

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
Washington, D.C. 20503

WR -
Section by
Section

July 8, 1994

LEGISLATIVE REFERRAL MEMORANDUM

LRM #D-844
DRAFT #127

TO: Legislative Liaison Officer -

EOP - Review Only, See Distribution Below

FROM: JANET R. FORSGREN (for) *Janet R. Forsgren*
Assistant Director for Legislative Reference

OMB CONTACT: Chris MUSTAIN (395-3923)
Secretary's line (for simple responses): 395-7362

SUBJECT: HHS Draft Bill Work and Responsibility Act of
1994

DEADLINE: 3:00 PM July 12, 1994

COMMENTS: Attached is a sectional analysis of the Administration's draft bill. Please review for accuracy. If you do not respond by the above deadline, we will assume you have no objections.

OMB requests the views of your agency on the above subject before advising on its relationship to the program of the President, in accordance with OMB Circular A-19.

Please advise us if this item will affect direct spending or receipts for purposes of the the "Pay-As-You-Go" provisions of Title XIII of the Omnibus Budget Reconciliation Act of 1990.

CC:

Isabel Sawhill
Doug Steiger
Bernie Martin
Stacy Dean
Mike Ruffner
Chris Ellertson
Lester Cash
Richard Bavler
Shannah Koss
Laura Oliven
Tim Fain
Art Stigile
Kim Burke
Bruce Reed
Kathi Way
Jeremy Ben-Ami
Janet Forsgren

RESPONSE TO LEGISLATIVE REFERRAL MEMORANDUM

If your response to this request for views is simple (e.g., concur/no comment) we prefer that you respond by faxing us this response sheet. If the response is simple and you prefer to call, please call the branch-wide line shown below (NOT the analyst's line) to leave a message with a secretary.

You may also respond by (1) calling the analyst/attorney's direct line (you will be connected to voice mail if the analyst does not answer); (2) sending us a memo or letter; or (3) if you are an OASIS user in the Executive Office of the President, sending an E-mail message. Please include the LRM number shown above, and the subject shown below.

TO: Chris MUSTAIN
 Office of Management and Budget
 Fax Number: (202) 395-6148
 Analyst/Attorney's Direct Number: (202) 395-3923
 Branch-Wide Line (to reach secretary): (202) 395-7362

FROM: _____ (Date)
 _____ (Name)
 _____ (Agency)
 _____ (Telephone)

SUBJECT: HHS Draft Bill Work and Responsibility Act of 1994

The following is the response of our agency to your request for views on the above-captioned subject:

_____ Concur
 _____ No objection
 _____ No comment
 _____ See proposed edits on pages _____
 _____ Other: _____
 _____ FAX RETURN of _____ pages, attached to this response sheet

DRAFT

Dear Mr. Chairman:

Enclosed for use by your Committee is a section-by-section summary of the President's welfare reform proposal, the "Work and Responsibility Act of 1994". It was transmitted to the Congress on June 21, and, upon introduction, designated as H.R. 4605 and referred to your Committee. I look forward to working with you and your Committee to enact this significant reform.

Sincerely,

Donna E. Shalala

The Work and Responsibility Act of 1994

Section-By Section Summary

SEC. 2. TABLE OF CONTENTS; REFERENCES.

Subsection (a) contains the table of contents.

Subsection (b) provides that references to the "Act" are references to the Social Security Act unless the language or context indicates otherwise.

TITLE I--JOBS

SEC. 101. REQUIREMENT TO PARTICIPATE IN ENHANCED JOBS PROGRAM.

This section establishes a requirement on States to have an enhanced JOBS (i.e., Job Opportunities and Basic Skills Training) program and a program of employment known as WORK.

Subsection (1) revises section 402(a)(19) of the Social Security Act (hereafter called the Act) to specify the new rules for participation in JOBS for applicants for and recipients of Aid to Families with Dependent Children (AFDC). In the new paragraph (B), it indicates that the categories of individuals who would be subject to the time limit include parents born since 1971 (and the second parent of a child when the first parent was born since 1971). However, if the State limits the number of months a family would be eligible for AFDC-UP (i.e., AFDC provided to two-parent families eligible because the principal earner is unemployed) under provisions in the Family Support Act, those parents would not be subject to the new 24-month time limitations. States could elect to subject additional categories of parents (e.g., older parents) to the time limit.

With the exception of most dependent children and deferrals (as discussed later), States could also require JOBS participation of other categories of individuals who would not be subject to a time limit. If individuals not subject to participation requirements want to volunteer for JOBS, the State must allow them to participate as long as the State is not spending all of its Federal JOBS allocation. Volunteers who meet the criteria for deferrals must be allowed to drop out of JOBS. At State option, parents who volunteer for JOBS could be subject to time limits regardless of their deferral status.

If the State is spending all of its Federal JOBS funds, it would not be required to provide JOBS services to additional volunteers. However, individuals in self-initiated education and training activities would be eligible for child care services if their activities would be otherwise approvable under the JOBS program.

Under the new paragraph (D), certain individuals could not be required to participate in JOBS activities; however, they would be required to sign personal responsibility agreements and participate in employability planning. Also, they could be referred to alternative activities designed to prepare them for JOBS. Categories of individuals in this "deferral" status include parents with children under 1 (or a child under 12 weeks if such child was conceived by a woman or teen mother already on welfare), women in their last trimester of pregnancy, individuals aged 60 and older, ill and incapacitated individuals, those needed at home to care for an ill or incapacitated individual in the household, and individuals residing in areas remote from JOBS locations. States would also have discretion to defer an additional 5 percent of the total number of individuals subject to the time limit or registered for WORK (or 10 percent after 1999), based on other reasonable criteria. The Secretary could allow a State a higher limit for a specified time based on a showing of extraordinary or unforeseeable circumstances.

Individuals applying for or receiving AFDC must be promptly advised of any participation requirements and time limits applicable to them.

The new paragraph (F) retains the existing JOBS provision that teen parents who have less than a high school level education would be required to participate in educational activities, except under certain limited circumstances.

Subsection (2) makes a technical change which deletes language referring to prior special rules for those with children under 6.

Subsection (3) deletes current language on treatment of self-initiated cases (as their treatment is covered elsewhere). It also changes the JOBS sanction provisions. If an individual who is required to participate in JOBS refuses without good cause to accept a bona fide offer of employment of 20 or more hours a week (or such greater number of hours as selected by the State for time-limit purposes), the family of such individual would be ineligible for aid for 6 months (unless the individual accepts an offer of employment sooner). If an individual fails to participate in JOBS, his or her needs would be removed in determining the family's AFDC payment. In such cases, the State would have the option whether to issue a protective payment to another adult with responsibility for spending it on behalf of

the child(ren). AFDC-UP cases would be treated like other AFDC cases, with only the needs of the non-participating individual removed. The length of JOBS sanctions would remain the same as under current law.

Subsection (4) removes a provision giving individuals with children under 6 additional grounds for refusing employment (based on hours of work). It also provides that, in cases where an individual sanctioned for the first time fails to comply after more than 3 months or has a subsequent sanction applied, the State agency would conduct an evaluation and provide appropriate services to address the cause of failure. During sanction months, the family of a sanctioned individual would be considered AFDC recipients. Also, for purposes of any other Federal or federally assisted program, the family would be considered to be receiving the amount that it would have been received in the absence of the sanction.

Subsection (5) provides that individuals sanctioned under the WORK program and their families do not lose their Medicaid eligibility for that reason.

SEC. 102. ESTABLISHMENT OF ENHANCED JOBS PROGRAM UNDER PART F.

Subsection (1) revises the heading for part F of the Act. It also provides for involvement of the Secretary of Education in the Federal implementation of the JOBS program.

Subsection (2) creates new requirements for an "enhanced" JOBS program related to ensuring that individuals subject to participation requirements and time limits have adequate information about, understanding of, and opportunities for services within such program. It creates a requirement that all parents and caretaker relatives (including deferred individuals) sign a personal responsibility agreement, jointly with a representative of the State agency. For those subject to a time limit, the agreement would address the transitional nature of assistance. For all, it would address the responsibilities of both the individual and State in working towards maximum economic independence and self-sufficiency.

All individuals must receive detailed program information within 90 days of the date for which payment is first made to supplement and reinforce the information in the agreement and to spell out the rights and responsibilities of both the individual and the State. Individuals subject to the time limit must receive this information in person and must confirm in writing that they received and understood it.

For all individuals required to participate in JOBS (excluding deferrals), the State agency must conduct an assessment of the individual's educational needs, child care and

supportive services needs, skills, literacy, prior work experience, employability and family circumstances. Based on this assessment, the individual and the State must jointly develop an employability plan within 90 days of the date from which benefits begin. The plan would be designed to lay out the fastest and most effective route to employment and self-sufficiency and would specify the activities to be undertaken (with an expected period of participation), the child care and other services to be provided, and the overall period of time expected to be necessary to reach the employment goal (considering the amount of time remaining in the time limit). The plan would also inform the individual how to notify the State agency if he or she encountered participation problems. It would not be considered a contract.

If individuals work at least 20 hours a week (or up to 30 hours a week, at State option), such employment would serve as their primary JOBS activity.

States must establish a review mechanism to resolve disputes between the individual and the State about the content of an employability plan. The review process must provide for prompt, higher-level reviews and access to arbitration, mediation, formal reviews, or hearings where agreement cannot be reached.

Failure of an individual to sign a plan which emerges from the preceding review process would result in a sanction, but such a sanction would be "cured" if and when the individual signs.

States must also develop employability plans jointly with deferred individuals; these plans would emphasize activities which the individual could participate in and which would help prepare the individual for full JOBS participation. These plans would not be subject to the same review procedures and sanction actions as regular JOBS plans.

(With the exception of teen parent cases (see section 503)) States would have the option whether to assign case managers to participants in the JOBS program.

At least every 6 months, the State and the individual must jointly review the individual's employability plan, the individual's progress under the plan, the individual's classification as being either subject to JOBS or deferred, and the State's delivery of services under the plan. Appropriate changes to the plans would be made and become effective in the following month. Where there has been a substantial failure on the part of the State to provide services, the nature and duration of that failure must be documented.

If a change in an employability plan is necessary based on this re-assessment or other events, the plan would be revised in

accordance with an agreement between the individual and the State. Disputes about plan revisions would be subject to the same review procedures as disputes over the initial plan.

Individuals whose employability plan reflects a need for substance abuse treatment could be required to participate in such treatment. Such individuals could be subject to JOBS sanctions for failure or refusal to accept treatment (whether or not they otherwise qualify for deferral status) and would be so advised.

Within 90 days prior to the end of his or her time limit, the State agency must schedule a meeting with the individual for a progress evaluation, an assessment regarding eligibility for an extension, discussion of job search requirements, and provision of information on registering for the WORK program. JOBS re-assessments within 6 months prior to the end of the time limit could be used to meet this requirement.

No less than 45 days prior to the end of the time limit (and, at State option, as much as 3 months prior), the State must require an individual to participate in job search to the extent consistent with the individual's employability plan. Job search participation would be a prerequisite for receiving a WORK assignment.

References in section 482 to applicants or to actions occurring at the time of application (or the time from which payment is made) would be construed to refer to recipients at the time of redetermination occurring after the effective date in their State.

SEC. 103. AMENDMENTS PERTAINING TO SERVICES AND ACTIVITIES UNDER JOBS PROGRAM.

Subsection (a) repeals a JOBS provision pertaining to informing JOBS participants which is now redundant.

Subsection (b) revises section 482(d) of the Act to require States to include a job search component in their programs.

Subsection (c) revises the definition of the educational activities that States must include in their JOBS programs to emphasize education related to employment.

Subsection (d) adds "programs to prepare for self-employment or to enable individuals to establish a microenterprise" as a new optional JOBS component.

Subsection (e) requires that State JOBS plans describe whether and how their programs will provide training for

individuals to become child care providers. The plans must also describe the steps that the State will take to encourage training and placement of participants in non-traditional fields of employment and to advise them of such opportunities.

Subsection (f) extends the maximum period for work supplementation placements from 9 to 12 months and makes a conforming change.

Subsection (g) makes amendments to current job search provisions to: 1) make job search a mandatory component of JOBS; 2) provide for mandatory job search by individuals, upon approval of their AFDC application, unless they lack a high school diploma (or its equivalent) or minimal work experience; 3) extend the maximum allowed period of job search for applicants; and 4) revise the provision on total amount of job search allowed in a year. Under the latter revision, the period of applicant job search would be considered in the general limit, the 8-week per year general limit would be extended to 4 months, and job search in conjunction with other activities would not be counted.

Subsection (h) gives States the option to use a conciliation process or another procedure which affords the individual an advance notice and a ten-day period for dispute resolution prior to providing an opportunity for a hearing.

Subsection (i) adds adult and vocational education to the list of programs with which JOBS must be coordinated.

Subsection (j) replaces the existing provisions regarding protection for JOBS participants with provisions governing participants in both JOBS and WORK.

First, it makes slight modifications to the JOBS provisions regarding appropriateness of assignments (in light of the individual and family circumstances), reasonable distance, and discrimination and then extends those provisions to the WORK program.

In terms of nondisplacement provisions, for both the JOBS and WORK programs, it would preclude placements which displace (or partially displace) any currently employed workers, infringe upon their promotional opportunities, or impair existing contracts or collective bargaining agreements. It also would preclude employment or filling of a position: 1) vacant because of layoff, strike or lockout; 2) for which another person has recall rights; or 3) from which an individual has been terminated or laid off with the effect of filling the vacancy so created. For positions in State or local agencies, it would preclude the filling of a budgeted vacancy unless the State has been unable to fill it for at least 60 days. For work performed under contract, no participant could be assigned during the first 90 days if the

same or similar work was performed by an employee covered by a collective bargaining agreement under a contract with another employer in the immediately preceding period. For positions in private, nonprofit agencies, it would preclude assignments in activities equivalent to ones regularly carried out by State or local government agencies under any of the above conditions.

If applicable, participants would receive State workers' compensation benefits. Otherwise, they must be provided medical and accident protection for on-site injuries.

Health and safety standards which apply to employees under Federal and State law would extend to program participants.

States must establish grievance procedures for resolving complaints of regular employees or their representatives that the requirements of this section regarding nondisplacement, wages, benefits or working conditions have been violated. Hearings on such grievances must be conducted within 30 days, and a decision reached within 60 days. All grievances must be made within 45 days.

Decisions and failures to make a decision within 60 days could be appealed or submitted to binding arbitration. Arbitrations would be conducted by qualified arbitrators who would be jointly selected and independent. Where agreement is not reached on an arbitrator within 20 days, the parties would select an arbitrator from a list provided by the Federal Mediation and Conciliation Service or the American Arbitration Association. Arbitrations must be held within 45 days of being requested (or within 30 days of the appointment of an arbitrator), and decisions must be made within 30 days of an arbitration proceeding.

In general, costs of arbitration would be evenly divided between the parties. However, if a grievant prevails, the party in violation would pay the full cost (including attorney fees).

Suits to enforce arbitration awards could be filed in district court without regard to money amounts or citizenship.

Potential remedies for violations could include suspension or termination of payments to employers, prohibitions of placements, reinstatement, back pay and benefits, or other actions to correct a violation or make a displaced employee whole.

(For first-time versus subsequent placements) local labor organizations representing employees engaged in similar work would be notified at least 30 days prior to the date when an employer expects to bring on a participant. These organizations could object that program protections have been violated and may

file a complaint for an expedited grievance procedure. The expedited procedures would be similar to the binding arbitration procedures, except: 1) request for arbitration must be filed within 30 days of the receipt of notice; 2) the arbitrator must be selected within 10 days (or 15 days where initial agreement cannot be reached); 3) the proceeding must be held and a decision reached within 30 days. Any placement would be stayed pending a decision.

JOBS participants would retain other existing protections in current law, related to reasonableness of conditions, consideration of their proficiency and child care and supportive services needs, and other factors.

Assignments to WORK positions would be subject to the following additional rules: 1) all WORK registrants must be eligible for such assignments; 2) participation in WORK must not result in the loss of income to any family below AFDC levels (unless sanctioned or working less than the assigned hours); 3) families of all participants would be considered AFDC recipients for Medicaid purposes; 4) where a labor organization represents a substantial number of employees in work similar to expected WORK assignments, that organization would be provided an opportunity to comment on the WORK proposal; and 5) WORK participants must be paid according to applicable law, but no less than the highest of: a) Federal minimum wage; b) applicable State or local minimum wage; and c) the prevailing wage rate for similar work by employees of similar tenure.

WORK participants would generally enjoy the same benefits, working conditions and rights as other employees in the same type of work and with similar tenure. They would also enjoy the same health benefits unless the State agency concludes that such a requirement would impose an undue financial burden on both the employer and the State.

JOBS and WORK funds could not be used to assist, promote or deter union organizing.

Provisions of this section would also apply to work-related programs authorized in connection with the AFDC program under section 1115 of the Act.

SEC. 104. TWENTY-FOUR MONTH LIMIT.

This section moves the existing section 417 (related to the designation of the Assistant Secretary for Family Support) to section 419 and creates a new section 417 to set forth the rules governing time limits for AFDC benefits.

Subsection (a) specifies that, for individuals subject to the time limit and their children living at home, AFDC would not

available for more than 24 months unless such payments were provided for under part G. Individuals who are working an average of 20 or more a week (or in an AFDC-UP case where total hours exceed 30 hours, or up to 40 hours at State option) could continue to receive assistance, as would children living with another relative who is subject neither to the time limit nor to WORK requirements. Individuals who have less than 6 months of assistance left would "earn back" an additional month of assistance for every 4 months off, but never accrue more than 6 total months remaining.

The following months would not count against the 24-month limit: 1) months prior to the effective date for program implementation or, for a recipient, months prior to the first redetermination following the effective date; 2) months prior to authorization of benefits; 3) months before an individual's 18th birthday; 4) months when an individual was working at least 20 hours a week (or up to 30 hours a week at State option); 5) for an AFDC-UP case where the deferral criteria apply to neither parent, months when the total hours worked by both parents exceeds 30 hours a week (or up to 40 hours, at State option); and 6) months during which an individual is subject to deferral. Months when an individual is sanctioned under JOBS or for failure to cooperate with child support would be counted, as would months where individuals have fewer hours of work because they refuse to work extra hours or cut back on their work hours.

Under subsection (b), individuals subject to the time limit must be advised at least every 6 months of the number of months of aid they have remaining.

Subsection (c) specifies the circumstances under which extensions to the 24-month limit would be granted. States must grant extensions when individuals have not completed the activities in their plans because of a substantial failure on the part of the State to provide services. These extensions must be long enough to allow completion of agreed-upon activities, but not exceed 24 months. The States must also grant extensions to individuals under age 22 receiving services under the Individuals with Disabilities Education Act when needed to finish high school (or its equivalent) or in structured learning programs like those under the School-to-Work Opportunities Act.

States could grant further extensions: 1) of up to 12 months to allow completion of high school level programs; 2) of up to 24 months to allow completion of a post-secondary program (if the individual also engages in a certain level of work and is making progress towards getting a degree or certificate), or structured micro-enterprise or self-employment programs; and 3) for such time as allowed by the State where needed by individuals with significant barriers to employment.

During all these extensions, the State must extend the employability plan, make appropriate revisions to the plan, and continue needed supportive services.

Subsection (d) provides that States could pay an additional month's worth of AFDC to individuals who are about to commence a regular job if they reach their time limit and need additional support until their first paycheck arrives.

Subsection (e) limits the number of extensions a State can provide for substantial failure and discretionary reasons, without financial penalty, to 10 percent of those subject to a time limit and JOBS participation, unless the Secretary approves a higher number based on extraordinary or unforeseeable circumstances for a specified period of time.

Subsection (f) allows the Secretary to approve no more than 5 demonstrations testing alternative definitions of time limits. Such projects could be approved only if the proposal was consistent with the purpose of making AFDC a transitional program and with affording recipients with support to help them prepare for unsubsidized employment. Also, an evaluation of the short-term and long-term effects of the alternative time limits would be required.

SEC. 105. RESPONSIBILITIES OF ASSISTANT SECRETARY FOR FAMILY SUPPORT.

This sections adds part G to the list of responsibilities of the Assistant Secretary for Family Support.

TITLE II--WORK

SEC. 201. ESTABLISHMENT OF PROGRAM.

Subsection (a) adds a new part G to title IV of the Act entitled "WORK."

Section 491 of this new part establishes the purpose of part G -- to provide employment to individuals who have reached their time limit and participated in JOBS, but not secured employment. It also defines a WORK position as a position of employment to which an individual is assigned under part G.

The new section 492 sets forth the rules which apply to States in setting up and operating programs under part G (known as WORK programs). Such programs provide temporary job assignments to individuals who reach the time limit. The WORK

program must be implemented in each political subdivision of the State within 2 years of the implementation of JOBS in that area.

WORK programs must be operated under State plans approved by the Secretary in accordance with Federal law and the provisions of an approved plan. The State plan must specify how the program will be implemented and what types of strategies and activities will be undertaken to develop WORK positions, with the ultimate goal being placement in unsubsidized positions. Possible activities would include subsidy or bonus payments to employers; performance-based contracts for placements in unsubsidized jobs; payments to nonprofits for supervision costs; support for micro-enterprise and self-employment initiatives; payments to nonprofits and public agencies for temporary employment in community service projects; and payments for employment of participants as child care providers.

The WORK and JOBS plans must constitute a single plan and reflect an integrated self-sufficiency strategy.

The plan must designate or set up a process for establishing or designating local advisory boards to provide advice and guidance on administration of the WORK program. Local elected officials would participate in this process. The areas covered by these boards would be the service delivery areas specified under JTPA, local labor markets, or other appropriate areas chosen by the Governor. Boards would include representatives from a variety of interests including employers, organized labor, nonprofit and community-based organizations, and local government. These "WORK advisory boards" would comment on State plans and provide advice and guidance to the local agency administering the WORK program on issues such as identifying WORK positions, finding unsubsidized employment, compliance with requirements related to nondisplacement and working conditions, and coordination.

The plan must also describe cooperative arrangements with appropriate agencies such as the Employment Service, the National and Community Service Act, JTPA and the Child Care and Development Block Grant (CCDBG). The local administering agency must establish cooperative arrangements with other appropriate entities at the local level such as public housing agencies, business, labor, community and voluntary agencies.

The new section 493 provides rules of eligibility for, registration, and participation in the WORK program. Individuals who have reached their time-limit (and have not received extensions), are not eligible for deferrals, and are otherwise eligible for AFDC could register for WORK and potential WORK assignments. They might also be eligible to receive AFDC payments.

States would have the option whether to require 1 or 2 parents in an AFDC-UP case to participate in WORK.

The State plan must describe a simple procedure for registration in the WORK program and methods for ensuring that families that comply with requirements do not face a disruption in benefits. After the time limit, individuals could be receiving wages, AFDC benefits or both while in the WORK program.

Individuals entering the WORK program must be assessed promptly to determine an appropriate assignment that should lead to unsubsidized employment. The assessment would cover the individual's JOBS experience and subsequent employment experience.

The State plan must specify procedures for determining the hours of a WORK assignment to ensure that: 1) assignments would produce wages sufficient to comprise, on average, at least 75 percent of a family's total income from wages and AFDC; 2) no assignment would be for less than 15 hours or more than 35 hours per week; and 3) to the maximum amount feasible, WORK assignments would not interfere with hours of unsubsidized employment. No assignment to a WORK position could exceed 12 months. Subsequent reassignments to the same position would not be allowed.

AFDC payments would be determined as they were prior to the time limit except: 1) WORK wages would not be considered in determining continued eligibility for the WORK program; 2) the State would not have to extend to WORK participants any additional earned income disregards which it had elected to implement under the new provisions of this Act; and 3) the State would not make adjustments to the AFDC payment if an individual worked less than the assigned number of hours.

Individuals in the WORK program would be considered AFDC recipients for the purpose of Medicaid eligibility. Unless elsewhere specified, their WORK wages would be treated like wages from unsubsidized employment.

The Secretary could regulate on the matter of how to determine when an employed individual ceases to be a WORK participant.

The new section 494 establishes additional rules governing WORK positions (beyond those in section 484 of the Act).

WORK funds could not be used for contributions to retirement plans on behalf of participants.

WORK positions would not be covered by provisions in Federal or State unemployment compensation law.

The Secretary could issue regulations establishing minimum leave benefits. If the benefits provided by an employer to similarly situated employees equalled or exceeded these benefits, the employer would have to provide such paid leave to the participant. If not, the State agency would have to develop procedures to provide such minimum leave benefits to a participant.

The WORK agency would have to maintain records on the extent to which individual employers participating in the WORK program retained WORK participants in unsubsidized employment.

A new section 495 establishes the rules for prioritizing assignments in WORK positions and making other WORK assignments.

The State plan must provide for establishing a registry of individuals waiting for WORK assignments and specify the criteria for determining the order in which individuals receive assignments. Individuals subject to their first WORK sanction and individuals who have completed a second or subsequent WORK sanction must be assigned as promptly as an appropriate WORK position becomes available. Next preference would go to individuals who have not been assigned to a WORK position since their most recent registration.

Registrants awaiting assignment to WORK positions could be assigned up to 35 hours a week of job search, as determined appropriate by the State. States would also specify the length of time job search would have to continue or specify requirements using other measures (such as number of contacts). Individuals in a WORK position or regular job could also be assigned to job search as long as their total hours of job search and work did not exceed 35 hours per week. Individuals who have completed a WORK assignment must participate in job search while awaiting another assignment.

The State plan could specify additional activities, besides job search, which would be required of WORK participants to help them prepare for employment or obtain unsubsidized employment. Such activities could be required for up to 35 hours of week and for such period of time as specified in the plan.

WORK registrants would be notified of the child care and other supportive services that would be available to them to enable their successful participation in the program. At State option, individuals in WORK positions could receive child care and supportive services to help them participate in approved education and training activities. States that elect this option must advise all WORK registrants of the potential availability of these services.

Registrants who have completed a second assignment in a WORK position or who have been registered for 2 years, but have not secured unsubsidized employment, must receive a comprehensive assessment from the State. At the assessment, the State must determine whether participation in another WORK assignment, an assignment to JOBS, or a deferral is appropriate. However, if the State determines that the individual is employable and lives in an area where there are jobs that match his or her skills, then the State could require the individual to engage in intensive job search under supervision of a job developer. Failure to apply for appropriate job openings, cooperate, or accept a private sector job without good cause would make the individual ineligible for both AFDC and a WORK assignment for 6 months. Following such a period of ineligibility, the State would reassess an individual's status and take appropriate action.

A new section 496 specifies the actions that constitute failure to meet WORK program requirements, defines good cause for such failure, establishes the processes for determining failures and appealing such determinations, and specifies the WORK sanctions.

Failing to accept or refusing an unsubsidized job or a WORK position, voluntarily leaving a job or position, and failing or refusing to participate in job search or another WORK activity would all be sanctionable actions, unless the individual has good cause. Being discharged from a WORK position because of misconduct would also be sanctionable. The Secretary must issue regulations for determining what constitutes good cause and misconduct. Such regulations must provide that a net loss of income would constitute good cause for refusing an unsubsidized job, individuals voluntarily leaving a position must promptly notify the WORK program, and the State could use the misconduct criteria that apply under the State's unemployment compensation law in cases where a participant is discharged from a WORK position.

The State plan must provide that WORK registrants receive advance notice when a sanction determination is made and be advised of their right to a hearing, under rules of the Secretary. States could use procedures followed in hearings on unemployment compensation claims that meet *Goldberg v. Kelly* standards.

Pending a hearing, an individual could be required to participate in appropriate WORK activities.

The sanction for refusing a job offer without good cause would be ineligibility of the whole family for AFDC benefits and ineligibility of the individual for a WORK position for 6 months. Sanctions for other actions would be: 1) for the first

occurrence, a 50 percent reduction in the amount of AFDC payable for 1 month (or, if earlier, until the individual accepts a WORK assignment); 2) for a second occurrence, a 50 percent reduction in AFDC for 3 months and ineligibility for a WORK position during that period; 3) for a third occurrence, ineligibility of the whole family for AFDC for 3 months and ineligibility of the individual for a WORK assignment during that period; and 4) for any subsequent occurrence, ineligibility of the family for 6 months and no reassignments to WORK during that period. Such sanctions would not affect the family's eligibility for other IV-A and Medicaid purposes. For purposes of other Federal or federally assisted needs-based programs, while a sanction was in effect, the family would be assumed to be receiving the same payment as a family awaiting a WORK assignment. Sanctions would be "curable" upon acceptance of an appropriate unsubsidized job.

Individuals who leave an unsubsidized job that provides 20 hours or more per week (or a higher number, if selected by the State pursuant to section 482 of the Act) without good cause would be ineligible for WORK for 3 months.

The State plan must provide that the State promptly evaluate individuals and families who become subject to a second sanction to determine why failures are occurring and whether additional services or intervention, including referral back to deferral status, is needed.

Under subsection (b) WORK participants would be eligible for supportive services (in addition to child care).

SEC. 202. FEDERAL FUNDING FOR THE JOBS AND WORK PROGRAMS; PARTICIPATION REQUIREMENTS.

Subsection (a) revises the JOBS funding formula to provide for an "enhanced" FMAP rate which increases the Federal matching rate for JOB expenditures over time. (For territories, these funds would also cover IV-A child care expenditures.) The amount of Federal funds available would be capped according to the following schedule: \$1.75 billion for fiscal year 1996, \$1.7 billion for fiscal year 1997, \$1.8 billion for fiscal year 1998, \$1.9 billion for fiscal years 1999 through 2004, and \$1.9 billion adjusted for inflation by the CPI for fiscal year 2005 and beyond. A limit for each State for each year would be determined based on the State's share of adult AFDC recipients (including individuals with WORK wages) for the preceding fiscal year.

Prior to the State allocations, 2 percent would be set aside for allocation to Indian tribes and Alaska Native organizations to run their own JOBS programs, and 2 percent (or 1 percent for fiscal years after 1998) would be set aside for demonstrations, research and evaluation, and technical assistance initiatives.

Also, prior to allocation, funds would be set aside for the Secretary's special adjustment fund (see subsequent discussion).

Subsection (b) establishes participation standards for the JOBS program. The participation standard for bonuses would be 55 percent, calculated as follows: the average monthly number of recipients subject to the time limit, but not deferred, and participating in a JOBS activity; employed the minimum number of hours adopted by the State (i.e., 20 or more per week); or under sanction -- divided by the average monthly number of individuals subject to the time limit, but not deferred.

If a State exceeds this 55 percent rate, the Secretary would pay the State an additional amount (without requiring additional nonfederal match) to carry out its JOBS program. If the State's participation rate is less than 45 percent, then the Secretary would reduce by 25 percent the Federal matching rate for AFDC expenditures by the State for the number of individuals by which the average monthly number is less than 45 percent of the total.

The amount to be paid to a State for exceeding the standard would be determined by the Secretary. Payments would first be made from penalties imposed on States for failing JOBS and WORK participation rates and the caps on extensions and deferrals. Any additional payments would come from the Secretary's special adjustment fund.

The Secretary must issue regulations regarding the definitions and measurement of participation applicable under the provisions in this section.

If the State exceeds its limit for discretionary deferrals (i.e., 5 percent through 1999 and 10 percent after 1999, unless an alternative is approved) or extensions (10 percent unless an alternative is approved), then the Secretary would reduce by 25 percent the Federal matching rate for expenditures by the State for AFDC for the number of individuals by which the average monthly number exceeds these limits.

A State would not be eligible for any additional amount (for exceeding the 55 percent participation standard) if the Secretary determines that the State is not accurately recording or reporting information about time limits or such other data as the Secretary requires.

Subsection (c) establishes the funding rules for the WORK program. WORK funding would consist of 2 sources of funds. The first would be a capped amount of money to match expenditures incurred in operating the WORK program (other than wages), and the second would provide additional uncapped, matching funds to cover expenditures on WORK wages. These latter expenditures would be matched at the FMAP rate on an open-ended basis.

The capped portion would be allocated to States based on the number of individuals subject to a time limit (and JOBS requirements) and the number of WORK registrants in each State. States would receive Federal matching funds from this portion at the new "enhanced" FMAP rates. For the Territories, WORK funds would also cover child care costs.

The applicable caps would be \$200 million for fiscal year 1998, \$700 million for fiscal year 1999, \$1.1 billion for fiscal year 2000, \$1.3 billion for fiscal year 2001, \$1.4 billion for fiscal year 2002, \$1.6 billion for fiscal year 2003, \$1.7 billion for fiscal year 2004, and \$1.7 billion adjusted by the CPI for inflation and a "WORK program factor." Before allocation to the States, 2 percent would be set aside for WORK programs run by Indian tribes and Alaska Native organizations and 2 percent (or 1 percent for fiscal years after 1998) for demonstrations, research and evaluation, and technical assistance. The "WORK program factor" is a ratio, the numerator of which represents the proportion of the AFDC recipients and other WORK registrants in the preceding fiscal year who are either individuals in the mandatory phase-in group for time limits or WORK registrants not receiving aid. The denominator includes a similar number for fiscal year 2004. Both numerator and denominator are computed using average monthly numbers.

The AFDC-UP participation requirements in current law are retained but moved.

Subsection (d) establishes participation standards for the WORK program and penalties for not meeting them. The penalty for failing to meet this WORK participation standard would be a reduction in the Federal matching rate for AFDC expenditures by 25 percent for the number of individuals by which the average monthly number of individuals falls below the participation standard. A State's participation standard would be met if: (1) the average monthly number of WORK positions filled is not less than the number required to be created, given the available Federal funding and the amount determined necessary to locate or create WORK positions; or (2) the following ratio is at least 80 percent. The numerator is the sum of the average monthly number of persons assigned to WORK positions, participating in job search following such an assignment (for no more than 3 months), being sanctioned under WORK, or in unsubsidized work and off AFDC (but a WORK participant within the past 3 months). The denominator is the sum of the average monthly number of WORK registrants and average monthly number of individuals in unsubsidized work and off AFDC (but a WORK participant within the prior 3 months).

Subsection (e) allows a State to reallocate up to 10 percent of the total of its capped JOBS and WORK funds from one program to the other. It also allows that, for fiscal year 1997, the

State could request that 10 percent of its JOBS funds be made available for preparing to conduct its WORK program. It allows reallocation of funds from States that do not claim all the Federal funds available under their allocations to States whose expenditures exceed their Federal caps. By regulation the Secretary must provide for equitable reallocations when there are insufficient funds for reallocation to meet all eligible State expenditures.

If a State's unemployment level equals or exceeds 6.5 percent and the State's unemployment rate is at least 10 percent higher than its rate in either of the prior 2 fiscal years, the Federal matching rate for JOBS, capped WORK, and At-Risk child care expenditures would be raised by 10 percent of the difference between 100 percent and the rate otherwise specified for each program (as long as there are funds available for reallocation). Also, if the national unemployment rate for the last 2 quarters of the preceding fiscal year or the first 2 quarters of the current fiscal year equals or exceeds 7 percent, the national cap for JOBS, WORK and At-Risk child care would be raised by 2.5 percent plus 0.25 percent for each 0.1 percent by which the rate exceeds 7 percent.

States would not be subject to a reduction in their AFDC matching funds for failure to meet JOBS or WORK participation standards or for exceeding the caps on deferrals or extensions during the first year of program operation.

The Secretary must issue regulations on information needed to implement participation standards and associated fiscal penalties prior to the general effective dates for JOBS and WORK. States must begin reporting required data on the appropriate participation standards not later than twelve months after the effective dates of the JOBS and WORK program for the State.

For fiscal year 1996 and 1997, the "enhanced" FMAP matching rate would be defined as FMAP plus 5 percentage points, with a floor rate of 65 percent. The general matching and floor rates would gradually increase over time, reaching 10 percent above FMAP, with a 70 percent floor, for fiscal years 2000 and beyond.

Subsection (f) provides that the enhanced FMAP rate will be paid for all IV-A child care expenditures by the States and for transitional child care expenditures by the Territories.

Subsection (g) adds a maintenance of effort provision which affects State eligibility for the "enhanced" FMAP rates. If the non-Federal share of a State's expenditures for any fiscal year for JOBS, WORK, title IV-A child care services, and AFDC administrative costs (including child care administration) is less than the non-Federal share for fiscal year 1994 (or fiscal year 1993, if that is higher) for those activities (excluding

WORK), then the Federal matching rate for the capped JOBS and WORK funds would be the State's FMAP rate (but not less than 60 percent); for child care, it would be the State's FMAP rate. In addition, the Federal matching rate for JOBS, WORK and child care would be similarly reduced for any fiscal year in which the number of individuals being subject to the time limit is less than 90 percent of the non-deferred custodial parents in the federally mandated phase-in group, unless the State has submitted an approvable plan amendment that provides that all JOBS requirements and the 90 percent standard will be met within 2 years of the program's effective date.

Subsection (h) makes funds available to the Secretary for making special adjustments in State JOBS and WORK limitations. For fiscal year 1996, \$300 million of the amount appropriated for JOBS would be made available for this purpose. These funds could also be used for payments to States which exceed JOBS participation standards and for technical assistance. By March 1 and September 1 each year, States could submit requests to adjust their JOBS and (after 1997) WORK limitations for the following fiscal year. Only States which would be claiming their full allocations for JOBS and WORK during the fiscal year and which obligated 95 percent of last year's funds would be eligible for adjustments. The Secretary must issue regulations governing how funds available for adjustments would be allocated among States if the amounts States requested exceed the amount available. Within 30 days of the due dates for requests, the Secretary must notify States whether their limitations would be adjusted and advise them of the amount of any adjustment. Adjustments would be considered to be increased for the following fiscal year. The amount of funds provided to the Secretary for this purpose in 1996 would be made available until expended. It would be decreased by adjustments to limitations made by the Secretary, but increased to the extent that States did not claim their full limitations for JOBS, WORK, and At-Risk Child Care. However, for fiscal years after 1997, the total amount available would not exceed \$400 million.

SEC. 203. ADMINISTRATION OF THE JOBS AND WORK PROGRAMS.

Subsection (a) adds a new section to part G of the Act which allows the Governor to designate an alternative agency to operate the JOBS and WORK programs.

If such an alternative agency is designated, it would submit the JOBS/WORK plan jointly with the IV-A agency. It would also enter into an agreement with the IV-A agency outlining the responsibilities of each agency and submit that agreement to the Secretary. The IV-A agency would have to retain responsibility for AFDC eligibility determinations, tracking time limits, applying JOBS and WORK sanctions, and providing fair hearings related to reductions in AFDC or application of time limits.

Both agencies would have to agree to cooperate in exchanging necessary information, minimizing burdens on recipients and participants, and operating the programs effectively. The two must also agree on allocating and coordinating the following responsibilities: 1) deciding eligibility for deferrals; 2) deciding extensions to the time limit; and 3) conducting reviews, negotiations and hearings related to JOBS and WORK participation. These joint JOBS/WORK plans would be subject to IV-A requirements with respect to the opportunity for applicants to get a fair hearing, proper and efficient administration, reporting, safeguarding and sharing of information, JOBS participation and sanction rules, and treatment of strikers.

Where an alternative agency is designated, the Secretary would transmit JOBS and WORK funds directly to that agency. In turn the designated agency would be responsible for the proper expenditure of funds. (Also, references to the State agency would apply to this alternative agency when referring to functions assumed by this agency under the joint plan for JOBS and WORK.)

In any State with a statewide one-stop career center system for employment and training services, the JOBS and WORK programs would participate in that system and make employment and training services available through it.

SEC. 204. SPECIAL PROVISIONS RELATING TO INDIAN TRIBES AND ALASKA NATIVE ORGANIZATIONS.

This section allows Indian Tribes and Alaska Native organizations (hereafter, the terms "Tribe" and "Tribal" are used to mean either) to apply for and operate JOBS and WORK programs. A Tribe could apply no later than July 1 of the preceding year to run the JOBS and WORK programs. Upon approval, the Tribe would receive program funding directly.

The Secretary could determine that any of the requirements of the JOBS or WORK programs (including the JOBS participation rules) was inappropriate for Tribal programs. Tribal JOBS and WORK programs could be terminated voluntarily or terminated by the Secretary for substantial nonconformity. Any Tribe that withdrew or was terminated from operating a JOBS/WORK program could not reapply for 5 years.

Two percent of the funds available for JOBS and WORK would be allocated among the Tribes operating programs based on the relative number of AFDC recipients in the Tribal service areas. The Secretary would periodically review the allocations and make necessary adjustments. (Non-Federal match would not be required.)

Tribes could carry over up to 20 percent of their JOBS or WORK funds from one fiscal year to the next. They could also transfer 10 percent of their JOBS allocation to WORK or vice versa. In addition, Tribes could use up to 10 percent (or, if less, \$5000) of their funds for an economic development project which would include JOBS participants.

Tribes approved to operate these programs would be responsible for determining who is subject to JOBS deferrals and extensions to the time limit, as well for reporting necessary information to the State IV-A agency.

Tribes that are operating JOBS and WORK programs could also apply to provide child care for JOBS/WORK participants, AFDC recipients, and families eligible for transitional child care. The application would include a description of participants' child care needs and of the proposed program to serve those needs. The Secretary could determine that any requirements of the IV-A child care programs (with the exception of health and safety requirements) were not appropriate for Tribes.

Each Tribe could receive direct funding for AFDC/JOBS/WORK and transitional child care up to an amount that is equal to the total amount available to the Tribe for its JOBS and WORK programs. (Non-Federal match would not be required.) In cases where JOBS or WORK participants were in a service area for which a Tribe received child care funding under these provisions, the State would not be obligated to provide child care services.

The Secretary must establish data collection and reporting requirements and performance standards for child care programs implemented under these provisions.

SEC. 205. SPECIAL RULES FOR THE TERRITORIES.

Subsection (a) excludes funding for the JOBS, WORK and At-Risk Child Care programs from the general funding caps that apply to the Territories.

Subsection (b) gives Puerto Rico and the other Territories the option whether to implement time limits and a WORK program. Those deciding to implement these provisions must submit appropriate plan amendments to the Secretary for approval, including a detailed discussion of their phase-in strategies and timetables.

The Secretary could waive or modify requirements for the Territories with respect to time limits, the WORK program, or part A (including JOBS participation rules, participation and performance standards), as appropriate.

The Territories could voluntarily terminate their participation in a program of time limits and their WORK program. However, they would be ineligible to participate for 5 years following such termination.

SEC. 206. TRAINING AND EMPLOYMENT FOR NON-CUSTODIAL PARENTS.

This section provides authority in the JOBS statute for services to non-custodial parents.

The Secretary must approve applications that meet the requirements of this section.

An application must describe the geographical coverage of the program, describe the employment and training services that would be provided (and specify whether they would be provided through JOBS, WORK, or a separate program), describe the supportive services that would be provided, indicate whether an evaluation using random assignment would be conducted, and provide assurance regarding compliance with program requirements.

Non-custodial parents would be eligible if: 1) their children are receiving AFDC or living with a parent receiving WORK wages; or 2) they owe past-due support for which an assignment exists under title IV-A, and they are unemployed. Paternity would have to be established prior to program entry, and the parent would have to be cooperating in getting an award established and entered. Eligible individuals could complete activities in which they are engaged if their children go off of AFDC or the custodial parent stops receiving WORK wages.

States need not serve all eligible applicants or provide the same services to all participants. JOBS (or similar) participation could not be a prerequisite to WORK participation, and the non-custodial parent's eligibility could not be contingent on the custodial parent's participation in JOBS or WORK. Participants would be entitled to wages for work performed and could receive stipends, at State option. Wages and stipends would both be subject to garnishment by the agency for distribution as a support collection.

If they have jurisdiction, States could credit hours of participation against past-due support owed to the State agency.

States with approved applications could use up to 10 percent of their capped JOBS and WORK allotments for expenditures for these programs, including stipends, wage subsidies, services, and administrative costs. Such expenditures would be matched at the enhanced FMAP rate.

SEC. 207. FEDERAL TAX TREATMENT OF WORK REMUNERATION.

This section specifies the Federal tax treatment of remuneration paid to, or received by, an individual in a WORK position. Such remuneration would be excluded from income for purposes of the earned income tax credit and would not constitute "qualified wages" for purposes of the targeted jobs tax credit. Also, it would not be subject to Federal unemployment (i.e., FUTA) or included as part of gross income for Federal income tax purposes. (However, it would be subject to the employee and employer share of social security (i.e., FICA) taxes.)

TITLE III--CHILD CARE

SEC. 301. CHILD CARE FOR JOBS AND WORK PROGRAM PARTICIPANTS AND AT-RISK FAMILIES.

Subsection (a) extends the child care guarantee to participants in the WORK program. It also clarifies that child care is guaranteed for individuals who are participating in education and training activities as long as the State approves the activity as part of the individual's JOBS employability plan. Child care services would be guaranteed regardless of whether resources are available to provide other JOBS services.

Subsection (b) extends the guarantee for Transitional Child Care (TCC) to people leaving the WORK program for employment.

Subsection (c) addresses health and safety standards, parental choice and continuity of care for guaranteed (i.e., AFDC/JOBS/WORK and TCC) and then for At-Risk child care as follows:

All child care provided through these programs must meet all health and safety standards established by the State for the Child Care and Development Block Grant program (CCDBG). In addition, the State agency must establish immunization requirements and assure, consistent with regulations of the Secretary, that: 1) children whose child care is paid for under title IV-A would be required to have all immunizations, at the appropriate times, as currently recommended by the Advisory Committee on Immunization Practices; and 2) child care providers used would take steps to assure that certain hazardous items are secured and unobtainable.

This subsection also requires that the State plan assure that child care provided would conform to all provisions related to parental choice, parental access, handling of parental complaints, consumer education and all other standards, criteria and requirements applicable to child care provided under CCDBG.

It also allows the State agency to ensure continuity of care to children receiving IV-A child care during temporary gaps or interruptions in their parents' employment, JOBS or WORK participation.

SEC. 302. RELATED AMENDMENTS.

Subsection (a) requires that the State use the same sliding fee scales for Transitional Child Care that are used in the CCDBG program in the State. It also prohibits States from establishing a statewide limit for guaranteed child care that is less than the limit in effect in the State for January 1994. It further makes all CCDBG requirements, standards, and criteria applicable to the IV-A guaranteed child care programs.

Subsection (b) makes similar changes to the rules for At-Risk Child Care. It also repeals certain provisions which have been superseded, including the existing non-supplantation provision. It replaces current language on reporting with a requirement that the Secretary specify by regulation a core set of data elements for child care and child development programs which must be used by all States for child care provided under either title IV-A or CCDBG.

SEC. 303. LIMITATION OF AT-RISK CHILD CARE TO FAMILIES INELIGIBLE FOR RECIPIENT OR TRANSITIONAL CHILD CARE.

This section provides that States could not use At-Risk Child Care funds for families who are eligible for other IV-A-funded child care.

SEC. 304. OPTION TO CONSOLIDATE STATE RESPONSIBILITY FOR CHILD CARE.

This section allows the State IV-A agency to enter into an agreement with the lead agency for CCDBG by which the CCDBG agency would provide child care under title IV-A. The agreement would provide for payment by the IV-A agency to the CCDBG for the cost of providing care. The lead agency would agree that: 1) IV-A-eligible children would be provided care only from such payment; 2) all care provided would meet the requirements, standards, and other criteria applicable to CCDBG; and 3) all parents and children would have the same protections and procedural safeguards as are applicable under CCDBG.

Under any such arrangement, the State IV-A agency must pay the CCDBG lead agency the same amount for child care provided to eligible children that the family would be eligible for if the IV-A agency were paying for the care directly (and at least at the level of the statewide limit in effect as of January 1994). In the case of At-Risk Child Care, the IV-A agency would be

obligated to pay only to the extent of the appropriations available for the fiscal year.

This section also clarifies that there is nothing to preclude the IV-A agency from being designated the lead agency for CCDBG. While the IV-A agency would not have to enter into an agreement with itself, it would otherwise be subject to the requirements of this section.

**SEC. 305. FUNDING FOR QUALITY IMPROVEMENT AND LICENSING
ACTIVITIES BENEFITTING CHILDREN RECEIVING AFDC OR AT-
RISK CHILD CARE.**

This section provides that, effective for fiscal years after 1995, a State could claim reimbursement for expenditures in connection with licensing, monitoring, and similar activities with respect to child care providers in the State as a title IV-A administrative cost. It also provides that the Secretary must establish a formula for determining the amount that each State could claim for these purposes; the formula must reflect either the number of children served under the IV-A guarantee or the number of child care providers in the State providing care to those children, or both, or some other factors as determined by the Secretary. The total amount available to States for any fiscal year would not exceed \$15 million.

This section also provides that a State could spend up to 10 percent of its At-Risk funds on activities to improve the quality of child care (as defined under CCDBG) and to increase the availability in low-income communities of child care appropriate for infants and very young children. Such activities could be carried out either by the IV-A agency or the lead agency for CCDBG (but the money would go through the IV-A agency).

**SEC. 306. FUNDING OF CHILD CARE FOR FAMILIES AT RISK OF WELFARE
DEPENDENCY.**

Subsection (a) raises the matching rate for At-Risk Child Care expenditures to the "enhanced" FMAP rates applicable for JOBS, capped WORK expenditures, and the other IV-A child care services. It also raises the authorization level for the At-Risk program from \$300 million to \$500 million in fiscal year 1996; \$600 million for fiscal year 1997; \$700 million for fiscal year 1998; \$1 billion for fiscal year 1999; \$1.05 billion for fiscal year 2000; \$1.1 billion for fiscal year 2001; \$1.15 billion for fiscal year 2002; \$1.2 billion for fiscal year 2003; \$1.3 billion for fiscal year 2004; and \$1.3 billion adjusted by the CPI and changes in the U.S. child population. Finally, it provides for a set-aside of 2 percent (or 1 percent after fiscal year 1998) of the At-Risk Child Care funds to carry out research, demonstrations and technical assistance activities (see section 404).

Subsection (b) replaces the existing carry-over provisions with a provision authorizing the reallocation of unused At-Risk funds to States that exceed their limitation. Reallotment would be done according to an equitable formula to be established by the Secretary if the amount claimed by States exceeds the amount available for reallotment.

SEC. 307. SUPPLEMENT TO INCOME DISREGARD.

Subsection (a) provides that a State could use the income disregard provisions in AFDC to guarantee child care; however, if it does, it must offer the caretaker relative the option of receiving care under another payment method or reimburse the caretaker relative for expenditures on child care that exceed the amount of the disregard (up to the amount otherwise payable for guaranteed child care under one of the other payment methods).

Subsection (b) provides that if the State does not supplement the disregard, it must advise any family eligible for the disregard that they have the option to receive child care under another payment method.

TITLE IV -- PROVISIONS WITH MULTI-PROGRAM APPLICABILITY

SEC. 401. PERFORMANCE STANDARDS.

This section replaces existing JOBS provisions on performance standards with more specific expectations related to the development of outcome-based performance measures and standards appropriate for the proposed transitional support system.

The Secretary must recommend factors to be measured in assessing the success of the JOBS and WORK programs, together with specific data elements and data collection methodologies. The factors must include the percentage of time-limited cases that receive 24 cumulative months of AFDC. Recommendations could include appropriate variations in measures and standards among the States, as well as for Tribes and Alaska Native organizations. They could also include factors used by JTPA and other factors such as increases in employment and earnings, job retention, decreases in dependency rates, and improvements in the long-term economic well-being of families. The Secretary must solicit views of appropriate public officials, experts, community-based organizations, and program participants. Not later than October 1, 1996, the Secretary must publish the factors selected.

By April 1, 1998, the Secretary must develop recommendations on standards to apply against these factors. Following

solicitation of comments from appropriate parties, and no later than October 1, 1998, the Secretary must publish the standards selected.

Standards must include provisions for cost-effective methods of data collection. Such methods might include access to earnings, State employment security, and certain IRS or AFDC records (using appropriate confidentiality safeguards) and the use of statistical sampling.

No later than October 1, 1998, the Secretary must issue regulations prescribing incentives for States that meet or exceed standards and penalties for States that fail standards. In developing such regulations, the Secretary would look at the relationship between penalties and incentives, considering whether they are sufficient to promote the desired outcomes. Penalties could be delayed based on a State's implementation of an approved corrective action plan. Technical assistance could be furnished to States to avoid the application of penalties.

Periodically, and in consultation with appropriate parties, the Secretary must review the factors, standards, incentives and penalties provided for under the performance measurement system and propose any appropriate modifications. Before implementing any modifications, the Secretary must provide opportunity for review and comment.

The Secretary must publicize information on State performance vis-a-vis the standards annually.

States must collect and furnish data which the Secretary requires to assist in the development of measures and standards.

States must also establish diverse procedures for soliciting the views of JOBS and WORK participants, and their employers, on the quality and effectiveness of the programs. The results of these latter efforts must be summarized and made available to improve the program.

SEC. 402. AFDC QUALITY CONTROL SYSTEM AMENDMENTS.

Subsection (a) expands the purpose of the AFDC Quality Control (QC) system beyond payment accuracy to encompass WORK wages; the accuracy of reporting on JOBS, WORK, and time limits; information on deferrals and extensions of the time limits; JOBS and WORK participation; and the new performance standards. The revised QC system must provide data needed to measure performance, identify the need for corrective actions, and determine disallowances.

The Secretary must specify in regulation what payments will be treated as erroneous AFDC payments because a State exceeds its

deferral or extension limits or fails to meet participation or performance standards. The Secretary must also specify in regulation the additional data elements States must include in their samples to meet the broader purposes of this system (and whether separate sample reviews will be required), as well as requirements related to sample size and selection for valid estimates of deferrals, extensions, participation and performance.

States could claim expenditures on studies of their QC systems and the adaptations needed to meet these new requirements as AFDC administrative costs.

The Secretary must consult with State agencies administering AFDC, JOBS, and WORK programs and other knowledgeable parties about the design and administration of the revised QC system (and performance measurement systems). By April 1, 1995, the Secretary must report to Congress on the changes that would be necessary to the QC system and publish proposed rules.

SEC. 403. NATIONAL WELFARE RECEIPT REGISTRY; STATE INFORMATION SYSTEMS.

Subsection (a) adds a new section to the Act requiring the establishment of an automated National Welfare Receipt Registry and State participation in it.

The Secretary must establish and maintain a National Welfare Receipt Registry with data from each State IV-A agency on receipt of AFDC and WORK program wages. Data in the registry must include name, date of birth, social security number (SSN), months of receipt of AFDC (including JOBS, child support and WORK sanction months), months in deferral status, months for which an extension to a time limit was granted, months in WORK positions and in other WORK assignments, and other information determined appropriate by the Secretary.

The Secretary must respond promptly to requests of State IV-A agencies for information from the registry on individuals identified by name and SSN. Responses must be electronic and must indicate the States where such individuals were paid AFDC payments or registered in WORK for any month or indicate that requested information is not in the registry.

The Secretary must issue regulations regarding format and process for both data submission and information requests, safeguarding of access to the registry and information from the registry, and assurances against redisclosure. In setting such requirements, the Secretary must consider the technological capability of individual States and allow alternative procedures if a State can demonstrate that: 1) the procedures will be

effective; and 2) it has an approved advance planning document in effect.

The Secretary would not be liable for inaccurate information it receives and transmits.

In addition to appropriate disclosures to the States, the Secretary could disclose information from the registry to the Social Security Administration for verification and correction of SSNs, as well as verifying payments for SSI and title II; to the Internal Revenue Service for purposes related to administering EITC and the dependent care tax credit provisions; to the Secretary of Labor (or the appropriate State agencies) for unemployment compensation purposes; and for purposes of researching AFDC, JOBS and WORK programs (but, in this latter case, with no personal identifiers).

For establishing and maintaining this registry, \$6 million would be authorized for fiscal year 1995 and \$4 million for each of the fiscal years 1996 through 1999.

Subsection (b) specifies State responsibilities in support of the registry.

Under their State plans, States must provide that they will report information at such times, in such format, and by such process as required by the Secretary. States must request appropriate data from the this registry and other registries maintained under the National Welfare Reform Information Clearinghouse and make appropriate use of such data. States must also cooperate in furnishing information to each other to resolve disagreements about data in the registry and report appropriate corrections to the registry.

Subsection (c) amends the current FAMIS provisions in section 402(a)(30) of the Act.

First, it requires that each State provide for an automated system which is efficient and economical in meeting the needs of the National Welfare Receipt Registry and protects the data against unauthorized access or use.

Secondly, it authorizes optional statewide automated information systems, established and operated in accordance with approved Advance Planning Documents. Such systems would assist in the administration of the IV-A State plan by providing for automated intake and referral, coordinated child care services, or JOBS administration (including tracking and JOBS/WORK assessments). Such systems would include security protections. They could also provide for development or enhancement (if cost-effective) of an automated AFDC payment system.

Subsection (d) replaces existing language in section 413 of the Act authorizing technical assistance for systems development with language providing for the development of model automated information management systems and technical assistance.

In partnership with the States the Secretary must design and develop model automated support and case management systems to help States participate in the National Welfare Receipt Registry and perform the new functions specified above (with respect to intake and referral, child care, JOBS and WORK). The Secretary must also give States technical assistance in adopting such model systems.

Two or more States could collaborate on developing model systems. In such a case, the Secretary must provide appropriate technical assistance and otherwise assist the States.

Model systems developed by the Secretary or by collaborating States must: 1) with respect to AFDC, be capable of assisting with intake and referral; 2) with respect to child care, perform eligibility, tracking, payment, management and reporting functions; and 3) with respect to JOBS and WORK assist in assessments, employability planning, monitoring and tracking. They must also be capable of electronic data exchange with related systems and of providing required information on program performance. For each of fiscal years 1995 and 1996, \$7.5 million would be provided for development of model and collaborative systems.

The Secretary must provide additional appropriate training and technical assistance to help States automate promptly and cost-effectively. For each of the fiscal years 1995 through 1999, \$1 million would be authorized for this purpose.

Subsection (e) establishes the conditions for receipt of enhanced matching rates for State expenditures on systems modifications related to implementation of the National Welfare Receipt Registry and adoption of model systems. Eligible expenditures for development and implementation would be matched at the higher of the "enhanced" FMAP rate or 80 percent. The total amount of funds available for these purposes over a 5-year period would be \$800 million. This amount would be allocated among States based on caseloads and automation needs. Payments would be made to States following normal AFDC procedures and based on the status of a State's implementation under its Advance Planning Document.

Subsection (d) replaces the existing language on requirements for Advance Planning Documents with new language which would prohibit approvals which: 1) are not consistent with economical, efficient, and effective implementation; and 2) are not supported by a plan which addresses the State's approach,

schedule, and resource needs or the project's cost-benefit. It also restates the requirement for the Secretary to conduct ongoing reviews of approved State systems, and it deletes provisions related to the consequences of a State's failure to meet FAMIS systems or schedule requirements.

**SEC. 404. RESEARCH AND EVALUATION; TECHNICAL ASSISTANCE;
DEMONSTRATION PROJECTS.**

Subsection (a) provides that 2 percent of the funds in the capped entitlements for the JOBS, WORK and At-Risk Child Care program (1 percent for fiscal years after 1998) would be available for the purpose of this section, and for other activities related to the bill, each fiscal year.

Subsection (b) provides additional authority for the Secretary to conduct research and evaluation studies of the new time-limited programs, in consultation with the Secretaries of Labor and Education. The studies must use a scientifically acceptable methodology. They would include:

- o a two-phase implementation study which would look at issues such as initial implementation efforts, administrative structures and obstacles, program design, funding and services, participation, implementation experiences, and effects on program administration and institutions;
- o an evaluation, using random assignment and other rigorous methods, of program impacts on self-sufficiency, employment, dependency, teen pregnancy, income, family structure, and the well-being of children;
- o jointly with Department of Labor, an evaluation of the WORK program's success in moving individuals into unsubsidized jobs and of the skills and employment barriers of WORK participants who cannot move to unsubsidized employment within 2 years.

Subsection (c) authorizes the Secretary to provide a broad range of technical assistance to State, Territorial and Tribal agencies about effective program models and practices.

Subsection (d) authorizes up to 10 demonstration projects of innovative techniques to increase JOBS placements in unsubsidized, lasting employment. Up to 5 such projects could test use of private placement firms, and up to 5 could test placement bonuses for agency staff. All such projects must incorporate specific performance standards. All projects involving private agencies must specify services to be provided and indicate whether WORK participants will also participate.

Subsection (e) authorizes up to 5 local demonstrations to test WORK programs conducted outside the structure of the welfare system. Such projects must provide that: 1) welfare cases are closed when recipients reach their time limit; 2) such recipients will be given an opportunity to participate in the project; 3) such individuals will have the opportunity to earn wages, stipends or both (so as to provide income comparable to AFDC benefit levels) when they participate; and 4) appropriate elements and protections of the WORK program will be followed (in accordance with requirements of the Secretary). States would be encouraged to standardize stipends, if possible.

Subsection (f) authorizes the Secretary, in consultation with the Secretaries of Labor, Agriculture, and Treasury, to approve demonstrations in up to 5 States of a Work Support Agency which would provide a broad range of services and assistance to former recipients to help them keep their jobs. The services and assistance could include help in accessing other benefits, intervention in dealing with family emergencies, and short-term or one-time financial aid.

Subsection (g) authorizes the Secretary to make grants to States, Tribes, Alaska Native organizations, and community-based organizations for projects which encourage innovative parenting programs for non-custodial parents and build upon existing programs for high-risk families. The importance of parental involvement and economic security in the healthy development of children would be emphasized. Applications must include descriptions of services to be provided and coordination of services with related programs such as Head Start, Healthy Start, Even Start, and Family Preservation and Support.

Subsection (h) requires that, for all demonstrations under this section, the Secretary must prescribe a minimum project length, methodology requirements (such as assignment rules), financial contributions by applicants, allowable expenditures, reporting and evaluation requirements, and other rules necessary to ensure program integrity and the protection of participants.

SEC. 405. OFFSETS TO MANDATORY SPENDING FROM REDUCED FRAUD, WASTE, AND ABUSE.

Subsection (a) requires that, in order to ensure that the expected savings from this legislation are achieved, the Secretary must certify to the Director of OMB that all systems under the National Welfare Reform Information Clearinghouse are receiving and properly transmitting data and otherwise complying with requirements for that system. The Director of OMB must determine whether appropriate Federal agencies are fully complying and utilizing all data from the systems to reduce fraud, waste and abuse. If he affirms that as the case, he would

so certify. (These requirements would be effective for fiscal years 1998 through 2003.)

Under subsection (b), if, after consultation with the Secretary, the Director of OMB finds that, in spite of these steps, the systems are not achieving the expected savings, reductions in spending would be imposed to make up for the savings deficiency. Reductions would be taken first from the amounts provided to the Secretary for research, demonstrations, and technical assistance under section 404 of this bill and for technical assistance to child support enforcement agencies under section 452(j) of the Act. If those reductions were insufficient to cover the deficiency, States which fail to make full use of the Clearinghouse data would face up to a 3 percent reduction in their matching funds for IV-A administrative expenditures.

Subsection (c) adds the various registries in the Clearinghouse to the list of data sources which are part of the Income Eligibility and Verification System (or IEVS). It also provides that, prior to the full implementation of the Directory of New Hires, State-maintained systems with similar data would be included, if cost-effective.

Under subsection (d), the Social Security Administration and the Secretary of the Treasury would be required to make full use of the data in the Clearinghouse to the extent useful in meeting their statutory responsibilities and reducing fraud, waste and abuse.

TITLE V--PREVENTION OF DEPENDENCY

SEC. 501. SUPERVISED LIVING ARRANGEMENTS FOR MINORS.

Subsection (1) provides that State plans must provide for denial of aid to minor parents who live outside their parents' home, except in certain circumstances.

Under subsection (2), foster homes, maternity homes, and "other adult-supervised living arrangements would no longer be treated as analogous to the home of the minor parent's parents.

Under subsection (3), the State agency must, if it finds that a minor parent meets an exception to the requirement to live with his or her parents, assist in locating an appropriate adult-supervised supportive living arrangement (or in an alternative appropriate arrangement, under certain circumstances) and require the minor to live in this setting as a condition of eligibility. If the State agency is unable to locate an appropriate arrangement, it must provide comprehensive case management, monitoring, and other social services consistent with the best

interest of the minor and the minor's child while they live independently.

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

Subsection (a) allows a State plan to provide that the amount of benefits paid to a family on assistance would not increase with the birth of an additional child or would increase by an amount that would be less than the amount that would be otherwise paid with the birth of an additional child. The provision would apply in the case of children conceived by a custodial AFDC parent or a dependent child who already has a child on assistance. Additional aid could be denied only if the family was offered family planning services under the program as required under 402(a)(15). Furthermore, if the family has child support, earned income, or income from another source approved by the Secretary, such income must be disregarded in an amount equal to the amount the payment would otherwise have increased. Additional aid could not be denied in cases of rape or where the State determines it would be violating standards of fairness or good conscience to do so.

Subsection (b) provides that expenditures on counseling and referrals for family planning services would be allowable administrative costs under the AFDC program.

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

This section changes the JOBS provisions to require that State agencies assign case managers to all custodial parents on AFDC who are under age 20. It also requires that case managers have appropriate training and a caseload size that permits effective case management. Case managers would be responsible for helping parents access appropriate services, determining eligibility under the "minor parent" rule, monitoring compliance with program requirements, applying any relevant incentives and sanctions, and providing general guidance, encouragement and support.

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

Subsection (a) gives States the option to implement policies which offer monetary incentives to and impose special sanctions against some or all teen parents and pregnant teens under age 20 to encourage high school completion (or its equivalent) or participation in parenting education.

Subsection (b) provides that, if a State elects this option, its State plan must specify where in the State it will be

implemented and detail how it will operate. States could include 20-year-olds at their option. They could require full-time education, special vocational skills training, or parenting education activities. Case managers for teens must include in the employability plan a description of services to be provided and coordination of educational and training activities by the case manager and service providers. States must provide monetary incentives to those who exceed minimal educational expectations and penalties approved by the Secretary.

Monetary incentives must be paid directly to the parent (even if the AFDC payment is not).

Monetary incentives paid under this subsection would be considered AFDC. For purposes of any other Federal or federally assisted program based on need, no monetary incentive would be considered income. Also, if AFDC is reduced by reason of a penalty, other programs would treat the family as if no penalty had been applied.

States must provide information requested by the Secretary and cooperate in evaluating the effectiveness of programs operated under this provision.

SEC. 505. ADOLESCENT PREGNANCY PREVENTION GRANTS.

Section 505 of the bill amends title XX of the Act to establish a separate capped entitlement program for the development of school-linked and school-based pregnancy prevention programs for adolescents and their families in areas of high poverty or high unmarried adolescent birth rates. A new section 2008 would be added at the end of title XX, with the following provisions:

PURPOSE.

Subsection (a) would declare it the purpose of section 2008 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.

GENERAL AUTHORITY.

Subsection (b) would require 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, to jointly make grants to

eligible entities to carry out adolescent pregnancy prevention programs in accordance with this section.

FEDERAL ADMINISTRATION.

Subsection (c) would provide for joint administration of this section and joint issuance of regulations, procedures, and guidelines by the responsible Federal officials. It would also allow the responsible Federal officials to enter into agreements with any other Federal entity with expertise in youth development activities to administer this section.

FUNDING.

Subsection (d)(1) would require the responsible Federal officials to make grants, to carry out evaluation, training, and technical assistance activities, and to establish and operate a National Clearinghouse on Adolescent Pregnancy Prevention Programs (hereinafter "Clearinghouse") so that in the aggregate the expenditures for such grants and activities do not exceed \$20 million for fiscal year 1995, \$40 million for fiscal year 1996, \$60 million for fiscal year 1997, \$80 million for fiscal year 1998, and \$100 million for fiscal year 1999 and each subsequent fiscal year.

Paragraph (2) would entitle each approved grant applicant 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. Payments to a grantee for any fiscal year would remain available for expenditure in such fiscal year or the succeeding fiscal year.

Paragraph (3) would reserve to the responsible Federal officials, 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, and for the establishment and operation of the Clearinghouse.

Paragraph (4) would require that, if for any fiscal year, the aggregate amount specified in paragraph (1) exceeds the amount required to carry out approved grant applications, evaluation, training, and technical assistance activities, and establishment and operation of the Clearinghouse, then the amount specified in section 2003(c)(5) (social services block grants to States) would be increased by the excess.

DEFINITIONS.

Subsection (e) would provide definitions, including the following:

- o The term "adolescents" means youth who are ages 10 through 19.
- o The term "eligible entity" means a partnership that includes (1) a local education agency, acting on behalf of 1 or more schools; together with (2) 1 or more community-based organizations, institutions of higher education, or public or private agencies or organizations.
- o The term "eligible area" means a school attendance area in which (1) at least 75 percent of the children are from low-income families as that term is used in part A of title I of the Elementary and Secondary Education Act of 1965; or (2) 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 (3) the unmarried adolescent birth rate is high, as determined by the responsible Federal officials.
- o The term "school" means a public elementary, middle, or secondary school.

USES OF FUNDS.

Subsection (f)(1) would specify that grants must be used (A) to develop, operate, expand, and improve sequential, age-appropriate programs of instruction and counseling services for adolescents designed to promote personal responsibility and a healthy, drug-free lifestyle, and to prevent adolescent pregnancy; and (B) to provide opportunities for at-risk youth to develop sustained contact with 1 or more volunteer or professionally trained adults to promote character development.

Paragraph (2) would further specify that grants could be used to conduct other related activities that promote the purposes of this section.

APPLICATION.

Subsection (g) would specify application requirements, including the following:

- o include a plan, based on local needs, that --

(1) sets forth specific, measurable goals and describes how progress toward such goals will be measured;

(2) describes the components of the program, including (i) the role of any national service participants and (ii) the activities that will be made available under the program, and describes the manner in which such components will be implemented; and

(3) describes how 1 or more professional staff will administer the program, and, where appropriate or feasible, how national service participants will be involved in the development or delivery of services and in the coordination of during or after-school activities;

- o demonstrate how the program will be based on research concerning effective means of reducing adolescent pregnancy, including reducing risk-taking behaviors correlated with adolescent pregnancy;
- o demonstrate that the program will serve male and female adolescents and, where feasible, out-of-school adolescents, and describe the steps the applicant will take to serve such adolescents;
- o demonstrate how the applicant will provide, to the extent feasible, a continuity of services for adolescents until age 19;
- o demonstrate 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;
- o describe the applicant's partnership, including the relationship of the partners, the role of each partner in the development and implementation of the program, and how the partners will coordinate their resources;
- o describe the nature and scope of commitment to the program by other community institutions;
- o describe how services provided under the program will be coordinated with services provided under other programs serving the same population;
- o demonstrate the area to be served is an eligible area;

- o contain assurances that at least 1 activity will be school-based and describe the school-based activities;
- o contain assurances that the amounts provided will not be used to supplant Federal, State, or local funds for services and activities that promote the purposes of this section;
- o contain 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;
- o describe the applicant's plan for continuation of the program following completion of the grant period and termination of Federal support; and
- o contain assurances that the applicant will furnish such reports and participate in such evaluations, as required by the responsible Federal officials.

PRIORITIES.

Subsection (h) would provide that the responsible Federal officials give priority to applicants that --

- o provide for non-Federal resources significantly in excess of 20 percent or for an increasing ratio of non-Federal resources over the term of the grant; and
- o participate in other Federal and non-Federal programs that relate to the purposes of this section.

TREATMENT AS NON-FEDERAL SHARE.

Subsection (i) would specify that, for purposes of the National and Community Service Act of 1990, the funds provided to a grantee under this section would not be considered Federal funds.

PROHIBITION ON USE OF FUNDS.

Subsection (j) would prohibit the use of assistance made available under this section to provide religious instruction, to conduct worship services, or to promote any religious view or teaching in any manner.

GEOGRAPHIC DIVERSITY.

Subsection (k) would require the responsible Federal officials to ensure, to the extent feasible, that

applications are approved from both urban and rural areas and reflect nationwide geographic diversity.

APPLICATION PERIOD.

Subsection (l) would require that an application approved under this section be for a term of 5 years; except that approval could 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.

EVALUATION, TRAINING, AND TECHNICAL ASSISTANCE.

Subsection (m) would require the responsible Federal officials to evaluate the effectiveness of programs conducted under this section, directly or by grant or contract. It would also permit the responsible Federal officials to provide training and technical assistance. The responsible Federal officials would also be required to coordinate evaluation, training, and technical assistance conducted under this section with the activities conducted by the Clearinghouse.

NATIONAL CLEARINGHOUSE ON ADOLESCENT PREGNANCY.

Subsection (n)(1) would establish 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".

Paragraph (2) would specify that the Clearinghouse serve as a national information and data clearinghouse, and as a training, technical assistance, and material development source for adolescent pregnancy prevention programs.

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

Section 506 of the bill would amend title XX of the Act to establish a separate capped entitlement for demonstration projects to provide comprehensive services, with particular emphasis on pregnancy prevention, to certain youth and their families in high-risk communities. A new section 2009 would be added at the end of title XX, with the following provisions:

PURPOSE; APPROVAL OF PROJECT.

Subsection (a)(1) would require the Secretary of Health and Human Services (Secretary) to conduct demonstration projects 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.

Subsection (a)(2) would require the Secretary, in consultation with the Secretary of Education, the Secretary of Housing and Urban Development, the Attorney General, the Secretary of Labor, and the Director of the Office of National Drug Control Policy, to approve at least 5 and not more than 7 projects. Upon approval by the Secretary, each applicant would be entitled to payment of up to \$3.6 million for each of fiscal years 1995 through 1999 to conduct approved demonstration projects.

FUNDING.

Subsection (b)(1) would make available to the Secretary no more than \$20 million for each of fiscal years 1995 through 1999 for carrying out the projects under this section. Payments to a grantee must be expended by the grantee in the fiscal year in which such payments are received or in the succeeding fiscal year.

Subsection (b)(2) would reserve to the Secretary, with respect to each fiscal year, 10 percent of the amount described in paragraph (1) for expenditure by the Secretary for training, technical assistance, and evaluation. The amount so reserved would remain available for obligation by the Secretary through fiscal year 1999.

Subsection (b)(3) would require that if, for any fiscal year, the amount available for purposes of this section exceeds the amount required to carry out the approved projects and evaluation, training, and technical assistance under this section, then the amount specified in section 2003(c)(5) (social service block grants to States) would be increased by the excess amount.

APPLICATION; ELIGIBILITY CRITERIA.

Subsection (c) would provide that a local public or private nonprofit organization, including an unit of government, or any combination of such entities, would be eligible to submit a project application. It would also

specify the application requirements, including the following:

- o demonstrate that the geographic area to be served by the project satisfies the following criteria:
 - (1) it includes a population of 20,000 to 35,000 residents,
 - (2) it has an identifiable boundary and is recognizable as a community by its residents, and
 - (3) within the community, there is a poverty rate of not less than 20 percent;
- o include a plan that --
 - (1) describes the comprehensive services that will be made available under the project;
 - (2) sets forth the goals to be accomplished under the project, and describes the methods to be used in measuring progress toward accomplishment of such goals and the outcomes to be measured;
 - (3) describes the involvement of the affected community (including parents, the youth to be served, and local institutions and organizations) in developing and implementing the project;
 - (4) identifies the private and public partnerships to be used;
 - (5) describes how services provided under the project will be coordinated with services provided under other programs serving the same population; and
 - (6) describes how other funds will be used to further the purposes of the program;
- o demonstrate strong State and local government commitment to the project and involvement in the planning and implementation of the project;
- o contain assurances that the amounts provided under this section will not be used to supplant Federal funds for services and activities that promote the purposes of this section;
- o 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

- o contain assurances that the applicant will furnish reports and participate in evaluations, as required by the Secretary.

PRIORITY.

Subsection (d) would require the Secretary to give priority to applicants that provide for a non-Federal resources significantly in excess of 10 percent of the cost of carrying out the approved project.

USE OF GRANTS.

Subsection (e) would provide that a grantee must provide, directly or indirectly, a wide range of services in each of the following areas --

(1) health education and access services designed to promote physical and mental well-being and personal responsibility (with particular emphasis on pregnancy prevention);

(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;

(3) social support services designed to provide youths with a stable environment, opportunities for a sustained relationship with 1 or more adults, and opportunities for participation in safe and productive activities;

(4) community activities designed to improve community stability and to encourage youths to participate in community service and establish a stake in the community; and

(5) employment opportunity development activities developed to be coordinated with educational and employability development services, social support services, and community activities described in paragraphs (2) through (4).

EVALUATION, TRAINING, AND TECHNICAL ASSISTANCE.

Subsection (f)(1) would require the Secretary to evaluate the effectiveness of each demonstration project.

Paragraph (2) would require the Secretary to provide training and technical assistance with respect to the development, implementation, or operation of projects under this section.

Paragraph (3) would require the Secretary to coordinate evaluation, training, and technical assistance activities with activities conducted by the National Clearinghouse on Adolescent Pregnancy Prevention Programs under section 2008.

FUNDING PERIOD.

Subsection (g) would provide that each demonstration project supported under this section be conducted for a 5-year period; except that the Secretary could terminate a project before the end of such period if the Secretary determines that the grantee conducting the project has failed substantially to carry out the project as described in the approved application.

DEFINITIONS AND SPECIAL RULES.

Subsection (h)(1) would define the term "youth" to mean an individual who is not less than 10 years of age and not more than 21 years of age.

Paragraph (2) would specify that population and poverty rate would be determined by the most recent decennial census data available.

TITLE VI--CHILD SUPPORT ENFORCEMENT

NOTE ON REFERENCES

Terms and references in this title of the summary have the following meanings:

- o "ADP" means automated data processing;
- o "CSE" means child support enforcement;
- o "FPLS" means the Federal Parent Locator Service;
- o "IRS" means the Internal Revenue Service;
- o "OCSE" means the Office of Child Support Enforcement in the Department of Health and Human Services;
- o references to "IV-D" are to the CSE program under title IV-D of the Act;

- o references to "IV-A" and to "AFDC" are to the program of Aid to Families with Dependent Children under title IV-A of the Act;
- o references to "XIX" and to "Medicaid" are to the program of grants to States for medical assistance under title XIX of the Act; and
- o "OBRA 1993" means the Omnibus Budget Reconciliation Act of 1993, P.L. 103-66.

**Part A - Eligibility and Other Matters Concerning
Title IV-D Program Clients**

SEC. 601. COOPERATION REQUIREMENT AND GOOD CAUSE EXCEPTION.

Section 601 amends the CSE, AFDC, and Medicaid statutes to require that, effective 10 months after enactment (or earlier, at State option)--

- o the State CSE agency (rather than the AFDC and Medicaid agencies, as under current law) will make determinations of whether applicants for AFDC and Medicaid are cooperating with efforts to establish paternity and obtain child support, or have good cause not to cooperate;
- o the AFDC and Medicaid agencies must immediately refer applicants needing paternity establishment services to the CSE agency, and the CSE agency must make an initial cooperation or good cause determination within 10 days of such referral;
- o the mother or other custodial relative of a child born 10 months or more after enactment of these amendments will not be found to cooperate with efforts to establish paternity unless that individual names the putative father and supplies sufficient information to enable the IV-D agency to identify him; and
- o cooperation with initial efforts to establish paternity (except where good cause is found) is a precondition to eligibility for program benefits, except where the applicant is eligible for emergency assistance under title IV-A or is a pregnant woman presumptively eligible for Medicaid, where an appeal of a finding of lack of good cause is pending, or where the CSE agency has not made a timely determination.

SEC. 602. STATE OBLIGATION TO PROVIDE PATERNITY ESTABLISHMENT AND CHILD SUPPORT ENFORCEMENT SERVICES.

Section 602 requires State laws to require that--

- o every child support order established or modified in the State on or after October 1, 1997 be entered in a central case registry to be operated by the IV-D agency (see section 621 of the bill);
- o child support be collected (except where parents agree to opt out under limited circumstances) through a centralized collections unit to be operated by the IV-D agency or its contractor (see section 622 of the bill)--
 - o on and after October 1, 1997, in all cases being enforced under the State plan; and
 - o on and after October 1, 1998, in all cases entered in the central case registry.

Section 602 amends the IV-D State plan requirements to eliminate distinctions between welfare recipients and other applicants for IV-D services with respect to services available and fees for such services. Under these amendments--

- o No fees may be imposed on any custodial or noncustodial parent--
 - o after September 30, 1997, for application for IV-D services; or
 - o at any time, for inclusion in the central state registry;
- o No other fees (other than those specified in current law for genetic testing and tax refund offset) may be imposed on the custodial parent; and
- o Any other costs or fees may be imposed on the noncustodial parent (but any fees for support collections through the centralized collections unit must be added to and not deleted from the support award).

SEC. 603. DISTRIBUTION OF PAYMENTS.

Section 603 amends the provisions of title IV-D concerning the order of priority for distribution of child support collections, to provide that--

- o a family not receiving AFDC shall be paid the full amount of current support, plus arrearages for any period when the child was not receiving AFDC, before any amount is retained by the State to reimburse AFDC;
- o the State would have the option, in the case of a family receiving AFDC, either to make distribution as under current law or to pay the family the full amount of current support due before retaining any amount to reimburse the AFDC agency;
- o where the parent owing support marries (or remarries) the custodial parent, and the parents' combined income is less than twice the Federal poverty line, the State must, upon application by the parents, suspend or cancel any debts owed the State on account of AFDC paid to the family.

This section also requires the Secretary to promulgate regulations--

- o under title IV-D, establishing a uniform national standard for distribution where a parent owes support to more than one family; and
- o under title IV-A, establishing standards for States choosing the alternative distribution formula, to minimize irregular monthly payments to AFDC families.

Finally, this section, together with the corresponding amendment to title IV-A in title VII of this bill, increases the amount of monthly support to be paid to the family by the CSE agency and disregarded for purposes of AFDC eligibility and benefits. The new "passthrough and disregard" amount would be the current \$50 increased by the CPI, or such greater amount as the State may choose.

SEC. 604. DUE PROCESS RIGHTS.

Section 604 requires State IV-D plans, effective October 1, 1996, to provide for procedures to ensure that--

- o parties to cases in which IV-D services are being provided receive notice of all proceedings in which support obligations might be established or modified, and of any order establishing or modifying a support obligation within 10 days of issuance; and
- o individuals receiving IV-D services have available to them fair hearing or other formal complaint procedure.

SEC. 605. PRIVACY SAFEGUARDS.

Section 605 requires State IV-D plans, effective October 1, 1996, to provide for safeguards to protect privacy rights with respect to sensitive and confidential information, including safeguards against unauthorized use or disclosure of information relating to paternity and support proceedings, and prohibitions on disclosing the whereabouts of one party to another party subject to a protective order.

SEC. 606. REQUIREMENT TO FACILITATE ACCESS TO SERVICES.

Section 606 requires State IV-D plans, effective October 1, 1996, to include outreach plans to increase parents' access to CSE services, including plans responding to the needs of working parents and parents with limited proficiency in English.

Part B - Program Administration and Funding

SEC. 611. FEDERAL MATCHING PAYMENTS.

Section 611 increases the basic Federal matching rate for State IV-D programs (currently 66 percent) to 69 percent for FY 1996, 72 percent for FY 1997, and 75 percent for FY 1998 and thereafter.

Section 611 also adds a maintenance of effort requirement that the non-Federal share of IV-D funding for FY 1996 and succeeding years not be less than such funding for FY 1995.

SEC. 612. PERFORMANCE-BASED INCENTIVES AND PENALTIES.

Section 612 replaces the system of incentive payments to States under section 458 of the Act (effective with respect to FY 1998 and succeeding fiscal years) with a new program of incentive adjustments to the Federal matching rate. Under this program, States could receive increases of up to 5 percentage points based on Statewide paternity establishment, and increases of up to 10 percentage points based on overall CSE performance.

Section 612 also makes amendments (effective with respect to quarters beginning on and after the date of enactment) providing for a penalty reduction of AFDC matching payments where a State's CSE program does not meet specified performance standards:

- o Section 452(g) is amended to make minor and technical amendments to the formula for determining the paternity establishment percentage under the IV-D program (the amendments correct errors introduced by OBRA 1993).
- o Section 403(h) is amended to simplify the penalty reduction procedure. The penalty is to be deferred for

one year pending State corrective action, and to be canceled if all deficiencies are eliminated by the end of that year.

The Secretary would specify in regulations the levels of accomplishment (or improvement) needed to qualify for each incentive adjustment rate. States would report performance data after the end of FY 1995 and each succeeding year; the Secretary would determine the amount (if any) of adjustment due each State, based on State data determined by the Secretary to be reliable, and would apply the adjustment to matching payments for the succeeding fiscal year (beginning with FY 1997).

SEC. 613. FEDERAL AND STATE REVIEWS AND AUDITS.

Section 613 makes amendments, effective with respect to FY 1997 and succeeding fiscal years, shifting the focus of title IV-D audits from the manner in which activities are conducted to performance outcomes, as follows:

- o A new State plan element requires the States annually--
 - o to determine, and report to the Secretary concerning, conformity with State plan requirements; and
 - o to extract from their ADP systems, and transmit to the Secretary, data and calculations concerning their compliance with Federal performance requirements.
- o The Secretary's responsibilities are revised to require--
 - o annual review of the State reports on plan conformity; determinations of amounts of penalty adjustments to States; and provision of comments, recommendations, and technical assistance to the States);
 - o evaluation of elements of State programs in which significant deficiencies are indicated by the State reports; and
 - o triennial audits of State reporting systems and financial management, and for other purposes the Secretary finds necessary.

SEC. 614. AUTOMATED DATA PROCESSING.

Section 614 reorganizes and clarifies title IV-D State plan requirements concerning automated data processing, and adds

requirements that the State agency ADP system (1) be used to calculate the State's performance for purposes of the incentive and penalty adjustments under sections 403(h) and 458; and (2) incorporate safeguards on information integrity and security.

This section also revises the statutory provisions for State implementation of all Federal ADP requirements (currently required by October 1, 1995), to provide that:

- o all requirements enacted on or before enactment of the Family Support Act of 1988 are to be met by October 1, 1995; and
- o all requirements (including those enacted in OBRA 1993 and this bill) are to be met by October 1, 1998.

90 percent Federal matching for ADP start-up costs remains available through FY 1995. For the next 5 years, the match rate for startup costs is the higher of (i) 80 percent or (ii) the matching rate generally applicable to the State IV-D program (including any incentive increases); total Federal payments to States are limited to \$260,000,000, to be distributed among States on a formula set in regulations which takes into account the relative size of State caseloads and the level of automation needed to meet applicable ADP requirements.

(For additional ADP requirements, see sections 621, 622, 636, and 652.)

SEC. 615. DIRECTOR OF CSE PROGRAM; TRAINING AND STAFFING.

Section 615--

- o eliminates the requirement that the individual responsible for day-to-day operation of the Federal CSE program report directly to the Secretary;
- o requires the Secretary to develop a national training program for State IV-D directors, and a core curriculum and training standards for State agencies;
- o requires State IV-D agencies to have training programs consistent with the national standards and curriculum, and to provide for initial and ongoing training of all staff, and permits use of IV-D funds (with the Secretary's approval) for training of non-agency personnel with related responsibilities (including judges, law enforcement personnel, and social workers); and
- o requires the Secretary to study and report to Congress on the staffing of each State's CSE program (including

a review of needs created by requirements for ADP systems, central case registries, and centralized support collections).

SEC. 616. FUNDING FOR SECRETARIAL ASSISTANCE TO STATE PROGRAMS.

Section 616 makes available to the Secretary, from annual appropriations for payments for State programs under title IV-D for FY 1995 and succeeding years--

- o an amount equal to 1 percent of the Federal share of child support collections on behalf of AFDC recipients for the preceding fiscal year, for use for assistance to State IV-D agencies through technical assistance, training, and related activities; projects of regional or national significance; and
- o an amount equal to 2 percent of the Federal share of such collections, for operation of the FPLS and the National Welfare Reform Information Clearinghouse established by section 625 (to the extent such costs are not recovered in user fees).

SEC. 617. DATA COLLECTION AND REPORTS BY THE SECRETARY.

Section 617 amends data collection and reporting requirements, effective with respect to FY 1994 and succeeding fiscal years, to conform the requirements to the changes made by the bill, and to eliminate requirements for unnecessary or duplicative information.

Part C - Locate and Case Tracking

SEC. 621. CENTRAL STATE CASE REGISTRY.

Section 621 requires the State IV-D agency's ADP system--

- o to perform the functions of a single central registry containing records with respect to each case in which services are being provided by the State agency (including each case in which an order has been entered or modified on or after October 1, 1997);
- o for each case, to maintain and regularly update a complete payment record of all amounts collected and distributed; amounts owed or overdue (including interest or late payment penalties and fees); and the termination date of the support obligation;
- o regularly to update and monitor case records on the basis of information on judicial and administrative actions, proceedings, and orders relating to paternity

and support; information from data matches; information on support collections and distributions; and other relevant information; and

- o to extract data for purposes of sharing and matching with Federal, in-State, and interstate data bases and locator services, including the FPLS, the data bases created by this bill, and other State IV-D agencies.

SEC. 622. CENTRALIZED COLLECTION AND DISBURSEMENT OF SUPPORT PAYMENTS.

Section 622 requires State IV-D agencies, on and after October 1, 1997--

- o to operate a centralized, automated unit for collection and disbursement of child support which--
 - o is operated directly by the State IV-D agency or by a contractor responsible directly to the State agency;
 - o collects and disburses support in all cases being enforced by the State agency (including all cases under orders entered on or after October 1, 1997);
 - o uses automated procedures, electronic processes, and computer-driven technology to the maximum extent feasible, efficient, and economical; and
 - o is coordinated with the State agency's ADP system;
- o to use the State agency ADP system to assist and facilitate the operations of the centralized collections unit, through functions including--
 - o generation of wage withholding notices and orders to employers;
 - o ongoing monitoring to promptly identify nonpayment; and
 - o automatic use of administrative enforcement mechanisms (see section 635 of the bill); and
- o to have sufficient State staff (including State employees and contractors) to carry out these monitoring and enforcement responsibilities.

SEC. 623. AMENDMENTS CONCERNING INCOME WITHHOLDING.

Section 623 requires State laws concerning income withholding to provide--

- o that all child support orders issued or modified before October 1, 1995, which are not otherwise subject to wage withholding, will become subject to wage withholding immediately if arrearages occur, without the need for a judicial or administrative hearing;
- o that employers withholding wages must forward payments to the State centralized collections unit within 5 working days after the amount withheld would otherwise have been paid to the employee;
- o that the notice from the State to employers directing wage withholding must be in a standard format prescribed by the Secretary;
- o for the imposition of fines against employers who fail to withhold support from wages, or to make appropriate and timely payment to the State collections unit.

This section also makes amendments--

- o conforming the income withholding requirements to the requirement for a centralized State collections unit; and
- o requiring the Secretary to promulgate regulations defining income and other terms for purposes of title IV-D.

SEC. 624. LOCATOR INFORMATION FROM INTERSTATE NETWORKS AND LABOR UNIONS.

Section 624 adds a requirement for State laws providing--

- o that the State will neither finance nor use any automated interstate locator system network for purposes relating to (i) motor vehicles or (ii) law enforcement unless all Federal and State IV-D agencies (including the FPLS and the new Federal data matching services) have access on the same basis as any other user of the system or network (but only, in the case of law enforcement data, where such access is otherwise allowed by State and Federal law); and
- o requiring labor unions and their hiring halls to furnish to the IV-D agency, upon request, locator information (relating to residence and employment) on

any union member against whom a paternity or support obligation is sought to be established or enforced.

SEC. 625. NATIONAL WELFARE REFORM INFORMATION CLEARINGHOUSE.

Section 625 amends title IV-D to require the Secretary to establish and operate a National Welfare Reform Information Clearinghouse (NWRIC).

The NWRIC would include Federal Parent Locator Service under section 453 of the Act, and the National Welfare Receipt Registry to be established under section 403 of the bill. The Secretary is also required to establish within the NWRIC, by October 1, 1997, two new automated data matching services designed to locate individuals (and their assets) for CSE purposes:

- o The National Child Support Registry would contain minimal information (including names, social security numbers or other uniform identification numbers, and State case identification numbers) on each case in a State central case registry, based on information furnished and regularly updated by State IV-D agencies.
- o The National Directory of New Hires would contain identifying information
 - o supplied by employers, within 10 days of hiring (or, if feasible, using an alternative mechanism relying on existing Federal and State reporting), on each individual hired on or after October 1, 1997, and
 - o supplied quarterly by State agencies administering unemployment compensation laws, in such format and containing such information as the Secretary may require.

(An employer failing to make a timely report concerning an employee would be subject to a civil money penalty of the lesser of \$500 or 1 percent of the wages paid to the employee.)

The Secretary is required to disclose or match data in the Clearinghouse as follows:

- o Data is to be shared with the Social Security Administration for the purpose of verifying the accuracy of identifying information reported.
- o The New Hire Directory and Child Support Registry are to be matched every 2 working days, and resulting information to be reported to State CSE agencies.

- o Other Clearinghouse registries are to be matched against each other, and resulting information is to be reported to State CSE and AFDC agencies, to the extent found effective.
- o Data in Clearinghouse registries is to be disclosed to the AFDC, Medicaid, unemployment compensation, food stamp, and territorial cash assistance programs for income eligibility verification as required under section 1137 of the Act;
- o Registry data is to be disclosed to the Social Security Administration for use in determining the accuracy of supplemental security income payments under title XVI, and in connection with benefits under title II of the Act.
- o Data in the New Hire Directory is to be disclosed--
 - o to the Secretary of the Treasury, for administration of the earned income tax credit program and for verification of claims concerning employment on tax returns; and
 - o to State agencies administering unemployment compensation and workers compensation programs, to assist determinations on the allowability of claims.
- o The Secretary may disclose Clearinghouse data, without personal identifiers, for research serving the purposes of specified programs under title IV of the Act.

This section provides for reimbursement by the Secretary to SSA and to State employment security agencies (SESAs) for their costs of carrying out this section; and for reimbursement to the Secretary by State and Federal agencies receiving information from the Clearinghouse. This section also includes provisions designed to safeguard information in the Clearinghouse from inappropriate disclosure or use.

This section makes related amendments to the Federal Unemployment Tax Act and title III of the Social Security Act, requiring SESAs to furnish wage and unemployment compensation information to the Directory of New Hires.

SEC. 626. EXPANDED LOCATE AUTHORITY.

Section 626 makes various amendments to remove legal barriers and otherwise increase the effectiveness of electronic data matches for CSE purposes. The FPLS authority is amended--

- o to broaden the purpose of the FPLS to include locating information on wages and other employment benefits, and on other assets (or debts), for purposes of establishing or setting the amount of support obligations;
- o to require the FPLS to obtain information from consumer reporting agencies; and
- o to authorize the Secretary to set reasonable rates for reimbursement to other Federal agencies, State agencies, and consumer reporting agencies for the costs of providing information to the FPLS.

This section also makes complementary amendments to other laws, as follows:

- o Section 608 of the Fair Credit Reporting Act is amended to make available to the FPLS all information on individuals in the files of consumer reporting agencies (rather than only locate information, as under current law).
- o Section 6103(1)(6) and (8) of the Internal Revenue Code of 1986 (providing for IRS and Social Security Administration disclosures of tax return information to Federal, State, and local CSE agencies) are amended--
 - o to eliminate the restriction that IRS may disclose return information only if the information is not reasonably available from any other source; and
 - o to permit disclosures by the Social Security Administration to OCSE.

SEC. 627. STUDIES AND DEMONSTRATIONS CONCERNING PARENT LOCATOR ACTIVITIES.

Section 627 requires the Secretary--

- o to study, report, and make recommendations to the Congress concerning issues involved in (1) making FPLS information available to noncustodial parents, and (2) operating electronic data interchanges between the FPLS and major consumer credit reporting bureaus; and
- o to fund State demonstrations testing automated data exchanges with other State data bases (using funds available to the Secretary for technical assistance to States under the provision added by section 616 of the bill).

SEC. 628. USE OF SOCIAL SECURITY NUMBERS.

Section 628 requires State laws requiring the recording of social security numbers of the parties on marriage licenses and divorce decrees, and of parents on birth records and child support and paternity orders.

This section also makes an amendment to title II of the Act, to clarify that social security numbers of parents must be recorded on children's birth records, but that this requirement authorizes release of social security numbers only for purposes related to child support enforcement.

Part D - Streamlining and Uniformity of Procedures

SEC. 635. ADOPTION OF UNIFORM STATE LAWS.

Section 635 requires States, by January 1, 1996, to adopt in its entirety the Uniform Interstate Family Support Act, with the following modifications and additions:

- o the State law is to apply in any case (1) involving an order established or modified in one State and for which a subsequent modification is sought in another State; or (2) in which interstate activity is required to enforce an order;
- o the State law shall presume that a tribunal in the State with jurisdiction over a child who is a resident of the State has jurisdiction over both parents;
- o the State law shall provide that the State may modify an order issued in another State if (1) all parties do not reside in the issuing State, and either reside in or are subject to the jurisdiction of the State in question; and (2) (if any other State is exercising or seeks to exercise jurisdiction), the conditions applicable to simultaneous proceedings are met to the same extent as required for proceedings to establish orders;
- o the State law shall permit consenting parties to permit the State which issued an order to retain jurisdiction which it would otherwise lose because the parties are no longer present in that State;
- o the State law shall recognize as valid service of process upon persons in the State by any means acceptable in the State which is the initiating or responding State in a proceeding;

- o The State must have procedures requiring all public and private entities in the State to provide promptly, in response to the request of the IV-D agency of that or any other State, information on employment, compensation, and benefits of any employee or contractor of such entity.

Section 635 provides for expedited appeal to the Supreme Court of any district court ruling on the constitutionality of the above provision concerning long-arm jurisdiction based on the child's residence.

SEC. 636. STATE LAWS PROVIDING EXPEDITED PROCEDURES.

Section 636 requires State laws to give the State IV-D agency the authority (and recognize and enforce the authority of State agencies of other States), to take the following actions relating to establishment paternity and establishment and enforcement of support orders without obtaining an order from a separate judicial or administrative tribunal (but subject to due process safeguards):

- o to establish the amount of support in any case being enforced by the State agency, and to modify any support order included in the central case registry, based on State guidelines;
- o to order genetic testing for paternity establishment where appropriate preconditions are met;
- o to enter a default order--
 - o establishing paternity (where a putative father refuses to submit to genetic testing); and
 - o to establish or modify a support obligation, where an obligor or obligee fails to respond to notice to appear;
- o to subpoena financial or other information needed to establish, modify, or enforce an order, and to sanction failure to respond to a subpoena;
- o to obtain access (including automated access, if available), subject to appropriate safeguards, to--
 - o records of other State and local government agencies, including records on vital statistics; tax and revenue; real and titled personal property; occupational and professional licenses; ownership and control of corporations and other

- business entities; employment security; public assistance; motor vehicles; and corrections;
- o customer records of public utilities and cable television companies; and
- o information held by financial institutions on individuals who owe or are owed support (or against or with respect to whom a support obligation is sought);
- o to order wage or other income withholding;
- o to direct that the payee under an order be changed (in cases being enforced by the State agency) to the appropriate government entity;
- o for the purpose of securing overdue support--
 - o to intercept and seize any payment to the obligor by or through a State or local government agency;
 - o to attach and seize assets of the obligor held by financial institutions;
 - o to attach retirement funds (where permitted by the Secretary);
 - o to impose liens and, in appropriate cases, to force sale of property and distribution of proceeds; and
 - o to increase monthly support payments to include amounts for arrearages.
 - o to suspend drivers' licenses of individuals owing past-due support.

Section 636 also requires State laws to provide for the following substantive and procedural rules and authority, applicable to all proceedings to establish paternity or to establish, modify, or enforce support orders:

- o procedures permitting presumptions of notice in child support cases, under which parties to a paternity or child support proceeding must file with the tribunal, and update, information on location and identity, which may be relied on in any subsequent child support enforcement action between the same parties for purposes of providing notice and service of process (if

due diligence has otherwise been exercised in attempting to locate such party);

- o procedures ensuring Statewide jurisdiction in child support cases, under which the IV-D agency and tribunals hearing child support and paternity cases have Statewide jurisdiction; their orders have Statewide effect; and (where orders in such cases are issued by local jurisdictions) a case may be transferred within the State without loss of jurisdiction.

This section would bar the Secretary from granting States exemptions from State law requirements under section 466 of the Act concerning procedures for paternity establishment; modification of orders; recording of orders in the central State case registry; recording of social security numbers; interstate enforcement; or expedited administrative procedures.

Finally, this section requires the IV-D agency's ADP system to be used, to the maximum extent feasible, to implement the above expedited administrative procedures.

Part E - Paternity Establishment

SEC. 640. STATE LAWS CONCERNING PATERNITY ESTABLISHMENT.

Section 640 amends the provisions concerning State laws on paternity establishment to require such laws--

- o to permit the initiation of proceedings to establish paternity before the birth of the child concerned;
- o to provide authority to order genetic testing upon request of a party when such request is supported by a sworn statement establishing a reasonable possibility of parentage;
- o to require the IV-D agency, when it orders genetic testing, to pay the costs (subject (at State option) to recoupment from the putative father if paternity is established), and to obtain additional testing (upon advance payment) where test results are disputed;
- o to require the State to admit into evidence results of any genetic test that is of a type generally acknowledged by accreditation bodies designated by the Secretary as reliable evidence of paternity, and performed by a laboratory approved by such an accreditation body;

- o to make cooperation by hospitals and other health care facilities in voluntary paternity acknowledgment procedures a condition of Medicaid participation;
- o to require any State that treats a voluntary acknowledgment as a rebuttable presumption to provide that the presumption becomes conclusive within one year (unless rebutted or invalidated);
- o to provide (at State option, notwithstanding the preceding provision) for vacating an acknowledgment of paternity, upon the request of a party, on the basis of new evidence, the existence of fraud, or the best interest of the child; and
- o to provide that no judicial or administrative proceedings are required or permitted to ratify an unchallenged acknowledgment of paternity;
- o to provide that parties to a paternity proceeding are not entitled to jury trial;
- o to require issuance of an order for temporary support, upon motion of a party, pending an administrative or judicial determination of parentage, where paternity is indicated by genetic testing or other clear and convincing evidence;
- o to provide that bills for pregnancy, childbirth, and genetic testing are admissible without foundation testimony;
- o to grant discretion to the tribunal establishing paternity and support to waive rights to amounts owed to the State (but not to the mother) for costs relating to pregnancy, childbirth, genetic testing, and child support arrears, where the father cooperates or acknowledges paternity;
- o to ensure that putative fathers have a reasonable opportunity to initiate paternity actions.

SEC. 641. OUTREACH FOR VOLUNTARY PATERNITY ESTABLISHMENT.

Section 641 requires State IV-D plans, effective October 1, 1996, to provide that the State will publicize the availability and encourage the use of procedures for voluntary establishment of paternity and child support through a variety of means, which--

- o will include distribution of materials at health care facilities and other locations, such as schools; and

follow-up on each child for whom paternity has not been established discharged from a hospital after birth; and

- o may include programs to educate expectant couples on rights and responsibilities relating to paternity, in which all expectant IV-A recipients may be required to participate).

90 percent Federal matching would be available for the above outreach activities in quarters beginning on and after October 1, 1995.

SEC. 642. PENALTY FOR FAILURE TO ESTABLISH PATERNITY PROMPTLY.

Section 642 provides for reduction of Federal matching otherwise payable to a State IV-A program, for quarters beginning 10 months or more after enactment of this bill, for failure to establish paternity for children born 10 months or more after enactment who are receiving public assistance, whose mothers or custodial relatives have cooperated with State agency efforts for the entire preceding year, but for whom paternity has not been established. The reduction formula would be established in regulations; it would equal the product of (1) the number of such children in the State (after making allowance for a tolerance level of a percentage of such children, ranging from 25 percent for FY 1997 to 10 percent for FY 2003 and succeeding fiscal years); (2) the average monthly AFDC payment; and (3) the applicable Federal matching rate under title IV-A.

SEC. 643. INCENTIVES TO PARENTS TO ESTABLISH PATERNITY.

Section 643 authorizes the Secretary to approve IV-D State plan amendments providing for incentive payments to families to encourage paternity establishment. State payments for this purpose would be matched as ordinary IV-D expenditures.

This section also requires the Secretary to authorize up to 3 States to conduct demonstrations providing financial incentives to families for establishment of paternity. 90 percent Federal matching would be available under title IV-D for State payments to families under these demonstrations, up to a \$1 million cap on Federal expenditures.

Part F - Establishment and Modification of Support Orders

SEC. 651. NATIONAL COMMISSION ON CHILD SUPPORT GUIDELINES.

Section 651 authorizes the Secretary to establish a National Commission on Child Support Guidelines to consider the advisability of a national child support guideline (or parameters for State guidelines) and, if appropriate, to develop a proposed guideline for congressional consideration. The Commission is to

consider matters including the adequacy of State guidelines; the definition of income and circumstances under which income should be imputed; tax treatment of support; cases in which parents have obligations to more than one family; treatment of expenses for child care, health care, and special needs; the appropriate duration of support; and issues raised by shared custody.

The Commission would have 2 members appointed by the Chairman and 1 by the Ranking Minority Member of the Senate Finance Committee; 2 appointed by the Chairman and 1 by the Ranking Minority Member of the House Ways and Means Committee; and 6 appointed by the Secretary. Members would be appointed by March 1, 1995, and would make a final report to the President and the Congress within 2 years after appointment.

Appropriations are authorized of \$1 million for each of FYs 1995 and 1996, to remain available until expended.

SEC. 652. STATE LAWS CONCERNING MODIFICATION OF CHILD SUPPORT ORDERS.

Section 652 requires States, effective October 1, 1999, to have in effect laws concerning modification of child support orders under which--

- o the IV-D agency modifies all support orders (including judicial orders) included in the central case registry, in accordance with State guidelines on award amounts;
- o all orders in the central case registry are revised and adjusted at least every 36 months unless adjustment is not in the child's best interests, or unless both parents decline modification in writing.
- o support orders must be reviewed upon the request of either parent whenever either parent's income has changed by more than 20 percent, or other substantial changes in circumstances have occurred, since the order was established or most recently reviewed.

This section also amends current due process provisions to eliminate specific Federal timetables and to require instead application of State due process safeguards.

SEC. 653. STUDY ON USE OF TAX RETURN INFORMATION FOR MODIFICATION OF CHILD SUPPORT ORDERS.

Section 653 requires the Secretaries of HHS and Treasury to conduct a study to determine how tax return information might be used to facilitate the process of modifying child support awards.

Part G - Enforcement of Support Orders

SEC. 661. REVOLVING LOAN FUND FOR PROGRAM IMPROVEMENTS TO INCREASE COLLECTIONS.

Section 661 authorizes appropriation of a total of \$100 million (\$10 million each for FYs 1998 and 1999, and \$20 million each for FYs 2000 through 2003), to establish in title IV-D a revolving fund for loans by the Secretary to States for short-term projects making operational improvements in State and local IV-D programs with the potential for achieving substantial increases in child support collections.

Loans from the fund could not exceed \$5 million per State or \$1 million per project (or \$5 million for a single Statewide project in a large State); loan durations could not exceed 3 years. Loans would be repaid through offsets against the increase in State incentive payments, plus additional offsets against State IV-D payments as necessary to ensure full repayment in 3 years. Loan funds received by a State could be used by the State as the non-Federal share of expenditures under the State IV-D program.

SEC. 662. FEDERAL INCOME TAX REFUND OFFSET.

Section 662 makes amendments, effective January 1, 1996, relating to the authority to offset child support arrearages against Federal income tax refunds, as follows:

- o The Internal Revenue Code of 1986 is amended--
 - o to provide that offsets of child support arrears (whether owed to the family or assigned to the State) against income tax overpayments would take priority over debts owed Federal agencies (other than debts owed to HHS or the Department of Education for student loans); and
 - o to give child support debts owed to the family priority over such debts owed to the State on account of assistance payments.
- o Title IV-D is amended--
 - o to eliminate disparate treatment of families not receiving public assistance, by repealing provisions (applicable only to support arrears not assigned to the State) that--
 - o make the offset available only for minor or disabled children who are still owed current support;

- o set a higher threshold amount of arrears before tax offset is available; and
- o permit higher fees to be charged for the offset service.

SEC. 663. INTERNAL REVENUE SERVICE COLLECTION OF ARREARS.

Section 663 amends the provision of the Internal Revenue Code of 1986 which provides authority to collect child support arrears as if they were a tax owed by the obligor, upon certification of arrears by the Secretary of HHS, to bar imposition by IRS of additional fees for adjustment to the amount of arrears previously certified with respect to the same obligor.

SEC. 664. AUTHORITY TO COLLECT SUPPORT FROM EMPLOYMENT-RELATED PAYMENTS BY UNITED STATES.

Section 664 amends title IV-D, effective October 1, 1995, to eliminate the separate rules for withholding of child support from wages, pensions, and other employment-related compensation of Federal employees. These amendments treat U.S. employment income the same as income from any other employer for purposes of the income withholding provisions of title IV-D.

This section also amends 10 U.S.C. to remove barriers to availability of military retirees' compensation for payment of child support, by making clear that these funds can be reached by administrative as well as judicial orders, and to provide for payment through a designated governmental entity.

SEC. 665. MOTOR VEHICLE LIENS.

Section 665 amends the title IV-D requirements for State laws concerning liens with respect to child support arrears to require that States have and use procedures to place liens on titled motor vehicles owned by individuals owing child support arrears equal to two months of support. Such liens would take precedence over all other encumbrances on a vehicle title, other than a purchase money security interest, and could be used to force seizure and sale of the vehicle.

SEC. 666. VOIDING OF FRAUDULENT TRANSFERS.

Section 666 requires States to have in effect the Uniform Fraudulent Conveyance Act of 1981, the Uniform Fraudulent Transfer Act of 1984, or an equivalent law providing for voiding of transfers of income or property made to avoid payment of child support.

SEC. 667. STATE LAW AUTHORIZING SUSPENSION OF LICENSES.

Section 667 requires enactment of laws giving the State authority to withhold, suspend, or restrict use of driver's licenses, professional and occupational licenses, and recreational licenses of individuals owing overdue child support or failing to respond to subpoenas or warrants relating to paternity or child support proceedings.

SEC. 668. REPORTING ARREARAGES TO CREDIT BUREAUS.

Section 668 amends the requirement for a State law providing for the reporting of child support arrears to consumer credit bureaus (which currently must permit such reporting) to require such reporting when payment is one month overdue.

SEC. 669. EXTENDED STATUTE OF LIMITATION FOR COLLECTION OF ARREARAGES.

Section 669 requires that State law provide a statute of limitations on child support arrears extending at least until the child reaches age 30. (This amendment would not require a State to revive any payment obligation which had lapsed on the effective date of the State law.)

SEC. 670. CHARGES FOR ARREARAGES.

Section 670 requires State laws to provide, not later than October 1, 1997, for assessment of interest or penalties for child support arrearages.

SEC. 671. VISITATION ISSUE BARRED.

Section 671 requires State laws to provide that failure to pay child support is not a defense to denial of visitation rights, and denial of visitation rights is not a defense to failure to pay child support.

SEC. 672. TREATMENT OF SUPPORT OBLIGATIONS UNDER BANKRUPTCY CODE.

Section 672 amends the Bankruptcy Code (11 U.S.C.), effective October 1, 1995, to provide--

- o that the commencement of a bankruptcy proceeding will not stay the commencement or continuation of a judicial or administrative proceeding on the issues of paternity or child or spousal support;
- o for development by the Judicial Conference of the United States of a simplified form and filing procedure

to be used by child support creditors of a bankruptcy petitioner; and

- o for treatment of a child support creditor as a preferred unsecured creditor, entitled to payment in full, in accordance with any payment schedule established by a family court or other child support tribunal, after certain creditors specified in current law (including Federal governmental units owed tax debts) but ahead of all other unsecured creditors.

SEC. 673. DENIAL OF PASSPORTS FOR NONPAYMENT OF CHILD SUPPORT.

Section 673 amends 4 U.S.C., effective October 1, 1995, to provide that the Secretary of State, upon a certification by a State IV-D agency that an individual owes child support arrears of over \$5,000, must refuse to issue a passport to the individual and may revoke or restrict a passport already issued.

Part H - Demonstrations

SEC. 681. CHILD SUPPORT ENFORCEMENT AND ASSURANCE DEMONSTRATIONS.

Section 681 requires the Secretary to fund grants to 3 States for demonstrations, beginning in FY 1997 and lasting from 7 to 10 years, providing assured levels of child support for children for whom paternity and support have been established. The projects would be administered by the State IV-D agency or the State department of taxation and revenue. Annual benefit levels set by States could range from \$1,500 to \$3,000 for a family with one child, and from \$3,000 to \$4,500 for a family with four or more children. States could require absent parents with insufficient income to pay support to work off support by participating in work programs.

90 percent Federal matching would be available from appropriations for payments to States under title IV-D, but total Federal funds available for these demonstrations would be capped at \$27,000,000 for FY 1997; \$55,000,000 for FY 1998; \$70,000,000 for each of FYs 1999 through 2002; and \$55,000,000 for FY 2003. This section authorizes appropriation of \$10 million for FY 1997, to remain available until expended, for the Secretary's costs for evaluating demonstrations under this section.

SEC. 682. SOCIAL SECURITY ACT DEMONSTRATIONS.

Section 682 amends section 1115(c) of the Act (which currently requires that IV-D demonstrations not result in increased costs to the Federal Government under AFDC) to require instead that such demonstrations not result in an increase in total costs to the Federal Government.

Part I - Access and Visitation Grants

SEC. 691. GRANTS TO STATES FOR ACCESS AND VISITATION PROGRAMS.

Section 693 adds a new section 469A of the Act providing a new capped entitlement program of grants to States for programs to support and facilitate noncustodial parents' access to and visitation of their children. The program would be funded at \$5 million for each of FYs 1996 and 1997, and \$10 million per year thereafter; Federal funding would be available to match 90 percent of a State's expenditures up to the amount of its allotment under a formula based on the numbers of children living with only one biological parent. State programs could be administered by the CSE agency either directly or through courts, local public agencies, or non-profit private entities, and could be Statewide or geographically limited.

Part J - Effect of Enactment

SEC. 695. EFFECTIVE DATES.

Section 695 provides that, except as otherwise specified--

- o provisions of this title requiring enactment of State laws or revision of State IV-D plans shall become effective October 1, 1995; and
- o all other provisions of this title become effective upon enactment,

subject to provisos--

- o affording a State until after the end of the next State legislative session beginning after enactment, in the case of any provision of this title requiring enactment or amendment of State laws; and
- o affording a State up to 5 years to comply if a State constitutional amendment is required to permit compliance.

SEC. 696. SEVERABILITY.

Section 696 provides that the provision of this title are severable, and that any provision found invalid will not affect the validity of any other provision which can be given effect without regard to the invalid provision.

TITLE VII. - IMPROVING GOVERNMENT ASSISTANCE

PART A - AFDC AMENDMENTS

SEC. 701. PERMANENT REQUIREMENT FOR UNEMPLOYED PARENT PROGRAM.

Subsection (a) makes permanent the requirement that States provide benefits to two-parent families based on the unemployment of the principal earner (i.e., operate an AFDC-UP program), by repealing the sunset provision in the Family Support Act.

Subsection (b) provides that the requirement would not be effective in Puerto Rico, American Samoa, Guam or the Virgin Islands until they notified the Secretary that they intended to implement an AFDC-UP program and submitted the necessary State plan amendment.

SEC. 702. STATE OPTIONS REGARDING UNEMPLOYED PARENT PROGRAM.

Subsection (a) amends the Act to give States the option to eliminate the 30-day unemployment requirement and the work history test when determining an individual's eligibility for AFDC-UP.

Subsection (b) gives a State the option to provide aid to families with employed parents and to define "unemployment" in its State plan so as to extend eligibility to some or all of the individuals excluded under Department regulations (i.e., by the 100-hour rule). A State's choices must be reflected in its State Plan.

Subsection (c) provides that these amendments would become effective October 1, 1996.

SEC. 703. DEFINITION OF ESSENTIAL PERSON.

This section adds a definition of essential person to section 402 of the Act. In order to be considered "essential" and thereby have the needs of an individual included in the determination of the family's eligibility, the State must establish that such individual lives with the family and furnishes: (1) personal services required because a family member is physically or mentally unable to care for herself or himself; (2) child or dependent care services necessary to permit the caretaker relative to engage in part-time or full-time employment; or (3) child or dependent care services needed by the caretaker to attend education leading to a high school diploma, or training, or to participate in JOBS, on a part-time or full-time basis.

SEC. 704. EXPANDED STATE OPTION FOR RETROSPECTIVE BUDGETING.

This section expands the retrospective budgeting options available to States by allowing them to budget cases that are not required to report monthly on a retrospective basis.

SEC. 705. DISREGARDS OF INCOME.

Subsection (a) amends the Act to provide for the disregard of earned income for all students under age 19 who are in elementary and secondary school. It also makes conforming amendments.

Effective October 1, 1996, subsection (b) increases the earned income disregard amount from \$90 to the greater of \$120, or \$120 adjusted by the CPI.

Subsection (c) gives States the flexibility to provide earned income disregards in addition to the \$120 standard amount. It also allows States the discretion to determine the circumstances under which the additional disregards will be applied (including whether they will be available to applicants). It replaces the existing "\$30 and a third" disregards and makes conforming amendments.

Subsection (d) expands the existing disregard for income from JTPA to exclude from consideration as income all training stipends and allowances received by AFDC applicants and recipients under the Job Training Partnership Act or under any similar training program.

Subsection (e) provides for indexing the \$50 child support pass-through payment and the associated disregard, based on the consumer price index and rounded to the nearest \$10.

Subsection (f) adds a new disregard for non-recurring lump sum payments and repeals the existing provisions on treatment of lump-sum income.

Subsection (g) revises AFDC rules on the disregard of educational assistance by providing for the disregard of all educational assistance.

Subsection (h) adds a new disregard from income of all in-kind income.

Subsection (i) adds a new disregard from income of any living allowance, child care allowance, stipend, or educational award paid to a participant in a national service program under the National and Community Service Act of 1990.

Effective October 1, 1996, subsection (j) allows the State to disregard additional income under its State plan, by type or source or amount, up to the difference between the need and payment amounts applicable to a family of that size with no other income.

SEC. 706. STEPPARENT INCOME.

This section increases the step-parent disregard to \$120 and gives States the flexibility to increase it further, as the State deems appropriate.

SEC. 707. INCREASE IN RESOURCE LIMIT.

This section increases the general resource limit to \$2,000 or, in the case of a family with a member who is at least 60 years of age, \$3,000.

SEC. 708. EXCLUSIONS FROM RESOURCES.

Subsection (a) provides for the disregard from resources of the cash value of life insurance policies owned by family members.

Subsection (b) disregards from resources real property which the family is making a good faith effort to sell at a reasonable price.

Subsection (c) disregards EITC payments and any lump-sum payment of State earned income tax credits from resources for the 12-month period beginning with the month the payment is received. These payments would be deemed to be expended prior to non-excluded resources.

Subsection (d) disregards from resources reimbursements or advance payments for medical expenses or for the cost of repairing or replacing a family's resources.

Subsection (e) adds a new disregard from resources for amounts, not to exceed \$10,000, in Individual Development Accounts established: 1) under section 529 of the Internal Revenue Code by any member of a family receiving AFDC; or 2) under a demonstration project conducted under the Individual Development Account Demonstration Act of 1994. It would only disregard amounts credited to an account in a month of AFDC or food stamp receipt, or a following month.

Subsection (f) disregards from resources liquid and nonliquid assets used for the self-employment of a family member, to the extent and under the circumstances allowed by a State agency in accordance with regulations issued following consultation with the Secretary of Agriculture.

SEC. 710. TRANSFER OF RESOURCES.

This section adds a new requirement that any family member who knowingly disposes of resources in order to qualify for AFDC, or to attempt to qualify for AFDC, would be ineligible for assistance for up to 1 year from the date of discovery of the action, as determined under Departmental regulations.

SEC. 711. LIMITATION ON UNDERPAYMENTS.

This section requires that corrective payments be made to underpaid current and former recipients, provided the underpayment occurred during the twelve-month period immediately preceding the month it is discovered.

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

This section adds a new section to the Act to permit States to intercept Federal tax returns in order to recover overpayments of assistance to former recipients.

Subsection (a) provides for State agencies to notify the Secretary of the Treasury that a named individual has been overpaid AFDC benefits. The Secretary of the Treasury would determine whether Federal tax refunds are available to the individual, withhold the appropriate amount from the refund, and pay such amount to the State. The Secretary of the Treasury would issue regulations governing these collections, with approval of the Secretary.

The use of the Federal tax intercept would be limited to former recipients against whom the State has already taken other appropriate recovery actions. The Secretary of the Treasury must give timely and appropriate notice to any other person filing a joint return with the individual whose refund is subject to withholding. In addition, the procedures to be followed by the State and the Secretary of the Treasury must, to the maximum extent feasible, conform to the tax intercept process currently utilized to collect past-due child support.

AFDC offsets would follow other offsets, but precede any crediting against future tax liabilities.

Subsection (b) makes a conforming change.

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

This section amends the SAVE provisions at section 1137(d) of the Act to allow 1 adult member of an assistance unit to declare in writing that each member of the assistance unit is a citizen of the United States or an alien eligible for aid. When

a child is born into a family receiving aid, the declaration must be made no later than the time of the next redetermination of eligibility following the child's birth. This amendment would be effective upon enactment.

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

This section repeals section 402(a)(28) of the Act which requires that supplemental payments be made in certain circumstances based on a State's current AFDC payment methods and the methods in place when the national child support program came into effect.

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

This section expands the disregards to be applied in determining whether a family meets the gross income ("185 percent of need") test -- to include JTPA and related training payments, EITC payments, lump-sum income, educational assistance, in-kind income, and certain payments under the National and Community Service Act of 1990.

SEC. 716. TERRITORIES.

This section increases the funding caps of the territories by an additional 25 percent in the fiscal years following 1996. It also creates a mechanism for indexing caps for fiscal years 1997 and beyond by instituting adjustments based on the Consumer Price Index.

PART B - FOOD STAMP ACT AMENDMENTS

SEC. 721. INCONSEQUENTIAL INCOME.

This section amends Section 5(d)(2) of the Food Stamp Act of 1977 to more closely align the current food stamp income exclusion for infrequent or irregular income with a disregard the Aid to Families with Dependent Children (AFDC) program provides for small, nonrecurring gifts. The proposal would exclude inconsequential payments for the Food Stamp Program for all households. A payment would be inconsequential if it does not exceed \$30 in a quarter for each member of a household.

SEC. 722. EDUCATIONAL ASSISTANCE.

This section amends section 5(d)(3) of the Food Stamp Act of 1977 to provide an income exclusion for all educational assistance provided to a household member (i.e., including loans, grants, scholarships, fellowships, and veterans' educational benefits). Currently the Food Stamp Program excludes certain

educational assistance according to a complex set of rules related to the source of the assistance, the use of the assistance, and the type of institution attended.

Also, obsolete language is removed in two places.

SEC. 723. EARNINGS OF STUDENTS.

This section amends section 5(d)(7) of the Food Stamp Act of 1977 to change the income exclusion for the earnings of students. The exclusion would be for the earnings of any individual who is a elementary or secondary school student and who is 18 years old or younger. The exclusion would apply to students who live alone or with other household members. Effective September 1, 1994, the earnings of elementary and secondary students were scheduled to be excluded if the students were under 22 years old.

SEC. 724. TRAINING STIPENDS AND ALLOWANCES; INCOME FROM ON-THE-JOB TRAINING PROGRAMS.

This section amends section 5(d) of the Food Stamp Act of 1977 to replace the existing complex treatment rules with an income exclusion for stipends and allowances received under JTPA or under any other training or similar program. In general, current law excludes such payments if they are provided under the Job Training Partnership Act (JTPA) or if they are reimbursements. Most training stipends and allowances that are counted as income are considered to be earned income and the 20 percent earned income deduction is applied.

Also, section 5(1) would be amended to include as earned income all earnings from on-the-job training programs, including income provided under JTPA. Because this income would be considered earned income, it would be subject to the 20 percent earned income deduction. Currently, JTPA earnings are only included if provided under 1 of 2 sections of the JTPA (Sections 204(b)(1)(C) and 264(c)(1)(A)) and only if provided to individuals 19 years old or older or younger individuals who are not under the parental control of another household member.

SEC. 725. EARNED INCOME TAX CREDITS.

This section amends Section 5(g)(3) of the Food Stamp Act of 1977 to exclude earned income tax credits (EITCs) as resources for 1 year from their receipt by applicants as well as participants. The proposal would also clarify that EITCs provided by State governments are excluded as resources for 1 year from their receipt and that only lump-sum EITCs are excluded as resources. Under current law, effective September 1, 1994, there would be a one-year exclusion for households participating in the Food Stamp Program; EITCs received by applicant households

are only excluded for the month of receipt and the following month.

SEC. 726. RESOURCES NECESSARY FOR SELF-EMPLOYMENT.

This section amends section 5(g)(3) of the Food Stamp Act to exclude business loans from consideration as resources. Currently, such loans are excluded as income for the Food Stamp Program but included as resources.

The proposal would also authorize the Department to exclude liquid or nonliquid necessary for the self-employment of any household member under regulations issued following consultation with the Secretary of Health and Human Services. Currently, most resources needed by individuals engaged in self employment are excluded for food stamp purposes.

SEC. 727. LUMP-SUM PAYMENTS FOR MEDICAL EXPENSES OR REPLACEMENT OF LOST RESOURCES.

This section amends section 5(g)(3) of the Food Stamp Act of 1977 to exclude from financial resources for a period of 1 year reimbursements or advance payments for medical expenses or the cost of repairing or replacing family resources. Examples of the kinds of reimbursements that would be excluded are settlement payments for injuries incurred or reimbursements such as insurance payments for damage to a house.

SEC. 728. INDIVIDUAL DEVELOPMENT ACCOUNTS.

This section amends section 5(g)(3) of the Food Stamp Act of 1977 to raise the resource limit to \$10,000 for households whose members have established Individual Development Accounts (IDAs) either under the proposed amendment to the Internal Revenue Code or under the proposed Individual Development Account Demonstration Act of 1994. Both IDA programs would permit participants to save money in special trust accounts for such purposes as buying a first home, post-secondary education or other long-term training, or beginning a business. There would be penalties for unauthorized withdrawals. The proposed amendment to the Food Stamp Act is necessary to remove a disincentive to IDA establishment.

The proposal would also provide a limited resource exclusion for nonrecurring lump-sum income not excluded by other provisions of this legislation. The exclusion would be for the month of receipt and the following month and would only apply if the recipient of the lump-sum income assured the State agency of his/her intention to deposit it in an IDA established under the Internal Revenue Code or the IDA demonstration project. If the income is deposited in an IDA before the end of the second month,

it would be excluded as long as it is retained in the IDA account.

SEC. 729. CONFORMING AMENDMENT.

This section amends section 5(d)(8) of the Food Stamp Act of 1977 to refer to the various resource-exclusions for nonrecurring, lump-sum income contained in this legislation as exceptions from the general requirement that nonrecurring, lump-sum income must be included as resources.

PART C - ECONOMIC INDEPENDENCE

The following sections of this part provide for Individual Account Demonstrations.

SEC. 731. SHORT TITLE.

This section establishes the title as "Individual Development Account Demonstration Act of 1994."

SEC. 732. DECLARATION OF POLICY AND STATEMENT OF PURPOSE.

Subsection (a) states that the policy of the United States is to: eliminate barriers that prevent AFDC recipients and individuals receiving food stamps from becoming self-sufficient through self-employment and asset accumulation; identify cost-effective strategies to encourage saving and entrepreneurship; enhance private-sector opportunities for low-income families; and expand the capacity of local organizations to provide asset-related services.

Subsection (b) states that the purpose of the demonstration projects is to determine: 1) the effects of providing the opportunity to accumulate assets and develop and utilize entrepreneurial skills; and 2) the extent to which an asset-based policy promotes self-sufficiency.

SEC. 733. INDIVIDUAL DEVELOPMENT ACCOUNT DEMONSTRATION PROJECTS.

Subsection (a) allows any State or local government, or any qualified organization, to apply to the Administrator/Chairperson of the Community Development Bank and Financial Institutions Fund for a grant to conduct individual development account demonstration projects for eligible persons.

Subsection (b) sets forth the contents of each application, including: a description of the project and the persons who will participate; a demonstration of the qualifications of the applicant; documentation of a commitment by the State or any other non-Federal public entity or by any private entity to provide funding; a plan for maintaining data and other

information necessary for evaluation; and any such other information the Administrator/Chair may provide.

Subsection (c) describes the criteria for approving an application, including: the likelihood that the project will promote self-sufficiency; the ability of the applicant to administer the project; the amount of non-Federal funds committed; and the adequacy of the plan for maintaining information necessary to evaluate the project.

Subsection (d) provides the Administrator/Chairperson the authority to approve applications, on a competitive basis. Such approval decisions would not be subject to judicial review.

Subsection (e) authorizes demonstration projects for 5 years, with annual grants made to grantees on the first day of each project year.

Subsection (f) establishes a reserve fund in which grantees would deposit annual grants made by the Administrator/Chairperson, other non-Federal sources, and proceeds from investments. It specifies that allowable expenditures are those necessary to: assist project participants; provide financial assistance; administer the project; and maintain and provide information for the evaluation. Regulations would be issued regarding accounting of funds, and funds remaining after project termination would revert to the Administrator/Chairman and contributing entities.

Subsection (g) sets forth the criteria for selection of eligible persons to receive assistance.

Subsection (h) describes the financial assistance grantees could provide to project participants who establish individual development accounts. Initial assistance to a participant could not exceed \$500. Matching contributions would be no less than 50 cents for every \$1 deposited and no more than \$4 for every \$1 deposited by a project participant; they could not exceed \$2,500 in total. The use of such financial assistance would be restricted, and the Secretary of the Treasury could issue rules applicable to these accounts.

Subsection (i) gives each grantee sole responsibility for the administration of the demonstration project. Regulations could be issued to govern grantee requirements with the requirements of this section.

Subsection (j) requires each grantee to annually report the progress of the demonstration project, including information of participants, fund reserves, and deposits. Such reports would be shared with the State Treasurer.

Subsection (k) authorizes the Administrator/Chairperson to revoke the approval to conduct a demonstration if the Administrator/Chairperson determines a grantee is not conducting a project in accordance with the approved application and the requirements of the section. In such a case, the project would be suspended and control taken of reserve funds. Such funds could be transferred to a new grantee, or the project could be terminated.

Subsection (l) requires that the Administrator/Chairperson, in consultation with the Secretaries of Treasury and Health and Human Services, enter into a contract with an independent evaluator within 6 months after the enactment of the Act. The evaluation could cover issues such as program marketing, accessibility, levels of financial assistance, effectiveness of program features, effects on self-sufficiency, reductions in public expenditures, and asset accumulation.

Subsection (m) contains definitions.

Section (n) authorizes \$10 million for fiscal year 1997, \$20 million for fiscal years 1998-2001, and \$10 million for fiscal year 2002.

SEC. 734. INDIVIDUAL DEVELOPMENT ACCOUNTS.

This section amends the Internal Revenue Code to authorize the establishment of individual development accounts (IDAs). These accounts could be established by and, in certain cases, on behalf of, eligible individuals to accumulate funds to pay qualified expenses. Eligible individuals would include those participating in the Individual Development Account Demonstration Act, AFDC recipients, and Food Stamp recipients. Qualified expenses would include:

- o post-secondary educational expenses and certain vocational training expense paid directly to the eligible institution;
- o acquisition costs with respect to a qualified principal residence for a first-time home buyer, if paid directly to the persons to whom such amounts are due; and
- o amounts paid directly into a business capitalization account established in a federally insured financial institution solely for qualified business capitalization expenses.

Only one IDA could be established for each eligible individual, and annual contributions, other than government matching contributions under the Individual Development Account Demonstration Act, could not exceed the lesser of \$1,000 or 100 percent of earned income for the taxable year. Total contributions to an IDA, including government matching

contributions, could not exceed \$10,000 for all years. IDAs would be exempt from tax and, thus, earnings on IDA contributions would accumulate tax free.

The trustee or custodian of an IDA would have to be a federally insured financial institution, but the investment of the assets in the account could be self-directed by the eligible individual among federally insured deposits and mutual funds.

The portion of an IDA distribution that consists of a return of after-tax contributions would be exempt from tax. In addition, the portion of a distribution that consists of government matching contributions (but not attributable earnings) would be exempt from tax if used to pay qualified expenses. All other distributions or portions of distributions would be includible in income.

Distributions made for any reason other than to pay qualified expenses would be subject to an additional income tax equal to 10 percent of the amount of the distribution includible in income. For this purpose, any government matching contribution used to pay a nonqualified expense would be includible in income and subject to the 10 percent tax.

IDAs would be subject to rules similar to the rules for individual retirement arrangements (IRAs) under Internal Revenue Code section 408. Thus, for example, an IDA would lose its tax exemption if the individual who benefits from the IDA or any individual who contributes to the IDA engages in a prohibited transaction. In such case, all matching contributions and attributable earnings would be forfeited and all other amounts would be treated as distributed. In addition, if an IDA is pledged as security for a loan, the amount pledged that is attributable to matching contributions and earnings would be forfeited, and the balance of the amount pledged would be treated as distributed.

Reporting requirements similar to those required with respect to IRA contributions and distributions would be required with respect to IDA contributions and distributions.

PART D - ADVANCE EITC STATE DEMONSTRATIONS

SEC. 741. ADVANCE PAYMENT OF EARNED INCOME TAX CREDIT THROUGH STATE DEMONSTRATION PROGRAMS.

This section authorizes a demonstration program which would enable the Secretary of the Treasury to designate up to 4 State demonstrations to provide the Earned Income Tax Credit (EITC) to eligible State residents on an advance payment basis. Aggregate participation would be limited based on prior-year participation in the Food Stamp program. Administrative costs for the

demonstrations would be matchable as AFDC or Food Stamp administrative expenditures.

Applications for designation would be due by June 30, 1995, and would have to:

- (1) identify the State agency that would be making the payments;
- (2) describe how and when the payments will be made by that agency;
- (3) describe how the State will obtain the information on which the amount of advance earned income payments made to each participating resident will be determined;
- (4) describe how State residents who will be eligible to receive advance earned income payments will be selected, notified of the opportunity to receive advance earned income payments from the responsible State agency, and given the opportunity to elect to participate in the program;
- (5) describe how the State will verify the eligibility of participating residents for the EITC; and
- (6) commit the State to providing certain information about the participating residents, the payments made under the program, and the development and implementation of its program.

Designations would be made by the end of 1995 and would be effective for 3 years -- from January 1, 1996, through December 31, 1998.

The amounts paid to participating residents by the State would be determined in a similar fashion to the advance EITC payments made by employers under current law, except that a State could increase -- from 60 percent to as much as 75 percent -- the total EITC received on an advance basis (taking into account whether the individual has more than one qualifying child). These payments would be made no less frequently than quarterly.

State payments would be financed by the Federal government through a reduction in the State's payment of Federal employment taxes with respect to State employees. If the State makes payments to a participating resident in excess of the EITC to which that individual is entitled, the State would be required to reimburse the Federal government for slightly less than 50 percent of the portion of that excess amount not previously recovered by the Federal government.

Other requirements under the program involve the Federal government's providing technical assistance to designated States, annual reports on the demonstration program prepared by the Secretary of the Treasury, and an appropriation of \$1.4 million to finance certain aspects of the program.

TITLE VIII--SELF EMPLOYMENT/MICROENTERPRISE DEMONSTRATIONS

SEC. 801. DEMONSTRATION PROGRAM TO PROVIDE SELF-EMPLOYMENT OPPORTUNITIES TO WELFARE RECIPIENTS AND LOW-INCOME INDIVIDUALS.

Subsection (a) requires the Secretary of Health and Human Services and the Administrator of the Small Business Administration to jointly develop a self-employment/microenterprise demonstration program for at least 5 years. The program would: identify barriers that prevent welfare recipients and low-income individuals from increasing self-sufficiency through self-employment; develop and evaluate promising program models; and demonstrate the potential for expanding the capacity of local organizations in assisting individuals start or expand self-employment or microenterprises.

Subsection (b) requires the Secretary and Administrator to enter into agreements with local intermediaries that apply to participate and demonstrate that they are capable of implementing the provisions of the agreement.

Subsection (c) requires the Secretary and the Administrator to identify effective program models currently used to provide self-employment and related services and to design the demonstration program to test at least 2 distinct types of program models with varying levels of technical assistance. Consultation with appropriate parties would be required.

Subsection (d) authorizes the Secretary and Administrator to provide grants for: providing technical assistance and for operating costs and costs associated with participating in the evaluation; loan guarantees; and loans. Intermediaries could be used. Assistance to intermediaries could be terminated for failure to comply.

Subsection (e) requires the Secretary and Administrator, in determining whether to enter into an agreement with an intermediary, to take into consideration: the intermediary's record in serving low-income individuals; the intermediary's record in providing technical assistance or loans to low-income individuals for the purpose of self-employment; the nature, types, and cost of technical assistance and/or lending methods the intermediary would use; the intermediary's ability to obtain

matching funds; and other matters the Secretary and Administrator deem appropriate. In addition, up to 5 intermediaries could be selected that would employ program models that operated independently of the randomized evaluation.

Subsection (f) makes low-income individuals and welfare recipients eligible to participate in a program and requires the Secretary and Administrator to ensure appropriate levels of participation by welfare recipients.

Subsection (g) requires that intermediaries must have agreements with the State agency administering the JOBS and WORK programs under which JOBS and WORK funds would be used to provide support services, including training and technical assistance. Intermediaries must also agree to implement an approved program, cooperate with any independent evaluator, and meet any other obligations required by the Secretary and Administrator.

Subsection (h) requires the Secretary and Administrator to enter into a memorandum of understanding for the joint administration of the demonstration programs and to coordinate and consult with the Secretaries of Agriculture, Housing and Urban Development, and Labor, on regulatory and other reforms or coordinated efforts to eliminate barriers to self-employment.

Subsection (i) requires the Secretary to develop an evaluation based on an experimental design with random assignment between a treatment group and a control group and establishes requirements for reports to Congress. Independent evaluation of program models which are not part of the random study would also be required, with a final report within 5 years of their designation. Congress would receive preliminary reports of both types of evaluations after 3 years; these would include discussions of regulatory barriers to self-sufficiency through self-employment and microenterprises. Intermediaries could be subject to reporting requirements and would receive regular feedback from the Secretary on a variety of matters.

Subsection (j) provides for funding of \$4 million for fiscal year 1997, \$8 million for each of fiscal years 1998-2001, and \$4 million for fiscal year 2002.

Subsection (k) contains definitions.

TITLE IX--FINANCING

SEC. 901. LIMITATION ON FEDERAL PAYMENTS FOR EMERGENCY ASSISTANCE.

This section limits the amount of Federal funds available to a State under title IV-A for expenditures on Emergency Assistance (EA). The limit would be the lesser of: 1) the amount paid to a State for EA for expenditures in fiscal year 1991; and 2) its computed share of a national limitation set at \$418 million for fiscal year 1996 and inflated by the CPI for each subsequent year. Each State's computed share would be determined based on the State's 1994 EA expenditures and its prior year AFDC expenditures, with AFDC expenditures getting more weight in the formula over time and the EA expenditures getting less weight. For fiscal year 1995, the EA share of the formula would be weighted at 90 percent, and the AFDC share at 10 percent. The EA weight would drop by 10 percentage points each year while the AFDC weight would rise by the same percent. Thus, for fiscal year 2004 and beyond, the computed share part of the limitation would be based totally on the State share of AFDC expenditures for the prior year.

SEC. 902. UNIFORM ALIEN ELIGIBILITY CRITERIA FOR PUBLIC ASSISTANCE PROGRAMS.

Subsection (a) amends the Social Security Act to establish uniform alien eligibility criteria for the AFDC, SSI, and Medicaid programs. Under the amendment, only aliens who fall into one of the following categories could receive assistance under those programs:

- o lawful permanent residents;
- o refugees;
- o asylees;
- o individuals whose deportation is withheld by the Attorney General;
- o individuals whose deportation is suspended by the Attorney General;
- o conditional entrants;
- o lawful temporary residents;
- o individuals within a class of aliens lawfully present within the United States whose continued presence, and treatment as "qualified aliens,"

serve a humanitarian or other compelling public interest; or

- o certain close relatives of citizens who have pending an application for adjustment to lawful permanent residence status.

Subsection (b) would authorize States and political subdivisions to use the same alien eligibility criteria in their administration of general assistance programs.

Subsection (c) provides that subsection (a) is effective with respect to benefits payable on the basis of applications filed after the date of enactment, and subsection (b) is effective upon the date of enactment.

SEC. 903. ELIGIBILITY OF SPONSORED ALIENS FOR CERTAIN PROGRAMS.

The amendments made by subsections (a) and (b) affect the eligibility of aliens for the Supplemental Security Income (SSI), Aid to Families with Dependent Children (AFDC), and Food Stamp programs.

Paragraph (1) of subsection (a) extends, from 3 years to 5 years, the period during which the income of an individual who sponsored an alien's entry into the United States (by executing an affidavit of support for the alien) is deemed to the alien for purposes of determining the alien's eligibility for the AFDC and Food Stamp programs. It also makes permanent the 5-year sponsor-to alien deeming period currently required for purposes of determining an alien's eligibility for the SSI program (and which is scheduled under current law to be reduced to 3 years on October 1, 1996).

Paragraph (2) provides that the sponsor-to-alien deeming provisions shall not apply in the case of any alien whose sponsor receives AFDC or SSI benefits.

Paragraph (3) authorizes the Secretary of Health and Human Services or the Secretary of Agriculture (as appropriate), pursuant to regulations promulgated after consultation with the other, to alter or suspend the application of a sponsor-to-alien deeming provision if the Secretary determines that such application would be inequitable under the circumstances.

Paragraph (4) exempts from the Food Stamp sponsor-to-alien deeming provision any sponsored alien who receives SSI benefits on account of blindness or disability whose onset occurred after entry into the United States.

Paragraph (5) raises the Food Stamp resource limit under the sponsor-to-alien deeming provision to conform it with that program's general resource limit.

Paragraph (1) of subsection (b) provides for the disqualification of a sponsored alien from eligibility for the SSI, AFDC, and Food Stamp programs for any month beginning after the 60th month after entry into the United States if the sponsor's income exceeds the U.S. median income for all families.

Paragraph (2) makes conforming amendments. Specifically, subparagraph (A) makes the current law requirement that an alien furnish information about his sponsor applicable to determinations of eligibility for months beginning after the 60th month after entry into the United States. Subparagraph (B) clarifies that the continuing obligation imposed by current law on an alien to repay any overpayment arising as a result of a failure to provide correct information about a sponsor's income and resources is not terminated upon a change of status to that of naturalized citizen.

Paragraph (3) makes conforming amendments regarding access to necessary tax return information.

Subsection (c) would authorize States and political subdivisions to disqualify from participation in general assistance programs any alien who is disqualified from participation in the SSI, AFDC, or Food Stamp program because of his or her sponsor's income.

Paragraph (1) of subsection (d) provides that the amendments made by subsections (a) and (b) are generally effective with respect to benefits payable for months beginning after September 30, 1994, on the basis of applications filed after that date, or applications filed before that date in the case of individuals who have not satisfied the currently applicable sponsor-to-alien deeming period.

Paragraph (2) provides that the clarifications made by subsection (b)(2)(B) are effective upon enactment.

Paragraph (3) provides that subsection (c) is effective on October 1, 1994.

SEC. 904. FAMILY DAY CARE HOMES.

This section amends section 17 (c) of the National School Lunch Act by establishing a two-tiered reimbursement structure (in the Child and Adult Care Food Program) with a higher level of reimbursement for meals served by family day care homes located in low-income areas. Low-income areas would be defined as those in which half of the households have incomes below 185 percent of

poverty. Family day care homes not located in low-income areas would have the option of receiving lower rates of meal reimbursement or administering a means test to enrolled children. Under the latter option, meals served to children whose family income is below 185 percent of poverty would be reimbursed at the higher rate, while those served to children from higher income families would be reimbursed at the lower rate. Meals served to children enrolled in programs operated by low income providers would also be reimbursed at the higher rate. Finally, meals served to the day care providers' own children would continue to be means-tested.

In addition, this section would provide family day home sponsoring organizations with an additional \$10 per home per month for each home it sponsors in low-income areas.

In fiscal year 1995, \$2 million would be provided to States agencies for technical assistance to sponsors to help implement the new reimbursement system. The amount of such technical assistance funding would increase to \$5 million in fiscal year 1996. States could retain no more than 30 percent of the total amount.

Finally, in each of the fiscal years 1997 through 2000, \$5 million would be provided to States to help family day care homes in low-income areas become licensed.

SEC. 905. STATE RETENTION OF AMOUNTS RECOVERED.

This section amends section 16(a) of the Food Stamp Act of 1977 to extend a provision of the Mickey Leland Memorial Domestic Hunger Relief Act. Section 1750 of that act reduced the percentage of recovered overissuances that could be retained by State agencies to 25 percent of the amounts recovered from fraud or intentional program violation (IPV) claims and 10 percent of amounts recovered from unintentional household error claims. The reduced retention rates were effective for Fiscal Years 1991-1995, after which the rates were scheduled to revert to the previous levels (i.e., 50 percent of fraud/IPV recoveries and 25 percent of unintentional household error recoveries). The proposal would extend the reduced retention rates through fiscal year 2004.

SEC. 906. COMMODITY PROGRAM INCOME INELIGIBILITY.

This section makes persons with annual off-farm adjusted gross income in excess of \$100,000 ineligible to receive program benefits, including price support loans, deficiency payments, and other program benefits, from the Commodity Credit Corporation.

SEC. 907. AMENDMENTS RELATED TO SUPERFUND TAX EXTENSION.

Subsection (a) extends the existing Superfund corporate environmental income (CEI) tax beyond the current expiration date of December 31, 1995. The CEI tax is a broad-based tax on corporations and is equal to 0.12 percent of alternative minimum taxable income (before net operating losses and deduction for the tax) in excess of \$2 million.

Subsection (b) raises the cap on the total amount of taxes collected and credited to the Superfund Trust fund to \$15.5 billion.

Subsection (c) provides that the amendments in this section would apply to amounts collected and credited after the date of enactment.

SEC. 908. FEDERAL RAILROAD ADMINISTRATION USER FEES.

This section amends the railroad user fee provision of the Federal Railroad Safety Act of 1970 to expand the coverage of railroad user fees to include Federal Railroad Administration activities associated with implementing the Hours of Service Act. (The existing user fee provision is limited to enforcement activities authorized by the Safety Act and does not authorize the agency to collect user fees for activities undertaken in enforcing the Hours of Service Act. Since significant agency resources are devoted to Hours of Service Act enforcement, it is appropriate for the agency to be able to seek reimbursement for these costs from the railroads through user fees.) This section would also eliminate the existing statutory sunset provision under which the Department of Transportation's authority to collect railroad user fees would expire on September 30, 1995. Finally, it would eliminate the annual user fee reporting requirement. The annual report has been burdensome to prepare and proven to be not particularly useful.

SEC. 909. SPECIAL EARNED INCOME TAX CREDIT RULES FOR MILITARY PERSONNEL.

Subsection (a) amends subparagraph (e) of section 32(c)(3) of the Internal Revenue Code of 1986 to extend eligibility for the EITC to military families on active duty (as defined in section 1034(h)(3)) with the Armed Forces of the United States who are stationed outside the United States.

Subsection (b) amends subsection (a) of section 6051 of the Internal Revenue Code of 1986 to require military personnel to report nontaxable earned income (such as basic allowances for subsistence and quarters).

Subsection (c) amends paragraph (1) of section 3507(c) of the Internal Revenue Code of 1986 to count earned income, rather than wages, of members of the Armed Forces of the United States, for purposes of determining the amount of the Earned Income Tax Credit.

Subsection (d) applies the provisions of the section to taxable years beginning and remuneration paid after December 31, 1994.

SEC. 910. NONRESIDENT ALIENS NOT ELIGIBLE FOR EARNED INCOME TAX CREDIT.

Subsection (a) excludes nonresident aliens from eligibility for the Earned Income Tax Credit.

Subsection (b) makes this provision applicable to taxable years beginning after December 31, 1994.

SEC. 911. EXTENSION OF CERTAIN CUSTOMS FEES.

This section amends subsection (j)(3) of section 13031 of the Consolidated Omnibus Budget Reconciliation Act to extend the collection of merchandise processing fees through September 2004. A flat-rate merchandise processing fee is charged by U.S. Customs for processing of commercial and non-commercial merchandise that enters or leaves U.S. warehouses. Other variable customs fees are charged for passenger processing, commercial truck arrivals, railroad car arrivals, private vessel or private aircraft entries, dutiable mail, broker permits, and barge/bulk carriers. NAFTA extended the merchandise processing fees through September 2003. This section would extend them 1 additional year.

TITLE X--EFFECTIVE DATES

SEC. 1001. EFFECTIVE DATES.

Subsection (a) provides a general effective date of October 1, 1995.

Subsection (b) allows the Secretary, upon a State's request, to delay the general effective date for up to 1 year for circumstances beyond the State's control.

Subsection (c) provides that States will not be found out of compliance with JOBS or WORK requirements if they implement statewide within 2 years of the general effective date or a later effective date approved under subsection (b).