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TITLE IV-CHILD CARE

SEC. 401. CHILD CARE FOR JOBS AND WORK PROGRAM PARTICIPANTS.

(a) Guarantee While in WORK or JOBS Program.-- (1) Section 402(g)(1)(A)(i)(I) of the Act is amended by striking out the semicolon and inserting in lieu thereof "(including employment under part G, or other required activities under such part);".

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

(A) by striking out "(including participation in a program that meets the requirements of subsection (a)(19) and part (F)", and

(B) by striking out "approves the activity" and inserting in lieu thereof "approves the activity as part of the individual's employability plan under part F (regardless of whether resources are available to provide other services or pay for other activities to carry out such plan)".

(b) Transitional Child Care After Leaving Work Program.--

(1) Section 402(g)(1)(A)(ii) of the Act is amended immediately following "aid to families with dependent

children" by inserting "or wages under the program under part G".

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

(B) Clause (iv) of such section is amended immediately after "aid to families with dependent children" by inserting "or wages under part G".

(c) Health and Safety Standards; Continuity of Care.-- (1) For Recipients.--Section 402(g)(1)(A) of the Act is amended by adding at the end thereof the following new subparagraphs:

"(viii) Child care guaranteed under this section, whether provided by a method permitted under subparagraph (B) or by means of an agreement under subsection (j) with the lead agency designated under the Child Care and Development Block Grant Act of 1990 (hereafter referred to as the 'CCDBG Act'), must meet all health and safety standards established by the lead agency (for purposes of the CCDBG Act), and, in addition to any other requirements imposed pursuant to that Act, the State agency must assure (or any such agreement must provide) that (i) all children whose child care is paid for, in whole or in part, under this subsection will be required to have received all immunizations, at the appropriate times, as currently recommended by the Advisory Committee on Immunization Practices (an advisory

committee established by the Secretary, acting through the director of the Centers for Disease Control and Prevention) as specified on the pediatric vaccines list referred to in section 1928(e), and (ii) child care providers used will take steps to assure that toxic substances, weapons, and any other items at the location where the child care is provided that could be harmful to young children, will be secured and unobtainable by the children.

"(ix) The State agency must furnish a certificate (or other documentation) by the director or other appropriate official of the lead agency that child care provided under this subsection will conform in all ways to the provisions for parental choice, unlimited parental access, handling of parental complaints, and consumer education, as well as to all the other standards, criteria, and requirements applicable to child care provided under the CCDBG Act.

"(x) The State agency may, at its option, provide or authorize the provision of child care (and if it exercises this option, shall so advise the lead agency designated under the CCDBG Act, if it has an agreement with such agency under subsection (j)) to a child whose family has been referred pursuant to paragraph (1)(A) for such periods of time as are necessary to assure continuity of care or the benefits of the child development program, even though, for such periods, the

individual whose participation in the program under part F or part G or whose employment is enabled by the child care may have temporary interruptions in employment or training."

(2) For At-Risk Families.--Section 402(i) of the Act is amended by redesignating paragraphs (5) and (6) as paragraphs (8) and (9), respectively, and by inserting after paragraph (4) the following new paragraphs:

"(5) Child care provided under this subsection, whether provided by a method permitted under paragraph (2) or by means of an agreement under subsection (j) with the lead agency designated under CCDBG Act, must meet all health and safety standards established by the lead agency (for purposes of the CCDBG Act), and, in addition to any other requirements imposed pursuant to that Act, the State agency must assure (or any such agreement must provide) that (i) all children whose child care is paid for, in whole or in part, under this subsection being will be required to have received all immunizations, at the appropriate times, as currently recommended by the Advisory Committee on Immunization Practices (an advisory committee established by the Secretary, acting through the director of the Centers for Disease Control and Prevention) as specified on the pediatric vaccines list referred to in section 1928(e), and (ii) child care providers used will take steps to assure that toxic substances, weapons, and any other items at the location where the child care is

provided that could be harmful to young children, will be secured and unobtainable by the children.

"(6) The State agency must furnish a certificate (or other documentation) by the director or other appropriate official of the lead agency that child care provided under this subsection will conform in all ways to the provisions for parental choice, unlimited parental access, handling of parental complaints, and consumer education, as well as to all other standards, criteria, and requirements applicable to child care provided under the CCDBG Act.

"(7) The State agency may, at its option, provide or authorize the provision of child care (and if it exercises this option, shall so advise the lead agency designated under the CCDBG Act, if it has an agreement with such agency under subsection (j)) to a child whose family has been referred pursuant to paragraph (1)(A) for such periods of time as are necessary to assure continuity of care or the benefits of the child development program, even though, for such periods, the individual whose employment is enabled by the child care may have temporary interruptions in employment."

#### SEC. 402. RELATED AMENDMENTS.

(a) Child Care for Participants in the JOBS or WORK Program, and Transitional Child Care.-- Section 402(g) of the Act is amended--

(1) by striking out, in paragraph (1)(A)(vii), "a sliding scale formula" and all that follows and inserting in lieu thereof "the sliding fee scales established by the lead agency designated under the Child Care and Development Block Grant Act of 1990 as required by section 658E(c)(5) of that Act.";

(2) by amending paragraph (1)(C)(i) by striking out clause (II) and inserting in lieu thereof "an amount not less than the amount in the effect under this clause for January 1994."; by

(3) by amending paragraph (3)(B) by adding "and" after clause (i), striking out "applicable standards" and all that follows in clause (ii) and inserting in lieu thereof "all requirements, standards, and criteria applicable to child care funded under the CCDBG Act.", and by repealing clause (iii); and

(4) by repealing paragraphs (4) and (5).

(b) At-Risk Child Care.-- Section 402(1) of the Act is amended--

(1) in paragraph (3)(A), by striking out "a sliding scale formula" and all that follows and inserting in lieu thereof "the sliding fee scales referred to in subsection (g)(1)(A)(vii).";

(2) in paragraph (7)(B) (as redesignated by section 401(c)(2)), by striking out "applicable standards of State and local law;" and inserting in lieu thereof "all requirements, standards, and other criteria applicable to child care funded under the CCDBG Act; and;"

(3) by repealing subparagraphs (C) and (D) of such paragraph (7); and

(4) by amending paragraph (8) (as redesignated) to read as follows:

"(8)(A) In order to facilitate more accurate analysis of the supply and quality of child care resources, the demand for such resources that cannot currently be satisfied, and the effectiveness and relationship of Federal programs providing support for child care and child development activities, the Secretary shall specify by regulation a core set of consistently defined data elements for child care and child development programs which must be used by each State with respect to all reports relating to child care or child development activities supported in whole or in part under this Act or under the CCDBG Act.

"(B) The State agency shall cooperate with the lead agency designated under the CCDBG Act in preparing the report required under section 658K(a) of that Act so that

report includes, and, where relevant, identifies the numbers of children served and amounts of funding provided under subsection (g) and under this subsection. If the lead agency fails to prepare and submit to the Secretary the report for any year, the State agency administering the plan approved under this part shall promptly prepare a report detailing, at a minimum, the numbers and ages of children served, income levels of families to whom child care was provided, the types of settings in which care was provided, the methods of payments used, the fees charged, the efforts made to improve the quality of child care, including steps to improve licensing and monitoring, training, and resources for referrals, and such other information as the Secretary may request to determine that the guarantee of child care was appropriately met and the Federal funds were properly expended."

SEC. 403. LIMITATION OF AT-RISK CHILD CARE TO FAMILIES INELIGIBLE  
FOR RECIPIENT OR TRANSITIONAL CHILD CARE

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

"(A) is not eligible for child care under subsection (g);".

SEC. 404. OPTION TO CONSOLIDATE STATE RESPONSIBILITY FOR CHILD CARE QUALITY AND STANDARDS.

(a) State Option.-- Section 402 of the Act is amended by adding at the end thereof the following new subsection:

"(j) (1) In order to provide the child care which must be guaranteed pursuant to subsection (g) or which may be furnished pursuant to subsection (i), the State agency may enter into an agreement with the lead agency designated under section 658D of the CCDBG Act under which--

"(A) the State agency will refer to the lead agency each family with respect to whom child care must be guaranteed pursuant to subsection (g) or is to be furnished pursuant to subsection (i) (and identify which subsection is applicable to the family and for what period of time);

"(B) subject to paragraph (2), the State agency will pay (either in advance or as reimbursement) the lead agency for the cost of providing child care for any child with respect to whom care must be guaranteed under subsection (g) or is to be furnished under subsection (i), and the lead agency agrees that care for all such children will only be paid for from such reimbursement; and

"(C) that (i) all child care provided by the lead agency under the agreement, whether directly or by contractual or other arrangements, will be subject to the

same requirements, standards, and other criteria as are applicable to child care funded under the CCDBG Act, (ii) parents and children to whom such care is provided will be offered all the same protections and procedural safeguards as are applicable to child care furnished under the CCDBG Act, and (iii) no distinction between or identification of children will be made that reflects the source of funding for the child care provided.

"(2) Limits of Reimbursement.--The State agency shall not pay the lead agency for care provided to a child any amount (A) less than the minimum permitted under subsection (g)(1)(C)(i)(II) and specified by the State for fiscal year 1994 in its plan approved under this part nor (B) in excess of the amount described in subsection (g)(1)(C) or (i)(3)(B), whichever may be applicable to the child involved, and, with respect to children to whom subsection (i)(3)(B) applies, the State agency shall be obligated to pay the lead agency for child care furnished in a fiscal year only to the extent of appropriations available for such purpose for such fiscal year.

"(3) Single State Agency.-- Nothing in this subsection shall be construed as precluding the designation of the agency established or designated under section 402(a)(3) as the lead agency for purposes of the CCDBG Act. No agreement shall be necessary in the case where the same agency is designated under

both the CCDBG Act and this Act, but the agency shall, as lead agency, comply with all the provisions of this subsection."

SEC. 405. FUNDING FOR QUALITY IMPROVEMENT AND LICENSING

ACTIVITIES BENEFITTING CHILDREN REFERRED BY AFDC  
AGENCY.

(a) Licensing and Monitoring Costs.--Section 402(g)(3) of the Act is amended by adding at the end thereof the following new subparagraph:

"(C) In determining the amount expended by a State for child care required to be guaranteed under this subsection, the Secretary shall allow the State to include an amount, determined in accordance with a formula prescribed by the Secretary, to reimburse the State for expenditures in connection with licensing, registration, monitoring, and similar activities with respect to child care providers in the State. The formula adopted by the Secretary shall reflect either the number of children for whom child care is reimbursed under section 403(a), the number of child care providers in the State furnishing such child care, or both, and any other factors which the Secretary determines it would be equitable to consider."

(b) Supply and Quality Improvement Activities.--Section 402(i) of the Act is amended by redesignating paragraph (9) (as previously redesignated) as paragraph (10) and inserting after and below paragraph (8) the following:

"(9) Of the amount available to a State for any fiscal year under section 403(n), 10 percent of such amount may be paid by the Secretary with respect to expenditures for those activities to improve the quality of child care in the State described in section 458G of the Child Care and Development Block Grant Act (referred to in this subsection as the 'CCDBG' Act) and to increase the availability in low-income communities of child care appropriate for infants and very young children and to increase its availability in a variety of settings. Either the State agency administering the plan approved under this part or the lead agency designated under the CCDBG Act may conduct such activities (in which case the State agency shall pay to the lead agency the amount provided by the Secretary for this purpose pursuant to the preceding sentence.".

SEC. 406. FUNDING OF CHILD CARE FOR FAMILIES AT RISK OF WELFARE  
DEPENDENCY.

(a) Federal Funding.-- Section 403(n)(2)(B) is amended--

(1) by striking out the period at the end and inserting a comma, and adding after and below clause (v) the following:

"reduced by 2 percent (for carrying out sections \_\_\_\_ through \_\_\_\_ of the Comprehensive Welfare Reform and Family Support Amendments of 1994.", and

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(b) Reallotment of At-Risk Child Care Funds.-- Section 403(n)(3)(C) of the Act (permitting a one-year carryover by a State of unclaimed Federal funds for at-risk child care) is amended to read as follows:

"(C) If the amount specified in subparagraph (B) for any fiscal year exceeds (or if the Secretary estimates that it will exceed) the total amount paid (or estimated to be payable) under paragraph (1) for such fiscal year, then the Secretary shall provide additional payments to States whose expenditures pursuant to section 402(i) for such year exceed their limitation on Federal payment under paragraph (2). The Secretary shall by regulation provide for the equitable reallotment of any amounts available in the case where all States' claims for a fiscal year under this subparagraph exceed the amount available for reallotment."

SEC. 407. SUPPLEMENT TO INCOME DISREGARD.

Section 402(g)(1)(B) of the Act is amended by adding at the end thereof the following new sentence: "If the State agency guarantees child care by applying the income disregard provision in subsection (a)(8)(A)(iii) in determining the amount of aid to be paid for a month, the State agency shall also, unless it offers the caretaker relative the option of receiving care under another arrangement pursuant to this subparagraph, reimburse the caretaker relative for expenditures for child care for such month

in an amount equal to the excess of such expenditures (or, if less, the maximum amount that may be paid for the type of child care involved, as determined under subparagraph (C)) over the maximum amount that may be disregarded under such subsection."

SEC. 408. NOTICE OF CHILD CARE OPTION.

Section 402(g)(1)(A)(i) of the Act is amended by striking out the period at the end and inserting in lieu thereof a semicolon and adding after and below clause (II) the following: "and if the State agency applies the income disregard provision in subsection (a)(8)(A)(iii) without reimbursement under subparagraph (B) for any additional cost, it shall advise each such family that they also have the option to have the State agency provide child care under another arrangement pursuant to subparagraph (B)."

TITLE V - PREVENTION OF DEPENDENCY

SEC. 501. SUPERVISED LIVING ARRANGEMENTS FOR MINORS.

(1) Section 402(a)(43) of the Act is amended by striking out "at the option of the State,".

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

(3) Such section is further amended--

(A) by amending so much of subparagraph (B) as precedes clause (i) to read "(B) in the case where --",

(B) by striking out the semicolon at the end of each numbered clause in such subparagraph and inserting in lieu thereof a comma, and

(C) by adding after and below clause (v) of such subparagraph the following:

"subparagraph (A) shall not be applicable, but the State agency shall assist the individual in locating an appropriate adult-supervised supportive living arrangement taking into consideration the needs and concerns of the minor, (or may determine that the individual's current living arrangement is appropriate) and thereafter shall require that the individual (and child, if any) reside in such living arrangement as a condition of the continued receipt of aid under the plan or, if the State agency is unable, after making diligent efforts, to locate any such appropriate living arrangement, it shall provide for comprehensive case management, monitoring, and other social services consistent with the best interests of the individual (and child) while living independently;".

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

(a) State Option.--Section 402(a) of the Act is amended --

(A) by striking out "and" after paragraph (44);

(B) by striking out the period after paragraph (45) and inserting in lieu thereof ";and"; and

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

"(46) at the option of the State, provide that --

"(A) subject to subparagraphs (B) (C), and (D), the amount of aid to families with dependent children paid to a family under the plan will not be increased by reason of the birth of a child to an individual included in such family for purposes of making the determination under paragraph (7) and applying paragraph (8) (but any such child will be considered to be a recipient of aid for all other purposes, including title XIX) if --

"(i) in the case where the individual is the relative receiving aid, the child was conceived in a month for which the individual received aid under the plan, or

"(ii) in the case where the individual is a dependent child, the individual is the parent of another child who is a member of the same family and whose needs are included for purposes of making such determination;

*John  
Dad*

"(B) services will be provided under paragraph (15) to all appropriate family members:

"(C) there will be disregarded, in making the determination under paragraph (7) and before applying the provisions of paragraph (8), an amount of income equal to any increase in aid that would have been paid but for subparagraph (A) that is derived from child support collected with respect to the child referred to in paragraph (A), earned income of a member of the family referred to in such subparagraph, or from any other source specified in the plan that the Secretary may approve as consistent with the objectives of this paragraph; and

"(D) the provisions of subparagraph (A) will not be applied in case of rape or in any other cases that the State agency finds would violate standards of fairness and good conscience."

(b) Matching for Related Administrative Costs.-- Section 403(a)(3) of the Act is amended by striking out the semicolon and inserting in lieu thereof "or counseling or referral services furnished pursuant to section 402(a)(15);".

#### SEC. 503. CASE MANAGEMENT FOR PARENTS UNDER AGE 20.

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

"(3) The State agency shall--

"(A) assign a case manager to each custodial parent receiving aid under part A who is under age 20;

"(B) provide that case managers will have the training necessary (taking into consideration the recommendations of appropriate professional organizations) to enable them to carry out successfully their responsibilities and will be assigned a caseload the size of which permits successful case management; and

"(C) provide that the case manager will be responsible for--

"(i) assisting such parent in obtaining appropriate services, including parenting education, family planning services, education and vocational training, and child care and transportation services,

"(ii) making the determinations required to implement the provision of paragraph (43),

"(iii) monitoring such parent's compliance with all program requirements, and, where appropriate, providing incentives and applying sanctions, and

"(iv) providing general guidance, encouragement and support to such parent to achieve self-sufficiency."

SEC. 504. STATE OPTION TO PROVIDE ADDITIONAL INCENTIVES AND PENALTIES TO ENCOURAGE TEEN PARENTS TO COMPLETE HIGH SCHOOL AND PARTICIPATE IN PARENTING ACTIVITIES.

(a) State plan.--Section 402(a)(19)(E) of the Act (as amended by section 101 of this Act) is amended by adding "and" after clause (ii) and adding after and below clause (ii) the following new clause:

"(iii) at the option of the State, custodial parents who are under age 20 (and pregnant women under age 20) who are receiving aid under this part will be required to participate in a program of monetary incentives and penalties, consistent with subsection (j);".

(b) Elements of program.--Section 402 of the Act is amended by adding at the end thereof the following new subsection:

"(j)(1) If a State chooses to conduct a program of monetary incentives and penalties to encourage custodial parents (and pregnant women) who are under age 20 to complete their high school (or equivalent) education, and participate in parenting activities, the State shall amend its State plan--

"(A) to specify the one or more political subdivisions in which the State will conduct the program (or other clearly defined geographic area or areas), and

"(B) to described its program in detail.

"(2) A program under this subsection--

"(A) shall require participation by all custodial parents (including pregnant women) who are under age 20 and have not received a high school diploma (or equivalent) other than a parent who meets a criterion (other than incapacity or disability) that qualifies the parent for participation in pre-JOBS activities, as described in subsection (a)(19)(D);

"(B) may, at the option of the State, include all such parents who are under age 21;

"(C) may, at the option of the State, require, in addition to full-time participation in secondary school or equivalent educational activities, participation in a course or program leading to a skills certificate found appropriate by the State agency or parenting education activities (or any combination of such activities and secondary education);

"(D) shall require that the case manager assigned to the custodial parent pursuant to subsection (a)(44)(C) will review the needs of such parent and will assure that, either in the initial development or revision of the parent's

employability plan, there will be included a description of the services that will be provided to the parent and the way in which the case manager and service providers will coordinate with the educational or skills training activities in which the custodial parent is participating;

"(E) shall provide monetary incentives for more than minimally acceptable performance of required educational activities; and

"(F) shall provide penalties (which may be those required by subsection (a)(19)(G) or, with the approval of the Secretary, other monetary penalties that the State finds will better achieve the objectives of the program.

"(3) When a monetary incentive is payable because of the more than minimally acceptable performance of required educational activities by a custodial parent, the incentive shall be paid directly to such parent, regardless of whether the State agency makes payment of aid under the State plan directly to such parent.

"(4) The State agency shall from time to time provide such information as the Secretary may request, and otherwise cooperate with the Secretary, in order to permit evaluation of the effectiveness on a broad basis of the State's program conducted under this subsection."

SEC. 505. ADOLESCENT PREGNANCY PREVENTION GRANTS.

(a) Adolescent Pregnancy Prevention Program.--

Title XX (42 U.S.C. 1397-1397f) is amended by adding at the end the following:

"SEC. 2008. ADOLESCENT PREGNANCY PREVENTION GRANTS.

"(a) Purpose.--The purpose of this section is to encourage and provide financial assistance for the development of intensive and sustained school-linked and school-based pregnancy prevention programs for adolescents in areas of high poverty or high unmarried adolescent birth rates that build upon other Federal, State, and local pregnancy prevention and youth development programs.

"(b) General Authority.-- Notwithstanding section 2005(a)(6), the Secretary of Health and Human Services, the Secretary of Education, and the Chief Executive Officer of the Corporation for National and Community Service (hereinafter referred to as the 'responsible Federal officials'), in consultation with other relevant Federal agencies, shall jointly make grants to eligible entities, to carry out programs in accordance with this section.

"(c) Federal Administration.--

"(1) Notwithstanding the Department of Education Organization Act (20 U.S.C. 3401 et seq.) and the General Education Provisions Act (20 U.S.C. 1221 et seq.), the

responsible Federal officials shall jointly provide for the administration of this section, and shall jointly issue whatever regulations, procedures, and guidelines, the responsible Federal officials consider necessary and appropriate to administer and enforce the provisions of this section.

"(2) The responsible Federal officials may enter into agreements with any other Federal entity with expertise in youth development activities to administer the program under this section and may provide such entity with appropriate reimbursement.

"(d) Funding.--

"(1) In General.--To achieve the purposes of this section, the responsible Federal officials shall make grants to eligible entities under subsection (b) and conduct activities under subsections (m) and (n) so that in the aggregate the expenditures for such grants and activities do not exceed \$20,000,000 for fiscal year 1995, \$40,000,000 for fiscal year 1996, \$60,000,000 for fiscal year 1997, \$80,000,000 for fiscal year 1998, and \$100,000,000 for fiscal year 1999 and each subsequent fiscal year.

"(2) Payments to Grantees.-- Upon approval by the responsible Federal officials, each grant applicant shall be entitled to payment of at least \$50,000 and not more than

\$400,000 for each fiscal year based on an assessment by the responsible Federal officials of the scope and quality of the proposed program and the number of adolescents to be served by the program. Payments to a grantee for any fiscal year shall be available for expenditure by such grantee in such fiscal year or the succeeding fiscal year.

"(3) Reservation for Evaluation, Training, Technical Assistance, and National Clearinghouse.--The responsible Federal officials shall reserve, with respect to each fiscal year, up to 10 percent of the aggregate amount described in paragraph (1) for expenditure by the responsible Federal officials for evaluation, training, and technical assistance related to the programs under this section, and for the establishment and operation of a National Clearinghouse on Adolescent Pregnancy Prevention Programs under subsection (n).

"(4) Excess Amount.--If in any fiscal year the aggregate amount specified in paragraph (1) for such fiscal year exceeds the amount required to carry out approved grant applications and other functions under paragraph (3), then the amount specified in section 2003(c)(5) shall be increased by the excess.

"(e) Definitions.--As used in this section:

"(1) Adolescents.--The term 'adolescents' means youth who are ages 10 through 19.

"(2) Eligible entity.--The term 'eligible entity' means a partnership that includes--

"(A) a local education agency, acting on behalf of one or more schools; together with

"(B) one or more community-based organizations, institutions of higher education, or public or private agencies or organizations.

"(3) Eligible area.--The term 'eligible area' means a school attendance area in which--

"(A) at least 75 percent of the children are from low-income families as that term is used in part A of title I of the Elementary and Secondary Education Act of 1965;

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

"(C) the unmarried adolescent birth rate is high, as determined by the responsible Federal officials.

"(4) School.--The term 'school' means a public elementary, middle, or secondary school.

"(5) Responsible Federal officials.-- The term 'responsible Federal officials' means the Secretary of Education, the Secretary of Health and Human Services, and the Chief Executive Officer of the Corporation for National and Community Service.

"(f) Uses of Funds.--Grants under this section --

"(1) shall be used to --

"(A) develop, operate, expand, and improve a sequential, age-appropriate program of instruction and counseling services for adolescents designed to promote personal responsibility and a healthy lifestyle, and to prevent adolescent pregnancy, through such activities as counseling and instruction in the full range of consequences of premature sexual behavior and adolescent pregnancy, training in decision-making, and activities to promote involvement of parents and families in adolescent development and personal responsibility; and

"(B) provide opportunities for sustained contact with one or more adults, through such activities as mentoring, group coaching, or after-school activities; and

"(2) may be used to conduct other related activities that promote the purposes of this section.

"(g) Application.-- Each applicant for a grant under subsection (b) must submit an application that --

"(1) includes a plan, based on local needs, for accomplishing the purposes of this section that --

"(A) sets forth specific, measurable goals intended to be accomplished under the program, and describes the methods to be used in measuring progress toward accomplishment of such goals;

"(B) describes the components of the program, including --

"(i) the role in the program of any national service participants supported by the National and Community Service Act of 1990 (42 U.S.C. 12501 et seq.) or by any other national service law as defined in such Act, and

"(ii) the activities, in accordance with subsection (f), that will be made available under the program,

and the manner in which such components will be implemented, including the extent to which activities will take place after school, on weekends, or during the summer;

"(C) describes the manner in which one or more professional staff will administer the program, and,

where appropriate or feasible, the manner in which national service participants will be involved in the development or delivery of services and in the coordination of during or after-school activities;

"(2) demonstrates the manner in which the program will be based on research concerning effective means of reducing adolescent pregnancy, including reducing risk-taking behaviors correlated with adolescent pregnancy;

"(3) demonstrates that the program will serve male and female adolescents and, where feasible, out-of-school adolescents, and describes the steps the applicant will take to serve such adolescents;

"(4) demonstrates the manner in which the applicant will provide, to the extent feasible, a continuity of services for adolescents until age 19;

"(5) demonstrates the extent to which school personnel, parents, community organizations, and the adolescents to be served have participated in the development of the application and will participate in the planning and implementation of the program;

"(6) describes the applicant's partnership, including the relationship of the partners, the role of each partner in the development and implementation of the program, and

the manner in which the partners will coordinate their resources;

"(7) describes the nature and scope of commitment to the program by other community institutions, such as religious organizations, community groups, institutions of higher education, business, and labor;

"(8) describes the methods to be used in coordinating the provision of services under the program with the provision of services or benefits under other Federal or federally assisted programs, State and local programs, and private programs serving the same population;

"(9) demonstrates that the area to be served is an eligible area;

"(10) contains assurances that at least one activity will be located in a school in the area to be served and describes the activities that will be school-based;

"(11) contains assurances that the amounts provided under this section will not be used to supplant Federal, State, or local funds for services and activities that promote the purposes of this section;

"(12) contains assurances that the applicant will provide a non-Federal share, in cash or in kind, of at least 20 percent of the cost of carrying out the approved program;

"(13) describes the applicant's plan for continuation of the program following completion of the grant period and termination of Federal support under this section;

"(14) contains assurances that the applicant will furnish such reports, containing such information, and participate in such evaluations, as the responsible Federal officials may require; and

"(15) includes such other information and assurances as the responsible Federal officials may reasonably require.

"(h) Priorities.--In making awards under this section, the responsible Federal officials shall give priority to applicants that --

"(1) provide for non-Federal resources significantly in excess of those required in subsection (g)(12) or for an increasing ratio of non-Federal resources over the term of the grant; and

"(2) participate in other Federal and non-Federal programs that relate to the purposes of this section.

"(i) Treatment as Non-Federal Share.-- For purposes of the National and Community Service Act of 1990 (42 U.S.C. 12501 et seq.), the funds provided to a grantee under this section shall not be considered Federal funds.

"(j) Prohibition on Use of Funds.--No assistance made available under this section shall be used to provide religious

instruction, to conduct worship services, or to proselytize in any manner.

"(k) Geographic Diversity.--The responsible Federal officials shall, to the extent feasible, ensure that applications are approved from both urban and rural areas and reflect nationwide geographic diversity.

"(l) Duration of Grant.--An application approved under this section shall be for a term of 5 years; except that approval may be terminated before the end of such period if the responsible Federal officials determine that the grantee conducting the program has failed substantially to carry out the program as described in the approved application.

"(m) Evaluation, Training, and Technical Assistance.--

"(1) Evaluation.--The responsible Federal officials shall evaluate the effectiveness of programs conducted under this section, directly or by grant or contract, and may require each grantee conducting such a program to provide such information as the responsible Federal officials determine is necessary for such evaluations.

"(2) Training and Technical Assistance.--The responsible Federal officials may provide training and technical assistance with respect to the development, implementation, or operation of programs under this section.

"(3) Coordination with National Clearinghouse.--The responsible Federal officials shall coordinate the activities conducted under this subsection with the activities conducted by the National Clearinghouse on Adolescent Pregnancy Prevention Programs under subsection (n).

"(n) National Clearinghouse on Adolescent Pregnancy.

"(1) Establishment.--The responsible Federal officials shall establish, through grant or contract, a national center for the collection and provision of programmatic information and technical assistance that relates to adolescent pregnancy prevention programs, to be known as the 'National Clearinghouse on Adolescent Pregnancy Prevention Programs'.

"(2) Functions.--The national center established under paragraph (1) shall serve as a national information and data clearinghouse, and as a training, technical assistance, and material development source for adolescent pregnancy prevention programs. Such center shall --

"(A) develop and maintain a system for disseminating information on all types of adolescent pregnancy prevention programs and on the state of adolescent pregnancy prevention program development,

including information concerning the most effective model programs;

"(B) develop and sponsor a variety of training institutes and curricula for adolescent pregnancy prevention program staff;

"(C) identify model programs representing the various types of adolescent pregnancy prevention programs;

"(D) develop technical assistance materials and activities to assist other entities in establishing and improving adolescent pregnancy prevention programs;

"(E) develop networks of adolescent pregnancy prevention programs for the purpose of sharing and disseminating information; and

"(F) conduct such other activities as the responsible Federal officials find will assist in developing and carrying out programs or activities to reduce adolescent pregnancy."

SEC. 506. DEMONSTRATION PROJECTS TO PROVIDE COMPREHENSIVE SERVICES TO PREVENT ADOLESCENT PREGNANCY IN HIGH-RISK COMMUNITIES.

Title XX (42 U.S.C. 1397-1397f) is amended by adding at the end the following:

"SEC. 2009. DEMONSTRATION PROJECTS TO PROVIDE COMPREHENSIVE SERVICES TO PREVENT ADOLESCENT PREGNANCY IN HIGH-RISK COMMUNITIES.

"(a) (1) Purpose.--In order to stimulate the development of innovative approaches for the effective delivery of comprehensive services, with particular emphasis on pregnancy prevention, to certain youth and their families in high-risk communities and the promotion of community involvement in improving the environment in which such youth live, the Secretary of Health and Human Services shall conduct a program of demonstration projects in accordance with this section.

"(2) Approval of Projects.--The Secretary of Health and Human Services, in consultation with the Secretary of Education, the Secretary of Housing and Urban Development, the Attorney General, and the Secretary of Labor, shall approve at least 5 and not more than 7 projects, in accordance with subsection (c). Upon approval by the Secretary, each project applicant shall be entitled to payment of up to \$3,600,000 for each of fiscal years 1995 through 2000 for the purpose of conducting approved demonstration projects.

"(b) Funding.--

"(1) In General.--There shall be made available to the Secretary \$20,000,000 for each of fiscal years 1995 through 1999 for carrying out the projects under this section.

Payments to a grantee for any fiscal year must be expended by the grantee in such fiscal year or the succeeding fiscal year.

"(2) Evaluation, Training, and Technical Assistance.-- The Secretary shall reserve, with respect to each fiscal year, ten percent of the amount described in paragraph (1) for expenditure by the Secretary for training and technical assistance related to the demonstration projects under this section and for evaluation of such projects. The amount so reserved shall remain available for obligation through fiscal year 1999.

"(3) Excess Amounts.--If in any fiscal year the amount specified in paragraph (1) for such fiscal year exceeds the amount required to carry out approved projects and evaluation, training, and technical assistance under this section, then the amount specified in section 2003(c)(5) shall be increased by the excess.

"(c) Application; Eligibility Criteria.--A local public or private nonprofit organization, including an unit of government, or any combination of such entities, shall be eligible to submit a project application. In order that an application be approved under subsection (a), the application must --

"(1) demonstrate that the geographic area to be served by the project satisfies the following criteria:

"(A) it includes a population of 20,000 to 35,000 residents,

"(B) it has an identifiable boundary and is recognizable as a community by its residents, and

"(C) within the community, there is a poverty rate --

"(i) in the area as a whole, of not less than 20 percent,

"(ii) in at least 90 percent of such area, of not less than 25 percent, and

"(iii) in at least 50 percent of such area, of not less than 35 percent;

"(2) include a plan for accomplishing the purposes of this section that --

"(A) describes the comprehensive, integrated services, in accordance with subsection (e), that will be made available under the project;

"(B)(i) sets forth the goals intended to be accomplished under the project, and

"(ii) describes the methods to be used in measuring progress toward accomplishment of such goals and the outcomes to be measured, including unmarried adolescent birth rates, rates of youth alcohol and drug use, rates of youth violence, high school graduation

rates, and such other outcomes as the Secretary finds appropriate;

"(C) describes the process by which the affected community (including parents, the youth to be served, schools, local government, religious organizations, community groups, business, and labor) is a full partner in the process of developing and implementing the project and the extent to which parents, the youth to be served, and local institutions and organizations have contributed to the planning process;

"(D) identifies the private and public partnerships to be used;

"(E) describes the methods to be used in coordinating the provision of services under the project and the provision of services or benefits under other Federal or federally assisted programs, State and local programs, and private programs serving the same population; and

"(F) describes the manner in which other Federal funds and non-Federal funds will be used to further the purposes of the program;

"(3) demonstrate strong State and local government commitment to the project and involvement in the planning and implementation of the project;

"(4) demonstrate the ability of the applicant to carry out the project;

"(5) describe the methods to be used for maintaining accurate records regarding the activities carried out with funds under this section;

"(6) contain assurances that the amounts provided under this section will not be used to supplant Federal, State, and local funds for services and activities that promote the purposes of this section;

"(7) contain assurances that the applicant will provide a non-Federal share, in cash or in kind, of 10 percent of the cost of carrying out the approved project and describe the capacity of the applicant to provide the non-Federal share;

"(8) contain assurances that the applicant will furnish such reports, containing such information, and participate in such evaluations, as the Secretary may require; and

"(9) include such other information as the Secretary may require.

"(d) Priority.-- In making awards under this section, the Secretary shall give priority to applicants that provide for non-Federal resources significantly in excess of those required in subsection (c)(7).

"(e) Use of Grants.--Under each demonstration project conducted under this section, the grantee shall provide, directly or indirectly, a wide range of services in each of the following areas --

"(1) health services designed to promote physical and mental well-being and personal responsibility (with particular emphasis on pregnancy prevention), such as school health services, health education, family planning services, substance abuse prevention services and referral for treatment, life skills training, and decision-making skills training;

"(2) educational and employability development services designed to promote educational advancement leading to a high school diploma or its equivalent and opportunities for high skill, high wage job attainment and productive employment, to establish a lifelong commitment to learning and achievement, and to increase self-confidence, such as academic tutoring, literacy training, drop-out prevention programs, career and college counseling, mentoring programs, job skills training, apprenticeships, and part-time paid work opportunities;

"(3) social support services designed to provide youth with a stable environment, opportunities for a sustained relationship with one or more adults, and opportunities for

participation in safe and productive activities, such as cultural, recreational and sports activities, leadership development, peer counseling and crisis intervention, mentoring programs, parenting skills training, and family counseling; and

"(4) community activities designed to improve community stability, and to encourage youth to participate in community service and establish a stake in the community, such as community policing, community service programs, community activities in partnership with less distressed neighborhoods, local media campaigns, and establishment of community advisory councils with youth representation.

"(f) Evaluation, Training, and Technical Assistance.--

"(1) Evaluation.--The Secretary shall evaluate the effectiveness of each demonstration project conducted under this section and may require each grantee conducting such a project to provide such information as the Secretary determines is necessary for such evaluations.

"(2) Training and Technical Assistance.--The Secretary shall provide training and technical assistance with respect to the development, implementation, or operation of projects under this section.

"(3) Coordination with National Clearinghouse.--The Secretary shall coordinate the activities conducted under

this subsection with activities conducted by the National Clearinghouse on Adolescent Pregnancy Prevention Programs under section 2008(m).

"(g) Funding Period.--Each demonstration project supported under this section shall be conducted for a 5-year period; except that the Secretary may terminate a project before the end of such period if the Secretary determines that the grantee conducting the project has failed to carry out the project as described in the approved application.

"(h) Definitions and Special Rules.--As used in this section:

"(1) Youth.--The term "youth" means an individual who is not less than 10 years of age and not more than 21 years of age.

"(2) Use of Census Data.--Population and poverty rate shall be determined by the most recent decennial census data available."

#### TITLE VI - CHILD SUPPORT ENFORCEMENT

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#### TITLE VII - IMPROVING GOVERNMENT ASSISTANCE

##### PART A - AFDC AMENDMENTS

SEC. 701. PERMANENT REQUIREMENT FOR UNEMPLOYED PARENT PROGRAM.

(a) In General.--Section 401(h) of the Family Support Act of 1988 (terminating the requirement that States provide benefits to two-parent families based on the unemployment of the principal earner) is repealed.

(b) Applicability to Puerto Rico, American Samoa, Guam, and the Virgin Islands.--Section 401(g)(2) of the Family Support Act of 1988 is amended, effective on the date of enactment of such Act, to read as follows:

"(2) The amendments made by this section (other than those made by subsection (c)) shall not become effective with respect to Puerto Rico, American Samoa, Guam, or the Virgin Islands unless the jurisdiction involved notifies the Secretary of Health and Human Services that it chooses to have such amendments apply."

SEC. 702. STATE OPTIONS REGARDING UNEMPLOYED PARENT PROGRAM.

(a) Duration of Unemployment and Recency-of-Work Tests.--  
 (1) Section 407(b)(1)(A) of the Act (in the matter preceding clause (i)) is amended to read as follows:

"(A) subject to paragraph (2), shall provide for the payment of aid to families with dependent children with respect to a dependent child within the meaning of subsection (a) --".

(2) Such section is further amended--

(A) by striking out "whichever" in clause (i) and inserting in lieu and thereof "when, if the State choose to so require (and specifies in its State plan), whichever", and

(B) by striking out "(iii)(I)" and inserting in lieu thereof "(iii) when, if the State chooses to so require (and specifies in its State plan) (I)".

(b) State Option to Define "Unemployment".--At its option, a State may apply, for purposes of section 407 of the Act, a definition of unemployment that includes individuals who, solely by reasons of the standards prescribed by the Secretary of Health and Human Services under subsection (a) of such section and in effect on the date of enactment of this Act, would not have been eligible for aid to families with dependent children, and shall include such definition in its State plan approved under part A of title IV of the Act.

(c) Effective Date.-- The amendments made by this section shall become effective October 1, 1996.

#### SEC 703. DEFINITION OF ESSENTIAL PERSON.

(1) General Requirement.--Section 402 of the Act is amended by adding immediately after and below subsection (c) the following new subsection:

"(d) In order that the State may include the needs of an individual in determining the needs of the dependent child and

relative with whom the child is living, such individual must be living in the same home as such child and relative and--

"(1) furnishing personal services required because of the relative's physical or mental inability to provide care necessary for herself or himself or for the dependent child (which, for purposes of this subsection only, includes a child receiving supplemental security income benefits under title XVI),

"(2) furnishing child care services, or care for an incapacitated member of the family, that is necessary to permit the caretaker relative --

"(A) to engage in part-time employment outside the home, or

"(B) to attend a course of education designed to lead to a high school diploma (or its equivalent) or a course of training on a part-time basis, or to participate in the program under part F on a part-time basis."

SEC. 704. EXPANDED STATE OPTION FOR RETROSPECTIVE BUDGETING.

Section 402(a)(13) of the Act is amended --

(1) by striking out in the matter that precedes subparagraph (A) "but only with respect to any one or more categories of families required to report monthly to the State agency pursuant to paragraph (14),"; and

(2) by striking out in each of subparagraphs (A) and (B) "(but only where the Secretary determines it to be appropriate, in the case of families who are required to report monthly to the State agency pursuant to paragraph (14),".

SEC. 705. DISREGARDS OF INCOME.

(a) Student Earnings.-- (1) In General.-- Section 402(a)(8)(A)(i) of the Act is amended by striking out "dependent child" and inserting in lieu thereof "individual under age 19".

(2) Conforming Amendments.-- Section 402(a) of the Act is amended--

(A)(i) by striking out "a dependent child" in paragraph (8)(A)(vii) and inserting in lieu thereof "an individual under age 19", and

(ii) by striking out "such child" in such paragraph and inserting in lieu thereof "such individual", and

(B) by striking out in paragraph (18) "of a dependent child" and inserting in lieu thereof "of an individual under age 19".

(b) Standard Earned Income Disregard Amount.--Section 402(a)(8)(A)(ii) of the Act is amended by striking out "\$90" and inserting lieu thereof "\$120, or if greater, \$120 adjusted by the CPI (as prescribed in section 406(i))".

(c) State Option to Disregard Earned Income.-- (1) In General.-- Section 402(a)(8)(A)(iv) of the Act is amended to read as follows:

"(iv) may, at its option, disregard amounts of earned income in addition to those required or permitted to be disregarded under this paragraph, and shall specify in its State plan any such additional amounts and the circumstances (including whether they will be disregarded at application) under which they will be disregarded;"

(2) Conforming Amendments.--

(A) Clause (ii) of section 402(a)(8)(B) of the Act is repealed.

(B) Section 402(g)(1)(A)(ii) of the Act is amended by striking out "or by reason of subsection (a)(8)(ii)(II)".

(d) Disregard of Training Stipends.--Section 402(a)(8)(A)(v) of the Act is amended to read as follows:

"(v) shall disregard from the income of any individual applying for or receiving aid to families with dependent children any amount received as a stipend or allowance under the Job Training Partnership Act or under any other training or similar program;"

(e) Mandatory Child Support Pass-Through.--(1) Section 402(a)(8)(A)(vi) of the Act is amended--

(A) by striking out "\$50" (in two places) and inserting in lieu thereof "\$50, or, if greater, \$50 adjusted by the CPI (as prescribed in section 406(i))";, and

(B) by striking out the semicolon at the end and inserting in lieu thereof "or, in lieu of the amount specified in two places in this clause, such greater amount as the State may choose (and provide for in its State plan);".

(2) CPI Adjustment.--Section 406 of the Act is amended by adding at the end thereof the following new subsection:

"(i) For purposes of section 402(a)(8), an amount is 'adjusted by the CPI' for any month in a calendar year by multiplying the amount involved by the ratio of--

"(1) the Consumer Price Index (as prepared by the Department of Labor) for the third quarter of the preceding calendar year, to

"(2) such Consumer Price Index for the third quarter of calendar year 1996,  
and rounding the product, if not a multiple of \$10, to the nearer multiple of \$10."

(f) Lump-Sum Income.--(1) In General.--Section 402(a)(8)(A) of the Act is amended--

(1) by striking out "and" after clause (viii), and

(2) by adding after and below clause (viii) the following new clause:

"(ix) shall disregard from the income of any family member any amounts of income received in the form of nonrecurring lump-sum payments;"

(2) Repeal.--Section 402(a)(17) of the Act is repealed.

(g) Educational Assistance.-- Section 402(a)(8)(A) of the Act is further amended by adding after and below clause (ix) the following new clause:

"(x) shall disregard all educational assistance provided to a family member;"

(h) In-Kind Income.--Such section is further amended by adding after and below clause (x) the following new clause:

"(xi) shall disregard all in-kind income provided to a family member;"

(i) Benefits Under the National and Community Service Act.-- Such section is further amended by adding after and below clause (xi) the following new clause:

"(xii) shall disregard any living allowance, stipend, or educational award paid under section 140 of the National and Community Service Act of 1990 to a family member participating in a national service program carried out with

assistance from the Corporation for National and Community Service;".

SEC. 706. STEPPARENT INCOME.

Section 402(a)(31) of the Act is amended by striking out the semicolon at the end and inserting in lieu thereof ", or, at the option of the State, so much of such income as exceeds any greater amount or amounts as the State agency finds appropriate to strengthen family life and provide incentives to increase earnings;".

SEC. 707. INCREASE IN RESOURCE LIMIT.

Section 402(a)(7)(B) of the Act is amended (in the matter preceding clause (i)) by striking out "\$1000 or such lower amount as the State may determine "and inserting in lieu thereof "\$2000 or, in the case of a family with a member who is 60 years of age or older, \$3000".

SEC. 708. EXCLUSIONS FROM RESOURCES.

(a) Life Insurance.-- Section 402(a)(7)(B)(ii) of the Act is amended by striking out the semicolon at the end and inserting in lieu thereof ", and the cash value of life insurance policies;".

(b) Real Property which Must be Disposed of.--Section 402(a)(7)(B)(iii) of the Act is amended to read as follows: "real property which the family is making a good faith effort to dispose of at a reasonable price;".

(c) Exclusion of Payments of the EITC.-- Section 402(a)(7)(B) of the Act is amended--

- (1) by striking out "or" after clause (iii), and
- (2) by amending clause (iv) (pertaining to payments by reason of the Earned Income Tax Credit) by striking out "the following month" and inserting in lieu thereof "the following eleven-month period",

(d) Lump-Sum Payments for Medical Expenses or Replacement of Lost Resources.-- Section 402(a)(7)(B) of the Act is amended--

- (1) by striking out "and" after clause (iv), and
- (2) by adding after clause (iv) the following new clause: "(v) for the month of receipt and the following eleven-month period, amounts that have been paid as reimbursement (or payment in advance) for medical expenses or for the cost of repairing or replacing resources of the family;".

(e) Individual Development Accounts.-- Section 402(a)(7)(B) of the Act is amended by adding after clause (v) the following new clause: "(vi) amounts, not to exceed \$10,000 in total deposited in one or more Individual Development Accounts established in accordance with (I) section 529 of the Internal Revenue Code of 1986 by any member of a family receiving aid to families with dependent children, or (II) under a demonstration project conducted under the Individual Development Account

Demonstration Act of 1994, but only if such amounts were deposited by such individual in a month for which such aid was paid, or food stamps provided, with respect to such individual; or".

(f) Resources for Self-Employment.-- Section 402(a)(7)(B) of the Act is amended by adding after clause (vi) the following new clause: "or (vii) liquid and nonliquid resources that are or will be used for the self-employment of a family member, to the extent and under the circumstances allowed by the State agency in accordance with regulations issued jointly by the Secretary and the Secretary of Agriculture (with applicability also to the Food Stamp Program);".

#### SEC. 709. VALUATION OF AUTOMOBILE.

Section 402(a)(7)(B) of the Act is amended --

(1) by striking out in clause (i) "so much of the family member's ownership interest in one automobile as does not exceed such amount as the Secretary may prescribe"; and

(2) by striking out the semicolon at the end of such section and inserting in lieu thereof "; and shall, in applying the provisions of this subparagraph, determine the value of motor vehicles, and the extent to which such value shall be included, in accordance with rules prescribed by the Secretary, in order assist in achieving the objectives this title;".

## SEC. 710. TRANSFER OF RESOURCES.--

Section 402(a)(7) of the Act is amended--

- (1) by adding "and" after subparagraph (C), and
- (2) by adding after and below subparagraph (C) the following new subparagraph:

"(D) shall determine ineligible for aid any family member who knowingly transfers resources for the purpose of qualifying or attempting to qualify for such aid for such period, not in excess of one year from the date of discovery of the transfer, determined in accordance with regulations of the Secretary:".

## SEC. 711. LIMITATION ON UNDERPAYMENTS.

Section 402(a)(22)(C) of the Act is amended by striking out "an underpayment" and inserting in lieu thereof "an underpayment, the corrective payment shall be made regardless of whether the family is, at the time payment is made, receiving current payment of aid under the State plan but such payment shall not exceed the amount necessary to correct for the underpayment of aid during the twelve-month period immediately preceding the month in which the State agency first learned of the underpayment, and".

SEC. 712. COLLECTION OF AFDC OVERPAYMENTS FROM FEDERAL TAX  
REFUNDS.

(a) Authority to Intercept Tax Refund.-- Part A of title IV of the Act is amended by adding at the end thereof the following new section:

"COLLECTION OF OVERPAYMENTS FROM FEDERAL TAX REFUNDS

"Sec. 419.(a). Upon receiving notice from a State agency administering a plan approved under this part that a named individual has been overpaid under the State plan approved under this part, the Secretary of the Treasury shall determine whether any amounts as refunds of Federal taxes paid are payable to such individual, regardless of whether such individual filed a tax return as a married or unmarried individual. If the Secretary of the Treasury finds that any such amount is payable, he shall withhold from such refunds an amount equal to the overpayment sought to be collected by the State and pay such amount to the State agency.

"(b) The Secretary of the Treasury shall issue regulations, approved by the Secretary of Health and Human Services, that provide--

"(1) that a State may only submit under subsection (a) requests for collection of overpayments with respect to individuals (A) who are no longer receiving aid under the State plan approved under this part, (B) with respect to

whom the State has already taken appropriate action under State law against the income or resources of the individuals or families involved as required under section 402(a)(22)(B), and (C) to whom the State agency has given notice of its intent to request withholding by the Secretary of the Treasury from the their income tax refunds;

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

"(3) the procedures that the State and the Secretary of the Treasury will follow in carrying out this section which, to the maximum extent feasible and consistent with the specific provisions of this section, will be the same as those issued pursuant to section 464(b) applicable to collection of past-due child support."

(b) Conforming Amendment.-- Section 552a(a)(8)(B)(iv)(III) of title 5 of the United States Code is amended by striking out "section 464 or 1137 of the Social Security Act" and inserting in lieu thereof "section 419, 464, or 1137 of the Social Security Act."

SEC. 713. VERIFICATION OF STATUS OF CITIZENS AND ALIENS.

(a) In General.--Section 1137(d) of the Act is amended by adding at the end thereof the following:

"(6) A State shall be deemed to meet the requirements of paragraph (1) with respect to the eligibility of each member of a family applying for aid under the State plan approved under part A of title IV, if the State requires, as a condition for such eligibility, a declaration in writing by an adult member of the family, under penalty of perjury, that each family member is a citizen of the United States or an alien eligible for aid under such State plan (and, with respect to a child born into a family receiving such aid, such declaration must be made no later than the time of the next redetermination of such family's eligibility following the birth of such child).".

(b) Effective Date.--The amendment made by subsection (a) shall become effective upon enactment.

SEC. 714. REPEAL OF REQUIREMENT TO MAKE CERTAIN SUPPLEMENTAL  
PAYMENTS IN STATES PAYING LESS THAN THEIR NEEDS  
STANDARDS.

Section 402(a)(28) of the Act is repealed.

SEC. 715. CALCULATION OF 185 PERCENT OF NEED STANDARD.

Section 402(a)(18) of the Act is amended by striking out "without application of paragraph (8)(A)(viii)," and inserting in lieu thereof "applying only the disregard provisions of paragraph (8) that appear in clauses (v)(income from a program under the Job Training Partnership Act), (viii)(payments related to the Earned Income Tax Credit), (ix)(certain lump-sum payments to replace lost resources), (x)(educational assistance), (xi)(in-kind income), and (xiii)(certain payments under the National and Community Service Act of 1990),".

SEC. 716. TERRITORIES.

(a) Section 1108(a) of the Act is amended by amending paragraphs (1), (2), and (3) to read as follows:

"(1) for payment to Puerto Rico shall not exceed--

"(A) \$82,000,000 with respect to fiscal years 1994, 1995, and 1996, and

"(B) \$\_\_\_\_\_ or, if greater, such amount adjusted by the CPI (as prescribed in subsection (f)) for fiscal year 1997 and each fiscal year thereafter;

"(2) for payment to the Virgin Islands shall not exceed--

"(A) \$2,800,000 with respect to fiscal years 1994, 1995, and 1996, and

"(B) \$\_\_\_\_\_ or, if greater, such amount adjusted by the CPI (as prescribed in subsection (f)) for fiscal year 1997 and each fiscal year thereafter; and

"(3) for payment to Guam shall not exceed--

"(A) \$3,800,000 with respect to fiscal year 1994, 1995, and 1996, and

"(B) \$\_\_\_\_\_ or, if greater, such amount adjusted by the CPI (as prescribed in subsection (f)), for fiscal year 1997 and each fiscal year thereafter.".

(b) CPI Adjustment.--Section 1108 of the Act is amended by adding at the end thereof the following new subsection:

"(f) For purposes of subsection (a), an amount is 'adjusted by the CPI' for months in calendar year by multiplying that amount by the ratio of the Consumer Price Index as prepared by the Department of Labor for--

"(1) the third quarter of the preceding calendar year, to

"(2) the third quarter of calendar year 1996.".

## PART B -- FOOD STAMP ACT AMENDMENTS

## SEC. 721. INCONSEQUENTIAL INCOME.

Section 5(d)(2) of the Food Stamp Act of 1977 (7 U.S.C. 2014(d)(2)) is amended to read as follows--

"(2) any inconsequential payments, as defined by the Secretary, received during the certification period, but not to exceed a total of such payments of \$30 per household member in any quarter, whether the household's income is calculated on a prospective or retrospective basis,".

## SEC. 722. EDUCATIONAL ASSISTANCE

Section 5 of the Food Stamp Act of 1977 (7 U.S.C. 2014) is amended by--

(1) striking clause (3) of subsection (d) and inserting in lieu thereof the following--

"(3) all educational assistance,";

(2) in the proviso of clause (5) of subsection (d), striking "and no portion of any educational loan" and all that follows through "provided for living expenses,"; and

(3) striking clause (3) of subsection (k).

## SEC. 723. EARNINGS OF STUDENTS.

Effective on and after September 1, 1994, section 5(d)(7) of the Food Stamp Act of 1977 (7 U.S.C. 2014(d)(7)) is amended by--

(1) striking "a child who is a member of the household, who is"; and

(2) striking ", and who is 21" and inserting in lieu thereof "who is 18".

SEC. 724. TRAINING STIPENDS AND ALLOWANCES;

INCOME FROM ON-THE-JOB TRAINING PROGRAMS

Section 5 of the Food Stamp Act of 1977 (7 U.S.C. 2014) is amended by--

(1) striking "and (16)" in subsection (d) and inserting in lieu thereof "(16)";

development of the individual during the period of the program, and if the individual is a member of a household no later than the time prescribed by law

for striking the section with the language beginning with "under extensions 2014(b)(1)(C)" and all that follows through "19 years" and "TREATMENT OF DISTRIBUTIONS" shall be considered earned income for purposes of the program in this SEC. 724(b) and the amount distributed out of an indi-

vidual development account shall be included in gross income for the year beginning with the first day of the month in which the distribution is made. U.S. Code (7 U.S.C.) amended by 72.

(1) inserting the following sentence immediately preceding "earned income distributed to pay qualified expenses--

(2) striking and distribution or payment from an individual development account is used exclusively to pay the qualified expenses incurred by the individual for whose

benefit the account is established, then, for purposes of section 72, assistance contributions made to such individual development account under section 3(h) of the Individual Development Account Demonstration Act shall be treated in the same manner as contributions made by the eligible individual.

"(B) DISTRIBUTIONS NOT USED TO PAY QUALIFIED EXPENSES.—If a distribution or payment from an individual development account is not used exclusively to pay the qualified expenses incurred by the individual for whose benefit the account is established, then, for purposes of section 72, assistance contributions made to such individual development account under section 3(h) of the Individual Development Account Demonstration Act shall be treated in the same manner as earnings on the account.

"(e) TAX TREATMENT OF ACCOUNTS.—

"(1) EXEMPTION FROM TAX.—An individual development account is exempt from taxation under this subtitle unless such account has ceased to be an individual development account by reason of paragraph (2). Notwithstanding the preceding sentence, any such account is subject to the taxes imposed by section 511 (relating to imposition of tax on

unrelated business income of charitable, etc. organizations).

"(2) LOSS OF EXEMPTION OF ACCOUNT WHERE INDIVIDUAL ENGAGES IN PROHIBITED TRANSACTION.--

"(A) IN GENERAL.—If the individual for whose benefit an individual development account is established or any individual who contributes to such account engages in any transaction prohibited by section 4975 p862X respect to the account, the account shall cease to be an individual development account as of the first day of the taxable year (of the indl so engaging in such transaction) during which such transaction occurs.

"(B) ACCOUNT TREATED AS DISTRIBUTING ALL ASSETS.—In any case in which any account ceases to be an individual development account by reason of subparagraph (A) as of the first day of any taxable year—

"(i) all assets in the account on such first day that are attributable to assistance provided under section 733(h)(1) and (2) of the Individual Development Account Demonstration Act shall be paid as provided in section 733(h)(5) of such Act; and

"(ii) the provisions of subsection (d)(1) shall apply as if there was a distribution on such first day in an amount equal to the fair market value of all other assets in the account on such first day.

"(3) EFFECT OF PLEDGING ACCOUNT AS SECURITY.—If, during any taxable year, the individual for whose benefit an individual development account is established, or any individual who contributes to such account, uses the account or any portion thereof as security for a loan—

"(A) an amount equal to the part of the portion so used which is attributable to assistance provided under section 733(h)(1) and (2) of the Individual Account Demonstration Act shall be paid as provided in section 733(h)(5) of such Act; and

"(B) the remaining part of the portion so used shall be treated as distributed under the provisions of subsection (d)(1) to the individual so using such portion.

"(f) ADDITIONAL TAX ON CERTAIN AMOUNTS INCLUDED IN GROSS INCOME.—

"(1) DISTRIBUTION NOT USED FOR QUALIFIED EXPENSES.—In the case of any payment or distribution that is not used exclusively to pay qualified expenses incurred by the eligi-

ble individual for whose benefit the account is established, the tax liability of each payee or distributee under this chapter for the taxable year in which the payment or distribution is received shall be increased by an amount equal to 10 percent of the amount of the distribution that is included in the gross income of such payee or distributee for such taxable year.

"(2) DISQUALIFICATION CASES.—If any amount includible in the gross income of an individual for a taxable year because such amount is required to be treated as a distribution under paragraph (2) or (3) of subsection (e), the tax liability of such individual under this chapter for such taxable year shall be increased by an amount equal to 10 percent of such amount required to be treated as a distribution and included in the gross income of such individual.

"(3) DISABILITY OR DEATH CASES.—Paragraphs (1) and (2) shall not apply if the payment or distribution is made after the individual for whose benefit the individual development account becomes disabled within the meaning of section 72(m)(7) or dies.

"(g) COMMUNITY PROPERTY LAWS.—This section shall be applied without regard to any community property laws.

"(h) CUSTODIAL ACCOUNTS.—For purposes of this section, a custodial account shall be treated as a trust if the assets of

such account are held by a bank (as defined in section 408(n)) or another person who demonstrates, to the satisfaction of the Administrator of the Community Development Bank and Financial Institutions Fund, that the manner in which he will administer the account will be consistent with the requirements of this section, and if the custodial account would, except for the fact that it is not a trust, constitute an individual development account described in subsection (c)(2). For purposes of this title, in the case of a custodial account treated as a trust by reason of the preceding sentence, the custodian of such account shall be treated as the trustee thereof.

"(i) REPORTS.—The trustee of an individual development account shall—

"(1) prepare reports regarding the account with respect to contributions, distributions, and any other matter required by the Administrator of the Community Development Bank and Financial Institutions Fund under regulations; and

"(2) submit such reports, at the time and in the manner prescribed by the Administrator of the Community Development Bank and Financial Institutions Fund in regulations, to—

"(A) the individual for whose benefit the account is maintained;

"(B) the organization providing assistance to the individual under section 733(h) of the Individual Account Demonstration Act; and

"(C) the Administrator of the Community Development Bank and Financial Institutions Fund.".

(b) CONTRIBUTION NOT SUBJECT TO THE GIFT TAX.—Section 2503 of the Internal Revenue Code of 1986 (26 U.S.C. 2503) (relating to taxable gifts) is amended by adding at the end thereof the following new subsection:

"(h) INDIVIDUAL DEVELOPMENT ACCOUNTS.—Any contribution made by an individual to an individual development account described in section 529(c)(2) shall not be treated as a transfer of property by gift for purposes of this chapter.".

(c) TAX ON PROHIBITED TRANSACTIONS.—Section 4975 of the Internal Revenue Code of 1986 (26 U.S.C. 4975) (relating to prohibited transactions) is amended—

(1) by adding at the end of subsection (c) the following new paragraph:

"(4) SPECIAL RULE FOR INDIVIDUAL DEVELOPMENT ACCOUNTS.—An individual for whose benefit an individual development account is established and any contributor to such account shall be exempt from tax imposed by this section with respect to any transaction concerning such account (which would otherwise be taxable under

this section) if, with respect to such transaction, the account ceases to be an individual development account by reason of section 529(e)(2)(A) to such account.";

and

(2) in subsection (e)(1), by inserting ", an individual development account described in section 529(c)(2)" after "section 408(a)".

(d) FAILURE TO PROVIDE REPORTS ON INDIVIDUAL DEVELOPMENT ACCOUNTS.—Section 6693 of the Internal Revenue Code of 1986 (26 U.S.C. 6693) (relating to failure to provide reports on individual retirement accounts or annuities) is amended—

(1) in the heading of such section, by inserting "OR ON INDIVIDUAL DEVELOPMENT ACCOUNTS" after "ANNUITIES"; and

(2) by adding at the end of subsection (a) the following new sentence: "The person required by section 529(i) to file a report regarding an individual development account at the time and in the manner required by such section shall pay a penalty of \$50 for each failure, unless it is shown that such failure is due to reasonable cause.".

(e) SPECIAL RULE FOR DETERMINING AMOUNTS OF SUPPORT FOR DEPENDENT.—Section 152(b) of the Internal Revenue Code of 1986 (26 U.S.C. 152(b)) (relating to definition of dependent) is amended by adding at the end the following new paragraph:

"(6) A distribution from an individual development account described in section 529(c)(2) used exclusively to pay qualified expenses described in section 529(c)(1) of the individual for whose benefit the account is established shall not be taken into account in determining support for such individual for purposes of this section."

(f) CLERICAL AMENDMENTS.—

(1) The table of parts for subchapter F of chapter 1 of such Code is amended by inserting at the end the following new item:

"Part VIII. Individual Development Accounts."

(2) The table of sections for subchapter B of chapter 68 of such Code is amended by amending the item relating to section 6693 to read as follows:

"Sec. 6693. Failure to provide reports on individual development accounts or annuities or on individual development accounts."

(g) EFFECTIVE DATE.—The amendments made by this section shall apply to contributions made after the enactment of the Act.

TITLE VIII - SELF EMPLOYMENT/MICROENTERPRISE DEMONSTRATIONS  
 SEC. 801. DEMONSTRATION PROGRAM TO PROVIDE SELF-EMPLOYMENT OPPORTUNITIES TO WELFARE RECIPIENTS AND LOW-INCOME INDIVIDUALS.

(a) IN GENERAL.—The Secretary of Health and Human Services (hereinafter in this section referred to as the "Secretary") and

the Administrator of the Small Business Administration (hereinafter in this section referred to as the "Administrator"), shall jointly develop a self-employment/microenterprise demonstration program for at least five years in length that will build on the experience of microenterprise and self-employment programs previously carried out by the Federal Government and other entities. The program shall be designed--

(1) to identify regulatory and other barriers that prevent welfare recipients and low-income individuals from increasing self-sufficiency through self-employment and microenterprise development, and to identify and test effective means to eliminate such barriers;

(2) to develop and evaluate promising program models, based upon existing effective practices, which have the potential to (A) increase the number of welfare recipients and low-income individuals who become self-sufficient or increase self-sufficiency through self-employment and microenterprise development and (B) reduce Federal spending on transfer payments and services to welfare recipients and low-income individuals; and

(3) to demonstrate the potential for expanding the capacity of local organizations to provide services, technical assistance and loans which help welfare recipients and low-

income individuals start or expand self-employment or microenterprises.

(b) USE OF INTERMEDIARIES.--To carry out such program, the Secretary and Administrator shall jointly enter into agreements with local intermediaries that--

- (1) apply to participate in such program, and
- (2) demonstrate that they are capable of implementing the provisions of the agreement.

(c) PROGRAM DESIGN.--In order to facilitate a randomized evaluation, as provided for in subsection (i)(1) below, the Secretary and Administrator shall identify those predominate and effective program models currently used by existing intermediaries to provide self-employment and related services to low-income individuals, and shall design the demonstration program in order to evaluate at least two distinct types of program models with contrasting levels of technical assistance. In designing the demonstration program, the Secretary and Administrator shall consult with appropriate parties, such as--

- (1) state and local agencies and private, nonprofit organizations with experience in administering self-employment programs that serve low-income individuals; and
- (2) other persons with recognized expertise in conducting randomized evaluations of self-employment programs or other related programs.

(d) ASSISTANCE TO INTERMEDIARIES.--

(1) IN GENERAL.--To carry out the program, the Secretary and Administrator may provide the following assistance to intermediaries selected to participate in the program--

(A) grants for providing technical assistance to eligible individuals, for operating costs and for costs associated with participating in the evaluation provided for in subsection (i)(1) below;

(B) loans guarantees; and

(C) loans.

(2) TECHNICAL ASSISTANCE TO INTERMEDIARIES.--The Secretary and Administrator may provide grants to intermediaries or third-party technical assistance providers for the provision of technical assistance to intermediaries selected to participate in this program.

(3) TERMINATION OF ASSISTANCE.--Assistance awarded pursuant to this section may fully fund project periods of up to five years. The Secretary and Administrator may revoke, terminate or reduce assistance to an intermediary if the intermediary fails to comply with the terms of any agreement it enters into with the Secretary and Administrator.

(e) SELECTION OF INTERMEDIARIES.--

(1) IN GENERAL.--In determining whether to enter into an agreement with an intermediary under this section, the Secretary and Administrator shall take into consideration--

(A) the intermediary's record of success in serving low-income individuals;

(B) the intermediary's record of success in providing technical assistance or loans to low-income individuals for the purpose of self-employment;

(C) the nature, types, and costs of technical assistance and/or lending methods the intermediary will employ in serving the target population;

(D) the intermediary's ability to obtain matching funds from private sources; and

(E) such other matters as the Secretary and Administrator deem appropriate.

(2) ADDITIONAL PROGRAMS.--In addition to the demonstration program provided for in subsection (c) above, the Secretary and Administrator may select up to five intermediaries that would employ program models that would operate independently of the randomized evaluation provided for in subsection (1)(1) below, where such program models demonstrate promising, innovative strategies that could not readily be evaluated by a randomized experimental design.

(f) ELIGIBLE INDIVIDUALS.--An individual eligible to participate in a program conducted under this section is any low-income individual or welfare recipient. The Secretary and Administrator shall ensure that an appropriate minimum percentage of welfare recipients will participate in each demonstration program funded under this section.

(g) PROVISIONS OF AGREEMENTS.--Any agreement entered into with an intermediary under this section shall provide that--

(1) the intermediary has or will have an agreement with the local agency responsible for administering the job opportunities and basic skills training program (as provided for under part F of title IV of the Social Security Act) (hereinafter in this section referred to as the "JOBS" programs) and the Work Program (as provided for part G under title IV of such Act) such that JOBS and Work program funds will be used to provide support services, including training and technical assistance, to participants in the demonstration programs funded under this section;

(2) the intermediary will implement a program that is approved by the Secretary and Administrator;

(3) the intermediary will cooperate with any independent evaluator(s) selected pursuant to subsection (i) below; and

(4) the intermediary will meet any other obligations required by the Secretary and Administrator, including any fund matching requirements.

(h) PROGRAM ADMINISTRATION.--

(1) IN GENERAL.--The Secretary and Administrator shall enter into a memorandum of understanding for the joint administration of the demonstration programs provided for by this section. The designation of intermediaries to participate in the program shall be completed no later than 12 months after the date of appropriation of funds for this Act.

(2) COORDINATION WITH OTHER AGENCIES.--The Secretary and Administrator shall also coordinate and consult with the Secretaries of the Department of Agriculture, the Department of Housing and Urban Development, and the Department of Labor, on regulatory or other reforms or coordinated efforts by such agencies that may further eliminate barriers to self-employment and legitimize microenterprise development by low-income individuals and welfare recipients.

(i) EVALUATION AND REPORT.--

(1) IN GENERAL.--The Secretary, in consultation with the Administrator, shall conduct or provide for an evaluation of the effectiveness of the demonstration program provided for in subsection (c) above and shall prepare and submit to the

President and Congress a preliminary report of the evaluation no later than three years following the designation of intermediaries and a final report no later than seven years following such designation, together with such recommendations, including recommendations for legislation, as the Secretary and Administrator deem appropriate. Such evaluation shall be based on an experimental design with random assignment between a treatment group and a control group. In designing the evaluation, the Secretary shall consider testing for--

(A) greater self-sufficiency as measured by employment and self-employment rates, amount of earned income, poverty rates, and exit and recidivism rates for Aid to Families With Dependent Children (hereinafter in this section referred to as "AFDC"), Food Stamps and other public assistance programs;

(B) reduced costs of public support as measured by changes in overall support payments for items such as income maintenance, food, child care, health care, housing, job training and other benefits;

(C) number of businesses and jobs created, number of loans to welfare recipients and low-income individuals, repayment rates for loans, and business performance after welfare or other public assistance ends;

(D) the relative effectiveness, cost-to-benefit ratio, and degree of financial self-sufficiency of the different program models employed by the intermediaries participating in the demonstration program;

(E) the program's impact and effectiveness in serving participants in a time-limited welfare system, as compared to other low-income individuals; and

(F) the effectiveness and cost-to-benefit ratio of any modifications effected under section(s) \_\_\_ of this Act [liberalizations of the income, resource or business asset disregard rules relevant to microenterprise] in helping welfare recipients and low-income individuals in both the control and treatment groups become self-employed.

(2) EVALUATION OF ADDITIONAL PROGRAMS.--The Secretary, in consultation with the Administrator, shall also conduct or provide for an independent evaluation of the effectiveness of any program models selected pursuant to subsection (e)(2) above and shall prepare and submit to the President and Congress a preliminary report of the evaluation no later than three years following the designation of intermediaries, and a final report no later than five years following such designation, together with such

recommendations, including recommendations for legislation, as the Secretary and Administrator deem appropriate.

(3) PRELIMINARY REPORTS TO CONGRESS.--The preliminary reports provided for in paragraphs (1) and (2) of this subsection shall include an analysis of any regulatory or other barriers that prevent welfare recipients and low-income individuals from becoming self-sufficient through self-employment and microenterprise development.

(4) REQUIRED INFORMATION.--The Secretary may require each intermediary selected pursuant to this section to provide the Secretary with such information as the Secretary determines is necessary to carrying out the duties of this subsection.

(5) EARLY AND REGULAR INFORMATION SHARING WITH INTERMEDIARIES.--The Secretary, in consultation with the Administrator, shall provide early and regular feedback and summaries to intermediaries selected to participate pursuant to this section of the progress of the evaluation, the data collected during the evaluation, preliminary findings and such other information as the Secretary deems appropriate. The Secretary shall provide such feedback and summaries at least once a year for the life of the demonstration.

(j) AUTHORIZATION OF APPROPRIATIONS.--To carry out the purposes of this section there are authorized to be appropriated to the Secretary and Administrator--

(1) \$4,000,000 for fiscal year 1997,

(2) \$8,000,000 for each of fiscal years 1998, 1999, 2000, and 20001, and

(3) \$4,000,000 for fiscal year 2002.

(k) DEFINITIONS.--For the purposes of this section--

(1) the term "intermediary" means an organization, partnership, or consortium of organizations that acts as a lender and/or as a technical assistance provider to individuals who wish to start or expand a microenterprise;

(2) the term "low-income individual" means an individual whose income level does not exceed 130 percent of the official poverty line as defined by the Office of Management and Budget;

(3) the term "microenterprise" generally means a business that has a net worth of less than \$15,000;

(4) the term "technical assistance" as it relates to assisting a welfare recipient or low-income individual to become self-employed includes business technical assistance, entrepreneurial training, and/or personal development services; and

(5) the term "welfare recipient" means a participant in a time-limited welfare program who is eligible for the JOBS or Work program or a person who is receiving assistance from AFDC.