1) of this subsection.

(3) EQUITABLE RELIEF.—Any individual who is aggrieved by an action in violation of paragraph (1), taken by an agency or entity described in paragraph (1)(A), shall have the right to bring an action seeking relief in a United States district court of appropriate jurisdiction.

(4) CONSTRUCTION.—This subsection shall not be construed to affect the application of the Indian Child Welfare Act of 1978 (25 U.S.C. 1901 et seq.).

TITLE II—REQUIRING WORK

SEC. 201. FINDINGS; INTENT; STATEMENT OF PURPOSE.

(a) FINDINGS.—The Congress finds that—

(1) the cash value of the typical welfare package of AFDC, food stamps, and medicaid is approximately \$12,000 per year;

(2) research shows that adults who leave AFDC for paid employment earn approximately \$5.50 per hour, or well over \$10,000 per year, and that, when combined with the Earned Income Tax Credit and

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voted against ?

1 food stamps, the total income of former AFDC families is at least
2 \$15,000 per year;

3 (3) adults who leave AFDC for paid employment are on the ladder
4 that can lead to greater future income, and their children have a role
5 model for the societal value of self-sufficiency; and

6 (4) most adult welfare recipients can find paid employment within
7 2 years.

8 (b) INTENT OF THE CONGRESS.—The intent of the Congress is to—

9 (1) provide States with the resources and authority necessary to
10 help, cajole, lure, or force adults off welfare and into paid employment
11 as quickly as possible, and to require adult welfare recipients, when
12 necessary, to accept jobs that will help end welfare dependency;

13 (2) permit States to provide education and training to welfare re-
14 cipients only if, in the judgment of State officials, doing so will enhance
15 the ability of such recipients to leave welfare for paid employment;

16 (3) prohibit the States from providing adult welfare recipients with
17 more than 2 years of education or training; and

18 (4) give States the flexibility to design their own welfare-to-work
19 programs and to decide who must participate in such programs.

20 (c) STATEMENT OF PURPOSE.—The purpose of this title is to move
21 adult welfare recipients from welfare dependency to paid employment as
22 quickly as possible.

23 SEC. 202. WORK PROGRAM.

24 (a) IN GENERAL.—Section 402(a) of the Social Security Act (42
25 U.S.C. 602(a)) is amended by inserting the following after paragraph (28):

26 "(29) provide that—

27 "(A)(i) the State shall require recipients of aid under the
28 State plan to participate in a work program in accordance with
29 this paragraph; and

30 "(ii) for purposes of this paragraph, the term 'work program'
31 means—

32 "(I) a work supplementation program operated under
33 section 482(e);

34 "(II) a community work experience program established
35 under section 482(f), or any other work experience program
36 approved by the Secretary; or

37 "(III) any other work program established by the State,
38 which is approved by the Secretary;

39 "(B)(i) except as provided in clause (ii), each individual who
40 is required under this paragraph to participate in a work program
41 and has received aid under the State plan for at least 24 months

1 (whether or not consecutive) shall participate in work activities for
 2 an average of not fewer than 35 hours per week during any month
 3 (or for an average of not fewer than 30 hours per week during
 4 any month if the individual is engaged in job search for an aver-
 5 age of not fewer than 5 hours per week during the month), but
 6 the State may not require any such individual to participate in
 7 work activities for more than 40 hours during any week; and

8 (ii) in the case of a family which receives aid under the
 9 State plan by reason of section 407—

10 (I) the State must require at least 1 parent in the fam-
 11 ily to engage in work activities for an average of 32 hours
 12 per week during any month and in job search activities for
 13 an average of 8 hours per week during any month; and

14 (II) the State must combine the aid payable to the fam-
 15 ily under the plan, and the cash value of any benefits the
 16 State would have provided under title V of the Personal Re-
 17 sponsibility Act of 1995 Act to the family, into a single cash
 18 payment to the family;

19 (C)(i)(I) the State may impose such sanctions as the State
 20 considers appropriate on an individual who fails to satisfactorily
 21 participate in any activity required under this part during the first
 22 24 months (after the effective date of this paragraph) for which
 23 the individual is a recipient of aid under the State plan;

24 (II) the State shall reduce the amount otherwise payable
 25 under the State plan for the month with respect to an individual
 26 to whom subparagraph (B)(i) applies, pro rata with respect to any
 27 period during the month for which the individual does not comply
 28 with subparagraph (B)(i); and

29 (III) in the case of a family which receives aid under the
 30 State plan by reason of section 407, the State shall reduce the
 31 cash payment payable to the family pursuant to subparagraph
 32 (B)(ii) pro rata with respect to any period for which the family
 33 does not comply with subparagraph (B)(ii); and

34 (ii) the State may suspend or terminate eligibility for aid
 35 under the State plan of any individual to whom a sanction has
 36 been applied under clause (i) on 3 or more occasions;

37 (D) the State may not provide subsidized non-work activities
 38 to an individual under the State plan for more than 24 months
 39 (whether or not consecutive) after the effective date of this para-
 40 graph;

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→ 34's - you're out

1 “(E) at the option of the State, the State may terminate eli-
2 gibility for aid under the State plan of any family which has re-
3 ceived such aid for 24 months (whether or not consecutive) after
4 the effective date of this paragraph and has been required under
5 this paragraph for at least 12 months (whether or not consecutive)
6 after such effective date to participate in a work program; and

7 “(F) an individual who has received aid under the State plan
8 for 60 months (whether or not consecutive) after the effective date
9 of this paragraph shall not be eligible for aid under the State
10 plan;”.

11 (b) PAYMENTS TO STATES; SANCTIONS.—Section 403 of such Act (42
12 U.S.C. 603) is amended by adding at the end the following:

13 “(o)(1) Each State which has been paid under subsection (l) of this
14 section for any fiscal year an amount equal to the limitation determined
15 under subsection (k)(2) of this section for the fiscal year shall be entitled
16 to payments under paragraph (4) of this subsection for the fiscal year in
17 an amount equal to the lesser of—

18 “(A) the sum of the applicable percentages (specified in such para-
19 graph (4)) of its expenditures under section 402(a)(29) with respect to
20 which payment has not been made under such subsection (l) (subject
21 to limitations prescribed by or pursuant to part F (to the extent appli-
22 cable) or such paragraph (4) on expenditures that may be included for
23 purposes of determining payment under such paragraph (4)); or

24 “(B) the limitation determined under paragraph (2) of this sub-
25 section with respect to the State for the fiscal year.

26 “(2) The limitation determined under this paragraph with respect to
27 a State for any fiscal year is the amount that bears the same ratio to the
28 amount specified in paragraph (3) of this subsection for the fiscal year as
29 the average monthly number of adult recipients (as defined in subsection
30 (k)(4)) in the State in the preceding fiscal year bears to the average month-
31 ly number of such recipients in all the States for such preceding year.

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

33 “(A) \$500,000,000 for fiscal year 1996;

34 “(B) \$900,000,000 for fiscal year 1997;

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

36 “(D) \$2,700,000,000 for fiscal year 1999; and

37 “(E) \$4,000,000,000 for fiscal year 2000.

38 “(4) Each State which has been paid under subsection (l) of this sec-
39 tion for a fiscal year an amount equal to the limitation determined under
40 subsection (k)(2) of this section for the fiscal year shall, in addition to any

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1 payment under subsection (a) or (l) of this section, be entitled to payment
2 from the Secretary of an amount equal to—

3 "(A) 50 percent of the expenditures of the State for administrative
4 costs incurred under section 402(a)(29) during the fiscal year (other
5 than personnel costs for staff employed to carry out section
6 402(a)(29)) with respect to which payment has not been made under
7 such subsection (l); and

8 "(B) the greater of 70 percent or the Federal medical assistance
9 percentage (as defined in section 1118 in the case of a State to which
10 section 1108 applies, or as defined in section 1905(b) in the case of
11 any other State) of the other expenditures of the State incurred in car-
12 rying out section 402(a)(29) during the fiscal year with respect to
13 which payment has not been made under such subsection (l).

14 "(p)(1) The Secretary shall reduce by 25 percent the amount otherwise
15 payable under this section to a State for each quarter in a fiscal year if—

16 "(A) the State's participation rate for the 3rd quarter of the im-
17 mediately preceding fiscal year is less than the participation rate set
18 forth in paragraph (3) for the immediately preceding fiscal year; or

19 "(B) for more than 2 months in the immediately preceding fiscal
20 year, the State's participation rate for the month is less than the par-
21 ticipation rate set forth in paragraph (3) for the 2nd preceding fiscal
22 year.

23 "(2) A State's participation rate for a time period shall be—

24 "(A) the number of individuals receiving aid under the State plan
25 approved under this part who, during the time period, participated in
26 a work program (within the meaning of section 402(a)(29)(A)) for an
27 average of not fewer than 35 hours per week during the time period
28 (or for an average of not fewer than 30 hours per week during the time
29 period if the individual is engaged in job search for an average of not
30 fewer than 5 hours per week during the time period); divided by

31 "(B) the number of families receiving aid under the State plan ap-
32 proved under this part for the time period.

33 "(3) The participation rate set forth in this paragraph is—

34 "(A) 2 percent, for fiscal year 1996;

35 "(B) 4 percent, for fiscal year 1997;

36 "(C) 8 percent, for fiscal year 1998;

37 "(D) 12 percent, for fiscal year 1999;

38 "(E) 17 percent, for fiscal year 2000;

39 "(F) 29 percent, for fiscal year 2001;

40 "(G) 40 percent, for fiscal year 2002; and

1 “(I) 50 percent, for fiscal year 2003 and each succeeding fiscal
2 year. → Cost?

3 “(4)(A) Before the beginning of each fiscal year, the Secretary shall
4 determine the number of individuals each State is required to have partici-
5 pating in a work program pursuant to section 402(a)(29), based on infor-
6 mation from the immediately preceding fiscal year and on any information
7 submitted under subparagraph (B) of this paragraph.

8 “(B) If the number of individuals eligible for aid under the State plan
9 approved under this part during the 1st 3 quarters of a fiscal year is less
10 than such number for the 1st 3 quarters of the immediately preceding fiscal
11 year, then, not later than the 1st day of the succeeding fiscal year, the State
12 may submit to the Secretary information documenting the decline.

13 “(C) At the beginning of each fiscal year, the Secretary shall publish
14 in the Federal Register the number determined pursuant to subparagraph
15 (A) for each State for the fiscal year.”.

16 (c) OTHER PROVISIONS RELATING TO UNEMPLOYED PARENTS.—

17 (1) EXTENSION TO ALL STATES OF OPTION TO LIMIT AFDC-UP
18 PROGRAM.—

19 (A) IN GENERAL.—Section 407(b)(2)(B) of such Act (42
20 U.S.C. 607(b)(2)(B)) is amended by striking clause (iii).

21 (B) CONFORMING AMENDMENT.—Section 407(b)(2)(B)(i) of
22 such Act (42 U.S.C. 607(b)(2)(B)(i)) is amended by striking
23 “clauses (ii) and (iii)” and inserting “clause (ii)”.

24 (2) INCREASE IN REQUIRED WORK PROGRAM PARTICIPATION
25 RATES OF UNEMPLOYED PARENTS.—Section 403(l)(4) of such Act (42
26 U.S.C. 603(l)(4)) is amended—

27 (A) by striking subparagraph (A);

28 (B) in subparagraph (B)—

29 (i) by striking “subparagraph (A)” and inserting “sec-
30 tion 402(a)(29)(B)(ii)(I)”;

31 (ii) in clause (iii), by striking “and”;

32 (iii) in clause (iv), by striking “each of the fiscal years
33 1997 and 1998.” and inserting “fiscal year 1997; and”; and

34 (iv) by adding at the end the following:

35 “(v) 90 percent in the case of the average of each month in fiscal
36 year 1998.”; → Cost?

37 (C) in subparagraph (C)—

38 (i) in clause (i), by striking “subparagraph (A)(i)” and
39 inserting “section 402(a)(29)(B)(ii)(I)”;

40 (ii) in clause (ii), by striking “subparagraph” and insert-
41 ing “section”; and

1 (D) in subparagraph (D)—

2 (i) by striking “subparagraph (A)” each place such term
3 appears and inserting “section 402(a)(29)(B)(ii)(I)”;

4 (ii) by inserting “of this paragraph” after “subpara-
5 graph (B)”;

6 (iii) by adding after and below the end the following:

7 “The Secretary may not, under this subparagraph, waive a penalty with re-
8 spect to the same State more than once during any 5-year period.”.

9 (d) **ELIMINATION OF CERTAIN JOBS PROGRAM RULES.—**

10 (1) **PARTICIPATION REQUIREMENTS.—**Section 403(l) of such Act
11 (42 U.S.C. 603(l)) is amended by striking paragraphs (2) and (3) and
12 redesignating paragraph (4) as paragraph (2).

13 (2) **CWEP HOURS OF WORK LIMITATIONS.—**Section 482(f) of
14 such Act (42 U.S.C. 682(f)) is amended—

15 (A) in paragraph (1), by striking subparagraph (B) and re-
16 designating subparagraph (C) as subparagraph (B); and

17 (B) by striking paragraph (2) and redesignating paragraphs
18 (3) and (4) as paragraphs (2) and (3), respectively.

19 (3) **RULES RELATING TO EXEMPTIONS.—**Section 402(a)(19) of
20 such Act (42 U.S.C. 602(a)(19)) is amended by striking subparagraphs
21 (C) and (D), redesignating subparagraphs (E) and (F) as subpara-
22 graphs (C) and (D), respectively, and by adding “and” at the end of
23 subparagraph (C) (as so redesignated).

24 (4) **SANCTIONS.—**Section 402(a)(19) of such Act (42 U.S.C.
25 602(a)(19)) is amended by striking subparagraph (G).

26 (5) **LIMITATION ON AUTHORITY TO COMPEL ACCEPTANCE OF A**
27 **JOB.—**Section 402(a)(19) of such Act (42 U.S.C. 602(a)(19)) is
28 amended by striking subparagraph (H).

29 (6) **CONFORMING AMENDMENTS AND REPEAL.—**

30 (A) Section 402(a)(19)(B) of such Act (42 U.S.C.
31 602(a)(19)(B)) is amended—

32 (i) by adding “and” at the end of clause (i);

33 (ii) by striking “and” at the end of clause (iii); and

34 (iii) by striking clauses (ii) and (iv) and redesignating
35 clause (iii) as clause (ii).

36 (B) Section 407(b)(1)(B) of such Act (42 U.S.C.
37 607(b)(1)(B)) is amended—

38 (i) by adding “and” at the end of clause (iii);

39 (ii) by striking “; and” at the end of clause (iv) and in-
40 serting a period; and

41 (iii) by striking clause (v).

1 (C) Section 482(g)(2) of such Act (42 U.S.C. 682(g)) is
2 amended by striking "(other" and all that follows through "ap-
3 plies)".

4 (D) Section 486 of such Act (42 U.S.C. 686) is hereby re-
5 pealed.

6 (E) Section 487(a)(1) of such Act (42 U.S.C. 687(a)(1)) is
7 amended by inserting "(as in effect immediately before the effec-
8 tive date of the Personal Responsibility Act of 1995)" before the
9 semicolon.

10 (e) SENSE OF THE CONGRESS.—Each State that operates a program
11 of aid to families with dependent children under a plan approved under part
12 A of title IV of the Social Security Act is encouraged to assign the highest
13 priority to requiring families that include older preschool or school-age chil-
14 dren to participate in a work program in accordance with section 402(a)(29)
15 of such Act.

→ Do some of
congress and
PLEASE-14?

←

16 SEC. 203. WORK SUPPLEMENTATION PROGRAM AMENDMENTS.

17 (a) AUTHORITY OF STATES TO ASSIGN PARTICIPANTS TO UNFILLED
18 JOBS.—Section 484(c) of the Social Security Act (42 U.S.C. 684(c)) is
19 amended by striking the last sentence.

20 (b) AUTHORITY OF STATES TO USE SUMS THAT WOULD OTHERWISE
21 BE EXPENDED FOR FOOD STAMP BENEFITS TO PROVIDE SUBSIDIZED
22 JOBS FOR PARTICIPANTS.—

23 (1) IN GENERAL.—Section 482(e)(1) of such Act (42 U.S.C.
24 682(e)(1)) is amended—

25 (A) by inserting ", and the sums that would otherwise be
26 used to provide participants in the program under this subsection
27 with benefits under title V of the Personal Responsibility Act of
28 1995," before "and use"; and

29 (B) by inserting "and the benefits under such title that would
30 otherwise be so provided to them" before the period.

31 (2) SUBSIDIES PROVIDED TO EMPLOYERS AND INCLUDED IN
32 WAGES OF PARTICIPANTS; MINIMUM EMPLOYER CONTRIBUTION.—Sec-
33 tion 482(e)(3) of such Act (42 U.S.C. 682(e)(3)) is amended by adding
34 at the end the following:

35 "(E) Each State operating a work supplementation program under this
36 subsection shall enter into an agreement with the employer who is to pro-
37 vide an eligible individual with a supplemented job under the program,
38 under which—

39 "(i) the State is required to pay the employer an amount specified
40 in the agreement as the subsidized portion of the wages of the eligible
41 individual; and

1 “(ii) the employer is required to pay the eligible individual wages
2 which, when added to an amount that will be payable as aid to families
3 with dependent children to the individual if the individual is paid such
4 wages, are not less than 100 percent of the sum of—

5 “(I) the amount that would otherwise be payable as aid to
6 families with dependent children to the eligible individual if the
7 State did not have a work supplementation program under this
8 subsection in effect; and

9 “(II) if the State elects to subsidize jobs for participants in
10 the program through the reservation of sums that would otherwise
11 be used to provide such participants with benefits under title V
12 of the Personal Responsibility Act of 1995, the cash value of such
13 benefits.

14 “(F) For purposes of computing the amount of the Federal payment
15 to a State under paragraph (1) or (2) of section 403(a), for expenditures
16 incurred in making payments to individuals and employers under the State's
17 work supplementation program under this section, the State may claim as
18 such expenditures the maximum amount payable to the State under para-
19 graph (4) of this subsection.

20 “(G) Notwithstanding paragraph (1), a State may use for any purpose
21 the sums reserved under paragraph (1) which are not used to subsidize jobs
22 under this subsection attributable to savings achieved by operation of sub-
23 paragraph (E).”.

24 (3) CONFORMING AMENDMENT.—Section 482(e)(3)(A) of such Act
25 (42 U.S.C. 682(e)(3)(A)) is amended by striking the 2nd sentence.

26 SEC. 204. PAYMENTS TO STATES FOR CERTAIN INDIVIDUALS RECEIV-
27 ING FOOD ASSISTANCE FROM THE STATE WHO PER-
28 FORM WORK ON BEHALF OF THE STATE.

29 (a) IN GENERAL.—Each State (as defined in section 1101(a)(1) of the
30 Social Security Act for purposes of title IV of such Act) shall be entitled
31 to receive from the Secretary of Health and Human Services a monthly pay-
32 ment in an amount equal to—

33 (1) \$20 (as adjusted under subsection (b) of this section); multi-
34 plied by

35 (2) the number of nonexempt individuals (as defined in section
36 504(7) of this Act) who, during the immediately preceding month—

37 (A) received food assistance from the State under title V of
38 this Act; and

39 (B) performed at least 32 hours of work on behalf of the
40 State or a political subdivision of the State through a work pro-

1 gram (as defined in section 402(a)(29)(A)(i) of the Social Security
2 Act).

3 (b) INFLATION ADJUSTMENT.—The Secretary of Health and Human
4 Services shall adjust the amount referred to in subsection (a)(1) on October
5 1, 1996, and each October 1 thereafter, to reflect changes in the Consumer
6 Price Index for All Urban Consumers published by the Bureau of Labor
7 Statistics, as appropriately adjusted by the Bureau of Labor Statistics after
8 consultation with the Secretary concerning the application of the Index to
9 this paragraph, for the 12 months ending the immediately preceding June
10 30.

11 **TITLE III—CAPPING THE AGGREGATE** 12 **GROWTH OF WELFARE SPENDING**

13 **SEC. 301. CAP ON GROWTH OF FEDERAL SPENDING ON CERTAIN WEL-** 14 **FARE PROGRAMS.**

15 (a) RESTRICTIONS ON SPENDING.—(1) Effective for fiscal year 1996
16 and any ensuing fiscal year, the total amount of Federal spending for that
17 fiscal year for the programs listed in subsection (b) shall not exceed an
18 amount equal to the sum of the total estimated Federal spending for the
19 preceding fiscal year on those programs, adjusted for inflation and change
20 of the poverty population as specified in paragraph (2).

21 (2)(A) The inflator used in paragraph (1) shall be the percentage
22 change in the Implicit Gross Domestic Product deflator published by the
23 Department of Commerce for the most recently available fiscal year over the
24 preceding fiscal year.

25 (B) Change of the poverty population for purposes of paragraph (1)
26 shall be the percentage by which the number of poor people in the United
27 States in the most recent fiscal year for which data are available from the
28 annual report on poverty published by the Bureau of the Census differs
29 from the number of poor people in the preceding fiscal year, as computed
30 by the Congressional Budget Office during January of the calendar year in
31 which the fiscal year subject to the restriction begins.

32 (b) PROGRAMS SUBJECT TO SPENDING LIMIT.—The programs listed in
33 this subsection are the following:

34 (1) FAMILY SUPPORT.—The program of aid and services to needy
35 families with children under part A of title IV of the Social Security
36 Act, child support enforcement program under part D of such title, and
37 the at-risk child care grant under part A of such title.

38 (2) SUPPLEMENTAL SECURITY INCOME.—The supplemental secu-
39 rity income program under title XVI of the Social Security Act.

40 (3) HOUSING AID.—

(cvt)
* → ATTACK CAP
ON CSE

- 1 (A) Lower income housing assistance under section 8 of the
2 United States Housing Act of 1937 (42 U.S.C. 1772).
- 3 (B) Low-rent public housing under the United States Hous-
4 ing Act of 1937.
- 5 (C) Rural housing loans for low-income families under section
6 502 of the Housing Act of 1949.
- 7 (D) Interest reduction payments under section 236 of the Na-
8 tional Housing Act.
- 9 (E) Rural rental housing loans under section 515 of the
10 Housing Act of 1949.
- 11 (F) Rural rental assistance under section 521 of the Housing
12 Act of 1949.
- 13 (G) Homeownership assistance for lower income families
14 under section 235 of the National Housing Act.
- 15 (H) Rent supplements under section 101 of the Housing and
16 Urban Development Act of 1965.
- 17 (I) Indian housing improvement grants under part 256 of
18 title 25 Code of Federal Regulations.
- 19 (J) Rural housing repair loan grants for very low-income
20 rural home owners under section 504 of the Housing Act of 1949.
- 21 (K) Farm labor housing loans under section 514 of the Hous-
22 ing Act of 1949.
- 23 (L) Rural housing self-help technical assistance grants under
24 section 523 of the Housing Act of 1949.
- 25 (M) Rural housing self-help technical assistance loans under
26 section 523 of the Housing Act of 1949.
- 27 (N) Farm labor housing grants under section 516 of the
28 Housing Act of 1949.
- 29 (O) Rural housing preservation grants for low-income rural
30 homeowners under section 533 of the Housing Act of 1949.
- 31 (4) MANDATORY WORK PROGRAM.—The mandatory work program
32 under part A of title IV of the Social Security Act.
- 33 (c) RECONCILIATION OF GROWTH LIMITS.—
- 34 (1) ALLOCATIONS.—The joint explanatory statement accompany-
35 ing a conference report on a concurrent resolution on the budget de-
36 scribed in section 301 of the Congressional Budget Act of 1974 for a
37 fiscal year shall include allocations to each committee based on the
38 spending cap imposed by subsection (a) for such fiscal year.
- 39 (2) RECONCILIATION DIRECTIVES.—The reconciliation directives
40 described in section 310 of the Congressional Budget Act of 1974 shall

1 specify reductions for each committee necessary to comply with the
2 spending caps imposed by subsection (a) for such fiscal year.

3 (3) CONSULTATION WITH COMMITTEES.—In conducting any activi-
4 ties required under paragraphs (1) and (2), the Committees on the
5 Budget of the House of Representatives and the Senate shall consult
6 with the following committees of Congress, as applicable:

7 (A) The Committee on Appropriations of the House of Rep-
8 resentatives or the Senate.

9 (B) The Committee on Banking, Finance and Urban Affairs
10 of the House of Representatives or the Committee on Banking,
11 Housing, and Urban Affairs of the Senate.

12 (C) The Committee on Ways and Means of the House of Rep-
13 resentatives.

14 (D) The Committee on Finance of the Senate.

15 SEC. 302. CONVERSION OF FUNDING UNDER CERTAIN WELFARE PRO-
16 GRAMS.

17 Notwithstanding any other provision of law, effective October 1, 1995,
18 all entitlement of individuals to benefits established under the following pro-
19 grams, or of States to payments under such programs, are terminated:

← *

20 (1) FAMILY SUPPORT.—The program of aid and services to needy
21 families with children under part A of title IV of the Social Security
22 Act, child support enforcement program under part D of such title, and
23 the at-risk child care grant under part A of such title.

24 (2) SUPPLEMENTAL SECURITY INCOME.—The supplemental secu-
25 rity income program under title XVI of the Social Security Act.

→ ATTACH SSI
non-entitlement

26 SEC. 303. SAVINGS FROM WELFARE SPENDING LIMITS TO BE USED
27 FOR DEFICIT REDUCTION.

28 All savings to the Federal Government resulting from the spending cap
29 imposed under section 301 shall be used for deficit reduction. Such savings
30 shall not be used to fund increased spending under any programs that are
31 not subject to the spending cap.

→ DOES THIS
PROHIBIT USE
FOR TAX CUT?
(Shell game to
help the rich.)

32 TITLE IV—RESTRICTING WELFARE FOR
33 ALIENS

34 SEC. 401. INELIGIBILITY OF ALIENS FOR PUBLIC WELFARE ASSIST-
35 ANCE.

36 (a) IN GENERAL.—Notwithstanding any other provision of law and ex-
37 cept as provided in subsections (b) and (c), no alien shall be eligible for any
38 program referred to in subsection (d).

39 (b) EXCEPTIONS.—

40 (1) REFUGEE EXCEPTION.—Subsection (a) shall not apply to an
41 alien admitted to the United States as a refugee under section 207 of

1 the Immigration and Nationality Act until 6 years after the date of
2 such alien's arrival into the United States.

3 (2) AGED EXCEPTION.—Subsection (a) shall not apply to an alien
4 who—

5 (A) has been lawfully admitted to the United States for per-
6 manent residence;

7 (B) is over 75 years of age; and

8 (C) has resided in the United States for at least 5 years.

9 (3) CURRENT RESIDENT EXCEPTION.—Subsection (a) shall not
10 apply to the eligibility of an alien for a program referred to in sub-
11 section (d) until 1 year after the date of the enactment of this Act if,
12 on such date of enactment, the alien is residing in the United States
13 and is eligible for the program.

14 (c) PROGRAM FOR WHICH ALIENS MAY BE ELIGIBLE.—The limitation
15 under subsection (a) shall not apply to medical assistance with respect to
16 emergency services (as defined for purposes of section 1916(a)(2)(D) of the
17 Social Security Act).

18 (d) PROGRAMS FOR WHICH ALIENS ARE INELIGIBLE.—The programs
19 referred to in this subsection are the following:

20 (1) The program of medical assistance under title XIX of the So-
21 cial Security Act, except emergency services as provided in subsection
22 (c).

23 (2) The Maternal and Child Health Services Block Grant Program
24 under title V of the Social Security Act.

25 (3) The program established in section 330 of the Public Health
26 Service Act (relating to community health centers).

27 (4) The program established in section 1001 of the Public Health
28 Service Act (relating to family planning methods and services).

29 (5) The program established in section 329 of the Public Health
30 Service Act (relating to migrant health centers).

31 (6) The program of aid and services to needy families with chil-
32 dren under part A of title IV of the Social Security Act.

33 (7) The child welfare services program under part B of title IV
34 of the Social Security Act.

35 (8) The supplemental security income program under title XVI of
36 the Social Security Act.

37 (9) The program of foster care and adoption assistance under part
38 E of title IV of the Social Security Act.

39 (10) The school lunch program carried out under the National
40 School Lunch Act (42 U.S.C. 1751 et seq.).

→ Ask Biele about
DEEMING FOR THESE
OTHER PROGRAMS

→ Also, can we
DEEM TO PROSEC
ILLEGALS who get
caught? (→ Medicaid?)

→ Do we let states
cut off illegals?
→ Could we deem illegal
alien parents' income?

→ DEEM HOUSEHOLD NO
HOUSEHOLD w/ illegal alien

→ DEPORT PUBLIC
CHARGES (single entry + any
Sustained use)

→ Require sponsors
to post bond

1 (11) The special supplemental food program for women, infants,
2 and children carried out under section 17 of the Child Nutrition Act
3 of 1966 (42 U.S.C. 1786).

4 (12) The nutrition programs carried out under part C of title III
5 of the Older Americans Act of 1965 (42 U.S.C. 3030e et seq.).

6 (13) The school breakfast program carried out under section 4 of
7 the Child Nutrition Act of 1966 (42 U.S.C. 1773).

8 (14) The child and adult care food program carried out under sec-
9 tion 17 of the National School Lunch Act (42 U.S.C. 1766).

10 (15) The Emergency Food Assistance Act of 1983 (7 U.S.C. 612c
11 note).

12 (16) The summer food service program for children carried out
13 under section 13 of the National School Lunch Act (42 U.S.C. 1761).

14 (17) The commodity supplemental food program authorized by
15 section 4(a) of the Agriculture and Consumer Protection Act of 1973
16 (7 U.S.C. 612c note).

17 (18) The special milk program carried out under section 3 of the
18 Child Nutrition Act of 1966 (42 U.S.C. 1772).

19 (19) The program of rental assistance on behalf of low-income
20 families provided under section 8 of the United States Housing Act of
21 1937 (42 U.S.C. 1437f).

22 (20) The program of assistance to public housing under title I of
23 the United States Housing Act of 1937 (42 U.S.C. 1437 et seq.).

24 (21) The loan program under section 502 of the Housing Act of
25 1949 (42 U.S.C. 1472).

26 (22) The program of interest reduction payments pursuant to con-
27 tracts entered into by the Secretary of Housing and Urban Develop-
28 ment under section 236 of the National Housing Act (12 U.S.C.
29 1715z-1).

30 (23) The program of loans for rental and cooperative housing
31 under section 515 of the Housing Act of 1949 (42 U.S.C. 1485).

32 (24) The program of rental assistance payments pursuant to con-
33 tracts entered into under section 521(a)(2)(A) of the Housing Act of
34 1949 (42 U.S.C. 1490a(a)(2)(A)).

35 (25) The program of assistance payments on behalf of home-
36 owners under section 235 of the National Housing Act (12 U.S.C.
37 1715z).

38 (26) The program of rent supplement payments on behalf of quali-
39 fied tenants pursuant to contracts entered into under section 101 of
40 the Housing and Urban Development Act of 1965 (12 U.S.C. 1701s).

- 1 (27) The loan and grant programs under section 504 of the Housing
2 Act of 1949 (42 U.S.C. 1474) for repairs and improvements to
3 rural dwellings.
- 4 (28) The loan and assistance programs under sections 514 and
5 516 of the Housing Act of 1949 (42 U.S.C. 1484, 1486) for housing
6 for farm labor.
- 7 (29) The program of grants for preservation and rehabilitation of
8 housing under section 533 of the Housing Act of 1949 (42 U.S.C.
9 1490m).
- 10 (30) The program of grants and loans for mutual and self-help
11 housing and technical assistance under section 523 of the Housing Act
12 of 1949 (42 U.S.C. 1490c).
- 13 (31) The program of site loans under section 524 of the Housing
14 Act of 1949 (42 U.S.C. 1490d).
- 15 (32) The program under part B of title IV of the Higher Edu-
16 cation Act of 1965.
- 17 (33) The program under subpart 1 of part A of title IV of the
18 Higher Education Act of 1965.
- 19 (34) The program under part C of title IV of the Higher Edu-
20 cation Act of 1965.
- 21 (35) The program under subpart 3 of part A of title IV of the
22 Higher Education Act of 1965.
- 23 (36) The program under part E of title IV of the Higher Edu-
24 cation Act of 1965.
- 25 (37) The program under subpart 4 of part A of title IV of the
26 Higher Education Act of 1965.
- 27 (38) The program under title IX of the Higher Education Act of
28 1965.
- 29 (39) The program under subpart 5 of part A of title IV of the
30 Higher Education Act of 1965.
- 31 (40) The programs established in sections 338A and 338B of the
32 Public Health Service Act and the programs established in part A of
33 title VII of such Act (relating to loans and scholarships for education
34 in the health professions).
- 35 (41) The program established in section 317(j)(1) of the Public
36 Health Service Act (relating to grants for immunizations against vac-
37 cine-preventable diseases).
- 38 (42) The program established in section 317A of the Public
39 Health Service Act (relating to grants for screening, referrals, and edu-
40 cation regarding lead poisoning in infants and children).

- 1 (43) The program established in part A of title XIX of the Public
2 Health Service Act (relating to block grants for preventive health and
3 health services).
- 4 (44) The programs established in subparts I and II of part B of
5 title XIX of the Public Health Service Act.
- 6 (45)(A) The program of training for disadvantaged adults and
7 youth under part A of title II of the Job Training Partnership Act (29
8 U.S.C. 1601 et seq.), as in effect before July 1, 1993.
- 9 (B)(i) The program of training for disadvantaged adults under
10 part A of title II of the Job Training Partnership Act (29 U.S.C. 1601
11 et seq.), as in effect on and after July 1, 1993.
- 12 (ii) The program of training for disadvantaged youth under part
13 C of title II of the Job Training Partnership Act (29 U.S.C. 1641 et
14 seq.), as in effect on and after July 1, 1993.
- 15 (46) The Job Corps program under part B of title IV of the Job
16 Training Partnership Act (29 U.S.C. 1692 et seq.).
- 17 (47) The summer youth employment and training programs under
18 part B of title II of the Job Training Partnership Act (29 U.S.C. 1630
19 et seq.).
- 20 (48) The programs carried out under the Older American Commu-
21 nity Service Employment Act (42 U.S.C. 3001 et seq.).
- 22 (49) The programs under title III of the Older Americans Act of
23 1965.
- 24 (50) The programs carried out under part B of title II of the Do-
25 mestic Volunteer Service Act of 1973 (42 U.S.C. 5011-5012).
- 26 (51) The programs carried out under part C of title II of the Do-
27 mestic Volunteer Service Act of 1973 (42 U.S.C. 5013).
- 28 (52) The program under the Low-Income Energy Assistance Act
29 of 1981 (42 U.S.C. 8621 et seq.).
- 30 (53) The weatherization assistance program under title IV of the
31 Energy Conservation and Production Act (42 U.S.C. 6851).
- 32 (54) The program of block grants to States for social services
33 under title XX of the Social Security Act.
- 34 (55) The programs carried out under the Community Services
35 Block Grant Act (42 U.S.C. 9901 et seq.).
- 36 (56) The program of legal assistance to eligible clients and other
37 programs under the Legal Services Corporation Act (42 U.S.C. 2996
38 et seq.).
- 39 (57) The program for emergency food and shelter grants under
40 title III of the Stewart B. McKinney Homeless Assistance Act (42
41 U.S.C. 11331 et seq.).

1 (58) The programs carried out under the Child Care and Develop-
2 ment Block Grant Act of 1990 (42 U.S.C. 9858 et seq.).

3 (59) A State program for providing child care under section 402(l)
4 of the Social Security Act.

5 (60) The program of State legalization impact-assistance grants
6 (SLIAG) under section 204 of the Immigration Reform and Control
7 Act of 1986.

8 (e) NOTIFICATION OF ALIENS.—Any Federal agency that administers
9 a program referred to in subsection (d) shall, directly or through the States,
10 notify each alien receiving benefits under the program whose eligibility for
11 the program is or will be terminated by reason of this section.

12 **SEC. 402. STATE AFDC AGENCIES REQUIRED TO PROVIDE INFORMA-**
13 **TION ON ILLEGAL ALIENS TO THE IMMIGRATION AND**
14 **NATURALIZATION SERVICE.**

15 Section 402(a) of the Social Security Act (42 U.S.C. 602(a)), as
16 amended by title I of this Act, is amended—

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

18 (2) by striking the period at the end of paragraph (49) and insert-
19 ing "; and"; and

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

21 "(50) require the State agency to provide to the Immigration and
22 Naturalization Service the name, address, and other identifying infor-
23 mation that the agency has with respect to any individual unlawfully
24 in the United States any of whose children is a citizen of the United
25 States."

26 **TITLE V—CONSOLIDATING FOOD**
27 **ASSISTANCE PROGRAMS**

28 **SEC. 501. FOOD ASSISTANCE BLOCK GRANT PROGRAM.**

29 (a) **AUTHORITY TO MAKE BLOCK GRANTS.**—The Secretary of Agri-
30 culture shall make grants in accordance with this section to States to pro-
31 vide food assistance to individuals who are economically disadvantaged and
32 to individuals who are members of economically disadvantaged families.

33 (b) **DISTRIBUTION OF FUNDS.**—

34 (1) **ALLOTMENTS TO STATES.**—Subject to paragraph (2), the
35 funds appropriated to carry out this section for any fiscal year shall
36 be allotted among the States as follows:

37 (A) Of the aggregate amount to be distributed under this sec-
38 tion, 21 percent shall be reserved for grants to Guam, the Virgin
39 Islands of the United States, American Samoa, the Commonwealth
40 of the Northern Mariana Islands, the Republic of the Marshall Is-
41 lands, the Federated States of Micronesia, Palau.

good idea →

1 (B) Of the aggregate amount to be distributed under this sec-
2 tion, .24 percent shall be reserved for grants to tribal organiza-
3 tions that have governmental jurisdiction over geographically de-
4 fined areas and shall be allocated equitably by the Secretary
5 among such organizations.

6 (C) The remainder of such aggregate amount shall be allo-
7 cated among the remaining States. The amount allocated to each
8 of the remaining States shall bear the same proportion to such re-
9 mainder as the number of resident individuals in such State who
10 are economically disadvantaged separately or as members of eco-
11 nomically disadvantaged families bears to the aggregate number of
12 resident individuals in all such remaining States who are economi-
13 cally disadvantaged separately or as members of economically dis-
14 advantaged families.

15 (2) LIMITATION.—After September 30, 1996, the aggregate
16 amount allotted under paragraph (1) for any fiscal year shall not ex-
17 ceed the aggregate amount allotted under paragraph (1) for the then
18 preceding fiscal year adjusted by the Secretary to reflect—

19 (A) the percentage change in population during the 1-year pe-
20 riod ending June 30 of such preceding fiscal year, determined on
21 the basis of the most current information available in the Current
22 Population Reports, P25 series (as adjusted to include overseas
23 members of the armed forces of the United States), published by
24 the Bureau of the Census, and

25 (B) the percentage change in the food at home component of
26 the Consumer Price Index For All Urban Consumers for the 1-
27 year period ending May 31 of such preceding fiscal year.

28 (c) ELIGIBILITY TO RECEIVE GRANTS.—To be eligible to receive a
29 grant in the amount allotted to a State for a fiscal year, such State shall
30 submit to the Secretary an application in such form, and containing such
31 information and assurances as the Secretary may require by rule,
32 including—

33 (1) an assurance that such grant will be expended by the State
34 to provide food assistance to resident individuals in such State who are
35 economically disadvantaged separately or as members of economically
36 disadvantaged families,

37 (2) not more than 5 percent of such grant will be expended by
38 the State for administrative costs incurred to provide assistance under
39 this section,

40 (3) not less than 12 percent of each grant received from funds al-
41 lotted for fiscal years 1996 through 2000 will be expended to provide

1 food assistance and nutrition education to pregnant women,
2 postpartum women, breastfeeding women, infants, and young children,

3 (4) not less than 20 percent of each grant received from funds al-
4 lotted for fiscal years 1996 through 2000 will be expended to provide—

5 (A) nonprofit school breakfast programs for students from
6 economically disadvantaged families,

7 (B) milk in nonprofit schools and in nonprofit nursery
8 schools, child care centers, settlement houses, summer camps, and
9 similar institutions devoted to the care and training of children,
10 to children from economically disadvantaged families,

11 (C) nonprofit school lunch programs for students from eco-
12 nomically disadvantaged families,

13 (D) expanded food service programs in institutions providing
14 child care for children from economically disadvantaged families,
15 and

16 (E) summer food service programs carried out by nonprofit
17 food authorities, local governments, nonprofit higher education in-
18 stitutions participating in the National Youth Sports Program,
19 and residential nonprofit summer camps, to provide meals to chil-
20 dren from economically disadvantaged families; and

21 (5) an assurance that the amount of food assistance that will be
22 provided to any nonexempt individual who is otherwise eligible to re-
23 ceive such assistance will be reduced proportionally to reflect the extent
24 to which the individual has not performed 32 hours of work on behalf
25 of a State or a political subdivision of a State, through a program es-
26 tablished by the State or political subdivision, during the month preced-
27 ing the month for which such assistance is provided.

28 (d) **AUTHORITY TO REDUCE CERTAIN GRANTS REQUIREMENTS.**—At
29 the request of a State for a particular fiscal year, the Secretary may reduce
30 a percentage requirement specified in paragraph (3) or (4) of subsection (c)
31 if the Secretary determines that the purpose described in such paragraph
32 will be adequately carried out by such State without expending the full
33 amount of funds required by such paragraph.

34 (e) **LIMITATION.**—No State or political subdivision of a State that re-
35 ceives funds provided under this title shall replace any employed worker
36 with an individual who is participating in a program described in subsection
37 (c)(5) for the purpose of complying with such subsection. Such an individual
38 may be placed in any position offered by the State or political subdivision
39 that—

40 (A) is a new position;

*Does this apply
to some parents? ? →*

1 (B) is a position that became available in the normal course of
2 conducting the business of the State or political subdivision;

3 (C) involves performing work that would otherwise be performed
4 on an overtime basis by a worker who is not an individual participating
5 in such program; or

6 (D) that is a position which became available by shifting a current
7 employee to an alternate position.

8 (f) AUTHORIZATION OF APPROPRIATIONS.—(1) There are authorized to
9 be appropriated to carry out this section \$35,600,000,000 for fiscal year
10 1996 and such sums as may be necessary for fiscal years 1997, 1998, 1999,
11 and 2000.

12 (2) For the purpose of affording adequate notice of funding available
13 under this section, an appropriation to carry out this section is authorized
14 to be included in an appropriation Act for the fiscal year preceding the fis-
15 cal year for which such appropriation is available for obligation.

16 **SEC. 507. AVAILABILITY OF FEDERAL COUPON SYSTEM TO STATES.**

17 (a) ISSUANCE, PURCHASE, AND USE OF COUPONS.—The Secretary
18 shall issue, and make available for purchase by States, coupons for the re-
19 tail purchase of food from retail food stores that are approved in accordance
20 with subsection (b). Coupons issued, purchased, and used as provided in this
21 section shall be redeemable at face value by the Secretary through the facili-
22 ties of the Treasury of the United States. The purchase price of each cou-
23 pon issued under this subsection shall be the face value of such coupon.

24 (b) APPROVAL OF RETAIL FOOD STORES AND WHOLESALE FOOD
25 CONCERNS.—(1) Regulations issued pursuant to this section shall provide
26 for the submission of applications for approval by retail food stores and
27 wholesale food concerns which desire to be authorized to accept and redeem
28 coupons under this section. In determining the qualifications of applicants,
29 there shall be considered among such other factors as may be appropriate,
30 the following:

31 (A) The nature and extent of the food business conducted by the
32 applicant.

33 (B) The volume of coupon business which may reasonably be ex-
34 pected to be conducted by the applicant food store or wholesale food
35 concern.

36 (C) The business integrity and reputation of the applicant.

37 Approval of an applicant shall be evidenced by the issuance to such appli-
38 cant of a nontransferable certificate of approval. The Secretary is author-
39 ized to issue regulations providing for a periodic reauthorization of retail
40 food stores and wholesale food concerns.

1/3 ???
16 pp. of 53 pp bill
on FS block grant
+ buy back

1 (2) A buyer or transferee (other than a bona fide buyer or transferee)
2 of a retail food store or wholesale food concern that has been disqualified
3 under subsection (d) may not accept or redeem coupons until the Secretary
4 receives full payment of any penalty imposed on such store or concern.

5 (3) Regulations issued pursuant to this section shall require an appli-
6 cant retail food store or wholesale food concern to submit information which
7 will permit a determination to be made as to whether such applicant quali-
8 fies, or continues to qualify, for approval under this section or the regula-
9 tions issued pursuant to this section. Regulations issued pursuant to this
10 section shall provide for safeguards which limit the use or disclosure of in-
11 formation obtained under the authority granted by this subsection to pur-
12 poses directly connected with administration and enforcement of this section
13 or the regulations issued pursuant to this section, except that such informa-
14 tion may be disclosed to and used by States that purchase such coupons.

15 (4) Any retail food store or wholesale food concern which has failed
16 upon application to receive approval to participate in the food stamp pro-
17 gram may obtain a hearing on such refusal as provided in subsection (f).

18 (c) REDEMPTION OF COUPONS.—Regulations issued under this section
19 shall provide for the redemption of coupons accepted by retail food stores
20 through approved wholesale food concerns or through financial institutions
21 which are insured by the Federal Deposit Insurance Corporation, or which
22 are insured under the Federal Credit Union Act (12 U.S.C. 1751 et seq.)
23 and have retail food stores or wholesale food concerns in their field of mem-
24 bership, with the cooperation of the Treasury Department, except that retail
25 food stores defined in section 504(9)(D) shall be authorized to redeem their
26 members' food coupons prior to receipt by the members of the food so pur-
27 chased, and publicly operated community mental health centers or private
28 nonprofit organizations or institutions which serve meals to narcotics ad-
29 dicts or alcoholics in drug addiction or alcoholic treatment and rehabilitation
30 programs, public and private nonprofit shelters that prepare and serve
31 meals for battered women and children, public or private nonprofit group
32 living arrangements that serve meals to disabled or blind residents, and
33 public or private nonprofit establishments, or public or private nonprofit
34 shelters that feed individuals who do not reside in permanent dwellings and
35 individuals who have no fixed mailing addresses shall not be authorized to
36 redeem coupons through financial institutions which are insured by the Fed-
37 eral Deposit Insurance Corporation or the Federal Credit Union Act. No
38 financial institution may impose on or collect from a retail food store a fee
39 or other charge for the redemption of coupons that are submitted to the
40 financial institution in a manner consistent with the requirements, other

1 than any requirements relating to cancellation of coupons, for the presen-
2 tation of coupons by financial institutions to the Federal Reserve banks.

3 (d) CIVIL MONEY PENALTIES AND DISQUALIFICATION OF RETAIL
4 FOOD STORES AND WHOLESALE FOOD CONCERNS.—(1) Any approved re-
5 tail food store or wholesale food concern may be disqualified for a specified
6 period of time from further participation in the coupon program under this
7 section, or subjected to a civil money penalty of up to \$10,000 for each vio-
8 lation if the Secretary determines that its disqualification would cause hard-
9 ship to individuals who receive coupons, on a finding, made as specified in
10 the regulations, that such store or concern has violated this section or the
11 regulations issued pursuant to this section.

12 (2) Disqualification under paragraph (1) shall be—

13 (A) for a reasonable period of time, of no less than 6 months nor
14 more than 5 years, upon the first occasion of disqualification;

15 (B) for a reasonable period of time, of no less than 12 months
16 nor more than 10 years, upon the second occasion of disqualification;
17 and

18 (C) permanent upon—

19 (i) the third occasion of disqualification,

20 (ii) the first occasion or any subsequent occasion of a dis-
21 qualification based on the purchase of coupons or trafficking in
22 coupons by a retail food store or wholesale food concern, except
23 that the Secretary shall have the discretion to impose a civil
24 money penalty of up to \$20,000 for each violation (except that the
25 amount of civil money penalties imposed for violations occurring
26 during a single investigation may not exceed \$40,000) in lieu of
27 disqualification under this subparagraph, for such purchase of
28 coupons or trafficking in coupons that constitutes a violation of
29 this section or the regulations issued pursuant to this section, if
30 the Secretary determines that there is substantial evidence (includ-
31 ing evidence that neither the ownership nor management of the
32 store or food concern was aware of, approved, benefited from, or
33 was involved in the conduct or approval of the violation) that such
34 store or food concern had an effective policy and program in effect
35 to prevent violations of this section and such regulations, or

36 (iii) a finding of the sale of firearms, ammunition, explosives,
37 or controlled substance (as defined in section 802 of title 21, Unit-
38 ed States Code) for coupons, except that the Secretary shall have
39 the discretion to impose a civil money penalty of up to \$20,000
40 for each violation (except that the amount of civil money penalties
41 imposed for violations occurring during a single investigation may

1 not exceed \$40,000) in lieu of disqualification under this subpara-
2 graph if the Secretary determines that there is substantial evi-
3 dence (including evidence that neither the ownership nor manage-
4 ment of the store or food concern was aware of, approved, bene-
5 fited from, or was involved in the conduct or approval of the viola-
6 tion) that the store or food concern had an effective policy and
7 program in effect to prevent violations of this section.

8 (3) The action of disqualification or the imposition of a civil money
9 penalty shall be subject to review as provided in subsection (f).

10 (4) As a condition of authorization to accept and redeem coupons is-
11 sued under subsection (a), the Secretary may require a retail food store or
12 wholesale food concern which has been disqualified or subjected to a civil
13 penalty pursuant to paragraph (1) to furnish a bond to cover the value of
14 coupons which such store or concern may in the future accept and redeem
15 in violation of this section. The Secretary shall, by regulation, prescribe the
16 amount, terms, and conditions of such bond. If the Secretary finds that
17 such store or concern has accepted and redeemed coupons in violation of
18 this section after furnishing such bond, such store or concern shall forfeit
19 to the Secretary an amount of such bond which is equal to the value of cou-
20 pons accepted and redeemed by such store or concern in violation of this
21 section. Such store or concern may obtain a hearing on such forfeiture pur-
22 suant to subsection (f).

23 (5)(A) In the event any retail food store or wholesale food concern that
24 has been disqualified under paragraph (1) is sold or the ownership thereof
25 is otherwise transferred to a purchaser or transferee, the person or persons
26 who sell or otherwise transfer ownership of the retail food store or wholesale
27 food concern shall be subjected to a civil money penalty in an amount estab-
28 lished by the Secretary through regulations to reflect that portion of the dis-
29 qualification period that has not yet expired. If the retail food store or
30 wholesale food concern has been disqualified permanently, the civil money
31 penalty shall be double the penalty for a ten-year disqualification period, as
32 calculated under regulations issued by the Secretary. The disqualification
33 period imposed under paragraph (2) shall continue in effect as to the person
34 or persons who sell or otherwise transfer ownership of the retail food store
35 or wholesale food concern notwithstanding the imposition of a civil money
36 penalty under this paragraph.

37 (B) At any time after a civil money penalty imposed under subpara-
38 graph (A) has become final under subsection (f)(1), the Secretary may re-
39 quest the Attorney General to institute a civil action against the person or
40 persons subject to the penalty in a district court of the United States for
41 any district in which such person or persons are found, reside, or transact

1 business to collect the penalty and such court shall have jurisdiction to hear
2 and decide such action. In such action, the validity and amount of such pen-
3 alty shall not be subject to review.

4 (C) The Secretary may impose a fine against any retail food store or
5 wholesale food concern that accepts coupons that are not accompanied by
6 the corresponding back cover, other than the denomination of coupons used
7 for making change as specified in regulations issued under this section. The
8 amount of any such fine shall be established by the Secretary and may be
9 assessed and collected in accordance with regulations issued under this sec-
10 tion separately or in combination with any fiscal claim established by the
11 Secretary. The Attorney General of the United States may institute judicial
12 action in any court of competent jurisdiction against the store or concern
13 to collect the fine.

14 (6) The Secretary may impose a fine against any person not approved
15 by the Secretary to accept and redeem coupons who violates this section or
16 a regulation issued under this section, including violations concerning the
17 acceptance of coupons. The amount of any such fine shall be established by
18 the Secretary and may be assessed and collected in accordance with regula-
19 tions issued under this section separately or in combination with any fiscal
20 claim established by the Secretary. The Attorney General of the United
21 States may institute judicial action in any court of competent jurisdiction
22 against the person to collect the fine.

23 (e) COLLECTION AND DISPOSITION OF CLAIMS.—The Secretary shall
24 have the power to determine the amount of and settle and adjust any claim
25 and to compromise or deny all or part of any such claim or claims arising
26 under this section or the regulations issued pursuant to this section, includ-
27 ing, but not limited to, claims arising from fraudulent and nonfraudulent
28 overissuances to recipients, including the power to waive claims if the Sec-
29 retary determines that to do so would serve the purposes of this section.
30 Such powers with respect to claims against recipients may be delegated by
31 the Secretary to State agencies.

32 (f) ADMINISTRATIVE AND JUDICIAL REVIEW.—(1) Whenever—

33 (A) an application of a retail food store or wholesale food concern
34 for approval to accept and redeem coupons issued under subsection (a)
35 is denied pursuant to this section,

36 (B) a retail food store or wholesale food concern is disqualified or
37 subjected to a civil money penalty under subsection (d),

38 (C) all or part of any claim of a retail food store or wholesale food
39 concern is denied under subsection (e), or

40 (D) a claim against a State is stated pursuant to subsection (e),

1 notice of such administrative action shall be issued to the retail food store,
2 wholesale food concern, or State involved. Such notice shall be delivered by
3 certified mail or personal service. If such store, concern, or State is ag-
4 grieved by such action, it may, in accordance with regulations promulgated
5 under this section, within 10 days of the date of delivery of such notice,
6 file a written request for an opportunity to submit information in support
7 of its position to such person or persons as the regulations may designate.
8 If such a request is not made or if such store, concern, or State fails to
9 submit information in support of its position after filing a request, the ad-
10 ministrative determination shall be final. If such request is made by such
11 store, concern, or State such information as may be submitted by such
12 store, concern, or State as well as such other information as may be avail-
13 able, shall be reviewed by the person or persons designated by the Secretary,
14 who shall, subject to the right of judicial review hereinafter provided, make
15 a determination which shall be final and which shall take effect 30 days
16 after the date of the delivery or service of such final notice of determination.
17 If such store, concern, or State feels aggrieved by such final determination,
18 it may obtain judicial review thereof by filing a complaint against the Unit-
19 ed States in the United States court for the district in which it resides or
20 is engaged in business, or, in the case of a retail food store or wholesale
21 food concern, in any court of record of the State having competent jurisdic-
22 tion, within 30 days after the date of delivery or service of the final notice
23 of determination upon it, requesting the court to set aside such determina-
24 tion. The copy of the summons and complaint required to be delivered to
25 the official or agency whose order is being attacked shall be sent to the Sec-
26 retary or such person or persons as the Secretary may designate to receive
27 service of process. The suit in the United States district court or State court
28 shall be a trial de novo by the court in which the court shall determine the
29 validity of the questioned administrative action in issue. If the court deter-
30 mines that such administrative action is invalid, it shall enter such judg-
31 ment or order as it determines is in accordance with the law and the evi-
32 dence. During the pendency of such judicial review, or any appeal there-
33 from, the administrative action under review shall be and remain in full
34 force and effect, unless on application to the court on not less than ten
35 days' notice, and after hearing thereon and a consideration by the court of
36 the applicant's likelihood of prevailing on the merits and of irreparable in-
37 jury, the court temporarily stays such administrative action pending disposi-
38 tion of such trial or appeal.

39 (g) VIOLATIONS AND ENFORCEMENT.—(1) Subject to paragraph (2),
40 whoever knowingly uses, transfers, acquires, alters, or possesses coupons in
41 any manner contrary to this section or the regulations issued pursuant to

1 this section shall, if such coupons are of a value of \$5,000 or more, be
2 guilty of a felony and shall be fined not more than \$250,000 or imprisoned
3 for not more than 20 years, or both, and shall, if such coupons are of a
4 value of \$100 or more, but less than \$5,000, be guilty of a felony and shall,
5 upon the first conviction thereof, be fined not more than \$10,000 or impris-
6 oned for not more than 5 years, or both, and, upon the second and any
7 subsequent conviction thereof, shall be imprisoned for not less than 6
8 months nor more than 5 years and may also be fined not more than
9 \$10,000 or, if such coupons are of a value of less than \$100, shall be guilty
10 of a misdemeanor, and, upon the first conviction thereof, shall be fined not
11 more than \$1,000 or imprisoned for not more than one year, or both, and
12 upon the second and any subsequent conviction thereof, shall be imprisoned
13 for not more than one year and may also be fined not more than \$1,000.

14 (2) In the case of any individual convicted of an offense under para-
15 graph (1), the court may permit such individual to perform work approved
16 by the court for the purpose of providing restitution for losses incurred by
17 the United States and the State as a result of the offense for which such
18 individual was convicted. If the court permits such individual to perform
19 such work and such individual agrees thereto, the court shall withhold the
20 imposition of the sentence on the condition that such individual perform the
21 assigned work. Upon the successful completion of the assigned work the
22 court may suspend such sentence.

23 (3) Whoever presents, or causes to be presented, coupons for payment
24 or redemption of the value of \$100 or more, knowing the same to have been
25 received, transferred, or used in any manner in violation of this section or
26 the regulations issued under to this section, shall be guilty of a felony and,
27 upon the first conviction thereof, shall be fined not more than \$20,000 or
28 imprisoned for not more than 5 years, or both, and, upon the second and
29 any subsequent conviction thereof, shall be imprisoned for not less than one
30 year nor more than 5 years and may also be fined not more than \$20,000,
31 or, if such coupons are of a value of less than \$100, shall be guilty of a
32 misdemeanor and, upon the first conviction thereof, shall be fined not more
33 than \$1,000 or imprisoned for not more than one year, or both, and, upon
34 the second and any subsequent conviction thereof, shall be imprisoned for
35 not more than one year and may also be fined not more than \$1,000.

36 **SEC. 503. AUTHORITY TO SELL FEDERAL SURPLUS COMMODITIES.**

37 Notwithstanding any other provision of law, the Secretary of Agri-
38 culture and the Commodity Credit Corporation may sell surplus commod-
39 ities and surplus foodstuffs to the States to provide food assistance to indi-
40 viduals who are economically disadvantaged and to individuals who are
41 members of economically disadvantaged families.

1 SEC. 504. DEFINITIONS.

2 For purposes of this title—

3 (1) the term "breastfeeding woman" means women up to 1 year
4 postpartum who are breastfeeding their infants,5 (2) the term "coupon" means any coupon, stamp, or type of cer-
6 tificate, but does not include currency,7 (3) the term "economically disadvantaged" means an individual or
8 a family, as the case may be, whose income does not exceed the most
9 recent lower living standard income level published by the Department
10 of Labor,11 (4) the term "elderly or disabled individual" means an individual
12 who—

13 (A) is 60 years of age or older,

14 (B)(i) receives supplemental security income benefits under
15 title XVI of the Social Security Act (42 U.S.C. 1381 et seq.), or
16 Federally or State administered supplemental benefits of the type
17 described in section 212(a) of Public Law 93-66 (42 U.S.C. 1382
18 note), or19 (ii) receives Federally or State administered supplemental as-
20 sistance of the type described in section 1616(a) of the Social Se-
21 curity Act (42 U.S.C. 1382e(a)), interim assistance pending re-
22 ceipt of supplemental security income, disability-related medical
23 assistance under title XIX of the Social Security Act (42 U.S.C.
24 1396 et seq.), or disability-based State general assistance benefits,
25 if the Secretary determines that such benefits are conditioned on
26 meeting disability or blindness criteria at least as stringent as
27 those used under title XVI of the Social Security Act,28 (C) receives disability or blindness payments under title I, II,
29 X, XIV, or XVI of the Social Security Act (42 U.S.C. 301 et seq.)
30 or receives disability retirement benefits from a governmental
31 agency because of a disability considered permanent under section
32 221(i) of the Social Security Act (42 U.S.C. 421(i)),

33 (D) is a veteran who—

34 (i) has a service-connected or non-service-connected dis-
35 ability which is rated as total under title 38, United States
36 Code, or37 (ii) is considered in need of regular aid and attendance
38 or permanently housebound under such title,

39 (E) is a surviving spouse of a veteran and—

1 (i) is considered in need of regular aid and attendance
2 or permanently housebound under title 38, United States
3 Code, or

4 (ii) is entitled to compensation for a service-connected
5 death or pension benefits for a non-service-connected death
6 under title 38, United States Code, and has a disability con-
7 sidered permanent under section 221(i) of the Social Security
8 Act (42 U.S.C. 421(i)).

9 (F) is a child of a veteran and—

10 (i) is considered permanently incapable of self-support
11 under section 414 of title 38, United States Code, or

12 (ii) is entitled to compensation for a service-connected
13 death or pension benefits for a non-service-connected death
14 under title 38, United States Code, and has a disability con-
15 sidered permanent under section 221(i) of the Social Security
16 Act (42 U.S.C. 421(i)), or

17 (G) is an individual receiving an annuity under section
18 2(a)(1)(iv) or 2(a)(1)(v) of the Railroad Retirement Act of 1974
19 (45 U.S.C. 231a(a)(1)(iv) or 231a(a)(1)(v)), if the individual's
20 service as an employee under the Railroad Retirement Act of
21 1974, after December 31, 1936, had been included in the term
22 "employment" as defined in the Social Security Act (42 U.S.C.
23 301 et seq.), and if an application for disability benefits had been
24 filed.

25 (5) the term "food" means, for purposes of section 3 only—

26 (A) any food or food product for home consumption except
27 alcoholic beverages, tobacco, and hot foods or hot food products
28 ready for immediate consumption other than those authorized pur-
29 suant to subparagraphs (C), (D), (E), (G), (H), and (I),

30 (B) seeds and plants for use in gardens to produce food for
31 the personal consumption of the eligible individuals,

32 (C) in the case of those persons who are 60 years of age or
33 over or who receive supplemental security income benefits or dis-
34 ability or blindness payments under title I, II, X, XIV, or XVI of
35 the Social Security Act (42 U.S.C. 1381 et seq.), and their
36 spouses, meals prepared by and served in senior citizens' centers,
37 apartment buildings occupied primarily by such persons, public or
38 private nonprofit establishments (eating or otherwise) that feed
39 such persons, private establishments that contract with the appro-
40 priate agency of the State to offer meals for such persons at

1 concessional prices, and meals prepared for and served to residents
2 of federally subsidized housing for the elderly,

3 (D) in the case of persons 60 years of age or over and per-
4 sons who are physically or mentally handicapped or otherwise so
5 disabled that they are unable adequately to prepare all of their
6 meals, meals prepared for and delivered to them (and their
7 spouses) at their home by a public or private nonprofit organiza-
8 tion or by a private establishment that contracts with the appro-
9 priate State agency to perform such services at concessional
10 prices,

11 (E) in the case of narcotics addicts or alcoholics, and their
12 children, served by drug addiction or alcoholic treatment and reha-
13 bilitation programs, meals prepared and served under such pro-
14 grams,

15 (F) in the case of eligible individuals living in Alaska, equip-
16 ment for procuring food by hunting and fishing, such as nets,
17 hooks, rods, harpoons, and knives (but not equipment for purposes
18 of transportation, clothing, or shelter, and not firearms, ammuni-
19 tion, and explosives) if the Secretary determines that such individ-
20 uals are located in an area of the State where it is extremely dif-
21 ficult to reach stores selling food and that such individuals depend
22 to a substantial extent upon hunting and fishing for subsistence,

23 (G) in the case of disabled or blind recipients of benefits
24 under title I, II, X, XIV, or XVI of the Social Security Act, or
25 are individuals described in subparagraphs (B) through (G) of
26 paragraph (4), who are residents in a public or private nonprofit
27 group living arrangement that serves no more than 16 residents
28 and is certified by the appropriate State agency or agencies under
29 regulations issued under section 1616(e) of the Social Security Act
30 or under standards determined by the Secretary to be comparable
31 to standards implemented by appropriate State agencies under
32 such section (42 U.S.C. 1382e(e)), meals prepared and served
33 under such arrangement,

34 (H) in the case of women and children temporarily residing
35 in public or private nonprofit shelters for battered women and chil-
36 dren, meals prepared and served, by such shelters, and

37 (I) in the case of individuals that do not reside in permanent
38 dwellings and individuals that have no fixed mailing addresses,
39 meals prepared for and served by a public or private nonprofit es-
40 tablishment (approved by an appropriate State or local agency)
41 that feeds such individuals and by private establishments that con-

1 tract with the appropriate agency of the State to offer meals for
2 such individuals at concessional prices,

3 (6) the term "infants" means individuals under 1 year of age,

4 (7) the term "nonexempt individual" means an individual who is
5 not—

6 (A) a parent residing with a dependent child under 18 years of
7 age,

8 (B) a member of a family with responsibility for the care of an
9 incapacitated family member,

10 (C) mentally or physically unfit,

11 (D) under 18 years of age, or

12 (E) 63 years of age or older,

13 (8) the term "postpartum women" means women during the 180-
14 day period after the end of their pregnancy,

15 (9) the term "pregnant women" means women who have one or
16 more fetuses in utero,

17 (10) the term "retail food store" means—

18 (A) an establishment or recognized department thereof or
19 house-to-house trade route, over 50 percent of whose food sales
20 volume, as determined by visual inspection, sales records, purchase
21 records, or other inventory or accounting recordkeeping methods
22 that are customary or reasonable in the retail food industry, con-
23 sists of staple food items for home preparation and consumption,
24 such as meat, poultry, fish, bread, cereals, vegetables, fruits, dairy
25 products, and the like, but not including accessory food items,
26 such as coffee, tea, cocoa, carbonated and uncarbonated drinks,
27 candy, condiments, and spices,

28 (B) an establishment, organization, program, or group living
29 arrangement referred to in subparagraph (C), (D), (E), (G), (H),
30 or (I) of paragraph (5),

31 (C) a store purveying the hunting and fishing equipment de-
32 scribed in paragraph (5)(F), or

33 (D) any private nonprofit cooperative food purchasing ven-
34 ture, including those in which the members pay for food purchased
35 prior to the receipt of such food,

36 (11) the term "school" means an elementary, intermediate, or sec-
37 ondary school,

38 (12) the term "Secretary" means the Secretary of Agriculture,

39 (13) the term "State" means any of the several States, the Dis-
40 trict of Columbia, the Commonwealth of Puerto Rico, Guam, the Virgin
41 Islands of the United States, American Samoa, the Commonwealth of

1 the Northern Mariana Islands, the Republic of the Marshall Islands,
2 the Federated States of Micronesia, Palau, or a tribal organization that
3 exercises governmental jurisdiction over a geographically defined area,

4 (14) the term "tribal organization" has the meaning given it in
5 section 4(l) of the Indian Self-Determination and Education Assistance
6 Act (25 U.S.C. 450b(l)), and

7 (15) the term "young children" means individuals who are not less
8 than 1 year of age and not more than 5 years of age.

9 SEC. 503. REPEALERS; AMENDMENTS.

10 (a) REPEALERS.—The following Acts are repealed:

11 (1) The Food Stamp Act of 1977 (7 U.S.C. 2011 et seq.).

12 (2) The Child Nutrition Act (42 U.S.C. 1771 et seq.).

13 (3) The National School Lunch Act (42 U.S.C. 1751 et seq.)

14 (4) The Emergency Food Assistance Act of 1983 (7 U.S.C. 612c
15 note).

16 (5) The Hunger Prevention Act of 1988 (Public Law 100-435;
17 102 Stat. 1645).

18 (6) The Commodity Distribution Reform Act and WIC Amend-
19 ments of 1987 (Public Law 100-237; 101 Stat. 1733).

20 (7) The Child Nutrition and WIC Reauthorization Act of 1989
21 (Public Law 101-147; 103 Stat. 877).

22 (b) AMENDMENTS.—

23 (1) The Older Americans Act of 1965 (42 U.S.C. 3030a et seq.)
24 is amended by striking sections 303(b) and 311, and part C of title
25 III.

26 (2) Section 32 of the Act of August 24, 1935 (Public Law 320;
27 7 U.S.C. 612C) is amended—

28 (A) in the first undesignated paragraph—

29 (i) by striking "30 per centum" and inserting "1.5 per
30 centum", and

31 (ii) by striking "; (2)" and all that follows through "Ag-
32 riculture," and

33 (B) by striking the last sentence.

34 (3) The Agriculture and Consumer Protection Act of 1973 (7
35 U.S.C. 612c note) is amended by striking sections 4 and 5.

36 (4) The Agriculture and Food Act of 1981 (7 U.S.C. 1431) is
37 amended by striking section 1114.

38 (5) Section 402 of the Mutual Security Act of 1954 (22 U.S.C.
39 1922) is amended by striking the last sentence.

40 (6) The Act of September 6, 1958 (Public Law 83-931; 7 U.S.C.
41 1431b) is amended by striking section 9.

→ ANY EFFECT
ON M-CLASS FAMILIES?

1 (7) The Agricultural Act of 1965 (7 U.S.C. 1446a-1) is amended
2 by striking section 709.

3 **SEC. 508. EFFECTIVE DATE; APPLICATION OF REPEALERS AND**
4 **AMENDMENTS.**

5 **(a) EFFECTIVE DATES.—**

6 (1) **GENERAL EFFECTIVE DATE.**—Except as provided in sub-
7 section (b), this title and the amendments made by this title shall take
8 effect on the date of the enactment of this Act.

9 (2) **SPECIAL EFFECTIVE DATE.**—The repeals made by section 505
10 shall not take effect until the first day of the first fiscal year for which
11 funds are appropriated more than 180 days in advance of such fiscal
12 year to carry out section 501.

13 **(b) APPLICATION OF REPEALERS AND AMENDMENTS.**—The repeals
14 and amendments made by section 505 shall not apply with respect to—

15 (1) powers, duties, functions, rights, claims, penalties, or obliga-
16 tions applicable to financial assistance provided under the Acts repealed
17 before the effective date of such section, and

18 (2) administrative actions and proceedings commenced before such
19 date, or authorized before such date to be commenced, under such
20 Acts.

21 **TITLE VI—EXPANDING STATUTORY**
22 **FLEXIBILITY OF STATES**

23 **SEC. 601. OPTION TO CONVERT AFDC INTO A BLOCK GRANT PRO-**
24 **GRAM.**

25 Section 403 of the Social Security Act (42 U.S.C. 603) is amended by
26 inserting after subsection (b) the following:

27 “(c)(1) Any State may elect to receive payments under this subsection
28 in lieu of receiving payments under the other subsections of this section.

29 “(2) If a State makes an election under paragraph (1), then, in lieu
30 of any payment under any other subsection of this section, the Secretary
31 shall make payments to the State under this subsection for each fiscal year
32 in an amount equal to 103 percent of the total amount to which the State
33 was entitled under this section for fiscal year 1994, subject to paragraph
34 (5).

35 “(3) Each State to which an amount is paid under paragraph (2) for
36 a fiscal year shall expend the amount to carry out any program established
37 by the State to provide benefits to needy families with dependent children.

38 “(4) Within 3 months after the end of each fiscal year, each State that
39 has made an election under paragraph (1) shall submit to the Secretary a
40 report that accounts for all expenditures of amounts paid to the State under
41 this subsection for the fiscal year.

1 “(5) The Secretary shall reduce by 20 percent the amount that would
2 otherwise be payable to a State under this subsection for a fiscal year if
3 the Secretary finds that the State has expended any amount provided under
4 this subsection for any purpose other than to carry out a program of cash
5 benefits to needy families with children.

6 “(6) The regulations issued with respect to State plans and the oper-
7 ation of State programs under this part (other than under this subsection)
8 shall not apply to any State that makes an election under paragraph (1).”.

9 **SEC. 602. OPTION TO TREAT NEW RESIDENTS OF A STATE UNDER**
10 **RULES OF FORMER STATE.**

11 Section 402(a) of the Social Security Act (42 U.S.C. 602(a)), as
12 amended by titles I and IV of this Act, is amended—

13 (1) by striking “and” at the end of paragraph (49);

14 (2) by striking the period at the end of paragraph (50) and insert-
15 ing “; and”; and

16 (3) by inserting after paragraph (50) the following:

17 “(51) at the option of the State, in the case of a family applying
18 for aid under the State plan that has moved to the State from another
19 jurisdiction of the United States with a State plan approved under this
20 part, and has resided in the State for less than 12 months consecu-
21 tively, apply the rules that would have been applied by such other jurisdic-
22 tion if the family had not moved from such other jurisdiction, in deter-
23 mining the eligibility of the family for benefits, and the amount of
24 benefits payable to the family, under the State plan.”.

25 **SEC. 603. OPTION TO IMPOSE PENALTY FOR FAILURE TO ATTEND**
26 **SCHOOL.**

27 Section 402(a) of the Social Security Act (42 U.S.C. 602(a)), as
28 amended by titles I and IV, and section 602, of this Act, is amended—

29 (1) by striking “and” at the end of paragraph (50);

30 (2) by striking the period at the end of paragraph (51) and insert-
31 ing “; and”; and

32 (3) by inserting after paragraph (51) the following:

33 “(52) at the option of the State, provide that the aid otherwise
34 payable under the plan to a family may be reduced by not more than
35 \$75 per month for each parent under 21 years of age who has not com-
36 pleted secondary school (or the equivalent) and each dependent child
37 in the family who, during the immediately preceding month, has failed,
38 without good cause (as defined by the State in consultation with the
39 Secretary), to maintain minimum attendance (as defined by the State
40 in consultation with the Secretary) at an educational institution.”.

1 SEC. 604. OPTION TO PROVIDE MARRIED COUPLE TRANSITION BENE-
2 FIT.

3 (a) IN GENERAL.—Section 402(a) of the Social Security Act (42
4 U.S.C. 602(a)), as amended by titles I and IV, and sections 602 and 603,
5 of this Act, is amended—

- 6 (1) by striking “and” at the end of paragraph (51);
7 (2) by striking the period at the end of paragraph (52) and insert-
8 ing “; and”; and
9 (3) by inserting after paragraph (52) the following:

10 “(53) at the option of the State, provide that—

11 “(A) if a recipient of aid under the plan marries an individual
12 who is not a parent of a child of the recipient and (but for this
13 paragraph) the resulting family would have become ineligible for
14 such aid by reason of the marriage, then the family shall remain
15 eligible for aid under the plan, in an amount equal to 50 percent
16 of the aid payable to the recipient immediately before the mar-
17 riage, for a period (specified by the State) of not more than 12
18 months, but only for so long as the income of the family is less
19 than 150 percent of the income official poverty line (as defined by
20 the Office of Management and Budget, and revised annually in ac-
21 cordance with section 673(2) of the Omnibus Budget Reconcili-
22 ation Act of 1981) applicable to a family of the size involved; and

23 “(B) if a recipient of aid under the plan marries an individual
24 who is not a parent of a child of the recipient and the resulting
25 family would (in the absence of this subparagraph) be eligible for
26 such aid by reason of section 407, then the State may provide aid
27 to the family in accordance with section 407 or subparagraph (A)
28 of this paragraph, but not both.”.

29 (b) APPLICABILITY.—The amendments made by subsection (a) shall
30 apply only with respect to individuals who first become recipients of aid
31 under State plans approved under part A of title IV of the Social Security
32 Act on or after the effective date of this Act.

33 SEC. 605. OPTION TO DISREGARD INCOME AND RESOURCES DES-
34 IGNATED FOR EDUCATION, TRAINING, AND EMPLOY-
35 ABILITY, OR RELATED TO SELF-EMPLOYMENT.

36 (a) RESOURCE DISREGARDS.—Section 402(a)(7)(B) of the Social Secu-
37 rity Act (42 U.S.C. 602(a)(7)(B)) is amended—

- 38 (1) by striking “or” before “(iv)”; and
39 (2) by inserting “(v) at the option of the State, in the case of a
40 family receiving aid under the State plan (and a family not receiving
41 such aid but which received such aid in at least 1 of the preceding 4

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PROVISION?

1 months or became ineligible for such aid during the preceding 12
 2 months because of excessive earnings), any amount (determined by the
 3 State) not to exceed \$10,000 in a qualified asset account (as defined
 4 in section 406(i)) of the family, or (vi) at the option of the State, the
 5 first \$10,000 of the net worth (assets reduced by liabilities with respect
 6 thereto) of all microenterprises (as defined in section 406(j)(1)) owned,
 7 in whole or in part, by such child, relative, or other individual, for a
 8 period not to exceed 2 years" before "; and".

9 (b) DISREGARD OF INCOME FROM QUALIFIED ASSET ACCOUNTS.—Section
 10 402(a)(8)(A) of such Act (42 U.S.C. 602(a)(8)(A)) is amended—

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

12 (2) by inserting after clause (viii) the following new clause:

13 "(ix) at the option of the State, may disregard any inter-
 14 est or income earned on a qualified asset account (as defined
 15 in section 406(i)), and any qualified distribution (as defined
 16 in section 406(i)(2)) from a qualified asset account (as de-
 17 fined in section 406(i)(1)); and".

18 (c) NONRECURRING LUMP SUM EXEMPT FROM LUMP SUM RULE.—
 19 Section 402(a)(17) of such Act (42 U.S.C. 602(a)(17)) is amended by add-
 20 ing at the end the following: "; and, at the option of the State, that this
 21 paragraph shall not apply to earned or unearned income received in a month
 22 on a nonrecurring basis to the extent that such income is placed in a quali-
 23 fied asset account (as defined in section 406(i)) the total amounts in which,
 24 after such placement, does not exceed \$10,000;".

25 (d) ONLY NET PROFITS OF MICROENTERPRISE TREATED AS IN-
 26 COME.—Section 402(a)(7) of such Act (42 U.S.C. 602(a)(7)), as amended
 27 by subsection (a) of this section, is amended—

28 (1) by striking "and" at the end of subparagraph (B);

29 (2) by striking the semicolon at the end of subparagraph (C) and
 30 inserting "; and"; and

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

32 "(D) at the option of the State, may take into consideration
 33 as earned income of the family of which the child is a member,
 34 only the net profits (as defined in section 406(j)(2)) of
 35 microenterprises (as defined in section 406(j)(1)) owned, in whole
 36 or in part, by such child, relative, or other individual, for a period
 37 not to exceed 2 years."

38 (e) DEFINITIONS.—Section 406 of such Act (42 U.S.C. 606) is amend-
 39 ed by adding at the end the following:

40 "(i)(1) The term 'qualified asset account' means a mechanism approved
 41 by the State (such as individual retirement accounts, escrow accounts, or

1 savings bonds) that allows savings of a family receiving aid to families with
2 dependent children to be used for qualified distributions.

3 "(2) The term 'qualified distribution' means a distribution from a
4 qualified asset account for expenses directly related to 1 or more of the fol-
5 lowing purposes:

6 "(A) The attendance of a member of the family at any education
7 or training program.

8 "(B) The improvement of the employability (including self-employ-
9 ment) of a member of the family (such as through the purchase of an
10 automobile).

11 "(C) The purchase of a home for the family.

12 "(D) A change of the family residence.

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

15 "(2) The term 'net profits' means, with respect to a microenterprise,
16 the gross receipts of the business, minus—

17 "(A) payments of principal or interest on a loan to the
18 microenterprise;

19 "(B) transportation expenses;

20 "(C) inventory costs;

21 "(D) expenditures to purchase capital equipment;

22 "(E) cash retained by the microenterprise for future use by the
23 business;

24 "(F) taxes paid by reason of the business;

25 "(G) if the business is covered under a policy of insurance against
26 loss—

27 "(i) the premiums paid for such insurance; and

28 "(ii) the losses incurred by the business that are not reim-
29 bursed by the insurer solely by reason of the existence of a deduct-
30 ible with respect to the insurance policy;

31 "(H) the reasonable costs of obtaining 1 motor vehicle necessary
32 for the conduct of the business; and

33 "(I) the other expenses of the business."

34 **SEC. 606. OPTION TO REQUIRE ATTENDANCE AT PARENTING AND**
35 **MONEY MANAGEMENT CLASSES, AND PRIOR APPROVAL**
36 **OF ANY ACTION THAT WOULD RESULT IN A CHANGE OF**
37 **SCHOOL FOR A DEPENDENT CHILD.**

38 (a) **IN GENERAL.**—Section 402(a) of the Social Security Act (42
39 U.S.C. 602(a)), as amended by titles I and IV, and sections 602, 603, and
40 604, of this Act, is amended—

41 (1) by striking "and" at the end of paragraph (52);

1 (2) by striking the period at the end of paragraph (53) and insert-
2 ing "; and"; and

3 (3) by inserting after paragraph (53) the following:

4 "(54) at the option of the State, provide that, as a condition of
5 receiving aid under the State plan, the recipient must attend
6 parenting and money management classes, and must receive the per-
7 mission of the State agency before taking any action that would require
8 a change in the educational institution attended by a dependent child
9 of the recipient."

10 TITLE VII—DRUG TESTING FOR 11 WELFARE RECIPIENTS

12 SEC. 701. AFDC RECIPIENTS REQUIRED TO UNDERGO NECESSARY 13 SUBSTANCE ABUSE TREATMENT AS A CONDITION OF 14 RECEIVING AFDC.

15 (a) IN GENERAL.—Section 402(a) of the Social Security Act (42
16 U.S.C. 602(a)) is amended by inserting after paragraph (34) the following:

17 "(35) provide that—

18 "(A) as a condition of eligibility for aid under the State plan,
19 each applicant or recipient who the State determines is addicted
20 to alcohol or drugs must be required to agree to participate, and
21 must maintain satisfactory participation (as determined by the
22 State), in an appropriate addiction treatment program (if avail-
23 able), and must be required to agree to submit to tests for the
24 presence of alcohol or drugs, without advance notice, during and
25 after such participation; and

26 "(B) each applicant or recipient who fails to comply with any
27 requirement imposed pursuant to subparagraph (A) shall not be
28 eligible for such aid during the 2-year period that begins with such
29 failure to comply, but shall be considered to be receiving such aid
30 for purposes of eligibility for medical assistance under the State
31 plan approved under title XIX."

32 (b) DELAYED APPLICABILITY PERMITTED IF STATE LEGISLATION RE-
33 QUIRED.—In the case of a State plan approved under section 402(a) of the
34 Social Security Act which the Secretary of Health and Human Services de-
35 termines requires State legislation (other than legislation appropriating
36 funds) in order for the plan to meet the additional requirement imposed by
37 the amendment made by subsection (a) of this section, the State plan shall
38 not be regarded as failing to comply with the requirements of such section
39 402(a) solely on the basis of the failure of the plan to meet such additional
40 requirement before the end of the 2-year period that begins with the effec-
41 tive date of this Act.

1 **TITLE VIII—EFFECTIVE DATE**

2 **SEC. 801. EFFECTIVE DATE.**

3 This Act and the amendments made by this Act shall take effect on

4 October 1, 1995.



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of the Assistant Secretary
for Legislation

Washington, D.C. 20201

*WR-60P
PRA*

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FROM: HHS/ASL STAFF (Jim Hickman 690-7627)

DATE: September 27, 1994

PAGES: 4 (including cover)

NOTE: WELFARE REFORM: House Republican Contract with America-
Summary of The Personal Responsibility Act

THE PERSONAL RESPONSIBILITY ACT

House Republican Contract With America - Welfare Reform
(introduction to Congress forthcoming)

TITLE I REDUCING ILLEGITIMACY

Sections 100 - 109

- Would deny AFDC eligibility to children whose paternity is not established. Exceptions granted for those conceived as a result of rape, incest etc, and for those cases where the state determines that efforts to establish paternity would result in physical danger to the family.
- Families engaged in required paternity establishment efforts would be eligible for Medicaid, the needs of the dependent child would be disregarded in determining the amount of aid. *[paternity establishment provisions are the same as in H.R. 3500, except states may no longer opt-out via passage of a state law exempting the state from this requirements]*
- Teen-parents aged 19 and below receiving AFDC are required to live at home (state option under current law). *[same provision as in H.R. 3500]*
- New paternity establishment rate set at 90%; states above 50% but below 90% must increase by 6% per year, states below 50% must increase by 10% per year to be in compliance
- Eligibility for aid shall be denied to children born to mothers under 18 unless they are married to (or subsequently become married to) the biological father, or if the custodial parent becomes married to someone who legally adopts the children (note: current recipients are exempt from this provision, affects new recipients only). *[under H.R. 3500, eligibility is denied to children of minors unless states opt-out via passage of a state law exempting the state from this requirement]* There is an additional state option to deny eligibility to both children born to parents between ages 18-21 and the custodial parents (same exemptions). *[no such provision under H.R. 3500]*
- Family cap: eligibility is denied to children born into families receiving assistance at any time 10 months prior to the birth. *[same as H.R. 3500, except no longer a state option]*
- Eligibility for Housing benefits would be denied to all families of parents under age 21. Exemptions from this provision in cases where the individual subsequently marries the biological father, or the custodial parent becomes married to someone who legally adopts the children, or the individual is the biological and custodial parent of a child not born out-of-wedlock, or if the eligibility for such housing assistance is due to any disability of a member of the household. *[no such provision under H.R. 3500]*
- This bill would create a new program of grants to states for assistance to children born out-of-wedlock. Such funds could be used to promote adoption, establish and operate orphanages, establish and operate group homes, or other related purposes. Funds could not be used for payments to individuals or their relatives, or for abortion.
- The bill includes provisions designed to promote multi-ethnic adoption.

NO

New House Republican Proposal - summary continued

TITLE II - REQUIRING WORK**Sections 200 - 204**

- A work program is created. States may place recipients in either the JOBS or WORK program.
- There is a 24 month limit on non-work (i.e., JOBS) services. Recipients must be subsequently enrolled in the work program.
- Work program requirements: 35-40 hours per week (includes some job search). At least 1 parent must work for UP cases.
- Eligibility is denied after receipt of aid for a combined 60 months in both the JOBS and work programs.
- State option to deny eligibility after a combined 24 months, as long as the recipient was required to be in the work program for any 12 month period (although a work slot may not have been available for any or all of the 12 months).
- All JOBS exemptions are eliminated.
- Restrictions on CWEP eliminated, work supplementation program expanded.
- Sanctions - states would have complete discretion to impose sanctions regarding the severity and duration of the sanction (current law client protections are eliminated). Also, state option to terminate eligibility of a family after 3 sanctions.
- State match rate is at 50% for administrative costs and at 70% or FMAP, whichever is greater, for other costs. Funding available for the work program:

FY 96 - \$500 million
 FY 97 - \$900 million
 FY 98 - \$1.8 billion
 FY 99 - \$2.7 billion
 FY 00 - \$4 billion

- Participation rate for the work program as follows: (note: this is percentage of the entire AFDC caseload since JOBS exemptions are eliminated)

FY 96 - 2%
 FY 97 - 4%
 FY 98 - 8%
 FY 99 - 12%
 FY 00 - 17%
 FY 01 - 29%
 FY 02 - 40%
 FY 03 - 50% and each year thereafter

New House Republican Proposal - summary continued

TITLE III CAPPING THE AGGREGATE GROWTH OF WELFARE SPENDING

Sections 301 - 303

- All family support programs, (including AFDC, Child Support, JOBS, the proposed work program, and child care), SSI and housing assistance programs are placed under a spending cap. The cap is frozen at FY 95 spending levels, adjusted for inflation.
- These programs would no longer be entitlement programs.

TITLE IV RESTRICTING WELFARE FOR ALIENS

Sections 401 - 402

- Lawful non-citizens would no longer be eligible for benefits [similar to provision in H.R. 3500]

TITLE V CONSOLIDATING FOOD ASSISTANCE PROGRAMS

Sections 501 - 50

- All food and nutrition assistance programs would be combined into a single block grant to be distributed by the states. Food coupons (food stamps) would be made available to states for distribution, provided regulations were met regarding the enrollment of qualified food retailers for purposes of coupon redemption.

TITLE VI EXPANDING STATUTORY FLEXIBILITY OF STATES

- State option to receive AFDC as a block grant, frozen at 103% of what the state received in FY 94.
- State option to limit benefits to non-residents to the level of the benefits paid by the former state and apply other rules of the former state.
- Option to link benefits to school attendance. Option to also require attendance in parenting, money management or similar instruction.
- Option to provide a transitional benefit to couples who marry.
- Option to disregard income and resources (up to \$10,000 in a qualified asset account) used for purposes of education, training, or related to employment.

TITLE VII DRUG TESTING FOR WELFARE RECIPIENTS

- As a condition of eligibility, any recipient determined to be addicted to drugs or alcohol may be required to participate in appropriate treatment. Failure to comply will result in termination of eligibility for 2 years (excluding medicaid). States may impose testing.

TO: Bruce Reed
FROM: Wendell Primus
DATE: December 1, 1994
SUBJECT: Enclosed Material on the Personal Responsibility Act

This packet represents ASPE's analysis to date of the Personal Responsibility Act. All of this analysis is preliminary and subject to changes as we do further work and get more data.

Enclosed is the following:

- Background memo on PRA,
- Preliminary number of children affected by PRA,
- Effective wage rates under PRA,
- Effect of reductions in assistance in PRA,
- Preliminary state by state numbers on children affected by PRA,
- Detailed section by section analysis of the PRA.

cc: Emily Bromberg

Brief Description and Preliminary Analysis of the Personal Responsibility Act

The Personal Responsibility Act (or PRA) is the welfare reform bill contained as part of the Republicans' Contract With America. The memo briefly describes its key provisions and gives a preliminary analysis.

It is important to understand that there are major differences between the original House Republican welfare reform plan introduced last year (HR 3500) and the Personal Responsibility Act. Like the Administration's Work and Responsibility Act, HR 3500 built on the Family Support Act of 1988 and required participants to engage in training and placement services for up to two years. It then required them to work if they had not found private sector employment.

In contrast, while the PRA does require work for a portion of the caseload, it does not require people to participate in the education or training services necessary to prepare them for work. Indeed, it removes the participation requirements of the JOBS program which was a key element of the Family Support Act. The PRA also does not create a "two years and you work" framework or contain any child support enforcement provisions, although there are a limited set of child support enforcement proposals in other parts of the contract. Instead, its focus is simply reducing the welfare caseload, in large part by dramatically limiting eligibility for children born to unmarried mothers and an unconditional cutoff of assistance (including any sort of work opportunity) after five years.

Section-by-Section Analysis

The Personal Responsibility Act contains the major welfare reform provisions of the Contract With America. It has seven titles as listed below and runs 53 pages:

I. Reducing Illegitimacy (16 pages)--This section denies cash aid to all children born to unmarried teenagers under age 18. The child is barred from aid for the entire 18 years of childhood unless the mother marries the father or another man who legally adopts the child. There are no exceptions, even for rape or incest. States have the additional option of permanently denying both cash and housing aid to children born to unmarried mothers who are between the ages of 18 and 20. The federal money saved by this provision is to be returned to the states for use in pregnancy prevention programs, orphanages, or similar programs, but cannot be used for direct support of the children or families. A family cap is required in every state.

The bill also denies cash benefits to children born to mothers of any age for whom paternity has not been established. In other words, even if the mother had cooperated fully in providing information needed to help locate the father, the child would still remain ineligible for cash aid. (The mother could continue to receive her portion of the grant.) Both the mother and child would remain eligible for Medicaid. Just over 50% of children on AFDC are born out-of-wedlock, and in roughly two thirds of these cases, paternity has not been

established. The provision seems to be effective immediately. If so this provision alone appears to render roughly one-third (3 million children) of all children currently on AFDC ineligible for aid.

II. Requiring Work (8 pages)--This section requires that a certain percentage of the caseload be required to work at least 35 hours per week (or 30 hours plus 5 hours of job search) rising from 2% initially to 50% after the year 2002. This applies to all persons regardless of the size of the grant they receive or the current state-by-state variation in AFDC benefits. For example, under PRA, some families in Mississippi would be required to work 140 hours for a \$120 monthly grant, plus whatever nutrition assistance was available. The legislation appears unclear as to whether states are required to provide child care either during work or program participation.

All other federal requirements for participation in education and training activities are eliminated, effectively making the JOBS program, which was the core of the Family Support Act of 1988, optional, although states are allowed to impose rules of their own. After 24 months of aid (including at least 12 months of being required to work), states may permanently terminate eligibility. After an absolute maximum of 60 months, states must unconditionally and permanently terminate eligibility. No exceptions are allowed, even for persons suffering from illness or disability, advanced age or responsibility for a disabled child. Families would be cut off after 2 to 5 years even if they are were willing to work for their benefit.

III. Capping the Aggregate Growth of Welfare Spending (3 pages)--This section caps the aggregate growth of AFDC, SSI, housing assistance and JOBS. It also reclassifies AFDC and SSI as discretionary rather than entitlement programs; thus benefits would not be guaranteed. The cap is set at current expenditures, plus inflation and the growth in the poverty rate. However, because the expenditures would be discretionary, money would have to be separately appropriated each year. The bill does not specify what happens to persons who are qualified for one of these programs when the cap has been exceeded: there could be an across-the-board benefit cut, or new applicants could be placed on a waiting list. Because these provisions apply to both AFDC and SSI, large numbers of disabled and elderly Americans, as well as young parents, would be affected.

IV. Restricting Welfare for Aliens (5 pages)--This provision eliminates the eligibility of most *legal* immigrants for 60 Federal programs including AFDC, SSI, non-emergency Medicaid, foster care, nutrition programs and housing assistance. The provision is retroactive in the sense that current beneficiaries under age 75 would have their current benefits taken away after a one-year grace period. Some exemptions are included, for refugees, for example. We estimate that approximately 1.5 million legal residents would be affected.

V. Consolidating Food Assistance Programs (15 pages)--This repeals essentially all food and nutrition programs, including Food Stamps, WIC, school lunch and other programs, replacing them with a \$35.6 billion discretionary appropriation paid out as a block grant with a very limited set of "strings." (It must be spent on "nutrition assistance" for persons who are economically disadvantaged, at least 20 percent must go for school lunch, breakfast, milk, or

similar programs, etc.) It also requires that many recipients of state food aid work. Our preliminary estimate is that this \$35.6 billion figure is 12% less than the aggregate \$40.4 billion projected to be spent on such programs in FY 1996. The distribution formula would also significantly redistribute the current flow of nutrition funds to states, with low AFDC benefit states hit the hardest.

VI. Expanding Statutory Flexibility of States (5 pages)--This allows states to convert AFDC into a federal block grant equal to 103% of the 1994 federal expenditures. The only requirement is that the money be used to fund a system of cash payments to needy families with dependent children. The bill language does not specifically say whether states that take this option will still have to implement the requirements of the other titles, though it appears that all requirements of AFDC are eliminated for states that take the block grant. No state maintenance of effort is required.

This section contains numerous other smaller provisions such as an allowance to pay interstate migrants at the old state's benefit level, an allowance to require school attendance of all children, "married couple transition benefits," and microenterprise changes.

VII. Drug Testing for Welfare Recipients (1 page)--This requires all persons determined by the state to be addicted to drugs or alcohol to participate in treatment (if available) and be periodically tested for drugs.

Overall Effects

Results are still preliminary, but initial work suggests the following:

- o Burdens on states would increase dramatically. States could lose at least \$5 billion a year in federal matching funds for AFDC, although states do retain the option of taking a block grant for their current AFDC allotment. In addition, states would be asked to design their own nutrition programs to replace food stamps, WIC, and other existing programs for \$5 billion per year less than is currently provided by the federal government. Close to \$5 billion per year now going to support legal immigrants on SSI, AFDC, and food stamps would be lost. Demands on state child welfare systems are also likely to increase.
- o A major effect of the bill would be to reduce the number of children receiving aid by making them ineligible for benefits. Because of the paternity establishment, teen parent, and unconditional 60 month cutoff provisions of the PRA, millions of children would be dropped from AFDC, whether or not their parents were able or willing to work. While further analysis is needed to determine the effects of the bill over time, nearly a third of children on AFDC appear to be ineligible immediately, and ultimately at least 60% of children would be cut off. Thus at least 5 million children would eventually be affected. If states adopted a cut off of children born to mothers age 18-21, or imposed a 2 year cutoff, the impacts would be even greater. Note, however, these effects could be significantly mitigated if states instead accepted the block grant,

though then state behavior would be unknown. Since no state maintenance of effort is required, some states might significantly cut back their own expenditures and reduce support for the poor.

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PRELIMINARY ANALYSIS OF THE NUMBER OF CHILDREN AFFECTED BY SPECIFIC PROVISION OF THE PERSONAL RESPONSIBILITY ACT (PRA)

The Personal Responsibility Act (PRA) has many provisions that would deny assistance to poor children. In 1993, an average of 9.5 million children received AFDC benefits. Preliminary analysis of the PRA shows that approximately 70 percent of these children now receiving AFDC benefits would be ineligible for assistance if the PRA had been fully implemented in 1993.

The main provisions that would affect these children are:

- Section 101: Denies benefits to children for whom paternity has not been established. This applies to new child applicants and children currently on the caseload. Children may not receive benefits even if the mother cooperates and the state has not followed through. 30 percent of children currently receiving AFDC do not have paternity established.
- Section 105: Denies benefits to the children of unmarried mothers under the age of 18 (these children could get aid only if their mother marries the father of the child or she marries someone who adopts the child). 7 percent of the children receiving AFDC were born to an unmarried mother under the age of 18.
- Section 106: Denies benefits for additional children born to a mother who is receiving AFDC or one who has received AFDC in the last ten months prior to the child's birth. 21 percent of all children currently receiving AFDC were born (but not necessarily conceived) on AFDC.
- Section 107: Gives states the option to deny benefits to children born to unmarried mothers between the ages of 18 and 20. 14 percent of the children currently receiving AFDC were born to an unmarried mother between the ages of 18 and 20.
- Section 202: Allows states to terminate families' eligibility for benefits after two years of AFDC receipt (if they were required to work for one year during that time) and requires that states terminate families' eligibility after five years of AFDC receipt. This clock applies to all spells on AFDC that began after enactment of the PRA. We know that 58 percent of all children currently on the rolls are in families that have received AFDC for longer than 60 months. If states choose a shorter time limit, the percentage of children affected by this section would increase.

The following table summarizes the effects of the above provisions for California, New York, and the entire country. Some children will be affected by more than one provision, so, one cannot sum the separate effects to obtain the entire impact. The first five rows represent the effects of each provision separately, and the sixth row represents the total effects taking into account the interaction of all of these provisions.

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For instance, if the only section implemented in California was Section 101, denying benefits to children born to a mother under 18, 60,000 children would be removed from the AFDC rolls. If all of the provisions were implemented in California, 1,210,000 children would be removed from the AFDC rolls, representing 74 percent percent of the children currently on the AFDC caseload in California.

One must be cautious in interpreting the results of this table. As currently drafted, the legislation implies that states could avoid implementing the above provisions if they take the state option to receive their AFDC payments as a block grant. Our estimates of the number of children affected assume that no states will take this option. Also, these estimates assume that no state will adopt section 107 and deny benefits to children born to unmarried women between the ages of 18 and 20. (One can see the separate effects in the table below.) If states were to take this option, the total number of affected children would increase.

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The Number of Children Removed from the AFDC Rolls by Specific Provisions of the Personal Responsibility Act (Rounded to Nearest Thousand)			
Provision	US TOTAL	California	New York
Total Number of Children Before PRA	9,191,000	1,628,000	687,000
Section 101: Denial of AFDC to Children for whom Paternity is not Established	2,764,000	405,000	135,000
Section 105: Denial of AFDC to Children Born to Unmarried Mothers Under 18	625,000	75,000	53,000
Section 106: Denial of AFDC to Additional Children Born to a Current or Former Recent Recipients of AFDC	1,929,000	338,000	91,000
Section 107: State Option to Deny AFDC to Children Born to Unmarried Women Between the Ages of 18 and 20	1,316,000	317,000	142,000
Section 202: Denial of AFDC to Families who have Received AFDC for more than 60 months	5,515,000	1,073,000	311,000
TOTAL OF ABOVE PROVISIONS EXCEPT FOR SECTION 107	6,260,000	1,210,000	402,000
PERCENTAGE OF CHILDREN CURRENTLY ON AFDC WHO WOULD BE AFFECTED	68%	74%	58%
<p>Note: The first five rows represent the separate effects of each provision. They do not add up to the total number of children affected because some children will be affected by multiple provisions. The total represents our estimate of the above provisions assuming that no state denies benefits to children born to mothers aged 18 to 20 and that no state removes families from the rolls prior to 60 months of receipt.</p>			

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REDUCTIONS IN ASSISTANCE REQUIRED BY THE PERSONAL RESPONSIBILITY ACT

The Personal Responsibility Act, the welfare reform bill included in the Contract with America, would require drastic reductions in the services provided to low-income individuals and families.

- The provisions in Titles III, IV and V of the Republican bill would require the affected programs to be cut by more than \$52 billion over four years (FYs 96 through 99), according to preliminary estimates.

Title III. Capping the Aggregate Growth of Welfare Spending

- Federal spending on selected programs for low-income persons would be capped at a level equal to the total estimated Federal spending on the designated programs during the preceding year, adjusted for inflation and the change in the size of the poverty population.
- The programs under the cap would include the following: AFDC, the At-Risk, IV-A and Transitional Child Care programs, the new mandatory work program established by the Personal Responsibility Act, the Child Support Enforcement program under Title IV-D of the Social Security Act, Supplemental Security Income and a lengthy list of Federal housing programs, including section 8 housing assistance, low-rent public housing and a number of rural housing programs operated by the Department of Agriculture.

A number of the programs included under the cap are projected, under current law, to grow considerably more rapidly than inflation, and consequently substantial reductions would be required to remain within the cap. Outlays on housing assistance, for example, are expected to outpace inflation for FYs 1996, 1997 and 1998. For several of the affected housing programs, however, expenditures represent exclusively liquidation of prior year obligations; there is no new spending on these programs. The bill also converts AFDC, the AFDC-related child care programs, the Child Support Enforcement program and SSI from entitlement programs into discretionary programs, enabling expenditures on these programs to be reduced regardless of the number of persons eligible for assistance.

- Preliminary estimates suggest that outlays for the affected programs would have to be reduced by \$16.2 billion four years to fit within the cap.

This calculation assumes that all States elect to receive AFDC in the form of a block grant (see notes to attached table).

Title IV. Restricting Welfare for Aliens

The Personal Responsibility Act would deny legal immigrants access to benefits under 60 Federal programs including public health, child immunization, and child nutrition programs,

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as well as AFDC, SSI and regular Medicaid. Legal immigrants would, however, be eligible to receive emergency Medicaid. The legislation would exempt legal immigrants over age 75 that have 5 years continuous residence and refugees in their first six years of residence in the United States. Immigrants receiving current benefits under any of the 60 programs would have one more year of eligibility before becoming ineligible.

- Title IV would require reductions in assistance to legal immigrants totaling at least \$12.5 billion over four years.

Title V. Consolidating Food Assistance Programs

Fifteen domestic food assistance programs for low-income persons (including entitlement programs such as food stamps and child nutrition programs, as well as WIC) would be replaced with a discretionary Food Assistance Block Grant program.

Since all food assistance will be discretionary, there is no guarantee that the funding level specified in the proposal will actually be appropriated. The block grant imposes limited restrictions on States, including the following:

- grant funds must be used to provide nutrition assistance to "economically disadvantaged" individuals and families (defined as those with family incomes below the Lower Level Standard Income Level);
- at least 12 percent must be spent on food assistance and nutrition education for women, infants, and young children;
- at least 20 percent must be spent on child nutrition programs (i.e., school lunch and breakfast programs, child care food programs, summer food service programs).

Non-elderly, able-bodied, single individuals or childless couples would be required to work at least 32 hours per month on behalf of the state, regardless of their employment status, or face benefit reductions.

- Funding for the block grant for Fiscal Year 1996 is set at \$35.6 billion, more than a 12 percent cut from the current services estimate for food assistance programs, and \$3 billion below spending for the current fiscal year (FY 1995).
- Spending on food assistance would have to be cut by almost \$24 billion over four years to remain within the limits set for the block grant.

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Table 1. Reduction in Outlays Required by Selected Provisions in the Personal Responsibility Act (in billions of dollars)

	FY 96	FY 97	FY 98	FY 99	Total
Capping Welfare Spending: Baseline Spending (Title III)	\$73.68	\$78.64	\$82.81	\$87.09	\$322.22
Capping Welfare Spending: Level of Cap (Title III)	\$73.33	\$75.35	\$77.54	\$79.79	\$306.01
Capping Welfare Spending: Outlay Reductions (Title III)	\$.35	\$3.29	\$5.27	\$7.30	\$16.21
Restricting Welfare for Aliens (Title IV)	0.0	\$3.70	\$4.20	\$4.60	\$12.50
Consolidating Food Assistance Programs (Title V)	\$5.16	\$5.89	\$6.21	\$6.59	\$23.85
TOTAL	\$5.51	\$12.88	\$15.68	\$18.49	\$52.56

Notes to Title III Estimate

A number of provisions in Title I of the Personal Responsibility Act (concerning paternity establishment, out-of-wedlock childbearing and children born to AFDC recipients) would require substantial reductions in the AFDC caseload and, by extension, AFDC spending. At the same time, the bill permits States to withdraw from the AFDC program and instead receive a block grant equal to 103 percent of FY 1994 Federal Family Support payments. As a result of the reductions in the AFDC caseload, that amount would likely exceed the Federal share of future Family Support payments.

- We assume for purposes of this estimate that all States would elect to withdraw from the AFDC program in favor of receiving the block grant. States electing the block grant would not be required to operate the mandatory work program.

The Bureau of the Census does not project the size of poverty population for future years; the estimate assumes neither an increase nor a decrease in the poverty population.

Notes to Title IV Estimate

The Title IV estimate was provided by the Congressional Budget Office (as part of its analysis of H.R. 3500, the Republican welfare reform bill introduced during the 103rd Session; its noncitizen provisions are virtually identical to those in the Title V of the Personal Responsibility Act). This estimate, however, assumes a date of enactment of October 1, 1995; the CBO estimate for H.R. 3500 assumed an October 1, 1994 date of enactment.

Notes to Title V Estimate

The estimate of the impact of the Title V provisions was provided by the U.S. Department of Agriculture.

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**ANALYSIS OF THE PERSONAL RESPONSIBILITY (PRA) WORK PROGRAM
EFFECTIVE HOURLY WAGE RATES**

Title II of the Personal Responsibility Act (PRA) states that AFDC recipients are required to work for 35 hours per week (or 30 hours per week of work and 5 hours of job search). The attached table and charts illustrate the effective hourly wage rates that would result in each of the fifty states if the PRA were implemented and recipients were working the required number of hours. The family type that shown is a single parent with two children (which is the average family size for an AFDC family). The wage rate for this mother with two children can be calculated as either the hourly salary that the adult would be paid for a given number of hours of work at the AFDC benefit level or the combined AFDC and Food Stamp benefit level. The inclusion of Food Stamps assumes that states, with reduced food and nutrition dollars, would maintain their current level of Food Stamp benefits. Child care and other work expenses are not included in these calculations. Column 2 shows the wage rate for just earning AFDC benefits and column 5 shows the rate needed to earn AFDC and Food Stamp benefits.

The PRA wage analysis yields the following results.

- In only four states (Alaska, Hawaii, Connecticut and Vermont) would AFDC recipients earn above the minimum wage in a 35 hour per week slot taking into account only AFDC benefits.
- In 28 jurisdictions, AFDC recipients would still earn below the minimum wage in a 35 hour per week slot taking into account both AFDC and Food Stamp benefits.
- In the median AFDC state (Maryland), AFDC recipients would receive \$2.46 per hour taking into account AFDC benefits and \$4.21 for the combined AFDC and Food Stamp benefits. This means that in half the states, the typical mother's effective wage rate would be less than \$2.46 or \$4.21, respectively.
- The US weighted average effective wage rate is \$2.56 for AFDC benefits and \$4.20 for AFDC and Food Stamp benefits.
- The minimum hourly rate is \$.79 for AFDC benefits and \$2.74 for combined AFDC and Food Stamp benefits in Mississippi. The maximum hourly rate is \$6.09 for AFDC and \$7.61 for AFDC and Food Stamps in Alaska.

This analysis shows that the work requirements of the PRA will require many parents (primarily mothers) to work for subminimum wages in order to "earn" their AFDC and (possibly) Food Stamps.

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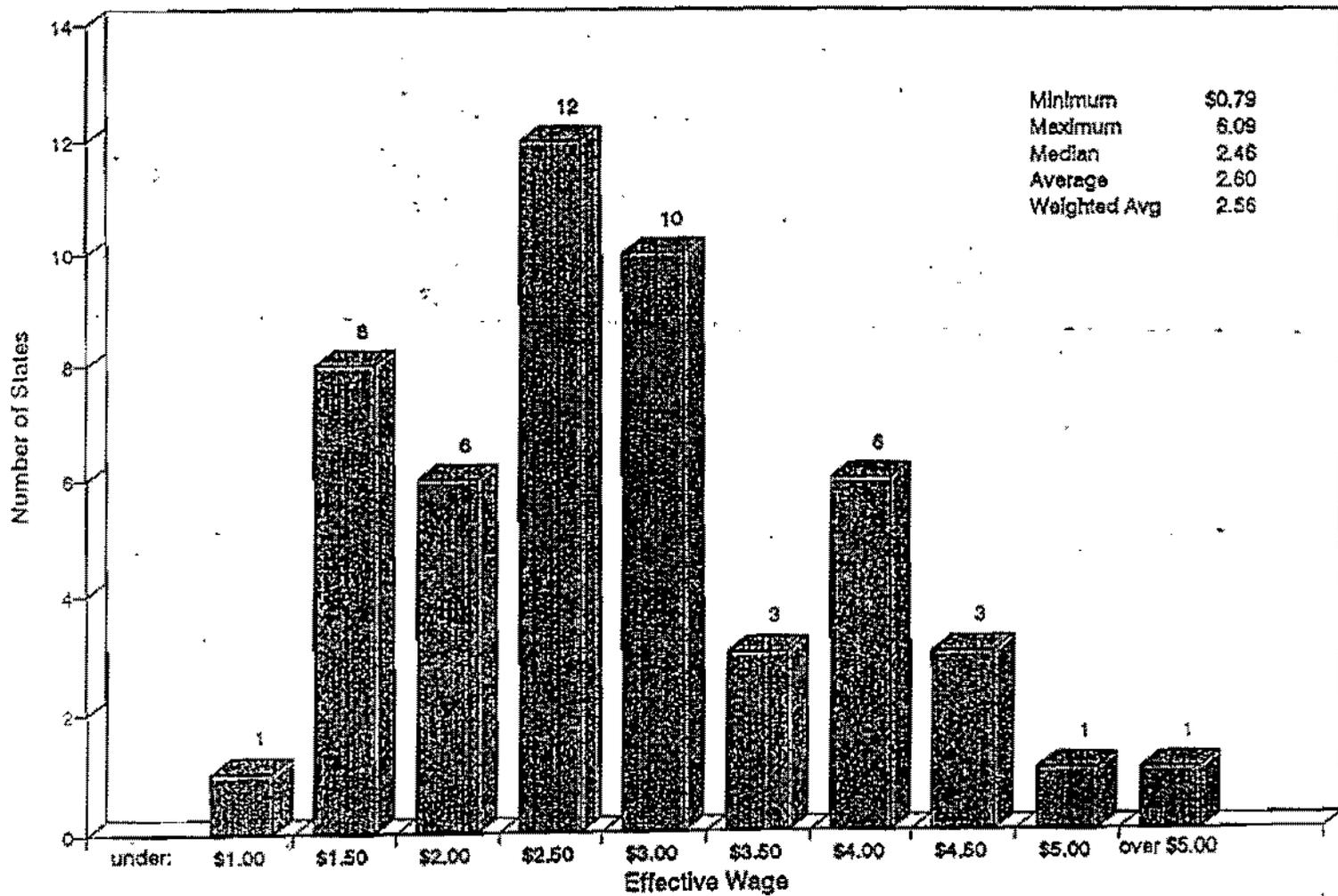
PRA WORK PROGRAM EFFECTIVE WAGE RATES TO EARN AFDC BENEFITS AND AFDC PLUS FOOD STAMPS BENEFITS WORKING 35 HOURS PER WEEK FOR A ONE-PARENT FAMILY OF THREE PERSONS, JULY 1994

States (by AFDC benefit levels)	Annual AFDC Benefits Jul-94	effective wage to earn AFDC Benefits	Annual Food Stamps FY'94	Annual AFDC + Food Stamps	effective wage to earn AFDC + F.S. Benefits
Alaska	\$11,076	\$6.09	\$2,772	\$13,848	\$7.61
Hawaii	8,544	4.69	4,536	13,080	7.19
Connecticut	8,160	4.48	1,832	10,092	5.55
Vermont	7,800	4.29	2,040	9,840	5.41
California	7,284	4.00	2,166	9,450	5.21
Massachusetts	6,948	3.82	2,292	9,240	5.08
New York (N.Y.C.)	6,924	3.80	2,496	9,420	5.18
Rhode Island	6,648	3.65	2,844	9,492	5.22
New Hampshire	6,600	3.63	2,400	9,000	4.95
Washington	6,552	3.60	2,724	9,276	5.10
Minnesota	6,384	3.51	2,460	8,844	4.86
Wisconsin	6,204	3.41	2,520	8,724	4.79
Oregon	5,520	3.03	3,144	8,664	4.76
Michigan (Wayne Co.)	5,508	3.03	2,724	8,232	4.52
North Dakota	5,172	2.84	2,832	8,004	4.40
South Dakota	5,160	2.84	2,832	7,992	4.39
Kansas	5,148	2.83	3,036	8,184	4.50
Iowa	5,112	2.81	2,844	7,956	4.37
Pennsylvania	5,062	2.78	2,868	7,920	4.35
District of Columbia	5,040	2.77	2,868	7,908	4.35
Maine	5,016	2.76	2,868	7,884	4.33
Montana	4,992	2.74	2,580	7,572	4.33
Utah	4,968	2.73	2,892	7,860	4.32
New Mexico	4,572	2.51	3,012	7,584	4.17
Illinois	4,524	2.49	3,084	7,608	4.18
Maryland	4,476	2.46	3,192	7,668	4.21
Nebraska	4,368	2.40	3,072	7,440	4.09
Wyoming	4,320	2.37	3,084	7,404	4.07
Colorado	4,272	2.35	3,096	7,368	4.06
Virginia	4,248	2.33	3,108	7,356	4.04
Nevada	4,176	2.29	3,120	7,296	4.01
Arizona	4,164	2.29	3,132	7,296	4.01
Ohio	4,092	2.25	3,156	7,248	3.98
Delaware	4,056	2.23	3,156	7,212	3.96
Oklahoma	3,888	2.14	3,216	7,104	3.90
Idaho	3,804	2.09	3,240	7,044	3.87
Florida	3,636	2.00	3,288	6,924	3.80
Missouri	3,504	1.93	3,324	6,828	3.75
Indiana	3,456	1.90	3,336	6,792	3.73
Georgia	3,360	1.85	3,372	6,732	3.70
North Carolina	3,264	1.79	3,396	6,660	3.66
West Virginia	3,036	1.67	3,468	6,504	3.57
Kentucky	2,724	1.50	3,540	6,264	3.44
Arkansas	2,448	1.35	3,540	5,988	3.29
South Carolina	2,400	1.32	3,540	5,940	3.26
New Jersey	2,368	1.31	3,540	5,928	3.26
Louisiana	2,280	1.25	3,540	5,820	3.20
Texas	2,256	1.24	3,540	5,796	3.18
Tennessee	2,220	1.22	3,540	5,760	3.16
Alabama	1,968	1.08	3,540	5,508	3.03
Mississippi	1,440	0.79	3,540	4,980	2.74
Median AFDC State (Maryland)	4,476	2.46	3,192	7,668	4.21
Average	\$4,728	\$2.60	\$3,053	\$7,782	\$4.20
Weighted Average	4,661	2.56	2,980	7,642	4.20

Note: Under the provisions of TEFRA (1982), payment standards and benefit calculations for AFDC & Food Stamps are rounded down to the nearest dollar. The Food Stamp benefit calculations assume an excess shelter cost deduction of 50% of the allowable monthly maximum.

Source: ASPE staff calculations.

EFFECTIVE WAGE RATES TO EARN AFDC BENEFITS UNDER PRA WORK PROGRAM
 Working 35 hours per week



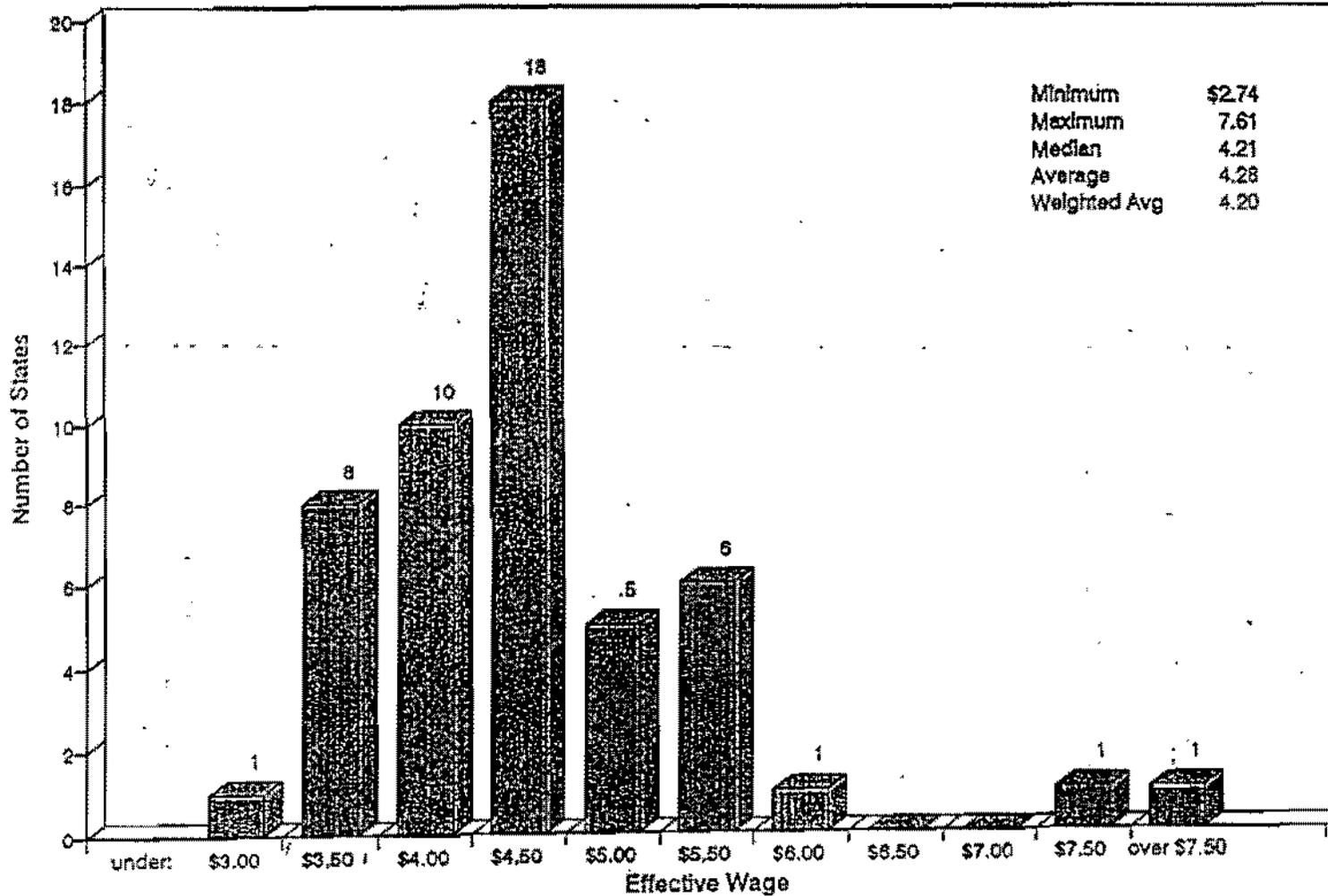
Note: This analysis assumes a 52 week year; if a 50 week year is assumed this raises the median & average wages by 10 cents, the minimum by 3 cents, and the maximum by 24 cents.

Source: ASPE staff calculations.

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EFFECTIVE WAGE RATES TO EARN TOTAL BENEFITS UNDER PRA WORK PROGRAM

Working 35 hours per week



Note: This analysis assumes a 52 week year. If a 50 week year is assumed, this raises the median & average wages by 17 cents, the minimum by 11 cents, and the maximum by 30 cents.

Source: ASPE staff calculations.

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TABLE I
The Number and Percentage of Children Eliminated from AFDC in Total
and by Specific Provisions
of the Personal Responsibility Act by State

STATE	Total Number of Children (in thousands)	Denial of AFDC to Children Born to Unmarried Mothers Under 18 (in percent)	Denial of AFDC to Additional Children Born to Current Recipients of AFDC (in percent)	Denial of AFDC to Families who Have Received AFDC for More Than 60 Months (in percent)	Denial of AFDC to Children Whom Paternity is not Established (in percent)	TOTAL Number of Children Eliminated (in thousands)	TOTAL Number of Children Eliminated (in percent)
Alabama	99.3	12.0	19.7	23.2	39.0	59.5	59.9
Alaska	18.8	4.8	8.5	8.5	20.0	5.7	30.5
Arizona	124.7	6.5	10.5	2.0	38.5	56.3	45.1
Arkansas	52.0	10.2	18.1	20.2	28.0	27.1	52.0
California	1628.0	3.7	20.7	25.6	24.9	812.4	49.9
Colorado	82.6	6.9	12.9	11.7	36.8	40.7	49.3
Connecticut	103.0	8.9	22.2	23.1	27.5	56.8	55.2
Delaware	20.9	9.7	13.4	12.9	28.1	9.8	46.9
District of Columbia	42.2	9.8	26.1	24.2	66.6	31.9	75.7
Florida	427.6	8.1	17.6	13.7	32.6	211.9	49.5
Georgia	268.4	9.5	19.9	22.6	7.8	123.1	45.9
Hawaii	36.1	3.8	19.1	14.8	23.8	15.4	42.5
Idaho	13.6	4.5	7.2	6.9	16.4	3.8	27.6
Illinois	466.0	9.2	33.5	34.2	55.0	345.6	74.2
Indiana	133.5	8.7	20.3	20.1	24.9	67.4	50.5
Iowa	69.3	5.2	18.8	21.9	24.7	33.0	47.6
Kansas	57.5	5.9	20.6	16.9	27.7	28.1	48.8
Kentucky	147.1	6.0	23.0	28.2	25.4	74.8	50.9
Louisiana	195.6	10.4	21.6	26.9	50.8	134.6	68.8
Maine	43.2	4.7	21.9	24.9	16.1	19.3	44.6

Maryland	144.1	9.7	23.7	20.0	21.6	76.0	52.7
Massachusetts	202.8	5.5	21.8	17.1	30.7	105.8	52.2
Michigan	429.8	8.8	34.7	38.3	28.2	281.5	65.5
Minnesota	124.6	5.9	20.3	21.2	11.7	51.7	41.5
Mississippi	129.3	10.4	27.0	35.2	44.6	89.4	69.1
Missouri	166.1	8.3	24.7	23.0	30.1	90.6	54.5
Montana	20.5	2.5	10.4	10.7	21.1	7.3	35.4
Nebraska	32.0	6.5	28.4	23.2	39.8	18.5	57.8
Nevada	21.2	8.8	14.9	8.8	42.9	11.0	52.1
New Hampshire	18.2	3.0	9.1	5.9	20.1	5.7	31.2
New Jersey	246.7	8.2	27.5	30.2	34.7	159.1	64.5
New Mexico	55.9	4.9	7.4	4.0	31.7	21.5	38.5
New York	687.0	6.2	13.2	17.6	19.6	289.8	42.2
North Carolina	208.9	9.8	20.9	19.6	28.9	113.1	54.1
North Dakota	12.1	4.9	20.2	27.6	14.3	6.0	49.3
Ohio	494.6	5.5	29.1	30.3	36.2	300.5	60.8
Oklahoma	92.7	5.8	13.5	14.4	34.1	44.6	48.1
Oregon	78.3	4.9	14.8	9.3	21.3	28.8	36.8
Pennsylvania	391.3	7.7	27.3	30.6	34.6	233.5	59.7
Rhode Island	39.9	6.5	23.3	22.5	27.9	20.9	52.5
South Carolina	101.5	9.4	16.9	13.6	45.3	58.8	57.9
South Dakota	13.2	5.3	14.6	17.2	33.2	6.6	50.0
Tennessee	174.3	8.2	21.5	22.0	30.6	93.1	53.4
Texas	531.1	6.9	10.9	8.5	41.6	262.5	49.4
Utah	34.5	4.2	8.9	5.5	18.6	10.0	29.0
Vermont	16.9	3.4	18.1	22.0	14.3	6.9	41.0

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Virginia	127.2	8.8	17.7	17.3	37.7	69.9	55.0
Washington	174.7	4.2	15.4	14.7	21.0	69.7	39.9
West Virginia	74.7	4.2	17.5	22.3	19.1	33.2	44.4
Wisconsin	166.3	7.4	20.2	18.4	25.1	83.7	50.3
Wyoming	12.3	3.5	10.1	6.6	26.3	4.3	34.9
<u>U.S. Total</u>	<u>9191.2</u>	<u>6.8</u>	<u>21.0</u>	<u>22.5</u>	<u>30.1</u>	<u>4860.6</u>	<u>52.9</u>

SOURCE: 1992 AFDC-QC data

NOTE: The percentages of children affected by the specific provisions represent independent effects of these provisions. They do not add up to the total number of children affected because some children will be affected by multiple provisions. These numbers are conservative estimates since the current spell length is used to estimate the number of families who received AFDC for more than 60 months. The bill specifies the total amount of time on welfare; not just the current spell. Also, these estimates assume no state elects the option to deny benefits to children of unmarried mothers aged 18-20 or to deny AFDC benefits earlier than 60 months.

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TABLE II
Comparison of the Number and Percentage of Children Eliminated from AFDC with the 60 month and 24 month provision

STATE	Total Number of Children (in thousands)	Denial of AFDC to Families who have Received AFDC for more than 24 months (in percent)	Denial of AFDC to Families who have received AFDC for more than 60 months (in percent)	Total Number of Children Eliminated with the 24 month provision plus other provisions (in thousands)	Total Number of Children Eliminated with the 60 month provision plus other provisions (in thousands)	Percentage of Children Eliminated with the 24 month provision plus other provisions (in percent)	Percentage of Children Eliminated with the 60 month provision plus other provisions (in percent)
Alabama	99.3	46.0	23.2	69.5	59.5	70.0	59.9
Alaska	18.8	29.2	8.5	8.4	5.7	44.8	30.5
Arizona	124.7	33.3	2.0	73.7	56.3	59.1	45.1
Arkansas	52.0	43.7	20.2	33.7	27.1	64.7	52.0
California	1628.0	54.6	25.6	1104.5	812.4	67.8	49.9
Colorado	82.6	31.4	11.7	48.2	40.7	58.4	49.3
Connecticut	103.0	51.1	23.1	72.9	56.8	70.8	55.2
Delaware	20.9	30.5	12.9	12.0	9.8	57.6	46.9
District of Columbia	42.2	53.2	24.2	34.9	31.9	82.7	75.7
Florida	427.6	39.3	13.7	265.3	211.9	62.0	49.5
Georgia	268.4	49.6	22.6	166.5	123.1	62.1	45.9
Hawaii	36.1	49.7	14.8	23.2	15.4	64.3	42.5
Idaho	13.6	25.9	6.9	5.8	3.8	42.8	27.6
Illinois	466.0	61.4	34.2	388.6	345.6	83.4	74.2

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Iowa	69.3	47.9	21.9	44.0	33.0	63.5	47.6
Kansas	57.5	45.1	16.9	36.6	28.1	63.6	48.8
Kentucky	147.1	53.0	28.2	95.7	74.8	65.1	50.9
Louisiana	195.6	56.8	26.9	154.3	134.6	78.9	68.8
Maine	43.2	54.9	24.9	28.4	19.3	65.7	44.6
Maryland	144.1	49.0	20.0	97.1	76.0	67.4	52.7
Massachusetts	202.8	49.5	17.1	139.0	105.8	68.5	52.2
Michigan	429.8	67.0	38.3	340.9	281.5	79.3	65.5
Minnesota	124.6	48.8	21.2	74.8	51.7	60.0	41.5
Mississippi	129.3	62.3	35.2	102.7	89.4	79.4	69.1
Missouri	166.1	50.3	23.0	112.4	90.6	67.6	54.5
Montana	20.5	31.9	10.7	10.0	7.3	48.8	35.4
Nebraska	32.0	56.2	23.2	23.1	18.5	72.4	57.8
Nevada	21.2	32.9	8.8	13.4	11.0	63.3	52.1
New Hampshire	18.2	31.4	5.9	8.5	5.7	46.8	31.2
New Jersey	246.7	57.6	30.2	187.9	159.1	76.2	64.5
New Mexico	55.9	23.5	4.0	28.3	21.5	50.7	38.5
New York	687.0	47.4	17.6	419.7	289.8	61.1	42.2
North Carolina	208.9	46.4	19.6	140.7	113.1	67.3	54.1
North Dakota	12.1	50.5	27.6	7.6	6.0	62.6	49.3
Ohio	494.6	59.9	30.3	371.1	300.5	75.0	60.8
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South Carolina	101.5	47.2	13.6	74.4	58.8	73.3	57.9
South Dakota	13.2	43.0	17.2	8.4	6.6	64.2	50.0
Tennessee	174.3	49.5	22.0	119.5	93.1	68.6	53.4
Texas	531.1	35.2	8.5	324.0	262.5	61.0	49.4
Utah	34.5	34.7	5.5	17.4	10.0	50.3	29.0
Vermont	16.9	51.0	22.0	10.3	6.9	60.9	41.0
Virginia	127.2	41.3	17.3	84.8	69.9	66.6	55.0
Washington	174.7	45.7	14.7	105.1	69.7	60.2	39.9
West Virginia	74.7	47.7	22.3	44.8	33.2	60.0	44.4
Wisconsin	166.3	46.0	18.4	107.7	83.7	64.7	50.3
Wyoming	12.3	29.1	6.6	5.9	4.3	47.9	34.9
U.S. TOTAL	9191.2	50.5	22.5	6230.3	4860.6	67.8	52.9

SOURCE: 1992 AFDC-QC data

NOTE: The percentages of children affected by the specific provisions represent independent effects of these provisions. They do not add up to the total number of children affected because some children will be affected by multiple provisions. These numbers are conservative estimates since the current spell length is used to estimate the number of families who received AFDC for more than 24 months and more than 60 months. This bill specifies the total amount of time on welfare; not just the current spell. Also, these estimates assume no state elects the option to deny benefits to children of unmarried mothers aged 18-20.

An Analysis of the Personal Responsibility Act and Family Reinforcement Act

House Republican Proposal to Congress

DRAFT -- November 23 -- DRAFT

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PERSONAL RESPONSIBILITY ACT

TITLE I - REDUCING ILLEGITIMACY

Section 101 Reduction or denial of AFDC for certain children whose paternity is not established

Current Law

To be eligible for AFDC and Medicaid, mothers must cooperate with IV-D agencies to establish paternity unless good cause exceptions are granted. Cooperation is defined as appearance for appointments (including genetic tests), appearance for judicial or administrative proceedings, and provision of complete and accurate information. In addition to assigning her rights to support to the State, the mother must turn over to the State any support payments received directly from the father. As long as these cooperation requirements are maintained, the dependent child and mother remain eligible for AFDC and Medicaid regardless of the outcome of any procedures to establish paternity.

House Republican Proposal

Children for whom paternity has not been legally established would be ineligible for AFDC benefits. This provision applies to all children currently receiving welfare. Exceptions would be made for children conceived as a result of rape or incest, or for cases where the State determines that efforts to establish paternity would result in physical danger to the relative claiming such aid.

If paternity of a dependent child has not been established, the family may receive AFDC benefits and remain eligible for Medicaid if the relative claiming such aid provides the names of not more than three individuals who may be the biological father. The relative must provide addresses of the individuals or if not known, addresses of immediate relatives. The needs of the dependent child without paternity established would be disregarded in determining the amount of aid. It is our understanding that in a one child family, the mother would remain eligible for benefits even though the child was ineligible.

The relative claiming aid shall have the burden of proving any allegation of paternity of a child by an individual who is deceased. There would be no effect on eligibility for Foster Care Maintenance payments or Adoption Assistance payments.

Administration Proposal

Section 601 stipulates that the mother will be required to cooperate in the paternity establishment process in order for her children to receive AFDC and/or Medicaid. IV-D agencies will be responsible for determining whether the cooperation requirement has been met before children may receive benefits. Individuals qualifying for emergency assistance or expedited processing may begin receiving benefits before a determination is made. Good cause exceptions will be granted for non-cooperation if recipients meet the existing good cause exceptions for the AFDC program.

The new cooperation standards will apply to AFDC or Medicaid applications for children born on or after 10 months following the date of enactment.

AFDC and Medicaid applicants must meet the following cooperation standards for paternity establishment.

- The initial cooperation requirement is met only when the mother has provided the State the following information: name of the father; sufficient information to verify the identity of the person named; if there is more than one possible father, the names of all possible fathers.

- Continued cooperation requirements under current law are maintained: additional information requested by the State; appearance at administrative or judicial proceedings; appearance to submit to genetic tests.

The State IV-D agency must make an initial determination of cooperation within 10 days of application for AFDC and or Medicaid. Once the determination is made, the IV-D agency must inform the mother and the relevant programs of its determination. If the cooperation determination is not made within 10 days, the applicant can receive benefits until cooperation is determined.

A State penalty will be imposed if the IV-D agency does not establish paternity within one year from the date the initial determination of cooperation is made for children born 10 months after the enactment of the law.

Analysis

For a child to be eligible for AFDC the Republican bill requires that paternity must be established legally, whereas the Administration bill requires that strict cooperation standards must be met. Under the Republican bill, if the mother cooperated and provided the information the family would continue to be Medicaid eligible although the child without paternity established would not be eligible for AFDC until such time as paternity was established. If the mother could not or refused to name the likely father(s), the entire family would be ineligible for AFDC, although the children may continue to be eligible for Medicaid under existing Medicaid rules. In the Administration's bill, failure to cooperate with the IV-D agency would result in an immediate sanction which would remove the mother's portion of the benefit.

A major problem establishing paternity relates to the inability of some State child support enforcement systems to process paternity cases expeditiously. Even if a mother were to cooperate fully, she and her child would have no ability to speed up the process and would be penalized if the State experienced delays. In many states, delays of two years or more for the State to establish paternity are common. The Administration's bill proposes strict cooperation standards without penalizing children who live in States with backlogged caseloads. Instead, the State is penalized if paternity is not established. The Administration's proposal also requires the use of administrative processes and provides financial incentives to expedite the paternity establishment process.

Another key difference between the proposals is that the Republican provision applies universally to all children receiving welfare benefits, while the Administration's bill applies to new child applicants only. Even when mothers cooperate, there are numerous reasons why paternity establishment takes time or may not occur. Research has shown that paternity establishment rates diminish significantly the longer the time period after the birth (due to inability to locate the father.) The Republican provision would create severe difficulties for mothers who need to establish paternity for older children when there has been long-term parental separation. By targeting the provisions to new child applicants, the Administration's bill eliminates the extreme financial impact on families who have lost contact with the father.

A significant consequence of the Republican provision impacts the children of unmarried women who are unable to contact or locate the fathers. For example, if the father were incarcerated, living abroad or in the military, or if the father had abandoned the child and mother, the child would experience a delay in receiving assistance until the mother and State could establish paternity. In cases of child abandonment, paternity may never be established which would further punish the child for the irresponsible actions of the father.

The good cause exception in the Republican bill is too narrowly drawn. It only applies to physical danger of the relative and not children.

The Republican provision puts the burden almost entirely on the mother and leaves it there. The State agency faces few consequences if it does little or nothing to establish paternity (at most, an audit penalty), while it saves money on AFDC expenditures. In contrast, the Administration proposal shifts the burden to the State when the mother has fully cooperated. Coupled with a penalty for failure to establish paternity in a given time frame, the Administration holds the States accountable in a much more serious way.

Example: *Danny lives alone with his mother, Julie. Julie loses her job, but is not eligible for unemployment benefits. Under the Republican proposal she is unable to receive AFDC assistance because Danny's paternity was never established, even though he was born before the Republican plan was enacted. The State child support agency insists that Julie provide names and addresses of possible fathers or, at the least, names and addresses of immediate relatives of possible biological fathers. As it has been several years since she has had contact with any of these people, Julie is unable to comply; the State CSE Agency is too back-logged to offer any meaningful assistance in this regard. As a result, Danny and his mother are deprived of all means of support and Danny is compelled to drop out of high school.*

Section 102 Teens Receiving AFDC Required to Live at Home

Current Law

States are given the option of requiring minor parents (those under age 18) to reside in their parents' household or with a legal guardian or other adult relative, or reside in a foster home, maternity home or other adult supervised supportive living arrangement (with certain exceptions). Three States (Delaware, Michigan, and Maine) and two territories have adopted this provision.

House Republican Proposal

This provision is made a State requirement and the age requirement is changed to under age 19. The exceptions remain intact. This provision does not apply until after the effective date of October 1, 1995.

Administration Proposal

The provision is made a State requirement under the Administration's proposal. This proposal also clarifies current law by specifying that the exceptions apply only to the determination of whether a minor should live with a parent/legal guardian. If a State determines the minor should not live with a parent/legal guardian because one of the exceptions apply, then the State must assist them in obtaining an appropriate supportive alternative to living independently.

Analysis

Both the Republican proposal and the Administration's proposal require States to mandate that teens live at home. The major difference between the Republican proposal and the Administration bill is the change in the age. Under the Administration's proposal, those under 18 are considered minor and should be under adult supervision. Under the Republican proposal, since unmarried teens under age

18 are denied AFDC benefits (see Section 105), this provision would primarily apply to those who were 18 years of age.

The Administration's proposal improves the existing provision because now, if one of the exceptions applies, the minor is subject to no restrictions on the living arrangement and may live independently. Under the Administration's bill, the exceptions are intended to determine if a minor should stay in their parent/legal guardian's home, and if one of the exceptions applies then an effort should be made to find another arrangement.

Section 103 Earlier paternity establishment efforts by States

Current Law

No current law exists that mandates State employees to inform unmarried, pregnant women of issues related to paternity establishment.

OBRA 1993 requires States to adopt laws requiring civil procedures to voluntarily acknowledge paternity (including hospital-based programs.)

House Republican Proposal

Officers or employees of the State, who become aware of an unmarried, pregnant woman in the course of official duties, must immediately inform her that she will be ineligible for AFDC unless she identifies the prospective father and cooperates in establishing paternity after the birth. The State official must also encourage her to urge the prospective father to acknowledge paternity.

A sense of Congress is expressed to encourage voluntary in-hospital paternity establishment and to establish legal procedures to expedite the paternity establishment process.

Administration Proposal

The Administration's bill requires States to implement outreach programs promoting voluntary acknowledgment of paternity. States are also encouraged to establish pre-natal programs for expectant couples -- married or unmarried -- and to educate parents about their joint rights and responsibilities. States would have the option to require pre-natal programs for all expectant welfare recipients.

States are also required to make reasonable efforts to follow-up with individuals who do not establish paternity in the hospital, providing them information on the benefits and procedures for establishing paternity.

The Department of Health and Human Services would take the lead in developing a comprehensive media campaign designed to reinforce the importance of paternity establishment.

States would be required to enact laws to expedite the paternity establishment process, primarily through the use of administrative procedures (see Section 636.)

Analysis

The Republican bill targets State officers and employees as the conduit for providing pre-birth outreach information, while the Administration proposal gives States much greater flexibility to design comprehensive paternity outreach programs.

The Republican bill does not define which State officers and employees are subject to this provision. As written, this means all State officers and employees would be required to provide the necessary information. For example, this means license bureau staff, state police, legislators and welfare workers would be required to inform appropriate women of the eligibility rules for AFDC.

The Republican proposal's "mandated informer" provision would likely incur resistance from State employee unions, especially given that paternity information must be provided immediately, both orally and in writing, once an expectant, unmarried woman is identified. Enforcement of a "mandated informer" law would be problematic and also might raise First Amendment objections.

The Administration's outreach proposal seeks to promote parental responsibility and paternity before and after pregnancies occur by disseminating broad-based information to men and women, not just pregnant, unmarried women. In contrast to the Republican bill, the Administration's proposal also allows States to design outreach efforts that are tailored to the specific needs of its population.

The Republican sense of Congress is redundant given OBRA 1993's requirement that all States establish civil procedures for voluntary paternity establishment (including hospital-based programs.)

Section 104 Increase in paternity establishment percentage

Current Law

OBRA 1993 established that beginning fiscal year 1994 a State's paternity establishment percentage must equal or exceed: 1) 75%; 2) for a State with a paternity establishment percentage of not less than 50% but less than 75%, the paternity establishment percentage must be 3 percentage points greater than the preceding fiscal year; for a State with a paternity establishment percentage between 40% and 45%, the paternity establishment percentage must be 5 percentage points greater than the preceding fiscal year; for a State with a paternity establishment percentage of less than 40%, the paternity establishment percentage must be 6 percentage points greater than preceding fiscal year. Public Law 103-43 made technical amendments to the way the paternity establishment percentage is calculated.

House Republican Proposal

The paternity establishment percentage for States is set at 90%. States above 50% but below 90% must increase by 6% per year, while States below 50% must increase by 10% per year to be in compliance.

Administration Proposal

The paternity establishment standards in current law remain in place for cases in the IV-D system. In Section 643 the Administration's proposal adds a new provision to encourage paternity establishment in all out-of-wedlock births, regardless of the parents' welfare or CSE status. States will receive performance-based incentive payments in the form of increased FFP of up to 5% for paternities established within the first year after birth (see Section 458).

States will be subject to a penalty for failure to establish paternity promptly in all CSE cases where the child was born 10 months subsequent to the enactment of the law (see Section 642.)

Analysis

The Republican bill stipulates specific and high paternity standards (annual increases of 6% and 10%) along with the 90% target rate, while the Administration bill maintains current paternity standards for CSE cases and provides incentive payments to encourage paternity establishments in all out-of-wedlock births. Under the Republican proposal, families that do not cooperate or are unable to establish paternity will be ineligible for AFDC, but their low-income children will remain Medicaid eligible and are required to be served by the CSE program if they are Medicaid recipients.

The paternity standards in the Republican proposal will be extremely difficult to achieve. Despite considerable and aggressive improvements in paternity establishment procedures, only a few States have come close to the proposed percentage increases, while the remaining States have achieved a much lower average percentage than the proposed standard. Under the Republican proposal, CSE paternity caseload size will continue to remain large because Medicaid eligible children will be counted. However, many of these mothers will have no incentive to cooperate with CSE since the family is not eligible to receive AFDC even if paternity is established (minor parent having an out-of-wedlock child or an AFDC recipient meeting the 5 year time limit) and the children cannot be denied Medicaid even if the mother does not cooperate. Another significant problem meeting the Republican standards is that paternities will likely never be established for older children and in cases where the family has lost contact with the father. Lastly, State laws and performance vary significantly regarding paternity establishment, as does State funding for staff and information systems. Most States do not have sufficient resources to work their current caseloads. Since CSE resources will be capped under the Republican proposal, paternity establishment will be competing with establishment and enforcement activities for resources that will not be able to expand to fill the need. Although paternity establishment rates will improve when in-hospital paternity establishment procedures are universal, the increase will not likely be to the degree envisioned in the Republican proposal.

The Administration's proposal maintains current paternity standards and gives States more time to pass laws enacting OBRA 1993 provisions to improve paternity establishment. Annual incentive payments are proposed to reward paternity establishment in all out-of-wedlock births. The Administration's proposal does not impose an unrealistic Federal mandate on the States; rather, it imposes penalties in the form of reduced FFP only when paternity is not established for children born 10 months after the date of bill enactment. The Administration's proposal provides States the flexibility and resources to implement state-specific mechanisms to improve the paternity establishment rate.

Section 105 Denial of AFDC for certain children born out-of-wedlock

Current Law

AFDC benefits are available for each eligible dependent child and the adult caretaker relative(s) with whom the child resides, regardless of marital status. To be considered a dependent child for AFDC, the child must be deprived of parental care or support due to the death, incapacity, or continued absence of a parent, or, since October 1, 1991, the unemployment of a parent (working less than 100 hours in a month) who is the principal earner. In addition, the child must be under the age of 18, or, at State option, under the age of 19 and a full-time student attending secondary school (or an equivalent level vocational or technical school) and who is expected to complete school before his or her nineteenth birthday.

House Republican Proposal

In cases where an unmarried mother gives birth before her 18th birthday, AFDC claims with respect to that child would be denied. The mother and child could become eligible in the future only if the mother marries the biological father (as determined by the State) or she has legal custody of the child and marries an individual who legally adopts the child. The mother could become eligible by having another child after age 17. This section would not apply if the child's birth date and the most recent AFDC application date were before the Republican proposal's effective date, October 1, 1995. This section would not affect benefits the minor mother receives as a dependent with respect to her own mother's case, but these benefits would be subject to learnfare requirements described under Section 603.

Administration Proposal

The Administration's proposal does not deny benefits to teen mothers who had a nonmarital birth. Teen mothers would, however, be subject to several requirements intended to encourage responsible behavior. As discussed above (Section 102), teen custodial parents would be required to live with their parents or legal guardian unless the guardian could not be found, was not suitable, or did not allow the teen mother to move in. All custodial parents under age 20 would receive case management, and those who had not received their high school diploma or GED would be required to participate in JOBS with education as the presumed activity. Months of AFDC benefits would not count toward the two year limit until the parent reached age 18. States would have the option to use financial incentives and/or sanctions to encourage teens to stay in school or enroll in parental education classes.

Analysis

Unlike current law, both proposals emphasize the importance of reducing nonmarital births among teens. The Republican proposal seeks to discourage nonmarital births among minors by removing the AFDC "incentive," sending teens a strong message that AFDC will no longer be a means of support for their out-of-wedlock children and that they will have to accept financial responsibility. However, while there is great debate in the research over whether welfare affects nonmarital fertility at all, even those who find significant impacts concur that the effects are small, and that the majority of nonmarital births would occur in spite of a large reduction in AFDC. Thus, even under the Republican plan, there would likely be a significant number of children born to unwed parents under 18. Under the Republican proposal, these children would not receive any direct benefits, and would only receive assistance if they entered a group home, an orphanage or the foster care system.

Evidence suggests that a mother's education is a much stronger determinant of her family's poverty status and future need for assistance than whether the mother gave birth as a teen. While the Republican proposal points out that young single mothers are much less likely to finish high school, and single mothers without a diploma incur longer welfare spells, the bill does nothing to encourage education of most single minor parents. By denying AFDC benefits to most single parents under age 18, the Republican proposal has no mechanism for keeping these parents in school or providing them with training, unless they receive benefits under their own mother's claim and are subject to the learnfare requirements (see Section 603).

Example: *Chrissy is seventeen and pregnant. Her low-wage job will not be sufficient to support both her and her expected child. She is only able to work part-time since she is currently attending high school. Under the Republican plan, she and her child will be ineligible for AFDC assistance. This leaves her with several options. She can carry her child to term and turn it over to the State to live in a State-run orphanage. She can quit school and attempt to support her and her new child on her meager salary -- this would pose additional problems since Medicaid assistance would not be available for her and her new-born. Or she can opt to have an abortion.*

The Administration's proposal, on the other hand, includes single teen parents in the AFDC program, and includes provisions to keep them in school and increase their employability through training and case management. The proposal also offers states the option to use a program of financial incentives and sanctions to keep teen mothers in school, an approach which LEAP has demonstrated can significantly increase the proportion of teen parents who earn their diploma or GED. The Administration's proposal still sends teens a strong message that they have to accept responsibility for their actions and that AFDC will not provide them a free ride. Teens parents receive case management until they are age 20, are required to live at home, are required to attend school, and are subject to the two year time limit and employment requirements once they reach age 18. Like the Republican proposal, the Administration's proposal provides strong deterrents to becoming a teen parent, but unlike the Republican proposal, it provides a safety net for children born to single parents under 18, and a mechanism to encourage their responsible behavior and increase their employability.

The Republican proposal treats women and children who are in similar circumstances inequitably. For example, a single women who has her child at an older age, say 26, would receive benefits while most single mothers under age 18 would be left unsupported, even though the teen mother may have fewer opportunities to support herself in the labor market. Second, a single mother under age 18 who supported herself for several years and then became unemployed at age 26 would still be ineligible for benefits, even though other mothers of the same age would be eligible. Furthermore, statistics show that roughly one-third of single mothers without a diploma dropped out of school prior to becoming pregnant. Research indicates that their likelihood of being poor and income eligible are high, regardless of whether they gave birth as a young teen or later. Yet while both mothers would be in need of benefits and training to become self-supporting, only the older mother would qualify.

This provision also introduces a set of complicated rules for determining eligibility for AFDC. For example, if the woman in the discussed above, Chrissy, has another child after she turns 18, she and the second child would be eligible for aid if paternity had been established, while the first child would remain ineligible. This could create an interesting and perhaps perverse set of incentives whereby young mothers could qualify for AFDC benefits for herself and one child by having another child after she turned 18 (and establishing paternity). This could be perceived by the mother as a more preferable than receiving no benefits.

Because a child is permanently ineligible for AFDC if s/he was born out-of-wedlock to a teen under age 18, the child would not be eligible for assistance on a relative caretaker or child-only case. The child also would not eligible for foster care unless a child welfare proceeding was initiated.

Finally, by limiting the options available to young mothers, the Republican policy could also result in an increase in abortion rates.

Section 106 Denial of AFDC for additional children*Current Law*

Families on welfare receive additional AFDC benefits whenever they have an additional child.

Republican Proposal

AFDC benefits would not be available to additional children born to families already receiving welfare or to additional children of families that received welfare at any time during the 10 month period ending with the birth of the child. Although bill is silent on the effective date of this provision, it could be interpreted as applying retroactively to children currently on or otherwise eligible aid.

Administration Proposal

States are given the option to limit the increase in the AFDC benefit amount when an additional child is conceived while the parent is on welfare. The additional benefit amount may be partially or fully reduced. States choosing this option will be required to disregard income from earnings or child support (or any other source developed by the State and approved by the Secretary) in an amount equal to the amount the AFDC benefit would have been increased. States choosing this option must also provide family planning services to all recipients who request them. Federal match dollars would be available for family planning counseling or referral services.

Analysis

The major difference between the two proposals is that the family cap is a State option under the Administration's proposal compared to a mandatory requirement under the Republican proposal. In States which adopt the family cap option under the Administration's proposal, AFDC benefits are denied to an additional child only if that child was conceived while the mother is on welfare. The Republican proposal's family cap provision is somewhat different than the Administration proposal in that it would also deny assistance to some children even though conception took place while the mother was not receiving welfare. For example, under the Republican proposal, a woman pregnant with her second child could make a first time application for AFDC and receive assistance during the last trimester of her pregnancy. That baby would then be ineligible to receive AFDC benefits for the remainder of his or her life. Under the Administration's proposal, that child would be eligible for aid because s/he was not conceived while the mother was on aid.

The rules of this provision interact with other provisions in Title I and result in a very complicated system of eligibility for AFDC.

Example: *Susan had her first child after she was 18, however, she did not establish paternity. Under the Republican proposal, this child is ineligible for aid. If Susan had a subsequent child and paternity was established, the second child would be eligible for aid. However, if paternity had been established for the first child and the family was still on aid when the second child was conceived, the second child would not be eligible for assistance.*

The family cap option is included under the Administration's proposal as one of a broad range of incentives and requirements to encourage and reward responsible behavior. Within this larger context, the Administration's proposal gives States further flexibility to reduce the amount of the additional benefit rather than eliminating it. It also requires States to disregard income from earnings and child support, which will serve to partially or fully offset the loss of additional assistance. This is an important provision because it allows families to "earn back" the amount of the foregone benefit increase in a way that reinforces responsible behavior. In response to the need for family planning services, the Administration's proposal requires that States opting to implement the family cap also make these services available and will provide federal matching funds for counseling and family planning referral services.

In contrast, no such related provisions are included in the Republican's proposal. It appears, although not explicitly addressed in the Republican proposal, that earnings and child support income would be included in determining the grant amount for the family even though the needs of the additional child are not considered. The Republican's proposal also makes no provision for the need to make family planning services available to AFDC families.

Section 107 State option to deny AFDC benefits to children born out-of-wedlock to individuals aged 18, 19, or 20, and to deny such benefits and housing benefits to such individuals

Current Law

As stated above, current law gives States the option to require a minor mother on AFDC to live with a legal guardian or in other supervised living arrangements. The current law does not, however, provide States with the option to deny AFDC or housing benefits to mothers under age 21.

House Republican Proposal

The stipulations for denying AFDC benefits described under Section 106 may be extended to mothers up to age 21, at the State's discretion. The State also has the discretion to deny housing benefits under the same provisions.

Administration Proposal

As noted under section 106, the Administration's proposal does not deny AFDC benefits or housing benefits to mothers under age 21, though the mothers do face some requirements designed to encourage more responsible behavior and increase school attainment.

Analysis

As noted under section 106, research evidence suggests that limiting access to AFDC will not eliminate the majority of out-of-wedlock births among teens. This section of the bill gives states the opportunity to cut not only AFDC benefits but also housing benefits for the mother and her child. Such a policy could lead to increases in homelessness. While the Administration's proposal requires the minor mother to live with her parents, in most cases, so the minor mother can receive guidance and supervision, under no circumstances would it leave a mother and her child with no place to live.

Section 106 and 107 (Housing aspects)

Current Law

Eligibility for housing assistance is based on income. In addition, for units developed specifically for the elderly, admission may be limited to elderly or disabled households.

Preference for admission depends on housing need: households have Federal preferences for limited assistance if they have rents in excess of 50 percent of income or are involuntarily displaced, homeless, or living in substandard units.

House Republican Proposal

The governor of a State may elect for that State to be "covered". The covered option means that, subject to four exceptions, housing assistance may not be provided to a household whose head has borne a child out of wedlock if that head was between the ages of 18 and 21.

The four exceptions are: (1) subsequent marriage of the mother to the biological father; (2) subsequent marriage of the mother to another man, who legally adopts the child; (3) the mother is the biological and custodial parent of another child who was not born out of wedlock; (4) eligibility for Federal assistance is based in whole or in part on the disability or handicap of a household member.

The definition of housing assistance appears intended to cover nearly all rental assistance programs operated either by HUD or the Department of Agriculture, except those specifically targeted at the elderly or disabled.

The proposal does not apply to applications for assistance made prior to the enactment of the proposal.

Administration Proposal

No corresponding provision.

Analysis

The intent of the bill language is unclear as to whether the household would be ineligible only while the mother is between the ages of 18 and 21 or for the rest of the mother's life. If the latter is meant, then determination of eligibility by Public Housing Authorities (PHAs) would become more cumbersome, as for every child the head would have to provide evidence about whether she was or was not the child's biological mother; whether the child was or was not born to her between the ages of 18 and 21; and if she was, whether she was or was not married at the time, or has been subsequently married to someone who adopted the child.

The bill language does not prohibit providing housing assistance to households whose mothers had an out-of-wedlock birth before age 18 (although this could be a drafting error).

The bill excepts housing targeted to the aged and disabled. However, disability or handicap does not make a household eligible for rental assistance from HUD, either in whole or in part. It is income that makes households eligible or ineligible.

There seem to be minor errors in the enumeration of covered housing programs. The authors probably intended to include Section 23, the precursor program to Section 8, and the bill language refers to 221(d)(3) and 221(d)(4) when 221(d)(5) is meant.

Initially, the substantive impact on HUD programs would be modest since less than 10 percent of HUD-assisted renter household heads are under the age of 25. HUD data shows that there are 18,000 welfare mothers under the age of 23 who are public housing leaseholders. However, over time, many more families will be prohibited from receiving housing assistance.

Example: *Judith is twenty years old and receives rental assistance; her child, Samuel, is six months old. The State in which she resides has exercised its option under the Republican plan to deny AFDC and housing benefits to children born out-of-wedlock to individuals aged 18, 19, or 20, and to the parents of these children. As a result, Judith stopped receiving rental-assistance payments when Samuel was born. She is unable to pay her rent from her low-wage salary and is forced to move into an unsafe, crime-infested tenement house with her young child.*

There would be minimal Federal cost implications of this provision, because housing assistance is not an entitlement and there are many older families on the waiting list who would occupy housing denied to mothers 18 to 21. Families usually have waited for months or years before they receive assistance. Because the supply of assisted housing is less than demand, prohibiting the eligibility of some households is unlikely to reduce the number of households that receive assistance.

Section 108 Grants to States For Assistance to Children Born Out-of-Wedlock

Current Law

None.

House Republican Proposal

Savings from denying AFDC benefits to young unmarried mothers and their out-of-wedlock children will be used to fund grants to States to discourage out-of-wedlock births and care for children born out-of-wedlock. States may use these grants to establish or expand programs to reduce out-of-wedlock pregnancies, to promote adoption, to establish and operate orphanages, to establish and operate closely supervised residential group homes for unwed mothers, or any other related program the State sees fit to fund.

States may not use the grant funds for abortion services, including any counseling or advising with respect to abortion.

The grant amount for any given year will be the product of the State per capita amount for that fiscal year and the State's excluded population (children and parents excluded from AFDC as a result of the prohibition of aid to children born out-of-wedlock) and the number of individuals in the State's phase-in population for that fiscal year.

The number of excluded children is defined as:

- zero for FY96;
- for FY97, 50 percent of the monthly average number of excluded children who are under age one during FY94;
- for FY98, the monthly average number of excluded children who are under age one during FY94 and 50 percent of the monthly average number of excluded children who over age one and under age two during FY94;
- for FY99, the monthly average number of excluded children who are under age two during FY94 and 50 percent of the monthly average number of excluded children during FY94 who are over age two and under age three;
- for FY2000, the monthly average number of excluded children during FY94 who are under age three and 50 percent of the monthly average number of excluded children who were over age three and under age four during FY94.
- for FY2001 and thereafter, a number determined by the Secretary using a formula which does not result in a payment to any State that exceeds the payment made to the State for FY2000 and takes into account changes in out of wedlock birthrates, State incentives to continue programs designed to reduce out of wedlock births, and other factors determined by the Secretary.

For FY96, the phase-in population is a product of 4.17 percent times the average monthly number of excluded children in FY94 and the number of parents excluded in connection with those children times the number of months by which the date of the enactment of act precedes October 1, 1995. For FY97, the phase-in population is a product of 4.17 percent times the average monthly number of excluded children in FY94 and the number of parents excluded in connection with those children times the number of months by which the date of the enactment of act precedes or succeeds October 1, 1995.

The Controller General is required to submit a report to Congress on how States have expended AFDC monies, the effect of expenditures on the well-being of mothers and children, and whether there is evidence that illegitimacy rates have changed.

Administration Proposal

No such provision under Administration proposal.

Analysis

This proposal raises a number of concerns regarding how the needs of children affected by the Republican proposal will be met. First, the grant formula assumes that the number of young families with children born out of wedlock and eligible for AFDC will not increase beyond the number that received AFDC in 1994. However, if out of wedlock childbearing continues to increase, despite the proposed policy change, States will be faced with increasing numbers of children in need of orphanages, temporary shelters, foster care, etc. but no additional federal support to respond to these needs. Second, the needs of families denied benefits are immediate, while it would take time to create the public institutional settings to accommodate them. It is unclear what would happen to these families in the interim. Also, because States can use the grant money for a number of different

purposes, the economic needs of out-of-wedlock children will have to compete with other types of programs/services authorized under the grant. In addition, in the past, orphanages were phased-out due to poor conditions and detrimental effects on children. It is unclear how the proposed orphanages would improve on past experiences. Finally, the resources needed to build and maintain orphanages is yet unknown and therefore, the "savings" gained from denying benefits may not cover the costs associated with the policy change.

Section 109 Removal of Barriers to Interethnic Adoption

Current Law

A provision on multiethnic adoption was passed by the Congress and signed into law quite recently. It was contained in H.R. 6 which became P.L. 103-382. That provision prohibits child welfare agencies from denying or delaying placement of a child in a foster or adoptive home solely on the basis of race. Agencies may consider the cultural, ethnic or racial background of the child and the capacity of the prospective foster or adoptive parents to meet the needs of a child of this background as one of a number of factors used to determine the best interests of the child. It also requires child welfare agencies to make diligent efforts to identify foster and adoptive homes that reflect the racial and ethnic diversity of the children in need of such homes.

House Republican Proposal

Removes the "permissible consideration" section of the recently passed current law and provides that child welfare agencies may not "delay or deny the placement of a child for adoption or into foster care, or otherwise discriminate in making a placement decision, on the basis of race, color or national origin of the adoptive or foster parent, or the child, involved." It also removes the section requiring diligent efforts to recruit foster and adoptive homes reflecting the racial and ethnic diversity of the children needing placement.

Administration Proposal

The Administration's welfare reform proposal does not include a comparable provision, but a comparable provision was recently enacted into law as part of another bill as noted above.

Analysis

The Republican proposal is similar in some respects to the recently enacted law. There are several significant differences, however, as follows:

1. **Needs of the child.** In the findings and purpose section, this provision specifies that the families sought for adoption should be those who "meet the child's needs." The Republican proposal does not explicitly mention the needs of the child.
2. **Clarification on role of race in decisionmaking.** The enacted version of this provision provides that race/ethnicity alone may not be used to deny a child an adoptive placement, but provides that race/ethnicity may be one of a number of factors used to make placement decisions. The Republican proposal removes this section.
3. **Diligent efforts requirement.** The enacted version of this provision requires that child welfare agencies make diligent efforts to recruit foster and adoptive families that reflect the racial and ethnic diversity of the children for whom foster and adoptive homes are needed. No such requirement is included in the Republican proposal.

4. **Deadline for compliance.** The enacted version includes a deadline for agencies to comply with the new law, as well as requirements for HHS to publish guidance within 6 months of enactment. Neither are included in the Republican proposal.
5. **Sanctions for non-compliance.** The enacted version of the law defines non-compliance as a violation of title VI of the Civil Rights Act of 1964. The Republican proposal instead requires that HHS withhold certain placement and administrative funds from agencies in non-compliance.

TITLE II - REQUIRING WORK

Section 202(a) Work program

Current Law

States must require non-exempt AFDC recipients to participate in the JOBS program. A range of services and activities must be offered by States, although States are not required to implement JOBS uniformly and JOBS programs may vary across States. The services that must be provided as part of a State's JOBS program are: education activities including high school and equivalent education, basic and remedial education, ESL, job skills training; job readiness activities; job development and placement; and supportive services (child care, transportation, and other work-related expenses) necessary for participation. States must also offer at least two of the following: group and individual job search, on-the-job training, work supplementation programs, and community work experience.

State agencies are required to make an initial assessment of JOBS participants with respect to employability, skills, prior work experience and educational, child care, and supportive service needs. On the basis of the assessment, agencies are required to develop an employability plan for the participant detailing the participant's obligation and the services to be provided by the agency.

There are no time limits on assistance or activities for AFDC cases. Some States (those which did not have an AFDC-UP program in place as of September 26, 1988) are permitted to place a type of time limit on participation in the AFDC-UP program, restricting eligibility for AFDC-UP for as few as 6 months in any 13 month period. Thirteen States presently impose time limits on AFDC-UP eligibility.

AFDC-UP cases must participate in work activities for at least 16 hours per week. AFDC-UP parents under age 25 are allowed to participate in educational activities. One parent on a AFDC-UP case is required to participate in JOBS. Both parents can be required to participate in JOBS, as long as child care is guaranteed.

The hours of work for CWEP positions are determined by dividing the grant amount by the minimum wage. Individuals are not required to continue in the position for nine months unless the hours are less than the grant amount divided by the higher of the Federal or State minimum wage or the rate of pay for individuals employed in the same or similar occupations by the same employer at the same site.

Individuals in JOBS can be sanctioned for failing to participate without good cause or refusing to accept an offer of employment with no good cause. The amount of the sanction is the adult's portion of the grant. Sanctions continue, in the first instance, until the individual complies, in the second instance, for 3 months, and for the third and subsequent instances, for six months. Sanctions do not apply if child care is not available. Individuals are only required to accept a job if it results in no net loss of income.

House Republican Proposal

JOBS. The State may not provide subsidized non-work activities -- such as education and training (i.e. JOBS) -- to an AFDC recipient for more than a total of 24 months (whether or not consecutive). There is no requirement for the State to operate a JOBS program and there are no participation requirements for the JOBS program (as discussed in Section 202(b).)

WORK. States are required to establish a work program. A work program is defined as a work supplementation program, a community work experience program, or any other work program approved by the Secretary. A State may require any adult recipient, regardless of the length of time on assistance, to participate in the work program. An individual who is mandated to participate in the work program and had received aid for 24 or more months (cumulative) must participate in work activities for an average of at least 35 hours per week (or in work activities for at least 30 hours per week and job search for at least 5 hours per week). The State may not require individuals to participate in work activities for more than 40 hours during any week.

At least one parent on a AFDC-UP case must participate in work activities for 32 hours per week on average and in job search activities for an average of 8 hours per week. The State must combine AFDC and the cash value of food assistance received (under Title V of this act) for AFDC-UP cases.

Sanctions. For the first 24 months on AFDC, States may impose sanctions as they consider appropriate for an individual who fails to participate in a satisfactory manner. For individuals assigned to the work program who do not fulfill the required number of hours in work activities, the grant is pro rated based on the number of hours worked (this only applies to those who have received aid for more than 24 cumulative months). The State may suspend or terminate eligibility an individual's eligibility for aid if s/he has been sanctioned on three or more occasions.

Time Limits. Individuals who had received aid for 60 cumulative months after the effective of the bill is not eligible for aid. Although it may be a drafting issue, as written, this provision would apply to both adult and child recipients. At State option, the State may terminate the eligibility for aid of any family if they have received aid for 24 cumulative months and have been required to participate in a work program for at least 12 cumulative months.

The Republican proposal does not include a phase-in strategy, although a Sense of Congress section indicates that priority in the work program would be given to older preschool or school-age children.

Administration Proposal

JOBS. Individuals are required to participate in JOBS activities -- education, training, and job search -- for 24 cumulative months. In an AFDC-UP family, both parents would be subject to the time limit if either parent was in the phased-in group. Only one parent in a AFDC-UP family could be deferred (see section below for deferral criteria). The proposal requires the development of an employability plan and six-month reviews of progress made towards reaching the goals of this plan.

There are a number of exceptions to this time limit on JOB services: (1) The time limit does not apply until an individual turns 18. (2) Time spent working 20 hours or more per week (30 hours at State option) in an unsubsidized job would not count against the time limit. (3) Extensions to the 24 month time limit in JOBS are granted in certain circumstances. Extensions must be granted when individuals have not had adequate access to services specified in the employability plan. In addition, there is a 10 percent cap on the number of extensions for other specified reasons, such as completing a GED or certificate-granting training program. (4) Persons who had left AFDC with fewer than six months of eligibility for JOBS participation would qualify for one additional month of eligibility for every four months the individual did not receive AFDC, up to a limit of six months.

State agencies are required to make an initial assessment of JOBS participants with respect to employability, skills, prior work experience and educational, child care, and supportive service needs. On the basis of the assessment, agencies are required to develop an employability plan for the participant detailing the participant's obligation and the services to be provided by the agency.

WORK. A work program is established for individuals who have received more than 24 cumulative months of aid. States are given flexibility in designing the work program. Assignments can consist of subsidized employment in the private, public, or non-profit sector or community work experience positions. Individual work assignments can last no longer than 12 months. After an individual has completed two work assignments and job search activities, s/he is assessed and assigned to either the JOBS program or to another WORK assignment, or is deferred (if appropriate). An individual continues to receive cash assistance as long as s/he follows the program rules.

States would have the flexibility to determine the number of hours of each WORK assignment. However, certain conditions must be met. First, WORK assignments would have to be for at least an average of 15 hours per week during a month and for no more than an average of 35 hours per week during a month. Second, participants employed in the WORK program would be paid the highest of the Federal, State, or local minimum wage or the rate paid to employees of the same employer performing the same type of work and having similar employment tenure with the employer. Finally, in instances where the individual was in a work assignment that met these hour and wage requirements but was not paid an amount equal to the AFDC benefit for a family of that size, s/he would receive an additional supplement to leave the family no worse off.

Sanctions. The sanction for refusing a job offer without good cause would be the loss of the family's entire AFDC benefit for 6 months or until the adult accepts a job offer, whichever is shorter. In addition, for those in the WORK program, the individual would not be eligible for a WORK assignment for the duration of the penalty period even if the sanction was cured. The State cannot sanction an individual for refusing to accept an offer of employment, if that employment would result in a net loss of income for the family.

Sanctions for noncompliance in the JOBS program remain the same as current law. Noncompliance in the WORK program results in the following penalties: (1) For first occurrence, the family receives a 50 percent reduction in the AFDC grant for one month or until the individual complies. (2) For the second occurrence, the family receives a 50 percent reduction in the AFDC grant for three months or until the individual complies (whichever is longer). (3) For the third occurrence, the family's grant is eliminated for a period of 3 months or until the individual complies (whichever is longer). (4) For a fourth and subsequent occurrence, the family's grant is eliminated for a period of 6 months or until the individual complies (whichever is longer).

All penalties (any occurrence, both JOBS and WORK) would be curable upon acceptance of an unsubsidized job meeting the minimum work standard (20 hours per week; 30 hours at State option). In addition, for those in the WORK program, the individual would not be eligible for a WORK assignment for the duration of the penalty period even if the sanction was cured.

Individuals who without good cause voluntarily quit an unsubsidized job that met the minimum work standard would not be eligible for the WORK program for a period of 3 months following the quit. The same provision applies to those who have been on AFDC for at least two cumulative years but are working in an unsubsidized job and not receiving a supplement -- if they quit this job they will not be eligible for the WORK program for three months.

The Administration's proposal applies to custodial parents born after 1971 (known as the phase-in group).

Analysis

The Republican proposal would reduce AFDC expenditures more than the Administration's proposal and current law by imposing a strict time limit on AFDC (5 years), allowing States to terminate aid after 24 months (contingent on being required to participate for 12 months in the work program), and allowing States to terminate benefits permanently after 3 sanctions. (The cost savings of this bill are mitigated minimally by an increase in costs associated with tracking the length of time spent on AFDC.) Those who are willing to work and have complied with the program requirements would not be eligible for benefits once they have been permanently terminated. This contrasts sharply with the Administration's bill, which places no limit on benefits as long as the individual complies with the rules (including taking a WORK assignment) and which limits the duration of sanctions.

While government expenditures on welfare are reduced, the Republican proposal could have consequences for many who become ineligible for aid. Because an important piece of the safety net would be eliminated, it is unclear how this group would be supported financially. Although the Republican bill is intended to increase the work incentives (and thus employment) among welfare recipients, for several reasons, it is unlikely that permanently ending welfare would result in an increase in employment for this population. First, individuals that would be permanently terminated from aid are likely to be a very disadvantaged group. Research indicates that more than three-quarters of women who never left welfare within five years scored one or more standard deviations below the mean on a literacy test. Only 44 percent had completed high school and, while 40 percent had worked at some point during the five year period, most only did so for brief periods. Given these low literacy and education levels and limited work experience, it is unlikely that there would be a sufficient number of low skill jobs to support this population. Second, because this proposal does not require participation in the JOBS program (see next section) it is likely that welfare recipients would have little opportunity to improve their skill levels. Finally, according to studies by the Manpower Demonstration Research Corporation, community work experience programs -- where individuals work in exchange for their welfare grant -- do not increase the employment and earnings of welfare recipients.

Overall, the services long-term welfare recipients are likely to receive through the Republican plan will not increase their very level of employability. Thus, it is unclear how these relatively disadvantaged individuals and their children will be supported without the AFDC safety net. While welfare dependency would be reduced, the problems facing the poor (lack of employment opportunities, insufficient skill levels) would not be addressed. Indeed, the conditions of the poor would likely be exacerbated given the disappearance of the safety net. This proposal would potentially lead to a large increase in the use of other public, non-profit, or community-based services, such as services for the homeless. These indirect costs of the proposal should be factored into its overall costs.

There are no provisions in the Republican plan for additional months of eligibility for AFDC (extensions, earning time back when off AFDC). This means individuals will be permanently barred from receiving benefits, regardless of their circumstances. This type of policy makes no allowances for changes in families' circumstances that may necessitate assistance at another -- even much later -- point in time.

The work program sets the weekly hours of participation in the work program at a high level (35 hours per week) and makes no allowances in the hours of participation based on grant or family size. This means that many individuals participating in the work program could work for less than minimum wage. For example, under this provision, if an individual had a AFDC grant for a family of three of \$366 (the grant level for the median State), they would earn \$2.42 per hour. Wages are even lower in low grant states.

Under the Republican proposal, sanctioning in the JOBS program would be left to the discretion of States -- a result which does not ensure that clients are adequately protected and that disputes are handled appropriately. The cost implications of this provision are not clear, given that some States may not use this authority to implement severe sanctions and may implement sanctioning rules that are more similar to current law or the Administration's proposal. Also, while work program sanctions are more similar to the Administration's proposal (individuals are only paid for the hours worked), there are no grievance procedures to ensure the individuals are treated fairly on the job. It is unclear how workplace disputes would be resolved.

Research has shown that the welfare population is a diverse group, with a wide range of needs, skills, and work experience. However, the plan contains no provisions designed meet the individual needs of clients such as employability plans or assessments at designated intervals. Without these provisions, it is unclear how individuals will receive services that will best help them become self-sufficient. The lack of an employability plan also substantially weakens the concept of mutual obligation between the participant and the agency, a key area of consensus in past welfare reform efforts. The elimination of the assessment and employability plan would produce some cost savings. However, these costs are likely to be small given that States will need to implement a similar type of system to assign clients to appropriate work slots. This assessment and assignment process would be essential in order to establish and maintain a sufficient number of work slots.

Section 202(b) Payments to States; Sanctions

Current Law

Federal funding for the JOBS program is provided through a capped entitlement which is allocated according to the number of adult recipients in a State, relative to the number in all States. A State can draw down Federal funds up to its allotment. For spending up to the level of the State's 1987 WIN allocation, States are reimbursed, from the JOBS capped entitlement, at a 90 percent rate. Expenditures above the amount reimbursable at 90 percent are reimbursed at 50 percent, with respect to spending on administrative and work-related supportive service costs, and at the higher of 60 percent or the Federal Medical Assistance Percentage (FMAP) with respect to spending on full-time JOBS program staff and other program expenditures. Spending on child care is not reimbursed from the JOBS capped entitlement; instead, such spending is matched at the FMAP from IV-A funds without any limitation. The JOBS entitlement (Federal funding) is capped at \$1.1 billion for FY 94, \$1.3 billion for FY 95, and \$1 billion for FY 96 and each subsequent fiscal year.

The Family Support Act of 1988 established minimum JOBS participation standards (the percentage of the non-exempt AFDC caseload participating in JOBS at a point in time) for fiscal years 1990 through 1995 (see Section 202(d) for discussion of exemptions from JOBS participation). In FY 1994 States were required to ensure that at least 15% of the non-exempt caseload in the State was participating in JOBS (in an average month). The standard for FY 1995 is 20%; there are no standards specified for the subsequent fiscal years. Individuals who are scheduled for an average of 20 hours of JOBS activities per week and attend for at least 75% of the scheduled hours are countable for participation rate purposes.

States are required to meet separate, higher participation standards for principal earners in AFDC-UP families. For FY 1994, a number of AFDC-UP parents equal to 40 percent of all AFDC-UP principal earners are required to participate in work activities for at least 16 hours per week. The standard rises to 50 percent for FY 1995, 60 percent for FY 1996 and 75 percent for each of the fiscal years 1997 and 1998.

States which fail to meet either the overall participation standard or the separate AFDC-UP standard are reimbursed for JOBS expenditures at a reduced match rate (50 percent for all JOBS spending, rather than at the three rates described previously; the AFDC-UP penalty is established by regulation rather than statute).

House Republican Proposal

The Personal Responsibility Act would provide for additional matching funds to cover the cost of the work program. A State which had drawn down its full allotment of Federal matching funds from the JOBS capped entitlement would be reimbursed for expenditures on the work program beyond that amount from this new stream of funding. The amount of new funding made available would be \$500 million for FY 96, \$900 million for FY 97, \$1.8 billion for FY 98, \$2.7 billion for FY 99 and \$4 billion for FY 2000. Spending on administrative costs would be matched at 50 percent, while spending on all other services would be matched at the higher of 70 percent and the FMAP.

The JOBS participation standards and targeting requirements would be eliminated (Section 203) and replaced with new work program participation standards. States would be required to enroll a percentage of the adult caseload in work activities for at least 35 hours per week (or in work activities for at least 30 hours per week and job search for at least 5 hours per week). The participation standards would be as follows:

2 percent for FY 1996;
4 percent for FY 1997;
8 percent for FY 1998;
12 percent for FY 1999;
17 percent for FY 2000;
29 percent for FY 2001;
40 percent for FY 2002; and
50 percent for FY 2003 and each fiscal year thereafter.

The bill actually refers to families rather than adult recipients in defining the denominator for purposes of the participation rate, but this may be a drafting error.

The legislation is not entirely clear on the point, but it appears that States which failed to meet the work participation rate would have their Federal matching funds from the new work program funding stream for the following fiscal year reduced by 25 percent.

Administration Proposal

The Work and Responsibility Act expands the JOBS program and establishes the WORK program to provide work opportunities for persons who have reached the two-year time limit. Under the Administration proposal, the JOBS participation standard would rise from the FY 1995 level of 20 percent to 50 percent for FY 1996 and each year thereafter, with penalties imposed on any State whose participation rate fell below 45 percent (see below). The Act would also boost the JOBS capped entitlement from the current law level of \$1 billion (for each fiscal year after FY 95) to \$1.75 billion for FY 1996, \$1.7 billion for FY 1997, \$1.8 billion for FY 1998 and \$1.9 billion for fiscal years 1999 through 2004. For FY 2005 and each fiscal year thereafter, the level of the JOBS capped entitlement would be set at \$1.9 billion, adjusted for inflation using the CPI.

The three JOBS match rates would be replaced by a single match rate for all JOBS expenditures. The rate would be set at the following levels:

65 percent or the FMAP plus five percentage points, whichever is higher, for FY 1996 and FY 1997;
67 percent or the FMAP plus seven percentage points, whichever is higher, for FY 1998;
69 percent or the FMAP plus nine percentage points, whichever is higher, for FY 1999; and
70 percent or the FMAP plus ten percentage points, whichever is higher, for FY 2000.

The penalty for failing to meet the JOBS participation standard would be modified. A State's JOBS match rate would not be reduced. Instead, the Federal matching funds for AFDC benefits would be reduced by an amount equal to 25 percent of the Federal reimbursement otherwise payable to a number of recipients equal to the margin by which the State fell short of the participation standard. In other words, if the participation rate achieved by a State were 40 percent, Federal AFDC matching funds would be reduced by 25 percent of the amount otherwise payable to a number of recipients equal to 5 percent of the total number of recipients required to participate in JOBS (for participation rate purposes).

States would be reimbursed for wages paid to WORK participants at the FMAP, with no limitation. For other WORK program expenditures (operational costs), States would be reimbursed at the same match rate as for JOBS, from a new WORK capped entitlement.

The WORK capped entitlement would be allocated among the States according to the number of recipients required to participate in JOBS (and subject to the time limit) and the number of individuals registered for the WORK program. The level of the cap would be set at \$200 million for FY 1998, \$700 million for FY 1999, \$1.1 billion for FY 2000, \$1.3 billion for FY 2001, \$1.4 billion for FY 2002, \$1.6 billion for FY 2003 and \$1.7 billion for FY 2004. For FY 2005 and each subsequent fiscal year, the cap would be set at \$1.7 billion, adjusted for inflation and for the increase over time in the proportion of the AFDC caseload subject to the work requirement.

States would be required to meet an 80 percent participation standard in the WORK program or to create at least a minimum number of WORK assignments (to be established by the Secretary of Health and Human Services). The penalty for failing to meet at least one of these standards would be similar to the new JOBS penalty (see above).

Analysis

The Personal Responsibility Act effectively replaces the JOBS program with a new mandatory work program. While States are permitted to provide education and training services for up to two years (see Section 201), they are in no way required to do so--there are no participation standards with respect to the JOBS program. They are, however, mandated to enroll a steadily increasing percentage of the caseload in work activities. The growth of the work program would almost certainly crowd out virtually all education and training services.

The work participation standard is set at a modest 2 percent for FY 1996 and increases fairly gradually (about 4 percentage points per year) within the five-year budget window, reaching 17 percent by FY 2000. The participation standards, however, rise sharply in the years outside the budget window, to 29 percent for FY 2001, 40 percent for FY 2002 and 50 percent for FY 2003 and each fiscal year thereafter.

The number of recipients required to participate in JOBS under current law represents about 41 percent of the total number of AFDC cases. Under the Personal Responsibility Act, exemptions would be eliminated. The denominator for the participation rate calculation would be the entire AFDC caseload--the total number of families receiving AFDC. A participation rate of 17 percent (the rate required for FY 2000) as defined by the Republican proposal would be equivalent to a 41 percent participation rate using the JOBS-mandatory caseload as the denominator. The 29 percent rate

mandated for 2001 would be equivalent to a 71 percent rate; the 40 percent rate required for FY 2002 would be equivalent to an 98 percent rate. To achieve the 50 percent rate set for FY 2003, a State would have to enroll in the work program a number of participants greater than the entire JOBS-mandatory caseload under current law.

By comparison, in the Saturation Work Initiative Model (SWIM) program, which was designed explicitly to maximize participation, the monthly participation rate (in program activities) averaged 22 percent of *the eligible caseload*. When participation in self-initiated activities and employment is included, the program achieved an average rate of 52 percent of the eligible caseload.

Monthly participation in SWIM (for purposes of calculating these figures) was defined as attending an activity for at least one day during the month. This definition is considerably less stringent than that called for by the Republican proposal--an average of 35 hours of work activities per week during the month. Moreover, the eligible caseload for the SWIM program was a smaller proportion of the adult AFDC caseload than is the JOBS-mandatory caseload. Mothers of children under 3 are exempt from JOBS (in some States, the age for exemption is 2 or 1), whereas mothers of children under 6 were exempt from SWIM.

The West Virginia Community Work Experience demonstrations, as with SWIM, had the goal of maximizing participation among the eligible caseload. Every AFDC-UP case was classified as eligible. Participation rates ranged from 46 to 70 percent for the AFDC-UP caseload, the highest rates found for an AFDC work program.

By 2002, the Republican proposal would require States to meet work participation standards higher than any yet achieved by a saturation welfare-to-work program serving single-parent (as opposed to exclusively UP) families. The 50 percent rate required for 2003 is equivalent to a 121 percent rate, with the JOBS-mandatory caseload as the denominator. As a point of comparison, it appears that the majority of States will not meet the 1994 AFDC-UP participation standard, which calls for States to enroll 40 percent of UP principal earners in work activities for 16 hours per week; UP families represent about 7 percent of the caseload.

States almost certainly could not achieve the work participation rates and also provide education and training services to more than a nominal number of recipients. Meeting the rates set by the bill for FY 2002 and subsequent years would require enrolling virtually all able-bodied recipients in work activities, which might leave States unable to provide education and training services to any recipients, regardless of employability or literacy level. States might be left with no option but to require some recipients with a disability or some of those caring for a disabled child or relative to participate in work activities in order to meet the rate.

The Administration proposal simplifies the match rate structure by replacing the three match rates under current law with a single enhanced match rate. The Republican proposal leaves the current match rate structure in place for the JOBS capped entitlement, and adds a new enhanced match rate for the new work program funding stream (for a total of four rates). The Administration bill provides for an enhanced match rate for each State, whereas the Personal Responsibility Act leaves the match rate unchanged for States with an FMAP at 70 percent or higher. The Republican proposal does, with respect to the new funding stream, provide the enhanced match for the cost of all staff involved in operating the work program, rather than only the cost of staff working full-time on the program (as is the case with respect to JOBS staff costs under current law).

Section 202(c) Other provisions relating to unemployed parents***Current Law***

This section makes several changes to conform current law to the proposal. The current law provisions addressed in this section are: (1) States with an AFDC-U program as of September 26, 1988 are required to operate the program without a time limitation. (2) AFDC-UPs are required to participate in work activities for at least 16 hours per week. AFDC-UP parents under age 25 are allowed to participate in educational activities. (3) The participation rate for AFDC-UPs is set at 60 percent in 1996 and 75 percent in 1997 and 1998.

House Republican Proposal

PRA makes the following conforming changes to current law: (1) Eliminates the provision which requires States has an AFDC-U program as of September 26, 1988 to operate the program without a time limitation. (2) The requirement that AFDC-UPs participate in work activities for at least 16 hours per week is eliminated. The provision which allows States to require AFDC-UP parents under age 25 to participate in educational activities is eliminated. (3) The participation rate for AFDC-UPs is set at 90 percent in 1998. Other AFDC-UP participation rates remain the same as current law. (4) The Secretary may not waive penalties for failing to meet the AFDC-UP participation requirements more than once during any five-year period.

Administration Proposal

In the Administration's proposal, current law participation rates and hourly requirements for AFDC-UPs are maintained.

Analysis

See above.

Section 202(d) Elimination of certain JOBS program requirements***Current Law***

This section make several changes to conform current law to the proposal. The current law provisions addressed in this section are: (1) The match rate for the JOBS program is set at 50 percent if standards for targeting and participation are not met. (2) The hours of work for CWEP positions is determined by dividing the grant amount by the minimum wage. Individuals are not required to continue after nine months in the position unless the hours are less than the grant amount divided by the higher of the minimum wage or the rate of pay for individuals employed in the same or similar occupations by the same employer at the same site. (3) After 6 months of participation in a CWEP position and at the conclusion of each assignment, the State agency must provide a reassessment and revision (if appropriate) of the employability plan. (4) Exemptions are made for those who are: ill, incapacitated, or over age 60; needed in the home because of the illness or incapacity of another family member; the caretaker of a child under 3 (or at State option under age 1); employed more than 30 hours per week; a dependent child under age 16 or attending an educational program full time; women in the second and third trimester of pregnancy; and residing in an area where the program is not available. (5) Priority is given to those who volunteer to participate. (6) States are allowed not to require participation if it would result in not meeting targeting provisions.

House Republican Proposal

PRA details the following changes to current law:

- (1) Eliminate JOBS targeting and AFDC participation rate standards. Maintain participation rate requirements for AFDC-Us (except for 1998).
- (2) Eliminate the requirement that the hours of work for CWEP positions be determined by dividing the grant amount by the minimum wage.
- (3) Eliminate reassessment of CWEP position every six months or at the conclusion of assignment.
- (4) Eliminate all current law exemptions. Eliminate State option to require both parents of AFDC-UP case to participate, if child care is guaranteed.
- (5) Eliminate current law sanctioning provisions, including provision which allows individuals to refuse a job offer if it results in a net loss of income.
- (6) Eliminate the provision which gives priority to those who volunteer to participate.
- (7) Eliminate the provision which allows States not to require participation if it would result in not meeting targeting provisions.
- (8) Eliminate the provision requiring both parent's portion of grant to be reduced for a sanction (or only one parent's portion if second parent is not required to participate).
- (9) Eliminate the provision in which the State cannot require participation in job search for those who are exempted.
- (10) Eliminate the provision which requires an in-depth assessment of potential participants requires HHS and DOL to provide technical assistance on assessments.

Administration Proposal

The Administration's proposal in these areas are: (1) Targeting standards are eliminated and new participation standards are set (see above). (2) New requirements on the hours of work assignments are set (see above). (3) Individuals are assessed at the conclusion of two consecutive work assignments. (4) Deferrals are made for those who are: ill, incapacitated, or over age 60; needed in the home because of the illness or incapacity of another family member; the caretaker of a child under 1, provided the child was not conceived while the parent was on assistance; women in the third trimester of pregnancy; and residing in a remote area. Individuals can also be deferred for other good cause reasons, but this type of deferral is limited to 5 percent of those subject to the time limit (10 percent after FY99).

Analysis

The elimination of exemptions from the work program will be burdensome for participants and states. Participants with serious illnesses or disabilities would be required to participate in work assignments, which could be onerous and, for some, impossible! States would also be required to develop work assignments for this very disadvantaged group. Given the difficulties inherent in this task, costs for developing and monitoring appropriate slots may be higher than those seen in past programs. In addition, States may choose not to meet the participation standards and to take the penalty. As a result, this more vulnerable group may not receive any type of assistance before they are permanently cut off AFDC.

Section 203 Work supplementation program amendments*Current Law*

Under the work supplementation program, recipients are placed in jobs and the AFDC benefits otherwise payable are used to subsidize their wages. Payments by States to individuals and employers under the work supplementation program are treated as AFDC expenditures and are reimbursed accordingly. Federal matching funds are payable for no more than 9 months of work supplementation participation. States are permitted to adjust the need and benefit standards and the earned income disregards as necessary to operate the program. Work supplementation participants must be placed in newly created jobs; a participant cannot be assigned to fill an established unfilled vacancy.

Republican Proposal

The Personal Responsibility Act would make several major changes to the work supplementation program. States would be permitted to use not only AFDC benefits but also the cash value of food aid that would be provided to the family under the new food assistance block grant (see Title V of the PRA) to subsidize the wages of a work supplementation participant.

The employer would be required to pay the participant wages such that the sum of wages paid and AFDC benefits is equal to at least the AFDC benefits otherwise payable (if the individual were not in a work supplementation program). If a State opts to use the cash value of the food assistance that would otherwise be provided to subsidize the participant's wages, the sum of the wages and AFDC benefits paid could be no less than the sum of the AFDC benefits otherwise payable and the cash value of food aid otherwise provided.

A State would be permitted to draw down the maximum amount of Federal funding payable for a work supplementation participant, regardless of the amount actually paid to the individual and/or the employer under the program. For example, even if the total payment to an employer of a work supplementation participant amounted to \$50 per month (e.g., the employer paid 90% of the individual's wages) the State would still be able to draw down the Federal share of the full benefit (e.g., \$500) for each month the individual was in the program.

The Personal Responsibility Act would also remove the ban on placing work supplementation participants in established unfilled vacancies--eliminating the new jobs requirement in current law.

Administration Proposal

The Work and Responsibility Act also modifies the work supplementation program. The prohibition on placing work supplementation participants in unfilled vacancies in the private sector is eliminated. Other nondisplacement provisions, however, are added, including a ban on placing work supplementation participants (as well as other JOBS and WORK participants) in vacancies in public agencies, unless the agency has been unable to fill the vacancy through normal procedures within 60 days. Another of the new provisions prohibits placement of a JOBS or WORK participant in a position with a non-profit in which he or she would perform functions similar to those usually carried out by a State or local agency employee were in any way displaced in the process.

In addition, under the Administration bill, Federal funds would be payable for up to 12 months of work supplementation participation, as opposed to 9 months under current law.

Analysis

Both the Administration bill and the Personal Responsibility Act eliminate the requirement that work supplementation participants be placed in new jobs. Given the other nondisplacement provisions in current law, it is not clear that abolishing this requirement would have an adverse effect on any employees outside the work supplementation program. On the other hand, it is equally uncertain that removing the provision would make it substantially easier to place recipients in work supplementation positions. While it is true that the number of participants in work supplementation (previously called grant diversion) dropped sharply after the passage of the Family Support Act, which included the new jobs requirement, it is also true that grant diversion programs were never especially large--in 1987, for example, there were 6,800 work supplementation participants out of an average monthly caseload of 3.8 million.

The new nondisplacement provisions in the Administration bill would reduce the negative impact, if any, on other employees from eliminating the unfilled vacancy provision. These new requirements would, however, similarly diminish any gain from abolishing the restriction.

The Republican proposal permits States to claim the maximum amount of Federal funding (see above) for each participant in a work supplementation program, which provides States with a considerable incentive to maximize the number of recipients in a work supplementation program. A State could, in some cases, depending on the share of wages picked up by the employer, actually make an outright profit from placing an individual in a work supplementation position. The Administration bill does not contain a similar proposal.

Section 204 Payments to states for certain individuals receiving food assistance from the State who perform work on behalf of the State

Current Law

Nonexempt Food Stamp program recipients are required to participate in the Food Stamp program Employment and Training program. Exempt recipients include persons under 16 and those subject to a similar work requirement under another program, e.g., JOBS.

Republican Proposal

The Employment and Training Program is eliminated (the Food Stamp Act is repealed; see Title V) and replaced by a work requirement for nonexempt individuals receiving aid under the food assistance block grant. Nonexempt recipients of food aid are required to perform 32 hours of work per month on behalf of the State or a subdivision. It appears that nonexempt individuals working full-time in paid positions would nonetheless also be required to work an additional 32 hours for the State. Food assistance program recipients who failed to comply would have their food aid reduced on a pro-rated basis. States would receive \$20 (adjusted for inflation) for each nonexempt food assistance recipient who met the work standard during a given month.

Administration Proposal

No change.

Analysis

The Food Stamp employment and training program is seriously underfunded at present. About \$136 million in Federal funding (\$75 million in 100 percent Federal funds; the remainder in matching funds at a 50 percent match rate) is available to serve an eligible population that totals an estimated 5.8 million recipients annually. Roughly 1.5 million of these recipients participate in the program during the year. The Republican proposal appears to continue this pattern of insufficient funding by providing for only \$20 per month in Federal funds to reimburse the State for the cost of placing a nonexempt recipient of food aid in work activities for the required 32 hours per month. MDRC found that the cost of placing a participant in a workfare position for a month ranged from \$60 to almost \$700. The inadequate funding, combined with the notable absence of any participation standard and the relatively modest work requirement, suggest that the proposal may not intend to significantly strengthen the work requirement for food aid recipients who are not in the AFDC program.

TITLE III - CAPPING THE AGGREGATE GROWTH OF WELFARE SPENDING**Sections 301, 302 and 303***Current Law*

Aid to Families with Dependent Children (AFDC), the AFDC and Transitional Child Care programs, the Child Support Enforcement program under Title IV-D of the Social Security Act and Supplemental Security Income are entitlement programs. Eligible individuals are entitled to aid or services and States to reimbursement for expenditures without limitation. The At-Risk child care program is a capped entitlement; total Federal funding is limited to \$300 million for FY 1995 and each fiscal year thereafter.

House Republican Proposal

Federal spending during a fiscal year on AFDC, the AFDC-related child care programs, the Child Support Enforcement program, SSI, housing assistance and the mandatory work program established by the Republican proposal would be capped at a level equal to the total estimated Federal spending on the designated programs during the preceding fiscal year, adjusted for inflation and the change in the size of the poverty population.

The measure of inflation used for purposes of adjusting the cap would be the percentage change in the Gross Domestic Product deflator. The change in the poverty population would be calculated in January of the calendar year in which that fiscal year began, based on data from the most recent Bureau of the Census report on poverty.

The programs under the cap would include AFDC, the At-Risk, IV-A and Transitional Child Care programs, the new mandatory work program established by the Personal Responsibility Act, the Child Support Enforcement program under Title IV-D, Supplemental Security Income and a lengthy list of Federal housing programs, including section 8 housing assistance, low-rent public housing and a number of rural housing programs operated by the Department of Agriculture.

The Personal Responsibility Act also converts the Family Support programs (AFDC, the AFDC-related child care programs, the Child Support Enforcement program) and Supplemental Security Income from entitlement programs (either capped or uncapped) into discretionary programs.

Administration Proposal

No comparable provision.

Analysis

A number of the programs included under the cap are projected to grow considerably more rapidly than inflation, and consequently substantial reductions would be required to remain within the cap. SSI outlays, for example, are expected to rise almost 10 percent from FY 1996 to FY 1997, and by more than 10 percent from FY 1997 to FY 1998 and from FY 1998 to FY 1999. Inclusion of the new work program is particularly problematic, since the program would grow much more rapidly than inflation and the poverty population during the phase-in period--the number of work program participants is expected to increase from 100,000 in FY 1996 to 1.5 million in FY 2003.

Preliminary Administration estimates suggest that outlays for the affected programs would have to be reduced by \$16.2 billion four years to fit within the cap (this calculation assumes that all States elect to receive AFDC in the form of a block grant). Other work, based on CBO outlay estimates and slightly different assumptions, indicates that deeper cuts may be necessary, possibly as much as \$23 billion in reductions over four years.

The inclusion of the Child Support Enforcement program could be questioned, given that the program is in some respects quite cost-effective. In 1993, \$3.98 in child support was collected for each dollar spent on child support enforcement. The benefits from the program are, however, divided quite unevenly between the States and the Federal government. States reaped a profit from the Child Support Enforcement program in FY 1993, while the Federal government took a loss.

The Republican proposal does not explicitly state how the reductions required by the cap would be distributed across programs or across States; the bill only requires that the budget resolution include allocations to each committee that are consistent with the spending cap.

Several of the housing programs placed under the cap, including the program of interest reduction payments under Section 236 of the National Housing Act and the program of homeownership assistance for lower income families under Section 235 of the National Housing Act, no longer exist. Outlays on these programs represent exclusively liquidation of prior year obligations; much of the increase in total housing expenditures is driven by such obligations. It is not clear such spending could be reduced other than by violating existing contracts.

Under the Republican proposal the cap would be adjusted for the change in the poverty population. Unfortunately, this adjustment would probably be lagged by two full years, which could have the unintended effect of reducing the cap during a year of economic recession and increasing the cap during a year of economic recovery. The adjustment for a fiscal year would be calculated in January of the calendar year in which the fiscal year began, based on the latest available Bureau of the Census poverty data. The adjustment for FY 1998 would be calculated in January 1997. At that point, the Census poverty report for 1996 would not yet be available. Accordingly, the adjustment for FY 1998 would be based on the percentage change in the poverty population from 1994 to 1995. It is possible, if not likely, that economic conditions in FY 1998 will differ substantially from those in calendar year 1995. If the economy is strong in calendar year 1995, the poverty population may decline between 1994 and 1995, in which case the cap for FY 1998 would be adjusted downward, even if the economy entered recession in FY 1997 and was in a full-scale tailspin by FY 1998. An adjustment factor that is lagged by two years may have an effect that is exactly the opposite of what was intended.

Further clarification is needed regarding the provision in the Republican proposal that converts AFDC, the AFDC-related child care programs, the IV-D program and SSI from entitlement to discretionary programs. The intent is likely to ensure that CBO would score savings for the cap. CBO declined to estimate any savings from the similar cap on means-tested programs found in H.R. 3500, arguing that Congress would not adhere to a cap on entitlement spending. The programmatic impact of the provision is, however, considerably less clear.

The funding for the programs concerned would presumably be set at a fixed level for each year through the appropriations process. If the amount of money allocated for AFDC or SSI proved insufficient, otherwise eligible elderly or disabled persons or families with children might be denied benefits, or might have their benefits sharply reduced. Child support enforcement services might be denied to some custodial mothers, including those not on AFDC.

The fixed sum for Family Support (AFDC, the AFDC child care programs and the Child Support Enforcement program) might be allocated among the States much as the JOBS capped entitlement is at present. Faced with a limitation on total Family Support expenditures, some States might opt to eliminate their At-Risk or Transitional Child Care programs entirely in order to continue providing cash benefits to needy families. If funds for each program were allocated separately, some States might be forced to reduce the AFDC benefit level or need standard or both in order to be certain of having sufficient funding to continue providing aid throughout the year. Similarly, States might have to limit child support enforcement services to AFDC families in order to conserve funds; entry into the AFDC system might become the only way to access IV-D services.

In any event, it does not appear that AFDC recipients required to participate in the new mandatory work program would be guaranteed child care, which is particularly problematic, given that the bill strikes the prohibition against sanctioning an AFDC recipient for nonparticipation if child care is not available. In addition, recipients leaving welfare for work would no longer be guaranteed a year of transitional child care, or continuing IV-D services.

TITLE IV - RESTRICTING WELFARE FOR ALIENS

Section 401 Ineligibility of Aliens for Public Welfare Assistance

Current Law

Under current law, illegal immigrants are ineligible for benefits under the vast majority of federal programs. Legal immigrants, however, are generally permitted to participate in some federally-assisted programs. The legal immigrants allowed to participate include legal permanent residents, refugees, asylees and parolees among others.

As a condition of entry as a lawful permanent resident, almost all immigrants are required to have a sponsor. Sponsors sign affidavits of support affirming that they will be responsible for supporting the immigrants and ensuring that the immigrants will not become a public charge. During their first three years in the U.S., immigrants who were sponsored for admission by a family member generally cannot receive AFDC or food stamps unless their sponsor is unable to support them due to death or poverty. Sponsored immigrants are generally ineligible for SSI for their first five years in this country.

House Republican Proposal

Legal immigrants would be denied access to benefits under 60 Federal programs including public health, child immunization, and child nutrition programs as well as AFDC, SSI and regular Medicaid. Legal immigrants would be eligible to receive emergency Medicaid. The legislation would exempt legal immigrants over age 75 that have 5 years continuous residence and refugees in their first six years of residence in the United States. Immigrants receiving current benefits under any of the 60 programs would have one more year of eligibility before becoming ineligible.

Administration Proposal

H.R. 4605 makes permanent the five year sponsor-to-alien deeming provision under the SSI program. It extends from three to five years sponsor-to-alien deeming under the AFDC and Food Stamp programs. Beginning in the sixth year, after being lawfully admitted for permanent residence, sponsored immigrants would only be eligible for benefits under the AFDC, SSI and Food Stamp programs if the annual income of the immigrants's sponsor was below the most recent measure of U.S. median family income. The bill would be implemented prospectively.

Analysis

Most of the financing for the Republican proposal comes from this provision, which is projected by the Congressional Budget Office (CBO) to save almost \$22 billion over 5 years and would deny benefits to at least 1.5 million legal immigrants. A majority of the savings estimated by CBO result from denying eligibility to most legal immigrants under the AFDC, SSI, Food Stamp, and Medicaid programs

Most of the immigrants affected by the Republican proposal are earlier arrivals who would have their benefits taken away retroactively. The Administration's Welfare Reform bill--H.R. 4605--would not deny outright eligibility to legal immigrants and would not be applied retroactively.

An underlying principle of U.S. immigration policy has been to admit immigrants that further the national interest with the expectation that they will reside permanently in the United States as productive individuals and be accorded virtually the same rights and responsibilities as citizens. Two general criteria have been developed to define those immigrants that further our national interest--immigrants admitted for family reunification purposes and immigrants admitted for their economic contribution. Categorically denying these legal immigrants public assistance based solely on their alienage status is contrary to these fundamental principles and would have several adverse consequences, including--

- ▶ **A large number of legal immigrants would be denied federal assistance even if their need for assistance arose subsequent to entry--for example, due to a disabling accident.**

Under the Republican proposal, legal immigrants who pay taxes, contribute to safety net programs and are productive members of society could be ineligible for any assistance in a time of severe and unexpected need. For example, a legal immigrant that has been working for four years and subsequently becomes severely disabled would be denied the basic federal safety net (e.g., SSI) due solely to alienage status. In December, 1993, there were 176,000 legal permanent residents receiving SSI benefits based on disability. All of these immigrants who are still in immigrant status when the Republican proposal becomes effective would be thrown off the program.

Under the Administration's bill, legal immigrants would maintain eligibility.

Example: *Reinaldo immigrated legally from Brazil in 1990. He has been working and paying taxes for four years when he is involved in an accident and becomes severely disabled and loses all sources of income. Under the Republican plan, Reinaldo would be ineligible for SSI benefits, even though he is unable to support his family while he recovers from his injury.*

- ▶ **A significant number of legal immigrants that do not have sponsors would be denied federal assistance.**

The Republican proposal would deny the federal safety net to legal immigrants who have no family members or friends that have agreed to assume some financial responsibility. While most of these immigrants are productively employed and never apply for public assistance, there are some that become disabled or temporarily unemployed and are in need of certain assistance. INS data indicates that in 1992 there were about 116,000 employment-based (i.e., non-sponsored) immigrants admitted, or about 17 percent of all non-IRCA legal immigrants admitted that year. Given the additional number of non-sponsored family-based immigrants admitted, it is estimated that one-fifth of all legal immigrants have no sponsors.

We estimate that about 300,000 non-sponsored legal immigrants would be denied federal assistance in FY 1996 (or 20 percent of the total number of legal immigrants denied assistance in FY 1996 under the Republican proposal).

The Administration's bill does not affect the eligibility of immigrants that do not have sponsors.

- ▶ **Public Health in the U.S. would be seriously undermined by denying federal services to legal permanent residents.**

The Republican proposal creates a threat to the general public health by denying basic public health services to low-income legal immigrants that are in need of services. These programs serve a vital role in protecting public health and safety. For example, denying immunization services to legal immigrants would undermine decades of efforts to eradicate the presence of various diseases in society. These include: diphtheria, pertussis, tetanus, hepatitis b, measles, polio, mumps, influenza, and others. Many of these diseases are highly communicable; when one child is afflicted, the entire community is placed at risk. Data are not available to estimate the number of legal immigrants that would be denied these (and other) public health services.

The Administration's bill would not modify the eligibility criteria for any public health programs.

Example: *Carmen has two children: Martin, who is eight years old and was born in Brazil; and Maribelle, who is three and is a U.S. citizen by birth. According to the Republican proposal, Carmen would be unable to get immunizations for either of his children -- Martin is ineligible and Carmen isn't aware that immunization services are available for Maribelle, who is a U.S. citizen because outreach services (i.e. community health centers) are not available to him. As a result, Martin contracts measles, a highly contagious disease, and infects several of his classmates; resulting in a serious community health risk. Maribelle is afflicted with childhood polio and, due to her citizenship status, receives ongoing medical services via Medicaid.*

- ▶ **Legal immigrant children would no longer be eligible for foster care placement and child nutrition services, and the federal government would no longer investigate allegations of neglect or abuse related to legal immigrant children.**

CBO estimates that almost 260,000 legal immigrant children would be denied nutrition services--such as the school lunch program--and foster care and adoption assistance. The Administration bill would not alter the eligibility criteria for any of these children programs.

Example: *Kim is a seven-year old immigrant from Taiwan. His parents are killed in an accident and, since he has no other relatives in the United States, he is taken into the custody of the state. If the Republican bill is enacted, a foster home that takes him in would not receive federal assistance for his care. Furthermore, his chances for adoption are decreased since Adoption Assistance, which provides monthly payments to parents who adopt low-income children, would not be available to anyone who adopts him.*

- ▶ **State and local governments would face potentially large increases in public assistance costs for legal immigrants.**

Various court decisions have limited the ability of State and local governments to use different eligibility criteria for legal immigrants and citizens under their general assistance programs. The Republican proposal only affects the eligibility of legal immigrants for 60 federal, or federal/state, programs. Therefore, legal immigrants who would be denied federal assistance would be more likely to apply to State and local programs of assistance. These programs would experience potentially large increases in their rolls. This would be viewed by States and localities as a large unfunded federal mandate.

Example: *Marta, who is pregnant, is a recent immigrant who has just lost her job and subsequently her health care. Under the Republican plan, she is neither eligible for Medicaid nor any services offered by her local community health center or the Special Supplemental Food Program for Women, Infants, and Children (WIC). With no medical services provided during her pregnancy, Marta gives birth prematurely to a low birth weight baby which requires a lengthy hospital stay, covered by Medicaid (since the child is a U.S. citizen). Marta's baby subsequently has a learning disability and will require substantial State and local assistance.*

- ▶ **New eligibility determinations would be administratively burdensome for State and local agencies.**

The provision would require a significant increase in administrative resources in order to enforce the new requirements. Many programs do not currently require alien eligibility determinations for individuals; the requirement to determine alienage would necessitate the implementation of a whole set of new administrative functions. Other programs have alien eligibility tests but only make determinations at application and when redeterminations of eligibility are necessary. For these programs, new alien eligibility procedures would need to be implemented in communities across the country for both current and future individuals receiving services or benefits. Even for those programs that currently require a determination of alienage for eligibility purposes (e.g., AFDC and SSI), by changing the alien eligibility definitions a massive effort of redetermination would be necessary to ensure that only those who were newly ineligible would be denied benefits or services.

Furthermore, several programs under current law do not base eligibility on the characteristics of individual participants, but rather on the characteristics of an institution or organization. For example, some housing and school lunch program benefits are distributed to schools and organizations according to the populations served by these organizations. These programs do not administer eligibility tests to individual participants. Under the House Republican proposal, however, new administrative procedures would have to be instituted to determine the alienage of all the participants. This would result in a substantial administrative burden. This would be further complicated by provisions contained in section 501 of the Republican proposal that would limit federal participation for administrative costs associated with food and nutrition assistance programs to 5 percent of the amount of the entire federal grant for such programs. Food and Nutrition Service (FNS) estimates that the current administrative costs are approximately 8 percent on average for these programs. States would be required to make additional expenditures to meet current administrative costs.

A potential effect of these resulting requirements would be a substantially greater need for staff, resources, in addition to new administrative complexity. It is unclear whether any savings estimates that have been generated have taken into account these potentially large and administrative costs.

The Administration bill provides that States and localities could implement under their assistance programs the same modified deeming policies as the federal programs would implement.

- ▶ **These policies promote negative social effects.**

These provisions deny access to services to tax-paying legal non-citizens solely on the basis of their immigration status. While most assistance programs arbitrarily determine eligibility according to some characteristics (i.e., income) the distinction based on alienage serves to further segment American society by labelling certain permanent residents as "undeserving" of the assistance granted to other residents. As these examples illustrate, the result would have a social as well as an administrative effect.

Example: *Timmy and Laura are citizens and receive free lunches at school, but Vong, who was born in Vietnam, does not. Timmy and Laura ask their parents why their classmate has to pay for his lunch. They are told that it's because he is different than they are -- he isn't an American.*

Example: *Eduardo immigrated to the U.S. and is currently living in a low-income farming community in Southern California. His community has formed a homeowner's association to promote self-help efforts to improve their housing and living environments. Unfortunately, they had to exclude Eduardo from this group in order to be eligible for aid under such programs as the Rural Self-Help Housing Technical Assistance Program and the Rural Housing Site Loans Program.*

► **There would be substantial legal challenges to the Republican policy.**

An important Supreme Court case--*Plyler v. Doe*--involved the issue of denying public education to children based on their alienage (in this case, the issue was whether public education could be denied to undocumented children). A general principle affirmed by the Court in this case was that "innocent" children can not be punished for the "transgressions" of their parents.

The Republican proposal would result in cases where otherwise eligible legal immigrant children--i.e., poor immigrant children--would be denied welfare benefits due to the inaction of their legal immigrant parents. This is because immigrant children with immigrant parents can not alter their legal immigrant status by themselves until the age of 18. Prior to reaching age 18, the only way a child can adjust from immigrant to citizenship status is by the parent(s) adjusting their status. Denying the otherwise eligible children benefits due to the inaction of parents would be contrary to the principle stated by the Court in *Plyler v. Doe*.

In addition, there would likely be legal challenges to the policy due to the large INS backlogs and long processing times related to applications for naturalization. Thus, a legal immigrant who was otherwise eligible for benefits and had completed all requirements for naturalization (i.e., had passed the language and history tests, etc.), could be prevented from receiving assistance due solely to the government's inability to adjust the immigrant's status in a timely manner.

Since the Administration's bill does not deny categorical eligibility to legal immigrants based solely on their alienage, it would not face these types of legal challenges.

Section 402 State AFDC Agencies Required to Report Information Regarding Illegal Aliens to the INS

Current Law

State AFDC plans must include safeguards which restrict the use or disclosure of information concerning applicants or recipients to purposes directly connected with the administration of the plan. The release of information about applicants and recipients to the INS is prohibited.

House Republican Proposal

State agencies would be required to provide the Immigration and Naturalization Service the name, address, and other identifying information that the agency has with respect to any individual unlawfully in the United States with citizen children.

Administration Proposal

There is no similar provision in the Administration's proposal.

Analysis

The purpose of this provision is unclear. One likely purpose is to share information so that deportation proceedings can begin. No matter what the intention of the proposal, it may have several deleterious consequences.

- The children are U.S. citizens and may be eligible for benefits. Requiring information to be shared with INS may discourage parents from applying for benefits for their children.
- Various public policy problems would result if parents are deported while their citizen children are not.
- AFDC program workers would assume the responsibilities of a police officer charged with turning families over to the authorities. This requirement would have an adverse impact on the culture of the agency for both citizens and noncitizens.

TITLE V - CONSOLIDATING FOOD ASSISTANCE PROGRAMS

See Insert - Analysis prepared by FNS

TITLE VI - EXPANDING STATUTORY FLEXIBILITY OF STATES**Section 601 Option to convert AFDC into a block grant*****Current Law***

Presently, States participate in the AFDC program at their option, but a State choosing to participate must comply with the applicable provisions of the Social Security Act and the relevant Federal regulations. Currently all 50 states, the District of Columbia, Puerto Rico, Guam and the Virgin Islands operate AFDC programs.

States are reimbursed, without limitation, for expenditures on AFDC benefits, IV-A and Transitional child care at the Federal Medical Assistance Percentage (FMAP). Spending on the At-Risk child care program is also matched at the FMAP, but total Federal funding for the program is capped at \$300 million and allotted on the basis of the number of children residing in the State. Expenditures on the JOBS program are matched at one of three rates (90 percent, the higher of 60 percent and FMAP, and 50 percent; see description of current law in analysis of Section 202(b)). States currently do not have the option of receiving AFDC funds in the form of a block grant.

Republican Proposal

The Personal Responsibility Act would permit States to receive, in lieu of reimbursement for expenditures on AFDC benefits and services (including the JOBS program), a block grant equal to 103 percent of the total Federal share of such expenditures for FY 1994. A State electing this option would not be subject to any AFDC program requirements, including the provisions in the Personal Responsibility Act concerning the new mandatory work program. Such a State would for all intents and purposes be withdrawing from the AFDC program.

The State would, however, be required to use the block-granted funds to operate a program providing benefits to needy families with dependent children, and to submit a report annually detailing the expenditure of these funds. If the Secretary determined that a State had expended funds from the block grant for any other purpose, its block grant, presumably for a subsequent fiscal year, would be reduced by 20 percent.

Administration Proposal

No comparable provision.

Analysis

It is not clear how attractive this option would be from a State standpoint. The block grant would be set at 103 percent of the FY 1994 Federal share of AFDC spending (benefits and services, including JOBS), with no adjustment for inflation. A State electing the block grant option for FY 1999, for example, would receive for that year an amount equal to 103 percent of its FY 1994 Federal funding for AFDC and related services, the real value of which would have seriously eroded since that base year, particularly if inflation rates were relatively high in the interim. Moreover, the level of the block grant would not respond to changes in the number of needy families with children, which could leave such a State in an unenviable position should the number of applicants for assistance rise rapidly. The legislation does not indicate whether a State which elected the block grant option would still be part of the Child Support Enforcement program and, if so, under what conditions.

A State which had chosen the block grant option could return to the AFDC program if circumstances so demanded. Re-entering the program, especially after an absence of several years, might, however, prove to be administratively difficult. It is unlikely a State would exit and return to the AFDC program on a regular basis.

On the other hand, the Republican proposal contains several provisions (concerning paternity establishment, out-of-wedlock childbearing and children born to AFDC recipients) that would deny AFDC eligibility to a substantial number of persons, leading to a drastic reduction in AFDC spending. Consequently, a block grant equal to 103 percent of the FY 1994 Federal share of AFDC and related spending might be greater than the Federal share of such spending for fiscal years after the Personal Responsibility Act took effect.

Moreover, a State which elected the block grant option would not be subject to any AFDC State plan requirements and accordingly would not be required to operate the mandatory work program or implement any of the more administratively challenging provisions in the Republican bill.

The block grant alternative might therefore prove to have considerable appeal. It is not clear, however, that a State electing the block grant would be guaranteed an amount equal to 103 percent of the FY 1994 Federal share of its AFDC and related spending. The amount of the block grant might be subject to appropriation. The legislation is silent on the question of whether or not the block-granted funds would be included within the cap on welfare spending established by Title III of the bill. If the block-granted funds were subject to the cap and the reductions required by the cap fell disproportionately on AFDC and the block-granted funds, there might not be adequate dollars available to provide the full amount to each State opting for the block grant.

In sum, it is difficult to discuss the impact of this provision until a number of critical issues have been addressed.

Section 602 Option to Treat New Residents of a State Under Rules of Former State

Current Law

Citizens are immediately eligible to receive full AFDC benefits once they move to the State.

House Republican Proposal

States have an option to limit AFDC benefits to the level of the families' previous State until the family has resided in the new State for twelve consecutive months. Other eligibility rules of the former State may apply as well.

Administration Proposal

There is no similar provision in the Administration's proposal.

Analysis

It is likely that only high benefit States will consider this option. A low benefit State is unlikely to pass a provision that would require it to provide the more generous benefits of its neighbors.

The provision appears to rest on the assumption that low-income families make location decisions based on State AFDC benefit levels. Many studies indicate, however, that benefit levels do not have a significant impact on the migration decision. To the extent that benefit levels do influence migration, there may be negative consequences.

Research indicates that one of the principal reasons AFDC recipients move interstate is to find employment. A residency requirement may prohibit recipients in high-unemployment-low-benefit States from migrating in order to find work and become self-sufficient. Such a requirement restricts the free flow of labor and impairs national economic growth.

A second major reason for migration is to be near the family. Such migration often occurs after a child's caretaker has separated from the other parent, sometimes as a result of domestic violence. Being near family who can provide care and support helps parents maintain the well being of their children.

The Residency requirement will restrict low-income families ability to move and improve their quality of life. A Mississippi resident that seeks to move to California to pursue a better job opportunity or to be closer to family will have to contend with benefits that are only 20% of the amount California provides to its residents and a cost of living that is significantly higher than its prior State of residence.

Several states already have received Section 1115 waivers to conduct demonstration projects that provide different levels of AFDC benefits to new residents. In 1992, after receiving a waiver, California enacted a statute that limits new residents' AFDC benefits to the amount the family would have received in its prior State of residence. Unlike the provision in the Republican proposal however, California's statute only alters benefits when the prior State's benefit level is lower than the "normal" benefits paid to California recipients.

Section 603 Option to Impose Penalty for Failure to Attend School

Current Law

To extent that the program is available and State resources permit, custodial parents under the age of 20 who have not successfully completed a high school education (or its equivalent) are required to participate in an educational activity unless they are under 16 years of age, attending school full-time, or are in the last seven months of pregnancy. Current law JOBS sanctioning rules apply in instances of non-compliance (see section 202 above). Under a Section 1115 waiver, States can implement programs which utilize incentives or sanctions to encourage or require teen parents on AFDC to continue their education.

House Republican Proposal

At State option, aid may be reduced up to \$75 per month for each parent under 21 who has not completed secondary school (or its equivalent) and does not meet minimum attendance requirements at an educational institution in the previous month (note: language in bill needs to be clarified but I assume this is the meaning). This sanction can also applied for each dependent child in a family receiving aid who does not meet minimum attendance requirements at an educational institution in the previous month.

Administration's Proposal

All custodial parents under the age of 20 who have not successfully completed a high school education (or its equivalent) would be required to participate in an educational activity. Those who had a child under one would be required to participate in JOBS as soon as the child reached 12 weeks of age. States would be permitted to defer teen parents in event of a serious illness or other condition which precluded school attendance. Revised JOBS sanctioning rules apply in instances of non-compliance (see section 202 above). States would be required to provide case management to these teens. The time limit on JOBS services would not begin until the teen reached age 18. At State option, monetary incentives (which must be combined with sanctions) could be provided to pregnant and parenting teens to serve as an inducement to attend school.

Analysis

Since unmarried teens under the age of 18 would not be eligible for assistance, the first part of this provision would primarily apply to those who are 18, 19, and 20 years old. Because of their age, it is presumed that many of these teens will have dropped out of high school (since they did not complete it by this time). Minors (including those who are parents) are affected by this provision only if they are dependent children on a case.

This provision shows some similarities to the Administration's bill, although there are important distinctions. The Administration's proposal gives States the option to use monetary incentives as well as sanctions to encourage attendance, and requires case management for all teen parents. In contrast, the House Republican proposal mandates the learnfare requirements for all States and does not include monetary incentives and case management in its provisions. Finally, the House Republican bill attaches sanctions to the school attendance of dependent children as well as teen parents.

Evidence on the effects of this proposal for teen parents is mixed. An evaluation of the LEAP program, which like the Administration's proposal combined bonuses, sanctions, and case management to encourage the school attendance of teen parents, produced positive results on school enrollment and completion. (Evidence on the effects of LEAP on employment, earnings, and welfare receipt is not available at this time.) However, LEAP produced smaller effects on school drop-outs, compared to those who were still in school when the program began. For example, for in-school teens, LEAP produced a 9 percentage point increase in the receipt of a GED while there was no increase for out-of-school teens. Thus, the effects of this provision on encouraging school completion may be limited for those who have dropped out of school. As discussed above, this is likely to be a substantial group given the age group affected by the provision.

In addition, out-of-school teens were a group that was sanctioned more heavily in LEAP -- 22 percent of the out-of-school teens were sanctioned repeatedly compared to 4 percent of in-school teens. This result is discouraging given that the heavy sanctioning did not increase school completion. However, these results do indicate that cost savings are likely to

be associated with the policy. The LEAP evaluation showed the program was feasible to implement on a relatively large scale, but also stressed the importance of the case management in producing the results. Overall, while some of these results are encouraging, it is important to emphasize that the effects of this proposal -- which only includes sanctions -- are not known.

The effects of the provision for dependent children is also unclear. Similar to the Republican proposal, Wisconsin's Learnfare program required all those between the ages of 13 and 19 (including those who are not parents) to attend school in order for their families to continue to qualify for their full AFDC grant. An evaluation indicated the program has been ineffective, but the results have been

questioned. Thus, the effects this program will produce beyond reducing payments to families are unclear.

The costs associated with this provision are those required for tracking attendance requirements -- these are particularly significant given that the attendance of all dependent children as well as parents must be tracked. This will require new and extensive institutional cooperation and arrangements at the local level. Because the attendance of all dependents must be tracked (not just teens), the program is more onerous than Wisconsin's program and is likely to have high costs with few savings (young children are less likely to have attendance problems and be sanctioned).

The experience of both LEAP and Wisconsin Learnfare indicate that -- because of complexities involved in collecting and communicating appropriate data -- the timing suggested in the proposal is not feasible (i.e. grants are reduced the month after failing the attendance requirement).

Section 604 Married couple transition benefit

Current Law

Under current law, if a single AFDC case head marries, then eligibility for AFDC would end unless the family qualifies for AFDC as a two-parent family. To qualify as a two-parent family the family must meet the same AFDC eligibility requirements as a single parent family, plus, the primary wage earner in the household must be incapacitated or employed less than 100-hours in a month. Further, the primary wage earner must have had some modest, recent attachment to the labor force.

House Republican Proposal

At State option, aid may continue to be provided for up to twelve months if a recipient marries an individual who is not a parent of a child in the AFDC unit, and if this marriage results in the loss of AFDC eligibility. Aid would be 50% of the amount received by the AFDC unit prior to marriage. This provision would apply so long as the family's income is below 150% of the official poverty line.

If the resulting family would have been eligible for AFDC anyway, the State may provide benefits to the family under the AFDC-UP program, or apply the above rules.

This provision affects only those who first receive aid subsequent to passage of this bill.

Administration Proposal

There is no similar provision in the Administration Proposal.

Analysis

The provision in the Republican Proposal allows States to provide an incentive for single-parent AFDC units to marry.

In the short term, this provision is expected to have negligible impacts on States and the Federal government; even in the longer term, impacts may be modest, at best. For recipients, the impacts may be meaningful; however, few recipients would be expected to qualify for the marriage transition benefit.

Because the provision applies only to AFDC units who gained eligibility after enactment of the bill, initially very few units would be eligible.

Data on exit rates suggests that even in the long-term, impacts of the bill would be small:

- 11 to 13 percent of AFDC exits are due to marriage;
- Roughly one-third of those exiting due to marriage remain poor, suggesting that the majority of marriage exits would not qualify for the transition benefit due to excess income;
- Some fraction of the marriage exits will include the parent of a child in the AFDC unit, making the family ineligible for the transition benefit;
- The provision is a State option; no states have sought federal waivers to enact such a provision on a demonstration basis.

In some cases, this provision may serve as a disincentive to marriage (see note at end). If the new family would otherwise qualify as an AFDC-UP family, the State may choose to provide the transition benefit instead. This could disadvantage some families, therefore discouraging marriage. However, such occurrences would likely be the exception (because in most cases the family would not be eligible for AFDC).

Additional Note:

There appears to be an inconsistency in the bill language. Subparagraph A states that the transition benefit is only available to those who lose AFDC eligibility. Subparagraph B states that if a family would be eligible for AFDC-UP upon marriage, then the State may provide either the higher AFDC-UP benefit or the transition benefit.

Section 605 Option to disregard income and resources designated for education, training, employability, or related to self-employment

Current Law

The Social Security Act and implementing regulations set a \$1,000 limit (or a lower limit at State option) on the equity value of resources that a family may have and be eligible for AFDC, with only limited exclusions. At State option, items essential for the production of goods or services can be excluded; roughly half of the States have some exclusion for income producing property.

Regarding non-recurring lump sum income, current law considers such income to be available to meet an AFDC family's current and future needs. If the assistance unit's countable income, because of receipt of lump sum income, exceeds the applicable state need standard, the unit is ineligible for a period determined by dividing the total countable income (including the lump sum) by the need standard. For example, if the countable income in a month is four times greater than the need standard, then the AFDC unit will be ineligible for the current month, and the following three months.

Earned income from self-employment is gross receipts minus business expenses. Business expenses are defined in regulations as those expenses related directly to producing the goods and services and without which the goods or services could not be produced. Expenses which are not allowed as business expenses include purchases of capital equipment; payments on the principal of loans for capital assets or durable goods; personal transportation; and, depreciation expenses.

House Republican Proposal

1. Qualified Asset Accounts

The Republican proposal gives States the option to allow an AFDC unit to set aside up to \$10,000 in a qualified asset account. These funds would not count toward the AFDC resource limit; states could also choose to disregard the interest and dividend income generated from the account.

A qualified asset account is any mechanism approved by the State that allows savings to be used for qualified distributions. Examples of mechanisms are individual retirement accounts, escrow accounts, or savings bonds.

Funds in the account can be used for attendance of a member of the family at any education or training program; the improvement of the employability (including self-employment) of a family member (such as the purchase of a car); the purchase of a home; or, a change in residence.

2. Lump Sum Income

At State option, non-recurring lump sum income (earned and unearned) would be excluded so long as the income is placed in a qualified asset account.

3. Microenterprises

At State option, \$10,000 in net worth in a microenterprise owned in whole or in part by a family member may be disregarded from the resource limit for a period not to exceed two years.

At State option, only the net profits of a microenterprise counts as income for a period not to exceed two years. A microenterprise is defined as a commercial enterprise of five or fewer people, one of whom owns the enterprise.

Net profits are defined in the bill, and generally include gross receipts minus the expenses of the business, including inventory costs and cash retained by the microenterprise for future use by the business. The list of items that are deducted from gross receipts is more comprehensive than those allowed for under current law and regulations.

Administration Proposal

The Administration proposal includes provisions on:

- A national unsubsidized IDA program;
- Subsidized IDA demonstrations;
- Self-employment microenterprise demonstrations
- Treatment of lump sum income; and,
- Microenterprise resource exclusions.

In general, these provisions apply to both the AFDC and Food Stamp Programs.

1. National Unsubsidized IDA program

At State option, IDAs could be established at federally insured financial institutions. Funds in IDA accounts could be used exclusively for post-secondary education or training expenses, first home purchases, or business capitalization.

IDAs could be held by AFDC and/or Food Stamp recipients, and individuals eligible for the Earned Income Tax Credit (some restrictions would apply to EITC participants).

Annual contributions to the IDA could not exceed \$1,000 per year, or 100% of non-assistance income, whichever is less, with a total account limit of \$10,000 per family.

Up to \$10,000 in accounts established by AFDC or Food Stamp recipients would not count toward the applicable resource limits. Further, funds would be tax deferred until withdrawn. There is a penalty if funds are used for purposes other than those outlined above.

2. Subsidized IDA Demonstration

States, localities, and community development financial institutions would be allowed to apply to receive grant funds to operate IDA demonstration projects where contributions to IDA accounts would be subsidized. Individual participants would be provided with an initial \$500 account balance; contributions by the individual would then be matched in an amount ranging from \$.50 to \$4 for each \$1 deposited to the account.

Eligibility would be limited to households eligible for the EITC; adjusted gross income not in excess of \$18,000; and, net worth not in excess of \$20,000.

3. Self-Employment/Microenterprise Demonstrations

Limited funds would be authorized to allow HHS and the Small Business Administration to jointly develop and administer a demonstration program to test promising program models used to provide self-employment and related services to low-income persons.

4. Treatment of Lump Sum Income

AFDC and Food Stamp statutes would be amended; non-recurring lump sum income would not be counted for resource purposes if the funds were put into an IDA.

AFDC statute would be amended to exclude non-recurring lump sum payments as income (such treatment already exists in the Food Stamp Program).

AFDC and Food Stamp statutes would be amended to disregard as resources for one year non-recurring lump sum payments that are reimbursements or advanced payments, or any Federal or State EITC lump sum payments.

5. Microenterprise Resource Exclusions

AFDC and Food Stamp statutes would be amended to give the respective Secretaries the authority to specify in regulations exclusions necessary for self-employment. The Food Stamp Act would be amended to exclude business loans from resources.

Analysis

1. IDAs

Under the Administration plan, an IDA is a trust; as such, it requires a trust document and a trustee. The trustee must be a financial institution insured by the Federal Government. In addition, under the Administration plan, IDA contributions and income are tax exempt; funds are taxable in the year of distribution. The requirement that the IDA is a trust, and requires a trust document and a financial institution willing to be a trustee may make the creation of an IDA account complex for some recipients.

In the Republican bill, an IDA, or "qualified asset account", is any mechanism approved by the State that allows savings to accumulate and be used for qualified distributions. Because the Republican bill does not require a trust or a trustee, and because the array of savings mechanisms that States may choose would likely include savings mechanisms readily available to AFDC recipients (such as IRAs, savings bonds, and bank accounts), the Republican mechanism may be easier for recipients to use and understand.

In the Administration bill, distributions can be made for very limited purposes: post-secondary education; training; purchase of a first home; and/or, business capitalization. The Republican bill allows distributions for a wider array of expenses that may improve the well-being of the family. For example, the Republican bill allows distributions for expenses that improve the employability of a family member (such as the purchase of an automobile), and the expenses related to the change family residential location (not just the purchase of a first home).

The Republican bill does not include a demonstration of subsidized IDAs as does the Administration bill. Further, the Republican bill does not specify provisions to monitor and safeguard the use of funds, insure that funds are used for qualified purposes, and provide for penalties for the misuse of funds. Because the Administration bill establishes a trust, the trustee will be responsible for insuring that funds are used for qualified purposes. Further, there are penalties for the misuse of funds.

Unlike the Administration bill which makes changes to both the AFDC and Food Stamp programs, the Republican bill amends the AFDC program only; this facet of the Republican bill will result in lower Federal costs. However, excluding low-income families who do not receive AFDC raises some equity concerns. Further, some AFDC families may lose Food Stamp eligibility if conforming changes are not made.

2. Treatment of Lump Sum Income

The Republican bill disregards lump sum income at State option only if payments are deposited into an IDA account. In States that do not select this option, or if funds are not deposited into an IDA account, then a lump sum payment can result in several months of ineligibility for AFDC benefits.

The Administration bill corrects the statute in this area and conforms policy with that established in the SSI and Food Stamp programs. In those programs, lump sum payments are considered income in the month received, and would count against the resource limit in subsequent months. Lump sum payments that are EITC payments would be disregarded from the resource limit for one-year.

3. Microenterprise

The Republican bill would increase microenterprise resource exclusions substantially at State option. The Administration bill does not specify changes in resource exclusions; rather, it would give the Secretaries of HHS and USDA the authority to specify exclusions in regulations.

The Administration bill does not include provisions to change the way that income or profits of a microenterprise are calculated. The Republican bill would change the calculation of net profits; the method specified would make it easier for microenterprise owners to reinvest in the business and purchase capital equipment. However, the Republican bill would make these changes a state option.

4. Summary

The mechanisms established in the Republican bill would allow easier access to IDAs than the Administration bill. However, the Republican bill may lack sufficient monitoring and penalty provisions.

The microenterprise provisions of the Republican bill regarding treatment of income and exclusion of resources may make it easier for recipients to start-up and reinvest in business ventures than the Administration bill. However, the Republican bill makes the microenterprise resource and income exclusions available only for up to two years.

Section 606 State option to require attendance at parenting and money management classes, and prior approval of any action that would result in a change of school for a dependent child

Current Law

The Family Preservation and Support Program passed in OBRA 1993 (IV-B Subpart II of the Social Security Act) provides funds to States which can be used for parenting and money management activities. Child welfare (IV-B Subpart I) funds can also be used by the States to offer such services to those within the child welfare system. Offering these services is not related to receipt of welfare. Some state welfare programs are tying benefit levels to school attendance of adolescents.

There is nothing in current law, except under section 1115 waiver authority, that allow States to require welfare recipients to get permission regarding a change in place of child's education.

House Republican Proposal

States will be given the option to require welfare recipients to attend parenting and money management classes in order to receive aid, and to require recipients to get permission from the State agency before making any change in a dependent child's educational institution.

Administration Proposal

The case management provision for custodial teen parents requires States to insure access to a range of services that include parenting education. This component is designed to assist young parents in meeting their educational and other responsibilities.

States are given the option to use monetary incentives (combined with sanctions) as an inducement for pregnant teens and teen custodial parents who are receiving AFDC and who do not have a high school diploma or GED to enroll in and regularly attend a school or education program leading to a high school diploma or GED. States may also choose to provide incentives for participation in parenting education activities.

There is no provision on recipients needing permission from the State agency to change a dependent child's educational institution.

Analysis

Section 606 allows States to increase the welfare worker's direct involvement in parenting. The Republican proposal requires all recipients to take parenting/money management classes if the State takes this option, whereas the Administration proposal focuses on teens and does not require these activities. Rather, the Administration proposal provides these services to teens in the context of assessment and training for moving from welfare to work, on a case-by-case basis. The only public sector precedent for requiring parenting education is that courts often use evidence of participation in such classes in deciding the parental termination of rights after children have been in out-of-home placement. Research evidence on effects of mandatory attendance in these activities is weak.

Tying benefit levels to school attendance of adolescents is an option in several states in both current law and in the Administration proposal. However, the place of attendance is not taken into consideration by the welfare case worker. In the provision of support services and/or case management, the issue of location or change in a child's educational institution or child care placement may arise, but on a case-by-case basis. In contrast, the Republican proposal allows states to require that public welfare departments get involved in parental decision-making.

TITLE VII - DRUG TESTING FOR WELFARE RECIPIENTS**Section 701 AFDC recipients required to undergo necessary substance abuse treatment as a condition of receiving AFDC***Current Law*

There is no comparable provision in current law. One component of the Oregon JOBS waiver (approved July 1992) allows the State to require participation in mental health or substance abuse diagnostic, counseling and treatment programs if they are determined to be necessary for self sufficiency.

House Republican Proposal

Recipients who are determined by States to be addicted to alcohol or drugs must be required to participate in substance abuse treatment, if available, and must submit to random drug screens during and after participation in an alcohol or drug rehabilitation program. Alcohol or drug dependent persons who do not participate in treatment on a satisfactory basis (as defined by the State) or who refuse a drug screen lose their AFDC eligibility for a period of 2 years. Medicaid benefits would continue, however.

Administration Proposal

The Work and Responsibility Act allows, but does not require, that States make participation in substance abuse treatment a requirement for those AFDC recipients whose employability plans call for it, so long as such treatment is available without charge to the individual. Failure to comply with treatment would subject the recipient to JOBS sanctions in the same way as would failure to comply with other JOBS activities. Drug testing is not explicitly discussed.

Analysis

Both plans recognize a value in using the welfare system as a lever to encourage those who need substance abuse treatment to get it. There are a number of differences between the provisions, however.

1. **Population affected.** The Republican proposal makes the requirements of those the State identifies as "addicted," while the Administration's proposal makes the requirements of those in need of substance abuse treatment. It is not clear how the States would differently interpret distinctions between the two language constructions. Depending on the interpretation, the population "in need of treatment" could be interpreted to be broader than those who meet the medical definition (including the physiological component) of alcohol or drug-dependence.
2. **Allowable extensions.** The Republican proposal does not allow extensions for those whose substance abuse treatment-needs (or other medical conditions) preclude their immediate participation in employment activities. The Administration's proposal (under its illness/incapacity exclusion) would allow temporary deferrals of those whose medical conditions (implicitly including substance abuse treatment needs) preclude concurrent employment or training. [NOTE: the original Republican proposal had allowed for an extension of up to one year for those whose substance abuse treatment needs warranted it.]

3. **Use of testing.** The Republican proposal requires that States institute a regime of testing on anyone determined to be addicted to alcohol or other drugs. How a positive test would be interpreted however, is unclear. Potentially, the emphasis on drug testing implies that a positive drug screen would result in expulsion from AFDC. However, as drafted one could also interpret the provision as simply requiring testing as one component of compliance with treatment.

Drug testing should not be used as the sole or primary measure of treatment compliance. While drug tests are a useful clinical tool, they should not be substituted for clinical judgement. Most persons recovering from substance abuse will have at least one significant relapse. This does not necessarily mean they are not making progress, and other measures (e.g. increasing periods of abstinence, improved social functioning, a reduction in the symptomatology of substance abuse) should be used in conjunction with drug testing to determine compliance. Also, note that many individuals work and use alcohol and other drugs. Abstinence alone is not a measure of ability to function in the work place.

In addition, most of those on AFDC with significant substance abuse problems (as in the general population) are alcoholics, not illicit drug abusers. Drug testing will not adequately determine compliance for these persons. There are tests that detect alcohol use, but these are either intrusive (e.g. requiring blood to be drawn) or detect only current intoxication (e.g. breathalyzer).

Questions:

Are the provisions intended to pertain only to those with medical diagnoses of alcohol or drug dependence (i.e. "addicted") or also those in need of treatment who may fit into the less severe medical diagnostic category of "alcohol or drug abuse?"

It is not clear what would happen in the event someone tests positive for alcohol or drugs. Potentially, the emphasis on drug testing implies that a positive drug screen would result in expulsion from AFDC. However, as drafted one could also interpret the provision as simply requiring testing as one component of compliance with treatment.

FAMILY REINFORCEMENT ACT

TITLE I -- ADOPTION ASSISTANCE

Section 101 Refundable Credit for Adoption Expenses

Current Law

No comparable provision.

House Republican Proposal

Creates a refundable tax credit for up to \$5,000 for qualified adoption expenses such as attorney fees and court costs. The amount of the credit is limited for upper income individuals, and the tax credit is not applicable to the adoption of one's spouse's children.

Administration Proposal

No comparable provision.

Analysis

It is unclear the extent to which this level of monetary incentive toward adoption would encourage adoptions of children in need of adoptive homes. The policy assumption behind the provision would have to be that the one-time legal and other associated costs of adopting a child are a key reason for the lack of adoptive homes and long waits of children for adoption. This provision would certainly give a financial benefit to those planning to adopt a child anyway (either from the U.S. or from abroad) but may not address more fundamental barriers to adoption.

TITLE II - ELDERCARE ASSISTANCE

Defer comment to Division of Family Community and Long Term Care Policy

TITLE III - CHILD PROTECTION

Sections 301, 302, 303, 304, 305

Current Law

Title 18, United States Code - U.S. Sentencing Commission's sentencing guidelines.
[Applies to DOJ areas of concern]

House Republican Proposal

Directs the U.S. Sentencing Commission to increase the penalties for:

- use of a computer in sexual crimes against children;
- prostitution of children;
- prostitution of older children (when guidelines provide for a lighter sentence for older children);
- sexual abuse of a minor; and
- sexual abuse of a ward.

Administration Proposal

No provisions.

Analysis

HHS should defer comments to DOJ.

TITLE IV - FAMILY PRIVACY PROTECTION

Analysis forthcoming

TITLE V - CHILD SUPPORT ENFORCEMENT**Section 501 Enforcement of Child Support Orders***Current Law*

Section 1738A of title 28 of the US Code provides that full faith and credit be provided to child custody determinations and that once entered states are precluded from modifying or superseding that custody determination unless certain jurisdictional requirements are met. Section 1738B of title 28 of the US Code, just passed by the 103rd Congress (P.L. 103-383) added a new section which provided for similar full faith and credit protections for child support orders.

House Republican Proposal

The revision to section 1738A of title 28 of the US CODE would provide full faith and credit and prohibit modifications of an order unless certain jurisdictional requirements were met. This provision appears to duplicate the provision of P.L. 103-383.

Administration Proposal

The Administration's proposal provides a solution to the jurisdictional issues raised by multiple orders by requiring that all states pass the Uniform Interstate Family Support Act and by establishing the jurisdictional rules which all states must use in asserting original and continuing jurisdiction of a paternity or child support case. Passage of these provisions would be a requirement of the Child Support Enforcement Program.

Analysis

Neither the Republican proposal or PL 103-383 addresses the issue of competing jurisdictional claims, each of which are valid under State law. While the Republican proposal and P.L. 103-383 do preclude modification of another State's order unless certain jurisdictional requirements are met, they do not address the basic issue at the heart of many interstate conflicts--that more than one State can assert, under it's own laws, valid jurisdiction to the same case. For example, if a father continued to reside in the State where the couple last lived together with their child and the mother and the child now lived in another State, both states would have valid claims to exclusive jurisdiction. Unless States are required to adopt a single rule for asserting jurisdiction to the exclusion of all other States' claims, the interstate muddle will not be clarified. Additionally since neither the existing law nor the Republican proposal include any penalties or remedies for State non-compliance there is also no leverage for enforcing these provisions. While it is estimated that about one third of all child support eligible families may live in a different State than the non-custodial parent, no one has an estimate of the number of cases in which multiple valid orders exist and there is no data base from which this information could be obtained.

Section 502 Uniform Terms in Orders***Current Law***

There is no provision in current law which requires uniform terms be used in all child support orders.

House Republican Proposal

The Republican proposal requires that a set of uniform terms be included in all court orders. These include the date child support orders are to begin, the circumstances under which the payments end, the monthly amount payable, other expenses included in the order including provision of health care support, the names and social security of the parents and children, the name of the court that issued the order and a contact for additional information.

Administration Proposal

Section 651 of the Administration's proposal provides that the National Commission on Child Support Guidelines shall consider the feasibility of adopting uniform terms in all orders. Although the proposal defers the decision on uniform terms, sections 621-Central State Case Registry and 625-National Welfare Reform Clearinghouse do require that certain pieces of information be kept by the State. These provisions includes many of the same information requirements as in the Republican proposal, but also allows the Secretary to set additional requirements.

Analysis

While both proposals would result in increasing the uniformity of the terms and type of information available in all child support orders, the Republican proposal would have a much more limited effect. First, it does nothing to assure that the information in the order is maintained on a State and/or national registry. This limits the usefulness of the information for enforcing child support orders. CSE agencies will still have to request that courts' search their records (often manually) to obtain all the relevant information needed to process a child support case. Secondly, the requirements apply only to orders and not to all CSE child support cases in the State. This means that uniformity across all child support cases will not be achieved.

It should be noted, however, that the report of the US Commission on Interstate Child Support recommended that a federal law be passed which requires uniform terms/information be included in all child support orders and that central state registries be established which contains all CSE cases (with an opt-in provision for non-CSE cases). The two proposals focus on slightly different problems and the Republican proposal is not inconsistent with the Administration's provisions. Rather such requirements were seen as unnecessary in light of the Administration's provision for state and national registries which would require that similar information be collected. In the absence of a requirement for central registries, the provision in the Republican bill to require uniform terms/information would be an improvement over current law.

Section 503 Work Requirement for Non-Custodial Parents with Child Support Arrearages***Current Law***

There is no such requirement under current law. Demonstrations have been funded under authority in Title II of the Family Support Act and under section 1115 of the Social Security Act.

House Republican Proposal

The Republican proposal places a work requirement on non-custodial parents who have a court order to pay child support for any child who was receiving AFDC benefits and who are at least two months in arrears on that support to participate in a job search and work program. The non-custodial parent would be given 30 days to pay some support. If no support had been paid by the end of the 30 days, the State would be required to get a court order which would require the non-custodial parent to participate in a job search program for 2 to 4 weeks. If the non-custodial parent did not find a job within the allotted time period, the court order would also require participation in a work program for not less than 35 hours per week.

Administration Proposal

The Administration's proposal allows States to spend up to 10 percent of their JOBS and WORK allocations in providing work, training, education and supportive services for non-custodial parents whose children are receiving AFDC or who have an outstanding AFDC arrearages. States have flexibility in designing the program. Work activities, training and services can be provided as part of the process for establishing awards as well as to enforce existing awards. The proposal requires that the program pay wages for any work requirements and that these wages be garnished to pay current and past due child support. Arrearages can be reduced through participation in JOBS/WORK activities.

Analysis

The Administration's proposal provides States with much more flexibility in program design and implementation than does the Republican proposal. The Administration's non-custodial parent provision is not mandatory and States may implement such a program in targeted locations. This program could be run in conjunction with other JOBS/WORK activities or could be run as a self-contained program. States could also develop supportive services to address barriers to work and payment of support. It also allows for services to be provided as part of the establishment of an order. The Republican proposal sets out one model to be used by all States. States are required to contact all fathers of AFDC children with arrearages and without court approved repayment plans for such arrearages and to bring them back into court if at least some payment is not made on the arrearage. If repayment is not made and a job is not found, the non-custodial parent is required to work 35 hours a week until the debt is repaid. There are no alternative models which States can implement. This is particularly problematic since experience with non-custodial parent programs is limited. It seems premature to mandate so broadly and rigidly a new program activity with high costs and unknown returns.

The Republican proposal does not attempt to address the causes of non-payment of support, but rather assumes willful non-compliance on the part of all non-custodial parents. While many non-custodial parents may be able to borrow enough money to avoid the court-ordered work requirements, nothing in the Republican proposal will increase the payment of current child support by non-custodial parents who have inadequate training or job skills to get or keep stable employment. In fact the mandatory 35 hour a week work requirement to be credited solely against arrearages will ensure that the non-custodial parent will always have an outstanding arrearage because there are no wages to garnish for payment of current support.

While the Republican proposal would have a smoke-out effect, it would not be without substantial costs and implementation problems. If huge numbers of non-custodial parents were assigned to work program activities, the cost of the program would be significant without increasing the father's ability or willingness to pay support to custodial parent families. The work provisions are mandated in title IV-D, not as part of other state employment or work activities, and IV-D has no experience providing these services. Such services may be provided by other state entities, but coordination and staffing may be a problem especially given CSE's current high caseloads. Additionally, the work requirements must be ordered by the court. There are no provisions for administrative orders or voluntary participation in lieu of going to court. While most of the current demonstrations operate a court based model, the proposal makes mandatory the slowest process possible and one which if widely used will compete with other child support activities for court time. This will surely create substantial delays in putting such work requirements in place. Lastly, it will have no effect on improving payment rates or establishment rates for low-skilled parents because it does not address any of the problems which reduce non-custodial parents employment prospects.