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## House of Representatives

### CONFERENCE REPORT ON H.R. 4, PERSONAL RESPONSIBILITY AND WORK OPPORTUNITY ACT OF 1995

Mr. ARCHER submitted the following conference report and statement on Wednesday, December 20, 1995, on the bill (H.R. 4) to restore the American family, reduce illegitimacy, control welfare spending, and reduce welfare dependence:

#### CONFERENCE REPORT (H. REPT. 104-430)

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 4) to restore the American family, reduce illegitimacy, control welfare spending and reduce welfare dependence, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate to the text of the bill and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment, insert the following:

#### SECTION 1. SHORT TITLE.

This Act may be cited as the "Personal Responsibility and Work Opportunity Act of 1995".

#### SEC. 2. TABLE OF CONTENTS.

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Matter set in this typeface indicates words inserted or appended, rather than spoken, by a Member of the House on the floor.



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**TITLE I—BLOCK GRANTS FOR TEMPORARY ASSISTANCE FOR NEEDY FAMILIES**

**SEC. 101. FINDINGS.**

The Congress makes the following findings:

- (1) Marriage is the foundation of a successful society.
- (2) Marriage is an essential institution of a successful society which promotes the interests of children.
- (3) Promotion of responsible fatherhood and motherhood is integral to successful child rearing and the well-being of children.
- (4) In 1992, only 54 percent of single-parent families with children had a child support order established and, of that 54 percent, only about one-half received the full amount due. Of the cases enforced through the public child support enforcement system, only 18 percent of the caseload has a collection.

(5) The number of individuals receiving aid to families with dependent children (in this section referred to as "AFDC") has more than tripled since 1965. More than two-thirds of those recipients are children. Eighty-nine percent of children receiving AFDC benefits now live in homes in which no father is present.

(A)(i) The average monthly number of children receiving AFDC benefits—

- (I) was 3,300,000 in 1965;
- (ii) was 6,200,000 in 1970;
- (iii) was 7,400,000 in 1980; and
- (iv) was 9,300,000 in 1992.

(ii) While the number of children receiving AFDC benefits increased nearly threefold between 1965 and 1992, the total number of children in the United States aged 0 to 18 has declined by 5.5 percent.

(B) The Department of Health and Human Services has estimated that 12,000,000 children will receive AFDC benefits within 10 years.

(C) The increase in the number of children receiving public assistance is closely related to the increase in births to unmarried women. Between 1970 and 1991, the percentage of live births to unmarried women increased nearly threefold, from 10.7 percent to 29.5 percent.

(6) The increase of out-of-wedlock pregnancies and births is well documented as follows:

(A) It is estimated that the rate of nonmarital teen pregnancy rose 23 percent from 54 pregnancies per 1,000 unmarried teenagers in 1976 to 66.7 pregnancies in 1991. The overall rate of nonmarital pregnancy rose 14 percent from 90.8 pregnancies per 1,000 unmarried women in 1980 to 103 in both 1991 and 1992. In contrast, the overall pregnancy rate for married couples decreased 7.3 percent between 1980 and 1991, from 126.9 pregnancies per 1,000 married women in 1980 to 117.8 pregnancies in 1991.

(B) The total of all out-of-wedlock births between 1970 and 1991 has risen from 10.7 percent to 29.5 percent and if the current trend continues, 50 percent of all births by the year 2015 will be out-of-wedlock.

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

(A) Young women 17 and under who give birth outside of marriage are more likely to go on public assistance and to spend more years on welfare once enrolled. These combined effects of "younger and longer" increase total AFDC costs per household by 25 percent to 30 percent for 17-year olds.

(B) Children born out-of-wedlock have a substantially higher risk of being born at a very low or moderately low birth weight.

(C) Children born out-of-wedlock are more likely to experience low verbal cognitive attainment, as well as more child abuse, and neglect.

(D) Children born out-of-wedlock were more likely to have lower cognitive scores, lower educational aspirations, and a greater likelihood of becoming teenage parents themselves.

(E) Being born out-of-wedlock significantly reduces the chances of the child growing up to have an intact marriage.

(F) Children born out-of-wedlock are 3 times more likely to be on welfare when they grow up.

(8) Currently 35 percent of children in single-parent homes were born out-of-wedlock, nearly the same percentage as that of children in single-parent homes whose parents are divorced (37 percent). While many parents find themselves, through divorce or tragic circumstances beyond their control, facing the difficult task of raising children alone, nevertheless, the negative consequences of raising children in single-parent homes are well documented as follows:

(A) Only 9 percent of married-couple families with children under 18 years of age have income below the national poverty level. In contrast, 46 percent of female-headed households with children under 18 years of age are below the national poverty level.

(B) Among single-parent families, nearly 1/2 of the mothers who never married received AFDC

while only 1/4 of divorced mothers received AFDC.

(C) Children born into families receiving welfare assistance are 3 times more likely to be on welfare when they reach adulthood than children not born into families receiving welfare.

(D) Mothers under 20 years of age are at the greatest risk of bearing low-birth-weight babies.

(E) The younger the single parent mother, the less likely she is to finish high school.

(F) Young women who have children before finishing high school are more likely to receive welfare assistance for a longer period of time.

(G) Between 1985 and 1990, the public cost of births to teenage mothers under the aid to families with dependent children program, the food stamp program, and the Medicaid program has been estimated at \$120,000,000,000.

(H) The absence of a father in the life of a child has a negative effect on school performance and peer adjustment.

(I) Children of teenage single parents have lower cognitive scores, lower educational aspirations, and a greater likelihood of becoming teenage parents themselves.

(J) Children of single-parent homes are 3 times more likely to fail and repeat a year in grade school than are children from intact 2-parent families.

(K) Children from single-parent homes are almost 4 times more likely to be expelled or suspended from school.

(L) Neighborhoods with larger percentages of youth aged 12 through 20 and areas with higher percentages of single-parent households have higher rates of violent crime.

(M) Of those youth held for criminal offenses within the State juvenile justice system, only 29.4 percent lived primarily in a home with both parents. In contrast to these incarcerated youth, 73.9 percent of the 62,000,000 children in the Nation's resident population were living with both parents.

(N) Therefore, in light of this demonstration of the crisis in our Nation, it is the sense of the Congress that prevention of out-of-wedlock pregnancy and reduction in out-of-wedlock birth are very important. Government interests and the policy contained in part A of title IV of the Social Security Act (as amended by section 103 of this Act) is intended to address the crisis.

**SEC. 102. REFERENCE TO SOCIAL SECURITY ACT.**

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

**SEC. 103. BLOCK GRANTS TO STATES.**

Part A of title IV (42 U.S.C. 601 et seq.) is amended to read as follows:

**"PART A—BLOCK GRANTS TO STATES FOR TEMPORARY ASSISTANCE FOR NEEDY FAMILIES**

**"SEC. 401. PURPOSE.**

"(a) IN GENERAL.—The purpose of this part is to increase the flexibility of States in operating a program designed to—

- "(1) provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives;
- "(2) end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage;
- "(3) prevent and reduce the incidence of out-of-wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies; and
- "(4) encourage the formation and maintenance of two-parent families.

"(b) NO INDIVIDUAL ENTITLEMENT.—This part shall not be interpreted to entitle any individual or family to assistance under any State program funded under this part.

**"SEC. 402. ELIGIBLE STATES; STATE PLAN.**

"(a) IN GENERAL.—As used in this part, the term 'eligible State' means, with respect to a fiscal year, a State that, during the 2-year period

immediately preceding the fiscal year, has submitted to the Secretary a plan that includes the following:

**(II) OUTLINE OF FAMILY ASSISTANCE PROGRAM.—**

**(A) GENERAL PROVISIONS.—**A written document that outlines how the State intends to do the following:

**(i)** Conduct a program, designed to serve all political subdivisions in the State, that provides assistance to needy families with (or expecting) children and provides parents with job preparation, work, and support services to enable them to leave the program and become self-sufficient.

**(ii)** Require a parent or caretaker receiving assistance under the program to engage in work (as defined by the State) once the State determines the parent or caretaker is ready to engage in work, or once the parent or caretaker has received assistance under the program for 24 months (whether or not consecutive), whichever is earlier.

**(iii)** Ensure that parents and caretakers receiving assistance under the program engage in work activities in accordance with section 407.

**(iv)** Take such reasonable steps as the State deems necessary to restrict the use and disclosure of information about individuals and families receiving assistance under the program attributable to funds provided by the Federal Government.

**(v)** Establish goals and take action to prevent and reduce the incidence of out-of-wedlock pregnancies, with special emphasis on teenage pregnancies, and establish numerical goals for reducing the illegitimacy ratio of the State (as defined in section 403(a)(2)(B)) for calendar years 1996 through 2005.

**(B) SPECIAL PROVISIONS.—**

**(i)** The document shall indicate whether the State intends to treat families moving into the State from another State differently than other families under the program, and if so, how the State intends to treat such families under the program.

**(ii)** The document shall indicate whether the State intends to provide assistance under the program to individuals who are not citizens of the United States, and if so, shall include an overview of such assistance.

**(3) CERTIFICATION THAT THE STATE WILL OPERATE A CHILD SUPPORT ENFORCEMENT PROGRAM.—**A certification by the chief executive officer of the State that, during the fiscal year, the State will operate a child support enforcement program under the State plan approved under part D.

**(4) CERTIFICATION THAT THE STATE WILL OPERATE A CHILD PROTECTION PROGRAM.—**A certification by the chief executive officer of the State that, during the fiscal year, the State will operate a child protection program under the State plan approved under part B.

**(5) CERTIFICATION OF THE ADMINISTRATION OF THE PROGRAM.—**A certification by the chief executive officer of the State specifying which State agency or agencies will administer and supervise the program referred to in paragraph (1) for the fiscal year, which shall include assurances that local governments and private sector organizations—

**(A)** have been consulted regarding the plan and design of welfare services in the State so that services are provided in a manner appropriate to local populations; and

**(B)** have had at least 60 days to submit comments on the plan and the design of such services.

**(6) CERTIFICATION THAT THE STATE WILL PROVIDE INDIANS WITH EQUITABLE ACCESS TO ASSISTANCE.—**A certification by the chief executive officer of the State that, during the fiscal year, the State will provide each Indian who is a member of an Indian tribe in the State that does not have a tribal family assistance plan approved under section 412 with equitable access to assistance under the State program funded under this part attributable to funds provided by the Federal Government.

**(7) PUBLIC AVAILABILITY OF STATE PLAN SUMMARY.—**The State shall make available to the public a summary of any plan submitted by the State under this section.

**SEC. 402. GRANTS TO STATES.**

**(a) GRANTS.—**

**(1) FAMILY ASSISTANCE GRANT.—**

**(A) IN GENERAL.—**Each eligible State shall be entitled to receive from the Secretary, for each of fiscal years 1996, 1997, 1998, 1999, 2000, and 2001 a grant in an amount equal to the State family assistance grant.

**(B) STATE FAMILY ASSISTANCE GRANT DEFINED.—**As used in this part, the term "State family assistance grant" means the greatest of—

**(i)** 2% of the total amount required to be paid to the State under former section 403 (as in effect on September 30, 1995) for fiscal years 1992, 1993, and 1994 (other than with respect to amounts expended by the State for child care under subsection (g) or (i) of former section 402 (as so in effect));

**(ii)** the total amount required to be paid to the State under former section 403 for fiscal year 1994 (other than with respect to amounts expended by the State for child care under subsection (g) or (i) of former section 402 (as so in effect)); plus

**(iii)** an amount equal to 85 percent of the amount (if any) by which the total amount required to be paid to the State under former section 403(a)(1) for emergency assistance for fiscal year 1995 exceeds the total amount required to be paid to the State under former section 403(a)(3) for fiscal year 1994, if, during fiscal year 1994, the Secretary approved under former section 402 an amendment to the former State plan with respect to the provision of emergency assistance in the context of family preservation; or

**(iii)** 2% of the total amount required to be paid to the State under former section 403 (as in effect on September 30, 1995) for the 1st 3 quarters of fiscal year 1995 (other than with respect to amounts expended by the State under the State plan approved under part F (as so in effect) or for child care under subsection (g) or (i) of former section 402 (as so in effect)), plus the total amount required to be paid to the State for fiscal year 1995 under former section 403(i) (as so in effect).

**(C) TOTAL AMOUNT REQUIRED TO BE PAID TO THE STATE UNDER FORMER SECTION 403 DEFINED.—**As used in this part, the term "total amount required to be paid to the State under former section 403" means, with respect to a fiscal year—

**(i)** in the case of a State to which section 1106 does not apply, the sum of—

**(I)** the Federal share of maintenance assistance expenditures for the fiscal year, before reduction pursuant to subparagraph (B) or (C) of section 403(b)(2) (as in effect on September 30, 1995), as reported by the State on ACF Form 231;

**(II)** the Federal share of administrative expenditures (including administrative expenditures for the development of management information systems) for the fiscal year, as reported by the State on ACF Form 231;

**(III)** the Federal share of emergency assistance expenditures for the fiscal year, as reported by the State on ACF Form 231;

**(IV)** the Federal share of expenditures for the fiscal year with respect to child care pursuant to subsections (g) and (i) of former section 402 (as in effect on September 30, 1995), as reported by the State on ACF Form 231; and

**(V)** the aggregate amount required to be paid to the State for the fiscal year with respect to the State program operated under part F (as in effect on September 30, 1995), as determined by the Secretary, including additional obligations or reductions in obligations made after the close of the fiscal year; and

**(ii)** in the case of a State to which section 1106 applies, the lesser of—

**(I)** the sum described in clause (i); or

**(II)** the total amount certified by the Secretary under former section 403 (as in effect during the fiscal year) with respect to the territory.

**(D) INFORMATION TO BE USED IN DETERMINING AMOUNTS.—**

**(i) FOR FISCAL YEARS 1997 AND 1993.—**

**(I)** In determining the amounts described in subparagraphs (I) through (IV) of subparagraph (C)(i) for any State for each of fiscal years 1992 and 1993, the Secretary shall use information available as of April 28, 1995.

**(II)** In determining the amount described in subparagraph (C)(i)(V) for any State for each of fiscal years 1992 and 1993, the Secretary shall use information available as of January 6, 1995.

**(iii) FOR FISCAL YEAR 1994.—**In determining the amounts described in subparagraph (C)(i) for any State for fiscal year 1994, the Secretary shall use information available as of April 28, 1995.

**(iii) FOR FISCAL YEAR 1995.—**

**(I)** In determining the amount described in subparagraph (B)(ii)(II) for any State for fiscal year 1995, the Secretary shall use the information which was reported by the States and estimates made by the States with respect to emergency assistance expenditures and was available as of August 11, 1995.

**(I)** In determining the amounts described in subparagraphs (I) through (IV) of subparagraph (C)(i) for any State for fiscal year 1995, the Secretary shall use information available as of October 2, 1995.

**(II)** In determining the amount described in subparagraph (C)(i)(V) for any State for fiscal year 1995, the Secretary shall use information available as of October 5, 1995.

**(B) APPROPRIATION.—**Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated for fiscal years 1996, 1997, 1994, 1999, 2000, and 2001 such sums as are necessary for grants under this paragraph.

**(2) GRANT TO REWARD STATES THAT REDUCE OUT-OF-WEDLOCK BIRTHS.—**

**(A) IN GENERAL.—**In addition to any grant under paragraph (1), each eligible State shall be entitled to receive from the Secretary for fiscal year 1996 or any succeeding fiscal year, a grant in an amount equal to the State family assistance grant multiplied by—

**(i)** 5 percent if—

**(I)** the illegitimacy ratio of the State for the fiscal year is at least 1 percentage point lower than the illegitimacy ratio of the State for fiscal year 1995; and

**(II)** the rate of induced pregnancy terminations in the State for the fiscal year is less than the rate of induced pregnancy terminations in the State for fiscal year 1995; or

**(ii)** 10 percent if—

**(I)** the illegitimacy ratio of the State for the fiscal year is at least 2 percentage points lower than the illegitimacy ratio of the State for fiscal year 1995; and

**(II)** the rate of induced pregnancy terminations in the State for the fiscal year is less than the rate of induced pregnancy terminations in the State for fiscal year 1995.

**(B) ILLEGITIMACY RATIO.—**As used in this paragraph, the term "illegitimacy ratio" means, with respect to a State and a fiscal year—

**(i)** the number of out-of-wedlock births that occurred in the State during the most recent fiscal year for which such information is available; divided by

**(ii)** the number of births that occurred in the State during the most recent fiscal year for which such information is available.

**(C) DISREGARD OF CHANGES IN DATA DUE TO CHANGED REPORTING METHODS.—**For purposes of subparagraph (A), the Secretary shall disregard—

**(i)** any difference between the illegitimacy ratio of a State for a fiscal year and the illegitimacy ratio of the State for fiscal year 1995 which is attributable to a change in State methods of reporting data used to calculate the illegitimacy ratio; and

"(ii) any difference between the rate of induced pregnancy terminations in a State for a fiscal year and such rate for fiscal year 1993 which is attributable to a change in State methods of reporting data used to calculate such rate.

"(3) APPROPRIATION.—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated for fiscal year 1998 and for each succeeding fiscal year such sums as are necessary for grants under this paragraph.

"(3) SUPPLEMENTAL GRANT FOR POPULATION INCREASES IN CERTAIN STATES.—

"(A) IN GENERAL.—Each qualifying State shall, subject to subparagraph (F), be entitled to receive from the Secretary—

"(i) for fiscal year 1997 a grant in an amount equal 2.5 percent of the total amount required to be paid to the State under former section 403 (as in effect during fiscal year 1994) for fiscal year 1994; and

"(ii) for each of fiscal years 1998, 1999, and 2000, a grant in an amount equal to the sum of—

"(1) the amount (if any) required to be paid to the State under this paragraph for the immediately preceding fiscal year; and

"(2) 2.5 percent of the sum of—

"(aa) the total amount required to be paid to the State under former section 403 (as in effect during fiscal year 1994) for fiscal year 1994; and

"(bb) the amount (if any) required to be paid to the State under this paragraph for the fiscal year preceding the fiscal year for which the grant is to be made.

"(B) PRESERVATION OF GRANT WITHOUT INCREASES FOR STATES FAILING TO REMAIN QUALIFYING STATES.—Each State that is not a qualifying State for a fiscal year specified in subparagraph (A)(ii) but was a qualifying State for a prior fiscal year shall, subject to subparagraph (F), be entitled to receive from the Secretary for the specified fiscal year, a grant in an amount equal to the amount required to be paid to the State under this paragraph for the most recent fiscal year for which the State was a qualifying State.

"(C) QUALIFYING STATE.—

"(1) IN GENERAL.—For purposes of this paragraph, a State is a qualifying State for a fiscal year if—

"(i) the level of welfare spending per poor person by the State for the immediately preceding fiscal year is less than the national average level of State welfare spending per poor person for such preceding fiscal year; and

"(ii) the population growth rate of the State (as determined by the Bureau of the Census for the most recent fiscal year for which information is available exceeds the average population growth rate for all States (as so determined) for such most recent fiscal year.

"(3) STATE MUST QUALIFY IN FISCAL YEAR 1997.—Notwithstanding clause (i), a State shall not be a qualifying State for any fiscal year after 1997 by reason of clause (i) if the State is not a qualifying State for fiscal year 1997 by reason of clause (i).

"(3) CERTAIN STATES DEEMED QUALIFYING STATES.—For purposes of this paragraph, a State is deemed to be a qualifying State for fiscal years 1997, 1998, 1999, and 2000 if—

"(i) the level of welfare spending per poor person by the State for fiscal year 1996 is less than 25 percent of the national average level of State welfare spending per poor person for fiscal year 1996; or

"(ii) the population of the State increased by more than 10 percent from April 1, 1990 to July 1, 1994, as determined by the Bureau of the Census.

"(4) DEFINITIONS.—As used in this paragraph—

"(A) LEVEL OF WELFARE SPENDING PER POOR PERSON.—The term 'level of State welfare spending per poor person' means, with respect to a State and a fiscal year—

"(1) the sum of—

"(aa) the total amount required to be paid to the State under former section 403 (as in effect during fiscal year 1994) for fiscal year 1994; and

"(bb) the amount (if any) paid to the State under this paragraph for the immediately preceding fiscal year; divided by

"(2) the number of individuals, according to the 1990 decennial census, who were residents of the State and whose income was below the poverty line.

"(B) NATIONAL AVERAGE LEVEL OF STATE WELFARE SPENDING PER POOR PERSON.—The term 'national average level of State welfare spending per poor person' means, with respect to a fiscal year, an amount equal to—

"(1) the total amount required to be paid to the States under former section 403 (as in effect during fiscal year 1994) for fiscal year 1994, divided by

"(2) the number of individuals, according to the 1990 decennial census, who were residents of any State and whose income was below the poverty line.

"(C) STATE.—The term 'State' means each of the 50 States of the United States and the District of Columbia.

"(E) APPROPRIATION.—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated for fiscal years 1997, 1998, 1999, and 2000 such sums as are necessary for grants under this paragraph, in a total amount not to exceed \$300,000,000.

"(F) GRANTS REDUCED PRO RATA IF INSUFFICIENT APPROPRIATIONS.—If the amount appropriated pursuant to this paragraph for a fiscal year is less than the total amount of payments otherwise required to be made under this paragraph for the fiscal year, then the amount otherwise payable to any State for the fiscal year under this paragraph shall be reduced by a percentage equal to the amount so appropriated divided by such total amount.

"(G) BUDGET SCORING.—Notwithstanding section 257(b)(2) of the Balanced Budget and Emergency Deficit Control Act of 1985, the baseline shall assume that no grant shall be made under this paragraph after fiscal year 2000.

"(H) CONTINGENCY FUND.—

"(1) ESTABLISHMENT.—There is hereby established in the Treasury of the United States a fund which shall be known as the 'Contingency Fund for State Welfare Programs' (in this section referred to as the 'Fund').

"(2) DEPOSITS INTO FUND.—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated for fiscal years 1997, 1998, 1999, 2000, and 2001 such sums as are necessary for payment to the Fund in a total amount not to exceed \$1,000,000,000.

"(3) GRANTS.—From amounts appropriated pursuant to paragraph (2), the Secretary of the Treasury shall pay to each eligible State for a fiscal year an amount equal to the lesser of—

"(A) the Federal medical assistance percentage for the State for the fiscal year (as defined in section 1905(b), as in effect on September 30, 1993) of the amount (if any) by which the expenditures of the State in the fiscal year under the State program funded under this part exceed the historic State expenditures (as defined in section 408(a)(7)(B)(iii)) for the State with respect to the fiscal year; or

"(B) 20 percent of the State family assistance grant for the fiscal year.

"(4) ELIGIBLE STATE.—For purposes of this subsection, a State is an eligible State for a fiscal year if—

"(A) the average rate of total unemployment in such State (seasonally adjusted) for the period consisting of the most recent 3 months for which data for all States are published equals or exceeds 6.5 percent;

"(B) the average rate of total unemployment in such State (seasonally adjusted) for the 3-month period equals or exceeds 110 percent of such average rate for either (or both) of the corresponding 3-month periods ending in the 2 preceding calendar years; and

"(C) the total amount expended by the State during the fiscal year under the State program funded under this part is not less than 100 percent of the level of historic State expenditures (as defined in section 408(a)(7)(B)(iii)) with respect to the fiscal year.

"(5) STATE.—As used in this subsection, the term 'State' means each of the 50 States of the United States and the District of Columbia.

"(6) PAYMENT PRIORITY.—The Secretary shall make payments under paragraph (3) in the order in which the Secretary receives claims for such payments.

"(7) ANNUAL REPORTS.—The Secretary of the Treasury shall annually report to the Congress on the status of the Fund.

"(8) BUDGET SCORING.—Notwithstanding section 257(b)(2) of the Balanced Budget and Emergency Deficit Control Act of 1985, the baseline shall assume that no grant shall be made under this subsection after fiscal year 2001.

"SEC. 404. USE OF GRANTS.—

"(a) GENERAL RULES.—Subject to this part, a State to which a grant is made under section 403 may use the grant—

"(1) in any manner that is reasonably calculated to accomplish the purpose of this part, including to provide low-income households with assistance in meeting home heating and cooling costs; or

"(2) in any manner that the State was authorized to use amounts received under part A or F, as such parts were in effect on September 30, 1993.

"(b) LIMITATION ON USE OF GRANT FOR ADMINISTRATIVE PURPOSES.—

"(1) LIMITATION.—A State to which a grant is made under section 403 shall not expend more than 15 percent of the grant for administrative purposes.

"(2) EXCEPTION.—Paragraph (1) shall not apply to the use of a grant for information technology and computerization needed for tracking or monitoring required by or under this part.

"(c) AUTHORITY TO TREAT INTERSTATE IMMIGRANTS UNDER RULES OF FORMER STATE.—A State operating a program funded under this part may apply to a family the rules (including benefit amounts) of the program funded under this part of another State if the family has moved to the State from the other State and has resided in the State for less than 12 months.

"(d) AUTHORITY TO USE PORTION OF GRANT FOR OTHER PURPOSES.—

"(1) IN GENERAL.—A State may use not more than 30 percent of the amount of the grant made to the State under section 403 for a fiscal year to carry out a State program pursuant to any or all of the following provisions of law:

"(A) Part B of this title.

"(B) Title XX of this Act.

"(C) The Child Care and Development Block Grant Act of 1990.

"(2) APPLICABLE RULES.—Any amount paid to the State under this part that is used to carry out a State program pursuant to a provision of law specified or described in paragraph (1) shall not be subject to the requirements of this part, but shall be subject to the requirements that apply to Federal funds provided directly under the provision of law to carry out the program.

"(e) AUTHORITY TO RESERVE CERTAIN AMOUNTS FOR ASSISTANCE.—A State may reserve amounts paid to the State under this part for any fiscal year for the purpose of providing, without fiscal year limitation, assistance under the State program funded under this part.

"(f) AUTHORITY TO OPERATE EMPLOYMENT PLACEMENT PROGRAM.—A State to which a grant is made under section 403 may use the grant to make payments (or provide job placement vouchers) to State-approved public and private job placement agencies that provide employment placement services to individuals who receive assistance under the State program funded under this part.

"(g) IMPLEMENTATION OF ELECTRONIC BENEFIT TRANSFER SYSTEM.—A State to which a

grant is made under section 403 is encouraged to implement an electronic benefit transfer system for providing assistance under the State program funded under this part, and may use the grant for such purpose.

**SEC. 403. ADMINISTRATIVE PROVISIONS.**

**(a) QUARTERLY.**—The Secretary shall pay each grant payable to a State under section 403 in quarterly installments.

**(b) NOTIFICATION.**—Not later than 3 months before the payment of any such quarterly installment to a State, the Secretary shall notify the State of the amount of any reduction determined under section 412(a)(1)(B) with respect to the State.

**(c) COMPUTATION AND CERTIFICATION OF PAYMENTS TO STATES.**

**(1) COMPUTATION.**—The Secretary shall estimate the amount to be paid to each eligible State for each quarter under this part, such estimate to be based on a report filed by the State containing an estimate by the State of the total sum to be expended by the State in the quarter under the State program funded under this part and such other information as the Secretary may find necessary.

**(2) CERTIFICATION.**—The Secretary of Health and Human Services shall certify to the Secretary of the Treasury the amount estimated under paragraph (1) with respect to a State, reduced or increased to the extent of any overpayment or underpayment which the Secretary of Health and Human Services determines was made under this part to the State for any prior quarter and with respect to which adjustment has not been made under this paragraph.

**(d) PAYMENT METHOD.**—Upon receipt of a certification under subsection (c)(2) with respect to a State, the Secretary of the Treasury shall, through the Fiscal Service of the Department of the Treasury and before audit or settlement by the General Accounting Office, pay to the State, at the time or times fixed by the Secretary of Health and Human Services, the amount so certified.

**(e) COLLECTION OF STATE OVERPAYMENTS TO FAMILIES FROM FEDERAL TAX REFUNDS.**

**(1) IN GENERAL.**—Upon receiving notice from the Secretary of Health and Human Services that a State agency administering a program funded under this part has notified the Secretary that a named individual has been overpaid under the State program funded under this part, the Secretary of the Treasury shall determine whether any amounts as refunds of Federal taxes paid are payable to such individual, regardless of whether the individual filed a tax return as a married or unmarried individual. If the Secretary of the Treasury finds that any such amount is so payable, the Secretary shall withhold from such refunds an amount equal to the overpayment sought to be collected by the State and pay such amount to the State agency.

**(2) REGULATIONS.**—The Secretary of the Treasury shall issue regulations, after review by the Secretary of Health and Human Services, that provide—

**(A)** that a State may only submit under paragraph (1) requests for collection of overpayments with respect to individuals—

**(i)** who are no longer receiving assistance under the State program funded under this part;

**(ii)** with respect to whom the State has already taken appropriate action under State law against the income or resources of the individual or families involved to collect the past-due legally enforceable debt; and

**(iii)** to whom the State agency has given notice of its intent to request withholding by the Secretary of the Treasury from the income tax refunds of such individual;

**(B)** that the Secretary of the Treasury will give a timely and appropriate notice to any other person filing a joint return with the individual whose refund is subject to withholding under paragraph (1); and

**(C)** the procedures that the State and the Secretary of the Treasury will follow in carrying

out this subsection which, to the maximum extent feasible and consistent with the provisions of this subsection, will be the same as those issued pursuant to section 464(b) applicable to collection of post-due child support.

**SEC. 404. FEDERAL LOANS FOR STATE WELFARE PROGRAMS.**

**(a) LOAN AUTHORITY.**

**(1) IN GENERAL.**—The Secretary shall make loans to any loan-eligible State, for a period to maturity of not more than 3 years.

**(2) LOAN-ELIGIBLE STATE.**—As used in paragraph (1), the term "loan-eligible State" means a State against which a penalty has not been imposed under section 495(a)(1).

**(b) RATE OF INTEREST.**—The Secretary shall charge and collect interest on any loan made under this section at a rate equal to the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the period to maturity of the loan.

**(c) USE OF LOAN.**—A State shall use a loan made to the State under this section only for any purpose for which grant amounts received by the State under section 403(a) may be used, including—

- (1)** welfare anti-fraud activities; and
- (2)** the provision of assistance under the State program to Indian families that have moved from the service area of an Indian tribe with a tribal family assistance plan approved under section 412.

**(d) LIMITATION ON TOTAL AMOUNT OF LOANS TO A STATE.**—The cumulative dollar amount of all loans made to a State under this section during fiscal years 1997 through 2001 shall not exceed 10 percent of the State family assistance grant.

**(e) LIMITATION ON TOTAL AMOUNT OF OUTSTANDING LOANS.**—The total dollar amount of loans outstanding under this section may not exceed \$1,700,000,000.

**(f) APPROPRIATION.**—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated such sums as may be necessary for the cost of loans under this section.

**SEC. 405. MANDATORY WORK REQUIREMENTS.**

**(a) PARTICIPATION RATE REQUIREMENTS.**

**(1) ALL FAMILIES.**—A State to which a grant is made under section 403 for a fiscal year shall achieve the minimum participation rate specified in the following table for the fiscal year with respect to all families receiving assistance under the State program funded under this part:

If the fiscal year is:	The minimum participation rate is:
1996	15
1997	20
1998	25
1999	30
2000	35
2001	40
2002 or thereafter	50

**(2) 2-PARENT FAMILIES.**—A State to which a grant is made under section 403 for a fiscal year shall achieve the minimum participation rate specified in the following table for the fiscal year with respect to 2-parent families receiving assistance under the State program funded under this part:

If the fiscal year is:	The minimum participation rate is:
1996	50
1997	75
1998	75
1999 or thereafter	90

**(b) CALCULATION OF PARTICIPATION RATES.**

**(1) ALL FAMILIES.**

**(A) AVERAGE MONTHLY RATE.**—For purposes of subsection (a)(1), the participation rate for all families of a State for a fiscal year is the av-

erage of the participation rates for all families of the State for each month in the fiscal year.

**(B) MONTHLY PARTICIPATION RATES.**—The participation rate of a State for all families of the State for a month, expressed as a percentage, is—

**(i)** the number of families receiving assistance under the State program funded under this part that include an adult who is engaged in work for the month, divided by

**(ii)** the amount by which—

**(1)** the number of families receiving such assistance during the month that include an adult receiving such assistance; exceeds

**(II)** the number of families receiving such assistance that are subject in such month to a penalty described in subsection (e)(1) but have not been subject to such penalty for more than 3 months within the preceding 12-month period (whether or not consecutive).

**(2) 2-PARENT FAMILIES.**

**(A) AVERAGE MONTHLY RATE.**—For purposes of subsection (a)(2), the participation rate for 2-parent families of a State for a fiscal year is the average of the participation rates for 2-parent families of the State for each month in the fiscal year.

**(B) MONTHLY PARTICIPATION RATES.**—The participation rate of a State for 2-parent families of the State for a month shall be calculated by use of the formula set forth in paragraph (1)(B), except that in the formula the term "number of 3-parent families" shall be substituted for the term "number of families" each place such latter term appears.

**(3) PRO RATA REDUCTION OF PARTICIPATION RATE DUE TO CASELOAD REDUCTIONS NOT REQUIRED BY FEDERAL LAW.**

**(A) IN GENERAL.**—The Secretary shall prescribe regulations for reducing the minimum participation rate otherwise required by this section for a fiscal year by the number of percentage points equal to the number of percentage points (if any) by which—

**(i)** the number of families receiving assistance during the fiscal year under the State program funded under this part is less than

**(ii)** the number of families that received aid under the State plan approved under part A (as in effect on September 30, 1995) during fiscal year 1995.

The minimum participation rate shall not be reduced to the extent that the Secretary determines that the reduction in the number of families receiving such assistance is required by Federal law.

**(B) ELIGIBILITY CHANGES NOT COUNTED.**—The regulations described in subparagraph (A) shall not take into account families that are diverted from a State program funded under this part as a result of differences in eligibility criteria under a State program funded under this part and eligibility criteria under the State program operated under the State plan approved under part A (as such plan and such part were in effect on September 30, 1995). Such regulations shall place the burden on the Secretary to prove that such families were diverted as a direct result of differences in such eligibility criteria.

**(4) STATE OPTION TO INCLUDE INDIVIDUALS RECEIVING ASSISTANCE UNDER A TRIBAL FAMILY ASSISTANCE PLAN.**—For purposes of paragraphs (1)(B) and (2)(B), a State may, at its option, include families receiving assistance under a tribal family assistance plan approved under section 412.

**(5) STATE OPTION FOR PARTICIPATION REQUIREMENT EXEMPTIONS.**—For any fiscal year, a State may, at its option, not require an individual who is a single custodial parent caring for a child who has not attained 12 months of age to engage in work and may disregard such an individual in determining the participation rates under subsection (a).

**(c) ENGAGED IN WORK.**

**(1) ALL FAMILIES.**—For purposes of subsection (b)(1)(B)(ii), a recipient is engaged in

work for a month in a fiscal year if the recipient is participating in such activities for at least the minimum average number of hours per week specified in the following table during the month, not fewer than 20 hours per week of which are attributable to an activity described in paragraph (1), (2), (3), (4), (5), (7), or (8) of subsection (d) (or, in the case of the first 4 weeks for which the recipient is required pursuant to this section to participate in work activities, an activity described in subsection (d)(6)):

"If the month is in fiscal year:	The minimum average number of hours per week is:
1996	20
1997	20
1998	20
1999	25
2000	30
2001	30
2002	35
2003 or thereafter	35

"(2) 2-PARENT FAMILIES.—For purposes of subsection (b)(2)(B)(i), an adult is engaged in work for a month in a fiscal year if the adult is making progress in such activities for at least 20 hours per week during the month, not fewer than 20 hours per week of which are attributable to an activity described in paragraph (1), (2), (3), (4), (5), (7), or (8) of subsection (d) (or, in the case of the first 4 weeks for which the recipient is required pursuant to this section to participate in work activities, an activity described in subsection (d)(6)).

"(3) LIMITATION ON VOCATIONAL EDUCATION ACTIVITIES COUNTED AS WORK.—For purposes of determining monthly participation rates under paragraphs (1)(B)(i) and (2)(B)(i) of subsection (b), not more than 20 percent of adults in all families and in 2-parent families determined to be engaged in work in the State for a month may meet the work activity requirement through participation in vocational educational training.

"(d) WORK ACTIVITIES DEFINED.—As used in this section, the term 'work activities' means—

- "(1) unsubsidized employment;
- "(2) subsidized private sector employment;
- "(3) subsidized public sector employment;
- "(4) work experience (including work associated with the refurbishing of publicly assisted housing) if sufficient private sector employment is not available;
- "(5) on-the-job training;
- "(6) job search and job readiness assistance;
- "(7) community service programs;
- "(8) vocational educational training (not to exceed 12 months with respect to any individual);
- "(9) job skills training directly related to employment;
- "(10) education directly related to employment, in the case of a recipient who has not attained 20 years of age, and has not received a high school diploma or a certificate of high school equivalency; and
- "(11) satisfactory attendance at secondary school, in the case of a recipient who—

- "(A) has not completed secondary school; and
- "(B) is a dependent child, or a head of household who has not attained 20 years of age.

"(e) PENALTIES AGAINST INDIVIDUALS.—

"(1) IN GENERAL.—Except as provided in paragraph (2), if an adult in a family receiving assistance under the State program funded under this part refuses to engage in work required in accordance with this section, the State shall—

"(A) reduce the amount of assistance otherwise payable to the family pro rata (or more, at the option of the State) with respect to any period during a month in which the adult so refuses; or

"(B) terminate such assistance, subject to such good cause and other exceptions as the State may establish.

"(2) EXCEPTION.—Notwithstanding paragraph (1), a State may not reduce or terminate assist-

ance under the State program funded under this part based on a refusal of an adult to work if the adult is a single custodial parent caring for a child who has not attained 8 years of age, and the adult proves that the adult has a demonstrated inability (as determined by the State) to obtain needed child care, for 1 or more of the following reasons:

"(A) Unavailability of appropriate child care within a reasonable distance from the individual's home or work site.

"(B) Unavailability or unavailability of informal child care by a relative or under other arrangements.

"(C) Unavailability of appropriate and affordable formal child care arrangements.

"(F) NONDISPLACEMENT IN WORK ACTIVITIES.—

"(1) IN GENERAL.—Subject to paragraph (2), an adult in a family receiving assistance under a State program funded under this part attributable to funds provided by the Federal Government may fill a vacant employment position in order to engage in a work activity described in subsection (d).

"(2) NO FILLING OF CERTAIN VACANCIES.—No adult in a work activity described in subsection (d) which is funded, in whole or in part, by funds provided by the Federal Government shall be employed or assigned—

"(A) when any other individual is on layoff from the same or any substantially equivalent job; or

"(B) if the employer has terminated the employment of any regular employee or otherwise caused an involuntary reduction of its workforce in order to fill the vacancy so created with an adult described in paragraph (1).

"(3) NO PREEMPTION.—Nothing in this subsection shall preempt or supersede any provision of State or local law that provides greater protection for employees from displacement.

"(g) SENSE OF THE CONGRESS.—It is the sense of the Congress that in complying with this section, each State that operates a program funded under this part is encouraged to assign the highest priority to requesting adults in 2-parent families and adults in single-parent families that include older preschool or school-age children to be engaged in work activities.

"(h) SENSE OF THE CONGRESS THAT STATES SHOULD IMPOSE CERTAIN REQUIREMENTS ON NONCUSTODIAL, NONSUPPORTING MINOR PARENTS.—It is the sense of the Congress that the States should require noncustodial, nonsupporting parents who have not attained 18 years of age to fulfill community work obligations and attend appropriate parenting or money management classes after school.

"SEC. 403. PROHIBITION OF REQUIREMENTS.

"(a) IN GENERAL.—

"(1) NO ASSISTANCE FOR FAMILIES WITHOUT A MINOR CHILD.—A State to which a grant is made under section 403 shall not use any part of the grant to provide assistance to a family, unless the family includes—

- "(A) a minor child who resides with a custodial parent or other adult caretaker relative of the child; or
- "(B) a pregnant individual.

"(2) NO ADDITIONAL CASH ASSISTANCE FOR CHILDREN BORN TO FAMILIES RECEIVING ASSISTANCE.—

"(A) GENERAL RULE.—A State to which a grant is made under section 403 shall not use any part of the grant to provide cash benefits for a minor child who is born to—

- "(i) a recipient of assistance under the program operated under this part; or
- "(ii) a person who received such assistance at any time during the 10-month period ending with the birth of the child.

"(B) EXCEPTION FOR CHILDREN BORN INTO FAMILIES WITH NO OTHER CHILDREN.—Subparagraph (A) shall not apply to a minor child who is born into a family that does not include any other children.

"(C) EXCEPTION FOR VOUCHERS.—Subparagraph (A) shall not apply to vouchers which are

provided in lieu of cash benefits and which may be used only to pay for particular goods and services specified by the State as suitable for the care of the child involved.

"(D) EXCEPTION FOR RAPE OR INCEST.—Subparagraph (A) shall not apply with respect to a child who is born as a result of rape or incest.

"(E) STATE ELECTION TO OPT OUT.—Subparagraph (A) shall not apply to a State if State law specifically exempts the State program funded under this part from the application of subparagraph (A).

"(F) SUBSTITUTION OF FAMILY CARES IN EFFECT UNDER WAIVERS.—Subparagraph (A) shall not apply to a State—

"(i) if, as of the date of the enactment of this part, there is in effect a waiver approved by the Secretary under section 1115 which permits the State to deny aid under the State plan approved under part A of this title (as in effect without regard to the amendments made by title I of the Personal Responsibility and Work Opportunity Act of 1995) to a family by reason of the birth of a child to a family member otherwise eligible for such aid; and

"(ii) for so long as the State continues to implement such policy under the State program funded under this part, under rules prescribed by the State.

"(3) REDUCTION OR ELIMINATION OF ASSISTANCE FOR NONCOOPERATION IN CHILD SUPPORT.—

If the agency responsible for administering the State plan approved under part D determines that an individual is not cooperating with the State in establishing, modifying, or enforcing a support order with respect to a child of the individual, then the State—

"(A) shall deduct from the assistance that would otherwise be provided to the family of the individual under the State program funded under this part the share of such assistance attributable to the individual; and

"(B) may deny the family any assistance under the State program.

"(4) NO ASSISTANCE FOR FAMILIES NOT ASSIGNING CERTAIN SUPPORT RIGHTS TO THE STATE.—

"(A) IN GENERAL.—A State to which a grant is made under section 403 shall require, as a condition of providing assistance to a family under the State program funded under this part, that a member of the family assign to the State any rights the family member may have (on behalf of the family member or, of any other person for whom the family member has applied for or is receiving such assistance) to support from any other person, not exceeding the total amount of assistance so provided to the family, which accrue (or have accrued) before the date the family leaves the program, which assignment, on and after the date the family leaves the program, shall not apply with respect to any support (other than support collected pursuant to section 464) which accrued before the family received such assistance and which the State has not collected by—

"(i) September 30, 2000, if the assignment is executed on or after October 1, 1997, and before October 1, 2000; or

"(ii) the date the family leaves the program, if the assignment is executed on or after October 1, 2000.

"(B) LIMITATION.—A State to which a grant is made under section 403 shall not require, as a condition of providing assistance to any family under the State program funded under this part, that a member of the family assign to the State any rights to support described in subparagraph (A) which accrue after the date the family leaves the program, except to the extent necessary to enable the State to comply with section 457.

"(3) NO ASSISTANCE FOR TEENAGE PARENTS WHO DO NOT ATTEND HIGH SCHOOL OR OTHER EQUIVALENT TRAINING PROGRAM.—A State to which a grant is made under section 403 shall not use any part of the grant to provide assistance to an individual who has not attained 18 years of age, is not married, has a minor child

at least 12 weeks of age in his or her care, and has not successfully completed a high-school education for its equivalent), if the individual does not participate in—

"(A) educational activities directed toward the attainment of a high school diploma or its equivalent; or

"(B) an alternative educational or training program that has been approved by the State.

"(B) NO ASSISTANCE FOR FERGUSON PARENTS NOT LIVING IN ADULT-SUPERVISED SETTINGS.—

"(A) IN GENERAL.—

"(1) REQUIREMENT.—Except as provided in subparagraph (B), a State to which a grant is made under section 403 shall not use any part of the grant to provide assistance to an individual described in clause (i) of this subparagraph if the individual and the minor child referred to in clause (i)(1) do not reside in a place of residence maintained by a parent, legal guardian, or other adult relative of the individual as such parent's, guardian's, or adult relative's own home.

"(ii) INDIVIDUAL DESCRIBED.—For purposes of clause (i), an individual described in this clause is an individual who—

"(1) has not attained 18 years of age; and

"(2) is not married, and has a minor child in his or her care.

"(B) EXCEPTION.—

"(1) PROVISION OF, OR ASSISTANCE IN LOCATING, ADULT-SUPERVISED LIVING ARRANGEMENT.—In the case of an individual who is described in clause (i), the State agency referred to in section 402(a)(4) shall provide, or assist the individual in locating, a second chance home, maternity home, or other appropriate adult-supervised supportive living arrangement, taking into consideration the needs and concerns of the individual, unless the State agency determines that the individual's current living arrangement is appropriate, and thereafter shall require that the individual and the minor child referred to in subparagraph (A)(ii)(1) reside in such living arrangement as a condition of the continued receipt of assistance under the State program funded under this part attributable to funds provided by the Federal Government (or in an alternative appropriate arrangement, should circumstances change and the current arrangement cease to be appropriate).

"(ii) INDIVIDUAL DESCRIBED.—For purposes of clause (i), an individual is described in this clause if the individual is described in subparagraph (A)(ii), and—

"(1) the individual has no parent, legal guardian or other appropriate adult relative described in subclause (1) of his or her own who is living or whose whereabouts are known;

"(2) no living parent, legal guardian, or other appropriate adult relative, who would otherwise meet applicable State criteria to act as the individual's legal guardian, of such individual allows the individual to live in the home of such parent, guardian, or relative;

"(3) the State agency determines that—

"(aa) the individual or the minor child referred to in subparagraph (A)(ii)(1) is being or has been subjected to serious physical or emotional harm, sexual abuse, or exploitation in the residence of the individual's own parent or legal guardian; or

"(bb) substantial evidence exists of an act or failure to act that presents an imminent or serious harm if the individual and the minor child lived in the same residence with the individual's own parent or legal guardian; or

"(4) the State agency otherwise determines that it is in the best interest of the minor child to waive the requirement of subparagraph (A) with respect to the individual or the minor child.

"(iii) SECOND-CHANCE HOME.—For purposes of this subparagraph, the term "second-chance home" means an entity that provides individuals described in clause (i) with a supportive and supervised living arrangement in which such individuals are required to learn parenting skills,

including child development, family budgeting, health and nutrition, and other skills to promote their long-term economic independence and the well-being of their children.

"(7) NO MEDICAL SERVICES.—

"(A) IN GENERAL.—Except as provided in subparagraph (B), a State to which a grant is made under section 403 shall not use any part of the grant to provide medical services.

"(B) EXCEPTION FOR FAMILY PLANNING SERVICES.—As used in subparagraph (A), the term "medical services" does not include family planning services.

"(8) NO ASSISTANCE FOR MORE THAN 5 YEARS.—

"(A) IN GENERAL.—Except as provided in subparagraphs (B) and (C), a State to which a grant is made under section 403 shall not use any part of the grant to provide cash assistance to a family that includes an adult who has received assistance under any State program funded under this part attributable to funds provided by the Federal Government, for 60 months (whether or not consecutive) after the date the State program funded under this part commences.

"(B) MINOR CHILD EXCEPTION.—In determining the number of months for which an individual who is a parent or pregnant has received assistance under the State program funded under this part, the State shall disregard any month for which such assistance was provided with respect to the individual and during which the individual was—

"(1) a minor child; and

"(2) not the head of a household or married to the head of a household.

"(C) HARDSHIP EXCEPTION.—

"(1) IN GENERAL.—The State may exempt a family from the application of subparagraph (A) by reason of hardship or if the family includes an individual who has been battered or subjected to extreme cruelty.

"(ii) LIMITATION.—The number of families with respect to which an exemption made by a State under clause (1) is in effect for a fiscal year shall not exceed 15 percent of the average monthly number of families to which assistance is provided under the State program funded under this part.

"(iii) BATTERED OR SUBJECT TO EXTREME CRUELTY DEFINED.—For purposes of clause (1), an individual has been battered or subjected to extreme cruelty if the individual has been subjected to—

"(1) physical acts that resulted in, or threatened to result in, physical injury to the individual;

"(2) sexual abuse;

"(3) sexual activity involving a dependent child;

"(4) being forced as the caretaker relative of a dependent child to engage in nonconsensual sexual acts or activities;

"(5) threats of, or attempts at, physical or sexual abuse;

"(6) mental abuse; or

"(7) neglect or deprivation of medical care.

"(D) RULE OF INTERPRETATION.—Subparagraph (A) shall not be interpreted to require any State to provide assistance to any individual for any period of time under the State program funded under this part.

"(9) DENIAL OF ASSISTANCE FOR 10 YEARS TO A PERSON FOUND TO HAVE FRAUDULENTLY MISREPRESENTED RESIDENCE IN ORDER TO OBTAIN ASSISTANCE IN 2 OR MORE STATES.—A State to which a grant is made under section 403 shall not use any part of the grant to provide cash assistance to an individual during the 10-year period that begins on the date the individual is convicted in Federal or State court of having made a fraudulent statement or representation with respect to the place of residence of the individual in order to receive assistance simultaneously from 2 or more States under programs that are funded under this title, title XIX, or the Food Stamp Act of 1977, or benefits in 2 or more States under the supplemental security income program under title XVI.

"(10) DENIAL OF ASSISTANCE FOR FUGITIVE FELONS AND PROBATION AND PAROLE VIOLATORS.—

"(A) IN GENERAL.—A State to which a grant is made under section 403 shall not use any part of the grant to provide assistance to any individual who is—

"(1) fleeing to avoid prosecution, or custody or confinement after conviction, under the laws of the place from which the individual flees, for a crime, or an attempt to commit a crime, which is a felony under the laws of the place from which the individual flees, or which, in the case of the State of New Jersey, is a high misdemeanor under the laws of such State; or

"(2) violating a condition of probation or parole imposed under Federal or State law.

"(B) EXCHANGE OF INFORMATION WITH LAW ENFORCEMENT AGENCIES.—If a State to which a grant is made under section 403 establishes safeguards against the use or disclosure of information about applicants or recipients of assistance under the State program funded under this part, the safeguards shall not prevent the State agency administering the program from furnishing a Federal, State, or local law enforcement officer, upon the request of the officer, with the current address of any recipient if the officer furnishes the agency with the name of the recipient and notifies the agency that—

"(1) the recipient—

"(i) is described in subparagraph (A); or

"(ii) has information that is necessary for the officer to conduct the official duties of the officer; and

"(3) the location or apprehension of the recipient is within such official duties.

"(11) DENIAL OF ASSISTANCE FOR MINOR CHILDREN WHO ARE ABSENT FROM THE HOME FOR A SIGNIFICANT PERIOD.—

"(A) IN GENERAL.—A State to which a grant is made under section 403 shall not use any part of the grant to provide assistance for a minor child who has been, or is expected by a parent (or other caretaker relative) of the child to be, absent from the home for a period of 45 consecutive days or, at the option of the State, such period of not less than 30 and not more than 90 consecutive days as the State may provide for in the State plan submitted pursuant to section 402.

"(B) STATE AUTHORITY TO ESTABLISH GOOD CAUSE EXCEPTIONS.—The State may establish such good cause exceptions to subparagraph (A) as the State considers appropriate if such exceptions are provided for in the State plan submitted pursuant to section 402.

"(C) DENIAL OF ASSISTANCE FOR RELATIVE WHO FAILS TO NOTIFY STATE AGENCY OF ABSENCE OF CHILD.—A State to which a grant is made under section 403 shall not use any part of the grant to provide assistance for an individual who is a parent (or other caretaker relative) of a minor child and who fails to notify the agency administering the State program funded under this part of the absence of the minor child from the home for the period specified in or provided for pursuant to subparagraph (A), by the end of the 5-day period that begins with the date that it becomes clear to the parent (or relative) that the minor child will be absent for such period so specified or provided for.

"(12) INCOME SECURITY PAYMENTS NOT TO BE DISREGARDED IN DETERMINING THE AMOUNT OF ASSISTANCE TO BE PROVIDED TO A FAMILY.—If a State to which a grant is made under section 403 uses any part of the grant to provide assistance for any individual who is receiving a payment under a State plan for old-age assistance approved under section 2, a State program funded under part B that provides cash payments for foster care, or the supplemental security income program under title XVI, then the State shall not disregard the payment in determining the amount of assistance to be provided under the State program funded under this part, from funds provided by the Federal Government, to the family of which the individual is a member.

**"(B) ALIENS.**—For special rules relating to the punishment of aliens, see section 402 of the Personal Responsibility and Work Opportunity Act of 1996.

**"SEC. 406. PENALTIES.**

**"(A) IN GENERAL.**—Subject to this section:

**"(1) USE OF GRANT IN VIOLATION OF THIS PART.**—

**"(A) GENERAL PENALTY.**—If an audit conducted under chapter 75 of title 31, United States Code, finds that an amount paid to a State under section 403 for a fiscal year has been used in violation of this part, the Secretary shall reduce the grant payable to the State under section 403(a)(1) for the immediately succeeding fiscal year quarter by the amount so used.

**"(B) ENHANCED PENALTY FOR INTENTIONAL VIOLATIONS.**—If the State does not prove to the satisfaction of the Secretary that the State did not intend to use the amount in violation of this part, the Secretary shall further reduce the grant payable to the State under section 403(a)(1) for the immediately succeeding fiscal year quarter by an amount equal to 5 percent of the State family assistance grant.

**"(C) FAILURE TO SUBMIT REQUIRED REPORT.**—

**"(A) IN GENERAL.**—If the Secretary determines that a State has not, within 1 month after the end of a fiscal quarter, submitted the report required by section 411(a) for the quarter year, the Secretary shall reduce the grant payable to the State under section 403(a)(1) for the immediately succeeding fiscal year by an amount equal to 4 percent of the State family assistance grant.

**"(B) RESCISSION OF PENALTY.**—The Secretary shall rescind a penalty imposed on a State under subparagraph (A) with respect to a report for a fiscal quarter if the State submits the report before the end of the immediately succeeding fiscal quarter.

**"(3) FAILURE TO SATISFY MINIMUM PARTICIPATION RATES.**—

**"(A) IN GENERAL.**—If the Secretary determines that a State to which a grant is made under section 403 for a fiscal year has failed to comply with section 407(a) for the fiscal year, the Secretary shall reduce the grant payable to the State under section 403(a)(1) for the immediately succeeding fiscal year by an amount equal to not more than 5 percent of the State family assistance grant.

**"(B) PENALTY BASED ON SEVERITY OF FAILURE.**—The Secretary shall impose reductions under subparagraph (A) based on the degree of noncompliance.

**"(4) FAILURE TO PARTICIPATE IN THE INCOME AND ELIGIBILITY VERIFICATION SYSTEM.**—If the Secretary determines that a State program funded under this part is not participating during a fiscal year in the income and eligibility verification system required by section 1137, the Secretary shall reduce the grant payable to the State under section 403(a)(1) for the immediately succeeding fiscal year by an amount equal to not more than 2 percent of the State family assistance grant.

**"(5) FAILURE TO COMPLY WITH PATERNITY ESTABLISHMENT AND CHILD SUPPORT ENFORCEMENT REQUIREMENTS UNDER PART D.**—Notwithstanding any other provision of this Act, if the Secretary determines that the State agency that administers a program funded under this part does not enforce the penalties requested by the agency administering part D against recipients of assistance under the State program who fail to cooperate in establishing paternity in accordance with such part, the Secretary shall reduce the grant payable to the State under section 403(a)(1) for the immediately succeeding fiscal year (without regard to this section) by not more than 3 percent.

**"(6) FAILURE TO TIMELY REPAY A FEDERAL LOAN FUND FOR STATE WELFARE PROGRAMS.**—If the Secretary determines that a State has failed to repay any amount borrowed from the Federal Loan Fund for State Welfare Programs estab-

lished under section 406 within the period of maturity applicable to the loan, plus any interest owed on the loan, the Secretary shall reduce the grant payable to the State under section 403(a)(1) for the immediately succeeding fiscal year quarter (without regard to this section) by the outstanding loan amount, plus the interest owed on the outstanding amount. The Secretary shall not forgive any outstanding loan amount or interest owed on the outstanding amount.

**"(7) FAILURE OF ANY STATE TO MAINTAIN CERTAIN LEVEL OF HISTORIC EFFORT.**—

**"(A) IN GENERAL.**—The Secretary shall reduce the grant payable to the State under section 403(a)(1) for fiscal year 1997, 1998, 1999, 2000, or 2001 by the amount (if any) by which qualified State expenditures for the then immediately preceding fiscal year is less than the applicable percentage of historic State expenditures with respect to the fiscal year.

**"(B) DEFINITIONS.**—As used in this paragraph:

**"(i) QUALIFIED STATE EXPENDITURES.**—

**"(I) IN GENERAL.**—The term "qualified State expenditures" means, with respect to a State and a fiscal year, the total expenditures by the State during the fiscal year, under all State programs for any of the following with respect to eligible families:

- "(aa)** Cash assistance.
- "(bb)** Child care assistance.
- "(cc)** Educational activities designed to increase self-sufficiency, job training, and work.
- "(dd)** Administrative costs.
- "(ee)** Any other use of funds allowable under section 404(a)(1).

**"(II) EXCLUSION OF TRANSFERS FROM OTHER STATES AND LOCAL PROGRAMS.**—Such term does not include funding supplanted by transfers from other State and local programs.

**"(III) ELIGIBLE FAMILIES.**—As used in subclause (I), the term "eligible families" means families eligible for assistance under the State program funded under this part, and families who would be eligible for such assistance but for the application of paragraph (2) or (3) of section 403(a) of this Act or section 402 of the Personal Responsibility and Work Opportunity Act of 1996.

**"(ii) APPLICABLE PERCENTAGE.**—The term "applicable percentage" means—

- "(I)** for fiscal year 1996, 75 percent; and
- "(II)** for fiscal years 1997, 1998, 1999, and 2000, 75 percent reduced (if appropriate) in accordance with subparagraph (C)(iii).

**"(iii) HISTORIC STATE EXPENDITURES.**—The term "historic State expenditures" means, with respect to a State and a fiscal year specified in subparagraph (A), the lesser of—

- "(I)** the expenditures by the State under parts A and F (as in effect during fiscal year 1994) for fiscal year 1994; or
- "(II)** the amount which bears the same ratio to the amount described in subclause (I) as—
  - "(aa)** the State family assistance grant for the fiscal year immediately preceding the fiscal year specified in subparagraph (A), plus the total amount required to be paid to the State under former section 403 for fiscal year 1994 with respect to amounts expended by the State for child care under subsection (g) or (i) of section 402 (as in effect during fiscal year 1994); bears to
  - "(bb)** the total amount required to be paid to the State under former section 403 (as in effect during fiscal year 1994) for fiscal year 1994.

Such term does not include any expenditures under the State plan approved under part A (as so in effect) on behalf of individuals covered by a tribal family assistance plan approved under section 412, as determined by the Secretary.

**"(iv) EXPENDITURES BY THE STATE.**—The term "expenditures by the State" does not include—

- "(I)** any expenditures from amounts made available by the Federal Government;
- "(II)** State funds expended for the medicaid program under title XIX; or
- "(III)** any State funds which are used to match Federal funds or are expended as a con-

dition of receiving Federal funds under Federal programs other than under this title.

**"(C) APPLICABLE PERCENTAGE REDUCED FOR STATES WITH BEST OR MOST IMPROVED PERFORMANCE IN CERTAIN AREAS.**—

**"(i) SCORING OF STATE PERFORMANCE.**—Beginning with fiscal year 1997, the Secretary shall assign to each State a score that represents the performance of the State for the fiscal year in each category described in clause (ii).

**"(ii) CATEGORIES.**—The categories described in this clause are the following:

- "(I)** Increasing the number of families that received assistance under a State program funded under this part in the fiscal year, and that, during the fiscal year, become ineligible for such assistance as a result of unassisted employment.
- "(II)** Reducing the percentage of families that, within 18 months after becoming ineligible for assistance under the State program funded under this part, become eligible for such assistance.
- "(III)** Increasing the average earnings of families that receive assistance under this part.
- "(IV)** Reducing the percentage of children in the State that receive assistance under the State program funded under this part.
- "(V)** REDUCTION OF MAINTENANCE OF EFFORT THRESHOLD.

**"(1) REDUCTION FOR STATES WITH 3 GREATEST SCORES IN EACH CATEGORY OF PERFORMANCE.**—The applicable percentage for a State for a fiscal year shall be reduced by 2 percentage points, with respect to each category described in clause (ii) for which the score assigned to the State under clause (i) for the immediately preceding fiscal year is 1 of the 5 highest scores so assigned to States.

**"(2) REDUCTION FOR STATES WITH 4 GREATEST IMPROVEMENT IN SCORES IN EACH CATEGORY OF PERFORMANCE.**—The applicable percentage for a State for a fiscal year shall be reduced by 2 percentage points for a State for a fiscal year, with respect to each category described in clause (ii) for which the difference between the score assigned to the State under clause (i) for the immediately preceding fiscal year and the score so assigned to the State for the 2nd preceding fiscal year is 1 of the 5 greatest such differences.

**"(3) LIMITATION ON REDUCTION.**—The applicable percentage for a State for a fiscal year may not be reduced by more than 3 percentage points pursuant to this clause.

**"(4) SUBSTANTIAL NONCOMPLIANCE OF STATE CHILD SUPPORT ENFORCEMENT PROGRAM WITH REQUIREMENTS OF PART D.**—

**"(A) IN GENERAL.**—If a State program operated under part D is found as a result of a review conducted under section 452(a)(4) not to have complied substantially with the requirements of such part for any quarter, and the Secretary determines that the program is not complying substantially with such requirements at the time the finding is made, the Secretary shall reduce the grant payable to the State under section 403(a)(1) for the quarter and each subsequent quarter that ends before the 1st quarter throughout which the program is found not to be in substantial compliance with such requirements by—

- "(i)** not less than 1 nor more than 2 percent;
- "(ii)** not less than 2 nor more than 3 percent, if the finding is the 2nd consecutive such finding made as a result of such a review; or
- "(iii)** not less than 3 nor more than 5 percent, if the finding is the 3rd or a subsequent consecutive such finding made as a result of such a review.

**"(B) DISREGARD OF NONCOMPLIANCE WHICH IS OF A TECHNICAL NATURE.**—For purposes of subparagraph (A) and section 452(a)(4), a State which is not in full compliance with the requirements of this part shall be determined to be in substantial compliance with such requirements only if the Secretary determines that any non-compliance with such requirements is of a technical nature which does not adversely affect the performance of the State's program operated under part D.

"(9) FAILURE OF STATE RECEIVING AMOUNTS FROM CONTINGENCY FUND TO MAINTAIN 100 PERCENT OF HISTORIC EFFORT.—If, at the end of any fiscal year during which amounts from the Contingency Fund for State Welfare Programs have been paid to a State, the Secretary finds that the State has failed, during the fiscal year, to expend under the State program funded under this part an amount equal to at least 100 percent of the level of historic State expenditures (as defined in paragraph (7)(B)(iii) of this subsection) with respect to the fiscal year, the Secretary shall reduce the grant payable to the State under section 403(a)(1) for the immediately succeeding fiscal year by the total of the amounts so paid to the State.

"(10) FAILURE TO EXPEND ADDITIONAL STATE FUNDS TO REPLACE GRANT REDUCTIONS.—If the grant payable to a State under section 403(a)(1) for a fiscal year is reduced by reason of this subsection, the State shall, during the immediately succeeding fiscal year, expend under the State program funded under this part an amount equal to the total amount of such reductions.

"(b) REASONABLE CAUSE EXCEPTION.—

"(1) IN GENERAL.—The Secretary may not impose a penalty on a State under subsection (a) with respect to a requirement if the Secretary determines that the State has reasonable cause for failing to comply with the requirement.

"(2) EXCEPTION.—Paragraph (1) of this subsection shall not apply to any penalty under subsection (a)(7).

"(c) CORRECTIVE COMPLIANCE PLAN.—

"(1) IN GENERAL.—

"(A) NOTIFICATION OF VIOLATION.—Before imposing a penalty against a State under subsection (a) with respect to a violation of this part, the Secretary shall notify the State of the violation and allow the State the opportunity to enter into a corrective compliance plan in accordance with this subsection which outlines how the State will correct the violation and how the State will insure continuing compliance with this part.

"(B) 60-DAY PERIOD TO PROPOSE A CORRECTIVE COMPLIANCE PLAN.—During the 60-day period that begins on the date the State receives a notice provided under subparagraph (A) with respect to a violation, the State may submit to the Federal Government a corrective compliance plan to correct the violation.

"(C) CONSULTATION ABOUT MODIFICATIONS.—During the 60-day period that begins with the date the Secretary receives a corrective compliance plan submitted by a State in accordance with subparagraph (B), the Secretary may consult with the State on modifications to the plan.

"(D) ACCEPTANCE OF PLAN.—A corrective compliance plan submitted by a State in accordance with subparagraph (B) is deemed to be accepted by the Secretary if the Secretary does not accept or reject the plan during 60-day period that begins on the date the plan is submitted.

"(2) EFFECT OF CORRECTING VIOLATION.—The Secretary may not impose any penalty under subsection (a) with respect to any violation covered by a State corrective compliance plan accepted by the Secretary if the State corrects the violation pursuant to the plan.

"(3) EFFECT OF FAILING TO CORRECT VIOLATION.—The Secretary shall assess some or all of a penalty imposed on a State under subsection (a) with respect to a violation if the State does not, in a timely manner, correct the violation pursuant to a State corrective compliance plan accepted by the Secretary.

"(4) LIMITATION ON AMOUNT OF PENALTY.—

"(1) IN GENERAL.—In imposing the penalties described in subsection (a), the Secretary shall not reduce any quarterly payment to a State by more than 25 percent.

"(2) CARRYFORWARD OF UNRECOVERED PENALTIES.—To the extent that paragraph (1) of this subsection prevents the Secretary from recovering during a fiscal year the full amount of penalties imposed on a State under subsection

(a) of this section for a prior fiscal year, the Secretary shall apply any remaining amount of such penalties to the grant payable to the State under section 403(a)(1) for the immediately succeeding fiscal year.

"SEC. 418. APPEAL OF ADVERSE DECISION.

"(a) IN GENERAL.—Within 5 days after the date the Secretary takes any adverse action under this part with respect to a State, the Secretary shall notify the chief executive officer of the State of the adverse action, including any action with respect to the State plan submitted under section 402 or the imposition of a penalty under section 409.

"(b) ADMINISTRATIVE REVIEW.—

"(1) IN GENERAL.—Within 60 days after the date a State receives notice under subsection (a) of an adverse action, the State may appeal the action, in whole or in part, to the Departmental Appeals Board established in the Department of Health and Human Services (in this section referred to as the 'Board') by filing an appeal with the Board.

"(2) PROCEDURAL RULES.—The Board shall consider an appeal filed by a State under paragraph (1) on the basis of such documentation as the State may submit and as the Board may require to support the final decision of the Board. In deciding whether to uphold an adverse action or any portion of such an action, the Board shall conduct a thorough review of the issues and take into account all relevant evidence. The Board shall make a final determination with respect to an appeal filed under paragraph (1) not less than 60 days after the date the appeal is filed.

"(c) JUDICIAL REVIEW OF ADVERSE DECISION.—

"(1) IN GENERAL.—Within 90 days after the date of a final decision by the Board under this section with respect to an adverse action taken against a State, the State may obtain judicial review of the final decision (and the findings incorporated into the final decision) by filing an action in—

"(A) the district court of the United States for the judicial district in which the principal or headquarters office of the State agency is located; or

"(B) the United States District Court for the District of Columbia.

"(2) PROCEDURAL RULES.—The district court in which an action is filed under paragraph (1) shall review the final decision of the Board on the record established in the administrative proceeding, in accordance with the standards of review prescribed by subparagraphs (A) through (E) of section 706(2) of title 5, United States Code. The review shall be on the basis of the documents and supporting data submitted to the Board.

"SEC. 411. DATA COLLECTION AND REPORTING.

"(a) QUARTERLY REPORTS BY STATES.—

"(1) GENERAL REPORTING REQUIREMENT.—

"(A) CONTENTS OF REPORT.—Beginning July 1, 1996, each State shall collect on a monthly basis, and report to the Secretary on a quarterly basis, the following, disaggregated case record information on the families receiving assistance under the State program funded under this part:

"(i) The county of residence of the family.

"(ii) Whether a child receiving such assistance or an adult in the family is disabled.

"(iii) The ages of the members of such families.

"(iv) The number of individuals in the family, and the relation of each family member to the youngest child in the family.

"(v) The employment status and earnings of the employed adult in the family.

"(vi) The marital status of the adults in the family, including whether such adults have never married, are widowed, or are divorced.

"(vii) The race and educational status of each adult in the family.

"(viii) The race and educational status of each child in the family.

"(ix) Whether the family received subsidized housing, medical assistance under the State plan approved under title XIX, food stamps, or subsidized child care, and if the latter 2, the amount received.

"(x) The number of months that the family has received each type of assistance under the program.

"(xi) If the adults participated in, and the number of hours per week of participation in, the following activities:

"(i) Education.

"(ii) Subsidized private sector employment.

"(iii) Unsubsidized employment.

"(iv) Public sector employment, work experience, or community service.

"(v) Job search.

"(vi) Job skills training or on-the-job training.

"(vii) Vocational education.

"(xii) Information necessary to calculate participation rates under section 407.

"(xiii) The type and amount of assistance received under the program, including the amount of and reason for any reduction of assistance (including sanctions).

"(xiv) From a sample of closed cases, whether the family left the program, and if so, whether the family left due to—

"(i) employment;

"(ii) marriage;

"(iii) the prohibition set forth in section 409(a)(3);

"(iv) sanction; or

"(v) State policy.

"(xv) Any amount of unearned income received by any member of the family.

"(xvi) The citizenship of the members of the family.

"(B) USE OF ESTIMATES.—

"(1) AUTHORITY.—A State may comply with subparagraph (A) by submitting an estimate which is obtained through the use of scientifically acceptable sampling methods approved by the Secretary.

"(ii) SAMPLING AND OTHER METHODS.—The Secretary shall provide the States with such case sampling plans and data collection procedures as the Secretary deems necessary to produce statistically valid estimates of the performance of State programs funded under this part. The Secretary may develop and implement procedures for verifying the quality of data submitted by the States.

"(2) REPORT ON USE OF FEDERAL FUNDS TO COVER ADMINISTRATIVE COSTS AND OVERHEAD.—The report required by paragraph (1) for a fiscal quarter shall include a statement of the percentage of the funds paid to the State under this part for the quarter that are used to cover administrative costs or overhead.

"(3) REPORT ON STATE EXPENDITURES ON PROGRAMS FOR NEEDY FAMILIES.—The report required by paragraph (1) for a fiscal quarter shall include a statement of the total amount expended by the State during the quarter on programs for needy families.

"(4) REPORT ON NONCUSTODIAL PARENTS PARTICIPATING IN WORK ACTIVITIES.—The report required by paragraph (1) for a fiscal quarter shall include the number of noncustodial parents in the State who participated in work activities (as defined in section 407(d)) during the quarter.

"(5) REPORT ON TRANSITIONAL SERVICES.—The report required by paragraph (1) for a fiscal quarter shall include the total amount expended by the State during the quarter to provide transitional services to a family that has ceased to receive assistance under this part because of employment, along with a description of such services.

"(6) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to define the data elements with respect to which reports are required by this subsection.

"(b) ANNUAL REPORTS TO THE CONGRESS BY THE SECRETARY.—Not later than 6 months after

the end of fiscal year 1997, and each fiscal year thereafter, the Secretary shall transmit to the Congress a report describing—

(1) whether the States are meeting—

(A) the participation rates described in section 407(a); and

(B) the objectives of—

(i) increasing employment and earnings of needy families, and child support collections; and

(ii) decreasing out-of-wedlock pregnancies and child poverty;

(2) the demographic and financial characteristics of families applying for assistance, families receiving assistance, and families that become ineligible to receive assistance;

(3) the characteristics of each State program funded under this part; and

(4) the trends in employment and earnings of needy families with minor children living at home.

**SEC. 412. DIRECT FUNDING AND ADMINISTRATION BY INDIAN TRIBES.**

**(a) GRANTS FOR INDIAN TRIBES.**

**(1) TRIBAL FAMILY ASSISTANCE GRANT.**

(A) IN GENERAL.—For each of fiscal years 1997, 1998, 1999, and 2000, the Secretary shall pay to each Indian tribe that has an approved tribal family assistance plan a tribal family assistance grant for the fiscal year in an amount equal to the amount determined under subparagraph (B), and shall reduce the grant payable under section 403(a)(1) to any State in which lies the service area or areas of the Indian tribe by that portion of the amount so determined that is attributable to expenditures by the State.

**(B) AMOUNT DETERMINED.**

(i) IN GENERAL.—The amount determined under this subparagraph is an amount equal to the total amount of the Federal payments to a State or States under section 403 (as in effect during such fiscal year) for fiscal year 1994 attributable to expenditures (other than child care expenditures) by the State or States under parts A and F (as so in effect) for fiscal year 1994 for Indian families residing in the service area or areas identified by the Indian tribe pursuant to subsection (b)(1)(C) of this section.

**(ii) USE OF STATE SUBMITTED DATA.**

(1) IN GENERAL.—The Secretary shall use State submitted data to make each determination under clause (i).

(2) DISAGREEMENT WITH DETERMINATION.—If an Indian tribe or tribal organization disagrees with State submitted data described under subsection (1), the Indian tribe or tribal organization may submit to the Secretary such additional information as may be relevant to making the determination under clause (i) and the Secretary may consider such information before making such determination.

**(3) GRANTS FOR INDIAN TRIBES THAT RECEIVED JOBS FUNDS.**

(A) IN GENERAL.—The Secretary shall pay to each eligible Indian tribe for each of fiscal years 1996, 1997, 1998, 1999, and 2000 a grant in an amount equal to the amount received by the Indian tribe in fiscal year 1994 under section 482(i) (as in effect during fiscal year 1994).

(B) ELIGIBLE INDIAN TRIBE.—For purposes of subparagraph (A), the term "eligible Indian tribe" means an Indian tribe or Alaska Native organization that conducted a job opportunities and basic skills training program in fiscal year 1995 under section 482(i) (as in effect during fiscal year 1995).

(C) USE OF GRANT.—Each Indian tribe to which a grant is made under this paragraph shall use the grant for the purpose of operating a program to make work activities available to members of the Indian tribe.

(D) APPROPRIATION.—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated \$7,538,474 for each fiscal year specified in subparagraph (A) for grants under subparagraph (A).

(E) 3-YEAR TRIBAL FAMILY ASSISTANCE PLAN.—

(1) IN GENERAL.—Any Indian tribe that desires to receive a tribal family assistance grant shall submit to the Secretary a 3-year tribal family assistance plan that—

(A) outlines the Indian tribe's approach to providing welfare-related services for the 3-year period, consistent with this section;

(B) specifies whether the welfare-related services provided under the plan will be provided by the Indian tribe or through agreements, contracts, or compacts with intertribal consortia, States, or other entities;

(C) identifies the population and service area or areas to be served by such plan;

(D) provides that a family receiving assistance under the plan may not receive duplicative assistance from other State or tribal programs funded under this part;

(E) identifies the employment opportunities in or near the service area or areas of the Indian tribe and the manner in which the Indian tribe will cooperate and participate in enhancing such opportunities for recipients of assistance under the plan consistent with any applicable State standards; and

(F) applies the fiscal accountability provisions of section 3(f)(1) of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450c(f)(1)), relating to the submission of a single-agency audit report required by chapter 75 of title II, United States Code.

(2) APPROVAL.—The Secretary shall approve each tribal family assistance plan submitted in accordance with paragraph (1).

(3) CONSORTIUM OF TRIBES.—Nothing in this section shall preclude the development and submission of a single tribal family assistance plan by the participating Indian tribes of an intertribal consortium.

(4) MINIMUM WORK PARTICIPATION REQUIREMENTS AND TIME LIMITS.—The Secretary, with the participation of Indian tribes, shall establish for each Indian tribe receiving a grant under this section minimum work participation requirements, appropriate time limits for receipt of welfare-related services under the grant, and penalties against individuals—

(1) consistent with the purposes of this section;

(2) consistent with the economic conditions and resources available to each tribe; and

(3) similar to comparable provisions in section 407(d).

(5) EMERGENCY ASSISTANCE.—Nothing in this section shall preclude an Indian tribe from seeking emergency assistance from any Federal loan program or emergency fund.

(6) ACCOUNTABILITY.—Nothing in this section shall be construed to limit the ability of the Secretary to maintain program funding accountability consistent with—

(1) generally accepted accounting principles; and

(2) the requirements of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450 et seq.).

(7) PENALTIES.—

(i) Subsections (a)(1), (a)(6), and (b) of section 409, shall apply to an Indian tribe with an approved tribal assistance plan in the same manner as such subsections apply to a State.

(ii) Section 408(a)(3) shall apply to an Indian tribe with an approved tribal assistance plan by substituting "meet minimum work participation requirements established under section 412(c)" for "comply with section 407(a)".

(8) DATA COLLECTION AND REPORTING.—Section 411 shall apply to an Indian tribe with an approved tribal family assistance plan.

**(h) SPECIAL RULE FOR INDIAN TRIBES IN ALASKA.**

(1) IN GENERAL.—Notwithstanding any other provision of this section, and except as provided in paragraph (2), an Indian tribe in the State of Alaska that receives a tribal family assistance grant under this section shall use the grant to operate a program in accordance with requirements comparable to the requirements applicable

to the program of the State of Alaska funded under this part. Comparability of programs shall be established on the basis of program criteria developed by the Secretary in consultation with the State of Alaska and such Indian tribes.

(2) WAIVER.—An Indian tribe described in paragraph (1) may apply to the appropriate State authority to receive a waiver of the requirement of paragraph (1).

**SEC. 412. RESEARCH, EVALUATIONS, AND NATIONAL STUDIES.**

(a) RESEARCH.—The Secretary shall conduct research on the benefits, effects, and costs of operating different State programs funded under this part, including time limits relating to eligibility for assistance. The research shall include studies on the effects of different programs and the operation of such programs on welfare dependency, illegitimacy, teen pregnancy, employment rates, child well-being, and any other area the Secretary deems appropriate. The Secretary shall also conduct research on the costs and benefits of State activities under section 403.

**(b) DEVELOPMENT AND EVALUATION OF INNOVATIVE APPROACHES TO REDUCING WELFARE DEPENDENCY AND INCREASING CHILD WELL-BEING.**

(1) IN GENERAL.—The Secretary may assist States in developing, and shall evaluate, innovative approaches for reducing welfare dependency and increasing the well-being of minor children living at home with respect to recipients of assistance under programs funded under this part. The Secretary may provide funds for training and technical assistance to carry out the approaches developed pursuant to this paragraph.

(2) EVALUATIONS.—In performing the evaluations under paragraph (1), the Secretary shall, to the maximum extent feasible, use random assignment as an evaluation methodology.

(c) DISSEMINATION OF INFORMATION.—The Secretary shall develop innovative methods of disseminating information on any research, evaluations, and studies conducted under this section, including the facilitation of the sharing of information and best practices among States and localities through the use of computers and other technologies.

**(d) ANNUAL RANKING OF STATES AND REVIEW OF MOST AND LEAST SUCCESSFUL WORK PROGRAMS.**

(1) ANNUAL RANKING OF STATES.—The Secretary shall rank annually the States to which grants are paid under section 403 in the order of their success in placing recipients of assistance under the State program funded under this part into long-term private sector jobs, reducing the overall welfare caseload, and, when a practicable method for calculating this information becomes available, diverting individuals from formally applying to the State program and receiving assistance. In ranking States under this subsection, the Secretary shall take into account the average number of minor children living at home in families in the State that have incomes below the poverty line and the amount of funding provided each State for such families.

(2) ANNUAL REVIEW OF MOST AND LEAST SUCCESSFUL WORK PROGRAMS.—The Secretary shall review the programs of the 3 States most recently ranked highest under paragraph (1) and the 3 States most recently ranked lowest under paragraph (1) that provide parents with work experience, assistance in finding employment, and other work preparation activities and support services to enable the families of such parents to leave the program and become self-sufficient.

**(e) ANNUAL RANKING OF STATES AND REVIEW OF ISSUES RELATING TO OUT-OF-WEDLOCK BIRTHS.**

(1) ANNUAL RANKING OF STATES.—

(A) IN GENERAL.—The Secretary shall annually rank States to which grants are made under section 403 based on the following ranking factors:

(i) ABSOLUTE OUT-OF-WEDLOCK RATIOS.—The ratio represented by—

"(1) the total number of out-of-wedlock births in families receiving assistance under the State program under this part in the State for the most recent fiscal year for which information is available; over

"(11) the total number of births in families receiving assistance under the State program under this part in the State for such year.

"(12) NET CHANGES IN THE OUT-OF-WEDLOCK RATIO.—The difference between the ratio described in subparagraph (A)(1) with respect to a State for the most recent fiscal year for which such information is available and the ratio with respect to the State for the immediately preceding year.

"(2) ANNUAL REVIEW.—The Secretary shall review the programs of the 5 States most recently ranked highest under paragraph (1) and the 5 States most recently ranked the lowest under paragraph (1).

"(3) STATE-INITIATED EVALUATIONS.—A State shall be eligible to receive funding to evaluate the State program funded under this part if—

"(1) the State submits a proposal to the Secretary for the evaluation;

"(2) the Secretary determines that the design and approach of the evaluation is rigorous and is likely to yield information that is credible and will be useful to other States; and

"(3) unless otherwise waived by the Secretary, the State contributes to the cost of the evaluation, from non-Federal sources, an amount equal to at least 10 percent of the cost of the evaluation.

"(g) FUNDING OF STUDIES AND DEMONSTRATIONS.—

"(1) IN GENERAL.—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated \$15,000,000 for each fiscal year specified in section 403(a)(1) for the purpose of paying—

"(A) the cost of conducting the research described in subsection (a);

"(B) the cost of developing and evaluating innovative approaches for reducing welfare dependency and increasing the well-being of minor children under subsection (b);

"(C) the Federal share of any State-initiated study approved under subsection (f); and

"(D) an amount determined by the Secretary to be necessary to operate and evaluate demonstration projects, relating to this part, that are in effect or approved under section 1115 as of September 30, 1995, and are continued after such date.

"(2) ALLOCATION.—Of the amount appropriated under paragraph (1) for a fiscal year—

"(A) 50 percent shall be allocated for the purposes described in subparagraphs (A) and (B) of paragraph (1); and

"(B) 50 percent shall be allocated for the purposes described in subparagraphs (C) and (D) of paragraph (1).

#### "SEC. 414. STUDY BY THE CENSUS BUREAU.

"(a) IN GENERAL.—The Bureau of the Census shall expand the Survey of Income and Program Participation as necessary to obtain such information as will enable interested persons to evaluate the impact of the amendments made by title I of the Personal Responsibility and Work Opportunity Act of 1995 on a random national sample of recipients of assistance under State programs funded under this part and (as appropriate) other low income families, and in doing so, shall pay particular attention to the issues of out-of-wedlock birth, welfare dependency, the beginning and end of welfare spells, and the causes of repeat welfare spells.

"(b) APPROPRIATION.—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated \$10,000,000 for each of fiscal years 1996, 1997, 1998, 1999, 2000, 2001, and 2002 for payment to the Bureau of the Census to carry out subsection (a).

#### "SEC. 415. WAIVERS.

"(a) CONTINUATION OF WAIVERS.—

"(1) WAIVERS IN EFFECT ON DATE OF ENACTMENT OF WELFARE REFORM.—Except as provided

in paragraph (3), if any waiver granted to a State under section 1115 or otherwise which relates to the provision of assistance under a State plan under this part (as in effect on September 30, 1995) is in effect as of the date of the enactment of the Personal Responsibility and Work Opportunity Act of 1995, the amendments made by such Act shall not apply with respect to the State before the expiration (determined without regard to any extensions) of the waiver to the extent such amendments are inconsistent with the waiver.

"(2) WAIVERS GRANTED SUBSEQUENTLY.—Except as provided in paragraph (3), if any waiver granted to a State under section 1115 or otherwise which relates to the provision of assistance under a State plan under this part (as in effect on September 30, 1995) is submitted to the Secretary before the date of the enactment of the Personal Responsibility and Work Opportunity Act of 1995 and approved by the Secretary before the effective date of this title, and the State demonstrates to the satisfaction of the Secretary that the waiver will not result in Federal expenditures under title IV of this Act (as in effect without regard to the amendments made by the Personal Responsibility and Work Opportunity Act of 1995) that are greater than would occur in the absence of the waiver, such amendments shall not apply with respect to the State before the expiration (determined without regard to any extensions) of the waiver to the extent such amendments are inconsistent with the waiver.

"(3) FINANCING LIMITATION.—Notwithstanding any other provision of law, beginning with fiscal year 1996, a State operating under a waiver described in paragraph (1) shall be entitled to payment under section 403 for the fiscal year, in lieu of any other payment provided for in the waiver.

"(b) STATE OPTION TO TERMINATE WAIVER.—

"(1) IN GENERAL.—A State may terminate a waiver described in subsection (a) before the expiration of the waiver.

"(2) REPORT.—A State which terminates a waiver under paragraph (1) shall submit a report to the Secretary summarizing the waiver and any available information concerning the result or effect of the waiver.

"(3) HOLD HARMLESS PROVISION.—

"(A) IN GENERAL.—Notwithstanding any other provision of law, a State that, not later than the date described in subparagraph (B), submits a written request to terminate a waiver described in subsection (a) shall be held harmless for accrued cost neutrality liabilities incurred under the waiver.

"(B) DATE DESCRIBED.—The date described in this subparagraph is the later of—

"(i) January 1, 1996; or

"(ii) 90 days following the adjournment of the first regular session of the State legislature that begins after the date of the enactment of the Personal Responsibility and Work Opportunity Act of 1995.

"(c) SECRETARIAL ENCOURAGEMENT OF CURRENT WAIVERS.—The Secretary shall encourage any State operating a waiver described in subsection (a) to continue the waiver and to evaluate, using random sampling and other characteristics of accepted scientific evaluations, the result or effect of the waiver.

"(d) CONTINUATION OF INDIVIDUAL WAIVERS.—A State may elect to continue 1 or more individual waivers described in subsection (a).

#### "SEC. 416. ASSISTANT SECRETARY FOR FAMILY SUPPORT.

"The programs under this part and part D shall be administered by an Assistant Secretary for Family Support within the Department of Health and Human Services, who shall be appointed by the President, by and with the advice and consent of the Senate, and who shall be in addition to any other Assistant Secretary of Health and Human Services provided for by law.

#### "SEC. 417. LIMITATION ON FEDERAL AUTHORITY.

"No officer or employee of the Federal Government may regulate the conduct of States

under this part or enforce any provision of this part, except to the extent expressly provided in this part.

#### "SEC. 418. DEFINITIONS.

"As used in this part:

"(1) ADULT.—The term 'adult' means an individual who is not a minor child.

"(2) MINOR CHILD.—The term 'minor child' means an individual who—

"(A) has not attained 18 years of age; or

"(B) has not attained 19 years of age and is a full-time student in a secondary school (or in the equivalent level of vocational or technical training).

"(3) FISCAL YEAR.—The term 'fiscal year' means any 12-month period ending on September 30 of a calendar year.

"(4) INDIAN, INDIAN TRIBE, AND TRIBAL ORGANIZATION.—

"(A) IN GENERAL.—Except as provided in subparagraph (B), the terms 'Indian', 'Indian tribe', and 'tribal organization' have the meaning given such terms by section 4 of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450b).

"(B) SPECIAL RULE FOR INDIAN TRIBES IN ALASKA.—The term 'Indian tribe' means, with respect to the State of Alaska, only the Metlakatla Indian Community of the Annette Islands Reserve and the following Alaska Native regional nonprofit corporations:

"(i) Arctic Slope Native Association.

"(ii) Kawerak, Inc.

"(iii) Maniilaq Association.

"(iv) Association of Village Council Presidents.

"(v) Tanana Chiefs Conference.

"(vi) Cook Inlet Tribal Council.

"(vii) Bristol Bay Native Association.

"(viii) Aleutian and Pribilof Island Association.

"(ix) Chugachmiut.

"(x) Tlingit Haida Central Council.

"(xi) Kodiak Area Native Association.

"(xii) Copper River Native Association.

"(5) STATE.—Except as otherwise specifically provided, the term 'State' means the 50 States of the United States, the District of Columbia, the Commonwealth of Puerto Rico, the United States Virgin Islands, Guam, and American Samoa.

#### "SEC. 104. SERVICES PROVIDED BY CHARITABLE, RELIGIOUS, OR PRIVATE ORGANIZATIONS.

"(a) IN GENERAL.—

"(1) STATE OPTIONS.—A State may—

"(A) administer and provide services under the programs described in subparagraphs (A) and (B)(i) of paragraph (2) through contracts with charitable, religious, or private organizations; and

"(B) provide beneficiaries of assistance under the programs described in subparagraphs (A) and (B)(ii) of paragraph (2) with certificates, vouchers, or other forms of disbursement which are redeemable with such organizations.

"(2) PROGRAMS DESCRIBED.—The programs described in this paragraph are the following programs:

"(A) A State program funded under part A of title IV of the Social Security Act (as amended by section 103 of this Act).

"(B) Any other program established or modified under title I, II, or VI of this Act, that—

"(i) permits contracts with organizations; or

"(ii) permits certificates, vouchers, or other forms of disbursement to be provided to beneficiaries, as a means of providing assistance.

"(b) RELIGIOUS ORGANIZATIONS.—The purpose of this section is to allow States to contract with religious organizations, or to allow religious organizations to accept certificates, vouchers, or other forms of disbursement under any program described in subsection (a)(2), on the same basis as any other nongovernmental provider without impairing the religious character of such organizations, and without diminishing the religious

freedom of beneficiaries of assistance funded under such program.

(c) **NONDISCRIMINATION AGAINST RELIGIOUS ORGANIZATIONS.**—In the event a State exercises its authority under subsection (a), religious organizations are eligible, on the same basis as any other private organization, as contractors to provide assistance, or to accept certificates, vouchers, or other forms of disbursement, under any program described in subsection (a)(2) so long as the programs are implemented consistent with the Establishment Clause of the United States Constitution. Except as provided in subsection (k), neither the Federal Government nor a State receiving funds under such programs shall discriminate against an organization which is or applies to be a contractor to provide assistance, or which accepts certificates, vouchers, or other forms of disbursement, on the basis that the organization has a religious character.

(d) **RELIGIOUS CHARACTER AND FREEDOM.**—

(1) **RELIGIOUS ORGANIZATIONS.**—A religious organization with a contract described in subsection (a)(1)(A), or which accepts certificates, vouchers, or other forms of disbursement under subsection (a)(1)(B), shall retain its independence from Federal, State, and local governments, including such organization's control over the definition, development, practice, and expression of its religious beliefs.

(2) **ADDITIONAL SAFEGUARDS.**—Neither the Federal Government nor a State shall require a religious organization to—

- (A) alter its form of internal governance; or
- (B) remove religious art, icons, scriptures, or other symbols;

in order to be eligible to contract to provide assistance, or to accept certificates, vouchers, or other forms of disbursement, funded under a program described in subsection (a)(2).

(e) **RIGHTS OF BENEFICIARIES OF ASSISTANCE.**—

(1) **IN GENERAL.**—If an individual described in paragraph (2) has an objection to the religious character of the organization or institution from which the individual receives, or would receive, assistance funded under any program described in subsection (a)(2), the State in which the individual resides shall provide such individual (if otherwise eligible for such assistance) within a reasonable period of time after the date of such objection with assistance from an alternative provider that is accessible to the individual and the value of which is not less than the value of the assistance which the individual would have received from such organization.

(2) **INDIVIDUAL DESCRIBED.**—An individual who receives, applies for, or requests to apply for, assistance under a program described in subsection (a)(2).

(3) **EMPLOYMENT PRACTICES.**—A religious organization's exemption provided under section 702 of the Civil Rights Act of 1964 (42 U.S.C. 2000e-1a) regarding employment practices shall not be affected by its participation in, or receipt of funds from, programs described in subsection (a)(2).

(4) **NONDISCRIMINATION AGAINST BENEFICIARIES.**—Except as otherwise provided in law, a religious organization shall not discriminate against an individual in regard to rendering assistance funded under any program described in subsection (a)(2) on the basis of religion, a religious belief, or refusal to actively participate in a religious practice.

(5) **FISCAL ACCOUNTABILITY.**—

(1) **IN GENERAL.**—Except as provided in paragraph (2), any religious organization contracting to provide assistance funded under any program described in subsection (a)(2) shall be subject to the same regulations as other contractors to account in accord with generally accepted auditing principles for the use of such funds provided under such programs.

(2) **LIMITED AUDIT.**—If such organization receives Federal funds provided under such pro-

grams into separate accounts, then only the financial assistance provided with such funds shall be subject to audit.

(3) **COMPLIANCE.**—Any party which seeks to enforce its rights under this section may assert a civil action for injunctive relief exclusively in an appropriate State court against the entity or agency that allegedly commits such violation.

(4) **LIMITATIONS ON USE OF FUNDS FOR CERTAIN PURPOSES.**—No funds provided directly to institutions or organizations to provide services and administer programs under subsection (a)(1)(A) shall be expended for sectarian worship, instruction, or proselytization.

(5) **PRESUMPTION.**—Nothing in this section shall be construed to preempt any provision of a State constitution or State statute that prohibits or restricts the expenditure of State funds in or by religious organizations.

**SEC. 106. CENSUS DATA ON GRANDPARENTS AS PRIMARY CAREGIVERS FOR THEIR GRANDCHILDREN.**

(a) **IN GENERAL.**—Not later than 90 days after the date of the enactment of this Act, the Secretary of Commerce, in carrying out section 141 of title 13, United States Code, shall expand the data collection efforts of the Bureau of the Census (in this section referred to as the "Bureau") to enable the Bureau to collect statistically significant data, in connection with its decennial census and its mid-decade census, concerning the growing trend of grandparents who are the primary caregivers for their grandchildren.

(b) **EXPANDED CENSUS QUESTION.**—In carrying out subsection (a), the Secretary of Commerce shall expand the Bureau's census question that details households which include both grandparents and their grandchildren. The expanded question shall be formulated to distinguish between the following households:

- (1) A household in which a grandparent temporarily provides a home for a grandchild for a period of weeks or months during periods of parental distress.
- (2) A household in which a grandparent provides a home for a grandchild and serves as the primary caregiver for the grandchild.

**SEC. 106. REPORT ON DATA PROCESSING.**

(a) **IN GENERAL.**—Within 6 months after the date of the enactment of this Act, the Secretary of Health and Human Services shall prepare and submit to the Congress a report on—

(1) the status of the automated data processing systems operated by the States to assist management in the administration of State programs under part A of title IV of the Social Security Act (whether in effect before or after October 1, 1995); and

(2) what would be required to establish a system capable of—

- (A) tracking participants in public programs over time; and
- (B) checking case records of the States to determine whether individuals are participating in public programs of 2 or more States.

(b) **PREFERRED CONTENTS.**—The report required by subsection (a) should include—

- (1) a plan for building on the automated data processing systems of the States to establish a system with the capabilities described in subsection (a)(2); and
- (2) an estimate of the amount of time required to establish such a system and of the cost of establishing such a system.

**SEC. 107. STUDY ON ALTERNATIVE OUTCOMES MEASURES.**

(a) **STUDY.**—The Secretary shall, in cooperation with the States, study and analyze outcomes measures for evaluating the success of the States in moving individuals out of the welfare system through employment as an alternative to the minimum participation rates described in section 407 of the Social Security Act. The study shall include a determination as to whether such alternative outcomes measures should be applied on a national or a State-by-State basis and a preliminary assessment of the effects of section 408(a)(7)(C) of such Act.

(b) **REPORT.**—Not later than September 30, 1998, the Secretary shall submit to the Committee on Finance of the Senate and the Committee on Ways and Means of the House of Representatives a report containing the findings of the study required by subsection (a).

**SEC. 108. CONFORMING AMENDMENTS TO THE SOCIAL SECURITY ACT.**

(a) **AMENDMENTS TO TITLE II.**—

(1) Section 205(c)(2)(C)(vii) (42 U.S.C. 405(c)(2)(C)(vii)), as so redesignated by section 321(a)(9)(B) of the Social Security Independence and Program Improvements Act of 1994, is amended—

(A) by inserting "an agency administering a program funded under part A of title IV or before "an agency operating"; and

(B) by striking "A or D of title IV of this Act" and inserting "D of such title";

(2) Section 220(a)(1) (42 U.S.C. 424(a)(1)) is amended by inserting "under a State program funded under" before "part A of title IV";

(3) Section 451 (42 U.S.C. 651) is amended by striking "aid" and inserting "assistance under a State program funded";

(4) Section 452(a)(10)(C) (42 U.S.C. 652(a)(10)(C)) is amended—

(A) by striking "aid to families with dependent children" and inserting "assistance under a State program funded under part A";

(B) by striking "such aid", and inserting "such assistance"; and

(C) by striking "under section 402(a)(26) or" and inserting "pursuant to section 400(a)(4) or under section";

(5) Section 452(a)(10)(F) (42 U.S.C. 652(a)(10)(F)) is amended—

(A) by striking "aid under a State plan approved" and inserting "assistance under a State program funded"; and

(B) by striking "in accordance with the standards referred to in section 402(a)(26)(B)(ii)" and inserting "by the State";

(6) Section 452(b) (42 U.S.C. 652(b)) is amended in the first sentence by striking "aid under the State plan approved under part A", and inserting "assistance under the State program funded under part A";

(7) Section 452(d)(3)(B)(i) (42 U.S.C. 652(d)(3)(B)(i)) is amended by striking "1115(c)" and inserting "1115(d)";

(8) Section 452(g)(2)(A)(ii) (42 U.S.C. 652(g)(2)(A)(ii)) is amended by striking "aid is being paid under the State's plan approved under part A or E" and inserting "assistance is being provided under the State program funded under part A";

(9) Section 452(g)(2)(A)(i) (42 U.S.C. 652(g)(2)(A)(i)) is amended in the matter following clause (iii) by striking "aid was being paid under the State's plan approved under part A or E" and inserting "assistance was being provided under the State program funded under part A";

(10) Section 452(g)(2) (42 U.S.C. 652(g)(2)) is amended in the matter following subparagraph (B)—

(A) by striking "who is a dependent child" and inserting "with respect to whom assistance is being provided under the State program funded under part A";

(B) by inserting "by the State agency administering the State plan approved under this part" after "found"; and

(C) by striking "under section 402(a)(26)" and inserting "with the State in establishing paternity";

(11) Section 452(h) (42 U.S.C. 652(h)) is amended by striking "under section 402(a)(26)" and inserting "pursuant to section 400(a)(4)";

(12) Section 453(c)(3) (42 U.S.C. 653(c)(3)) is amended by striking "aid under part A of this title" and inserting "assistance under a State program funded under part A";

(13) Section 454(S)(A) (42 U.S.C. 654(S)(A)) is amended—

(A) by striking "under section 402(a)(26)" and inserting "pursuant to section 400(a)(4)"; and

(B) by striking "except that this paragraph shall not apply to such payments for any month following the first month in which the amount collected is sufficient to make such family ineligible for assistance under the State plan approved under part A." and inserting a comma.

(12) Section 454(b)(D) (42 U.S.C. 654(b)(D)) is amended by striking "aid under a State plan approved" and inserting "assistance under a State program funded".

(13) Section 456(a)(1) (42 U.S.C. 656(a)(1)) is amended by striking "under section 402(a)(25)".

(14) Section 456(a)(3)(B) (42 U.S.C. 656(a)(3)(B)) is amended by striking "402(a)(25)" and inserting "402(a)(4)".

(15) Section 456(b)(2) (42 U.S.C. 656(b)(2)) is amended by striking "aid" and inserting "assistance under a State program funded".

(16) Section 459(a) (42 U.S.C. 659(a)) is amended—

(A) by striking "aid under plans approved" and inserting "assistance under State programs funded"; and

(B) by striking "such aid" and inserting "such assistance".

(c) REPEAL OF PART F OF TITLE IV.—Part F of title IV (42 U.S.C. 681–687) is repealed.

(d) AMENDMENT TO TITLE X.—Section 1002(a)(7) (42 U.S.C. 1202(a)(7)) is amended by striking "aid to families with dependent children under the State plan approved under section 402 of this Act" and inserting "assistance under a State program funded under part A of title IV".

(e) AMENDMENTS TO TITLE XI.—

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

(A) by redesignating subsection (c) as subsection (g);

(B) by striking all that precedes subsection (c) and inserting the following:

"SEC. 1108. ADDITIONAL GRANTS TO PUERTO RICO, THE VIRGIN ISLANDS, GUAM, AND AMERICAN SAMOA; LIMITATION ON TOTAL PAYMENTS.

"(a) LIMITATION ON TOTAL PAYMENTS TO EACH TERRITORY.—Notwithstanding any other provision of this Act, the total amount certified by the Secretary of Health and Human Services under titles I, X, XIV, and XVI, under parts A and B of title IV, and under subsection (b) of this section, for payment to any territory for a fiscal year shall not exceed the ceiling amount for the territory for the fiscal year.

"(b) ENTITLEMENT TO MATCHING GRANT.—

"(1) IN GENERAL.—Each territory shall be entitled to receive from the Secretary for each fiscal year a grant in an amount equal to 75 percent of the amount (if any) by which—

"(A) the total expenditures of the territory during the fiscal year under the territory programs funded under parts A and B of title IV; exceeds

"(B) the sum of—

"(i) the total amount required to be paid to the territory (other than with respect to child care) under former section 403 (as in effect on September 30, 1995) for fiscal year 1995, which shall be determined by applying subparagraphs (C) and (D) of section 403(a)(1) to the territory;

"(ii) the total amount required to be paid to the territory under former section 434 (as so in effect) for fiscal year 1995; and

"(iii) the total amount expended by the territory during fiscal year 1995 pursuant to parts A, B, and F of title IV (as so in effect), other than for child care.

"(2) USE OF GRANT.—Any territory to which a grant is made under paragraph (1) may expend the amount under any program operated or funded under any provision of law specified in subsection (a).

"(c) DEFINITIONS.—As used in this section:

"(1) TERRITORY.—The term "territory" means Puerto Rico, the Virgin Islands, Guam, and American Samoa.

"(2) CEILING AMOUNT.—The term "ceiling amount" means, with respect to a territory and a fiscal year, the mandatory ceiling amount

with respect to the territory plus the discretionary ceiling amount with respect to the territory, reduced for the fiscal year in accordance with subsection (f).

"(3) MANDATORY CEILING AMOUNT.—The term "mandatory ceiling amount" means—

"(A) \$105,536,000 with respect to Puerto Rico;

"(B) \$4,902,000 with respect to Guam;

"(C) \$3,742,000 with respect to the Virgin Islands; and

"(D) \$1,122,000 with respect to American Samoa.

"(4) DISCRETIONARY CEILING AMOUNT.—The term "discretionary ceiling amount" means, with respect to a territory and a fiscal year, the total amount appropriated pursuant to subsection (d)(3) for the fiscal year for payment to the territory.

"(5) TOTAL AMOUNT EXPENDED BY THE TERRITORY.—The term "total amount expended by the territory"—

"(A) does not include expenditures during the fiscal year from amounts made available by the Federal Government; and

"(B) when used with respect to fiscal year 1995, also does not include—

"(i) expenditures during fiscal year 1995 under subsection (g) or (h) of section 402 (as in effect on September 30, 1995); or

"(ii) any expenditures during fiscal year 1995 for which the territory (but for section 1108, as in effect on September 30, 1995) would have received reimbursement from the Federal Government.

"(d) DISCRETIONARY GRANTS.—

"(1) IN GENERAL.—The Secretary shall make a grant to each territory for any fiscal year in the amount appropriated pursuant to paragraph (3) for the fiscal year for payment to the territory.

"(2) USE OF GRANT.—Any territory to which a grant is made under paragraph (1) may expend the amount under any program operated or funded under any provision of law specified in subsection (a).

"(3) LIMITATION ON AUTHORIZATION OF APPROPRIATIONS.—For grants under paragraph (1), there are authorized to be appropriated to the Secretary for each fiscal year—

"(A) \$7,951,000 for payment to Puerto Rico;

"(B) \$245,000 for payment to Guam;

"(C) \$275,000 for payment to the Virgin Islands; and

"(D) \$190,000 for payment to American Samoa.

"(e) AUTHORITY TO TRANSFER FUNDS AMONG PROGRAMS.—Notwithstanding any other provision of this Act, any territory to which an amount is paid under any provision of law specified in subsection (a) may use part or all of the amount to carry out any program operated by the territory, or funded, under any other such provision of law.

"(f) MAINTENANCE OF EFFORT.—The ceiling amount with respect to a territory shall be reduced for a fiscal year by an amount equal to the amount (if any) by which—

"(1) the total amount expended by the territory under all programs of the territory operated pursuant to the provisions of law specified in subsection (a) (as such provisions were in effect for fiscal year 1995) for fiscal year 1995; exceeds

"(2) the total amount expended by the territory under all programs of the territory that are funded under the provisions of law specified in subsection (a) for the fiscal year that immediately precedes the fiscal year referred to in the matter preceding paragraph (1); and

(C) by striking subsections (d) and (e).

(2) Section 1109 (42 U.S.C. 1309) is amended by striking "or part A of title IV".

(3) Section 1115 (42 U.S.C. 1315) is amended—

(A) in subsection (a)(2)—

(i) by inserting "(A)" after "(2)";

(ii) by striking "403";

(iii) by striking the period at the end and inserting ", and"; and

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

"(B) costs of such project which would not otherwise be a permissible use of funds under part A of title IV and which are not included as part of the costs of projects under section 1110, shall to the extent and for the period prescribed by the Secretary, be regarded as a permissible use of funds under such part."; and

(B) in subsection (c)(3), by striking "under the program of aid to families with dependent children" and inserting "part A of such title";

(4) Section 1116 (42 U.S.C. 1316) is amended—

(A) in each of subsections (a)(1), (b), and (d), by striking "or part A of title IV"; and

(B) in subsection (a)(3), by striking "404".

(5) Section 1118 (42 U.S.C. 1318) is amended—

(A) by striking "403(a)";

(B) by striking "and part A of title IV"; and

(C) by striking "and shall, in the case of American Samoa, mean 75 per centum with respect to part A of title IV".

(6) Section 1119 (42 U.S.C. 1319) is amended—

(A) by striking "or part A of title IV"; and

(B) by striking "403(a)";

(7) Section 1133(a) (42 U.S.C. 1320b-3(a)) is amended by striking "or part A of title IV".

(8) Section 1136 (42 U.S.C. 1320b-6) is repealed.

(9) Section 1137 (42 U.S.C. 1320b-7) is amended—

(A) in subsection (b), by striking paragraph

(1) and inserting the following:

"(1) any State program funded under part A of title IV of this Act"; and

(B) in subsection (2)(1)(B)—

(i) by striking "in this subsection" and all that follows through "(ii) in" and inserting "in this subsection, in";

(ii) by redesignating subclauses (i), (ii), and

(iii) as clauses (i), (ii), and (iii); and

(iii) by moving such redesignated material 2

ems to the left.

(f) AMENDMENT TO TITLE XIV.—Section

1402(a)(7) (42 U.S.C. 1352(a)(7)) is amended by

striking "aid to families with dependent chil-

dren under the State plan approved under sec-

tion 402 of this Act" and inserting "assistance

under a State program funded under part A of

title IV".

(g) AMENDMENT TO TITLE XVI AS IN EFFECT

WITH RESPECT TO THE TERRITORIES.—Section

1602(a)(11), as in effect without regard to the

amendment made by section 30 of the Social

Security Amendments of 1972 (42 U.S.C. 1362 note),

is amended by striking "aid under the State

plan approved" and inserting "assistance under

a State program funded".

(h) AMENDMENT TO TITLE XVI AS IN EFFECT

WITH RESPECT TO THE STATES.—Section

1611(c)(5)(A) (42 U.S.C. 1362(c)(5)(A)) is amended

to read as follows: "(A) a State program

funded under part A of title IV".

(i) AMENDMENT TO TITLE XIX.—Section

1902(j) (42 U.S.C. 1396a(j)) is amended by striking

"1108(c)" and inserting "1108(a)".

SEC. 108. CONFORMING AMENDMENTS TO THE

FOOD STAMP ACT OF 1977 AND RE-

LATED PROVISIONS.

(a) Section 5 of the Food Stamp Act of 1977 (7

U.S.C. 2014) is amended—

(1) in the second sentence of subsection (a), by

striking "plan approved" and all that follows

through "title IV of the Social Security Act"

and inserting "program funded under part A of

title IV of the Social Security Act (42 U.S.C. 601

et seq.)";

(2) in subsection (d)—

(A) in paragraph (5), by striking "assistance

to families with dependent children" and insert-

ing "assistance under a State program funded";

and

(B) by striking paragraph (13) and redesignat-

ing paragraphs (14), (15), and (16) as para-

graphs (13), (14), and (15), respectively;

(3) in subsection (j), by striking "plan ap-

proved under part A of title IV of such Act (42

U.S.C. 601 et seq.)" and inserting "program

funded under part A of title IV of the Act (42

U.S.C. 601 et seq.)"; and

(4) by striking subsection (m).

(b) Section 6 of such Act (7 U.S.C. 2015) is amended—

(1) in subsection (c)(5), by striking "the State plan approved" and inserting "the State program funded"; and

(2) in subsection (e)(6), by striking "aid to families with dependent children" and inserting "benefits under a State program funded".

(c) Section 16(g)(4) of such Act (7 U.S.C. 2025(g)(4)) is amended by striking "State plans under the Aid to Families with Dependent Children Program under" and inserting "State programs funded under part A of".

(d) Section 17 of such Act (7 U.S.C. 2026) is amended—

(1) in the first sentence of subsection (b)(1)(A), by striking "to aid to families with dependent children under part A of title IV of the Social Security Act" and inserting "or are receiving assistance under a State program funded under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.)"; and

(2) in subsection (b)(3), by adding at the end the following new subparagraph:

"(1) The Secretary may not grant a waiver under this paragraph on or after October 1, 1995. Any reference in this paragraph to a provision of title IV of the Social Security Act shall be deemed to be a reference to such provision as in effect on September 30, 1995."

(e) Section 20 of such Act (7 U.S.C. 2029) is amended—

(1) in subsection (a)(2)(B) by striking "operating" and all that follows through "(i) and other" and inserting "operating any"; and

(2) in subsection (b)—

(A) in paragraph (1)—

(i) by striking "(b)(1) A household" and inserting "(b) A household"; and

(ii) in subparagraph (B), by striking "training program" and inserting "activity";

(B) by striking paragraph (2); and

(C) by redesignating subparagraphs (A) through (F) as paragraphs (1) through (6), respectively.

(f) Section 5(h)(1) of the Agriculture and Consumer Protection Act of 1973 (Public Law 93-185; 7 U.S.C. 612c note) is amended by striking "the program for aid to families with dependent children" and inserting "the State program funded".

(g) Section 9 of the National School Lunch Act (42 U.S.C. 1758) is amended—

(1) in subsection (2)—

(A) in paragraph (2)(C)(i)(iii)—

(i) by striking "program for aid to families with dependent children" and inserting "State program funded"; and

(ii) by inserting before the period at the end the following: "that the Secretary determines complies with standards established by the Secretary that ensure that the standards under the State program are comparable to or more restrictive than those in effect on June 1, 1995"; and

(B) in paragraph (6)—

(i) in subparagraph (A)(ii)—

(I) by striking "an AFDC assistance unit under the aid to families with dependent children program authorized" and inserting "a family (under the State program funded)"; and

(II) by striking "in a State" and all that follows through "9902(2))" and inserting "(that the Secretary determines complies with standards established by the Secretary that ensure that the standards under the State program are comparable to or more restrictive than those in effect on June 1, 1995"; and

(ii) in subparagraph (B), by striking "aid to families with dependent children" and inserting "assistance under the State program funded under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.) that the Secretary determines complies with standards established by the Secretary that ensure that the standards under the State program are comparable to or more restrictive than those in effect on June 1, 1995"; and

(2) in subsection (d)(2)(C)—

(A) by striking "program for aid to families with dependent children" and inserting "State program funded"; and

(B) by inserting before the period at the end the following: "that the Secretary determines complies with standards established by the Secretary that ensure that the standards under the State program are comparable to or more restrictive than those in effect on June 1, 1995";

(h) Section 17(d)(2)(A)(ii)(I) of the Child Nutrition Act of 1966 (42 U.S.C. 1786(d)(2)(A)(ii)(I)) is amended—

(1) by striking "program for aid to families with dependent children established" and inserting "State program funded"; and

(2) by inserting before the semicolon the following: "that the Secretary determines complies with standards established by the Secretary that ensure that the standards under the State program are comparable to or more restrictive than those in effect on June 1, 1995".

**SBC. 11A CONFORMING AMENDMENTS TO OTHER LAWS.**

(a) Subsection (b) of section 508 of the Unemployment Compensation Amendments of 1976 (42 U.S.C. 603a; Public Law 94-566; 90 Stat. 2609) is amended to read as follows:

**(b) PROVISION FOR REIMBURSEMENT OF EXPENSES.**—For purposes of section 455 of the Social Security Act, expenses incurred to reimburse State employment offices for furnishing information requested of such offices—

(1) pursuant to the third sentence of section 3(a) of the Act entitled "An Act to provide for the establishment of a national employment system and for cooperation with the States in the promotion of such system, and for other purposes", approved June 8, 1933 (29 U.S.C. 496(a)), or

(2) by a State or local agency charged with the duty of carrying a State plan for child support approved under part D of title IV of the Social Security Act,

shall be considered to constitute expenses incurred in the administration of such State plan.

(b) Section 9121 of the Omnibus Budget Reconciliation Act of 1987 (42 U.S.C. 602 note) is repealed.

(c) Section 9122 of the Omnibus Budget Reconciliation Act of 1987 (42 U.S.C. 602 note) is repealed.

(d) Section 221 of the Housing and Urban-Rural Recovery Act of 1993 (42 U.S.C. 602 note), relating to treatment under AFDC of certain rental payments for federally assisted housing, is repealed.

(e) Section 159 of the Tax Equity and Fiscal Responsibility Act of 1982 (42 U.S.C. 602 note) is repealed.

(f) Section 202(d) of the Social Security Amendments of 1967 (81 Stat. 662; 42 U.S.C. 602 note) is repealed.

(g) Section 903 of the Stewart B. McKinney Homeless Assistance Amendments Act of 1988 (42 U.S.C. 11381 note), relating to demonstration projects to reduce number of AFDC families in welfare hotels, is amended—

(1) in subsection (a), by striking "aid to families with dependent children under a State plan approved" and inserting "assistance under a State program funded"; and

(2) in subsection (c), by striking "aid to families with dependent children in the State under a State plan approved" and inserting "assistance in the State under a State program funded".

(h) The Higher Education Act of 1965 (20 U.S.C. 1001 et seq.) is amended—

(1) in section 404(c)(3) (20 U.S.C. 1070a-23(c)(3)), by striking "(Aid to Families with Dependent Children)"; and

(2) in section 480(b)(2) (20 U.S.C. 1087v(b)(2)), by striking "aid to families with dependent children under a State plan approved" and inserting "assistance under a State program funded".

(i) The Carl D. Perkins Vocational and Applied Technology Education Act (20 U.S.C. 2301 et seq.) is amended—

(1) in section 231(d)(3)(A)(iv) (20 U.S.C. 2341(d)(3)(A)(iv)), by striking "the program for aid to families with dependent children" and inserting "the State program funded";

(2) in section 232(b)(2)(B) (20 U.S.C. 2341a(b)(2)(B)), by striking "the program for aid to families with dependent children" and inserting "the State program funded"; and

(3) in section 527(16)(B)(iii) (20 U.S.C. 2471(16)(B)(iii)), by striking "the program for aid to families with dependent children" and inserting "the State program funded".

(j) The Elementary and Secondary Education Act of 1965 (20 U.S.C. 2701 et seq.) is amended—

(1) in section 1133(a)(5) (20 U.S.C. 6313(a)(5)), by striking "Aid to Families with Dependent Children Program" and inserting "State program funded under part A of title IV of the Social Security Act";

(2) in section 1124(c)(5) (20 U.S.C. 6333(c)(5)), by striking "the program of aid to families with dependent children under a State plan approved under" and inserting "a State program funded under part A of"; and

(3) in section 5009(b)(2) (20 U.S.C. 7233(b)(2))—

(A) in subparagraph (A)(xi), by striking "Aid to Families with Dependent Children benefits" and inserting "assistance under a State program funded under part A of title IV of the Social Security Act"; and

(B) in subparagraph (B)(viii), by striking "Aid to Families with Dependent Children" and inserting "assistance under the State program funded under part A of title IV of the Social Security Act".

(k) Chapter VII of title I of Public Law 90-68 (25 U.S.C. 134-1) is amended to read as follows:

"Provided further, That general assistance payments made by the Bureau of Indian Affairs shall be made—

"(1) after April 29, 1985, and before October 1, 1995, on the basis of Aid to Families with Dependent Children (AFDC) standards of need; and

"(2) on and after October 1, 1995, on the basis of standards of need established under the State program funded under part A of title IV of the Social Security Act,

except that where a State ratably reduces its AFDC or State program payments, the Bureau shall reduce general assistance payments in such State by the same percentage as the State has reduced the AFDC or State program payment."

(l) The Internal Revenue Code of 1986 (26 U.S.C. 1 et seq.) is amended—

(1) in section 51(d)(9) (26 U.S.C. 51(d)(9)), by striking all that follows "agency as" and inserting "being eligible for financial assistance under part A of title IV of the Social Security Act and as having continually received such financial assistance during the 90-day period which immediately precedes the date on which such individual is hired by the employer."

(2) in section 3304(a)(16) (26 U.S.C. 3304(a)(16)), by striking "eligibility for aid or services," and all that follows through "children approved" and inserting "eligibility for assistance, or the amount of such assistance, under a State program funded".

(3) in section 6103(i)(7)(D)(i) (26 U.S.C. 6103(i)(7)(D)(i)), by striking "aid to families with dependent children provided under a State plan approved" and inserting "a State program funded";

(4) in section 6103(i)(10) (26 U.S.C. 6103(i)(10))—

(A) by striking "(c) or (d)" each place it appears and inserting "(c), (d), or (e)"; and

(B) by adding at the end of subparagraph (B) the following new sentence: "Any return information disclosed with respect to section 6402(e) shall only be disclosed to officers and employees of the State agency requesting such information."

(5) in section 6103(p)(4) (26 U.S.C. 6103(p)(4)), in the matter preceding subparagraph (A)—

(A) by striking "(5), (10)" and inserting "(3)"; and

(B) by striking "(9), or (12)" and inserting "(9), (10), or (12)".

(6) in section 6334(a)(1)(A) (26 U.S.C. 6334(a)(1)(A)), by striking "(relating to aid to families with dependent children)";

(7) in section 6402 (26 U.S.C. 6402)—

(A) in subsection (a), by striking "(c) and (d)" and inserting "(e), (d), and (e)";

(B) by redesignating subsections (e) through (i) as subsections (f) through (j), respectively; and

(C) by inserting after subsection (d) the following:

"(6) COLLECTION OF OVERPAYMENTS UNDER TITLE IV—A OF THE SOCIAL SECURITY ACT.—The amount of any overpayment to be refunded to the person making the overpayment shall be reduced (after reductions pursuant to subsections (c) and (d), but before a credit against future liability for an internal revenue tax) in accordance with section 406(e) of the Social Security Act (concerning recovery of overpayments to individuals under State plans approved under part A of title IV of such Act); and

(8) in section 7520(b)(3)(C) (26 U.S.C. 7520(b)(3)(C)), by striking "aid to families with dependent children" and inserting "assistance under a State program funded under part A of title IV of the Social Security Act";

(m) Section 3(b) of the Wagner-Peyser Act (29 U.S.C. 490(b)) is amended by striking "State plan approved under part A of title IV" and inserting "State program funded under part A of title IV";

(n) The Job Training Partnership Act (29 U.S.C. 1502 et seq.) is amended—

(1) in section 4(29)(A)(i) (29 U.S.C. 1503(29)(A)(i)), by striking "(42 U.S.C. 601 et seq.)";

(2) in section 108(b)(6)(C) (29 U.S.C. 1518(b)(6)(C)), by striking "State aid to families with dependent children records," and inserting "records collected under the State program funded under part A of title IV of the Social Security Act";

(3) in section 121(b)(2) (29 U.S.C. 1531(b)(2))—

(A) by striking "the JOBS program" and inserting "the work activities required under title IV of the Social Security Act"; and

(B) by striking the second sentence;

(4) in section 123(c) (29 U.S.C. 1533(c))—

(A) in paragraph 1(E), by repealing clause (v); and

(B) in paragraph 2(D), by repealing clause (v);

(5) in section 203(b)(3) (29 U.S.C. 1603(b)(3)), by striking "including recipients under the JOBS program";

(6) in subparagraphs (A) and (B) of section 204(a)(1) (29 U.S.C. 1604(a)(1) (A) and (B)), by striking "(such as the JOBS program)" each place it appears;

(7) in section 205(a) (29 U.S.C. 1605(a)), by striking paragraph (c) and inserting the following:

"(c) the portions of title IV of the Social Security Act relating to work activities";

(8) in section 253 (29 U.S.C. 1632)—

(A) in subsection (b)(2), by repealing subparagraph (C); and

(B) in paragraphs 1(B) and 2(B) of subsection (c), by striking "the JOBS program or" each place it appears;

(9) in section 264 (29 U.S.C. 1644)—

(A) in subparagraphs (A) and (B) of subsection (b)(1), by striking "(such as the JOBS program)" each place it appears; and

(B) in subparagraphs (A) and (B) of subsection (d)(3), by striking "and the JOBS program" each place it appears;

(10) in section 254(b) (29 U.S.C. 1643(b)), by striking paragraph (6) and inserting the following:

"(6) the portion of title IV of the Social Security Act relating to work activities";

(11) in the second sentence of section 429(e) (29 U.S.C. 1699(e)), by striking "and shall be in an

amount that does not exceed the maximum amount that may be provided by the State pursuant to section 402(b)(1)(C) of the Social Security Act (42 U.S.C. 602(b)(1)(C))."

(12) in section 454(c) (29 U.S.C. 1734(c)), by striking "JOBS"; and

(13) in section 456(b) (29 U.S.C. 1735(b)), by striking "the JOBS program";

(14) in section 501(1) (29 U.S.C. 1791(1)), by striking "aid to families with dependent children under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.)" and inserting "assistance under the State program funded under part A of title IV of the Social Security Act";

(15) in section 506(1)(A) (29 U.S.C. 1791e(1)(A)), by striking "aid to families with dependent children" and inserting "assistance under the State program funded";

(16) in section 508(a)(2)(A) (29 U.S.C. 1791g(a)(2)(A)), by striking "aid to families with dependent children" and inserting "assistance under the State program funded"; and

(17) in section 701(b)(2)(A) (29 U.S.C. 1792(b)(2)(A))—

(A) in clause (v), by striking the semicolon and inserting "and"; and

(B) by striking clause (vi).

(o) Section 3003(c)(3)(C)(iv) of title 31, United States Code, is amended to read as follows:

"(iv) assistance under a State program funded under part A of title IV of the Social Security Act";

(p) Section 3005(b)(2)(A)(i) of the Low-Income Home Energy Assistance Act of 1981 (42 U.S.C. 9624(b)(2)(A)(i)) is amended to read as follows:

"(i) assistance under the State program funded under part A of title IV of the Social Security Act";

(q) Section 3031(f)(2) of the Family Support Act of 1988 (42 U.S.C. 602 note) is amended—

(1) by striking "(A)"; and

(2) by striking subparagraphs (B) and (C).

(r) The Balanced Budget and Emergency Deficit Control Act of 1985 (2 U.S.C. 900 et seq.) is amended—

(1) in the first section 255(h) (2 U.S.C. 905(h)), by striking "Aid to families with dependent children (75-0412-0-1-600)"; and inserting "Block grants to States for temporary assistance for needy families"; and

(2) in section 256 (2 U.S.C. 906)—

(A) by striking subsection (k); and

(B) by redesignating subsection (l) as subsection (k).

(s) The Immigration and Nationality Act (8 U.S.C. 1101 et seq.) is amended—

(1) in section 210(f) (8 U.S.C. 1160(f)), by striking "aid under a State plan approved under" each place it appears and inserting "assistance under a State program funded under";

(2) in section 245A(h) (8 U.S.C. 1235a(h))—

(A) in paragraph 1(A)(i), by striking "program of aid to families with dependent children" and inserting "State program of assistance"; and

(B) in paragraph 2(B), by striking "aid to families with dependent children" and inserting "assistance under a State program funded under part A of title IV of the Social Security Act"; and

(3) in section 412(e)(4) (8 U.S.C. 1532(e)(4)), by striking "State plan approved" and inserting "State program funded";

(t) Section 640(a)(4)(B)(i) of the Head Start Act (42 U.S.C. 9835(a)(4)(B)(i)) is amended by striking "program of aid to families with dependent children under a State plan approved" and inserting "State program of assistance funded";

(u) Section 9 of the Act of April 10, 1950 (64 Stat. 47, Chapter 92, 25 U.S.C. 639) is repealed.

(v) Subparagraph (E) of section 213(d)(6) of the School-To-Work Opportunities Act of 1994 (20 U.S.C. 6143(d)(6)) is amended to read as follows:

"(E) part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.) relating to work activities";

(w) Section 552(a)(8)(B)(iv)(III) of title 5, United States Code, is amended by striking "section 494 or 1137 of the Social Security Act" and inserting "section 404(e), 404, or 1137 of the Social Security Act."

**SEC. 111. DEVELOPMENT OF PROTOTYPE OF COUNTERFEIT-RESISTANT SOCIAL SECURITY CARD REQUIRED.**

(a) DEVELOPMENT.—

(1) IN GENERAL.—The Commissioner of Social Security (in this section referred to as the "Commissioner") shall, in accordance with this section, develop a prototype of a counterfeit-resistant social security card. Such prototype card shall—

(A) be made of a durable, tamper-resistant material such as plastic or polyester;

(B) employ technologies that provide security features, such as magnetic stripes, holograms, and integrated circuits; and

(C) be developed so as to provide individuals with reliable proof of citizenship or legal resident alien status.

(2) ASSISTANCE BY ATTORNEY GENERAL.—The Attorney General of the United States shall provide such information and assistance as the Commissioner deems necessary to enable the Commissioner to comply with this section.

(b) STUDY AND REPORT.—

(1) IN GENERAL.—The Commissioner shall conduct a study and issue a report to Congress which examines different methods of improving the social security card application process.

(2) ELEMENTS OF STUDY.—The study shall include an evaluation of the cost and work load implications of issuing a counterfeit-resistant social security card for all individuals over a 3-, 5-, and 10-year period. The study shall also evaluate the feasibility and cost implications of imposing a user fee for replacement cards and cards issued to individuals who apply for such a card prior to the scheduled 3-, 5-, and 10-year phase-in options.

(3) DISTRIBUTION OF REPORT.—The Commissioner shall submit copies of the report described in this subsection along with a facsimile of the prototype card as described in subsection (a) to the Committees on Ways and Means and Judiciary of the House of Representatives and the Committees on Finance and Judiciary of the Senate within 1 year after the date of the enactment of this Act.

**SEC. 112. DISCLOSURE OF RECEIPT OF FEDERAL FUNDS.**

(a) IN GENERAL.—Whenever an organization that accepts Federal funds under this Act or the amendments made by this Act makes any communication that in any way intends to promote public support or opposition to any policy of a Federal, State, or local government through any broadcasting station, newspaper, magazine, outdoor advertising facility, direct mailing, or any other type of general public advertising, such communication shall state the following: "This was prepared and paid for by an organization that accepts taxpayer dollars."

(b) FAILURE TO COMPLY.—If an organization makes any communication described in subsection (a) and fails to provide the statement required by that subsection, such organization shall be ineligible to receive Federal funds under this Act or the amendments made by this Act.

(c) DEFINITION.—For purposes of this section, the term "organization" means an organization described in section 501(c) of the Internal Revenue Code of 1986.

(d) EFFECTIVE DATES.—This section shall take effect—

(1) with respect to printed communications 1 year after the date of enactment of this Act; and

(2) with respect to any other communication on the date of enactment of this Act.

**SEC. 113. MODIFICATIONS TO THE JOB OPPORTUNITIES FOR CERTAIN LOW-INCOME INDIVIDUALS PROGRAM.**

Section 505 of the Family Support Act of 1988 (42 U.S.C. 1375 note) is amended—

(1) in the heading, by striking "DEMONSTRATION";

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(2) by striking "demonstration" each place such term appears;

(3) in subsection (a), by striking "in each of fiscal years" and all that follows through "19" and inserting "shall enter into agreements with";

(4) in subsection (b)(3), by striking "aid to families with dependent children under part A of title IV of the Social Security Act" and inserting "assistance under the program funded part A of title IV of the Social Security Act of the State in which the individual resides";

(5) in subsection (c)—

(A) in paragraph (1)(C), by striking "aid to families with dependent children under part A of title IV of the Social Security Act" and inserting "assistance under a State program funded part A of title IV of the Social Security Act";

(B) in paragraph (2), by striking "aid to families with dependent children under title IV of such Act" and inserting "assistance under a State program funded part A of title IV of the Social Security Act";

(6) in subsection (d), by striking "job opportunities and basic skills training program (as provided for under title IV of the Social Security Act)" and inserting "the State program funded under part A of title IV of the Social Security Act"; and

(7) by striking subsections (e) through (g) and inserting the following:

"(e) **AUTHORIZATION OF APPROPRIATIONS.**—For the purpose of conducting projects under this section, there is authorized to be appropriated an amount not to exceed \$25,000,000 for any fiscal year."

**SEC. 114. MEDICAID ELIGIBILITY UNDER TITLE IV OF THE SOCIAL SECURITY ACT.**

(a) **IN GENERAL.**—Section 1902(a)(10)(A) (42 U.S.C. 1396a(a)(10)(A)) is amended—

(1) in clause (i), by amending subclause (I) to read as follows:

"(I) who are receiving a foster care maintenance payment described in section 4230(k)(1)(A) or an adoption assistance payment described in section 4230(k)(1)(B);" and

(2) in clause (i)—

(A) by striking "or" at the end of subclause (X);

(B) by adding "or" at the end of subclause (XII); and

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

"(XIII) to individuals (which may include individuals who receive payment under any plan of the State approved under title I, X, XIV, or XVI, or a program funded under part A of title IV of this Act, as amended by the Personal Responsibility and Work Opportunity Act of 1995, and other similar individuals) who meet such eligibility criteria as the State establishes, so long as the State demonstrates to the satisfaction of the Secretary that the application of such criteria does not result in Federal expenditures under this title that are greater than the Federal expenditures that would have been made under this title if such Act had not been enacted."

(b) **EFFECTIVE DATE.**—The amendments made by subsection (a) shall apply to medical assistance for items and services furnished on or after the date of the enactment of this Act.

**SEC. 115. SECRETARIAL SUBMISSION OF LEGISLATIVE PROPOSAL FOR TECHNICAL AND CONFORMING AMENDMENTS.**

Not later than 90 days after the date of the enactment of this Act, the Secretary of Health and Human Services and the Commissioner of Social Security, in consultation, as appropriate, with the heads of other Federal agencies, shall submit to the appropriate committees of Congress a legislative proposal proposing such technical and conforming amendments as are necessary to bring the law into conformity with the policy embodied in this title.

**SEC. 116. EFFECTIVE DATE; TRANSITION RULE.**

(a) **IN GENERAL.**—Except as otherwise provided in this title, this title and the amendments

made by this title shall take effect on October 1, 1996.

**(b) TRANSITION RULES.**—

**(1) STATE OPTION TO ACCELERATE EFFECTIVE DATE.**—

(A) **IN GENERAL.**—If, within 3 months after the date of the enactment of this Act, the Secretary of Health and Human Services receives from a State a plan described in section 402(a) of the Social Security Act (as added by the amendment made by section 103 of this Act), this title and the amendments made by this title (except section 409(a)(7) of the Social Security Act, as added by the amendment made by such section 103) shall also apply with respect to the State during the period that begins on the date of such receipt and ends on September 30, 1996, except that the State shall be considered an eligible State for fiscal year 1996 for purposes of part A of title IV of the Social Security Act (as in effect pursuant to the amendment made by such section 103).

**(B) LIMITATIONS ON FEDERAL OBLIGATIONS.**—

(i) **UNDER AFDC PROGRAM.**—If the Secretary receives from a State the plan referred to in subparagraph (A), the total obligations of the Federal Government to the State under part A of title IV of the Social Security Act (as in effect on September 30, 1995) with respect to expenditures by the State after the date of the enactment of this Act shall not exceed an amount equal to—

(1) the State family assistance grant (as defined in section 403(a)(1)(B) of the Social Security Act (as in effect pursuant to the amendment made by section 103 of this Act)); minus

(2) any obligations of the Federal Government to the State under part A of title IV of the Social Security Act (as in effect on September 30, 1995) with respect to expenditures by the State during the period that begins on October 1, 1995, and ends on the day before the date of the enactment of this Act.

(ii) **UNDER TEMPORARY FAMILY ASSISTANCE PROGRAM.**—Notwithstanding section 403(a)(1) of the Social Security Act (as in effect pursuant to the amendment made by section 103 of this Act), the total obligations of the Federal Government to a State under such section 403(a)(1) for fiscal year 1996 after the termination of the State AFDC program shall not exceed an amount equal to—

(1) the amount described in clause (i)(1) of this subparagraph; minus

(2) any obligations of the Federal Government to the State under part A of title IV of the Social Security Act (as in effect on September 30, 1995) with respect to expenditures by the State on or after October 1, 1995.

(iii) **CHILD CARE OBLIGATIONS EXCLUDED IN DETERMINING FEDERAL AFDC OBLIGATIONS.**—As used in this subparagraph, the term "obligations of the Federal Government to the State under part A of title IV of the Social Security Act" does not include any obligation of the Federal Government with respect to child care expenditures by the State.

(c) **SUBMISSION OF STATE PLAN FOR FISCAL YEAR 1996 DENIED ACCEPTANCE OF GRANT LIMITATIONS AND FORMULA.**—The submission of a plan by a State pursuant to subparagraph (A) is deemed to constitute the State's acceptance of the grant reductions under subparagraph (B)(i) (including the formula for computing the amount of the reduction).

**(d) DEFINITIONS.**—As used in this paragraph:

(i) **STATE AFDC PROGRAM.**—The term "State AFDC program" means the State program under parts A and F of title IV of the Social Security Act (as in effect on September 30, 1995).

(ii) **STATE.**—The term "State" means the 50 States and the District of Columbia.

(3) **CLAIMS, ACTIONS, AND PROCEEDINGS.**—The amendments made by this title shall not apply with respect to—

(A) powers, duties, functions, rights, claims, penalties, or obligations applicable to aid, assistance, or services provided before the effective

date of this title under the provisions amended; and

(B) administrative actions and proceedings commenced before such date, or authorized before such date to be commenced, under such provisions.

(3) **CLOSING OUT ACCOUNT FOR THOSE PROGRAMS TERMINATED OR SUBSTANTIALLY MODIFIED BY THIS TITLE.**—In closing out accounts, Federal and State officials may use scientifically acceptable statistical sampling techniques. Claims made with respect to State expenditures under a State plan approved under part A of title IV of the Social Security Act (as in effect before the effective date of this Act) with respect to assistance or services provided on or before September 30, 1995, shall be treated as claims with respect to expenditures during fiscal year 1995 for purposes of reimbursement even if payment was made by a State on or after October 1, 1995. Each State shall complete the filing of all claims under the State plan (as so in effect) no later than September 30, 1997. The head of each Federal department shall—

(A) use the single audit procedure to review and resolve any claims in connection with the close out of programs under such State plans; and

(B) reimburse States for any payments made for assistance or services provided during a prior fiscal year from funds for fiscal year 1995, rather than from funds authorized by this title.

(4) **CONTINUANCE IN OFFICE OF ASSISTANT SECRETARY FOR FAMILY SUPPORT.**—The individual who, on the day before the effective date of this title, is serving as Assistant Secretary for Family Support within the Department of Health and Human Services shall, until a successor is appointed to such position—

(A) continue to serve in such position; and

(B) except as otherwise provided by law—

(i) continue to perform the functions of the Assistant Secretary for Family Support under section 417 of the Social Security Act (as in effect before such effective date); and

(ii) have the powers and duties of the Assistant Secretary for Family Support under section 416 of the Social Security Act (as in effect pursuant to the amendment made by section 103 of this Act).

**TITLE II—SUPPLEMENTAL SECURITY INCOME**

**SEC. 200. REFERENCE TO SOCIAL SECURITY ACT.**

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

**Subtitle A—Eligibility Restrictions**

**SEC. 201. DENIAL OF SSI BENEFITS FOR 10 YEARS TO INDIVIDUALS FOUND TO HAVE FRAUDULENTLY MISREPRESENTED RESIDENCE IN ORDER TO OBTAIN BENEFITS SIMULTANEOUSLY IN 2 OR MORE STATES.**

(a) **IN GENERAL.**—Section 1614(a) (42 U.S.C. 1382c(a)) is amended by adding at the end the following new paragraph:

"(3) An individual shall not be considered an eligible individual for the purposes of this title during the 10-year period that begins on the date the individual is convicted in Federal or State court of having made a fraudulent statement or representation with respect to the place of residence of the individual in order to receive assistance simultaneously from 2 or more States under programs that are funded under title IV, title XIX, or the Food Stamp Act of 1977, or benefits in 2 or more States under the supplemental security income program under this title."

(b) **EFFECTIVE DATE.**—The amendment made by this section shall take effect on the date of the enactment of this Act.

## THE WHITE HOUSE

## Office of the Press Secretary

For Immediate Release

January 9, 1996

## TO THE HOUSE OF REPRESENTATIVES:

I am returning herewith without my approval H.R. 4, the "Personal Responsibility and Work Opportunity Act of 1995." In disapproving H.R. 4, I am nevertheless determined to keep working with the Congress to enact real, bipartisan welfare reform. The current welfare system is broken and must be replaced, for the sake of the taxpayers who pay for it and the people who are trapped by it. But H.R. 4 does too little to move people from welfare to work. It is burdened with deep budget cuts and structural changes that fall short of real reform. I urge the Congress to work with me in good faith to produce a bipartisan welfare reform agreement that is tough on work and responsibility, but not tough on children and on parents who are responsible and who want to work.

The Congress and the Administration are engaged in serious negotiations toward a balanced budget that is consistent with our priorities -- one of which is to "reform welfare," as November's agreement between Republicans and Democrats made clear. Welfare reform must be considered in the context of other critical and related issues such as Medicaid and the Earned Income Tax Credit. Americans know we have to reform the broken welfare system, but they also know that welfare reform is about moving people from welfare to work, not playing budget politics.

The Administration has and will continue to set forth in detail our goals for reform and our objections to this legislation. The Administration strongly supported the Senate Democratic and House Democratic welfare reform bills, which ensured that States would have the resources and incentives to move people from welfare to work and that children would be protected. I strongly support time limits, work requirements, the toughest possible child support enforcement, and requiring minor mothers to live at home as a condition of assistance, and I am pleased that these central elements of my approach have been addressed in H.R. 4.

We remain ready at any moment to sit down in good faith with Republicans and Democrats in the Congress to work out an acceptable welfare reform plan that is motivated by the urgency of reform rather than by a budget plan that is contrary to America's values. There is a bipartisan consensus around the country on the fundamental elements of real welfare reform, and it would be a tragedy for this Congress to squander this historic opportunity to achieve it. It is essential for the Congress to address shortcomings in the legislation in the following areas:

- **Work and Child Care:** Welfare reform is first and foremost about work. H.R. 4 weakens several important work provisions that are vital to welfare reform's success. The final welfare reform legislation should provide sufficient child care to enable recipients to leave welfare for work; reward States for placing people in jobs; restore the guarantee of health coverage for poor families; require States to maintain their stake in moving people from welfare to work; and protect States and families in the event of economic downturn and population growth. In addition, the Congress should abandon efforts included in

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the budget reconciliation bill that would gut the Earned Income Tax Credit, a powerful work incentive that is enabling hundreds of thousands of families to choose work over welfare.

- **Deep Budget Cuts and Damaging Structural Changes:** H.R. 4 was designed to meet an arbitrary budget target rather than to achieve serious reform. The legislation makes damaging structural changes and deep budget cuts that would fall hardest on children and undermine States' ability to move people from welfare to work. We should work together to balance the budget and reform welfare, but the Congress should not use the words "welfare reform" as a cover to violate the Nation's values. Making \$60 billion in budget cuts and massive structural changes in a variety of programs, including foster care and adoption assistance, help for disabled children, legal immigrants, food stamps, and school lunch is not welfare reform. The final welfare reform legislation should reduce the magnitude of these budget cuts and the sweep of structural changes that have little connection to the central goal of work-based reform. We must demand responsibility from young mothers and young fathers, not penalize children for their parents' mistakes.

I am deeply committed to working with the Congress to reach bipartisan agreement on an acceptable welfare reform bill that addresses these and other concerns. We owe it to the people who sent us here not to let this opportunity slip away by doing the wrong thing or failing to act at all.

WILLIAM J. CLINTON .

THE WHITE HOUSE,  
January 9, 1996.

# # #

DRAFT VETO MESSAGE, H.R. 4

The Administration is determined to keep working with the Congress to enact real, bipartisan welfare reform, ~~as part of a comprehensive balanced budget plan~~. The current welfare system is broken and must be replaced, for the sake of the taxpayers who pay for it and the people who are trapped in it. But because H.R. 4 falls short of real reform in several important respects, the Administration disapproves this bill, and returns it to Congress, with a challenge to work together in good faith to produce a bipartisan welfare reform agreement that reduces the magnitude of budget cuts unrelated to work-based reform, protects children, and meets the central goal of moving people from welfare to work.

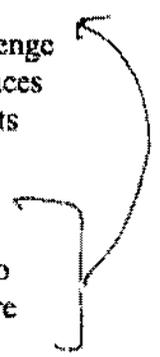
Real welfare reform should be tough on work and tough on responsibility, not tough on children or tough on parents who are responsible and who want to work. H.R. 4 does too little to move people from welfare to work, and is burdened with deep budget cuts that are tough on children and undermine real reform.

Congress and the Administration are engaged in serious negotiations toward a balanced budget that is consistent with our priorities -- one of which is to "reform welfare," as November's agreement between Republicans and Democrats made clear. Welfare reform should be resolved as part of the budget negotiations, not as a separate matter before those negotiations are concluded. Americans know we have to reform the broken welfare system, but they also know that welfare reform is about moving people from welfare to work, not playing budget politics.

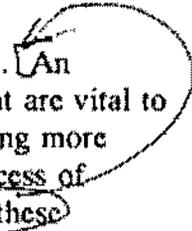
The Administration has and will continue to set forth in detail our goals for reform and our objections to this legislation. The Administration strongly supported the House Democratic alternative and Daschle-Breaux-Mikulski welfare reform bills, which ensured that states would have the resources and incentives to move people from welfare to work and that children would be protected. We remain ready at any moment to sit down in good faith with Republicans and Democrats in Congress to work out an acceptable welfare reform plan that is motivated by the urgency of reform rather than by a budget plan that is out of touch with America's values. There is a bipartisan consensus around the country on the fundamental elements of real welfare reform, and it would be a tragedy for this Congress to squander this historic opportunity to achieve it.

**Work and Child Care:** Welfare reform is first and foremost about work. An overwhelming majority of Senators in both parties agreed on measures that are vital to welfare reform's success in moving people from welfare to work: providing more resources for child care, requiring states to maintain their stake in the success of reform, and rewarding states for placing people in jobs. H.R. 4 weakens these important work provisions. The final welfare reform legislation should provide more child care, not less, and strengthen bipartisan work-based reforms such as the maintenance of effort requirement, work performance bonus, and contingency fund that are at the heart and soul of real welfare reform.

*The decision we make on who must be in the context of what related decisions concerning medicine, etc. as other areas currently being debated*



*CUT*



**Work Incentives:** In addition to child care, it is essential to provide strong incentives to move from welfare to work. The Republican budget plan would gut the Earned Income Tax Credit, a powerful work incentive that is enabling hundreds of thousands of families to choose work over welfare. H.R. 4 would remove the guarantee of health coverage for poor mothers, and no longer provide health care for families that leave welfare to go to work.

**Protecting Children:** H.R. 4 makes deep budget cuts that would fall hardest on children. Making deep cuts in help for disabled children, foster care and adoption, school lunch, and health coverage is not welfare reform. Instead of making unacceptably deep cuts in these and other areas, the final welfare reform legislation should reflect the national consensus that we must demand responsibility from young mothers and young fathers, not penalize children for their parents' mistakes.

**Budget Cuts:** H.R. 4 was designed to meet an arbitrary budget target rather than to achieve serious reform, and, overall, includes deep cuts that would undermine states' ability to move people from welfare to work, protect children, and carry out real reform. We should work together to balance the budget and reform welfare, but Congress shouldn't use the words "welfare reform" as just another cover to violate our values. The final welfare reform legislation needs to reduce the magnitude of budget cuts in low-income programs, especially those that have little connection to the central goal of work-based reform, such as childhood disability, child protection, nutrition, and benefits for legal immigrants.

The Administration is deeply committed to working with Congress to reach bipartisan agreement on an acceptable welfare reform bill that addresses these and other concerns. We owe it to the people who sent us here not to let this opportunity slip away by doing the wrong thing or failing to act at all.

**Draft Veto Message**  
**H.R. 4, Welfare Reform Conference Report**

**TO THE HOUSE OF REPRESENTATIVES:**

I am returning herewith without my approval H.R. 4, the "Personal Responsibility and Work Opportunity Act of 1995." In disapproving H.R. 4, I am nevertheless determined to keep working with the Congress to enact real, bipartisan welfare reform. The current welfare system is broken and must be replaced, for the sake of the taxpayers who pay for it and the people who are trapped by it. But H.R. 4 does too little to move people from welfare to work. It is burdened with deep budget cuts and structural changes that fall short of real reform. I urge the Congress to work with me in good faith to produce a bipartisan welfare reform agreement that is tough on work and responsibility, but not tough on children and on parents who are responsible and who want to work.

Congress and the Administration are engaged in serious negotiations toward a balanced budget that is consistent with our priorities -- one of which is to "reform welfare," as November's agreement between Republicans and Democrats made clear. Welfare reform must be considered in the context of other critical and related issues such as Medicaid and the Earned Income Tax Credit. Americans know we have to reform the broken welfare system, but they also know that welfare reform is about moving people from welfare to work, not playing budget politics.

The Administration has and will continue to set forth in detail our goals for reform and our objections to this legislation. The Administration strongly supported the Senate Democratic and House Democratic welfare reform bills, which ensured that States would have the resources and incentives to move people from welfare to work and that children would be protected. I strongly support time limits, work requirements, the toughest possible child support enforcement, and requiring minor mothers to live at home as a condition of assistance, and I am pleased that these central elements of my approach have been addressed in H.R. 4.

We remain ready at any moment to sit down in good faith with Republicans and Democrats in Congress to work out an acceptable welfare reform plan that is motivated by the urgency of reform rather than by a budget plan that is contrary to America's values. There is a bipartisan consensus around the country on the fundamental elements of real welfare reform, and it would be a tragedy for this Congress to squander this historic opportunity to achieve it. It is essential for Congress to address shortcomings in the legislation in the following areas:

**Work and Child Care:** Welfare reform is first and foremost about work. H.R. 4 weakens several important work provisions that are vital to welfare reform's success. The final welfare reform legislation should provide sufficient child care to enable recipients to leave welfare for work; reward States for placing people in jobs; restore the guarantee of health coverage for poor families; require States to maintain their

stake in moving people from welfare to work; and protect States and families in the event of economic downturn and population growth. In addition, Congress should abandon efforts included in the budget reconciliation bill that would gut the Earned Income Tax Credit, a powerful work incentive that is enabling hundreds of thousands of families to choose work over welfare.

**Deep Budget Cuts and Damaging Structural Changes:** H.R. 4 was designed to meet an arbitrary budget target rather than to achieve serious reform. The legislation makes damaging structural changes and deep budget cuts that would fall hardest on children and undermine States' ability to move people from welfare to work. We should work together to balance the budget and reform welfare, but Congress should not use the words "welfare reform" as a cover to violate the Nation's values. Making \$60 billion in budget cuts and massive structural changes in a variety of programs, including foster care and adoption assistance, help for disabled children, legal immigrants, food stamps, and school lunch is not welfare reform. The final welfare reform legislation should reduce the magnitude of these budget cuts and the sweep of structural changes that have little connection to the central goal of work-based reform. We must demand responsibility from young mothers and young fathers, not penalize children for their parents' mistakes.

I am deeply committed to working with Congress to reach bipartisan agreement on an acceptable welfare reform bill that addresses these and other concerns. We owe it to the people who sent us here not to let this opportunity slip away by doing the wrong thing or failing to act at all.



## DRAFT VETO MESSAGE, H.R. 4

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Real welfare reform should be tough on work and tough on responsibility, not tough on children or tough on parents who are responsible and who want to work. H.R. 4 does too little to move people from welfare to work, and is burdened with deep budget cuts that are tough on children and undermine real reform.

Congress and the Administration are engaged in serious negotiations toward a balanced budget that is consistent with our priorities -- one of which is to "reform welfare," as November's agreement between Republicans and Democrats made clear. Welfare reform should be resolved as part of the budget negotiations, not as a separate matter before those negotiations are concluded. Americans know we have to reform the broken welfare system, but they also know that welfare reform is about moving people from welfare to work, not playing budget politics.

The Administration has and will continue to set forth in detail our goals for reform and our objections to this legislation. The Administration strongly supported the House Democratic alternative and Daschle-Breaux-Mikulski welfare reform bills, which ensured that states would have the resources and incentives to move people from welfare to work and that children would be protected. We remain ready at any moment to sit down in good faith with Republicans and Democrats in Congress to work out an acceptable welfare reform plan that is motivated by the urgency of reform rather than by a budget plan that is out of touch with America's values. There is a bipartisan consensus around the country on the fundamental elements of real welfare reform, and it would be a tragedy for this Congress to squander this historic opportunity to achieve it.

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are at the heart and soul of real welfare reform.

- **Work Incentives:** In addition to child care, it is essential to provide strong incentives to move from welfare to work. The Republican budget plan would gut the Earned Income Tax Credit, a powerful work incentive that is enabling hundreds of thousands of families to choose work over welfare. H.R. 4 would remove the guarantee of health coverage for poor mothers, and no longer provide health care for families that leave welfare to go to work.
- **Protecting Children:** H.R. 4 makes deep budget cuts that would fall hardest on children. Making deep cuts in help for disabled children, foster care and adoption, school-lunch, and health coverage is not welfare reform. Instead of making unacceptably deep cuts in these and other areas, the final welfare reform legislation should reflect the national consensus that we must demand responsibility from young mothers and young fathers, not penalize children for their parents' mistakes.
- **Budget Cuts:** H.R. 4 was designed to meet an arbitrary budget target rather than to achieve serious reform, and, overall, includes deep cuts that would undermine states' ability to move people from welfare to work, protect children, and carry out real reform. We should work together to balance the budget and reform welfare, but Congress shouldn't use the words "welfare reform" as just another cover to violate our values. The final welfare reform legislation needs to reduce the magnitude of budget cuts in low-income programs, especially those that have little connection to the central goal of work-based reform, such as childhood disability, child protection, nutrition, and benefits for legal immigrants.

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Congress and the Administration are engaged in serious negotiations toward a balanced budget that is consistent with our priorities -- one of which is to "reform welfare," as November's agreement between Republicans and Democrats made clear. Welfare reform must be considered in the context of other critical and related issues such as Medicaid and the Earned Income Tax Credit. Americans know we have to reform the broken welfare system, but they also know that welfare reform is about moving people from welfare to work, not playing budget politics.

The Administration has and will continue to set forth in detail our goals for reform and our objections to this legislation. The Administration strongly supported the Senate Democratic and House Democratic welfare reform bills, which ensured that States would have the resources and incentives to move people from welfare to work and that children would be protected. We remain ready at any moment to sit down in good faith with Republicans and Democrats in Congress to work out an acceptable welfare reform plan that is motivated by the urgency of reform rather than by a budget plan that is contrary to America's values. There is a bipartisan consensus around the country on the fundamental elements of real welfare reform, and it would be a tragedy for this Congress to squander this historic opportunity to achieve it. It is essential for Congress to make changes in the following areas:

**Work and Child Care:** Welfare reform is first and foremost about work. H.R. 4 weakens several important work provisions that are vital to welfare reform's success. The final welfare reform legislation should provide more child care, not less; reward States for placing people in jobs; restore the guarantee of health coverage for poor families; require States to maintain their stake in moving people from welfare to work; and protect States and families in the event of economic downturn and population growth. In addition, Congress should abandon efforts included in the budget reconciliation bill that would gut the Earned Income Tax Credit, a powerful work incentive that is enabling hundreds of thousands of families to choose work over welfare.

**Budget Cuts and Structural Changes:** H.R. 4 was designed to meet an arbitrary budget target rather than to achieve serious reform, and makes structural changes and deep cuts that would fall hardest on children and undermine States' ability to move people from welfare to work. We should work together to balance the budget and reform welfare, but Congress should not use the words "welfare reform" as a cover to violate the Nation's values. Making deep cuts and massive structural changes in child protection, help for disabled children, legal immigrants, food stamps, and school lunch is not welfare reform. The final welfare reform legislation should reduce the magnitude of budget cuts and the sweep of structural changes that have little connection to the central goal of work-based reform. We must demand responsibility from young mothers and young fathers, not penalize children for their parents' mistakes.

I am deeply committed to working with Congress to reach bipartisan agreement on an acceptable welfare reform bill that addresses these and other concerns. We owe it to the people who sent us here not to let this opportunity slip away by doing the wrong thing or failing to act at all.

OFFICE: HOUSE OF REPRESENTATIVES

*It is an unfortunate circumstance without my approval H.R. 4, the "Personal Responsibility and Work Opportunity Act of 1995."*  
*In disapproving H.R. 4, I am nevertheless*

~~The Administration is~~ determined to keep working with the Congress to enact real, bipartisan welfare reform as part of a comprehensive balanced budget plan. The current welfare system is broken and must be replaced, for the sake of the taxpayers who pay for it and the people who are trapped in it. *however* ~~But because H.R. 4 falls short of real reform in several important respects, the Administration disapproves this bill, and returns it to Congress, with a challenge~~ *I urge the Congress* to work together in good faith to produce a bipartisan welfare reform agreement that reduces the magnitude of budget cuts unrelated to work-based reform, protects children, and meets the central goal of moving people from welfare to work.

Real welfare reform should be tough on work and tough on responsibility, not tough on children or tough on parents who are responsible and who want to work. H.R. 4 does too little to move people from welfare to work, and is burdened with deep budget cuts that are tough on children and undermine real reform.

*my* Congress and the Administration are engaged in serious negotiations toward a balanced budget that is consistent with ~~our~~ priorities — one of which is to "reform welfare," as November's agreement between Republicans and Democrats made clear. Welfare reform should be resolved as part of the budget negotiations, not as a separate matter before those negotiations are concluded. Americans know we have to reform the broken welfare system, but they also know that welfare reform is about moving people from welfare to work, not playing budget politics.

The Administration has and will continue to set forth in detail our goals for reform and our objections to this legislation. The Administration strongly supported the House Democratic alternative and Daschle-Breaux-Mikulski welfare reform bills, which ensured that ~~states~~ would have the resources and incentives to move people from welfare to work and that children would be protected. We remain ready at any moment to sit down in good faith with Republicans and Democrats in Congress to work out an acceptable welfare reform plan that is motivated by the urgency of reform rather than by a budget plan that is ~~out of touch with~~ *contrary to* America's values. There is a bipartisan consensus around the country on the fundamental elements of real welfare reform, and it would be a tragedy for this Congress to squander this historic opportunity to achieve it. *It is essential for Congress to make changes to H.R. 4 in the following areas:*

- **Work and Child Care:** Welfare reform is first and foremost about work. An overwhelming majority of Senators in both parties agreed on measures that are vital to welfare reform's success in moving people from welfare to work: providing more resources for child care, requiring states to maintain their stake in the success of reform, and rewarding states for placing people in jobs. H.R. 4 weakens these important work provisions. The final welfare reform legislation should provide more child care, not less, and strengthen bipartisan work-based reforms such as the maintenance of effort requirement, work performance bonus, and contingency fund that

are at the heart and soul of real welfare reform.

- Work Incentives:** In addition to child care, it is essential to provide strong incentives to move from welfare to work. The Republican budget plan would gut the Earned Income Tax Credit, a powerful work incentive that is enabling hundreds of thousands of families to choose work over welfare. H.R. 4 would remove the guarantee of health coverage for poor mothers, and no longer provide health care for families that leave welfare to go to work.
- Protecting Children:** H.R. 4 makes deep budget cuts that would fall hardest on children. Making deep cuts in help for disabled children, foster care and adoption, school lunch, and health coverage is not welfare reform. Instead of making unacceptably deep cuts in these and other areas, the final welfare reform legislation should reflect the national consensus that we must demand responsibility from young mothers and young fathers, not penalize children for their parents' mistakes.
- Budget Cuts:** H.R. 4 was designed to meet an arbitrary budget ~~target~~ <sup>reduced target</sup> rather than to achieve serious reform, and, overall, includes deep cuts that would undermine states' ability to move people from welfare to work, protect children, and carry out real reform. We should work together to balance the budget and reform welfare, but Congress shouldn't use the words "welfare reform" as ~~just another~~ <sup>the National</sup> cover to violate our values. The final welfare reform legislation needs to reduce the magnitude of budget cuts in low-income programs, especially those that have little connection to the central goal of work-based reform, such as childhood disability, child protection, nutrition, and benefits for legal immigrants.

The Administration is deeply committed to working with Congress to reach bipartisan agreement on an acceptable welfare reform bill that addresses these and other concerns. We owe it to the people who sent us here not to let this opportunity slip away by doing the wrong thing or failing to act at all.

**Draft Veto Message**  
**H.R. 4, Welfare Reform Conference Report**

The Administration is determined to keep working with the Congress to enact real, bipartisan welfare reform. The current welfare system is broken and must be replaced, for the sake of the taxpayers who pay for it and the people who are trapped in it. But the Administration disapproves of H.R. 4 and returns it to Congress because the bill does too little to move people from welfare to work and is burdened with deep budget cuts that fall short of real reform. The Administration challenges Congress to work together in good faith to produce a bipartisan welfare reform agreement that is tough on work and tough on responsibility, not tough on children and tough on parents who are responsible and who want to work.

Congress and the Administration are engaged in serious negotiations toward a balanced budget that is consistent with our priorities -- one of which is to "reform welfare," [as November's agreement between Republicans and Democrats made clear.] Welfare reform must be considered in the context of other critical and related issues such as Medicaid and the Earned Income Tax Credit. Americans know we have to reform the broken welfare system, but they also know that welfare reform is about moving people from welfare to work, not playing budget politics.

The Administration has and will continue to set forth in detail our goals for reform and our objections to this legislation. The Administration strongly supported the Daschle-Breaux-Mikulski and House Democratic alternative welfare reform bills, which ensured that states would have the resources and incentives to move people from welfare to work and that children would be protected. We remain ready at any moment to sit down in good faith with Republicans and Democrats in Congress to work out an acceptable welfare reform plan that is motivated by the urgency of reform rather than by a budget plan that is at odds with America's values. There is a bipartisan consensus around the country on the fundamental elements of real welfare reform, and it would be a tragedy for this Congress to squander this historic opportunity to achieve it.

*work provisions, even <sup>w</sup>orfully better*

**Work and Child Care:** Welfare reform is first and foremost about work. H.R. 4 weakens several important work provisions that are vital to welfare reform's success: providing more resources for child care, requiring states to maintain their stake in the success of reform, and rewarding states for placing people in jobs. The final welfare reform legislation should provide more child care, not less, and strengthen bipartisan ~~work-based reforms~~ such as the maintenance of effort requirement, work performance bonus, and contingency fund that are at the heart and soul of real welfare reform.

**Work Incentives:** In addition to child care, it is essential to provide strong incentives to move from welfare to work. The Republican budget reconciliation bill would gut the Earned Income Tax Credit, a powerful work incentive that is enabling hundreds of thousands of families to choose work over welfare. H.R. 4 would remove the guarantee of health coverage for poor families, and no longer provide health care for mothers who leave welfare to go to work. This is unacceptable.

**Budget Cuts:** H.R. 4 was designed to meet an arbitrary budget target rather than to achieve serious reform, and makes deep cuts that would fall hardest on children and undermine states' ability to move people from welfare to work. We should work together to balance the budget and reform welfare, but Congress shouldn't use the words "welfare reform" as just another cover to violate our values. Making deep cuts in help for disabled children, child protection, legal immigrants, nutrition and school lunch is not welfare reform. The final welfare reform legislation should reduce the magnitude of budget cuts that have little connection to the central goal of work-based reform. We must demand responsibility from young mothers and young fathers, not penalize children for their parents' mistakes.

The Administration is deeply committed to working with Congress to reach bipartisan agreement on an acceptable welfare reform bill that addresses these and other concerns. We owe it to the people who sent us here not to let this opportunity slip away by doing the wrong thing or failing to act at all.



# CENTER ON BUDGET AND POLICY PRIORITIES

WR-  
Vetoes Bill

December 21, 1995

## EFFECTS OF WELFARE BILL ON CHILDREN, THE ELDERLY, AND THE DISABLED

The cuts in the welfare conference report are likely to lead to a sharp and unprecedented increase in poverty. Despite a rhetorical focus on welfare reform by the bill's proponents, the bulk of the cuts in the bill are sweeping reductions that affect millions of people not on AFDC, including working poor families, unemployed workers who have recently been laid off, and the elderly and disabled poor.

Furthermore, the reductions in the bill have little to do with moving families from welfare to work. *Virtually all of the more than \$60 billion in reductions in the bill come from programs other than AFDC.* If the Medicaid savings are included the total cuts would be even higher. The last-minute changes made in the bill do little to mitigate its severity.

The conference report includes cuts such as the following:

- *The inclusion of a 25 percent reduction in SSI benefits for the large majority of disabled children who enter SSI in the future, including many children with such disabilities as cerebral palsy, Down syndrome, muscular dystrophy, cystic fibrosis, and AIDS.* By 2002, some 650,000 low-income children sufficiently disabled to qualify for SSI under new, more stringent rules would be affected by this cut. Children whose benefits are reduced would see their benefits cut from 74 percent of the poverty line for one person to 55 percent of the poverty line.
- *The block-granting of the portion of the foster care and adoption program that funds services needed to rescue children from abusive or otherwise unsafe homes, place these children in appropriate settings, and recruit and train foster parents and parents wishing to adopt.* The welfare bill would make substantial numbers of poor children and families ineligible for cash assistance or SSI. This denial of cash income support is likely to lead to an increase in destitution among some of the affected families, and in certain cases, to an increased risk of homelessness. That, in turn, can create a high degree of stress, with the result that children can be exposed to a greater risk of abuse and neglect. The need for child protection services — and out-of-home placements — is likely to increase in such circumstances. Yet if this need rises, the block grant will not respond with any increase in funding. The safety of substantial numbers of children could be placed in jeopardy as a result.
- *The provisions of current law which assure that AFDC families receive Medicaid coverage would be repealed.* Roughly 1.5 million children — and at least four million mothers — could lose Medicaid coverage as a result and join the ranks of the uninsured. This Medicaid provision was in *neither* the House or Senate bill and is contrary to the assurance that House Republicans have

previously given that children adversely affected by new welfare policies would retain Medicaid protection.

- *The welfare conference report contains provisions that could undermine the school lunch program.* The conference agreement would allow seven states to block grant the school lunch program. In these states, sufficient funds would no longer be available for the service of free meals to poor children when a recession increases the number of children who are poor. Block grant funding also would fail to keep pace with increases in the cost of food that schools must buy. And states subject to political pressures could move money from poor school districts to more affluent districts with lesser need but greater political clout.

In still another departure from the Senate bill, the legislation denies school lunches to various categories of immigrant school children, including a substantial number of legal immigrant school children. To implement this provision, schools would have to collect forms from *every* child — including up to 50 million citizen children — attesting to their citizen or immigrant status. This would impose massive new paperwork burdens on schools, making the program more complex and more subject to costly federal mandates than at any time in its history. In addition, some immigrant children would be in class without having eaten lunch; as a result, they could find it difficult to concentrate and become disruptive, thus affecting other students as well.

- *The bill includes more than \$32 billion in food stamp benefit cuts affecting the working poor, the elderly and disabled poor, and all others receiving food stamp assistance.* These cuts would hit families with very low incomes. Some 97 percent of food stamp benefits go to households with gross incomes below the poverty line, and 57 percent of the benefits go to families below *half* of the poverty line. Less than three percent of the bill's food stamp savings come from cutting administrative costs, reducing fraud, or imposing tougher sanctions on people who fail to follow program requirements. When fully in effect, the food stamp cuts in the welfare bill would reduce average food stamp benefits by 20 percent, lowering the average benefit level from 78 cents per person per meal to 62 cents.

*Moreover, these figures are likely to understate the depth of the food stamp reductions.* The welfare conference report also includes a provision that automatically triggers *additional*, across-the-board food stamp cuts if poverty deepens. If food stamp benefits rise due to deepening poverty, the "cap" which the conference agreement placed on the program will be breached and across-the-board benefit cuts instituted.

- *The bill also includes an optional food stamp block grant that threatens to undermine the future viability of the food stamp program.* The block grant would be permanently frozen at FY 1994 levels with no adjustments for inflation, population growth, or economic conditions. There would be no

federal standards under the block grant; states could reduce benefits or restrict eligibility as they choose. The guarantee of a nutritional safety net under poor households, one of the major social program advances of the past 30 years, would end.

- *The welfare bill would subject some of the elderly poor to harsh treatment. The age at which impoverished elderly people could qualify for SSI would be raised over time from 65 to 67 or even higher. Those affected would primarily be people with limited job skills — and little chance of finding work at age 65 or 66 — such as men who had performed manual labor when they were younger and poor widows with limited work experience outside the home. Since three of every four people receiving SSI in their 60s are women, this provision would aim primarily at poor elderly women, many of whom are widows living alone. These women, along with former manual laborers who can't find employment at their age and are poor as a result, would have the principal component of their safety net ripped away and be thrust far deeper into poverty. They also could lose Medicaid, since Medicaid eligibility is generally tied to SSI enrollment. In some cases, these elderly individuals would likely experience severe destitution and bouts of homelessness.*
- *The bill also would deny SSI and food stamps to immigrants who are legal, permanent residents of the United States, have been here at least five years, and either are age 75 or older or are too disabled to naturalize. These individuals could qualify for SSI and food stamps only if they worked at least 10 years or became citizens.*

For poor immigrants who are very old or disabled and can neither work nor, given their age or infirmity, learn all that is necessary to obtain citizenship, this is a tantamount to a lifetime ban on benefits. Moreover, these provisions would apply not only to immigrants with sponsors but also to those *with no other source of support*. Most elderly and disabled immigrants who have no sponsor — or whose sponsor has died or become impoverished — would be subject to termination of both food stamp and SSI benefits. The denial of food stamp to impoverished elderly and disabled immigrants is harsher than under either the House or Senate welfare bills.

- *The legislation also denies WIC to various categories of pregnant women who are immigrants, despite overwhelming medical evidence that the provision of WIC during pregnancy reduces infant mortality and low birthweight and saves taxpayers money. This provision — which is likely to increase infant mortality, low birthweight, and taxpayer costs (the infants in question will be U.S. citizens and can't be denied Medicaid on the grounds their mothers are not citizens) — is one of many items discussed here that were not part of the Senate bill but are part of the conference report.*

THE WHITE HOUSE

Office of the Press Secretary

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For Immediate Release

January 9, 1996

TO THE HOUSE OF REPRESENTATIVES:

I am returning herewith without my approval H.R. 4, the "Personal Responsibility and Work Opportunity Act of 1995." In disapproving H.R. 4, I am nevertheless determined to keep working with the Congress to enact real, bipartisan welfare reform. The current welfare system is broken and must be replaced, for the sake of the taxpayers who pay for it and the people who are trapped by it. But H.R. 4 does too little to move people from welfare to work. It is burdened with deep budget cuts and structural changes that fall short of real reform. I urge the Congress to work with me in good faith to produce a bipartisan welfare reform agreement that is tough on work and responsibility, but not tough on children and on parents who are responsible and who want to work.

The Congress and the Administration are engaged in serious negotiations toward a balanced budget that is consistent with our priorities -- one of which is to "reform welfare," as November's agreement between Republicans and Democrats made clear. Welfare reform must be considered in the context of other critical and related issues such as Medicaid and the Earned Income Tax Credit. Americans know we have to reform the broken welfare system, but they also know that welfare reform is about moving people from welfare to work, not playing budget politics.

The Administration has and will continue to set forth in detail our goals for reform and our objections to this legislation. The Administration strongly supported the Senate Democratic and House Democratic welfare reform bills, which ensured that States would have the resources and incentives to move people from welfare to work and that children would be protected. I strongly support time limits, work requirements, the toughest possible child support enforcement, and requiring minor mothers to live at home as a condition of assistance, and I am pleased that these central elements of my approach have been addressed in H.R. 4.

We remain ready at any moment to sit down in good faith with Republicans and Democrats in the Congress to work out an acceptable welfare reform plan that is motivated by the urgency of reform rather than by a budget plan that is contrary to America's values. There is a bipartisan consensus around the country on the fundamental elements of real welfare reform, and it would be a tragedy for this Congress to squander this historic opportunity to achieve it. It is essential for the Congress to address shortcomings in the legislation in the following areas:

- o Work and Child Care: Welfare reform is first and foremost about work. H.R. 4 weakens several important work provisions

that are vital to welfare reform's success. The final welfare reform legislation should provide sufficient child care to enable recipients to leave welfare for work; reward States for placing people in jobs; restore the guarantee of health coverage for poor families; require States to maintain their stake in moving people from welfare to work; and protect States and families in the event of economic downturn and population growth. In addition, the Congress should abandon efforts included in

(more)

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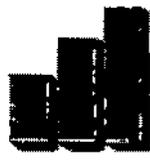
the budget reconciliation bill that would gut the Earned Income Tax Credit, a powerful work incentive that is enabling hundreds of thousands of families to choose work over welfare.

- o Deep Budget Cuts and Damaging Structural Changes: H.R. 4 was designed to meet an arbitrary budget target rather than to achieve serious reform. The legislation makes damaging structural changes and deep budget cuts that would fall hardest on children and undermine States' ability to move people from welfare to work. We should work together to balance the budget and reform welfare, but the Congress should not use the words "welfare reform" as a cover to violate the Nation's values. Making \$60 billion in budget cuts and massive structural changes in a variety of programs, including foster care and adoption assistance, help for disabled children, legal immigrants, food stamps, and school lunch is not welfare reform. The final welfare reform legislation should reduce the magnitude of these budget cuts and the sweep of structural changes that have little connection to the central goal of work-based reform. We must demand responsibility from young mothers and young fathers, not penalize children for their parents' mistakes.

I am deeply committed to working with the Congress to reach bipartisan agreement on an acceptable welfare reform bill that addresses these and other concerns. We owe it to the people who sent us here not to let this opportunity slip away by doing the wrong thing or failing to act at all.

WILLIAM J. CLINTON

THE WHITE HOUSE,  
January 9, 1996.



# CENTER ON BUDGET AND POLICY PRIORITIES

December 21, 1995

## EMPTY PROMISES: THE WELFARE BILL AND WORK

The bill's apparent emphasis on transforming the welfare system to a work system is undermined by the bill's failure to provide states with adequate resources for work programs and child care while maintaining a basic safety net for poor children. Between FY 1997 and FY 2002, combined work and child care funding would fall roughly \$20 billion short of what is needed to meet the work requirements. The bill also contains provisions which allow states to escape the work requirements the bill seeks to impose by cutting needy families off the rolls instead.

- For many families, the bill fails to make good on its promise to help move the families from welfare to work because it does not provide adequate resources for work programs. The bill combines cash assistance and work programs into a single block grant. According to CBO estimates, block grant funding, combined with state spending, would fall \$5.5 billion short of what will be needed to fund the work program in FY 2002 alone, assuming states maintain their safety net for poor children. Over the seven-year period, funding for the work program would fall about \$14 billion short of what CBO projects will be needed.
- The original Contract with America recognized this problem and provided \$10 billion for work programs. But this money is not included in the final welfare bill.
- CBO's cost estimates on the conference report assume that many states will fail to comply with the legislation's work requirements — and will accept a fiscal penalty instead — because of the legislation's severe shortage of funding for work programs.
- The bill also falls short in the child care area. CBO figures show that the legislation will force states to choose between maintaining current levels of child care assistance for working poor families and providing the child care resources needed to comply with the bill's requirement that states place far more welfare recipients in work programs. According to CBO's analysis of the legislation, over the next seven years, combined state and federal child care funding would fall more than \$6 billion short of what would be needed to cover the child care

costs associated with the work requirements and to maintain current law spending levels for child care assistance for families that have recently left welfare for work and other working families at risk of needing welfare if they don't secure adequate child care assistance.

Given this funding squeeze, states are likely to be forced to reduce child care assistance for working poor families to free up the necessary child care resources to comply with the bill's work requirements. Moreover, the CBO estimates indicate that even if states terminate this child care assistance for working poor families, they still will lack adequate child care resources to comply fully with the legislation's work requirements.

- Aggravating this problem, the bill allows states to withdraw between 25 percent and 33 percent of the *state* funding now provided for cash aid and work programs without losing any federal block grant funds. The bill also allows states to transfer up to 30 percent of block grant funds to several other programs. It is likely that many states, faced with budget cuts in other areas, will either withdraw some *state* funds from the welfare block grant, transfer some *federal* welfare block grant funds to other programs, or both. This will further constrain the resources for work programs.
- The bill gives states a partial escape hatch from this fiscal squeeze, but this escape hatch makes the problem even more troublesome. A state which takes harsh actions that cause its caseload to decline, *without* moving families to work, could be rewarded by having the work requirements it has to meet substantially eased and its maintenance-of-effort requirements lowered. Thus, if a state takes severe actions to withdraw aid from needy children and families, it will not have to mount full-scale work programs.



# CENTER ON BUDGET AND POLICY PRIORITIES

## Total Savings In the Welfare Conference Agreement

The conference agreement on the freestanding welfare bill includes cuts to means-tested programs equaling about \$62 billion when Medicaid savings are excluded from the estimate and roughly \$66 billion when the Medicaid savings are included. The Medicaid savings stem primarily from the denial of Medicaid to large numbers of legal immigrants. These estimates are based on the recently revised CBO estimates of the savings achieved by the welfare provisions in the recently-vetoed reconciliation bill, adjusting for changes made to the freestanding welfare bill. These estimates take into account the new CBO economic and technical assumptions.

The conference agreement on the welfare bill includes the following changes that impact the estimates of the cuts.

- Unlike the reconciliation bill and both the House and Senate passed welfare bills, the conference agreement does not include the provision denying SSI to persons whose disabilities stem from drug or alcohol addiction. This provision has already been passed by the House in previous legislation. If this provision had been included in the conference agreement on the welfare bill, the overall non-Medicaid cuts would total \$64 billion and the total cuts including those stemming from Medicaid would equal roughly \$70 billion.
- The conference agreement on the welfare bill included some modest increases in funding in the areas of Title XX, child care, child welfare and child nutrition. These "add-backs" did not ameliorate the structural problems associated with block granting funds for child protection services, reduce the extremely large cuts in food stamps or the SSI program for low-income disabled children, or lessen the impact the bill would have on legal immigrants. Moreover, funding for child care and work programs remain far below what CBO projects will be needed to meet the work requirements.

In contrast to the \$66 billion in total cuts included in the welfare conference agreement, the Coalition budget included \$31 billion in cuts. *The welfare conference agreement cuts means-tested programs by more than twice as much as the Coalition budget.*

THE WHITE HOUSE

Office of the Press Secretary

WR-Vetoes

For Immediate Release

December 21, 1995

STATEMENT BY THE PRESIDENT

I am disappointed that Republicans are trying to use the words "welfare reform" as cover to advance a budget plan that is at odds with America's values. Americans know that welfare reform is not about playing budget politics -- it is about moving people from welfare to work.

I am determined to work with Congress to achieve real, bipartisan welfare reform. But if Congress sends me this conference report, I will veto it and insist that they try again. This welfare bill includes deep cuts that are tough on children and at odds with my central goal of moving people from welfare to work. The Republican budget cuts in Medicaid and the Earned Income Tax Credit would undermine real reform and penalize people who choose work over welfare.

At a time when we are trying to engage in serious negotiations toward a balanced budget that is consistent with our priorities -- one of which is to "reform welfare," as last month's agreement between Republicans and Democrats made clear -- this is a sign of bad faith by the Republican leadership, and an affront to those in both parties who genuinely want to enact real reform. My Administration remains ready at any moment to sit down in good faith with Democrats and Republicans in Congress to work out a real welfare reform plan.

-30-30-30-

## QUESTIONS AND ANSWERS ON WELFARE REFORM

### Question:

Why did the President veto the Conference bill?

### Answer:

The President vetoed the Conference bill simply because it wasn't real welfare reform. Instead, it was extreme legislation that would have done little to move people from welfare to work and included deep cuts in ~~programs serving~~ <sup>help for</sup> abused, disabled, and hungry children. The National Governors' Association welfare reform proposal was a bipartisan statement that the President was right to veto this flawed legislation. ~~President Clinton has been clear and consistent on the fundamental elements for reform, and his 1997 budget contains a sweeping welfare reform proposal that would both move people into jobs and protect children. The President will continue to urge Congress to send him a bill that reflects our fundamental values of work, responsibility, and family, rather than a bill that uses welfare reform as a cover for budget cutting at the expense of our poorest children.~~ *from the nation's 50 governors*  
*is tough on work & tough on response, not tough on children.*

But even if Congress fails to act, we'll still move ahead to reform the broken welfare system. Since taking office, the Clinton Administration has granted welfare reform waivers to a record 37 states -- waivers that are making work and responsibility a way of life for more than 10 million people, or 75 percent of all welfare recipients. If Congress fails to send him a bill that gets the priorities straight, President Clinton will continue his commitment to ending welfare as we know it ~~one state at a time.~~  
*in each & every state.*

### Question:

How can you say that the President is committed to enacting welfare reform when he has already vetoed the two bills Congress sent him?

### Answer:

The President has led the way on welfare reform. As a governor, he helped develop the Family Support Act of 1988, bipartisan legislation to strengthen families and move people from welfare to work. In 1994, he proposed the most sweeping welfare reform legislation in history. That bill was based on the President's fundamental principles for welfare reform -- work requirements, time limits, child care, and the toughest possible child support enforcement. Last year, at Blair House, the President brought together Democratic and Republican governors, local officials, and members of Congress for a constructive bipartisan dialogue that uncovered important common ground on this issue.

In his 1997 budget, the President has proposed a comprehensive welfare reform proposal that builds on his 1994 plan. It would provide time-limited, conditional assistance in return for

work; give states new flexibility to design their own approaches to reform; preserve the national commitment to nutrition assistance, foster care, and adoption assistance; strengthen child support enforcement; and protect states' ability to respond to growing caseloads -- while saving \$40 billion.

Governors from both parties agree with many of these fundamental elements of reform. The National Governors' Association proposal was a bipartisan statement that the President was right to veto the flawed legislation passed by Congress -- legislation that would do very little to encourage work, and too much that could harm children. The President is committed to enacting real, bipartisan welfare reform -- Congress must only send him a bill that gets the priorities straight.

**The President.** It worked. It took a few years, but it worked finally. On my daughter's 8th birthday, her grandmother's present was that she quit smoking.

**Ms. Ellerbee.** Mr. President, do you have any final thoughts for kids on this issue?

**The President.** You young people cannot believe the potential influence you can have. You can ask adults the kind of hard questions you asked me. You can encourage every adult you care about and love to stop smoking. You can make it so that the cool thing to do is not to smoke instead of to smoke.

And you know, none of us are going to live forever, but you have the choice to maximize, to increase the chances of your living a long and full life. This is a choice you can make. The smoking choice is a choice you can make. It's totally within your control.

And I just want to encourage you. I'll do what I can, but I want to encourage you to do everything you can to get everybody you know to remain smoke-free. I think that is—that's the answer. And you can do it. We can change this country if we do it together.

NOTE: The President's remarks were recorded at 12:10 p.m. on December 12 for broadcast, at 8 p.m. on January 9. Linda Ellerbee is the host of "Nick News" on Nickelodeon.

### **Statement on the Death of Ambassador M. Larry Lawrence** January 9, 1996

I was deeply saddened to learn of the death today of our Ambassador to Switzerland, M. Larry Lawrence. Larry was a good friend and a valued colleague who brought his abundant energy and fresh vision to every task he undertook. As Ambassador in Switzerland, he was a tireless and effective advocate of U.S. interests, especially the promotion of U.S. exports and commercial ties. Larry's service to his country did not begin with his diplomatic assignment. During World War II, at the age of 18, he volunteered for the merchant marines. He was wounded when his ship was sunk by enemy torpedoes in arctic waters. Many years later, Larry was decorated with the Medal of Valor by the Government of the Russian Federation.

Larry's civilian life showed the same courage and resolve. As an entrepreneur, he restored the Hotel del Coronado, one of the west coast's outstanding architectural landmarks. Larry's quiet philanthropy also touched many lives. He believed passionately in education for women; the scholarships he endowed for minority women at the University of Arizona represent a lasting contribution. Hillary joins me in expressing our deepest sympathy to Larry's wife, Shelia, and to his children. We will miss him.

### **Statement on the Death of Former Representative Mike Synar** January 9, 1996

Hillary and I were deeply saddened to learn this morning of the death of former Oklahoma Congressman Mike Synar. Mike Synar was a brave and unflinching public servant who in tough political times remained true to his principles. He did not always do what was popular, but he always did what he thought was right—for Oklahoma and for America. Throughout his life, and especially during the past 6 months, Mike Synar was a true profile in courage.

Hillary and I will miss him. Our thoughts and prayers go out to his family and friends at this difficult time.

### **Message to the House of Representatives Returning Without Approval the Personal Responsibility and Work Opportunity Act of 1995** January 9, 1996

*To the House of Representatives:*

I am returning herewith without my approval H.R. 4, the "Personal Responsibility and Work Opportunity Act of 1995." In disapproving H.R. 4, I am nevertheless determined to keep working with the Congress to enact real, bipartisan welfare reform. The current welfare system is broken and must be replaced, for the sake of the taxpayers who pay for it and the people who are trapped by it. But H.R. 4 does too little to move people from welfare to work. It is burdened with deep budget cuts and structural changes that fall short of real reform. I urge the Congress

to work with me in good faith to produce a bipartisan welfare reform agreement that is tough on work and responsibility, but not tough on children and on parents who are responsible and who want to work.

The Congress and the Administration are engaged in serious negotiations toward a balanced budget that is consistent with our priorities—one of which is to “reform welfare,” as November’s agreement between Republicans and Democrats made clear. Welfare reform must be considered in the context of other critical and related issues such as Medicaid and the Earned Income Tax Credit. Americans know we have to reform the broken welfare system, but they also know that welfare reform is about moving people from welfare to work, not playing budget politics.

The Administration has and will continue to set forth in detail our goals for reform and our objections to this legislation. The Administration strongly supported the Senate Democratic and House Democratic welfare reform bills, which ensured that States would have the resources and incentives to move people from welfare to work and that children would be protected. I strongly support time limits, work requirements, the toughest possible child support enforcement, and requiring minor mothers to live at home as a condition of assistance, and I am pleased that these central elements of my approach have been addressed in H.R. 4.

We remain ready at any moment to sit down in good faith with Republicans and Democrats in the Congress to work out an acceptable welfare reform plan that is motivated by the urgency of reform rather than by a budget plan that is contrary to America’s values. There is a bipartisan consensus around the country on the fundamental elements of real welfare reform, and it would be a tragedy for this Congress to squander this historic opportunity to achieve it. It is essential for the Congress to address shortcomings in the legislation in the following areas:

- *Work and Child Care:* Welfare reform is first and foremost about work. H.R. 4 weakens several important work provisions that are vital to welfare reform’s

success. The final welfare reform legislation should provide sufficient child care to enable recipients to leave welfare for work; reward States for placing people in jobs; restore the guarantee of health coverage for poor families; require States to maintain their stake in moving people from welfare to work; and protect States and families in the event of economic downturn and population growth. In addition, the Congress should abandon efforts included in the budget reconciliation bill that would gut the Earned Income Tax Credit, a powerful work incentive that is enabling hundreds of thousands of families to choose work over welfare.

- *Deep Budget Cuts and Damaging Structural Changes:* H.R. 4 was designed to meet an arbitrary budget target rather than to achieve serious reform. The legislation makes damaging structural changes and deep budget cuts that would fall hardest on children and undermine States’ ability to move people from welfare to work. We should work together to balance the budget and reform welfare, but the Congress should not use the words “welfare reform” as a cover to violate the Nation’s values. Making \$60 billion in budget cuts and massive structural changes in a variety of programs, including foster care and adoption assistance, help for disabled children, legal immigrants, food stamps, and school lunch is not welfare reform. The final welfare reform legislation should reduce the magnitude of these budget cuts and the sweep of structural changes that have little connection to the central goal of work-based reform. We must demand responsibility from young mothers and young fathers, not penalize children for their parents’ mistakes.

I am deeply committed to working with the Congress to reach bipartisan agreement on an acceptable welfare reform bill that addresses these and other concerns. We owe it to the people who sent us here not to let

this opportunity slip away by doing the wrong thing or failing to act at all.

William J. Clinton

The White House,  
January 9, 1996.

### Remarks Prior to a Cabinet Meeting and an Exchange With Reporters

January 10, 1996

*The President.* Hello, everybody. Is everyone in here? Well, first, let me say that we're having this Cabinet meeting to discuss the present status of our budget negotiations and where we are. As I have said all along, I am for balancing the budget in 7 years, but I want to protect the fundamental priorities of the American people and the future of the American people. We can balance a budget in 7 years, according to the Congressional Budget Office, without having dangerously low levels of commitment to Medicare and Medicaid, without having big cuts that undermine our commitments in education and the environment, without raising taxes on working families.

Now, that's what the Congress said they wanted. I've got this letter here from Congress, a letter from Congress to the Speaker saying that the budget we submitted in fact balances the budget in 7 years. The differences between these two budgets are now clear. We do not want to fundamentally change the commitment of the Medicare program to the health care of seniors. We do not want to fundamentally change the commitment of the Medicaid program to senior citizens, to poor children, to the disabled. We do not want to adopt a level of investment that makes it certain that we will have to turn our backs on the needs of education or the environment.

That is what this is all about. We can even have a modest tax cut for the American people, and for families especially, and balance the budget in 7 years according to the Congressional Budget Office. That's what this letter says. They agree now, so the only differences left between us are ideological differences.

And I said in the beginning, let me say again: If the objective is to get a 7-year bal-

anced budget that Congress says is balanced, we can do that. If the objective is to get a modest tax cut, we can do that. If the objective is to dismantle the fundamental American commitments through Medicare and Medicaid or to undermine our obligations in education and the environment, I will not do that.

That is basically where it is.

### Budget Negotiations

*Q.* Mr. President, it seems like that what's being said here today and also with what's being said on Capitol Hill, that despite all of the good will that was apparent here yesterday, this really was a breakdown in the talks. You're very far away, and it sounds like you're not getting any closer together in this break.

*The President.* We're not—we're only very far away if you turn this into—if you insist on a tax cut which requires unacceptable levels of cuts in education and the environment and Medicare and Medicaid or you insist on fundamentally changing those programs in ways that will erode the protections that Medicare and Medicaid now give to seniors and to poor children and to disabled people or you insist on cuts in education that will cut back on scholarships or Head Start or you insist on cuts which will really weaken our ability to protect the environment. If that's the deal, it's reconciling not only the level of cuts—it's not just the money here, I want to emphasize that. It's the policy.

The Republicans—if I might, let me just take Medicare for an example, just for example. The Republicans and I agree that there should be changes in the Medicare program to encourage more seniors to have more options to join managed care programs. And we agree on a number of other provisions that should be changed that will strengthen Medicare and give more options to our senior citizens.

I do not agree with changes that I think will, in effect, break up Medicare and put more and more seniors at the mercy of the present private insurance system so that the older and lower income and sicker you are, the more at risk you are. I don't want to do that.