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WELFARE REFORM

PROPOSED

LEGISLATIVE SPECIFICATIONS

~~CONFIDENTIAL DRAFT --~~
101

- I. PREVENT TEEN PREGNANCY AND PROMOTE PARENTAL RESPONSIBILITY
- II. MAKE WORK PAY
 - Child care
 - Advanced Earned Income Tax Credit
 - Earned Income Disregards
- III. IMPROVING GOVERNMENT ASSISTANCE

PREVENT TEEN PREGNANCY AND PROMOTE PARENTAL RESPONSIBILITY

A. NATIONAL TEEN PREGNANCY PREVENTION INITIATIVE

1. Teen Pregnancy Prevention Mobilization Grants and Establishment of a National Clearinghouse on Teen Pregnancy

Current Law

There are numerous Federal programs that address the issue of teen pregnancy prevention, including repeat pregnancies. Some focus specifically on teen pregnancy, but given that the multiple problems adolescents face are often interrelated, the specific problems that other programs emphasize (e.g., substance abuse, school drop-out) are also related to adolescent pregnancy prevention. Current federal efforts include HHS's family planning grants, maternal and child health programs, adolescent health programs, runaway and homeless youth programs, and alcohol and substance abuse prevention programs. Department of Education efforts include drug-free schools and communities programs, and postsecondary education outreach and student support services programs; and the Department of Labor efforts include New Chance, Youth Fair Chance, JTPA programs, and the Young Unwed Fathers Project. There are also programs in the Departments of Housing and Urban Development, Agriculture, Justice, Interior and Defense.

Vision

The rise in births to unmarried teens over the past generation has raised the issue of teen pregnancy to national significance. The number of births to unwed teen mothers increased from 92,000 in 1960 to 368,000 in 1991. Cases headed by unwed mothers (teen and older) accounted for about four-fifths of the growth of 1.1 million in the welfare rolls over the past ten years, from 3.86 million families in 1983 to 4.97 families in 1993.

Adolescents who bring children into the world face a very difficult time getting themselves out of poverty, while young people who graduate from high school and defer childbearing until they are mature, married and able to support their offspring are far more likely to get ahead. Both parents bear responsibility for providing emotional and material support. The overwhelming majority of teenagers who bring children into the world are not yet equipped to handle this fundamental obligation. They are often not equipped to handle peer pressures and the risk of other activities leading to negative consequences, such as substance abuse, delinquency and violence.

There will be a national campaign to address the problem of unmarried teenagers who become pregnant and parents. This campaign will also take into account the myriad of risky behaviors that can be related to teenage pregnancy. It will also strive to develop, enhance and promote youth competence; and connection to families, communities, and society.

The non-legislative aspects of this ^{campaign} national mobilization that pulls together business, national and community voluntary organizations, religious institutions, schools, and the media behind a shared and urgent challenge directed by the President; the announcement of national goals to define the mission and to guide the work of the national campaign; and the establishment of a privately funded non-profit, non-partisan entity committed to the goals and mission of the national campaign. These are the essential building-blocks of a comprehensive campaign for youth balancing opportunity and responsibility across the full range of Administration youth initiatives, including Goals 2000, School-to-Work, National Service, the health clinics proposed under the Health Security Act, the after-school and jobs programs included in the prevention package in the Crime Bill, as well as the prevention strategies proposed below as part of welfare reform.

A Teen Pregnancy Prevention (Mobilization Grant) Program is proposed where about 1,000 schools and community-based programs would be provided flexible grants, averaging \$100,000 each, where they can implement teen pregnancy prevention program models with records of promising results. Funding would be targeted to schools with the highest concentration of youth at-risk and would be available to serve both middle and high school age youth. The goal would be to work with youth as early as age 11 and establishing continuous contact and involvement through graduation from high school. To ensure quality and establish a visible and effective presence, these programs will be supervised by professional staff and, where feasible, be supported by a team of national service participants provided by the Corporation for National and Community Service.

Legislative Specifications

- (a) A separate authority under the Title XX of the Social Security Act would be established for grants to promote the development, operation, expansion, and improvement of school-based adolescent pregnancy prevention programs in areas where there are high poverty rates or high rates of adolescent births.
- (b) The grantees shall be entitled to payment of at least \$50,000 and not more than \$400,000 each fiscal year for five years. The grant amount will be based on an assessment of the scope of the proposed program and the number of children to be served by the program. The grant must be expended in that fiscal year it is awarded or the succeeding fiscal year. A 20 percent non-Federal, cash or in-kind match, is required.
- (c) The grants will be jointly awarded by HHS, Education, and the Corporation on National and Community Service, in consultation with other Federal departments and agencies. The administration of the program could be delegated to another interagency Federal entity, such as the proposed Ounce of Prevention Council. Community Enterprise Board or
- (d) Eligible grantees are a partnership that includes a local education agency, acting on behalf of one or more schools, and one or more community-based organizations, institutions of higher education, or public or private for-profit or nonprofit agencies or organizations. Existing successful programs--including those now operated by national voluntary organizations--would be encouraged to apply for funds to expand and upgrade their services. Grantees would have to be located in a school attendance area where either (1) at least 75 percent of the children are from low-income families as defined under part A of title I of the Elementary and Secondary Education Act of 1965, (2) a high number of children receiving AFDC, or (3) there is a high adolescent birth rate. Geographic distribution, including urban and rural distribution, would be taken into account in selection of grantees. → SET NATIONAL GOALS
- (e) Grantees would, based on local needs, design and implement promising programs to prevent teen pregnancy through a variety of approaches. Grantees would be given a great deal of flexibility in designing their program. However, core components at each site must include:
 - Curriculum and counseling designed to reach young people that address the economic, emotional and medical consequences of premature sexual behavior and teen pregnancy. Existing models of best practices suggest that these educational activities should focus on developing the psychology and character required for responsible behavior as well as on expanding cognitive knowledge.
 - Activities designed to develop sustained relationships with caring adults. Group coaching, individual mentoring, and a range of activities after-school, on weekends,

and in the summer could be included. Such activities could also include community service by the youth themselves.

- To ensure quality, programs would be coordinated by one or more professional staff. The programs, where feasible, would also utilize national service participants to engage students, parents, families, and the community in organized efforts to reduce risk-taking behaviors that may lead to adolescent pregnancy, including the delivery of services and in the coordination of during- or after-school activities. Grantees will be asked to describe the role that any National Service participants will play in the program, consistent with the National and Community Service Act of (1990) as amended. ?

Grantees are allowed to expand on these core components, including conducting activities as part of another youth development program.

- (f) Grantees would be asked to submit an application. The primary aspect of the application would be a plan which describes (a) the measurable goals the applicant wants to achieve and how they intend to measure progress in achieving the goals; (b) curriculum and counseling and sustained adult relationships components of the program, as well as any additional components and how they intend to implement them; (c) how national service participants will be an integral part of the program, where feasible; and (d) how local needs will be addressed.

The ^{grantees} would also be asked to provide other assurances, including--

- How the services provided are based on research on effective approaches to reducing unmarried teen pregnancy. Other risk-taking behaviors correlated with teen pregnancy should be included.
- How both male and female teens and, where possible, out-of-school teens will be served.
- How each program would work with middle and/or high school age youth (ages 11 through 19) to establish continuous contact and involvement through graduation from high school.
- How school staff, parents, community organizations, and the teens to be served have been and will be included in the development of the application as well as the planning and implementation of the program.
- Evidence of ongoing commitment with other community institutions, such as churches, youth groups, universities, businesses, or other community, civic, and fraternal organizations.
- Coordination of their program with other Federal or federally assisted programs, state and local programs, and private activities.
- How the program plans to continue operation following completion of the grant period.
- How funds will not supplant Federal, State, or local funds.

- (g) A grantee would be given priority if their non-Federal resources are significantly in excess of the 20 percent required, and if they participate in other Federal and non-Federal programs.
- (h) The Secretary may terminate a grant before the end of the 5-year period if the Secretary determines, after providing training or technical assistance, that the grantee conducting the project has failed to carry out the project as described in the approved application.
- (i) Total funding for the program is \$300 million over five years. \$20 million in FY 1995, \$40 million in FY 1996, \$60 million in FY 1997, \$80 million in FY 1998 and \$100 million in FY 1999 and each subsequent fiscal year. Up to ten percent of the funding will be set-aside for the evaluation, training, and technical assistance as well as for establishment of a National Clearinghouse on Teen Pregnancy (see j. and k. below). Since this program and the Clearinghouse is authorized through Title XX of the Social Security Act, any funds not expended in a fiscal year shall be redirected to the Title XX Social Services Block Grant Program.
- (j) A rigorous Federal evaluation would be conducted of some sites. Grantees would be asked to provide information requested for the evaluation. Training and technical assistance would also be provided to the grantees.
- (k) A National Clearinghouse on Teen Pregnancy Prevention would be established to provide communities and schools with teen pregnancy prevention programs with curricula, models, materials, training and technical assistance. It will establish an information exchange and network on promising models and rigorous evaluations.

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The Clearinghouse would be a national center for the collection and dissemination of programmatic information and technical assistance that relates to teen pregnancy prevention programs. It will also look at the state of teen pregnancy prevention program development, including information on the most effective models. It would develop and sponsor training institutes and curricula for teen pregnancy prevention program staff, and develop networks of for sharing and disseminating information. The Clearinghouse could also conduct evaluations of teen pregnancy prevention programs (not limited to the grants provided in this bill).

2. Learning from Prevention Approaches through Comprehensive Services Demonstrations to Prevent Teen Pregnancy in High Risk Communities

Current Law

There are demonstration authorities that exist to serve youth in particular areas, but most are not as comprehensive as the demonstrations described below in the scope of services for all youth and are not a saturation model.

Vision

Early unwed child-bearing and other problem behaviors are interrelated and strongly influenced by the general life-experiences associated with poverty. Changing the circumstances in which people live and consequently how they view themselves is needed to change the decisions young people make in regard to their lives.

For any effort which hopes to have results that are large enough to be meaningful, attention must be made to circumstances in which youth grow up. It should address a wide spectrum of areas

associated with youth living in a healthy community: economic opportunity, safety, health, and education.

Particular emphasis must be paid to the prevention of adolescent pregnancy before marriage, including sex education, abstinence education, life skills education, and contraceptive services. Programs that combine these elements have shown the most promise, especially for adolescents who are motivated to avoid pregnancy until they are married. However, for those populations where adolescent pregnancy is a symptom of deeper problems, sex education and contraceptive services alone will be inadequate; they must be part of a much wider spectrum of services.

Interventions need to enhance education, link education to health and other services, help stabilize communities and families in trouble. This would provide a sense of rationality and order in which youth can develop, make decisions, place trust in individuals and institutions serving them, and have a reasonable expectation of a long, safe, and productive life.

Comprehensive Demonstration Grants for Youth in High-Risk Communities of sufficient size or "critical mass" to significantly improve the day to day experiences, decisions and behaviors of youth are proposed. Services would be non-categorical, integrated and delivered with a personal dimension. They would follow a "youth development" model and would seek to assist neighborhoods as well as directly support youth and families. These demonstrations would be coordinated with other Administration activities, such as the prevention components of the Crime bill, and would be part of an overall community strategy for youth.

Legislative Specifications

- (a) A separate authority under the Title XX of the Social Security Act would be established whereby a designated number of neighborhood sites chosen by the Secretary, in consultation with the Secretaries of Education, HUD, Justice, and Labor, would be entitled to demonstration grants to educate and support school-age youth (youth ages 10 through 21) in high risk situations and their family members through comprehensive social and health services, with an emphasis on pregnancy prevention.
- (b) Funding and services provided under this program do not have to achieve this goal of comprehensiveness in and of themselves. Rather, this funding can be used to provide "glue money," fill gaps in services, ensure coordination of services, and other similar activities which will help achieve the overall goal of comprehensive integrated services to youth.
- (c) Up to seven neighborhood sites would be entitled to \$90 million over 5 years (up to \$3.6 million per site). Grantees would be required to provide a 10% match of the Federal funding. This could include in-kind contributions. Since this program is authorized through Title XX of the Social Security Act, any funds not expended in a fiscal year shall be redirected to the Title XX Social Services Block Grant Program.
- (d) The activities authorized under the demonstration would be focused on four broad areas; grantees would be given great flexibility to design programs within these areas:
 - (i) **Health services designed to promote physical and mental well-being and personal responsibility.** These include school health services, health education, sex education, family planning services, substance abuse prevention services and referral for treatment, life skills training, decision-making skills training, and ethics training.

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- (ii) **Educational and employability development services designed to promote educational advancement and opportunities for job attainment and productive employment, to establish a lifelong commitment to learning and achievement, and to increase self-confidence.** Activities could include, but are not limited to, academic tutoring, literacy training, drop-out prevention programs, remedial education or services for youths who have dropped out of school, career and college counseling, mentoring programs, job skills training, apprenticeships, and part-time paid work opportunities.
 - (iii) **Social support services designed to provide youth with a stable environment and to encourage youth to participate in safe and productive activities.** Services could include, but are not limited to, cultural, recreational and sports activities, leadership development, peer counseling and crisis intervention, mentoring programs, parenting skills training, and family counseling.
 - (iv) **Community activities designed to change community norms, to improve community stability, and to encourage youth to participate in community service and establish a stake in the community.** Activities could include, but are not limited to, community policing, community service programs, community activities in partnership with less distressed neighborhoods, and establishment of community advisory councils with youth representation.
- (e) Sites would have to meet the following characteristics, and any others determined by the Secretary of Health and Human Services, in consultation with the Secretaries of Education, HUD, Justice, and Labor.
- (i) **Geographic** -- Communities must identify the neighborhood or neighborhoods they will target. Smaller, more focused boundaries than those required in Empowerment Zones or Youth Fair Chance will be used in order to develop a "critical mass" of services to meet the above goals. Each neighborhood must have an identifiable boundary and must be considered a neighborhood by its residents.
 - (ii) **Population** -- Each neighborhood or group of neighborhoods have populations of approximately 20,000 to 35,000 people.
 - (iii) **Poverty** -- The entire area must have a poverty rate of at least 20%, with 50% of the area having a rate of at least 35% and 90% of the area having a rate of at least 25%.
- (f) Local governments (or units of local governments) and local public and private non-profit organizations could apply. Applicants would be required to supply evidence of comprehensive commitment to the project and collaboration between the community and the State. The applicant must involve multiple elements (e.g., government, schools, churches, businesses) of the community and the State in the planning and implementation of the demonstration program. Applicants must demonstrate (1) ability to manage this major effort, (2) resources for obtaining data and maintaining accurate records, (3) how they will coordinate with other with other programs serving the same population, and (4) assurances that the funding provided through this program will not be used to supplant Federal funds for services and activities which promote the purposes of this program.

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- (g) Applicants must define the goals intended to be accomplished under the project. They must also describe the methods to be used in measuring progress toward accomplishment of the goals and outcomes to be measured. Outcomes to be measured would include, but are not limited to, birth rates, high school graduation rates, college attendance rates, rates of alcohol and other drug use and violence reduction.
- (h) The Department will support rigorous evaluations of all demonstrations. Grantees will be required to assist and coordinate with independent evaluators selected by Department. The Federal government will also provide technical assistance to potential applicants and to those selected throughout the life of the demonstration. These activities will be coordinated with the National Clearinghouse on Teen Pregnancy Prevention. \$10 million would be provided for these activities.
- (i) The Secretary may terminate a grant before the end of the 5-year period if the Secretary determines, after providing training or technical assistance, that the grantee conducting the project has failed to carry out the project as described in the approved application.

B. RESPONSIBILITIES OF SCHOOL-AGE PARENTS RECEIVING CASH ASSISTANCE

I. Minor Mothers Live at Home

Current Law

Under Section 402(a)(43) of the Social Security Act, States have the option of requiring minors (those under the age of 18) to reside in their parents' household, or a legal guardian or other adult relative, or reside in a foster home, maternity home or other adult supervised supportive living arrangement (with certain exceptions). Delaware, Maine, Michigan, Virgin Islands, and Puerto Rico have included this in their State plan.

Vision

By definition, minor mothers are children. Generally, we believe that children should be subject to adult supervision. This proposal would require minor mothers to live in an environment where they can receive the support and guidance they need. At the same time, the circumstances of each individual minor will be taken into account in making decisions about living arrangements.

Legislative Specifications

- (a) All States would require minor mothers to reside in their parents' household, with a legal guardian or other adult relative, with certain exceptions as described below. This is the same as current law, except that now the provision would be a requirement.
- (b) As in current law, when a minor mother lives with their parent(s) their income is taken into account in determining the benefit. If the minor mother lives with another responsible adult, the responsible adult's income is not taken into account. Child support would be sought in all cases.
- (c) A minor parent is an individual who (i) is under the age of 18, (ii) has never been married, and (iii) is either the natural parent of a dependent child living in the same household or eligible for assistance paid under the State plan to a pregnant woman. This is the same definition as current law.

- (d) The following exceptions (now in current law) to living with a parent or legal guardian will be maintained:
- (i) individual has no parent or legal guardian of his or her own who is living and whose whereabouts are known;
 - (ii) no living parent or legal guardian of such individual allows the individual to live in the home of such parent or guardian;
 - (iii) the State agency determines that the physical or emotional health or safety of the individual or dependent child would be jeopardized if the individual and dependent child lived in the same residence with the individual's own parent or legal guardian;
 - (iv) individual lived apart from his or her own parent or legal guardian for a period of at least one year before either the birth of any dependent child or the individual having made application for aid to families with dependent children under the plan; or
 - (v) the State agency otherwise determines (in accordance with regulations issued by the Secretary) that there is good cause for waiving the requirement. (In those States that have this policy, the following are examples of what they determine to be good cause exceptions: the home is the scene of illegal activity; returning home would result in overcrowding, violation of the terms of the lease, or violation of local health and safety standards; the minor parent is actively participating in a substance abuse program which would no longer be available if she returned home; no parent or legal guardian lives in the State.)
- (e) Current law is maintained regarding the determination of a minor mother's residency status must be made within the 45 days that all eligibility determinations are made.
- (f) If the State determines the minor should not live with a parent, legal guardian or other adult relative, the minor must be assisted in obtaining an appropriate supportive alternative to living independently (or the State may determine that the individual's current living arrangement is appropriate). (The types of living arrangements that States now use or are considering include living with an adult relative, a licensed foster home, in a group home for pregnant teens or teen parents, and in an approved congregate housing facility.) If no appropriate setting is found the State must grant eligibility, but must utilize case managers to provide monitoring of the minor.
- (g) The State would use the case management for teen parent provision (see #2 below) to make the determinations required under this provision. As described in the next proposal, these case managers would be trained appropriately and have reasonable caseloads. Determinations would be made after a full assessment of the situation, including taking into account the needs and concerns expressed by the minor.

2. Limiting AFDC Benefits To Additional Children Conceived While on AFDC

Current Law

Currently, families on welfare receive additional support because their AFDC benefits increase automatically to include the needs of an additional child.

Vision

The welfare system should reinforce parental responsibility by keeping AFDC benefits constant when a child is conceived while the parent is on welfare. The message of responsibility would be further strengthened by providing the family an opportunity to earn back what they lost.

Legislative Specifications

- (a) Allow States the option of keeping AFDC benefits constant when a child is conceived while the parent is on welfare. The family planning services under 402(a)(15) must be provided to all recipients.
- (b) Under this option, if a parent has an additional child, the State must disregard an amount of income equal to any increase in aid that would have been paid as a result of the additional child. Types of income to be disregarded include--
 - 1) child support;
 - 2) earned income; or
 - 3) any other source that the State develops and is approved by the Secretary.
- (c) Provision will not be applied in the case of rape or ^(incest?) in any other cases that the State agency finds would violate the standards of fairness and good conscience.

3. Case Management for All Custodial Teen ParentsCurrent Law

Section 482(b)(3) of the Social Security Act allows States to provide case management to all those participating in the JOBS program.

Vision

Frequently, it is multiple problems that lead youth to the welfare system. Their complex needs often stand in the way of their meeting educational requirements and other responsibilities. Removing these barriers to self-sufficiency can involve the confusing and difficult process of accessing multiple service systems. This proposal would provide every teen with a case manager who would help them navigate these systems and hold them accountable for their responsibilities and requirements.

Legislative Specifications

- (a) Require States to provide case management services to all custodial teen parents receiving AFDC who ^{was} either under age 19 or under age 20 and enrolled in high school. States still have the option to serve all older teens.
- (b) Case management services to teen parents will include, but is not limited to--
 - 1) assisting recipients in gaining access to services, including, at a minimum, family planning, parenting education, and educational or vocational training services;
 - 2) determining the best living situation for a minor parent taking into account the needs and concerns expressed by the minor (see #1 above);

- 3) monitoring and enforcing program participation requirements (including sanctions and incentives where appropriate); and
- 4) providing ongoing general guidance, encouragement and support.

States must in their plans describe how they will meet these requirements.

- (c) Case managers must receive adequate training in the social service and youth development field, and States should take into account recommendations by appropriate professional organizations to carry this out. Also, the ratio of case managers to clients must be sufficiently small to adequately serve and protect teen parents and their children.

4. Teen Parent Education and Parenting Activities State Option

Current Law

Under Section 402(a)(19) of the Social Security Act, teen custodial parents are required to participate in the JOBS program unless they are under 16 years of age, attending school full-time, or are in the last seven months of pregnancy. Participation in the JOBS program involves an assessment of the individual, and an agreement specifying what support services the State will provide and what obligations the recipient has. For those who have not obtained a high school diploma or a GED, attendance at school can serve as their JOBS assignment. Participation in the JOBS program is contingent on the existence of such a program in the geographic vicinity of the recipients' residence.

In addition, under a Section 1115 waiver, States can implement programs which utilize incentives or sanctions to encourage or require teen parents on AFDC to continue their education. Two examples of a State having done or planning to do this are the Learning, Earning, and Parenting Program (LEAP) in Ohio and Cal Learn in California, which is in the process of being implemented. LEAP and Cal Learn are mandatory for all pregnant and custodial teen parents who are receiving AFDC and who do not have a high school diploma or GED. Under both LEAP and Cal Learn program rules, all eligible teens are required to enroll (or remain enrolled) in and regularly attend a school or education program leading to a high school diploma or GED. These two initiatives apply only to teens who are case heads. Other States have obtained waivers to implement programs using sanctions to influence dependents to continue their education. This may become relevant if minor mothers are not permitted to be caseheads.

Vision

Teenage mothers face substantial obstacles to achieving self-sufficiency. Eighty percent of teen mothers drop out of high school and only 56 percent ever graduate. Their earning abilities are limited by lack of education and job skills. Teen parents are often not well prepared in the area of parenting. This proposal provide States with a mechanism to utilize creative approaches for encouraging and supporting youth in both their educational and parenting endeavors.

Legislative Specifications

- (a) Provide States the option to use monetary incentives (which must be combined with sanctions) as inducement for pregnant teens and teen custodial parents who are receiving AFDC and who do not have a high school diploma or GED to enroll (or remain enrolled) in and regularly attend a school or education program leading to a high school diploma or GED, or a special skills training program if the State determines this is most appropriate for a recipient. States

may also choose to provide incentives for participation in parenting education activities. This option will operate as part of the new JOBS program, and the rules pertaining to JOBS will apply unless it is specifically stated otherwise.

(b) Each State plan must clearly define the following --

• **Incentives.** States must define by how much benefits will be increased and what kinds of achievements will be rewarded.

Examples of incentives chosen by Ohio and California are as follows:

In Ohio's LEAP, teens who provide evidence of school enrollment receive a bonus payment of \$62. They then receive an additional \$62 in their welfare check for each month in which they meet the program's attendance requirements. For teens in a regular high school, this means being absent no more than four times in the month, with two or fewer unexcused absences. Different attendance standards apply to part-time programs, such as Adult Basic Education (ABE) programs providing GED preparation assistance, but the same financial incentives apply.

Participants of Cal Learn will be required to present their report cards four times a year. The grant will be increased by \$100 for the month after the Cal Learn participant receives a report card with a "C" average or better. For graduating high school (or its equivalent), these teens will have their grants increased on a one time basis by \$500.

• **Sanctions.** Sanctions under the revised JOBS program would apply unless the State proposes alternative sanctions, to be approved by the Secretary, which the State believes better achieves their objectives.

Examples of sanctions chosen by Ohio and California are as follows:

In LEAP, teens who do not attend an initial assessment interview (which commences participation in LEAP) or fail to enroll in school have \$62 deducted from their grant (i.e., the teens are "sanctioned") each month until they comply with program rules. Similarly, enrolled teens are sanctioned by \$62 for each month that they exceed the allowed number of unexcused absences. Teens who exceed the allowed number of total absences, but do not exceed the allowed number of unexcused absences receive neither a bonus nor a sanction.

In the Cal Learn program, teens who do not receive at least a "D" average or who do not submit his/her report card will have the assistance unit grant reduced over a two month period by the lesser of \$50 or the amount of the grant. This will result in a sanction of not more than \$100. Included in the sanctions will be teens that do not present their report cards because they have dropped out of school or were expelled.

• **Coordination.** A case manager (as described in A.2) will assess each recipient's needs and arrange for appropriate services. States must describe the mechanism case managers and other service providers will use to coordinate with schools.

• **Eligibility.** States must include custodial teen parents under 20 years of age and pregnant women under the age of 20. States may choose to include all pregnant teens and teen parents up to their 21st birthday. States may also choose to include all teens, beyond those who are pregnant or parents.

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- **Exemptions.** Exemptions from participation will be based on the same new guidelines governing participation in JOBS Prep, JOBS and WORK, with two exceptions. First, teens will only be able to defer participation for 3 months after giving birth. Also, a disability will not allow a recipient to defer participation in school, as schools are required to provide students with disabilities appropriate services. (See JOBS and WORK section of proposal for more specific details.)

- **State-wideness.** States can limit the geographic scope of this option.

- **Information and Evaluation.** States would be required to provide information at the Secretary's request and to cooperate in any evaluation.

MAKE WORK PAY

Background and Vision

A crucial component of welfare reform that promotes work and independence is making work pay. Even full-time work can leave a family poor, and the situation has worsened as real wages have declined significantly over the past two decades. In 1974, some 12 percent of full-time, full-year workers earned too little to keep a family of four out of poverty. By 1990 that figure was 18 percent. Simultaneously, the welfare system sets up a devastating array of barriers for people who receive assistance but want to work. It penalizes those who work by taking away benefits dollar for dollar; it imposes arduous reporting requirements for those with earnings but still eligible to receive assistance; and it prevents saving for the future with a meager limit on assets. Moreover, working poor families often lack adequate health protection and face sizeable child care costs. Too often, parents may choose welfare instead of work in order to ensure that their children have health insurance and receive child care. If our goals are to encourage work and independence, to help families who are playing by the rules, and to reduce both poverty and welfare use, then work must pay better than welfare.

Working family tax credits are a major component of making work pay. Last summer's expansion of the Earned Income Tax Credit (EITC) was a significant step toward making it possible for low-wage workers to support themselves and their families above poverty. When fully implemented, it will have the effect of making a \$4.25 per hour job pay nearly \$6.00 per hour for a parent with two or more children. Full utilization and periodic distribution will maximize the effect of this pay raise for the working poor.

Another essential component for making work pay is affordable, accessible child care. In order for families, especially single-parent families, to be able to work or prepare themselves for work, they need dependable care for their children. In addition to ensuring child care for participants in the transitional assistance program and for those who transition off welfare, child care subsidies will be made available to low-income working families who have never been on welfare.

Another critical step toward making work pay is ensuring that all Americans have health insurance coverage. Many recipients are trapped on welfare by their inability to find or keep jobs with health benefits that provide the security they need. And too often, poor, non-working families on welfare have better coverage than poor, working families. The President's health care reform plan will provide universal access to health care, ensuring that no one will have to choose welfare instead of work to ensure that their children have health insurance. The EITC expansion, access to child care, and health care reform will support workers as they leave welfare to maintain their independence and self-sufficiency.

A. CHILD CARE

Current Law and General Direction of Proposal

The Federal Government currently subsidizes child care for low-income families through a number of different programs. The programs have different eligibility rules and regulations, creating an extremely complicated system that is hard for both providers and recipients to navigate. The major existing programs include an entitlement to child care for AFDC recipients (title IV-A); transitional child care (TCC) (also an entitlement) for up to a year for people who have left welfare for work; a capped entitlement (\$300 million) for those the state determines to be at-risk of AFDC receipt (At-Risk); and the Child Care and Development Block Grant (CCDBG). There is also a disregard for child care costs available to working AFDC recipients. While these multiple programs provide valuable support for child care, legislative changes are needed to strengthen the welfare reform plan.

We are at this time making changes only in the IV-A programs, which will remain as separate authorities. Any changes in the CCDBG will be made during its reauthorization in 1995.

Vision

Child care is critical to the success of welfare reform. It is essential to provide child care support for parents receiving assistance who will be required to participate in education, training, and employment. In addition, child care support for the working poor is also essential to "making work pay" and to enable parents to remain in the workforce. Our goal is to increase child care funding so that families have the access to the child care that they need, to simplify the administration of Federal child care programs, and to assure that children are cared for in healthy and safe environments.

Legislative Specifications

1. Expansion of Funds to the Working Poor

- (a) Change the At-Risk Child Care Program, Section 402(i) to a capped entitlement with an enhanced state match consistent with the match in the other IV-A programs. Change the amount specified for the program (*to be specified*)—Section 403(n)(2)(B). Restrict eligibility to families not eligible for other IV-A child care programs.

This program is currently a capped entitlement (\$300 million) with the same match rate as that for all IV-A child care.

2. Program Simplification/Consistency Issues

- (a) Have the IV-A child care funds flow to the IV-A agency but give the States the explicit option to contract to the CCDBG agency. States would retain the flexibility to have more than one agency involved.
- (b) The requirements for coordination, public involvement, and consultation in relationship to development of the IV-A child care plan will follow the CCDBG statute.

- (c) IV-A child care requirements will be made consistent with CCDBG requirements in the following areas:

- unlimited parental access
- parental complaints
- consumer education
- compliance with state and local regulatory requirements
- establishment of health and safety requirements
- compliance with state and local health and safety requirements
- reduction in standards

Added to the health and safety standards section are:

--a requirement that the state must have requirements that all children funded under these authorities are immunized at levels specified by PHS. States will be given the flexibility to exclude particular immunizations if they submit an acceptable justification to the Secretary.

--a requirement that the state must have a requirement to assure that no child has access to toxic and illegal substances or weapons in the child care setting.

- (d) A requirement that the state will have to establish and periodically revise, by rule, a sliding fee scale that provides cost sharing by the families that receive Federal assistance for child care services. The fee scale will be the same for all programs (that used for CCDBG).
- (e) There will be one requirement for state reporting to cover all programs, with core data elements to be defined by the Secretary.

3. Continuity of Care

- (a) The states will be given the option under the IV-A programs to extend hours and weeks of care when reasonable to assure continuity of care for children and required participation of their parents in JOBS, WORK, and employment.

4. Information to Parents

- (a) States must provide child care information to parents (use CCDBG language, adding "(including options for care and payment).")

5. Supply and Quality Issues

- (a) Create a 10% set aside in the At-Risk program for supply building and quality improvements using language in CCDBG Section 658 (G) as allowable activities and adding as an allowable activity the expansion of the supply of care for infants and toddlers in low-income communities (as defined by the States).
- (b) Establish explicitly that licensing and monitoring of IV-A funded child care providers is an allowable administrative cost, limited by a formula established by the Secretary.

6. Payment

- (a) Prohibit states from lowering their statewide limits below those in effect on January 1, 1994.
- (b) Retain the disregard, but mandate that states must offer working AFDC recipients the same level and forms of child care assistance as families in JOBS, TCC, and At-Risk Child Care.

B. IMPROVING THE EITC

1. Permitting Publicly Administered Advanced EITC Payment Systems

Current Law

The earned income tax credit (EITC) is a refundable tax credit available to a low-income filer who has earned income and whose adjusted gross income is below specified thresholds. Low income workers can claim the EITC when filing their tax returns at the end of the year. In addition, workers with children have the choice of obtaining a portion of the credit in advance through their employers, and claiming the balance of the credit upon filing their income tax returns. The amount of the advanced payment is calculated on the basis that taxpayers have only one qualifying child. The annual advanced EITC payment cannot exceed 60 percent of the maximum full-year EITC for a family with one child. In 1994, the maximum advance payment would be \$1,223 in 1994, relative to a maximum annual EITC of \$2,038 for a family with one child for a family with one child and \$2,528 for a family with two or more children.

An employee choosing to receive a portion of the EITC in advance does so by filing a form W-5 with his or her employer. The employer is not required to verify employee's eligibility for the credit. Employers may be penalized for failing to comply with an employee's request for an advanced payment. The employer calculates the advanced EITC payment to which an employee is entitled based on the employee's wages and filing status and adds the appropriate amount to the employee's paycheck. The employer reduces its payment of employment and income taxes to the IRS by the aggregate amount of advanced EITC payments made during the period and reports this amount to the IRS on form 941.

At the end of the year, the employer notifies both the IRS and the employee of the actual amounts of advanced credits paid to the employee by filling in a box on the form W-2. When filing their income tax return at the end of the year, an employee is required to report advance payments, if any, of the EITC.

Vision

The proposal would promote use of advance payment option of the Earned Income Tax Credit (AEITC) by shifting the outreach and administrative burden from employers to selected public agencies in those states which choose to exercise this option. For example, a States might choose to administer the AEITC through Food Stamp offices. States are not permitted to do this under current statute.

Rationale

Few programs are as effective in reaching the eligible population as the EITC. Despite the successes of the current program, the delivery of the EITC could be improved, particularly by enhancing the probability that the EITC will be claimed in advance throughout the year rather than as a year-end lump sum payment. In recent years, fewer than 1 percent of EITC claimants have received the credit through advance payments in their paychecks. The reasons for the low utilization rate are not fully known, though a recent GAO study found that many low-income taxpayers were unaware they could claim the credit in advance.

There may be other barriers to participation in the advance payment option. The GAO study also found that once informed, many workers stated that they would prefer to receive the EITC in a lump-

sum payment. While some workers may simply prefer the forced savings aspect of receiving the credit in a lump sum, others may fear their employer's reaction if they ask for a government wage supplement to be added to their paycheck. Others may be fearful of owing the government a large sum of money at the end of the year because they received too large an amount in advance.

It is believed that welfare recipients, in particular, could benefit from receiving the credit at more regular intervals throughout the year. By receiving the credit as they earn wages, workers would observe the direct link between work effort and the EITC. Public agencies that deal directly with welfare recipients are uniquely advantaged to ensure that the AEITC option is used frequently and appropriately. They could explain to recipients who are about to transition from welfare to work how the AEITC will increase their income stream, making work a more rational option.

Allowing states the option to provide advance payments of the EITC through public agencies (e.g., the offices which also provide food stamp benefits) could dramatically increase use of the AEITC among the working AFDC and ex-AFDC populations. A state could choose to target information about the EITC to welfare recipients or other individuals likely to become welfare recipients but who are currently outside the workforce. Individuals could have the choice of receiving the credit from a neutral third-party, without fear of notifying their employers of their eligibility for the EITC. Moreover, they could receive assistance in determining appropriate amount of the EITC to claim in advance. States would also have the resources to verify eligibility for the credit better than employers, reducing the risk of erroneous payments being made to ineligible persons. This option would also allow for an evaluation of alternative delivery systems.

BAD IDEA

Legislative Specifications

- (a) A State would have the option to propose to the Secretary of the Treasury a demonstration project pursuant to which advance payments of the EITC would be made to eligible residents through a state agency. Such agencies may include public assistance offices (AFDC and/or Food Stamps), Employment Service Offices, State finance and revenue agencies, and so forth. A state may choose only one agency to provide the advance credit.
- (b) Approval by the Secretary of the Treasury of a State's proposal would be required in all cases. The Secretary of the Treasury would consult with the Secretary of Health and Human Services, the Secretary of Agriculture, and other Departmental Secretaries as appropriate if the State proposal includes coordination of EITC payments and other Federal benefits.
- (c) Where appropriate, States may include in their proposals coordination of advance payments of the EITC and other federal benefits (such as food stamps) through electronic benefit technology.
- (d) State plans would be required to specify how payment of the EITC would be administered. States must include a detailed explanation of how eligibility for the credit would be determined and verified. States would also have to agree to provide recipients and the IRS with annual information reports in a timely fashion (typically by January 31 of the following year) showing the amounts of the EITC paid in advance. In addition, states would agree to provide the IRS with a listing by December 1st of the names, social security numbers, and the amounts of advance payments received through October of all persons who participated in the state program at any time during the year (through October). States which failed to meet these reporting requirements would not be allowed to continue participation in the program.

- (e) States would be allowed (but not required) to provide on an advanced basis up to 75 percent of the maximum amount of the credit for which the taxpayer is eligible.
- (f) States would reduce payments of withholding taxes (for both income and payroll taxes) from their own employees by the amount of the advance payments made during the prior quarter.
- (g) After the processing of income tax returns and matching of returns with information reports, the Secretary of the Treasury would be required to issue an annual report detailing the extent to which EITC claimants under State plans: (1) participated in the state plan; (2) filed a tax return; (3) reported accurately the amount of the advanced payments payable during the year by the state; and (4) repaid any overpayments of the advanced EITC within the proscribed time. The report would also contain an estimate of the amount of the excessive overpayments made by the state. Excessive overpayments would include advance payments not reported on the tax return and advance payments in excess of the EITC calculated on the basis of information reported to the IRS and causing taxpayers to owe outstanding amounts to the IRS.
- (h) The Secretary of Treasury and the Secretary of Health and Human Services would jointly ensure that technical assistance is provided to States undertaking demonstration projects aimed at increasing participation in the EITC and the EITC advanced payment programs. Sufficient training and adequate resources would be provided to both agencies pursuant to the provision of technical assistance to the States. The Secretary of HHS will see that such pilots are rigorously evaluated.

C. EARNED INCOME DISREGARDS

Current Law

Federal AFDC law requires that all income received by an AFDC recipient or applicant be counted against the AFDC grant except income that is explicitly excluded by definition or deduction. States are required by Federal law to disregard the following income: (1) for the first four months of earnings, working recipients are allowed a \$90 work expense disregard, another \$30 unspecified disregard, and one-third of remaining earnings are also disregarded; (2) the one-third disregard ends after four months; and (3) the unspecified \$30 disregard ends after 12 months.

In addition, a child care expense disregard of \$175 per child per month (\$200 if the child is under 2) is permitted to be calculated after other disregard provisions have been applied. Currently, \$50 in child-support is passed through to families with established awards. States are now required to disregard the EITC in determining eligibility for and benefits under the AFDC program.

Vision

The provisions proposed under this component are designed to: (1) make the treatment of income simpler for both recipients and welfare officials to understand; (2) make work a more attractive, rational option for those who would continue to receive assistance; (3) remove the time sensitivity of current rules (i.e., eliminate provisions which change the rules governing the treatment of income depending on how long the person has worked); and (4) improve the economic well-being of those who need to combine work and welfare.

Legislative Specifications:

- (a) Require States to disregard a minimum of \$120 in earnings, indexed for inflation in rounded increments of \$10.
- (b) States will have the flexibility to establish their own disregard policies on income above this amount. Additionally, States will have complete flexibility in establishing fill-the-gap policies (i.e., States will have the flexibility to determine which types of income should be considered in developing a fill-the-gap policy, such as child support payments, stipends, etc, in addition to earned income).
- (c) The AFDC \$50 pass-through of child support payments will also be indexed for inflation in rounded \$10 increments. States will have the flexibility to pass-through additional child support payments above this amount.

Rationale

The proposal allows for greater State flexibility; State can determine the appropriate income disregard and can determine which sources of income to disregard. The indexing of the minimum amount will ensure that working recipients are afforded an adequate earned disregard in the future.

IMPROVING GOVERNMENT ASSISTANCE

A. RATIONALIZATION AND SIMPLIFICATION ACROSS ASSISTANCE PROGRAMS

The rationalization and simplification of assistance programs is something of the holy grail of welfare reform--always sought, never realized. The reasons are many: different goals of different programs, varied constituencies, Departmental differences, divergent Congressional committee jurisdictions, and the inevitable creation of winners and losers from changing the status quo. Yet everyone agrees that recipients, administrators, and taxpayers are all losers from the current complexity. Below are several proposals for reform. The proposals do not make substantial changes in program structures. Rather, the proposals achieve simplification by streamlining administrative processes and by conforming program rules between the AFDC and Food Stamp programs. The proposals modify existing rules that create unnecessary complexity and confusion for program administrators and recipients.

1. FILING UNIT

Under current law, the AFDC filing unit must consist of a needy deprived child, its natural or adoptive parent(s), and all natural and adoptive brothers and sisters (including half brothers and sisters) who are living together. The unit's income and resources are used to determine eligibility and the amount of payment. A stepparent is treated the same as a natural or adoptive parent for filing unit purposes in seven States (Nebraska, New Hampshire, Oregon, South Dakota, Utah, Vermont, and Washington). These States have laws of general applicability which hold the stepparent responsible for the children to the same extent as a natural or adoptive parent. In all other States, the stepparent's needs are not included in the unit and his/her income, after certain disregards, are considered available to the unit members.

If there is no parent in the home, then another non-legally responsible relative with whom the child is living may, at his/her option, join the unit and be assisted. Additionally, States may exercise the option of including other individual(s) living in the home as an essential person(s). The essential person's income and resources are used to determine eligibility and amount of payment.

Certain parents and siblings are excluded from the unit: illegal and sponsored aliens, recipients of SSI, foster children, and individuals ineligible due to lump sum income.

1. UP Provisions

Current Law

The Social Security Act at section 407(a) and 407(b) limits AFDC eligibility for two-parent families to those where the principal wage earner is unemployed, and has worked six of the last 13 quarters. "Unemployed" is defined in regulations as working less than 100 hours in a month.

Legislative Specifications

- (a) Allow States, at their option, to eliminate any of the special eligibility requirements for two-parent families (e.g., the 100-hour rule, 30 day unemployment requirement, the work history test, etc). For States that elect to maintain a 100 hour rule (or a modified hour rule), WORK program participation would not count towards this rule.

- (b) Remove the sunset provision that allows for the termination of AFDC-UP in 1998 and make it a permanent program.

Rationale

Some of the arguments for removing the additional eligibility requirements are that eliminating them would:

- *remove the remaining vestiges of the AFDC marriage penalty in which single-parent families have easier access to benefits than married couples;*
- *improve horizontal equity by treating disadvantaged children the same irrespective of whether they live with one or two parents;*
- *encourage work, as the current rule limiting labor market attachment would be incongruous in a new transitional welfare program that emphasizes work;*
- *eliminating these special rules would also enhance the simplicity of the system; and,*
- *finally, a number of States have sought waivers in this area.*

2. Essential Person Provision

Current Law

The Social Security Act at section 402(a)(7) and the implementing regulation at 45 CFR 233.20(a)(2)(vi) permit States, at their option, to include in the AFDC grant benefits for essential persons. Such individuals are not eligible for AFDC in their own right, but their needs are taken into account in determining the benefits payable to the AFDC family because they are considered essential to the well-being of an AFDC recipient in the family. Twenty-two States currently include the option as part of their respective State plans.

Legislative Specifications

- (a) Limit the kinds of individuals that a State may identify as essential to individuals providing at least one of the following benefits or services to the AFDC family:
- (1) child care which enables a caretaker relative to work full-time outside the home;
 - (2) care for an incapacitated AFDC family member in the home;
 - (3) child care that enables a caretaker relative to attend high school or GED classes on a full-time basis;
 - (4) child care not to exceed two months that enables a caretaker relative to participate in employment search or another work program; and
 - (5) child care that enables a caretaker relative to receive training on a full-time basis.

Rationale

The Social Security Amendments of 1967 provided a specific statutory base for an essential person policy. This policy has two aspects. First, States are permitted to specify those individuals who can be considered essential; second, States must permit the AFDC family to have the final decision as to whether such individuals are in fact essential. Under this policy, States are not required to identify the benefits or services that these essential persons must provide.

In 1989, this policy became contentious. Based in part on an OIG review of certain State practices (most notably in New York) (our predecessor organization, the Family Support Administration, published final regulations which limited State authority to determine categories of individuals who could be considered as essential to the family. These regulations precluded States from covering individuals who did not provide an essential benefit or service to the family. (The permissible categories are the five shown in option 2 above.) However, in 1990 the district court for the Eastern District of Pennsylvania in *Vance v. Sullivan* and the district court for the District of Maine in *McKenney v. Sullivan* held that these regulatory limitations conflict with section 402(a)(7)(A) of the Social Security Act. The courts interpreted this section as providing States with the authority to identify in their State plans the categories of individuals who may be recognized as essential persons. These judicial decisions were not appealed. Consequently, the Department revoked the 1989 regulations and reinstated the prior policy. In order to curtail or limit the use of the essential person policy, a statutory amendment to section 402(a)(7)(A) is necessary.

2. APPLICATION ISSUES

Current Law

The Food Stamp Act requires the use of a simplified, national form or an approved substitute containing specific content requirements, including rights and responsibilities. A combined application for public assistance households and general assistance households is required. Under the AFDC program, States are free to design the application form that will be used and to prescribe how to notify applicants of their rights and obligations.

Vision

To provide applicants with one, simple, easy to read and understand application form for AFDC and food stamps. Expedited processing will be provided for families in emergency need situations. Eligibility will be determined within identical time frames in both programs for both expedited and normal applications. Flexibility will be given to States for scheduling appointments and verifying information.

Legislative Specifications

- (a) The Food Stamp statutory and regulatory provisions mandating specific content and placement of information on the Food Stamp application would be relaxed. States would still be required to notify clients of their application rights and responsibilities.

3. OPTIONAL RETROSPECTIVE BUDGETING

Current Law

For the AFDC program, the Social Security Act permits States to use retrospective budgeting only for the categories of families required to monthly report. The Food Stamp Act permits States to retrospectively budget cases that are not required to monthly report.

Legislative Specifications

- (a) Amend the Social Security Act at section 402(a)(13) to delete the clause "but only with respect to any one or more categories of families required to report monthly to the State agency pursuant to paragraph (14)". This technical amendment will make retrospective

budgeting optional for States without regard to whether families are required to monthly report.

Rationale

Allowing States to use retrospective budgeting without requiring cases to monthly report will foster consistency between the AFDC and Food Stamp programs, and will give States greater flexibility to administer their programs.

4. ADMINISTRATIVE COST STRUCTURING FOR CERTAIN SOCIAL SERVICES

Current Law

Section 402(a)(15) of the Social Security Act provides for the development of a program for preventing or reducing the incidence of births out of wedlock and otherwise strengthening family life, and for implementing the program by assuring that in all appropriate cases (including minors who can be considered to be sexually active) family planning services are offered and are provided promptly (directly or under arrangements with others) to all individuals voluntarily requesting such services. Services will be voluntary and shall not prerequisite to eligibility. This is to be provided to each appropriate relative and dependent child receiving aid and for each appropriate individual (living in the same home as a relative and child receiving aid) whose needs are taken into account in making the eligibility determination.

Section 403(a)(3) indicates that family planning administrative costs are not matched at 50 percent if the State includes family planning services under their Title XX Social Services Block Grant Program.

Legislative Specifications

- (a) Under Section 403(a)(3), the law would be changed to allow a 50 percent match for family planning administration even if this is provided under Title XX.

5. RESOURCES

(A) General

Current Law

The Social Security Act and implementing regulations set a \$1,000 limit (or a lower limit at State option) on the equity value of resources that a family may have and be eligible for AFDC. Excluded from consideration as countable resources are the home owned and occupied by the family; an automobile with a maximum equity value of \$1,500 (or a lower limit at State option); bona fide funeral agreements with a maximum equity value of \$1,500 for each family member (or lower limit set by the State); one burial plot for each family member; and real property for a period of 6 consecutive months (or 9 consecutive months at State option) which the family is making a good faith effort to sell. Under certain conditions, States may establish rules regarding transfer of resources in order to obtain or retain eligibility.

The Food Stamp Act and implementing regulations set a \$2,000 limit (or \$3,000 for a household with a member age 60 or over) on the value of resources a household may have and participate in the program. The Act does not specify how the value of resources is to be determined, but provides for uniform national eligibility standards for income and resources. State agencies are prohibited from

imposing any other standards of eligibility. Households in which each member receives AFDC, SSI, or general assistance from certain programs do not have to pass the food stamp resource eligibility test. Regulations exclude from resources the value of one burial plot per family member and the cash value of life insurance policies. Also excluded is real property which the household is making a good faith effort to sell at a reasonable price and which has not been sold. There is no specific exclusion for burial plans (funeral agreements). Any amount that can be withdrawn from a funeral contract without an obligation to repay is counted as a resource.

Food Stamp law prohibits the transfer of resources within the 3-month period prior to application. A household that knowingly transfers resources for the purposes of qualifying or attempting to qualify for food stamps shall be ineligible to participate in the program for a period of up to one year from the date of discovery of the transfer.

Vision

Both the AFDC and Food Stamps programs serve similar needy populations. Yet, because the rules for treatment of both the amounts and categories of resources are different in each program, resources that meet one program's requirement can result in ineligibility under the other. Both programs have substantially different rules for evaluating the resources of that needy group, forcing welfare administrators to apply different program rules to the same resources in the same family. The following legislative proposal would reduce the current administrative complexity and confusion for welfare administrators and recipients by providing uniform treatment of assets where appropriate.

Legislative Specifications

Require the Secretaries in both Departments to develop uniform resource exclusion policies in the following areas:

(a) Resource Limits:

Increase the AFDC resource limit to \$2,000 (or \$3,000 for a household with a member age 60 or over) to conform to the Food Stamp resource limit.

(b) The Secretary shall specify in regulations the valuation and method for determining valuation of an automobile.

(c) Resource Exclusions:

(i) Real Property: Propose legislation to amend the Social Security Act to exclude real property which the AFDC family is making a good faith effort to sell at a reasonable price and which has not been sold, to conform to the Food Stamp policy.

(ii) Cash Surrender Value of Life Insurance Policies: Propose legislation to amend the Social Security Act to totally exclude the cash surrender value of life insurance policies under the AFDC program to conform to the Food Stamp policy.

(iii) Transfer of Resources: Propose legislation to provide that a household that knowingly transfers resources for the purposes of qualifying or attempting to qualify for AFDC shall be ineligible for benefits for a period of up to one year from the date of discovery of the transfer. This proposal conforms to the Food Stamp policy.

Rationale

The administrative complexity that exists in applying certain resource requirements in the AFDC and Food Stamp programs will be greatly reduced under the proposed changes. Welfare administrators will be able to apply the same rules to the same resources for the same family. These conforming changes achieve simplification by streamlining the administrative processes in both programs.

(B) Asset Accumulation - Individual Development AccountsCurrent Law

The Social Security Act and implementing regulations set a \$1,000 limit (or a lower limit at State option) on the equity value of resources that a family may have and be eligible for AFDC, with only limited exclusions.

The Food Stamp Act and implementing regulations set a \$2,000 limit (or \$3,000 for a household with a member age 60 or over) on the value of resources a household may have and participate in the Program. Section 13925 of Pub. L. 103-66 of the Omnibus Budget Reconciliation Act provides that the Secretary of Agriculture shall conduct, for a period not to exceed 4 years, projects to test allowing not more than 11,000 households nationwide to accumulate up to \$10,000 each in excluded resources. These assets are for later expenditures for a purpose directly related to improving the education, training or employability (including self-employment) of household members, for the purchase of a home for the household, for a change in the household's residence, or for making major repairs to the household's home.

Vision

Welfare reform should include strategies to test the notion that one way out of welfare for some people is through empowering them to start their own businesses and encouraging them to save their earnings to build for the future. During the campaign, the President endorsed the idea of helping welfare recipients help themselves by proposing to increase the number of microenterprises and establish Individual Development Accounts (IDAs). These legislative proposals would promote self-sufficiency by encouraging recipients to accumulate savings, assets and start their own businesses.

An IDA is an optional earnings-bearing, tax-benefitted trust account in the name of one person. An IDA would be held in a licensed, federally-insured financial institution. Withdrawals can be made from the account only for designated purposes. For example, withdrawals could be made for a first home purchase, post-secondary education (college/long-term training), or business development (microenterprises). There would be penalties for non-designated use of the account. Participant eligibility would be determined by the State agency using broad Federal guidelines.

The Department of Treasury will amend the tax laws to allow for the development of IDAs up to \$10,000; subsidized IDAs will be established on a demonstration basis; unsubsidized IDAs will also be permitted for qualified individuals not involved in a demonstration. Current recipients (and applicants who were former recipients with established IDAs) for both the AFDC and Food Stamp programs can establish IDAs and have their savings and interest excluded.

Legislative Specifications1. National Unsubsidized IDA Program

- (a) Allow IDAs to be established by Federally insured financial institutions to be used exclusively to pay for post-secondary education expenses, first-home purchases, or business capitalization where there is a qualified plan.
- (i) Annual contributions shall not exceed the lesser of \$2,000 or 100% of earned income with a total account limit of \$10,000.
 - (ii) If the accounts are established while a family is on AFDC or Food Stamps, the IDA account balance will not count against a family's resource limits. Families who leave the rolls after opening an account can continue the account. If the family re-applies for AFDC or Food Stamps at a later date, their IDA savings and interest are excluded.
 - (iii) Funds in an IDA account are exempt from taxation unless they are misused for purposes other than those specified, in which case 10% is added to the tax liability on the misspent amounts.
 - (iv) The penalty for a non-designated withdrawal from an unsubsidized IDA will be 10 percent of the amount withdrawn.

2. Subsidized Individual Development Account (IDA) Demonstration

- (a) Amend the tax laws to allow community development financial institutions to receive grants to operate 5-year IDA demonstration projects. Project grants will be awarded by the Community Development Bank and Financial Institutions Fund on a competitive basis and must be renewed annually.
- (i) \$500 in initial financial assistance will be provided to project participants who establish IDAs. In addition, participant contributions may be subsidized in amounts ranging from \$.50 to \$4 for each \$1 deposited, not to exceed \$2,500. Total individual IDA amounts may not exceed \$10,000.
 - (ii) Eligible participants are households with: at least one member eligible for EITC, an adjusted gross income not in excess of \$18,000, and a net worth not in excess of \$20,000.
 - (iii) Grantees will maintain a reserve fund to be spent on assisting participants in achieving self-sufficiency, administering the project, and to collect evaluation information.
 - (iv) Grantees must submit annual reports on the progress of their project.
 - (v) The Fund will contract for an independent evaluation of individual demonstration projects describing project features, assessing levels of self-sufficiency and benefit reduction achieved, levels of assets accumulated, and their effects.
 - (vi) The penalty for a non-designated withdrawal from a subsidized IDA will be the total amount of the subsidy and 10 percent of the individual's contribution.

3. Self-Employment/Microenterprise Demonstration

- (a) Through a memorandum of understanding, HHS and SBA will jointly develop and administer a minimum 5-year, self-employment/microenterprise demonstration program. Consultation with Agriculture, HUD and Labor is also required. Participants must be persons with incomes below 130 percent of poverty or persons participating in JOBS, WORK or AFDC-only, with the percentage of welfare recipients to be established by the agencies. Local intermediaries (organizations or consortium of organizations) will apply to enter into agreements to demonstrate the program.
- (i) HHS and SBA, in consultation with public and private organizations, will identify promising program models currently used to provide self-employment and related services to low-income individuals and design a demonstration to evaluate, using a randomized experimental design, at least two types of models with contrasting levels of technical assistance. The agencies may fund up to five other projects with designs that do not lend themselves to a randomized experiment.
 - (ii) HHS and SBA may provide technical assistance, loan guarantees and loans to intermediaries.
 - (iii) In selecting intermediaries, SBA and HHS will take into consideration the applicant's record of success, program design, capacity and other criteria.
 - (iv) Intermediaries must have contracts with the local JOBS agency such that JOBS and WORK program funds will be used to provide supportive services including training and technical assistance.
 - (v) Preliminary and final effectiveness evaluation reports together with recommendations must be submitted to the President and Congress. A report on barriers is also required. The evaluation study shall take into consideration increase in self-sufficiency, reduced costs of public support, number of businesses and jobs created, cost-effectiveness, and program effectiveness. Early and regular feedback to the participating intermediaries is also specified.

4. Other Legislative Changes

- (a) The Social Security Act and the Food Stamp Act will be amended, as appropriate, to comport with the changes in the tax laws. In addition, amendments will be drafted to include the following provisions:
- (i) Lump sum income: Non-recurring lump sum income will not be counted for resource purposes in the month of receipt or the following month if put in an IDA.
 - (ii) The total exclusion for an AFDC assistance unit or Food Stamp household is \$10,000.

Rationale

IDAs and other set-asides provide welfare recipients the opportunity to be entrepreneurs in the private sector and accumulate savings for specific purposes. This approach promotes self-sufficiency by empowering them to start their own businesses and encouraging them to save money they earn to build for their future.

(C) Microenterprise (Self-Employment)Current LawResource Exclusions

Under Federal AFDC policy, except for real property, States may disregard for AFDC purposes income-producing property (as defined by the State) of self-employed individuals. States may also disregard income-producing property owned by a recipient who is not currently employed, but who the State reasonably expects to return to work. Federal regulations at 45 CFR 233.30(a)(3)(xxi) require that States disregard, for AFDC purposes, bona fide loans from any source for any purpose that meet the criteria set out in the State Plan.

Section 5(g)(2) of the Food Stamp Act and implementing regulations at 7 CFR 273.8(e)(4), (5), (6), (9), (15) and (16) exclude "property which annually produces income consistent with its fair market value; property which is essential to the self-employment of a household member; installment contracts for the sale of lands and buildings, if the contract ... is producing income consistent with fair market value; resources of self-employed persons, which has been prorated as income;" non-liquid assets with liens resulting from business loans; and real or personal property that is needed for maintenance of certain vehicles.

Legislative Specifications

- (a) Amend the Social Security and Food Stamp Acts to give the respective Secretaries the authority to specify in regulations exclusions necessary for self-employment. Require that these regulations be prepared jointly and demonstrate consistency between the two programs.
- (b) Amend the Food Stamp Act to exclude business loans from resources.

Rationale

Current AFDC policy does not permit funds necessary for the operation of a microenterprise to be excluded separately from the general \$1,000 resource limit. This restriction discourages recipients from establishing small businesses. By expanding the microenterprise resource exclusions, microenterprise owners will be able to set aside sufficient liquid resources to operate the business.

6. INCOME ISSUESVision

Federal laws or rules frequently disregard a part or the total income of applicants and recipients in determining eligibility and benefits for assistance programs. Often, the same income is treated differently in the AFDC and Food Stamp programs. Such differences are incomprehensible to recipients and difficult to administer.

Our goal is to adopt uniform equitable income disregard policies for the AFDC and Food Stamp programs which are easy to understand, simple to administer and promote work and education.

1. Treatment of Lump Sum Income

Current Law

Under Section 402(a)(17) of the Social Security Act, non-recurring lump sum income is considered to be available to meet an AFDC family's current and future needs. If the assistance unit's countable income, because of receipt of lump sum income, exceeds the applicable State need standard, the unit is ineligible for a period determined by dividing the total countable income (including the lump sum) by the need standard.

The Food Stamp Act, at 5(d)(8), excludes from income non-recurring lump sum payments. Such amounts, if not spent in the month received, are treated as resources.

Legislative Specifications

For applicants and recipients:

- (a) Amend section 402(a)(17) of the Social Security Act (SSA) to exclude non-recurring lump sum payments from income.
- (b) Amend both the SSA and FSA to disregard as resources, for one year from the date of receipt, non-recurring lump sum payments that are reimbursements for past, current or future costs or are intended to cover the cost of repairing or replacing assets.
- (c) Amend both the SSA and the Food Stamp Act (FSA) to disregard the amount of any Federal or State EITC lump sum payments as resources for one year from receipt.

Rationale

Lump sum payments are treated completely differently in the two programs. Considerable simplification for both the clients and workers can be achieved if the policies are consistent. Also, current AFDC policy can result in hardship for families since they are supposed to conserve the payments to meet future living expenses rather than to cover debts and other costs.

2. Treatment of Educational Assistance

Current Law

Several laws address the treatment of educational assistance for AFDC. Any educational assistance provided under programs in title IV of the Higher Education Act or the Bureau of Indian Affairs must be disregarded (P.L. 102-325, sec. 479B). A State must disregard payments made for attendance costs under the Carl D. Perkins Vocational and Applied Technology Education Act (P.L. 101-392, sec. 507(a). Under AFDC rules, the State must disregard educational loans and grants that are obtained and used for direct educational expenses, such as tuition and books (233.20(a)(3)(iv)(B). (Any of the educational assistance covering items in the State's need standard is counted as income.) Also, States may disregard all educational assistance as complementary assistance that is for a different purpose than AFDC (233.20(a)(3)(vii)(a)).

Portions of income received under the Job Training Partnership Act and the Higher Education Act are disregarded in the Food Stamp program. By regulation, such educational assistance provided on behalf of the household for living expenses, food, or clothing to the extent that the funds exceed the

costs of tuition and mandatory fees are counted as income. (7 CFR 273.9(c)(1)(v); 273(c)(3); 273(c)(4); 273.9(c)(5)(i)(D); and 373.9(c)(10)(xi).

Legislative Specifications

- (a) Amend the Social Security Act and Food Stamp Act to totally disregard all educational assistance received by applicants and recipients.

3. Earnings of Students

Current Law

For a dependent child receiving AFDC, the earned income of a full-time or part-time student (not employed full-time) attending a school, college, or university, or a course of vocational or technical training designed to fit him for gainful employment is disregarded (402(a)(8)(A) of the Social Security Act). At State option, the earned income of a dependent child applying for AFDC may also generally be disregarded. The earnings of minor parents attending school are not excluded.

Effective September, 1994, the Food Stamp program will exclude the earnings of elementary or high school students age 21 and under (FSA 5(d)(5); 7 CFR 273.9(c)(7).

Legislative Specifications

- (a) Amend the Social Security and Food Stamp Acts to conform Food Stamps to AFDC policy and limit the disregards to elementary and secondary students up to age 19.

4. Irregular Income

Current Law

No statutory provisions address irregular income for AFDC. Rules permit States to disregard small, nonrecurring gifts not to exceed \$30 per individual per quarter (233.20(a)(3)(iv)(F).

The Food Stamp Act (Sec. 5(d)(2)) requires the exclusion of income of \$30 or less in a quarter per household received too infrequently or irregularly to be anticipated. The exclusion does not apply under retrospective budgeting.

Legislative Specifications

- (a) Amend the Food Stamp Act to conform to AFDC rules to exclude inconsequential income not in excess \$30 per individual per quarter.

5. Treatment of JTPA Income

Current Law

For AFDC, the income of a dependent child which is derived from participation in a JTPA program may be disregarded. Earned income may be disregard for a period up to six months per calendar year. Unearned income may be disregarded indefinitely (section 402(a)(8)(A)(v) of the SSA).

Under Food Stamps, training allowances from vocational and rehabilitation programs and JTPA earnings are excluded, except income from on-the-job training programs under section 204(5) of title II. All OJT income of individuals under age 19 and under parental control is excluded. (7 CFR 273.9(b)(1)(iii) and (v); 273.9(c)(10)(v))

Legislative Specifications

- (a) Amend the Social Security and the Food Stamp Acts to disregard as income all training stipends and allowances received by a child or adult from any program, including JTPA.
- (b) Eliminate targeted earned income disregards so that the earned income from any on-the-job training programs or from a job will be counted after the general earned income disregards are deducted.

6. Supplemental Payments

Current Law

Section 402(a)(28) of the Social Security Act requires those States that deduct income from the need rather than the payment standard (fill-the-gap) now and in July of 1975 to provide a supplemental payment to families who have less disposable income because child support is paid to the child support agency instead of directly to the family.

Food Stamps - No such provision exists in the Food Stamp program.

Legislative Specifications

- (a) Amend the Social Security Act to remove this provision.

7. Treatment of In-kind Income

Current Law

AFDC rules require earned in-kind income to be counted. As a matter of policy, States may disregard any unearned in-kind income. If the State elects to count unearned in-kind income, the amount counted is limited to the value of the item in the State's need standard.

Under Food Stamps, in-kind benefits such as food, clothing, housing, produce are excluded. (FSA 5(d)(1); 7 CFR 273.9(c)(1))

Legislative Specifications

- (a) Amend the Social Security Act to require States to disregard both earned and unearned in-kind income.

8. Treatment of National and Community Service Act Benefits

Current Law

No statutory provision excludes, for purposes of the AFDC program, allowances, stipends and educational awards received by participants in a National Service program established under the

National and Community Service Act of 1990, as amended by the National and Community Service Trust Act of 1993.

The Food Stamp program will exclude from income National Service program benefits. The National and Community Service Act, as amended, specifies that the exclusion in section 142(b) of the Job Training Partnership Act (JTPA) applies to National Service program benefits. Section 142(b) of the JTPA provides that payments will not be considered as income for purposes of income transfer and in-kind aid furnished under any Federal or federally assisted program based on need, other than Social Security Act programs.

Legislative Specifications

- (a) Amend section 402(a)(8)(A) of the Social Security Act to disregard from the income of a family allowances, stipends and educational awards received by volunteers participating in a National Service Program under the National and Community Service Act of 1990, as amended by the National and Community Service Trust Act of 1993.

7. UNDERPAYMENTS

Current Law and Policy

Section 402(a)(22) of the Social Security Act requires State agencies to promptly take all necessary steps to correct any underpayment. Regulations at 45 CFR 233.20(a)(13) limit the issuance of underpayments (both agency and client caused) to current recipients and former recipients who would be currently eligible if the error causing the underpayment had not occurred. As a result of litigation, program policy also permits States to issue underpayments to former recipients who would no longer be currently eligible. The amount of the underpayment is not limited by the number of eligible months covered.

Section 11(e)(11) of the Food Stamp Act provides that benefits are to be restored to a household requesting them if the benefits have been "wrongfully denied or terminated." The period for which benefits are restored is limited to one year prior to the date the State agency either receives a request for restoration from the household or otherwise learns that a loss to the household occurred. The Food Stamp rule (7 CFR 273.17) also prohibits the State agency from restoring benefits for a period longer than 12 months. The rule requires that benefits be restored even if the household is currently ineligible.

Vision

To provide clients with a rational and consistent policy in the processing of underpayments.

Legislative Specifications

- (a) Amend section 402(a)(22) of the Social Security Act to conform to Food Stamp law by requiring the issuance of agency caused underpayments to current and former recipients for a period not in excess of 12 months from the date that the agency learns about the underpayment.

Rationale

Since clients are responsible for reporting changes in circumstances that affect eligibility and benefits, a 12-month limit on restoring lost benefits due to agency error reinforces positive behavior. The change also achieves consistency between the AFDC and Food Stamp underpayment policies. However, because the proposal represents a contraction of AFDC program policy (i.e., the prohibition on underpayments due to client error) client advocacy groups are likely to object.

] DLOP

8. TERRITORIES

Welfare Reform Working Group staff have met with representatives from Puerto Rico and the other territories to discuss recommendations relative to the operation and funding of the territorial welfare programs. These representatives, including staff from the territorial Congressional delegation, recommended that we (1) eliminate the funding cap, and (2) extend SSI to the territories. In addition, the representative from American Samoa believes that the territory should be permitted to operate an Aid to the Aged, Blind, and Disabled (AABD) program and receive appropriate funding. The representatives also asked that funding for JOBS, child care, and the application of the time limit be addressed. For example, Puerto Rico is concerned that the two year time will be difficult to enforce in an economy with 18 percent unemployment.

] DLOP

Current Law

Section 1108 of the Social Security Act permits the territories (i.e., Guam, Puerto Rico, and the Virgin Islands) to operate the AABD and AFDC programs; American Samoa is only authorized to operate an AFDC program. Funding for Child Care and Transitional Child Care is provided for under the JOBS limit of entitlement. If the territory elects to operate these programs, it must also have a title IV-E or Foster Care program. The territory must adhere to the same eligibility and payment requirements as the States. The Federal government matches 75 percent of costs; however, funding for the territories is capped. The caps are \$82 million for Puerto Rico, \$3.8 million for Guam, and \$2.8 million for the Virgin Islands. Between 1979 and the present, the caps were increased once, by roughly 13 percent.

Vision

To create realistic funding levels for the territories that are reflective of the current economy and caseload. A mechanism that will provide occasional adjustments in funding levels will be developed to replace the current burdensome method of petitioning Congress for adjustments.

Legislative Specifications

- (a) Continue to require the territories to operate the AABD, AFDC (including JOBS supportive services) and Foster Care programs. Amend section 1108 of the Social Security Act to increase the caps by an additional percent and create a mechanism for indexing.
- (b) The territories would not be required to operate AFDC-UP programs.

Rationale

The number of public assistance programs funded under the current caps, coupled with only one adjustment to these caps in 15 years, has seriously limited the territories' abilities to provide, let alone increase benefits. Benefit payments above the cap are financed 100 percent by the territories,

resulting in situations such as Guam's where the Federal share is roughly 40 percent. Puerto Rico reports that, since 1987, AFDC caseloads have nearly doubled from 98,000 units to 183,000 units. Further, beginning October, 1994, Puerto Rico will be required to extend eligibility to two-parent families. Puerto Rico estimates that an additional 40,000 families will be eligible for AFDC due to this provision. If match rates were determined by formula, as they are in the States, the territories would be eligible for higher match rates. Increasing the caps and providing a mechanism for efficient adjustments to those caps will not only continue to give territories the authority to operate public assistance programs but adequate means to do so as well (See Appendix A, Fact Sheet On The Territories).

9. DECLARATION OF CITIZENSHIP AND ALIENAGE

Current Law

Section 1137(d) of the Act requires, as a condition of eligibility for assistance, a declaration in writing by the individual (or, in the case of an individual who is a child, by another on his/her behalf) under penalty of perjury, stating whether or not the individual is a citizen or national of the United States, and, if such individual is not a citizen or national of the United States, whether he/she is in a satisfactory immigration status.

Vision

To bring the AFDC program into alignment with Food Stamps by allowing one adult member of an applicant assistance unit to sign the declaration of citizenship or alien status for all members of the unit.

Legislative Specifications

(a) Amend the Social Security Act by revising section 1137(d)(1)(A) as follows:

- (1)(A) The State shall require, as a condition of an individual's eligibility for benefits under any program listed in subsection (b), a declaration in writing by the individual (or, in the case of an individual who is a child or a spouse in a two parent unit, by another on the individual's behalf), under penalty of perjury, stating whether or not the individual is a citizen or national of the United States, and, if that individual is not a citizen or national of the United States, that the individual is in satisfactory immigration status.

Rationale

The current requirement is administratively burdensome as it requires each adult in the AFDC unit to sign a separate declaration. This proposal will allow the adult payee or principal earner in an assistance unit to declare on behalf of his/her spouse and children, thereby simplifying the application and redetermination process. This proposal would also provide consistency with Food Stamps.

10. RECOVERY OF OVERPAYMENTS THROUGH FEDERAL TAX INTERCEPT

Current Law

Section 402(a)(22) of the Social Security Act requires, as a condition for aid and services to needy families with children, a State plan which must provide that a State agency will promptly take all

necessary steps to correct any overpayment to any individual who is no longer receiving aid under the plan. Recovery shall be made by appropriate action under State law against the income or resources of the individual or the family.

Vision

To allow State agencies to recover AFDC program overpayments through the use of a tax intercept program in coordination with the IRS. A 50% match rate to cover administrative costs will be provided.

Legislative Specifications

- (a) Amend section 402(a)(22)(b) of the Social Security Act to permit State agencies to coordinate with the IRS to intercept Federal Income Tax Returns for the collection of outstanding AFDC overpayments, provided they pursue other means of collection under State law prior to using the Federal tax intercept program. The tax intercept recovery method would only be used to recover overpayments made to individuals who are no longer receiving aid under the plan.
- (b) The administrative costs would have a 50% Federal match rate for State contributions.

Rationale

Currently States have the authority to intercept State tax refunds but are unable to do so if the overpaid individual moves to another State. A Federal system would allow States to collect from individuals, regardless of their State of residence. FNS has been running an IRS tax intercept program as a demonstration project since 1992. The program has proved to be very effective in collecting outstanding overpayments, so much so that FNS has expanded the demonstration every year to include more States. A 50% match for administrative costs supports the Administration's philosophy that the administration of the AFDC program should be an equal Federal/State partnership.

B. REGULATORY REVISIONS

The effort, [?] compromise and time involved in making statutory revisions and amendments make the identification of reforms that can be implemented with comparative ease through regulatory amendment and revision a must. The following proposals, while few in number, will provide for more timely reforms and allow States to at least begin to simplify and streamline assistance programs while the broader reforms are addressed by Congress.

1. MICROENTERPRISE EXPENSES (SELF-EMPLOYMENT)

Current Requirements

In the AFDC program, the rules (45 CFR 233.20(a)(6)(v)(B)) provide that profit from self-employment (e.g., microenterprises) is derived from subtracting business expenses from gross receipts. All the earned income disregards (Section 402(a)(8)) are applied to the profit the same as income from wages. Allowable business expenses are those directly related to producing goods or services. However, the following expenses are not allowed: depreciation, purchases of capital equipment, payments on the principal of loans for capital assets or durable goods, personal transportation, and personal business or entertainment expenses. A State may designate an objective flat amount or percentage for self-employment business expenses, but must allow higher actual costs.

The Food Stamp program excludes from income the cost of producing self-employment income. The rules (273.11(a)(4)(i)) list the following examples of the specific costs that should be excluded: the identifiable costs of labor, stock, raw material, seed and fertilizer, interest paid to purchase income-producing property, insurance premiums, and taxes paid on income-producing property. The following expenses are not excluded as costs of doing business: payments on the principal of the purchase price of income-producing real estate and capital assets, equipment, machinery, and other durable goods; net losses from previous periods; and depreciation. In addition, Federal, State, and local income taxes, retirement monies, and other work related personal expenses (such as transportation to and from work) are not allowed because these expenses are accounted for by the 20 percent earned income deduction in Section 273.9(d)(2).

Regulatory Specifications

- (a) Change the Food Stamp and the AFDC regulations to provide a deduction of the amount of depreciation or the actual cost of purchasing the asset as claimed for tax purposes, or if none yet claimed according to State criteria.
- (b) Delete current language in AFDC regulations to conform with Food Stamp rules by adding examples of specific costs of producing self-employment income, such as the identifiable costs of labor, stock, raw material, interest paid to purchase income producing property, insurance premiums, and taxes paid on income producing property.

Rationale

A compatible AFDC/Food Stamp exclusion for business expenses, including a deduction for depreciation or actual the actual expenses of necessary assets, would result in greater effectiveness, clarity and efficiency in the administration of both programs. The change would encourage self-employment, self-sufficiency and recognize the legitimate cost of doing business. Allowing the eligible worker to recognize business deductions as claims by the individual for income tax purposes would simplify such calculations.

2. BOARDER INCOME

Current Requirements

Under the AFDC program, neither the statute or rules address allowable costs of business income received from boarders. Under program policy, a State may designate a flat amount or percentage for self-employment business expenses. However, the State must allow higher documented costs.

The Food Stamp Act is also silent on specific procedures for determining the income of households with self-employment income from boarders. However, the House Report which accompanied the Food Stamp Act of 1977 (H.R. 95-464, page 38) indicates Congressional intent that the cost of doing business for boarder income be calculated "for purposes of administrative ease, at a fixed rate or the value of a monthly coupon allotment for a one-person household" for each boarder. The report also indicates Congressional intent that actual costs be allowed, but the cost exclusions from income cannot exceed the income received.

Section 273.11(b)(1) of the Food Stamp rules provides procedures for calculating the income received from boarders based on the legislative history contained in the Food Stamp Act. Income from boarders includes all direct payments to the household for room and meals, including contributions to the household's shelter expenses. The cost of doing business is either (1) the maximum allotment amount for a household size that is equal to the number of boarders or (2) the actual documented cost of providing room and meals, if that cost exceeds the maximum allotment amount. If actual costs are used, only separate and identifiable costs of providing room and meals to boarders can be excluded. The excluded costs cannot exceed the amount of income received.

Regulatory Specifications

- (a) Modify AFDC and Food Stamp rules to permit States the option to allow a flat rate, a percentage, or either the maximum allotment for a household of the same size as the number of boarders in the thrifty food plan or the actual documented cost, if it is higher than the allotment. The same procedure would be adopted for each program.

Rationale

A uniform AFDC/Food Stamp policy in calculating boarder income would result in greater effectiveness and efficiency in the administration of both programs.

3. REPORTING AND BUDGETING

One of the major complaints about the differences between the AFDC and Food Stamp programs is that the programs use different periods to determine benefits for the current month and require too much reporting of changes in circumstances. In a transitional program where more recipients may have fluctuating income, the reporting burdens on recipients, the fluctuations in benefit amounts, and the constant need for case worker recalculations of benefits would impose complexity on all parties involved.

Current Requirements**(A) Monthly Reporting and Budgeting Requirements**

Both AFDC and Food Stamps permit States to adopt monthly reporting requirements and to use either retrospective or prospective budgeting to determine the benefit amounts for some or all cases. Yet there are some differences in application. For example, the Food Stamp Act permits retrospective budgeting of non-monthly reporting cases, while the Social Security Act does not.

Under a monthly reporting and retrospective budgeting system, families report income and other case circumstances every month, whether or not a change affecting eligibility and payment amounts has occurred since the previous month. This information, as well as any supplementary report of a change in circumstances, is used to determine continued eligibility and to determine the amount of assistance based on a prior month's income.

Under a prospective budgeting system, eligibility and benefit amounts are based on a projection of income and circumstances that will exist in the month for which payment is to be made. The Food Stamp program by regulation and statute is more prescriptive in how the estimates are to be made. The AFDC rules are not contained in statute and provide States more flexibility in making the estimate.

(B) Effective Date of Reported Changes

Both programs require families to report changes in circumstances. In AFDC, States must establish procedures for timely and accurate reporting of changes that affect eligibility and amount of assistance. Any change is effective in the month it occurred. Food Stamp rules allow for a tolerance in which a change of less than \$25 per month does not have to be reported and the rules governing the effective date of any change give the recipient and agency time to report and act upon the change.

(C) Earned Income Penalties for Failure to Report

Both programs impose earned income deduction penalties when recipients fail to report timely. Under the AFDC program the penalty is applied whenever a recipient fails to timely report without good cause. In the Food Stamp program, the penalty is applied to any portion of income the recipient wilfully failed to report. In AFDC the penalty applies to the \$90 work expense disregard, the child care disregard and the \$30 and 1/3 earned income disregard provisions. Under the Food Stamp program, the penalty is applied by not disregarding the 20 percent earned income deduction to any portion of the income that the recipient wilfully failed to report.

(D) Recertification Period

In the Food Stamp program, recertification of eligibility is mandatory and must occur every one to twelve months (depending on the characteristics of the household) under specific procedural rules. In AFDC, redetermination of eligibility must occur every six to 12 months according to State established procedures. Unlike AFDC, food stamp benefits automatically terminate when the certification period expires.

Regulatory Specifications

- (a) Allow States to continue to use retrospective and prospective budgeting. Require recipients to timely report all significant changes in circumstances affecting eligibility or the amount of assistance.
- (b) Require the State to make timely adjustments to benefits, both up and down, when significant changes in income and other factors are reported by the recipient. Significant changes in income include getting or losing employment, promotion, permanent changes in hours worked, etc. Non-permanent fluctuations in income (overtime, absence) are not considered to be significant.
- (c) Overpayments would not occur where recipients report timely and the agency makes adjustments no later than the second month after the month in which the change occurred, subject to notice requirements. These specifications closely conforms to current Food Stamp program policy.

Rationale

These proposed administrative rules will significantly simplify benefit calculation procedures for joint AFDC/Food Stamp households. By rationalizing the procedures in benefit determination and calculation, workers and recipients will benefit through less paperwork processing and time spent on recalculating benefits because of fluctuations in income. The rules maintain a balance between assuring benefits are accurately determined by reducing the current complexities retaining the appropriate level of responsibilities on recipients to report information.

4. AUTOMOBILE RESOURCE LIMIT

Current Requirements

The Social Security Act provides for the exclusion of so much of a family member's ownership interest in one automobile as prescribed by the Secretary. That exclusion is set by regulation at \$1500 equity value (or a lower limit set by the State) in one vehicle with any excess equity value counted toward the \$1,000 AFDC resource limit.

The Food Stamp Act provides for the total exclusion of vehicles that are used over 50 percent of the time for income-producing purposes; annually producing income consistent with their FMV; necessary for long distance travel for work (other than daily commute); used as the household's home; or needed to transport a physically disabled household member. For the following vehicles, the amount of the FMV over \$4,500 is counted as a resource: one per household (regardless of use); and vehicles used for work, training or education to prepare for work in accordance with food stamp employment and training requirements. For all other vehicles, the FMV over \$4,500 or the equity value, whichever is more, is counted as a resource.

Vision

Reliable transportation will be essential to achieving self-sufficiency for many recipients in a time-limited program. Because a dependable vehicle is important to individuals in finding and keeping a job, particularly for those in areas without adequate public transportation, both the AFDC and the Food Stamp programs need a conforming automobile resource policy that supports acquiring reliable vehicles. This proposal would simplify the automobile resource policy by conforming the program

rules and reducing the unnecessary complexity and confusion for program administrators in both programs.

Regulatory Specifications

- (a) Exercise Secretarial authority and amend the regulations to increase the AFDC automobile limit to an equity value that is compatible with the current Food Stamp FMV limit with the goal of assuring that a vehicle will meet the requirements of both programs.

Rationale

This proposal attempts to bring a level of conformity between the two programs that would eliminate some of the administrative complexity involved with valuing vehicles under varying criteria and would result in greater effectiveness and efficiency in the administration of both programs.

5. VERIFICATION

Current Requirements

Food Stamp law and regulations include specific requirements for verification and documentation of information needed for eligibility and benefit determinations. Food Stamp regulations mandate verification of utility and medical expenses (when actual is claimed), identity, residency (address), disability and household composition. In the AFDC program, the Act and regulations do not address how verification is to occur but State procedures have generally conformed to the verification policy outlined in the Federal quality control manual.

Under the Food Stamp Act (FSA) (sections 11(e)(3),(9)) and Social Security Act (Act) (sections 402(a)(25) and 1137), income must be verified through the Income and Eligibility Verification System (IEVS). The State must request wage and benefit information for from the State Wage Information Collection Agency, the Social Security Administration, and the agency administering Unemployment Insurance Benefits. Unearned income information must be requested from the Internal Revenue Service. Both programs are also required by law to verify alien status through the Immigration and Naturalization Service's Systemic Alien Verification for Entitlement system.

Both programs review the accuracy of eligibility decisions and benefit amounts through quality control systems, with the intended result that much information is verified at application and at recertification to avoid errors. States may, in both programs, adopt other verification requirements.

Vision

Federal computer matching and verification requirements are often burdensome for both clients and eligibility staff. Even where States have flexibility, the emphasis on payment accuracy and the potential for fiscal quality control penalties have often resulted in unnecessary documentation, delays in benefits and improper denials and terminations. Yet, to assure the public that their taxes are being spent to serve only those in need, verification will continue to be a critical component of the new system for delivering assistance to families. States must be afforded the flexibility to simplify verification procedures, while assuring program integrity through minimum standards.

Regulatory Specifications

- (a) Exercise current Secretarial waiver authority and amend regulations so that:
 - (i) States may choose the verification systems, methods and time-frames for action;
 - (ii) States may choose the computer matching activities that are most effective provided that the alternative match or verification process is just as effective as those required IEVS and SAVE; and
 - (iii) States may verify additional factors of eligibility.
 - (iv) FNS will continue to have authority to verify additional factors that relate to the Food Stamp program only, such as actual medical costs.
- (b) Verification methods, systems, and time limits will be included in the State Plan.

Rationale

States will welcome the increased flexibility provided by this proposal and be able to streamline their verification activities, saving time and paperwork. At the same time, the State plan approval process will ensure adequate protection of client rights and program integrity without restricting State flexibility.

6. TREATMENT OF GOVERNMENTAL SUBSIDIES

Current Requirements

Under Section 402(a)(7)(C)(ii) of the Social Security Act, States may count housing or rent subsidies as income. The amount that may be counted cannot exceed the amount for shelter/utilities included in the State's payment standard (233.20(a)(3)(xii)). Few States count the payments as income.

Under Food Stamp regulations (7 CFR 273.9(c)(1)), vendor payments to landlords are excluded as income. Payments to households and vendor payments to utility providers are counted as income. In the Third Circuit, the Court has held that HUD utility payments are excluded as energy assistance.

COSTS
TDO
MUCH

Regulatory Specifications

- (a) FNS will amend Food Stamp regulations to exclude HUD utility payments.

7. OTHER RESOURCE EXCLUSIONS

- (a) Burial Plots: Propose regulations to amend the Social Security Act to totally exclude one burial plot per family member to conform to the Food Stamp policy.
- (b) Funeral Agreements (Burial Plans): Propose regulations to totally disregard one funeral agreement per family member.

8. TREATMENT OF INCOME FROM COMPLEMENTARY PROGRAMS

Current Law

Under AFDC regulations, States may disregard assistance from other agencies and organizations that are for a different purpose (complementary) than AFDC and do not duplicate needs already met in the need standard. (45 CFR 233.20(a)(3)(vii))

With specified exceptions, the Food Stamp program disregards cash donations based on need to the household not to exceed \$300 in any one quarter from one or more charitable organizations. (FSA 5(d), (k); 7 CFR 273.9(b), (c)(13)).

Regulatory Specifications

- (a) The Secretary of HHS will consider adopting the current Food Stamp policy.

WELFARE REFORM

PROPOSED

LEGISLATIVE SPECIFICATIONS

-- CONFIDENTIAL DRAFT --
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- I. PERFORMANCE STANDARDS**
- II. TECHNICAL ASSISTANCE**
- III. Information Systems**
- IV. Non-Citizen Provisions**
 - **Uniform Eligibility Requirements for Non-Citizens**
 - **Sponsor-to-Alien Deeming**
- V. EMERGENCY ASSISTANCE**

SUGGESTED PERFORMANCE STANDARDS IN WELFARE REFORM

When considering how States will respond to the JOBS/WORK performance standards, it is extremely important to think of all the suggested performance measures as one system or package. This is particularly crucial for determining the level of incentives or penalties for each of the measures and the funding stream to which they are applied. To assist in moving in this direction, the following is a list of performance measures that are currently "on the table."

JOBS/WORK Service Delivery Measures

(1) Population Coverage Rate in JOBS.

We propose an 85% standard with a 5% +/- tolerance. For each two percentage points increase above 90%, the state would receive an additional 1% percentage point increase in FFP for AFDC benefits for the mandatory JOBS caseload up to a maximum of a 5% positive incentive. For each two percentage points below 80%, the FFP would be reduced by 1% percentage points up to a maximum 5% negative incentive (a reduction in the FFP of 5%). There would be no change in FFP for those covering 80 to 90% of the applicable caseload.

NO BONUS
- curable

(2) Service Continuity Rate in JOBS.

We propose a similar positive and negative incentive package as for (1), coverage rates, with a standard of 35% with a 5% +/- tolerance. For each three percentage point increase above 40%, the state would receive an additional 1% percentage point increase in FFP for AFDC benefits for the mandatory JOBS caseload up to a maximum of a 5% positive incentive. For each three percentage points below 30%, the FFP would be reduced by 1% percentage points up to a maximum 5% negative incentive (a reduction in the FFP of 5%). There would be no change in FFP for those covering 30 to 40% of the applicable caseload.

less intensive
measure

NO

The total incentive payment to a state for #1 and #2 combined cannot exceed more than the 1 percent of total AFDC benefits to a state.

1% of
FFP =

200m
+ risk

(3) A WORK Participation Rate standard.

A standard of 80% is proposed (an average of 80 percent of mandatory WORK clients must be in a WORK assignment each month) unless this standard is otherwise waived for a particular state. For proportion of caseload below this rate, a 50 percent reduction in the FFP for their AFDC benefits is proposed, using the State average AFDC benefit level rather than actual benefit paid, if standard is not met. Only those in the WORK program for two calendar years or less are included in the calculation.

(4) General State Effort standard For Spending Entire JOBS/WORK/Child Care Capped Allocations.

Assuming the match rate for JOBS/WORK/Child Care is JOBS FMAP+4, a 6 percentage point increase in FFP for these capped allocations is received if specified criteria are met: (1) Operating program for non-custodial parents using 5 percent of JOBS and WORK money, (2) Meeting a transitional child care performance standard of 15 percent in the first year, and increasing 5 percentage points in each subsequent year. The denominator of this rate is the number of children in child care whose parent is in JOBS or WORK. The numerator is the number of children in child care covered by TCC. (3) Spending the entire JOBS/WORK/Child Care capped allocations are spent.

+7

NO

It is proposed that this provision be in effect for six calendar years, with the match rate for these programs being set at JOBS FMAP + 8 at that point.

JOBS/WORK Program Compliance Measures

- (4) Cap on JOBS Prep and JOBS Extensions.
We propose that there be no FFP for any cases in JOBS Prep above the CAP in JOBS extensions above the cap unless the state has submitted a proposal to the Secretary to raise the CAP or the Secretary has already granted such a waiver. *please?*
- (5) Accuracy of Clock and Data Quality.
Not eligible for any earned increase in FFP based on surpassing other performance standards [e.g. (1), (2), and (4)] if these standards are not met. These standards shall be set by regulation.

Child Support Enforcement Performance Measures and Incentives

- (6) For paternity establishment, performance-based incentives will be made to each State in the form of increased FFP from 1 to 5%. The incentive structure determined by the Secretary will build on the performance measure so that States that excel will be eligible for incentive payments. Sanctions for failure to meet specified standards are the same as current law. *- Newborns*
- (7) Within one year of the date of the initial cooperation requirement, a State must either impose a sanction for non-cooperation or must establish paternity. The State will not be eligible for AFDC FFP for the number of cases in which the mother has met cooperation requirements and a paternity has been established. The Secretary shall define in regulations a tolerance level for this provision which shall not exceed 10% of the State's mandatory cases that need paternity established. *- 25% rising to 10% over 5 yrs*
- (8) States are eligible for an increase in FFP ranging from 1 to 10 percent for overall child support services, based on such factors as:
- the percentage of cases with support orders established;
 - the percentage of overall cases with orders in paying status;
 - the percentage of overall collections compared with amount due; and
 - cost effectiveness.
- All incentives will be based on a formula to be determined by the Secretary and incentive payments must be reinvested back into the child support program.
- (9) States/jurisdictions which operate a unified child support system are eligible for an additional FFP of 5% (for a total of 80%). The requirements for what constitutes a unified program are specified in statute. *NO*

PERFORMANCE MEASURES PROPOSAL

Current JOBS Law

Under the SSA section 487 [FSA Section 203(b)] not later than October 1st, 1993, the Secretary of Health and Human Services shall:

(1) in consultation with the Secretary of Labor, representatives of organizations representing Governors, State and local program administrators, educators, State job training coordinating councils, community-based organizations, recipients, and other interested persons, develop performance standards with respect to the programs established pursuant to this part that are based, in part, on the results of the studies conducted under section 203(c) of such Act, and the initial State evaluations (if any) performed under section 486 of this Act; and

(2) submit his/her recommendations for performance standards developed under paragraph (1) to the appropriate committees of jurisdiction of Congress, which recommendations shall be made with respect to specific measurements of outcomes and be based on the degree of success which may be reasonably expected of States in helping individuals to increase earnings, achieve self-sufficiency, and reduce welfare dependency, and shall not be measured solely by levels of activity or participation. Performance standards developed under this subsection shall be reviewed periodically by the Secretary and modified to the extent necessary.

Current JOBS Program Performance Measures

Participation rate for all AFDC recipients required to participate in JOBS (45 CFR 250.74(b) and 250.78) - For Fiscal Year 1994 the required participation rate is 15%. This is to ensure that a minimum proportion of the AFDC adult population is participating at a meaningful (significant) level.

Participation rate for AFDC-UP recipients (45 CFR 250.74(c) - For Fiscal Year 1994 the required participation rate is 40%. This is to ensure that a minimum proportion of the AFDC-UP principal wage earners or their spouses engage in work activities.

Target group expenditures (45 CFR 250.74(a)(1)) - At least 55% of a State's JOBS expenditures must be spent on applicants and recipients who are members of the State's target populations as defined at 45 CFR 250.1. This is to ensure that the hard to serve are served by requiring that 55% of IV-F expenditures are spent on the target groups defined in the statute or, if different, approved as a part of the State's JOBS plan.

Current Data Reporting System

The JOBS Case Sample Reporting System (CSRS) was established to meet some of the reporting requirements mandated by section 487 of the Social Security Act. However, the data necessary to establish participation rates is collected through both CSRS and aggregate hard copy. Only data necessary to establish the numerator for overall participation is collected through CSRS. The population from which each state must draw its sample (or in lieu of drawing a sample, the State may submit the entire population each month) is defined as the number of JOBS participants that were engaged in at least one hour of activity in an approved JOBS program component during the sample month. In addition to JOBS program data, a limited amount of demographic data and child care data is also required to be submitted.

Current QC Law

Under section 408 of the Social Security Act, States are required to operate a quality control system in order to ensure the accuracy of payments in the AFDC program. States operate the system in accordance with time schedules, sampling methodologies, and review procedure prescribed by the Secretary. The law defines: what constitutes a payment error; how error rates and disallowances are calculated; the method for adjusting State matching payments; and the administrative and judicial reviews available to states subject to disallowances because of error rates in excess of the national standard (i.e., the national error rate for each year).

The AFDC-QC system functions primarily as a monitoring/auditing system. Its primary purpose is to establish the correctness with which payments are made to AFDC cases in each State. Subsequent to the establishment of this system, which is a subsystem of the National Integrated Quality Control System (NIQCS), OMB required additional AFDC data be collected to replace the biennial survey of AFDC families that had been in place through 1979. The AFDC-QC system also obtains the data necessary to produce the publication entitled "Characteristics and Financial Circumstances of AFDC Recipients." The AFDC-QC system is not used to meet any of the reporting requirements for the AFDC program.

Vision

We envision an outcome-based performance measurement system that consists of a limited set of broad measures and focuses State efforts on the goals of the transitional support system -- helping recipients become self-sufficient, reducing dependency, and moving recipients into work. The system would be developed and implemented over time, as specified in statute. Until a system incorporating outcome-based standards can be put in place, State performance will be measured against service delivery measures as specified in statute. These service delivery standards would be used to monitor program implementation and operations, provide incentives for timely implementation, and ensure that States were providing services needed to convert welfare into a transitional support system. The current targeting and participation standards would be eliminated (see draft specifications on JOBS/Time-Limits/WORK).

Interested parties will be included in the process for determining performance measures and standards. The new service delivery measures for JOBS would look over time to see that individuals subject to the time limit are getting served by the program and that a substantial portion of such cases are being served on an ongoing basis. For teen parents, a measure would be established to examine whether they are receiving case management services. As soon as WORK program requirements begin to take effect (i.e., two years after the effective date of the start of the phase in), States would be subject to a service delivery standard under the WORK program. Until automated systems are operational and reliable, State performance vis-a-vis these service delivery measures would be based on information gathered through case-record reviews.

Within a specified time period after enactment of this bill, the Secretary will develop a broader system of standards which incorporates measures addressing the States' success in moving clients toward self-sufficiency and reducing their average tenure on welfare.

Legislative Specifications:

1. Outcome-based Performance Standards System

- (a) In accordance with the effective dates specified, in order to assess State performance, the Secretary shall enact an outcome-based performance standards system that will measure the extent to which the program helps participants improve their self-sufficiency, their independence from welfare, their labor market participation, and (perhaps) the economic well-being of children. As specified below, the Secretary shall first develop outcome-based performance measures and then shall take steps to set expected standards of performance with respect to those measures. The system will also include performance standards for measuring the extent to which individuals are served by the transitional support system (i.e., service delivery standards).
- (b) The current quality control system shall be revised to reflect the new performance standards system (*see section on Revised Quality Control for specifications*).
- (c) The Secretary shall publish annually State-level data indicating State performance under such a system.
- (d) Amend Sec. 487 (b) to read: The Secretary may require States to gather such information and perform such monitoring functions as are appropriate to assist in the development of such a performance measurement system and shall include in regulations provisions establishing uniform reporting requirements for such information.
- (e) In adopting performance standards the Secretary shall use appropriate methods for obtaining data as necessary, which may include access to earnings records, State employment security records, State Unemployment Insurance records, and records collected under the Federal Insurance Contributions Act (chapter 21 of the Internal Revenue Code of 1986); drawing reliable statistical samples and revising QC reviews of AFDC payment and case information; and using appropriate safeguards to protect the confidentiality of the information obtained.
- (f) The Secretary shall, in consultation with appropriate interested parties, review and modify the performance measures and standards, and other components of the performance measures system periodically as appropriate.

2. Developing an Outcome-based Performance Measurement System

- (a) By June 1, 1995, for the purposes of enacting a performance measurement system, the Secretary will present recommendations on specific outcome-based performance measures (with proposed definitions and data collection methodologies) and shall solicit comments from the Congress, Secretaries of other Departments, representatives of organizations representing Governors, State and local program administrators, educators, State job training coordinating councils, community-based organizations, recipients, and other interested persons (hereinafter referred to as *interested parties*).
- (b) The recommendations shall include the percentage of the caseload who reach the 2-year time-limit (note: should this be limited to those cases where the agency had jurisdiction for the two cumulative years and were WORK mandatory, post-IOBS?). The recommendations also may include but shall not be limited to measures which examine:
 - (i) factors used in section 106 of the Job Training Partnership Act and any subsequent amendments such as placement and retention in unsubsidized employment and a reduction in welfare dependency; and,

why?
wait!

- (ii) other factors as deemed appropriate by the Secretary.
- (c) Based on comments from the interested parties, the Secretary will finalize the measures by January 1, 1996, and publish the measures in the Federal Register.

3. Developing and Implementing Outcome-based Standards

- (a) By June 1, 1996, for the purposes of enacting outcome-based standards, the Secretary, in consultation with interested parties, shall present recommendations for performance standards based on the performance measure information (as specified above) and other appropriate information.
- (b) Based on comments from the interested parties, the Secretary will finalize the standards that will be published in the Federal Register by January 1, 1997.
- (c) The Secretary shall amend in regulations the penalties and incentives in accordance with the proposed standards as appropriate and shall implement the additional performance standards by June 1, 1997.

4. Service Delivery Standards

Vision:

To ensure that welfare systems are refocused on self-sufficiency efforts, the new performance system will provide for awards and penalties for State performance through adjustments to the State's claims for AFDC payments. These measures are designed to provide positive and negative incentives to States to serve recipients under the new transitional system and to monitor program operations. States would be subject to financial incentives the following areas: coverage rate in JOBS, service continuity rate in JOBS, and participation rate in WORK. In addition, the caps on JOBS extensions and pre-JOBS assignments, State's accurate keeping of the two-year clock, spending entire allocations in conjunction with provisions regarding the use of transitional child care and programs for non-custodial parents are considered service delivery standards.

- (a) Upon enactment of this act, the Secretary shall implement service delivery measures for purposes of accountability and compliance.
- (b) States shall begin reporting and validating data for service delivery measures no later than 6 months following the effective date of the new JOBS/WORK provisions in a manner to be prescribed by the Secretary. States shall be subject to service delivery standards upon the effective date of the new JOBS program.
- (c) **Rate of coverage in JOBS:** To maximize the number of welfare recipients who become self-supporting, it is important for JOBS programs to serve their entire mandatory caseload. To measure the extent to which programs work with the entire mandatory caseload in ways deemed appropriate, States are expected to meet a coverage rate. This rate specifies the extent to which a program involves or covers individuals who are mandated for the program (not including those assigned to JOBS Prep) within a specified period. A program is considered to have covered individuals if they participate in activities, are employed, leave AFDC, or are sanctioned. The coverage rate is a longitudinal rate that requires tracking a previously entered cohort of clients. In the calculation of this rate, the denominator consists of the JOBS mandatory caseload receiving assistance (i.e., excluding those in the JOBS-Prep

status). The numerator consists of those in the denominator who *either* participate in program activities, are employed, leave AFDC, or are sanctioned within a specified period (such as 6 or 12 months). The definition of *participation* will be specified in regulation.

- (d) An 85% standard with a 5% +/- tolerance is proposed. For each two percentage point increase above 90%, the state would receive an additional 1 percentage point increase in FFP for AFDC benefits for the mandatory JOBS caseload up to a maximum of a 5% positive incentive. For each two percentage points below 80%, the FFP would be reduced by one percentage point up to a maximum 5% negative incentive (a reduction in the FFP of 5%). There would be no change in FFP for those covering 80 to 90% of the applicable caseload.

(e) **Rate of service continuity in JOBS:**

To ensure that welfare recipients receive services for as much time as possible when their clock is running, states are expected to meet a service continuity rate. This rate specifies the proportion of time individuals participate when their clock is running and seeks to minimize the amount of *down* time where individuals are not assigned to and participating activities. This rate consists of a two-part calculation:

- (i) For each individual in the JOBS mandatory caseload (or a representative sample), a rate is calculated where the length of time the individual's clock was running is the denominator; the length of time the individual was both assigned to and participating in program activities is the numerator. The rate would be calculated over a specified period, such as ~~6 or 12~~ months. (The definition of *participation* will be specified in regulation, to ensure some minimum level of service.)
- (ii) From this, the proportion of individuals who were participating ~~50~~ percent or more of the time their clock was running is calculated.

Time sanctioned?
Does it show up?

- (f) The performance standard for the service intensity rate is ~~35~~ percent with a 5% +/- tolerance -- that is, ~~35~~ percent of the mandatory caseload must participate at least ~~50~~ percent of time their clock is running. For each three percentage point increase above 40%, the state would receive an additional one percentage point increase in FFP for AFDC benefits for the mandatory JOBS caseload up to a maximum of a 5% positive incentive. For each three percentage points below 30%, the FFP would be reduced by one percentage points up to a maximum 5% negative incentive (a reduction in the FFP of 5%). There would be no change in FFP for those covering 30 to 40% of the applicable caseload. *The total incentive payment to a state for coverage and continuity combined cannot exceed more than 1 percent of the total AFDC benefits to a state.*

(g) **POSSIBLE OPTION:**

In addition, to ensure that welfare recipients attend their assigned activities for as much time as possible, States could eventually be required to meet a service intensity rate (this rate would be implemented a later specified date). It is proposed that the implementation of this measure be delayed given the number of other standards being imposed and the more difficult data collection for this item. This is a measure of the proportion of scheduled hours individuals actually participate in activities. This service intensity rate would consist of a two-part calculation:

- (i) For each individual in the JOBS mandatory caseload (or a representative sample) who attended a program activity, a rate is calculated where the

number of hours the individual is scheduled for activities is the denominator. The number of hours the individual participated in program activities is the numerator; the rate would be calculated over a specified period, such as ~~6~~ or 12 months.

- (ii) From this, the proportion of individuals who were participating ~~50~~ percent or more of the time they were scheduled for activities is calculated.

The performance standard for this service intensity rate is ~~35~~ percent with a +/- 5 percent tolerance -- that is, ~~35~~ percent of the caseload must participate for ~~50~~ percent of their scheduled hours.

(h) **WORK Program Participation Rates:** States will also receive financial incentives for meeting the following participation standard in the WORK program. To ensure that individuals who reach the time limit are assigned to work slots, States would be expected to meet a WORK participation standard. The WORK performance measure would take effect two years after the effective start date of the phase-in. To meet this standard, States are required to meet the *lower* number of "filled" WORK slots, either:

- (i) The number required so that ~~80~~ percent of those who reach the time limit are assigned to a WORK slot. To calculate this number, on a monthly basis averaged over a specified period (such as ~~12~~ or 24 months), take 80 percent of the number of clients at or beyond the time limit. This is the number of work slots required to be filled, on average, on a monthly basis over a specified time period, such as ~~12~~ or 24 months. Only individuals who are in the WORK program for two calendar years or less are included in the WORK performance measure. Or,

Sanctioned months count + job search counts

- (ii) The number the State was required to create, based on their allocation. ~~A method for calculating the number of slots filled that will be equivalent to the way the number of slots are allocated to States needs to be developed.~~ Only individuals who are in the WORK program for two calendar years or less are included in the WORK performance measure.

Richard: Penalty is a wash

- (i) For the WORK participation rate, a standard of 80% is proposed (an average of 80 percent of mandatory WORK clients must be in a WORK assignment each month) unless this standard is otherwise waived for a particular state. For proportion of caseload below this rate, a 50 percent *reduction* in the FFP for their AFDC benefits is proposed, using the State average AFDC benefit level rather than actual benefit paid, if standard is not met. Only those in the WORK program for two calendar years or less are included in the calculation.

!!

- (j) **General State Effort standard or Spending Entire JOBS/WORK/Child Care Capped Allocations.**

Assuming the match rate for JOBS/WORK/Child Care is JOBS FMAP+4, a 6 percentage point increase in FFP for these capped allocations is received if specified criteria are met:

- (i) Operating program for non-custodial parents using 5 percent of JOBS and WORK money.
- (ii) Meeting a transitional child care performance standard of 15 percent in the first year, increasing 5 percentage points in each subsequent year. The denominator for this rate is the number of children in child care whose parent is in JOBS or WORK. The numerator is the number of children in child care covered by TCC.
- (iii) Spending the entire JOBS, WORK, and Child Care capped allocations.

①

It is proposed that this provision be in effect for six calendar years, with the match rate for these programs being set at JOBS FMAP + 8 at that point.

(k) States are not eligible for increased FFP for any service delivery measures if the Secretary determines:

- (i) the accuracy of a State's time-clock fails the threshold standards for time-clock accuracy (as defined subsequently in the QC section); and/or,
- (ii) data reported by a State fails the threshold standards for data quality (as defined subsequently in the QC section).

(l) Cap on JOBS Prep and JOBS Extensions.

It is proposed that there be no FFP for any cases in JOBS Prep above the CAP and for JOBS extensions above the cap unless the state has submitted a proposal to the Secretary to raise the CAP or the Secretary has already granted such a waiver. OK

5. Expanded Mission for Quality Control System

Vision

The following language allows the Secretary to redesign the current payment accuracy Quality Control system to a broader system focused on the performance standards established in statute or by regulation to ensure the efficient and effective operation of the JOBS/WORK/Time Limited Assistance program. Payment accuracy will be retained but only as one element in a broader performance measurement role for the QC system.

- (a) Amend the Social Security Act to improve the accuracy of benefit and wage payments in the AFDC and WORK program, to assess the quality of State-reported data, to ensure the accuracy of state reporting of JOBS/WORK data required under this act, and measure the accuracy with which states calculate client eligibility for benefits under a time-limited AFDC system, to ensure that other performance standards are met, and to fulfill other appropriate functions of a performance measurement system
- (b) Require the Secretary to establish and operate a quality control system under which the Secretary shall determine, with respect to each State, the extent to which any and all performance standards established by statute or regulation are being met.

NOTE: For drafting purposes, section 408 should be redesignated as appropriate to be incorporated into a performance measures system.

- (c) States would be required to conduct periodic, internal audits of their JOBS and WORK processes to ensure the accuracy of reported data and annual audits to establish payment accuracy rates. The Federal government would specify the minimum sample sizes to achieve 90 or 95 percent confidence at the lower limit (the method generally used by OIG). States would also be permitted to use current QC resources to conduct special studies to test and improve the current system. (This is an option)

- (d) The Secretary shall designate additional data elements to be collected in a QC review sample to fulfill the needs of a performance measures system (pursuant to section 487 as amended under this part), and will amend case sampling plans and data collection procedures as deemed necessary to accurately assess those measures of program performance identified elsewhere in this section. The Secretary may modify the scope of the current QC system and the intensity of the current case review process in order to reallocate resources to those additional tasks necessitated by this Act. This may involve changing regulations to reduce the verification and documentation required to substantiate a review finding and to reduce required sample sizes or the number of factors examined as part of a case review under existing regulations.

- (e) The Secretary shall, after consulting with the states and securing input from knowledgeable sources, publish regulations regarding changes in the design and administration of existing Q.C. functions as well as enhancements to that system. These proposed changes will be published no later than ___ months after enactment of this Bill.

TECHNICAL ASSISTANCE AND EVALUATIONS

1. Authority to Tap JOBS/WORK and Child Care Funds For Research, Evaluation and Technical Assistance Purposes

Current Law

There are a variety of ways that funds are set aside for evaluation oversight and technical assistance support to programs. The Family Support Act, for example, authorizes specific amounts for implementation and effectiveness studies of the JOBS Program. Under the Head Start Act, 13 percent of annual appropriations are reserved by the Secretary for a broad range of uses including training, technical assistance and evaluation. The Secretary of HHS, at her discretion, sets aside 1% of Public Health program funding for evaluation of its programs.

Vision

Annually reserve 1% of the total capped entitlement funding for the Secretary of HHS ~~(and Labor?)~~ to spent proportionately on JOBS, WORK and At-Risk Child Care for research, evaluation, and technical assistance.

Rationale

Sufficient funds should be available to ensure that the Department(s) can provide adequate levels of technical assistance to States, exercise oversight over State implementation of welfare reform, and carry out other supportive research and training activities. Tying funds to a percentage of the overall program dollars ensures that as the program grows, funds for research, evaluation and technical also grow.

Legislative Specifications

- (a) Reserve to the Secretary from amounts authorized for the capped JOBS, WORK and At-Risk Child Care funding, up to ~~one percent~~ for each fiscal year for expenditures for evaluation, research, training and technical assistance.

OPTION: This language could specify that the funds be re-allocated for each program according to the proportion of monies contributed from each program. For example, if 25% of the total tap came from JOBS/WORK, then 25% of the total monies would be re-allocated to JOBS/WORK for purposes of technical assistance, evaluations, training, etc. This would ensure that monies are redistributed equitably among programs. OK

Additionally, the language could further specify that monies be allocated for specific purposes to reflect the changing needs of the program. For example, a minimum percentage could be ear-marked for technical assistance in the early stages of the program to assist the implementation process. Similarly, the minimal ear-mark for evaluations could increase down the road when evaluations play a more critical role and would require greater attention and resources. This process would help ensure that the resources are used as intended and more effectively.

(b) The Secretary of HHS in consultation with the Secretary of Labor shall conduct the following evaluation studies of time-limited JOBS followed by WORK:

(i) A two-phase implementation and institutional outcomes study that describes:

- How States and localities initially responded to new policies, implemented the new program, obstacles and barriers, institutional arrangements, and recommendations;
- How States and localities subsequently did as their programs matured including program design, services provided, operating procedures, exemplary practices, funding levels and participation rates and recommendations. The study will also consider the effects on State and local administration of welfare programs including management systems, staffing structure, and "culture."

(ii) An impact evaluation, using a random assignment design, that examines:

- The relative net effectiveness of various strategies used by States and localities on employment rates, reduction of welfare dependency, income levels and poverty reduction, family structure, child well-being, and client satisfaction for recipients by major subgroups.

teen
pregnancy

INFORMATION SYSTEMS AND INFRASTRUCTURE

Current Law and Background

In the late 1970s, the Federal government decided to improve the administration of welfare programs through the use of computerized information systems. The Congress enacted PL 96-265 and subsequent legislation to grant incentive funding to encourage the development of automated systems.

In 1981, the AFDC program released the Family Assistance Management Information System (FAMIS) specifications and updated them in 1983. In 1988, the Food Stamp Program (FSP) released similar guidelines in regulations and updated them in 1992. Incentive funding is also available for statewide, Child Support Enforcement (CSE) systems. In 1993, the Office of Child Support Enforcement (OCSE) released a child support State systems "guide".

A recent GAO report indicated that, in the previous 10 years the Federal government had spent nearly \$900 million in the development and operation of AFDC and FSP automated systems alone. In the Omnibus Budget Reconciliation Act of 1993, the Congress repealed enhanced funding for AFDC and FSP effective April 1, 1994.

An emerging priority of Federal funding agencies has been to encourage States to implement more cost-effective systems which integrate service delivery at the local level. This has enabled many States to begin using combined application forms for multiple programs (including AFDC, FSP, and Medicaid) and a combined interview to determine eligibility for the various programs. Consequently, with systems support, a single eligibility worker can process an application for several programs at the same time.

Another priority is the development of electronic transfer of funds or Electronic Benefit Transfer (EBT) technology to deliver benefits. This technology allows recipients to use a debit card, similar to a bank card, at retail food stores and automated teller machines (ATMs) to access their benefit accounts. Plans to expand the use of EBT systems are mentioned in the Vice President's National Performance Review.

Under current law and regulations, States and the Federal government have developed elaborate computer management information systems for financial management and benefit delivery, program operations, and quality control. Some programs, such as Child Support Enforcement, are in the midst of large-scale (and long-term) computer system change, while others, such as AFDC (with its FAMIS systems), are nearing completion of a development cycle.

Both FAMIS and Child Support Enforcement Systems (CSES) have been funded under an enhanced funding (90 percent) match. Partly as a result of this incentive funding, many states have integrated, automated, income maintenance systems which assist caseworkers in determining eligibility, maintaining and tracking case status, and reporting management information to the State and Federal governments.

Other essential welfare programs, namely JOBS and child care, have limited and fragmented automated systems. For the most part, States could fund parts of these systems at the 50 percent match rate. States report that administrative funds have not been available to fully automate and interface JOBS and Child Care with other programs within the State.

Many of these systems have serious limitations: limited flexibility, lack of interactive access, limited ability to exchange data electronically, etc. Even the most sophisticated systems fall short of the goal of allowing State agencies to use technology to:

- Eliminate the need for clients to access different entry points before they receive services;
- Eliminate the need for agency workers (and clients) to encounter and understand a wide variety of complex rules and procedures;
- Share fully computer data with programs within the State and among States; and
- Provide the kind of case tracking and management that will be needed for a time-limited welfare system.

Vision and Rationale

Computer and information technology solutions will support welfare reform by providing new automated screening and intake processes, eligibility decision-making tools, and benefit delivery techniques. Application of modern technologies such as expert systems, relational databases, voice recognition units, and high performance computer networks, will help empower families and individuals seeking assistance. At the same time, these technologies will assist in reducing waste, fraud, and abuse so that Federal and State benefits are available to those who are in need.

State-Level Systems, Prototypes, and National Clearinghouse

To achieve this vision, we are proposing an information infrastructure which allows, at the State level, the integration and interfacing of multiple systems, for example, AFDC, food stamps, work programs, child care, Child Support Enforcement (CSE), the Earned Income Tax Credit (EITC), and others. The Federal Government, in partnership with the States, will develop prototype systems that perform these functions which the States may modify and/or adopt.

To support the broader information needs, the new information infrastructure needs to include both a national data "clearinghouse" to coordinate data exchange and for other purposes as well as enhanced state and local information processing systems.

Enhanced State Systems. At the State and local level, the systems infrastructure would include automated subsystems for intake, assessment, and referral; case management and tracking during and after the time-limit and for delivery of support services; and benefit, payment, and reporting. The infrastructure would consist of new systems components integrated with existing systems or with somewhat enhanced existing systems. Variations in existing automated systems would make it unreasonable to try to standardize these systems. Rather, we need linkages that allow for the accurate exchange of data between systems.

States would have the option to develop their own systems, modify and/or adopt prototype systems developed by the Federal government, or use systems developed by groups of States. A higher match rate would be available to States which adopted a Federal prototype or a system developed by a group of States; otherwise regular administrative match would be available.

By linking the various programs and systems, States would be able to provide integrated services and/or benefits to families and individuals "at-risk" of needing financial assistance, those receiving assistance, and those transitioning from public assistance program to self-sufficiency. Such an automated system infrastructure would enable States to provide greater support to families who might otherwise dissolve, as well as to parents who may, because of unmet needs, be forced to terminate employment or training opportunities.

In addition, as Electronic Benefit Transfer (EBT) and Electronic Funds Transfer (EFT) become more widespread, they would be used for other programs, such as child care reporting and payments, and reporting of JOBS participation. As an example, a JOBS participant could be required to self-report either through a touch-tone phone that connects to a Voice Recognition Unit (VRU) or through the use of plastic card technology.

For detection and analysis of fraud and abuse, computer matching of records and sharing of data among State programs and at a national level would be increased. For example, the child support information needs for establishing an order or in review and modification would be extremely valuable for access by the AFDC agency, after the agency has performed prospective eligibility determinations, but before benefits are granted. In addition, to ensure that an individual does not obtain AFDC beyond the time limit, the National Clearance would be extremely helpful.

Data and Reporting on Program Operations and Clients. Current methods for data gathering and reporting requirements on program operations and clients could be reduced. Many of the current data and reporting requirements will be superseded by new ones, but in any case, many current items are of low data quality or of little interest. Current requirements will be re-examined.

National Clearinghouse. The National Clearinghouse will be a collection of abbreviated case and other data that "points" to where detailed case data resides and provides the minimum information for implementing key program features. Described in detail under the Child Support Enforcement section, this Clearinghouse will not be a Federal data system that performs individual case activities. While information will be coming to and from the Clearinghouse, it will contain severely limited data -- States will retain overall processing responsibility.

The Clearinghouse will maintain at least the following data registries:

- The National Employment Registry will maintain employment data for individuals, including new hire information.
- The National Locate Registry will enhance and subsume the current Federal Parent Locator Service (FPLS) functions.
- The National Child Support Registry will contain data on all non-custodial parents who have support orders.
- The National Transitional Assistance Registry will contain data to operate a time-limited assistance program, such as the beginning and ending dates of welfare receipt, participation in various work programs, and the name of the State providing benefits.

Legislative Specifications

1. Requirements for Exchanging and Using Information in the National Transitional Assistance Registry

- (a) Insert at Section 402(a)(29): To provide for national, time-limited assistance:
- (A) the State IV-A Agency shall exchange information as described in subparagraph (B) with the National Transitional Assistance Registry described in section 402(d), and, to the extent practicable, shall use information received from other National Registries, such as the New Hire Registry, operated for the Child Support Enforcement program as described in section ~~402(d)~~.
 - (B) The State IV-A agency, except as provided for at subparagraph (C), shall:
 - (i) report on-line in a standard, electronic format to the National Transitional Assistance Registry the following items: case identification, dates, and status information related to:
 - (I) assistance case opening and closing;
 - (II) participation in JOBS-Prep, JOBS, and WORK;
 - (III) extension of time-limits;
 - (IV) sanction(s) for non-compliance with child support and other programs; and
 - (V) other information to assist in performance measurement as determined necessary by the Secretary
 - (ii) query the National Transitional Assistance Registry before granting assistance and receive information about the number of months an applicant has previously received assistance or has been recently employed; and
 - (iii) use such information in the determination of eligibility and time period for which assistance may be granted.
 - (C) Until such time as the State has a fully operational, statewide automated transitional assistance intake, referral, and reporting information system as described at section 402(a)~~(XX)~~, the Secretary may, upon request from the State IV-A agency, approve an alternate for reporting of the information described at subparagraph (B)(i).

2. The National Transitional Assistance Registry: a Statewide, Automated, Transitional Assistance Information System for Intake, Referral, and Reporting

- (a) Add New Section 402(a)~~(XX)~~: The State IV-A agency, at its option, shall establish and operate in accordance with an Advance Planning Document approved under section 402(e), a single statewide, automated, transitional assistance system designed economically, effectively, and efficiently to assist the State administering the aid to families with dependent children state plan such that the system shall:
- (A) To the extent practicable, use "expert system-driven" automated procedures and processes.

- (B) Provide for automated procedures and information to account for, monitor, control, and report transitional assistance payment and benefit processes to include, but not be limited to:
- (i) identifying and demographic client information;
 - (ii) preliminary assessment of AFDC eligibility, JOBS readiness, and support services, including
 - (I) use of information from the National Transitional Assistance Registry, as described at section 402(a)(29), and
 - (II) to the extent practicable, collect and assess information to assist in the provision of child care and child support enforcement services;
 - (iii) electronic information received from, and referral to, automated case management systems used to operate AFDC, JOBS, WORK, Child Care, and Child Support Enforcement;
 - (iv) reporting to the National Transitional Assistance Registry, case identification, dates, and status code information as described in subsection 402(a)(29); and
 - (v) provide for security against unauthorized access to, or use of, the data in such system.

3. Automated, Statewide, Child Care Case Management Information System

- (a) Add new Section 402(a)(~~XX~~): The State IV-A agency, at its option, shall have in operation, in accordance with an Advance Planning Document approved under section 402(e), an economical, effective, and efficient automated case management information system, to:
- (A) Allow the State to control, account for, and monitor all programs that provide child care administered under the State plan and, at its option, to achieve seamless child care delivery, all child care programs of the State, including providing operational systems support necessary for administration of the child care program(s) and managing the non-service related CCDBG funds, such that automated procedures and processes will allow the State to:
 - (i) identify families and children in need of child care, establish eligibility for child care, and determine funding source(s);
 - (ii) plan and monitor services, determine payments, and update and maintain the family and child care eligibility status for child care;
 - (iii) maintain and monitor necessary provider information;
 - (iv) process payments and meet other fiscal needs for the management of child care program(s);

- (v) produce management reports necessary for efficient and effective operation of child care programs, and financial and statistical reports required by Federal and State directives; and
 - (vi) monitor and report performance against performance standards.
- (B) Electronically exchange information with other automated case management systems and with the statewide automated transitional assistance referral and reporting system.
 - (C) Monitor program performance and assessment and report against standards and report other information as determined by the Secretary to be necessary.
 - (D) Provide for security against unauthorized access to, or use of, the data in such system.
 - (E) If the State IV-A agency contracts with a CCDBG agency for child care, then the IV-A agency will transfer appropriate funds to the CCDBG agency for systems development sufficient so that the CCDBG agency can meet the requirements specified in subparagraphs (A) through (D) above.

4. Automated, JOBS/WORK Case Management Information System

- (a) Establish a new Subsection 482(j): The State IV-A Agency, at its option, shall have in operation, in accordance with an Advance Planning Document approved under subsection 402(e), an economical, effective, and efficient automated case management information system, to:
 - (1) Allow the State to control, account for, and monitor all factors of the JOBS and WORK programs, including, but not limited to:
 - (A) assessing a participant's need for services in relation to their goals;
 - (B) developing an employability plan to enable a participant to meet their employment goal;
 - (C) arranging and coordinating the services or resources necessary to carry out a participant's employability plan;
 - (D) following-up on both the participant's and the agency's implementation of this plan; and
 - (E) gathering other information as determined necessary by the Secretary.
 - (2) Support both management and administrative activities of the program, including, but not limited to:
 - (A) tracking ongoing program participation through concurrent and sequential activities;
 - (B) monitoring attendance; and
 - (C) contacting service providers and participants.

- (3) Electronically exchange information with other programs.
- (4) Provide program performance and assessment information determined to be necessary by the Secretary.
- (5) Provide for security against unauthorized access to, or use of, the data in such system.

5. Requirements for Advance Planning Documents

(a) Revise Subsection 402(e):

- (1) The Secretary shall not approve the initial and annually updated advance automated data processing planning document referred to in subsections (a)(~~XX~~), (a)(30), and (a)(~~XX~~), and section 482(j), unless such document, when implemented, will carry out the objectives of the automated, statewide, management information systems referred to in such subsections and section, and such document:
 - (A) provides for the conduct of, and reflects the results of, requirements analysis studies, which include consideration of the program mission, functions, organization, services, constraints, and current support, of, in, or relating to, such system;
 - (B) describes the proposed statewide automated management information systems;
 - (C) describes the security and interface requirements to be employed in such statewide management information systems;
 - (D) describes the projected resource requirements for staff and other needs, and the resources available or expected to be available to meet such requirements;
 - (E) contains a project plan for planning, designing, developing, implementing, and operating the proposed statewide automated management information systems;
 - (F) contains a cost-benefit analysis which details the estimated costs for planning, designing, implementing, and operating the proposed statewide automated management information systems, and the quantitative and qualitative benefits to be derived from the operation of the systems; and
 - (G) provides such other information as the Secretary determines under regulation is necessary.
- (2) (A) The Secretary shall, on a continuing basis, review, access, and inspect the planning, design, and operation of the statewide management information systems referred to in subsection 403(a)(3)(B), with a view to determining whether, and to what extent, such systems meet and will continue to meet requirements imposed under such section and the conditions specified under subsections (a)(~~XX~~), (a)(30), and (a)(~~XX~~), and section 482(j).

(b) Delete subparagraph (C) from Subsection 402(e)(2)

6. National Transitional Assistance Registry

(a) Add Section 402(d):

- (1) The Secretary shall establish and operate as part of the National Clearinghouse referred to in section 455(Ⓢ) a National Transitional Assistance Registry, for purposes of maintaining and operating a national time-limited assistance "clock" to be used by State IV-A agencies in calculating the remaining months an individual may be eligible to receive benefits.
- (2) The National Transitional Assistance Registry will be maintained by obtaining from each IV-A Agency, information on individuals receiving benefits, including, but not limited to:
 - (A) applicant identification information, such as Social Security Number and name;
 - (B) the dates an individual went on and off of assistance; and
 - (C) status information related to the type of assistance received, such as AFDC, JOBS-prep, JOBS, and WORK.
- (3) Upon receipt of a request from a State IV-A Agency, filed in accordance with subsection (d)(6) by an authorized person (as defined in subsection (d)(5)), for information about the number of months an individual remains eligible for assistance, the Secretary shall search the National Transitional Assistance Registry and the New Hire Registry, maintained under ~~Title IV-D~~, and as appropriate access the Social Security Administration's records to validate the Social Security Number so as to return to the State agency, one or more possible eligibility determination factors including, but not limited to, whether:
 - (A) the individual is contained in the National Transitional Assistance Registry and is eligible under a time-limited system to receive assistance for a specific number of months;
 - (B) the individual is contained in the New Hire Registry as being recently employed;
 - (C) the individual has provided the State agency with an invalid SSN; and
 - (D) the individual is not contained in the National Clearinghouse Registries, but has a valid SSN.
- (4) (A) In any case in which an information discrepancy exist between the information presented to a State IV-A agency by the client and the information received by the State IV-A agency from the National Clearinghouse Registries, the Secretary shall assist in resolution only to the extent that there may be a database integrity issue.

- (B) In such cases, the Secretary shall:
- (i) verify that the data contained in the Registry reflects accurately the information contained in the State agency(s) records where the individual had previous assistance;
 - (ii) make a determination if the Registry information should be corrected and inform the requesting State of the revised information;
 - (iii) make a determination if the Registry reflects the data as reported and validated by the State agency or agencies where assistance was granted; and
 - (iv) provide notification that
 - (A) no further action will be taken by the Secretary and that the State agency or agencies must take the appropriate actions to resolve the discrepancy;
 - (B) the State agency where an individual is applying for assistance must work with the State(s) where previous assistance has been granted and, in accordance with normal due process notification and procedures, resolve the discrepancy; and
 - (C) once resolved, the State agency where assistance is being requested, must submit information, as appropriate to correct or update the Registry record.
- (5) The term "authorized person" means any person authorized by the State IV-A agency to access the National Transitional Assistance Registry; they must have and use a password.
- (6) Requests should be made in accordance with the directions provided by the Secretary and with the understanding that:
- (A) access to, and use of, such information is subject to the Computer Matching and Privacy Protection Act of 1988; and
 - (B) disclosure is subject to section 402(a)(9) and section 1137(b)(5).

7. Funding of State Systems

- (a) Replace Subsection 403(a)(3)(B):
- (i) ~~2~~ per centum of so much of the sums expended during such quarter through September 30, [a year within 5 years from date of enactment], as are attributable to the planning, design, development, and implementation (including in such sums the full cost of the computer hardware components of such systems) of automated management information systems that:

- (I) meet the requirements of subsections 402(a)(~~XX~~), (a)(30), and (a)(~~XX~~), and section 482(j), and
 - (II) the Secretary determines are likely to provide economical, efficient and effective administration of the plan; and
- (ii) \$0 per centum of so much as the sums expended during such quarter as are attributable to the operation of automated management information systems that meet the requirements of subsections 402(a)(~~XX~~), (a)(30), and (a)(~~XX~~), and section 482(j).

8. Technical Assistance, Training, Demonstrations and Operation of National Systems used to Support State Activities

(a) 401(a) Stat (Current Section 401):

(b)(1) There are authorized to be appropriated:

- (A) \$ for the first fiscal year after legislation passes for the purpose of enabling the Secretary to provide technical assistance and training; to design and develop, in partnership with the States and other interested parties, prototype systems; and to establish and operate the National Transitional Assistance Registry which will serve as the national "time-clock" for the State agencies to operate the time limited assistance program; and
- (B) for each fiscal year after the first year, \$ to provide technical assistance and training, development of prototypes, and for operation of the National Transitional Assistance Registry.

(b)(2) Funds appropriated for any fiscal year pursuant to the authorization contained in subsection (b)(1) shall be included in the appropriation Act (or supplemental appropriation Act) for the fiscal year preceding the fiscal year for which such funds are available for obligation. In order to effect the transition to this method of having appropriation action, the preceding section shall apply notwithstanding the fact that its initial application will result in the enactment in the same year (whether in the same appropriation Act or otherwise) of two separate appropriations, one for the then current fiscal year and one for the succeeding fiscal year.

UNIFORM ELIGIBILITY REQUIREMENTS FOR NON-CITIZENS

1. Apply a Uniform Standard for Determining Alien Eligibility for Non-Citizens Under AFDC, Supplemental Security Income, and Medicaid

Current Law:

Assuming they meet all other eligibility requirements, foreign nationals residing in the United States must be lawfully admitted for permanent residence or "permanently residing in the United States under color of law" (PRUCOL) to qualify for benefits of the AFDC, Supplemental Security Income (SSI), or Medicaid programs.

The term PRUCOL applies to certain individuals who are neither U.S. citizens nor aliens lawfully admitted for permanent residence. Aliens who are PRUCOL entered the United States either lawfully in a status other than lawful permanent residence or unlawfully. PRUCOL status is not a specific immigration status but rather includes many other immigration statuses. Under the SSI statute, PRUCOL aliens include those who hold parole status. The AFDC statute defines aliens who have been granted parole, refugee, or asylum status as PRUCOL, as well as aliens who had conditional entry status prior to April 1, 1980. The Medicaid statute uses the term PRUCOL but provides no guidance as to the meaning of the term.

In addition to the revisions in the regulations reflecting the interpretation of section 1614(a)(1)(B) of the Social Security Act resulting from the court in the Berger and Sudomir decisions discussed below, PRUCOL status also is defined in AFDC, SSI and Medicaid regulations as including aliens:

- ▶ who have been placed under an order of supervision or granted asylum status;
- ▶ who entered before January 1, 1972, and continuously resided in the United States since then;
- ▶ who have been granted "voluntary departure" or "indefinite voluntary departure" status; and
- ▶ who have been granted indefinite stays of deportation.

In the case of Berger v. Secretary, HHS, the U.S. Court of Appeals for the 2d Circuit interpreted PRUCOL for the SSI program to include 15 specific categories of aliens and also those aliens whom the Immigration and Naturalization Service (INS) knows are in the country and "does not contemplate enforcing" their departure. SSA follows the Berger court's interpretation of the phrase "does not contemplate enforcing" to include aliens for whom the policy or practice of the INS is not to enforce their departure as well as aliens whom it appears the INS is otherwise permitting to reside in the United States indefinitely. The Medicaid regulations include the same Prucol categories as the SSI regulations.

The Sudomir v. Secretary, HHS decision, which focused on AFDC eligibility for asylum applicants, was less expansive. The U.S. Court of Appeals for the 9th Circuit determined that AFDC eligibility would extend only to those aliens allowed to remain in the United States with a "sense of permanence." Applicants for asylum are thus specifically excluded from receiving AFDC benefits by this decision even though they would not necessarily be disqualified for SSI due to the Berger decision.

Proposal:

- (a) Eliminate any reference to PRUCOL as an eligibility category in titles IV, XVI, and XIX of the Social Security Act (the Act). Standardize the treatment of aliens under these titles by identifying in the statute the specific immigration statuses in which non-citizens must be classified by INS in order to qualify to be considered for AFDC, SSI, or Medicaid eligibility. Specifically, provide that only aliens in the following immigration statuses could qualify--
- ▶ lawfully admitted for permanent residence within the meaning of section 101(a)(20) of the Immigration and Nationality Act (INA);
 - ▶ residing in the United States with lawful temporary status under sections 245A and 210 of the INA (relating to certain undocumented aliens legalized under the Immigration Reform and Control Act of 1986);
 - ▶ residing in the United States as the spouse or unmarried child under 21 years of age of a citizen of the United States, or the parent of such citizen if the citizen is over 21 years of age, and with respect to whom an application for adjustment to lawful permanent resident is pending; or
 - ▶ residing in the United States as a result of the application of the provisions listed below:
 - sections 207 of the INA (relating to refugees) or 203(a)(7) of the INA (relating to conditional entry status as in effect prior to April 1, 1980);
 - section 208 of the INA (relating to asylum);
 - section 212(d)(5) of the INA (relating to parole status) if the alien has been paroled for an indefinite period;
 - section 902 of Public Law 100-202 granting extended voluntary departure as a member of a nationality group [NOTE: this provision may be excluded]; and
 - section 243(h) of the INA (relating to a decision of the Attorney General to withhold deportation).
- (b) The proposal would continue the eligibility of those aliens eligible for AFDC, SSI, or Medicaid on the effective date of the amendment who began their periods of eligibility before enactment for as long as they remain continuously eligible.
- (c) The proposal would also allow state and local programs of assistance to utilize the same criteria for eligibility.

Rationale:

Some aliens considered PRUCOL did not enter the United States as immigrants under prescribed immigration procedures and quotas, but entered illegally. Others entered legally under temporary visas but did not depart. The courts have determined some of these aliens to be eligible for benefits under the definition of PRUCOL, even though such individuals have not received from the INS a deliberate immigration decision and status for permanent presence in the United States. Therefore, it

is reasonable to restrict AFDC, SSI, and Medicaid eligibility to specific categories of aliens who have entered the United States lawfully or who are likely to obtain permanent resident status.

Determining which aliens must be considered for eligibility for Social Security Act programs has become excessively confusing due to judicial actions, and it is subject to ongoing challenge in the courts. By providing in the law a listing of statuses and specifically citing the provisions of the INA under which they are granted, the proposal would eliminate the ongoing uncertainty about the precise scope of the eligibility conditions and potential inconsistencies regarding alien eligibility in the three programs. Additionally, the alien eligibility categories proposed for AFDC, SSI, and Medicaid would be consistent with the proposed categories in the Administration's Health Security Act.

The food stamp program has avoided similar problems because the categories of aliens eligible for assistance under the program have been specifically listed in law. This proposal seeks to do the same for AFDC, SSI, and Medicaid.

The proposal would save administrative resources and costs. The case development required to determine if an alien is considered PRUCOL generally is time-consuming because SSA and state AFDC and Medicaid agencies must verify the alien's status with INS. In many cases, an alien's status as PRUCOL must be re-verified annually.

SPONSOR-TO-ALIEN DEEMING

Current Law: *Under immigration law and policies, most aliens lawfully admitted for permanent residence and certain aliens paroled into the United States are required to have sponsors.*

Sections 1614(f)(3), 1621(a), and 415 of the Social Security Act provide that in determining SSI and AFDC eligibility and benefit amount for an alien, his sponsor's (and sponsor's spouse's) income and resources are deemed to the alien for 3 years after the alien's entry into the United States. Public Law 103-152 extends the period of sponsor-to-alien deeming in the SSI program from 3 to 5 years for those applying for benefits beginning January 1, 1994 and ending October 1, 1996. For the SSI program, these deeming provisions do not apply to an alien who becomes blind or disabled after entry into the U.S. The Food Stamp program currently provides for a three-year sponsor-to-alien deeming period. In general, most SSI and AFDC recipients are eligible for Medicaid benefits. However, title XIX of the Act--governing the Medicaid program--does not have provisions on sponsor-to-alien deeming. Immigration law provides generally that an alien who has resided continuously in the United States for at least 5 years after being lawfully admitted for permanent residence may file an application for U.S. citizenship.

Drafting Specs

- (a) Make permanent in the SSI program the five-year period for sponsor-to-alien deeming.
- (b) Extend sponsor-to-alien deeming from three to five years in the AFDC and Food Stamp programs.
- (c) For the period between five and ten years after being lawfully admitted for permanent residence in the U.S., no sponsored immigrant shall be eligible for benefits under the AFDC, SSI, and Food Stamp programs, unless the annual income of the immigrant's sponsor is below the most recent measure of U.S. median family income.
 - ▶ "Annual income" of the sponsor shall include the most recent measure of annual adjusted gross income (AGI) of the immigrant's sponsor; and the AGI of the sponsor's spouse and dependent children, if any.
 - ▶ "Median family income" shall be based on the most recent Bureau of the Census measure for U.S. median family income for all families, updated by the most recent measure of change in the Consumer Price Index (CPI-U).

NOTE: For example, CPS data on 1992 income is available in October of 1993. The measure of CPI-U is available in February 1994, which provides the measure of change from 1992 to 1993. Applying the CPI-U to the 1992 income data yields the measure of median family income for 1993, which should be published in the Federal Register in February/March 1994. This measure will then be compared to actual family income for 1993 which should be available after April 15, 1994.

- (d) Each year the Secretary of HHS shall publish in the Federal Register the median family income amount that will be used to determine the eligibility of sponsored immigrants for the AFDC, SSI, and Food Stamp programs.

- (e) State and local programs of assistance are delegated the authority to use the same deeming criteria for determining eligibility of sponsored immigrants for benefits under their programs as is used by the AFDC, SSI, and Food Stamp programs.
- (f) Effective with respect to applications filed and reinstatements of eligibility following a month or months of ineligibility on or after October 1st 1994.

Rationale:

The number of immigrants entering the U.S. has been increasing recently and has had effects on the number of persons receiving benefits. For example, in the SSI program the number of immigrants who received SSI in December 1992 was more than double the number who received benefits in December 1987. Twenty-four percent of aliens lawfully admitted for permanent residence on the SSI rolls in December 1992 came onto the rolls within 12 months after their 3-year sponsor-to-alien deeming period ended, indicating that the deeming provision is instrumental in delaying alien eligibility for SSI. Extending the deeming period avoids increases in benefit program costs which would otherwise occur as a result of increasing immigration into the United States.

For example, under the SSI program, many elderly immigrants are sponsored by their children who have signed affidavits of support. It seems equitable to require the children to continue to support their relatives beyond the 3-year (or 5-year) period, rather than allow the parents to obtain welfare entitlement benefits solely on the basis of age, particularly if the sponsors are financially able to continue supporting the immigrants they have sponsored. Sponsors generally have sufficient income and resources to support their alien relatives as indicated by the fact that only 14 percent of sponsored aliens on the SSI rolls in December 1992 became recipients within their first 3 years in the United States. Nothing in this proposal would prohibit a sponsored alien from becoming eligible for benefits if the sponsor's income and resources were depleted sufficiently to meet eligibility criteria—as is the case with current law. This proposal merely requires sponsors to continue for a longer period of time to accept financial responsibility for those immigrants they choose to sponsor.

Once aliens become citizens, it is appropriate to discontinue sponsor deeming. Aliens generally can apply for citizenship after 5 years' residence in the United States.

EMERGENCY ASSISTANCE

Current Law

Emergency Assistance (EA) is an optional State complement to AFDC to provide immediate, short-term assistance, care or services to prevent the destitution of needy families with children. States have wide latitude to define the types of emergency situations to be covered, the kind of assistance and services to be provided and the financial and other eligibility conditions.

The enabling statute (section 406(e) of the Social Security Act) provides that EA can be "furnished for a period not in excess of 30 days in any 12 month period." The regulations at 45 CFR 233.120 clarify that Federal matching is available for emergency assistance which a State authorizes during one period of 30 consecutive days in any 12 consecutive months, including payments which are to meet needs which arose before such 30-day period or are for needs which extend beyond the 30-day period.

Section 403(a)(5) of the Social Security Act provides Federal matching at 50 percent of the total amount expended under the State plan to provide emergency assistance to needy families with children. Thus, Federal matching for the EA program is currently an open-ended entitlement.

Vision

In recent years, States have used the flexibility of the EA program to expand the types of emergencies covered, the services and benefits provided and the period of time for which benefits are authorized. This has resulted in a dramatic increase in costs. For example, Federal expenditures for FY 1990 totalled \$189 million, but are estimated to run \$644 million in FY 1995. This expansion is primarily attributed to States shifting costs from unmatched State programs, and to covering services included under title IV-E, IV-B, and Title XX of the Social Security Act to the emergency assistance program. With an open-ended entitlement, States use EA funds to meet unfunded service needs, rather than developing effective collaboration among all programs which serve needy families.

As an alternative to this uncontrolled growth and as a way to generate savings for welfare reform and improved selected programs and services, we are proposing to establish a Federal dollar cap on Emergency assistance funding. The cap would be established at \$425 million for FY 1995 and adjusted each year thereafter for inflation. Beginning in FY 2000, a State's allocation of EA funds would be based entirely on their proportion of AFDC program expenditures. Because current State spending on EA is quite disparate the allocation method will be phased in over 5 years to provide the fairest method possible. Such a cap will provide States sufficient Federal support and program flexibility to enable States to effectively address their emergency situations, particularly in light of planned expanded funding for homeless services, family preservation and health care reform.

Legislative Specifications

- (a) *Amend Section 403(a)(5) of the Social Security Act to establish a spending cap of \$425 million for Emergency Assistance for fiscal year 1995 and thereafter, indexed to the CPI for subsequent fiscal years.*

- (b) Amend Section 403(a)(5) to establish a State allocation formula. Each State with an emergency assistance plan approved under Title IV-A shall be entitled to 50 per centum of the total amount expended, but such payments for any fiscal year in the case of any State may not exceed the limitation described below.
- (c) Amend Section 403 to establish a phased in allocation formula based on a combination of (1) EA claims for the base year, excluding those claimed under another program; and (2) a State's proportion of total AFDC expenditures for the prior year. The base year for EA claims will be the last 2 quarters of FY 1993 and the first 2 quarters of FY 1994. Each State's limitation will be determined as follows:
- (i) for FY 1995, the amount determined by the ratio of 20 percent of a State's proportion of total AFDC expenditures for the prior year and 80% of a State's proportion of total EA claims in the base year;
- (ii) for FY 1996, the amount determined by the ratio of 40 percent of a State's proportion of total AFDC expenditures for the prior year and 60% of a State's proportion of total EA claims in the base year;
- (iii) for FY 1997, the amount determined by the ratio of 50 percent of a State's proportion of total AFDC expenditures for the prior year and 50% of a State's proportion of total EA claims in the base year;
- (iv) for FY 1998, the amount determined by the ratio of 60 percent of a State's proportion of total AFDC expenditures for the prior year and 40% of a State's proportion of total EA claims in the base year;
- (v) for FY 1999, the amount determined by the ratio of 80 percent of a State's proportion of total AFDC expenditures for the prior year and 20% of a State's proportion of total EA claims in the base year;
- (vi) for FY 2000 and thereafter, the allocation of EA funds will be distributed among the States based on the ratio of each State's AFDC program expenditures to total AFDC program expenditures.
- (d) To provide States with further flexibility to design their Emergency Assistance programs and to test different approaches, amend Section 1115(a)(1) to include section 406(e) among the sections which may be waived by the Secretary.

Regulatory Specification

- (a) The flexibility available to States within their EA programs would be described and expanded, either in regulations or in a series of program instructions and technical assistance brochures.
- (b) Currently, States may combine the administrative costs of the EA program along with those of the AFDC program and report these expenditures on one line item. To ensure that States do not shift the staff costs of providing EA services to administration, Form ACF 231 would be amended to require that all EA costs, both programmatic and administrative be combined and reported as EA expenditures.

→ § 1115 (p. 24)

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. 103-6.

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 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 unless that individual names the putative father and supplies sufficient information to enable the IV-D agency to identify him; and
- o cooperation (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. No fees may be imposed--

- o after September 30, 1997, for application for IV-D services; or
- o at any time, for inclusion in the central state registry, or for support collections through the centralized collections unit.

State agencies may assess other fees not specified in statute only if they are doing so in FY 1994.

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 of 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 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 ___ 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 a 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 non-English-speaking parents.

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.

For FY 1998 and succeeding years, a State may qualify for 80 percent Federal matching by operating a unified program in which--

- o all State agency responsibilities and operations are carried out, and all policy-making authority (including such authority with respect to issues of financing, personnel, and contracting) is exercised, by the State IV-D agency (and not by another State agency, or by a local agency);
- o all personnel carrying out the IV-D program are State agency employees, or employees of contractors directly responsible to such State agency (with limited exceptions permitted by the Secretary);
- o the non-Federal share of program funding is appropriated at the State (not the local) level; and

- o there are in effect uniform Statewide procedures and forms for case processing and for the handling of complaints.

Section 603 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, beginning with FY 1997. 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 Federal auditors conclude that a State's CSE program does not comply substantially with IV-D requirements:

- 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 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 such data, and would apply the adjustment to matching payments for the succeeding fiscal year (beginning with FY 1997).

SEC. 613. AUTOMATED DATA PROCESSING.

Section 613 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 to the statutory provisions for State implementation of all Federal ADP requirements (currently required by October 1, 1995), to provide that:

- o all requirements enacted before OBRA 1993 are to be met by October 1, 1995, except to the extent waived by the Secretary;
- o all requirements (including those enacted in OBRA 1993 and this bill) are to be met by October 1, 1998; and
- o the Secretary may waive the 1995 deadline for any element of a State's ADP system affected by the provisions of OBRA 1993 or this bill, if the State demonstrates that an extension is needed and that the requirement can be met by the 1997 deadline.

The 90 percent Federal matching for ADP start-up costs is extended through FY 1998.

(For additional ADP requirements, see sections 621, 622, 635, and 652.)

SEC. 614. FEDERAL AND STATE REVIEWS AND AUDITS.

Section 614 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 to determine, and report to the Secretary concerning--
 - o compliance with Federal performance requirements; and
 - o conformity with State plan requirements.
- o The Secretary's responsibilities are revised to require--
 - o annual review of the State reports; determinations of amounts of incentive and 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. 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 them to use IV-D funds for training of non-agency personnel with related responsibilities (including judges, law enforcement personnel, and social workers);
- o gives the Secretary discretion to provide 100 percent Federal matching for up to \$5 million for FY 1995 and each succeeding fiscal year for State expenses for interstate exchanges of training and technical assistance, and for technology transfers; 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, an amount equal to 4 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 operation of the FPLS and the new Federal data matching services established by this bill.

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 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 motor vehicles or 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; 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 CHILD SUPPORT ENFORCEMENT CLEARINGHOUSE.

Section 625 amends title IV-D to require the Secretary to establish, 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 (1) supplied by employers, within 10 days of hiring, on each individual hired on or after October 1, 1997, and (2) supplied quarterly by State agencies administering unemployment compensation laws, in such format and containing such information as the Secretary may require. (The Secretary would provide for reasonable reimbursement for this information.)

The Secretary, through the Social Security Administration, would verify the accuracy of social security numbers reported. These data bases would be matched at appropriate intervals with each other, with locate requests to the FPLS, with data bases maintained under title IV-A, and with return information

maintained by the Internal Revenue Service (IRS) (1) for any purpose related to establishing paternity and security support of children under title IV-D, and (2) to enable IRS to verify the accuracy of return information. The Secretary would report information resulting from data matches to concerned States.

This section makes related amendments--

- o to the Internal Revenue Code of 1986, subjecting an employer failing to make a timely report concerning an employee to the Directory of New Hires to an excise tax equal to 1 percent of the employee's wages;
- o to 5 U.S.C. 552a (the Privacy Act), to exempt from certain requirements concerning computer matching (as added by the Computer Matching and Privacy Protection Act of 1988) matches performed, by the FPLS or by the data bases created by this section, solely for the purpose of locating individuals (or income or resources) for purposes related to the establishment or enforcement of child support obligations; and
- o to the Federal Unemployment Tax Act and title III of the Social Security Act, requiring State unemployment security agencies 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 [NEW:] to require disclosure of any information in the master files of the IRS (rather than only return information) relevant to CSE activities;
 - o [UNDER DISCUSSION WITH TREASURY:] to provide that agents and contractors of CSE agencies are included within the definitions of these agencies for purposes of such disclosures; and
 - o to permit disclosures by the Social Security Administration to OCSE and the FPLS.

SEC. 627. STUDIES AND DEMONSTRATIONS CONCERNING FEDERAL PARENT LOCATOR SERVICE.

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.

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. STATE LAWS PROVIDING EXPEDITED PROCEDURES.

Section 635 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 of enforcement of support orders without obtaining any judicial or administrative order (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;
- 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; law enforcement and motor vehicles;
 - o customer records of public utilities; 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 635 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); 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.

SEC. 636. ADOPTION OF UNIFORM STATE LAWS.

Section 636 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 636 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.

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 acknowledged by accreditation bodies designated by the Secretary as having a high probative value on the issue 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 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 (except where required by the State constitution);
- 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 provide (at State option) 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 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, which--

- o will include distribution of materials at schools and health care facilities and follow-up on each out-of-wedlock child 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 2000 and succeeding fiscal years); (2) the average monthly payment under title IV-A; 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. 100 percent Federal matching would be available under title IV-D for State payments to families under these demonstrations.

Part F - Establishment and Modification of Support Orders

SEC. 651. NATIONAL COMMISSION ON CHILD SUPPORT GUIDELINES.

Section 651 provides for establishment of a National Commission on Child Support Guidelines to consider whether a national child support guideline is advisable and, if so, 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 and neither parent has requested review, 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 income information included in 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 \$100 million for FY 1995, to remain available without fiscal year limitation, 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.

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 to provide for offset of child support arrears (whether owed to the family or assigned to the State) against income tax overpayments--
 - o [UNDER DISCUSSION WITH TREASURY:] before offset against current Federal tax liabilities; and
 - o before offsets for other debts owed Federal agencies.
- 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 setting a higher threshold amount of arrears before tax offset is available; and
- o permitting higher fees to be charged for the offset service; and
- o to require that fees for the costs to the IRS be assessed against the obligor, through offset against the refund.

SEC. 663. INTERNAL REVENUE SERVICE COLLECTION OF ARREARS.

Section 663 makes amendments, effective January 1, 1996--

- o to title IV-D, eliminating (1) the threshold requirement that States make diligent efforts to collect arrears by alternative means; and (2) the requirement that States repay to the IRS its costs of collection; and
- o to the Internal Revenue Code of 1986, (1) requiring the IRS to assess collection fees against the obligor, to be collected through the IRS full collections mechanism and credited to the IRS appropriations account; and (2) barring imposition 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. LIENS.

Section 665 amends the title IV-D requirements for State laws concerning liens with respect to child support arrears to require--

- o centralized (and if possible automated) recordation;
- o that such liens encumber all real and titled personal property of the obligor;
- o that the full amount of such liens (including arrearages accruing later) take precedence over any later-recorded liens; and
- o that such liens may be imposed whenever arrears equal or exceed two months' support.

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, at no charge to the credit bureau, 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.

Part H - Amendments to Other Laws

SEC. 681. NO INCOME TAX DEDUCTION FOR CHILD OWED PAST-DUE SUPPORT.

Section 681 amends the Internal Revenue Code of 1986, with respect to tax years beginning on and after January 1, 1996, to deny any exemption for a dependent child for whom a taxpayer owes child support for the tax year which is two months or more past due.

SEC. 682. TREATMENT OF SUPPORT OBLIGATIONS UNDER BANKRUPTCY CODE.

Section 682 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, ahead of all other unsecured creditors.

SEC. 683. DENIAL OF PASSPORTS FOR NONPAYMENT OF CHILD SUPPORT.

Section 683 amends 4 U.S.C., effective October 1, 1995, to provide that the Secretary of State, upon a showing by the Secretary of HHS or 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. For purposes of enforcing this provision, the

Secretary of State would have access to OCSE records concerning child support arrears cases certified for Federal income tax offset.

Part I - Child Support Assurance

SEC. 691. CHILD SUPPORT ENFORCEMENT AND ASSURANCE DEMONSTRATIONS.

Section 691 requires the Secretary to fund grants to 3 States for demonstrations, beginning in FY 1996 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.

SEC. 692. MINIMUM BENEFIT DEMONSTRATIONS.

Section 692 requires the Secretary to fund grants to at least 2 States for demonstrations, beginning in FY 1996, providing minimum child support of \$50 per child per month. To qualify to participate, a State must have in effect child support guidelines ensuring that no support award is for less than \$50 per month per child. Eligible families may not be receiving AFDC and must have in effect a child support order providing at least \$50 per month per child. 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.

SEC. 693. SOCIAL SECURITY ACT DEMONSTRATIONS.

Section 693 amends section 1115 of the Act to eliminate the requirement that IV-D demonstrations may not result in increased costs to the Federal Government under AFDC.

Part J - 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 K - 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 the proviso that, in the case of any provision of this title requiring enactment or amendment of State laws, a State shall not be found out of compliance with such provision until after the end of the next State legislative session beginning after enactment.

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.

**WORKING GROUP ON WELFARE REFORM,
FAMILY SUPPORT AND INDEPENDENCE**

MEMORANDUM FOR MEMBERS OF THE WORKING GROUP ON WELFARE REFORM,
FAMILY SUPPORT, AND INDEPENDENCE

FROM: MARY JO BANE
DAVID T. ELLWOOD
BRUCE REED
WORKING-GROUP CO-CHAIRS

RE: WELFARE REFORM LEGISLATIVE SPECIFICATIONS --
OTHER PROVISIONS

DATE: May 12, 1994

Attached for your review and comments are the legislative specifications for three sections of the welfare reform plan including Prevention, Making Work Pay, and Improving Government Assistance. As with our previous package on the child support enforcement portion of the plan, we invite you to review these specifications. To expedite this process, we need your comments no later than 9 am, Thursday, May 19. Any major policy concerns identified by that time will be resolved and reflected in the legislative language on the Prevention, Making Work Pay, and Improving Government Assistance provisions which we will submit to OMB for clearance within the Administration. Please address your comments to Wendell Primus. He can be reached by telephone at 690-7409, or fax at 690-6562.

This package is the second of three planned segments we are distributing for review. The next package should include the JOBS/time limits/WORK provisions and some other remaining issues not included here. We expect it will be available for your review in the next week or so. Thank you.

Attachment

Addressees: see attached list

Addressees:

Eleanor Acheson
Michael Alexander
Ken Apfel
Walter Broadnax
Michael Camunez
Robert Carver
Norma Cantu
Andrew Cuomo
Maria Echaveste
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Jeff Watson
Kathi Way

WR SPECS
(PREVENTION)

MS
CONFIDENTIAL
A few days

PREVENT TEEN PREGNANCY AND PROMOTE PARENTAL RESPONSIBILITY

A. NATIONAL TEEN PREGNANCY PREVENTION INITIATIVE

1. Teen Pregnancy Prevention Mobilization Grants and Establishment of a National Clearinghouse on Teen Pregnancy

CM -
PP 30-50
Elaine K.
revenue
to me

Current Law

There are numerous Federal programs that address the issue of teen pregnancy prevention, including repeat pregnancies. Some focus specifically on teen pregnancy, but given that the multiple problems adolescents face are often interrelated, the specific problems that other programs emphasize (e.g., substance abuse, education) are also related to adolescent pregnancy prevention. Current federal efforts include HHS's family planning grants, maternal and child health programs, adolescent health programs, runaway and homeless youth programs, and alcohol and substance abuse prevention programs. Department of Education efforts include drop-out prevention, drug-free schools and communities programs, and postsecondary education outreach and student support services programs; and the Department of Labor efforts include New Chance, Youth Fair Chance, JTPA programs, and the Young Unwed Fathers Project. There are also programs in the Departments of Housing and Urban Development, Agriculture, Justice, Interior and Defense.

Vision

The rise in out-of-wedlock births to teen parents over the past generation has raised the issue of teen pregnancy to national significance. The number of births to unwed teen mothers increased from 92,000 in 1960 to 368,000 in 1991. Cases headed by unwed mothers accounted for about four-fifths of the growth of 1.1 million in the welfare rolls over the past ten years, from 3.86 million families in 1983 to 4.97 families in 1993.

Adolescents who bring children into the world face a very difficult time getting themselves out of poverty, while young people who graduate from high school and defer childbearing until they are mature, married and able to support their offspring are far more likely to get ahead. Both parents bear responsibility for providing emotional and material support. The overwhelming majority of teenagers who bring children into the world are not yet equipped to handle this fundamental obligation.

There will be a national campaign to address the problem of teen pregnancy. The non-legislative aspects of this campaign are a national mobilization that pulls together business, national and community voluntary organizations, religious institutions, schools, and the media behind a shared and urgent challenge directed by the President; the announcement of national goals to define the mission and to guide the work of the national campaign; and the establishment of a privately funded non-profit, non-partisan entity committed to the goals and mission of the national campaign. These are the essential building-blocks of a comprehensive campaign for youth balancing opportunity and responsibility across the full range of Administration youth initiatives, including Goals 2000, School-to-Work, the health clinics proposed under the Health Security Act, the after-school and jobs programs included in the prevention package in the Crime Bill, as well as the prevention strategies proposed below as part of welfare reform.

A Teen Pregnancy Prevention Mobilization Grant Program is proposed where about 1,000 schools and community-based programs would be provided flexible grants where they can implement teen pregnancy prevention program models with records of promising results. Funding would be targeted to schools with the highest concentration of youth at-risk and would be available to both middle and high schools. The goal would be to work with youth as early as age 10 and establishing continuous contact and involvement through graduation from high school. To establish a visible and effective presence, these programs would coordinate a team of individuals provided by the Corporation for National and Community Service.

Legislative Specifications

- (a) Establish a separate authority under the Title XX of the Social Security Act for grants to promote the development, operation, expansion, and improvement of school-based adolescent pregnancy prevention programs in high poverty areas.
- (b) The grantees shall be entitled to payment of at least \$75,000 and not more than \$300,000 each fiscal year for five years. The grant amount will be based on an assessment of the scope of the proposed program and the number of children to be served by the program.
- (c) The grants will be jointly awarded by the HHS, Education, and the Corporation on Community and National Service, in consultation with other Federal departments and agencies.
- (d) Eligible grantees are local education agencies, in partnership with one or more community-based organization, institution of higher education, or public or private nonprofit agency or organization, on behalf of one or more eligible schools. Grantees would have to be located in a high poverty area defined as an area that includes a high school and feeder schools and whose attendance area is extremely high poverty and has high rates of teen births and AFDC receipt. Geographic distribution, including urban and rural distribution, would be taken into account in selection of grantees.
- (e) Each program would work with middle and high school age youth to establish continuous contact and involvement through graduation from high school.
- (f) Individual grantees will, taking local needs and resources into account, design and implement promising programs to prevent teen pregnancy. Possible approaches include targeted incentive systems and a focus on health counseling and services. Existing successful programs--including those now operated by national voluntary organizations--would be encouraged to apply for funds to expand and upgrade their services.
- (g) Grantees would be given a great deal of flexibility in designing their program. However, core components at each site must include:
 - Curriculum and counseling designed to reach young people that address the economic, emotional and medical consequences of premature sexual behavior and teen pregnancy. Existing models of best practices suggest that these educational activities should focus on developing the psychology and character required for responsible behavior as well as on expanding cognitive knowledge.
 - Activities designed to develop sustained relationships with caring adults. Group coaching, individual mentoring, and a range of activities after-school, on weekends,

and in the summer could be included. Such activities could well include community service by the youth themselves.

- (h) National Service participants would be assigned to work at each site. This component would provide the foundation for youth service work, after-school activities such as coaching teams, and coordinating local support. Grantees would be asked to describe how National Service participants would be used.
 - (i) School-based programs would be asked to develop ongoing partnerships with other key community institutions, such as churches, youth groups, universities, businesses, or other community, civic, and fraternal organizations. Priority would be given to programs able to leverage other Federal and State funds.
 - (j) As a condition for receiving funds, each potential recipient would be required to submit an application which describes: (1) the core services and other services provided; (2) the goals it intends to accomplish; (3) the methods it intends to use to coordinate with other programs; (4) how it will not use funds to supplant Federal funds; (5) the 20 percent non-Federal, in-cash or in-kind, match provided; and (6) any other information that the Secretaries determine appropriate.
 - (k) The Secretary may terminate a grant before the end of the 5-year period if the Secretary determines, after providing training and technical assistance, that the grantee conducting the project has failed to carry out the project as described in the approved application.
 - (l) Total funding for the program is \$300 million over five years. \$20 million in FY 1996, \$40 million in FY 1997, \$60 million in FY 1998, \$80 million in FY 1999 and \$100 million in FY 2000. Ten percent of the funding will be set-aside for the establishment of a National Clearinghouse on Teen Pregnancy (see m. below). Since this program is authorized through Title XX of the Social Security Act, any funds not expended in a fiscal year shall be redirected to the Title XX Social Services Block Grant Program.
 - (m) Establish a National Clearinghouse on Teen Pregnancy Prevention which would provide communities and schools with teen pregnancy prevention programs with curricula, models, materials, training and technical assistance. It will establish an information exchange and network on promising models and rigorous evaluations.
2. **Learning from Prevention Approaches through Comprehensive Services Demonstrations to Prevent Teen Pregnancy in High Risk Communities**

Current Law

There are demonstrations authorities that exist to serve youth in particular areas, but most are not as comprehensive in the scope of services for all youth and are not a saturation model.

Vision

Early child-bearing and other problem behaviors are interrelated and strongly influenced by the general life-experience associated with poverty. Changing the circumstances in which people live and consequently how they view themselves is needed to change the decisions young people make in regard to their lives.

For any effort which hopes to have results that are large enough to be meaningful, attention must be made to circumstances in which youth grow up. It should address a wide spectrum of areas associated with youth living in a healthy community: economic opportunity, safety, health, education, among others.

Particular emphasis must be paid to the prevention of adolescent pregnancy, including sex education, abstinence education, life skills education, and contraceptive services. Programs that combine these elements have shown most promise, especially for adolescents who are motivated to avoid pregnancy. However, for those populations where adolescent pregnancy is a symptom of deeper problems, sex education and contraceptive services alone will be inadequate; they must be part of a much wider spectrum of services.

Interventions need to enhance education, link education to health and other services, help stabilize communities and families in trouble. This would provide a sense of rationality and order in which youth can develop, make decisions, place trust in individuals and institutions serving them, and have a reasonable expectation of a long, safe, and productive life.

Comprehensive Demonstration Grants for Youth in High-Risk Communities of sufficient size or "critical mass" to significantly improve the day to day experiences, decisions and behaviors of youth is proposed. Services would be non-categorical, integrated and delivered with a personal dimension. They would follow a "youth development" model and would seek to change neighborhoods as well as directly support youth and families.

Legislative Specifications

- (a) Establish a separate authority under the Title XX of the Social Security Act whereby a designated number of neighborhood sites chosen by the Secretary, in consultation with other Federal Departments, would be entitled to demonstration grants to educate and support school-age youth (youth ages 10 through 21) in high risk situations and their family members through comprehensive social and health services, with an emphasis on pregnancy prevention.
- (b) Funding and services provided under this program do not have to achieve this goal of comprehensiveness in and of themselves. Rather, this funding can be used to provide "glue money," fill gaps in services, ensure coordination of services, and other similar activities which will help achieve the overall goal of comprehensive integrated services to youth.
- (c) Five neighborhood sites would be entitled to \$90 million over 5 years (\$3.6 million per site). Grantees would be required to provide a 10% match of the Federal funding. This could include in kind contributions. Since this program is authorized through Title XX of the Social Security Act, any funds not expended in a fiscal year shall be redirected to the Title XX Social Services Block Grant Program. too much money
- (d) The activities authorized under the demonstration would be focused on four broad areas; grantees would be given great flexibility to design programs within these areas:
 - (i) Health services designed to promote physical and mental well-being and personal responsibility. These include school health services, health education, sex education, family planning services, substance abuse prevention services and referral for treatment, life skills training, decision-making skills training, and ethics training.

- (ii) **Educational and employability development services designed to promote educational advancement and opportunities for job attainment and productive employment, to establish a lifelong commitment to learning and achievement, and to increase self-confidence.** Activities could include, but are not limited to, academic tutoring, literacy training, drop-out prevention programs, remedial education or services for youths who have dropped out of school, career and college counseling, mentoring programs, job skills training, apprenticeships, and part-time paid work opportunities.
 - (iii) **Social support services designed to provide youth with a stable environment and to encourage youth to participate in safe and productive activities.** Services could include, but are not limited to, cultural, recreational and sports activities, leadership development, peer counseling and crisis intervention, mentoring programs, parenting skills training, and family counseling.
 - (iv) **Community activities designed to change community norms, to improve community stability, and to encourage youth to participate in community service and establish a stake in the community.** Activities could include, but are not limited to, community policing, community service programs, community activities in partnership with less distressed neighborhoods, and establishment of community advisory councils with youth representation.
- (e) Sites would have to meet the following characteristics, and any others determined by the Secretary of Health and Human Services, in consultation with the Secretaries of Education, HUD, Justice, and Labor.
- (i) **Geographic --** Communities must identify the neighborhood or neighborhoods they will target. Smaller, more focused boundaries than those required in Empowerment Zones or Youth Fair Chance will be used in order to develop a "critical mass" of services to meet the above goals. Each neighborhood must have an identifiable boundary and must be considered a neighborhood by its residents.
 - (ii) **Population --** Each neighborhood or group of neighborhoods have populations of approximately 20,000 to 35,000 people.
 - (iii) **Poverty --** The entire area must have a poverty rate of at least 20%, with 50% of the area having a rate of at least 35% and 90% of the area having a rate of at least 25%.
- (f) Local governments or units of local governments and non-profit organizations could apply. Applicants would be required to supply evidence of comprehensive commitment to the project and collaboration between the community and State. The applicant must involve multiple elements (e.g., government, schools, churches, businesses) of the community and the State in the planning and implementation of the demonstration program. Applicants must demonstrate (1) ability to manage this major effort, (2) resources for obtaining data and maintaining accurate records, and (3) assurances that the funding provided through this program will not be used to supplant Federal funds for services and activities which promote the purposes of this program.

- (g) Applicants must define the goals intended to be accomplished under the project. They must also describe the methods to be used in measuring progress toward accomplishment of the goals and outcomes to be measured. Outcomes to be measured would include, but are not limited to, birth rates, high school graduation rates, college attendance rates, rates of alcohol and other drug use and violence reduction.
- (h) The Department will support rigorous evaluations of all demonstrations. Grantees will be required to assist and coordinate with independent evaluators selected by Department. The Federal government will also provide technical assistance to potential applicants and to those selected throughout the life of the demonstration. These activities will be coordinated with the National Clearinghouse on Teen Pregnancy Prevention. \$10 million would be provided for these activities.
- (i) The Secretary may terminate a grant before the end of the 5-year period if the Secretary determines, after providing training and technical assistance, that the grantee conducting the project has failed to carry out the project as described in the approved application.

B. RESPONSIBILITIES OF SCHOOL-AGE PARENTS RECEIVING CASH ASSISTANCE

I. Minor Mothers Live at Home

Current Law

Under Section 402(a)(43) of the Social Security Act, States have the option of requiring minors (those under the age of 18) to reside in their parents' household, or a legal guardian or other adult relative, or reside in a foster home, maternity home or other adult supervised supportive living arrangement (with certain exceptions). Delaware, Maine, Michigan, Virgin Islands, and Puerto Rico have included this in their State plan.

Vision

By definition, minor mothers are children. Generally, we believe that children should be subject to adult supervision. This proposal would require minor mothers to live in an environment where they can receive the support and guidance they need. At the same time, the circumstances of each individual minor will be taken into account in making decisions about living arrangements.

Legislative Specifications

- (a) All States would require minor mothers to reside in their parents' household, with a legal guardian or other adult relative, with certain exceptions as described below. This is the same as current law, except that now the provision would be a requirement.
- (b) As in current law, when a minor mother lives with their parent(s) their income is taken into account in determining the benefit. If the minor mother lives with another responsible adult, the responsible adult's income is not taken into account. child support
- (c) A minor parent is an individual who (i) is under the age of 18, (ii) has never been married, and (iii) is either the natural parent of a dependent child living in the same household or eligible for assistance paid under the State plan to a pregnant woman. This is the same definition as current law.

- (d) The following exceptions (now in current law) to living with a parent or legal guardian will be maintained:
- (i) individual has no parent or legal guardian of his or her own who is living and whose whereabouts are known;
 - (ii) no living parent or legal guardian of such individual allows the individual to live in the home of such parent or guardian;
 - (iii) the State agency determines that the physical or emotional health or safety of the individual or dependent child would be jeopardized if the individual and dependent child lived in the same residence with the individual's own parent or legal guardian;
 - (iv) individual lived apart from his or her own parent or legal guardian for a period of at least one year before either the birth of any dependent child or the individual having made application for aid to families with dependent children under the plan; or
 - (v) the State agency otherwise determines (in accordance with regulations issued by the Secretary) that there is good cause for waiving the requirement. (In those States that have this policy, the following are examples of what they determine to be good cause exceptions: the home is the scene of illegal activity; returning home would result in overcrowding, violation of the terms of the lease, or violation of local health and safety standards; the minor parent is actively participating in a substance abuse program which would no longer be available if she returned home; no parent or legal guardian lives in the State.)
- (e) Current law is maintained regarding the determination of a minor mother's residency status must be made within the 45 days that all eligibility determinations are made.
- (f) If the State determines the minor should not live with a parent, legal guardian or other adult relative, the minor must be assisted in obtaining an appropriate supportive alternative to living independently (or the State may determine that the individual's current living arrangement is appropriate). (The types of living arrangements that States now use or are considering include living with an adult relative, a licensed foster home, in a group home for pregnant teens or teen parents, and in an approved congregate housing facility.) If no appropriate setting is found the State must grant eligibility, but must utilize case managers to provide monitoring of the minor.
- (g) The State would use the case management for teen parent provision (see #2 below) to make the determinations required under this provision. As described in the next proposal, these case managers would be trained appropriately and have reasonable caseloads. Determinations would be made after a full assessment of the situation, including taking into account the needs and concerns expressed by the minor.

ok

2. Limiting AFDC Benefits To Additional Children Conceived While on AFDC

Current Law

Currently, families on welfare receive additional support because their AFDC benefits increase automatically to include the needs of an additional child.

Vision

The welfare system should reinforce parental responsibility by keeping AFDC benefits constant when a child is conceived while the parent is on welfare. The message of responsibility would be further strengthened by providing the family an opportunity to earn back what they lost.

Legislative Specifications

- (a) Allow States the option of keeping AFDC benefits constant when a child is conceived while the parent is on welfare. This does not apply to a minor mother's child living in a grandparent's household. The family planning services under 402(a)(15) must be provided to all recipients.
- (b) Under this option, if a parent has an additional child, the State must disregard an amount of income equal to any increase in aid that would have been paid for by at least one the following--
 - 1) child support;
 - 2) earned income; or
 - 3) some other source that the State develops and is approved by the Secretary.
- (c) Provision will not be applied in the case of rape or in any other cases that the State agency finds would violate the standards of fairness and good conscience.

3. Access to Family Planning

Current Law

Section 402(a)(15) of the Social Security Act provides for the development of a program for preventing or reducing the incidence of births out of wedlock and otherwise strengthening family life, and for implementing the program by assuring that in all appropriate cases (including minors who can be considered to be sexually active) family planning services are offered and are provided promptly (directly or under arrangements with others) to all individuals voluntarily requesting such services. Services will be voluntary and shall not prerequisite to eligibility. This is to be provided to each appropriate relative and dependent child receiving aid and for each appropriate individual (living in the same home as a relative and child receiving aid) whose needs are taken into account in making the eligibility determination.

Section 403(a)(3) indicates that family planning administrative costs are not matched at 50 percent if the State includes family planning services under their Title XX Social Services Block Grant Program.

Vision

This proposal seeks to increase AFDC recipients' access to family planning services.

Legislative Specifications

- (a) Under Section 403(a)(3), the law would be changed to allow a 50 percent match for family planning administration even if this is provided under Title XX.

3. Case Management for All Custodial Teen Parents

Current Law

Section 482(b)(3) of the Social Security Act allows States to provide case management to all those participating in the JOBS program.

Vision

Frequently, it is multiple problems that lead youth to the welfare system. Their complex needs often stand in the way of their meeting educational requirements and other responsibilities. Removing these barriers to self-sufficiency can involve the confusing and difficult process of accessing multiple service systems. This proposal would provide every teen with a case manager who would help them navigate these systems and hold them accountable for their responsibilities and requirements.

Legislative Specifications

- (a) Require States to provide case management services to all custodial teen parents receiving AFDC. Teens are defined to mean those under age 20. *except US grads.*
- (b) Case management services to teen parents will include, but is not limited to—
 - 1) assisting recipients in gaining access to services, including, at a minimum, family planning, parenting education, and educational or vocational training services;
 - 2) determining the best living situation for a minor parent taking into account the needs and concerns expressed by the minor (see #1 above);
 - 3) monitoring and enforcing program participation requirements (including sanctions and incentives where appropriate); and
 - 4) providing ongoing general guidance, encouragement and support.

States must in their plans describe how they will meet these requirements.

- (c) Case managers must receive adequate training in the social service and youth development field. The ratio of case managers to clients must be sufficiently small to adequately serve and protect teen parents and their children. Both the training and ratios must be consistent with those recommended by professional associations.

4. Teen Parent Education and Parenting Activities State Option

Current Law

Under Section 402(a)(19) of the Social Security Act, teen custodial parents are required to participate in the JOBS program unless they are under 16 years of age, attending school full-time, or are in the last seven months of pregnancy. Participation in the JOBS program involves an assessment of the individual, and an agreement specifying what support services the State will provide and what obligations the recipient has. For those who have not obtained a high school diploma or a GED, attendance at school can serve as their JOBS assignment. Participation in the JOBS program is contingent on the existence of such a program in the geographic vicinity of the recipients' residence.

In addition, under a Section 1115 waiver, States can implement programs which utilize incentives or sanctions to encourage or require teen parents on AFDC to continue their education. Two examples of a State having done or planning to do this are the Learning, Earning, and Parenting Program (LEAP) in Ohio and Cal Learn in California, which is in the process of being implemented. LEAP and Cal Learn are mandatory for all pregnant and custodial teen parents who are receiving AFDC and who do not have a high school diploma or GED. Under both LEAP and Cal Learn program rules, all eligible teens are required to enroll (or remain enrolled) in and regularly attend a school or education program leading to a high school diploma or GED. These two initiatives apply only to teens who are case heads. Other States have obtained waivers to implement programs using sanctions to influence dependents to continue their education. This may become relevant if minor mothers are not permitted to be caseheads.

Vision

Teenage mothers face substantial obstacles to achieving self-sufficiency. Eighty percent of teen mothers drop out of high school and only 56 percent ever graduate. Their earning abilities are limited by lack of education and job skills. Teen parents are often not well prepared in the area of parenting. This proposal provide States with a mechanism to utilize creative approaches for encouraging and supporting youth in both their educational and parenting endeavors.

Legislative Specifications

- (a) Provide States the option to use monetary incentives (which must be combined with sanctions) as inducement for pregnant teens and teen custodial parents who are receiving AFDC and who do not have a high school diploma or GED to enroll (or remain enrolled) in and regularly attend a school or education program leading to a high school diploma or GED, or a special skills training program if the State determines this is most appropriate for a recipient. States may also choose to provide incentives for participation in parenting education activities. This option will operate as part of the new JOBS program, and the rules pertaining to JOBS will apply unless it is specifically stated otherwise.
- (b) Each State plan must clearly define the following --
 - **Incentives.** States must define by how much benefits will be increased and what kinds of achievements will be rewarded.

Examples of incentives chosen by Ohio and California are as follows:

In Ohio's LEAP, teens who provide evidence of school enrollment receive a bonus payment of \$62. They then receive an additional \$62 in their welfare check for each month in which they meet the program's attendance requirements. For teens in a regular high school, this means being absent no more than four times in the month, with two or fewer unexcused absences. Different attendance standards apply to part-time programs, such as Adult Basic Education (ABE) programs providing GED preparation assistance, but the same financial incentives apply.

Participants of Cal Learn will be required to present their report cards four times a year. The grant will be increased by \$100 for the month after the Cal Learn participant receives a report card with a "C" average or better. For graduating high school (or its equivalent), these teens will have their grants increased on a one time basis by \$500.

- **Sanctions.** Sanctions under the revised JOBS program would apply unless the State proposes alternative sanctions, to be approved by the Secretary, which the State believes better achieves their objectives.

Examples of sanctions chosen by Ohio and California are as follows:

In LEAP, teens who do not attend an initial assessment interview (which commences participation in LEAP) or fail to enroll in school have \$62 deducted from their grant (i.e., the teens are "sanctioned") each month until they comply with program rules. Similarly, enrolled teens are sanctioned by \$62 for each month that they exceed the allowed number of unexcused absences. Teens who exceed the allowed number of total absences, but do not exceed the allowed number of unexcused absences receive neither a bonus nor a sanction.

In the Cal Learn program, teens who do not receive at least a "D" average or who do not submit his/her report card will have the assistance unit grant reduced over a two month period by the lesser of \$50 or the amount of the grant. This will result in a sanction of not more than \$100. Included in the sanctions will be teens that do not present their report cards because they have dropped out of school or were expelled.

- **Coordination.** A case manager (as described in A.2) will assess each recipient's needs and arrange for appropriate services. States must describe the mechanism case managers and other service providers will use to coordinate with schools.

- **Eligibility.** States must include custodial teen parents under 20 years of age and pregnant women under the age of 20. States may choose to include all pregnant teens and teen parents up to their 21st birthday. States may also choose to include all teens, beyond those who are pregnant or parents.

- **Exemptions.** Exemptions from participation will be based on the same new guidelines governing participation in JOBS Prep, JOBS and WORK, with two exceptions. First, teens will only be able to defer participation for 3 months after giving birth. Also, a disability will not allow a recipient from deferring participation in school, as schools are required to provide students with disabilities appropriate services. (See JOBS and WORK section of proposal for more specific details.)

- **State-wideness.** States can limit the geographic scope of this option.

- **Information and Evaluation.** States would be required to provide information at the Secretary's request and to cooperate in any evaluation.

MAKE WORK PAY

A. CHILD CARE

Vision:

Child care is critical to the success of welfare reform. It is essential to provide child care support for parents receiving assistance who will be required to participate in education, training, and employment. In addition, child care support for the working poor is also essential to "making work pay" and to enable parents to remain in the workforce. Our goal is to increase child care funding so that families have the access to the child care that they need, to simplify the administration of Federal child care programs, and to assure that children are cared for in healthy and safe environments.

Current Law and General Direction of Proposal:

The Federal Government currently subsidizes child care for low-income families through a number of different programs. The programs have different eligibility rules and regulations, creating an extremely complicated system that is hard for both providers and recipients to navigate. The major existing programs include an entitlement to child care for AFDC recipients (title IV-A); transitional child care (TCC) (also an entitlement) for up to a year for people who have left welfare for work; a capped entitlement (\$300 million) for those the state determines to be at-risk of AFDC receipt (At-Risk); and the Child Care and Development Block Grant (CCDBG). There is also a disregard for child care costs available to working AFDC recipients. While these multiple programs provide valuable support for child care, legislative changes are needed to strengthen the welfare reform plan.

We are at this time making changes only in the IV-A programs, which will remain as separate authorities. Any changes in the CCDBG will be made during its reauthorization in 1995.

Legislative Specifications:

1. Expansion of funds to the working poor
 - (a) Change the At-Risk Child Care Program, Section 402(i) to a capped entitlement with an enhanced state match consistent with the match in the other IV-A programs. Change the amount specified for the program (to be specified)--Section 403(n)(2)(B). Restrict eligibility to families not eligible for other IV-A child care programs.

This program is currently a capped entitlement (\$300 million) with the same match rate as that for all IV-A child care.

2. Program simplification/consistency issues
 - (a) Have the IV-A child care funds flow directly to the IV-A agency and give the States the explicit option to contract to the CCDBG agency. States would retain the flexibility to have more than one agency involved.
 - (b) There will be one State plan submitted for the IV-A and CCDBG programs. The requirements for coordination, public involvement, and consultation in relationship to development of the plan will follow the CCDBG statute.

Are States happy w/Block Grant rules?

(c) In all programs, the CCDBG language will be incorporated for:

- unlimited parental access
- parental complaints
- consumer education
- compliance with state and local regulatory requirements
- establishment of health and safety requirements
- compliance with state and local health and safety requirements
- reduction in standards

make consistent

vouchers req in CCDBG program

Impact?

Added to the health and safety standards section are:

- a requirement that the state must have requirements that all children funded under these authorities are immunized at levels specified by PHS. States will be given the flexibility to exclude particular immunizations if they submit an acceptable justification to the Secretary.
- a requirement that the state must have a requirement to assure that no child has access to toxic and illegal substances or weapons in the child care setting.

immuniz.

- (d) A requirement that the state will have to establish and periodically revise, by rule, a sliding fee scale that provides cost sharing by the families that receive Federal assistance for child care services. The fee scale will be the same for all programs (that used for CCDBG).
- (e) There will be one requirement for state reporting to cover all programs, with core data elements to be defined by the Secretary.

3. Continuity of care

- (a) The states will be given the option under the IV-A programs to extend hours and weeks of care when reasonable to assure continuity of care for children and required participation of their parents in JOBS, WORK, and employment.

4. Information to parents

- (a) States must provide child care information to parents (use CCDBG language, adding "(including options for care and payment).")

5. Supply and quality Issues

- (a) Create a 10% set aside in the At-Risk program for supply building and quality improvements using language in CCDBG Section 658 (G) as allowable activities and adding as an allowable activity the expansion of the supply of care for infants and toddlers in low-income communities (as defined by the States).
- (b) Establish explicitly that licensing and monitoring of IV-A funded child care providers is an allowable administrative cost, limited by a formula established by the Secretary.

6. Payment

- (a) Prohibit states from lowering below their statewide limit or payment rates from levels established in their 1994 plan unless a market rate survey indicates that the cost of care goes down. Without allowing a lowering of the 1994 rates, allow future rates to be set by geographic areas in the state that are related to child care cost variations in such areas.
- (b) Retain the disregard, but mandate that states must provide working AFDC recipients with the same level and forms of child care assistance as families in JOBS, TCC, and At-Risk Child Care.

| = ?

B. PERMITTING PUBLICLY ADMINISTERED ADVANCED EITC PAYMENT SYSTEMS

Current Law

The earned income tax credit (EITC) is a refundable tax credit available to a low-income filer who has earned income and whose adjusted gross income is below specified thresholds. Because the credit is refundable, individuals can receive the full amount to which they are entitled, even if the amount exceeds their income tax liability. The amount of the credit depends on a taxpayer's earned income, adjusted gross income, and the number of qualifying children. The size of the credit increases significantly if an individual has one or more qualifying children who meet age, residency, and relationship tests.

Low income workers can claim the EITC when filing their tax returns at the end of the year. In addition, workers with children have the choice of obtaining a portion of the credit in advance through their employers, and claiming the balance of the credit upon filing their income tax returns. The amount of the advanced payment is calculated on the basis that taxpayers have only one qualifying child. The annual advanced EITC payment cannot exceed 60 percent of the maximum full-year EITC for a family with one child. In 1994, the maximum advance payment would be \$1,223 in 1994, relative to a maximum annual EITC of \$2,038 for a family with one child for a family with one child and \$2,528 for a family with two or more children.

An employee choosing to receive a portion of the EITC in advance does so by filing a form W-5 with his or her employer. The employer is not required to verify employee's eligibility for the credit. Employers may be penalized for failing to comply with an employee's request for an advanced payment. The employer calculates the advanced EITC payment to which an employee is entitled based on the employee's wages and filing status and adds the appropriate amount to the employee's paycheck. The employer reduces its payment of employment and income taxes to the IRS by the aggregate amount of advanced EITC payments made during the period and reports this amount to the IRS on form 941. At the end of the year, the employer notifies both the IRS and the employee of the actual amounts of advanced credits paid to the employee by filling in a box on the form W-2. When filing their income tax return at the end of the year, an employee is required to report advance payments, if any, of the EITC.

Vision

The proposal would promote use of advance payment option of the Earned Income Tax Credit by shifting the outreach and administrative burden from employers to selected public agencies, such as by permitting States to deliver the advance payment through food stamp offices and by encouraging experimentation of integrating EITC transfers both with emerging technologies (EBT) and other income support transfer systems.

Rationale

Few programs are as effective in reaching the eligible population as the EITC. Every person who files an income tax return encounters information about the EITC. If the person does not claim the EITC but appears eligible for the credit based on information on his or her return, the IRS will send a letter to the person telling them about the credit. In addition, the IRS operates extensive outreach programs to inform low-income workers of their eligibility for the EITC. Despite the successes of the current program, the delivery of the EITC could be improved in a number of ways. First, information about the EITC should be broadly disseminated. Of particular concern are welfare

recipients and other non-filers. These individuals may not know about the EITC because they do have to file a tax return if their adjusted gross incomes are below the tax thresholds. Second, certain barriers to claiming the EITC in advance should be removed. In recent years, fewer than 1 percent of EITC claimants have received the credit through advance payments in their paychecks. The reasons for the low utilization rate are not fully known. A recent GAO study found that many low-income taxpayers were unaware they could claim the credit in advance. To remedy this problem, the IRS has begun an intensive effort to educate and encourage employers to help deliver advance EITC payments in workers' paychecks.

There may be other barriers to participation in the advance payment option. The GAO study also found that once informed, many workers stated that they would prefer to receive the EITC in a lump-sum payment. While some workers may simply prefer the forced savings aspect of receiving the credit in a lump sum, others may fear their employer's reaction if they ask for a government wage supplement to be added to their paycheck. Others may be fearful of owing the government a large sum of money at the end of the year because they received too large an amount in advance.

While many EITC recipients may prefer to receive the credit as a lump-sum payment, others could benefit from receiving the credit in more regular intervals throughout the year. By receiving the credit as they earn wages, workers would observe the direct link between work effort and the EITC. Some workers may experience cash-flow problems, and the promise of the credit at the end of the year may not be sufficient collateral for a loan. Others rely on expensive refund-anticipation programs and pay high interest rates in order to receive the credit several weeks early.

Third, the potential for fraudulent and erroneous claims of the EITC should be reduced. At the time that advance payments are made to workers, neither the IRS nor employers have reliable information about worker's eligibility for the EITC. Workers may receive the EITC in advance, only to learn at the end of the year that they must repay the IRS some or all of the advance payments because they erroneously claimed advance payments. Other workers may make fraudulent advance payment claims. If the advance payments were based on more complete information about the worker's eligibility (and the level of eligibility), such erroneous and fraudulent claims could be reduced. For example, by 1996 a worker with two qualifying children and \$8,425 in self-employment will be entitled to receive a \$3,370 EITC. Filing a return and claiming the credit would obligate the taxpayer to pay \$1,289 (.153*\$8,425) in social security payroll tax, but the taxpayer would receive an SS retirement benefit and a cash benefit of 2,081. This creates a powerful incentive to create fictional earnings (or inflate earnings) particularly for the 40% of EITC recipients who use professional tax preparers (some of whom may not be terribly ethical). Double dipping (taking the advance and lump sum payment is also a potential problem). And the political fallout from a few highly publicized horror stories could be devastating.

Legislative Vision

Allowing states the option to provide advance payments of the EITC through other agencies (e.g., the offices which also provide food stamp benefits) may resolve many of these problems. A state could choose to target information about the EITC to welfare recipients or other individuals currently outside the workforce. Individuals could have the a choice of receiving the credit from a neutral third-party, without fear of notifying their employers of their eligibility for the EITC. Moreover, they could receive assistance in determining appropriate amount of the EITC to claim in advance. States would also have the resources to verify eligibility for the credit better than employers, reducing the risk of erroneous payments being made to ineligible persons. This option would also allow for an evaluation of alternative delivery systems.

Legislative Specifications

- (a) A State would have the option to propose to the Secretary of the Treasury a demonstration project pursuant to which advance payments of the EITC would be made to eligible residents through a state agency. Such agencies may include public assistance offices (AFDC and/or Food Stamps), Employment Service Offices, State finance and revenue agencies, and so forth. A state may choose only one agency to provide the advance credit.
- (b) Approval by the Secretary of the Treasury of a State's proposal would be required in all cases. The Secretary of the Treasury would consult with the Secretary of Health and Human Services, the Secretary of Agriculture, and other Departmental Secretaries as appropriate if the State proposal includes coordination of EITC payments and other Federal benefits.
- (c) Where appropriate, States may include in their proposals coordination of advance payments of the EITC and other federal benefits (such as food stamps) through electronic benefit technology.
- (d) State plans would be required to specify how payment of the EITC would be administered. States must include a detailed explanation of how eligibility for the credit would be determined and verified. States would also have to agree to provide recipients and the IRS with annual information reports in a timely fashion (typically by January 31 of the following year) showing the amounts of the EITC paid in advance. In addition, states would agree to provide the IRS with a listing by December 1st of the names, social security numbers, and the amounts of advance payments received through October of all persons who participated in the state program at any time during the year (through October). States which failed to meet these reporting requirements would not be allowed to continue participation in the program.
- (e) States would be allowed (but not required) to provide on an advanced basis up to 75 percent of the maximum amount of the credit for which the taxpayer is eligible.
- (f) States would reduce payments of withholding taxes (for both income and payroll taxes) from their own employees by the amount of the advance payments made during the prior quarter.
- (g) After the processing of income tax returns and matching of returns with information reports, the Secretary of the Treasury would be required to issue an annual report detailing the extent to which EITC claimants under State plans: (1) participated in the state plan; (2) filed a tax return; (3) reported accurately the amount of the advanced payments payable during the year by the state; and (4) repaid any overpayments of the advanced EITC within the proscribed time. The report would also contain an estimate of the amount of the excessive overpayments made by the state. Excessive overpayments would include advance payments not reported on the tax return and advance payments in excess of the EITC calculated on the basis of information reported to the IRS and causing taxpayers to owe outstanding amounts to the IRS.
- (h) States would be required to repay the Federal government the amounts of excessive advance payments made to State residents participating in the plan. The Secretary of the Treasury would demonstrate that due and diligent effort had been made to recapture these amounts through normal procedures. States would become liable for the excessive amounts within two years of the filing of a tax return was required. If the IRS subsequently collects outstanding amounts from the taxpayer, the state would be reimbursed.

- (i) The Secretary of Treasury and the Secretary of Health and Human Services would jointly ensure that technical assistance is provided to States undertaking demonstration projects aimed at increasing participation in the EITC and the EITC advanced payment programs. Sufficient training and adequate resources would be provided to both agencies pursuant to the provision of technical assistance to the States. The Secretary of HHS will see that such pilots are rigorously evaluated.

C. EARNED INCOME DISREGARDS

Legislative specifications:

- (a) Require States to disregard a minimum of \$120 in earnings, indexed for inflation in rounded increments of \$10.
- (b) States will have the option to establish their own disregard policies on income above this amount. Additionally, States will have complete flexibility in establishing fill-the-gap policies (i.e., States will have the flexibility to determine which types of income should be considered in developing a fill-the-gap policy, such as child support payments, stipends, etc, in addition to earned income).
- (c) The AFDC \$50 pass-through of child support payments will also be indexed for inflation in rounded \$10 increments. States will have the flexibility to pass-through additional child support payments above this amount.

INFORMATION SYSTEMS

Current Law and Background

In the late 1970s, the Federal government decided to improve the administration of welfare programs through the use of computerized information systems. The Congress enacted PL 96-265 and subsequent legislation to grant incentive funding to encourage the development of automated systems.

In 1981, the AFDC program released the Family Assistance Management Information System (FAMIS) specifications and updated them in 1983. In 1988, the Food Stamp Program (FSP) released similar guidelines in regulations and updated them in 1992. Incentive funding is also available for statewide, Child Support Enforcement (CSE) systems. In 1993, the Office of Child Support Enforcement (OCSE) released a child support State systems "guide".

A recent GAO report indicated that, in the previous 10 years the Federal government had spent nearly \$900 million in the development and operation of AFDC and FSP automated systems alone. In the Omnibus Budget Reconciliation Act of 1993, the Congress repealed enhanced funding for AFDC and FSP effective April 1, 1994.

An emerging priority of Federal funding agencies has been to encourage States to implement more cost-effective systems which integrate service delivery at the local level. This has enabled many States to begin using combined application forms for multiple programs (including AFDC, FSP, and Medicaid) and a combined interview to determine eligibility for the various programs. Consequently, with systems support, a single eligibility worker can process an application for several programs at the same time.

Another priority is the development of electronic transfer of funds or Electronic Benefit Transfer (EBT) technology to deliver benefits. This technology allows recipients to use a debit card, similar to a bank card, at retail food stores and automated teller machines (ATMs) to access their benefit accounts. Plans to expand the use of EBT systems are mentioned in the Vice President's National Performance Review.

Under current law and regulations, States and the Federal government have developed elaborate computer management information systems for financial management and benefit delivery, program operations, and quality control. Some programs, such as Child Support Enforcement, are in the midst of large-scale (and long-term) computer system change, while others, such as AFDC (with its FAMIS systems), are nearing completion of a development cycle.

Both FAMIS and Child Support Enforcement Systems (CSES) have been funded under an enhanced funding (90 percent) match. Partly as a result of this incentive funding, many states have integrated, automated, income maintenance systems which assist caseworkers in determining eligibility, maintaining and tracking case status, and reporting management information to the State and Federal governments.

Other essential welfare programs, namely JOBS and Child Care have limited and fragmented automated systems. For the most part, States could fund parts of these systems at the 50 percent match rate. States report that administrative funds have not been available to fully automate and interface JOBS and Child Care with other programs within the State.

Many of these systems have serious limitations: limited flexibility, lack of interactive access, limited ability to exchange data electronically, etc. Even the most sophisticated systems fall short of the goal of allowing State agencies to use technology to:

- Eliminate the need for clients to access different entry points before they receive services;
- Eliminate the need for agency workers (and clients) to encounter and understand a wide variety of complex rules and procedures;
- Share fully computer data with programs within the State and among States; and
- Perform effective case management.

Vision and Rationale

Computer and information technology solutions will support welfare reform by providing new automated screening and intake processes, eligibility decision-making tools, and benefit delivery techniques. Application of modern technologies such as expert systems, relational databases, voice recognition units, and high performance computer networks, will help empower families and individuals seeking assistance. At the same time, these technologies will assist in reducing waste, fraud, and abuse so that Federal and State benefits are available to those who are in need.

State-Level Family Empowerment System and National Clearinghouse

To achieve this vision, we are proposing an information infrastructure which requires, at the State level, establishment of a Family Empowerment System (FES) to integrate and interface multiple systems, for example, AFDC, food stamps, work programs, child care, Child Support Enforcement (CSE), the Earned Income Tax Credit (EITC), and others.

To support the broader information needs, the new information infrastructure needs to include both enhanced state and local information processing systems as well as a national data "clearinghouse".

Enhanced State Systems. At the State and local level, the FES would include automated subsystems for intake, eligibility determination, assessment, and referral; case management and service delivery; and benefit, payment, and reporting. What is proposed, however, is not a complete new system, but "front-ends" and "back-ends" that interface with existing systems or with somewhat enhanced existing systems. Variations in existing automated systems would make it unreasonable to try to standardize these systems. Rather, we need communication linkages that allow for accurate transmission of data between systems.

By linking the various programs and systems under the FES, States would be able to provide integrated services and/or benefits to families and individuals "at-risk" of needing financial assistance, those receiving assistance, and those transitioning from public assistance program to self-sufficiency. Such an automated system would enable States to provide greater support to families who might otherwise dissolve, as well as to parents who may, because of unmet needs, be forced to terminate employment or training opportunities.

In addition, as Electronic Benefit Transfer (EBT) and Electronic Funds Transfer (EFT) become more widespread, they would be used for other programs, such as Child care reporting and payments, and JOBS reporting of participation. As an example, a JOBS participant could be required to self-report

through a touch-tone phone which connects to a Voice Recognition Unit (VRU) or through the use of plastic card technology.

For detection and analysis of fraud and abuse, computer matching of records and sharing of data among State programs and at a national level would be increased. For example, the child support information needs for establishing an order or in review and modification would be extremely valuable for access by the AFDC agency, after the agency has performed prospective eligibility determinations, but before benefits are granted. In addition, to ensure that an individual does not obtain AFDC beyond their time limit, the National Clearance would be extremely helpful.

Data and Reporting on Program Operations and Clients. Current methods for data gathering and reporting requirements on program operations and clients could be reduced. Many of the current data and reporting requirements will be superseded by new ones, but in any case, many current items are of low data quality or of little interest. Current requirements will be re-examined.

National Clearinghouse. The National Clearinghouse will be a collection of abbreviated case and other data that "points" to where detailed case data resides and provides the minimum information for implementing key program features. Described in detail under the Child Support Enforcement section, this Clearinghouse will not be a Federal data system that performs individual case activities. While information will be coming to and from the Clearinghouse, it will contain severely limited data -- States will retain overall processing responsibility.

where?

The Clearinghouse will maintain at least the following data registries:

- The National Employment Registry will maintain employment data for individuals, including new hire information.
- The National Locate Registry will enhance and subsume the current Federal Parent Locator Service (FPLS) functions.
- The National Child Support Registry will contain data on all non-custodial parents who have support orders.
- The National Transitional Assistance Registry will contain data to operate a time-limited assistance program, such as the beginning and ending dates of welfare receipt, participation in various work programs, and the State providing benefits.

Legislative Specifications

A. THE NATIONAL TRANSITIONAL ASSISTANCE REGISTRY: REQUIREMENTS FOR REPORTING, RECEIVING, AND USING ITS INFORMATION

Insert at Section 402(a)(29):

- (A) To provide for national time-limited assistance, the State IV-A Agency shall exchange information as described in paragraph (B) with the National Transitional Assistance Registry described in section 402(d), and, to the extent practicable, shall use information received from other National Registries such as the New Hire Registry, operated for the Child Support Enforcement program as described in section [Title IV-D].
- (B) The State IV-A agency, except as provided for at paragraph (C), shall:
- (i) report on-line in a standard, electronic format to the National Transitional Assistance Registry the following items: case identification, dates, and status information related to:
 - (I) assistance case opening and closing;
 - (II) participation in JOBS-Prep, JOBS, and WORK;
 - (III) extension of time-limits;
 - (IV) sanction(s) for non-compliance with child support, JOBS, or WORK; and
 - (V) other information to assist in performance measurement as determined necessary by the Secretary
 - (ii) query the National Transitional Assistance Registry before granting assistance and receive information about the number of months an applicant has previously received assistance or has been recently employed; and
 - (iii) use such information in the determination of eligibility and time period for which assistance may be granted.
- (C) Until such time as the State has a fully operational, statewide automated transitional assistance intake, referral, and reporting information system as described at section 402(a)(XX), the Secretary may, upon request from the State IV-A agency, approve an alternate for reporting of the information described at subparagraph (B)(i).

* Fraud Elimination

B. THE NATIONAL TRANSITIONAL ASSISTANCE REGISTRY: A STATEWIDE, AUTOMATED, TRANSITIONAL ASSISTANCE INFORMATION SYSTEM FOR INTAKE, REFERRAL, AND REPORTING

Add New Section 402(a)(XX):

The State IV-A agency must establish and operate in accordance with an Advance Planning Document approved under Section 402(e), a single statewide, automated, transitional assistance system designed economically, effectively, and efficiently to assist the State in achieving a "one-stop shop" environment and administer the aid to families with dependent children state plan such that the system shall:

- (A) To the extent practicable, use "expert system-driven" automated procedures and processes.

- (B) Provide for automated procedures and information to account for, monitor, control, and report transitional assistance payment and benefit processes to include, but not be limited to:
- (i) identifying and demographic client information;
 - (ii) preliminary assessment of AFDC eligibility, JOBS readiness, and support services, including
 - (I) use of information from the National Transitional Assistance Registry, as described at section 402(a)(29), and
 - (II) to the extent practicable, collect and assess information to assist in the provision of child care and child support enforcement services;
 - (iii) electronic information received from, and referral to, automated case management systems used to operate AFDC, JOBS, WORK, Child Care, and Child Support Enforcement;
 - (iv) reporting to the National Transitional Assistance Registry, case identification, dates, and status code information as described in section 402(a)(29); and
 - (v) provide for security against unauthorized access to, or use of, the data in such system.

C. AUTOMATED, STATEWIDE, AFDC CASE MANAGEMENT INFORMATION SYSTEM

Optional

Revise Section 402(a)(30):

In accordance with an Advance Planning Document approved under Section 402(e), the State IV-A agency must provide for either the initial establishment or enhancement, as well as the operation, of an automated statewide information system designed economically, effectively, and efficiently, to assist management in the administration of the State plan for aid to families with dependent children approved under this part, and which will, at a minimum:

- (A) Control and account for all information necessary to:
- (i) perform necessary intake and screening functions;
 - (ii) determine initial and continuing eligibility for benefits of all applicants and recipients of such aid (and the relative with whom any child who is such an applicant or recipient is living);
 - (iii) calculate, issue, manage, and reconcile payments to eligible recipients;
 - (iv) perform necessary case maintenance and management functions,
 - (v) produce necessary management, fiscal, and statistical reports,

- (vi) check records of applicants and recipients of such aid on a periodic basis with other agencies, both intra- and inter-State, for determination and verification of eligibility and payment pursuant to requirements imposed by other provisions of this Act), and
 - (vii) assess the costs, quality, and delivery of funds and services furnished to applicants for, and recipients of, such aid.
- (B) Support all aspects of the management and administration of the AFDC, JOBS, and WORK programs administered under the State plan, and provide for automated system enhancements necessary to meet the requirements of this legislation, including but not limited to:
- (i) improving government assistance standards;
 - (ii) monitoring and reporting against performance standards;
 - (iii) electronic referral and receipt of information with other automated case management systems and with the statewide automated transitional assistance referral and reporting system; and
 - (iv) other information as determined necessary by the Secretary.
- (C) Provide for security against unauthorized access to, or use of, the data in such system.

D. AUTOMATED, STATEWIDE, CHILD CARE CASE MANAGEMENT INFORMATION SYSTEM

Add new Section 402(a)(XX):

The State IV-A agency must have in operation, in accordance with an Advance Planning Document approved under Section 402(e), an economical, effective, and efficient automated case management information system, to:

- (A) Allow the State to control, account for, and monitor all programs that provide child care administered under the State plan and, at its option, to achieve seamless child care delivery, all child care programs of the State, including providing operational systems support necessary for administration of the child care program(s) and managing the non-service related CCDBG funds, such that automated procedures and processes will allow the State to:
- (i) identify families and children in need of child care, establish eligibility for child care, and determine funding source(s);
 - (ii) plan and monitor services, determine payments, and update and maintain the family and child care eligibility status for child care;
 - (iii) maintain and monitor necessary provider information;
 - (iv) process payments and meet other fiscal needs for the management of child care program(s);

- (v) produce management reports necessary for efficient and effective operation of child care programs, and financial and statistical reports required by Federal and State directives;
 - (vi) monitor and report performance against performance standards.
- (B) Electronically exchange information with other automated case management systems and with the statewide automated transitional assistance referral and reporting system.
 - (C) Monitor program performance and assessment and report against standards and report other information as determined by the Secretary to be necessary.
 - (D) Provide for security against unauthorized access to, or use of, the data in such system.

E. AUTOMATED, JOBS/WORK, CASE MANAGEMENT INFORMATION SYSTEM

Establish a new Section 482(j):

Automated Case Management Information System. The State IV-A Agency must have in operation, in accordance with an Advance Planning Document approved under Section 402(e), an economical, effective, and efficient automated case management information system, to:

- (1) Allow the State to control, account for, and monitor all factors of the JOBS and WORK programs, including, but not limited to:
 - (A) assessing a participant's need for services in relation to their goals;
 - (B) developing an employability plan to enable a participant to meet their employment goal;
 - (C) arranging and coordinating the services or resources necessary to carry out a participant's employability plan;
 - (D) following-up on both the participant's and the agency's implementation of this plan; and
 - (E) gathering other information as determined necessary by the Secretary.
- (2) Support both management and administrative activities of the program, including, but not limited to:
 - (A) tracking ongoing program participation through concurrent and sequential activities;
 - (B) monitoring attendance;
 - (C) contacting service providers and participants;
- (3) Electronically exchange information with other programs.

- (4) Provide program performance and assessment information determined by the Secretary to be necessary.
- (5) Provide for security against unauthorized access to, or use of, the data in such system.

F. FUNDING OF STATE SYSTEMS

Replace Section 403(a)(3)(B):

- (i) 75 per centum of so much of the sums expended during such quarter through September 30, [a year within 7 years from date of enactment], as are attributable to the planning, design, development, and implementation (including in such sums the full cost of the computer hardware components of such systems) of automated management information systems that
 - (I) meet the requirements of subsections 402(a)(XX), (a)(30) and (a)(XX), and section 482(j), and
 - (II) the Secretary determines are likely to provide economical, efficient and effective administration of the plan; and
- (ii) 50 per centum of so much as the sums expended during such quarter as are attributable to the operation of automated management information systems that meet the requirements of subsections 402(a)(XX), (a)(30) and (a)(XX) and section 482(j).

G. REQUIREMENTS FOR ADVANCE PLANNING DOCUMENTS

Revise section 402(e):

- (1) The Secretary shall not approve the initial and annually updated advance ~~automated data processing~~ planning document referred to in subsections (a)(XX), (a)(30) and (a)(XX), and section 482(j), unless such document, when implemented, would carry out the objectives of the automated, statewide, management information systems referred to in such subsections and section and such document:
 - (A) provides for the conduct of, and reflects the results of, requirements analysis studies, which include consideration of the program mission functions, organization, services, constraints, and current support, of, in, or relating to, such system;
 - (B) contains a description of the proposed statewide automated management information systems;
 - (C) sets forth the security and interface requirements to be employed in such statewide management information systems;

- (D) describes the projected resource requirements for staff and other needs, and the resources available or expected to be available to meet such requirements;
 - (E) contains a project plan for planning, designing, developing, implementing, and operating the proposed statewide automated management information systems;
 - (F) contains a cost benefit analysis which details the estimated costs for planning, designing, implementing, and operating the proposed statewide automated management information systems, and the quantitative and qualitative benefits to be derived from the operation of the systems; and
 - (G) provides such other information as the Secretary determines under regulation is necessary.
- (2) (A) The Secretary shall, on a continuing basis, review, access, and inspect the planning, design, and operation of the statewide management information systems referred to in subsection 403(a)(3)(B), with a view to determining whether, and to what extent, such systems meet and will continue to meet requirements imposed under such section and the conditions specified under subsections (a)(XX), (a)(30) and (a)(XX), and section 482(j).

II. Delete paragraph (C) from section 402(e)(2)

H. NATIONAL TRANSITIONAL ASSISTANCE REGISTRY

Add Section 402(d):

- (1) The Secretary shall establish and operate as part of the National Clearinghouse referred to in section 455(?) a transitional assistance registry, for purposes of maintaining and operating a national time-limited assistance "clock" to be used by State IV-A agencies in calculating the remaining months an individual may be eligible to receive benefits.
- (2) The National Transitional Assistance Registry will be maintained by obtaining from each IV-A Agency, information on individuals receiving benefits, including, but not limited to:
 - (A) applicant identification information, such as Social Security Number and name;
 - (B) the dates an individual went on and off of assistance; and
 - (C) status information related to the type of assistance received, such as AFDC, JOBS-prep, JOBS, and WORK.
- (3) Upon receipt of a request from a State IV-A Agency, filed in accordance with subsection (d)(6) by an authorized person (as defined in subsection (d)(5)), for information about the number of months an individual remains eligible for assistance, the Secretary shall search the National Transitional Assistance Registry and the New Hire Registry, maintained under _____ (Title IV-D), and as appropriate access the Social Security Administration's records to validate the Social Security Number so as to return to the State agency, one or more possible eligibility determination factors including, but not limited to, whether:

of births
job placement

- (A) the individual is contained in the National Transitional Assistance Registry and is eligible under a time-limited system to receive assistance for a specific number of months;
 - (B) the individual is contained in the New Hire Registry as being recently employed;
 - (C) the individual has provided the State agency with an invalid SSN; and
 - (D) the individual is not contained in the National Clearinghouse Registries, but has a valid SSN.
- (4) (A) In any case in which an information discrepancy exist between the information presented to a State IV-A agency by the client and the information received by the State IV-A agency from the National Clearinghouse Registries, the Secretary shall assist in resolution only to the extent that there may be a database integrity issue.
- (B) In such cases, the Secretary shall
- (i) verify that the data contained in the Registry reflects accurately the information contained in the State agency(s) records where the individual had previous assistance;
 - (ii) make a determination if the Registry information should be corrected and inform the requesting State of the revised information;
 - (iii) make a determination if the Registry reflects the data as reported and validated by the State agency or agencies where assistance was granted; and
 - (iv) provide notification that
 - (A) no further action will be taken by the Secretary and that the State agency or agencies must take the appropriate actions to resolve the discrepancy;
 - (B) the State agency where an individual is applying for assistance must work with the State(s) where previous assistance has been granted and in accordance with normal due process notification, resolve the discrepancy; and
 - (C) once resolved, the State agency where assistance is being requested, must submit information, as appropriate to correct or update the Registry record.
- (5) Authorized Person – any caseworker authorized by the State IV-A agency with a password to access the National Transitional Assistance Registry.

- (6) Requests should be made in accordance with the directions provided by the Secretary and with the understanding that
 - (A) access to, and use of, such information is subject to the Computer Matching and Privacy Protection Act of 1988; and
 - (B) disclosure is subject to section 402(a)(9) and section 1137(b)(5).

I. TECHNICAL ASSISTANCE, TRAINING, DEMONSTRATIONS AND OPERATION OF NATIONAL SYSTEMS USED TO SUPPORT STATE ACTIVITIES

401(a) Stet (Current Section 401)

- (b)(1) There are authorized to be appropriated:
 - (A) \$██████ for the first fiscal year after legislation passes for the purpose of enabling the Secretary to provide technical assistance and training, and to establish and operate the National Transitional Assistance Registry which will serve as the national "time-clock" for the State agencies to operate the time limited assistance program; and
 - (B) for each fiscal year after the first year, \$██████ to provide technical assistance and training and for operation of the National Transitional Assistance Registry.
- (b)(2) Funds appropriated for any fiscal year pursuant to the authorization contained in subsection (b)(1) shall be included in the appropriation Act (or supplemental appropriation Act) for the fiscal year preceding the fiscal year for which such funds are available for obligation. In order to effect the transition to this method of having appropriation action, the preceding section shall apply notwithstanding the fact that its initial application will result in the enactment in the same year (whether in the same appropriation Act or otherwise) of two separate appropriations, one for the then current fiscal year and one for the succeeding fiscal year.

IMPROVING GOVERNMENT ASSISTANCE

A. RATIONALIZATION AND SIMPLIFICATION ACROSS ASSISTANCE PROGRAMS

The rationalization and simplification of assistance programs is something of the holy grail of welfare reform—always sought, never realized. The reasons are many: different goals of different programs, varied constituencies, Departmental differences, divergent Congressional committee jurisdictions, and the inevitable creation of winners and losers from changing the status quo. Yet everyone agrees that recipients, administrators, and taxpayers are all losers from the current complexity. Below are several proposals for reform. The proposals do not make substantial changes in program structures. Rather, the proposals achieve simplification by streamlining administrative processes and by conforming program rules between the AFDC and Food Stamp programs. The proposals modify existing rules that create unnecessary complexity and confusion for program administrators and recipients.

1. FILING UNIT

Under current law, the AFDC filing unit must consist of a needy deprived child, its natural or adoptive parent(s), and all natural and adoptive brothers and sisters (including half brothers and sisters) who are living together. The unit's income and resources are used to determine eligibility and the amount of payment. A stepparent is treated the same as a natural or adoptive parent for filing unit purposes in seven States (Nebraska, New Hampshire, Oregon, South Dakota, Utah, Vermont, and Washington). These States have laws of general applicability which hold the stepparent responsible for the children to the same extent as a natural or adoptive parent. In all other States, the stepparent's needs are not included in the unit and his/her income, after certain disregards, are considered available to the unit members.

If there is no parent in the home, then another non-legally responsible relative with whom the child is living may, at his/her option, join the unit and be assisted. Additionally, States may exercise the option of including other individual(s) living in the home as an essential person(s). The essential person's income and resources are used to determine eligibility and amount of payment.

Certain parents and siblings are excluded from the unit: illegal and sponsored aliens, recipients of SSI, foster children, and individuals ineligible due to lump sum income.

1. UP Provisions

Current Law

The Social Security Act at section 407(a) and 407(b) limits AFDC eligibility for two-parent families to those where the principal wage earner is unemployed, and has worked six of the last 13 quarters. "Unemployed" is defined in regulations as working less than 100 hours in a month.

Legislative Specifications

- (a) Allow states, at their option, to eliminate the special eligibility requirements for two-parent families (i.e. the 100-hour rule and the work history test). Remove the sunset provision that calls for the termination of AFDC-UP in 1998 and make it a permanent program.

published final regulations which limited State authority to determine categories of individuals who could be considered as essential to the family. These regulations precluded States from covering individuals who did not provide an essential benefit or service to the family. (The permissible categories are the five shown in option 2 above.) However, in 1990 the district court for the Eastern District of Pennsylvania in Vance v. Sullivan and the district court for the District of Maine in McKenney v. Sullivan held that these regulatory limitations conflict with section 402(a)(7)(A) of the Social Security Act. The courts interpreted this section as providing States with the authority to identify in their State plans the categories of individuals who may be recognized as essential persons. These judicial decisions were not appealed. Consequently, the Department revoked the 1989 regulations and reinstated the prior policy. In order to curtail or limit the use of the essential person policy, a statutory amendment to section 402(a)(7)(A) is necessary.

2. APPLICATION ISSUES

Current Law

The Food Stamp Act requires the use of a simplified, national form or an approved substitute containing specific content requirements, including rights and responsibilities. A combined application for public assistance households and general assistance households is required. Under the AFDC program, States are free to design the application form that will be used and to prescribe how to notify applicants of their rights and obligations.

Vision

To provide applicants with one, simple, easy to read and understand application form for AFDC and food stamps. Expedited processing will be provided for families in emergency need situations. Eligibility will be determined within identical time frames in both programs for both expedited and normal applications. Flexibility will be given to States for scheduling appointments and verifying information. (See B1 for regulatory specifications)

Legislative specifications

- (a) The Food Stamp statutory and regulatory provisions mandating the use of a national simplified form or approved substitute would be repealed.

} We're fixing this

3. OPTIONAL RETROSPECTIVE BUDGETING

Current Law

For the AFDC program, the Social Security Act permits States to use retrospective budgeting only for the categories of families required to monthly report. The Food Stamp Act permits States to retrospectively budget cases that are not required to monthly report.

Legislative specifications

- (a) Amend the Social Security Act at section 402(a)(13) to delete the clause "but only with respect to any one or more categories of families required to report monthly to the State agency pursuant to paragraph (14)". This technical amendment will make retrospective budgeting optional for States without regard to whether families are required to monthly report.

Rationale

Allowing States to use retrospective budgeting without requiring cases to monthly report will foster consistency between the AFDC and Food Stamp programs, and will give States greater flexibility to administer their programs.

4. RESOURCES

(A) General

Current Law

The Social Security Act and implementing regulations set a \$1,000 limit (or a lower limit at State option) on the equity value of resources that a family may have and be eligible for AFDC. Excluded from consideration as countable resources are the home owned and occupied by the family; an automobile with a maximum equity value of \$1,500 (or a lower limit at State option); bona fide funeral agreements with a maximum equity value of \$1,500 for each family member (or lower limit set by the State); one burial plot for each family member; and real property for a period of 6 consecutive months (or 9 consecutive months at State option) which the family is making a good faith effort to sell. Under certain conditions, States may establish rules regarding transfer of resources in order to obtain or retain eligibility.

The Food Stamp Act and implementing regulations set a \$2,000 limit (or \$3,000 for a household with a member age 60 or over) on the value of resources a household may have and participate in the program. The Act does not specify how the value of resources is to be determined, but provides for uniform national eligibility standards for income and resources. State agencies are prohibited from imposing any other standards of eligibility. Households in which each member receives AFDC, SSI, or general assistance from certain programs do not have to pass the food stamp resource eligibility test. Regulations exclude from resources the value of one burial plot per family member and the cash value of life insurance policies. Also excluded is real property which the household is making a good faith effort to sell at a reasonable price and which has not been sold. There is no specific exclusion for burial plans (funeral agreements). Any amount that can be withdrawn from a funeral contract without an obligation to repay is counted as a resource.

Food Stamp law prohibits the transfer of resources within the 3-month period prior to application. A household that knowingly transfers resources for the purposes of qualifying or attempting to qualify for food stamps shall be ineligible to participate in the program for a period of up to one year from the date of discovery of the transfer.

Vision

Both the AFDC and Food Stamps programs serve similar needy populations. Yet, because the rules for treatment of both the amounts and categories of resources are different in each program, resources that meet one program's requirement can result in ineligibility under the other. Both programs have substantially different rules for evaluating the resources of that needy group, forcing welfare administrators to apply different program rules to the same resources in the same family. The following legislative proposal would reduce the current administrative complexity and confusion for welfare administrators and recipients by providing uniform treatment of assets where appropriate.

Legislative specifications

Require the Secretaries in both Departments to develop uniform resource exclusion policies in the following areas:

(a) Resource Limits:

Increase the AFDC resource limit to \$2,000 (or \$3,000 for a household with a member age 60 or over) to conform to the Food Stamp resource limit.

(b) Resource Exclusions:

- (i) Burial Plots: Propose legislation to amend the Social Security Act to totally exclude one burial plot per family member to conform to the Food Stamp policy.
- (ii) Funeral Agreements (Burial Plans): Propose legislation to both the Social Security Act and the Food Stamp Act to totally disregard one funeral agreement per family member.
- (iii) Real Property: Propose legislation to amend the Social Security Act to exclude real property which the AFDC family is making a good faith effort to sell at a reasonable price and which has not been sold, to conform to the Food Stamp policy.
- (iv) Cash Surrender Value of Life Insurance Policies: Propose legislation to amend the Social Security Act to totally exclude the cash surrender value of life insurance policies under the AFDC program to conform to the Food Stamp policy.
- (v) Transfer of Resources: Propose legislation to provide that a household that knowingly transfers resources for the purposes of qualifying or attempting to qualify for AFDC shall be ineligible for benefits for a period of up to one year from the date of discovery of the transfer. This proposal conforms to the Food Stamp policy.

Rationale

The administrative complexity that exists in applying certain resource requirements in the AFDC and Food Stamp programs will be greatly reduced under the proposed changes. Welfare administrators will be able to apply the same rules to the same resources for the same family. These conforming changes achieve simplification by streamlining the administrative processes in both programs.

(B) Asset Accumulation

Current Law

The Social Security Act and implementing regulations set a \$1,000 limit (or a lower limit at State option) on the equity value of resources that a family may have and be eligible for AFDC, with only limited exclusions.

The Food Stamp Act and implementing regulations set a \$2,000 limit (or \$3,000 for a household with a member age 60 or over) on the value of resources a household may have and participate in the Program. Section 13925 of Pub. L. 103-66 of the Omnibus Budget Reconciliation Act provides that the Secretary of Agriculture shall conduct, for a period not to exceed 4 years,

projects to test allowing not more than 11,000 households nationwide to accumulate up to \$10,000 each in excluded resources. These assets are for later expenditures for a purpose directly related to improving the education, training or employability (including self-employment) of household members, for the purchase of a home for the household, for a change in the household's residence, or for making major repairs to the household's home.

Vision

Welfare reform should include strategies to test the notion that one way out of welfare for some people is through empowering them to start their own businesses and encouraging them to save their earnings to build for the future. During the campaign, the President endorsed the idea of helping welfare recipients help themselves by proposing to increase the number of microenterprises and establish Individual Development Accounts (IDAs). These legislative proposals would promote self-sufficiency by encouraging recipients to accumulate savings, assets and start their own businesses.

An IDA is an optional earnings-bearing, tax-benefitted trust account in the name of one person. An IDA would be held in a licensed, federally-insured financial institution. Withdrawals can be made from the account only for designated purposes. For example, withdrawals could be made for a first home purchase, post-secondary education (college/long-term training), or business development (microenterprises). There would be penalties for non-designated use of the account. Participant eligibility would be determined by the State agency using broad Federal guidelines.

Legislative specifications

- (a) The Department of Treasury will amend the tax laws to allow for the development of IDAs up to \$10,000; subsidized IDAs will be established on a demonstration basis; unsubsidized IDAs will also be permitted for qualified individuals not involved in a demonstration. Current recipients and applicants (who were former recipients) for both the AFDC and Food Stamp programs can establish IDAs and have their savings and interest excluded.
- (b) The penalty for a non-designated withdrawal from a subsidized IDA will be the total amount of the subsidy and 10 percent of the individual's contribution; the penalty for a non-designated withdrawal from an unsubsidized IDA will be 10 percent of the amount withdrawn.
- (c) The Social Security Act and the Food Stamp Act will be amended, as appropriate, to comport with the changes in the tax laws. In addition, amendments will be drafted to include the following provisions:
 - (i) Lump sum income: Non-recurring lump sum income will not be counted for resource purposes in the month of receipt or the following month if put in an IDA.
 - (ii) The total exclusion for an AFDC assistance unit or Food Stamp household is \$10,000; however, there is no limit on the number of IDAs that eligible individuals in such units or households may establish.

Rationale

IDAs and other set-asides provide welfare recipients the opportunity to be entrepreneurs in the private sector and accumulate savings for specific purposes. This approach promotes self-sufficiency by empowering them to start their own businesses and encouraging them to save money they earn to build for their future.

(C) Microenterprise (Self-Employment)

Current Law

Resource Exclusions

Under Federal AFDC policy, except for real property, States may disregard for AFDC purposes income-producing property (as defined by the State) of self-employed individuals. States may also disregard income-producing property owned by a recipient who is not currently employed, but who the State reasonably expects to return to work. Federal regulations at 45 CFR 233.30(a)(3)(xxi) require that States disregard, for AFDC purposes, bona fide loans from any source for any purpose that meet the criteria set out in the State Plan.

Section 5(g)(2) of the Food Stamp Act and implementing regulations at 7 CFR 273.8(e)(4), (5), (6), (9), (15) and (16) exclude "property which annually produces income consistent with its fair market value; property which is essential to the self-employment of a household member; installment contracts for the sale of lands and buildings, if the contract ... is producing income consistent with fair market value; resources.. of.. self-employed persons, which has been prorated as income;" non-liquid assets with liens resulting from business loans; and real or personal property that is needed for maintenance of certain vehicles.

Legislative specifications

~~(a) Require the AFDC and Food Stamp programs to disregard from resources of applicants and recipients any portion of the net profit of the microenterprise necessary to fulfill the business plan. The period of time for the exclusion would be determined by the State agency on the basis of the approved business plan, which would be developed in accordance with criteria established by the State. States may count establishing and participating in a microenterprise as fulfillment of the JOBS requirements. (provision may be changed)~~

Proposed Resource Changes:

- (b) Amend the Social Security Act to conform to the resource exclusions under the Food Stamp Program. AFDC regulations would be revised to exclude:
- (1) property which annually produces income consistent with its fair market value;
 - (2) property which is essential to the self-employment of a household member;
 - (3) installment contracts for the sale of lands and buildings, if the contract is producing income consistent with fair market value;
 - (4) resources of self-employed persons, which has been prorated as income;
 - (5) non-liquid assets with liens resulting from business loans; and
 - (6) real or personal property that is needed for maintenance.
- (c) Amend the Food Stamp Act to exclude business loans from resources.

Rationale

Current AFDC policy does not permit funds necessary for the operation of a microenterprise to be excluded separately from the general \$1,000 resource limit. This restriction discourages recipients from establishing small businesses. By expanding the microenterprise resource exclusions, microenterprise owners will be able to set aside sufficient liquid resources to operate the business.

5. INCOME ISSUES

Vision

Federal laws or rules frequently disregard a part or the total income of applicants and recipients in determining eligibility and benefits for assistance programs. Often, the same income is treated differently in the AFDC and Food Stamp programs. Such differences are incomprehensible to recipients and difficult to administer.

Our goal is to adopt uniform equitable income disregard policies for the AFDC and Food Stamp programs which are easy to understand, simple to administer and promote work and education.

1. Treatment of Lump Sum Income

Current Law

Under Section 402(a)(17) of the Social Security Act, non-recurring lump sum income is considered to be available to meet an AFDC family's current and future needs. If the assistance unit's countable income, because of receipt of lump sum income, exceeds the applicable State need standard, the unit is ineligible for a period determined by dividing the total countable income (including the lump sum) by the need standard.

The Food Stamp Act, at 5(d)(8), excludes from income non-recurring lump sum payments. Such amounts, if not spent in the month received, are treated as resources.

Legislative specifications

For applicants and recipients:

- (a) Amend section 402(a)(17) of the Social Security Act (SSA) to exclude non-recurring lump sum payments from income.
- (b) Amend both the SSA and FSA to disregard as resources, for one year from the date of receipt, non-recurring lump sum payments that are reimbursements for past, current or future costs or are intended to cover the cost of repairing or replacing assets.
- (c) Amend both the SSA and the Food Stamp Act (FSA) to disregard the amount of any Federal or State EITC lump sum payments as resources for one year from receipt.

Rationale

Lump sum payments are treated completely differently in the two programs. Considerable simplification for both the clients and workers can be achieved if the policies are consistent. Also,

current AFDC policy can result in hardship for families since they are supposed to conserve the payments to meet future living expenses rather than to cover debts and other costs.

2. Treatment of Educational Assistance

Current Law

Several laws address the treatment of educational assistance for AFDC. Any educational assistance provided under programs in title IV of the Higher Education Act or the Bureau of Indian Affairs must be disregarded (P.L. 102-325, sec. 479B). A State must disregard payments made for attendance costs under the Carl D. Perkins Vocational and Applied Technology Education Act (P.L. 101-392, sec. 507(a)). Under AFDC rules, the State must disregard educational loans and grants that are obtained and used for direct educational expenses, such as tuition and books (233.20(a)(3)(iv)(B)). (Any of the educational assistance covering items in the State's need standard is counted as income.) Also, States may disregard all educational assistance as complementary assistance that is for a different purpose than AFDC (233.20(a)(3)(vii)(a)).

Portions of income received under the Job Training Partnership Act and the Higher Education Act are disregarded in the Food Stamp program. By regulation, such educational assistance provided on behalf of the household for living expenses, food, or clothing to the extent that the funds exceed the costs of tuition and mandatory fees are counted as income. (7 CFR 273.9(c)(1)(v); 273(c)(3); 273(c)(4); 273.9(c)(5)(i)(D); and 373.9(c)(10)(xi).

Legislative specifications

- (a) Amend the Social Security Act and Food Stamp Act to totally disregard all educational assistance received by applicants and recipients.

3. Earnings of Students

Current Law

For a dependent child receiving AFDC, the earned income of a full-time or part-time student (not employed full-time) attending a school, college, or university, or a course of vocational or technical training designed to fit him for gainful employment is disregarded (402(a)(8)(A) of the Social Security Act). At State option, the earned income of a dependent child applying for AFDC may also generally be disregarded. The earnings of minor parents attending school are not excluded.

Effective September, 1994, the Food Stamp program will exclude the earnings of elementary or high school students age 21 and under (FSA 5(d)(5); 7 CFR 273.9(c)(7)).

Legislative Specifications

- (a) Amend the Social Security and Food Stamp Acts to conform Food Stamps to AFDC policy and limit the disregards to elementary and secondary students up to age 19.

4. Irregular Income

Current Law

No statutory provisions address irregular income for AFDC. Rules permit States to disregard small, nonrecurring gifts not to exceed \$30 per individual per quarter (233.20(a)(3)(iv)(F)).

The Food Stamp Act (Sec. 5(d)(2)) requires the exclusion of income of \$30 or less in a quarter per household received too infrequently or irregularly to be anticipated. The exclusion does not apply under retrospective budgeting.

Legislative specifications

- (a) Amend the Food Stamp Act to conform to AFDC rules to exclude inconsequential income not in excess \$30 per individual per quarter.

5. Treatment of JTPA Income

Current Law

For AFDC, the income of a dependent child which is derived from participation in a JTPA program may be disregarded. Earned income may be disregarded for a period up to six months per calendar year. Unearned income may be disregarded indefinitely (section 402(a)(8)(A)(v) of the SSA).

Under Food Stamps, training allowances from vocational and rehabilitation programs and JTPA earnings are excluded, except income from on-the-job training programs under section 204(5) of title II. All OJT income of individuals under age 19 and under parental control is excluded. (7 CFR 273.9(b)(1)(iii) and (v); 273.9(c)(10)(v))

Legislative Specifications

- (a) Amend the Social Security and the Food Stamp Acts to disregard as income all training stipends and allowances received by a child or adult from any program, including JTPA.
- (b) Eliminate targeted earned income disregards so that the earned income from any on-the-job training programs or from a job will be counted after the general earned income disregards are deducted.

6. Treatment of Income from Complementary Programs

Current Law

Under AFDC regulations, States may disregard assistance from other agencies and organizations that are for a different purpose (complementary) than AFDC and do not duplicate needs already met in the need standard. (45 CFR 233.20(a)(3)(vii))

With specified exceptions, the Food Stamp program disregards cash donations based on need to the household not to exceed \$300 in any one quarter from one or more charitable organizations. (FSA 5(d), (k); 7 CFR 273.9(b), (c)(13)).

Legislative Specifications

- (a) Amend the Social Security Act to adopt the current Food Stamp policy.

7. Supplemental Payments

Current Law

Section 402(a)(28) of the Social Security Act requires those States that deduct income from the need rather than the payment standard (fill-the-gap) now and in July of 1975 to provide a supplemental payment to families who have less disposable income because child support is paid to the child support agency instead of directly to the family.

Food Stamps - No such provision exists in the Food Stamp program.

Legislative Specifications

- (a) Amend the Social Security Act to remove this provision.

8. Treatment of In-kind Income

Current Law

AFDC rules require earned in-kind income to be counted. As a matter of policy, States may disregard any unearned in-kind income. If the State elects to count unearned in-kind income, the amount counted is limited to the value of the item in the State's need standard.

Under Food Stamps, in-kind benefits such as food, clothing, housing, produce are excluded. (FSA 5(d)(1); 7 CFR 273.9(c)(1))

Legislative Specifications

- (a) Amend the Social Security Act to require States to disregard both earned and unearned in-kind income.

6. **UNDERPAYMENTS**

Current Law and Policy

Section 402(a)(22) of the Social Security Act requires State agencies to promptly take all necessary steps to correct any underpayment. Regulations at 45 CFR 233.20(a)(13) limit the issuance of underpayments (both agency and client caused) to current recipients and former recipients who would be currently eligible if the error causing the underpayment had not occurred. As a result of litigation, program policy also permits States to issue underpayments to former recipients who would no longer be currently eligible. The amount of the underpayment is not limited by the number of eligible months covered.

Section 11(e)(11) of the Food Stamp Act provides that benefits are to be restored to a household requesting them if the benefits have been "wrongfully denied or terminated." The period for which benefits are restored is limited to one year prior to the date the State agency either receives a request for restoration from the household or otherwise learns that a loss to the household occurred. The Food Stamp rule (7 CFR 273.17) also prohibits the State agency from restoring benefits for a period longer than 12 months. The rule requires that benefits be restored even if the household is currently ineligible.

Vision

To provide clients with a rational and consistent policy in the processing of underpayments.

Legislative Specifications

- (a) Amend section 402(a)(22) of the Social Security Act to conform to Food Stamp law by requiring the issuance of agency caused underpayments to current and former recipients for a period not in excess of 12 months from the date that the agency learns about the underpayment.

Rationale

Since clients are responsible for reporting changes in circumstances that affect eligibility and benefits, a 12-month limit on restoring lost benefits due to agency error reinforces positive behavior. The change also achieves consistency between the AFDC and Food Stamp underpayment policies. However, because the proposal represents a contraction of AFDC program policy (i.e., the prohibition on underpayments due to client error) client advocacy groups are likely to object.

7. TERRITORIES

Welfare Reform Working Group staff have met with representatives from Puerto Rico and the other territories to discuss recommendations relative to the operation and funding of the territorial welfare programs. These representatives, including staff from the territorial Congressional delegation, recommended that we (1) eliminate the funding cap, and (2) extend SSI to the territories. In addition, the representative from American Samoa believes that the territory should be permitted to operate an Aid to the Aged, Blind, and Disabled (AABD) program and receive appropriate funding. The representatives also asked that funding for JOBS, child care, and the application of the time limit be addressed. For example, Puerto Rico is concerned that the two year time will be difficult to enforce in an economy with 18 percent unemployment.

Current Law

Section 1108 of the Social Security Act permits the territories (i.e., Guam, Puerto Rico, and the Virgin Islands) to operate the AABD and AFDC programs; American Samoa is only authorized to operate an AFDC program. Funding for Child Care and Transitional Child Care is provided for under the JOBS limit of entitlement. If the territory elects to operate these programs, it must also have a title IV-E or Foster Care program. The territory must adhere to the same eligibility and payment requirements as the States. The Federal government matches 75 percent of costs; however, funding for the territories is capped. The caps are \$82 million for Puerto Rico, \$3.8 million for Guam, and \$2.8 million for the Virgin Islands. Between 1979 and the present, the caps were increased once, by roughly 13 percent.

Vision

To create realistic funding levels for the territories that are reflective of the current economy and caseload. A mechanism that will provide occasional adjustments in funding levels will be developed to replace the current burdensome method of petitioning Congress for adjustments.

Legislative Specifications

Continue to require the territories to operate the AABD, AFDC (including JOBS supportive services) and Foster Care programs. Amend section 1108 of the Social Security Act to increase the caps by an additional ~~25~~ percent and create a mechanism for indexing. The territories would not be required to operate AFDC-UP programs.

Rationale

The number of public assistance programs funded under the current caps, coupled with only one adjustment to these caps in 15 years, has seriously limited the territories' abilities to provide, let alone increase benefits. Benefit payments above the cap are financed 100 percent by the territories, resulting in situations such as Guam's where the Federal share is roughly 40 percent. Puerto Rico reports that, since 1987, AFDC caseloads have nearly doubled from 98,000 units to 183,000 units. Further, beginning October, 1994, Puerto Rico will be required to extend eligibility to two-parent families. Puerto Rico estimates that an additional 40,000 families will be eligible for AFDC due to this provision. If match rates were determined by formula, as they are in the States, the territories would be eligible for higher match rates. Increasing the caps and providing a mechanism for efficient adjustments to those caps will not only continue to give territories the authority to operate public assistance programs but adequate means to do so as well (See Appendix A, Fact Sheet On The Territories).

8. DECLARATION OF CITIZENSHIP AND ALIENAGE

Current Law

Section 1137(d) of the Act requires, as a condition of eligibility for assistance, a declaration in writing by the individual (or, in the case of an individual who is a child, by another on his/her behalf) under penalty of perjury, stating whether or not the individual is a citizen or national of the United States, and, if such individual is not a citizen or national of the United States, whether he/she is in a satisfactory immigration status.

Vision

To bring the AFDC program into alignment with Food Stamps by allowing one adult member of an applicant assistance unit to sign the declaration of citizenship or alien status for all members of the unit.

Legislative Specifications

(a) Amend the Social Security Act by revising section 1137(d)(1)(A) as follows:

- (1)(A) The State shall require, as a condition of an individual's eligibility for benefits under any program listed in subsection (b), a declaration in writing by the individual (or, in the case of an individual who is a child or a spouse in a two parent unit, by another on the individual's behalf), under penalty of perjury, stating whether or not the individual is a citizen or national of the United States, and, if that individual is not a citizen or national of the United States, that the individual is in satisfactory immigration status.

Rationale

The current requirement is administratively burdensome as it requires each adult in the AFDC unit to sign a separate declaration. This proposal will allow the adult payee or principal earner in an assistance unit to declare on behalf of his/her spouse and children, thereby simplifying the application and redetermination process. This proposal would also provide consistency with Food Stamps.

9. RECOVERY OF OVERPAYMENTS THROUGH FEDERAL TAX INTERCEPT

Current Law

Section 402(a)(22) of the Social Security Act requires, as a condition for aid and services to needy families with children, a State plan which must provide that a State agency will promptly take all necessary steps to correct any overpayment to any individual who is no longer receiving aid under the plan. Recovery shall be made by appropriate action under State law against the income or resources of the individual or the family.

Vision

To allow State agencies to recover AFDC program overpayments through the use of a tax intercept program in coordination with the IRS. A 50% match rate to cover administrative costs will be provided.

Legislative Specifications

- (a) Amend section 402(a)(22)(b) of the Social Security Act to permit State agencies to coordinate with the IRS to intercept Federal Income Tax Returns for the collection of outstanding AFDC overpayments, provided they pursue other means of collection under State law prior to using the Federal tax intercept program. The tax intercept recovery method would only be used to recover overpayments made to individuals who are no longer receiving aid under the plan. The administrative costs would have a 50% Federal match rate for State contributions.

Rationale

Currently States have the authority to intercept State tax refunds but are unable to do so if the overpaid individual moves to another State. A Federal system would allow States to collect from individuals, regardless of their State of residence. FNS has been running an IRS tax intercept program as a demonstration project since 1992. The program has proved to be very effective in collecting outstanding overpayments, so much so that FNS has expanded the demonstration every year to include more States. A 50% match for administrative costs supports the Administration's philosophy that the administration of the AFDC program should be an equal Federal/State partnership.

B. REGULATORY REVISIONS

The effort, compromise and time involved in making statutory revisions and amendments make the identification of reforms that can be implemented with comparative ease through regulatory amendment and revision a must. The following proposals, while few in number, will provide for more timely reforms and allow States to at least begin to simplify and streamline assistance programs while the broader reforms are addressed by Congress.

1. MICROENTERPRISE EXPENSES (SELF-EMPLOYMENT)

Current Requirements

In the AFDC program, the rules (45 CFR 233.20(a)(6)(v)(B)) provide that profit from self-employment (e.g., microenterprises) is derived from subtracting business expenses from gross receipts. All the earned income disregards (Section 402(a)(8)) are applied to the profit the same as income from wages. Allowable business expenses are those directly related to producing goods or services. However, the following expenses are not allowed: depreciation, purchases of capital equipment, payments on the principal of loans for capital assets or durable goods, personal transportation, and personal business or entertainment expenses. A State may designate an objective flat amount or percentage for self-employment business expenses, but must allow higher actual costs.

The Food Stamp program excludes from income the cost of producing self-employment income. The rules (273.11(a)(4)(i)) list the following examples of the specific costs that should be excluded: the identifiable costs of labor, stock, raw material, seed and fertilizer, interest paid to purchase income-producing property, insurance premiums, and taxes paid on income-producing property. The following expenses are not excluded as costs of doing business: payments on the principal of the purchase price of income-producing real estate and capital assets, equipment, machinery, and other durable goods; net losses from previous periods; and depreciation. In addition, Federal, State, and local income taxes, retirement monies, and other work related personal expenses (such as transportation to and from work) are not allowed because these expenses are accounted for by the 20 percent earned income deduction in Section 273.9(d)(2).

Regulatory Specifications

- (a) Change the Food Stamp and the AFDC regulations to provide a deduction of the amount of depreciation or the actual cost of purchasing the asset as claimed for tax purposes, or if none yet claimed according to State criteria.
- (b) Delete current language in AFDC regulations to conform with Food Stamp rules by adding examples of specific costs of producing self-employment income, such as the identifiable costs of labor, stock, raw material, interest paid to purchase income producing property, insurance premiums, and taxes paid on income producing property.

Rationale

A compatible AFDC/Food Stamp exclusion for business expenses, including a deduction for depreciation or actual the actual expenses of necessary assets, would result in greater effectiveness, clarity and efficiency in the administration of both programs. The change would encourage self-employment, self-sufficiency and recognize the legitimate cost of doing business. Allowing the eligibility worker to recognize business deductions as claims by the individual for income tax purposes would simplify such calculations.

2. BOARDER INCOME

Current Requirements

Under the AFDC program, neither the statute or rules address allowable costs of business income received from boarders. Under program policy, a State may designate a flat amount or percentage for self-employment business expenses. However, the State must allow higher documented costs.

The Food Stamp Act is also silent on specific procedures for determining the income of households with self-employment income from boarders. However, the House Report which accompanied the Food Stamp Act of 1977 (H.R. 95-464, page 38) indicates Congressional intent that the cost of doing business for boarder income be calculated "for purposes of administrative ease, at a fixed rate or the value of a monthly coupon allotment for a one-person household" for each boarder. The report also indicates Congressional intent that actual costs be allowed, but the cost exclusions from income cannot exceed the income received.

Section 273.11(b)(1) of the Food Stamp rules provides procedures for calculating the income received from boarders based on the legislative history contained in the Food Stamp Act. Income from boarders includes all direct payments to the household for room and meals, including contributions to the household's shelter expenses. The cost of doing business is either (1) the maximum allotment amount for a household size that is equal to the number of boarders or (2) the actual documented cost of providing room and meals, if that cost exceeds the maximum allotment amount. If actual costs are used, only separate and identifiable costs of providing room and meals to boarders can be excluded. The excluded costs cannot exceed the amount of income received.

Regulatory Specifications

- (a) Modify AFDC and Food Stamp rules to permit States the option to allow a flat rate, a percentage, or either the maximum allotment for a household of the same size as the number of boarders in the thrifty food plan or the actual documented cost, if it is higher than the allotment. The same procedure would be adopted for each program.

Rationale

A uniform AFDC/Food Stamp policy in calculating boarder income would result in greater effectiveness and efficiency in the administration of both programs.

3. REPORTING AND BUDGETING

One of the major complaints about the differences between the AFDC and Food Stamp programs is that the programs use different periods to determine benefits for the current month and require too much reporting of changes in circumstances. In a transitional program where more recipients may have fluctuating income, the reporting burdens on recipients, the fluctuations in benefit amounts, and the constant need for case worker recalculations of benefits would impose complexity on all parties involved.

Current Requirements

(A) Monthly Reporting and Budgeting Requirements

Both AFDC and Food Stamps permit States to adopt monthly reporting requirements and to use either retrospective or prospective budgeting to determine the benefit amounts for some or all cases. Yet there are some differences in application. For example, the Food Stamp Act permits retrospective budgeting of non-monthly reporting cases, while the Social Security Act does not.

Under a monthly reporting and retrospective budgeting system, families report income and other case circumstances every month, whether or not a change affecting eligibility and payment amounts has occurred since the previous month. This information, as well as any supplementary report of a change in circumstances, is used to determine continued eligibility and to determine the amount of assistance based on a prior month's income.

Under a prospective budgeting system, eligibility and benefit amounts are based on a projection of income and circumstances that will exist in the month for which payment is to be made. The Food Stamp program by regulation and statute is more prescriptive in how the estimates are to be made. The AFDC rules are not contained in statute and provide States more flexibility in making the estimate.

(B) Effective Date of Reported Changes

Both programs require families to report changes in circumstances. In AFDC, States must establish procedures for timely and accurate reporting of changes that affect eligibility and amount of assistance. Any change is effective in the month it occurred. Food Stamp rules allow for a tolerance in which a change of less than \$25 per month does not have to be reported and the rules governing the effective date of any change give the recipient and agency time to report and act upon the change.

(C) Earned Income Penalties for Failure to Report

Both programs impose earned income deduction penalties when recipients fail to report timely. Under the AFDC program the penalty is applied whenever a recipient fails to timely report without good cause. In the Food Stamp program, the penalty is applied to any portion of income the recipient willfully failed to report. In AFDC the penalty applies to the \$90 work expense disregard, the child care disregard and the \$30 and 1/3 earned income disregard provisions. Under the Food Stamp program, the penalty is applied by not disregarding the 20 percent earned income deduction to any portion of the income that the recipient willfully failed to report.

(D) Recertification Period

In the Food Stamp program, recertification of eligibility is mandatory and must occur every one to twelve months (depending on the characteristics of the household) under specific procedural rules. In AFDC, redetermination of eligibility must occur every six to 12 months according to State established procedures. Unlike AFDC, food stamp benefits automatically terminate when the certification period expires.

Regulatory Specifications

- (a) Allow States to continue to use retrospective and prospective budgeting. Require recipients to timely report all significant changes in circumstances affecting eligibility or the amount of assistance.
- (b) Require the State to make timely adjustments to benefits, both up and down, when significant changes in income and other factors are reported by the recipient. Significant changes in income include getting or losing employment, promotion, permanent changes in hours worked, etc. Non-permanent fluctuations in income (overtime, absence) are not considered to be significant.
- (c) Overpayments would not occur where recipients report timely and the agency makes adjustments no later than the second month after the month in which the change occurred, subject to notice requirements. These specifications closely conforms to current Food Stamp program policy.

Rationale

These proposed administrative rules will significantly simplify benefit calculation procedures for joint AFDC/Food Stamp households. By rationalizing the procedures in benefit determination and calculation, workers and recipients will benefit through less paperwork processing and time spent on recalculating benefits because of fluctuations in income. The rules maintain a balance between assuring benefits are accurately determined by reducing the current complexities retaining the appropriate level of responsibilities on recipients to report information.

4. AUTOMOBILE RESOURCE LIMIT

Current Requirements

The Social Security Act provides for the exclusion of so much of a family member's ownership interest in one automobile as prescribed by the Secretary. That exclusion is set by regulation at \$1500 equity value (or a lower limit set by the State) in one vehicle with any excess equity value counted toward the \$1,000 AFDC resource limit.

The Food Stamp Act provides for the total exclusion of vehicles that are used over 50 percent of the time for income-producing purposes; annually producing income consistent with their FMV; necessary for long distance travel for work (other than daily commute); used as the household's home; or needed to transport a physically disabled household member. For the following vehicles, the amount of the FMV over \$4,500 is counted as a resource: one per household (regardless of use); and vehicles used for work, training or education to prepare for work in accordance with food stamp employment and training requirements. For all other vehicles, the FMV over \$4,500 or the equity value, whichever is more, is counted as a resource.

Vision

Reliable transportation will be essential to achieving self-sufficiency for many recipients in a time-limited program. Because a dependable vehicle is important to individuals in finding and keeping a job, particularly for those in areas without adequate public transportation, both the AFDC and the Food Stamp programs need a conforming automobile resource policy that supports acquiring reliable vehicles. This proposal would simplify the automobile resource policy by conforming the program

rules and reducing the unnecessary complexity and confusion for program administrators in both programs.

Regulatory Specifications

- (a) Exercise Secretarial authority and amend the regulations to increase the AFDC automobile limit to an equity value that is compatible with the current Food Stamp FMV limit with the goal of assuring that a vehicle will meet the requirements of both programs.

Rationale

This proposal attempts to bring a level of conformity between the two programs that would eliminate some of the administrative complexity involved with valuing vehicles under varying criteria and would result in greater effectiveness and efficiency in the administration of both programs.

5. VERIFICATION

Current Requirements

Food Stamp law and regulations include specific requirements for verification and documentation of information needed for eligibility and benefit determinations. Food Stamp regulations mandate verification of utility and medical expenses (when actual is claimed), identity, residency (address), disability and household composition. In the AFDC program, the Act and regulations do not address how verification is to occur but State procedures have generally conformed to the verification policy outlined in the Federal quality control manual.

Under the Food Stamp Act (FSA) (sections 11(e)(3), (9)) and Social Security Act (Act) (sections 402(a)(25) and 1137), income must be verified through the Income and Eligibility Verification System (IEVS). The State must request wage and benefit information for from the State Wage Information Collection Agency, the Social Security Administration, and the agency administering Unemployment Insurance Benefits. Unearned income information must be requested from the Internal Revenue Service. Both programs are also required by law to verify alien status through the Immigration and Naturalization Service's Systemic Alien Verification for Entitlement system.

Both programs review the accuracy of eligibility decisions and benefit amounts through quality control systems, with the intended result that much information is verified at application and at recertification to avoid errors. States may, in both programs, adopt other verification requirements.

Vision

Federal computer matching and verification requirements are often burdensome for both clients and eligibility staff. Even where States have flexibility, the emphasis on payment accuracy and the potential for fiscal quality control penalties have often resulted in unnecessary documentation, delays in benefits and improper denials and terminations. Yet, to assure the public that their taxes are being spent to serve only those in need, verification will continue to be a critical component of the new system for delivering assistance to families. States must be afforded the flexibility to simplify verification procedures, while assuring program integrity through minimum standards.

Regulatory Specifications

- (a) Exercise current Secretarial waiver authority and amend regulations so that:
- States may choose the verification systems, methods and time-frames for action;
 - States may choose the computer matching activities that are most effective provided that the alternative match or verification process is just as effective as those required IEVS and SAVE; and
 - States may verify additional factors of eligibility.
 - FNS will continue to have authority to verify additional factors that relate to the Food Stamp program only, such as actual medical costs.
- (b) Verification methods, systems, and time limits will be included in the State Plan.

Rationale

States will welcome the increased flexibility provided by this proposal and be able to streamline their verification activities, saving time and paperwork. At the same time, the State plan approval process will ensure adequate protection of client rights and program integrity without restricting State flexibility.

C. TECHNICAL ASSISTANCE AND EVALUATIONS

I. Authority to Tap JOBS/WORK and Child Care Funds For Research, Evaluation and Technical Assistance Purposes

Current Law

There are a variety of ways that funds are set aside for evaluation oversight and technical assistance support to programs. The Family Support Act, for example, authorizes specific amounts for implementation and effectiveness studies of the JOBS Program. Under the Head Start Act, 13 percent of annual appropriations are reserved by the Secretary for a broad range of uses including training, technical assistance and evaluation. The Secretary of HHS, at her discretion, sets aside 1% of Public Health program funding for evaluation of its programs.

Vision

Annually reserve 1% of the total capped entitlement funding for the Secretary of HHS ~~(and Labor?)~~ to spend on JOBS, WORK and At-Risk Child Care for research, evaluation, and technical assistance.

Rationale

Sufficient funds should be available to ensure that the Department(s) can provide adequate levels of technical assistance to States, exercise oversight over State implementation of welfare reform, and carry out other supportive research and training activities. Tying funds to a percentage of the overall program dollars ensures that as the program grows, funds for research, evaluation and technical also grow.

Legislative Specifications

- (a) Reserve to the Secretary from amounts authorized for the capped JOBS, WORK and At-Risk Child Care funding, up to one percent for each fiscal year for expenditures for evaluation, research, training and technical assistance.

NON-CITIZEN PROVISIONS

A. UNIFORM ELIGIBILITY FOR NON-CITIZENS

1. Apply a Uniform Standard for Determining Alien Eligibility for Non-Citizens Under AFDC, Supplemental Security Income, and Medicaid

Current Law:

Assuming they meet all other eligibility requirements, foreign nationals residing in the United States must be lawfully admitted for permanent residence or "permanently residing in the United States under color of law" (PRUCOL) to qualify for benefits of the AFDC, Supplemental Security Income (SSI), or Medicaid programs.

The term PRUCOL applies to certain individuals who are neither U.S. citizens nor aliens lawfully admitted for permanent residence. Aliens who are PRUCOL entered the United States either lawfully in a status other than lawful permanent residence or unlawfully. PRUCOL status is not a specific immigration status but rather includes many other immigration statuses. Under the SSI statute, PRUCOL aliens include those who hold parole status. The AFDC statute defines aliens who have been granted parole, refugee, or asylum status as PRUCOL, as well as aliens who had conditional entry status prior to April 1, 1980. The Medicaid statute uses the term PRUCOL but provides no guidance as to the meaning of the term.

In addition to the revisions in the regulations reflecting the interpretation of section 1614(a)(1)(B) of the Social Security Act resulting from the court in the Berger and Sudomir decisions discussed below, PRUCOL status also is defined in AFDC, SSI and Medicaid regulations as including aliens:

- ▶ who have been placed under an order of supervision or granted asylum status;
- ▶ who entered before January 1, 1972, and continuously resided in the United States since then;
- ▶ who have been granted "voluntary departure" or "indefinite voluntary departure" status; and
- ▶ who have been granted indefinite stays of deportation.

In the case of Berger v. Secretary, HHS, the U.S. Court of Appeals for the 2nd Circuit interpreted PRUCOL for the SSI program to include 15 specific categories of aliens and also those aliens whom the Immigration and Naturalization Service (INS) knows are in the country and "does not contemplate enforcing" their departure. SSA follows the Berger court's interpretation of the phrase "does not contemplate enforcing" to include aliens for whom the policy or practice of the INS is not to enforce their departure as well as aliens whom it appears the INS is otherwise permitting to reside in the United States indefinitely. The Medicaid regulations include the same Prucol categories as the SSI regulations.

The Sudomir v. Secretary, HHS decision, which focused on AFDC eligibility for asylum applicants, was less expansive. The U.S. Court of Appeals for the 9th Circuit determined that AFDC eligibility would extend only to those aliens allowed to remain in the United States with a "sense of permanence." Applicants for asylum are thus specifically excluded from receiving AFDC benefits by this decision even though they would not necessarily be disqualified for SSI due to the Berger decision.

Proposal:

- (a) Eliminate any reference to PRUCOL as an eligibility category in titles IV, XVI, and XIX of the Social Security Act (the Act). Standardize the treatment of aliens under these titles by identifying in the statute the specific immigration statuses in which non-citizens must be classified by INS in order to qualify to be considered for AFDC, SSI, or Medicaid eligibility. Specifically, provide that only aliens in the following immigration statuses could qualify--
- ▶ lawfully admitted for permanent residence within the meaning of section 101(a)(20) of the Immigration and Nationality Act (INA);
 - ▶ residing in the United States with lawful temporary status under sections 245A and 210 of the INA (relating to certain undocumented aliens legalized under the Immigration Reform and Control Act of 1986);
 - ▶ residing in the United States as the spouse or unmarried child under 21 years of age of a citizen of the United States, or the parent of such citizen if the citizen is over 21 years of age, and with respect to whom an application for adjustment to lawful permanent resident is pending; or
 - ▶ residing in the United States as a result of the application of the provisions listed below:
 - sections 207 of the INA (relating to refugees) or 203(a)(7) of the INA (relating to conditional entry status as in effect prior to April 1, 1980);
 - section 208 of the INA (relating to asylum);
 - section 212(d)(5) of the INA (relating to parole status) if the alien has been paroled for an indefinite period;
 - ~~section 902 of Public Law 100-202 granting extended voluntary departure as a member of a nationality group~~ [NOTE: this provision may be excluded]; and
 - section 243(h) of the INA (relating to a decision of the Attorney General to withhold deportation).
- (b) The proposal would continue the eligibility of those aliens eligible for AFDC, SSI, or Medicaid on the effective date of the amendment who began their periods of eligibility before enactment for as long as they remain continuously eligible.
- (c) The proposal would also allow state and local programs of assistance to utilize the same criteria for eligibility.

Rationale:

Some aliens considered PRUCOL did not enter the United States as immigrants under prescribed immigration procedures and quotas, but entered illegally. Others entered legally under temporary visas but did not depart. The courts have determined some of these aliens to be eligible for benefits under the definition of PRUCOL, even though such individuals have not received from the INS a deliberate immigration decision and status for permanent presence in the United States. Therefore, it

is reasonable to restrict AFDC, SSI, and Medicaid eligibility to specific categories of aliens who have entered the United States lawfully or who are likely to obtain permanent resident status.

Determining which aliens must be considered for eligibility for Social Security Act programs has become excessively confusing due to judicial actions, and it is subject to ongoing challenge in the courts. By providing in the law a listing of statuses and specifically citing the provisions of the INA under which they are granted, the proposal would eliminate the ongoing uncertainty about the precise scope of the eligibility conditions and potential inconsistencies regarding alien eligibility in the three programs. Additionally, the alien eligibility categories proposed for AFDC, SSI, and Medicaid would be consistent with the proposed categories in the Administration's Health Security Act.

The food stamp program has avoided similar problems because the categories of aliens eligible for assistance under the program have been specifically listed in law. This proposal seeks to do the same for AFDC, SSI, and Medicaid.

The proposal would save administrative resources and costs. The case development required to determine if an alien is considered PRUCOL generally is time-consuming because SSA and state AFDC and Medicaid agencies must verify the alien's status with INS. In many cases, an alien's status as PRUCOL must be re-verified annually.

B. SPONSOR-TO-ALIEN DEEMING

Current Law: *Under immigration law and policies, most aliens lawfully admitted for permanent residence and certain aliens paroled into the United States are required to have sponsors.*

Sections 1614(f)(3), 1621(a), and 415 of the Social Security Act provide that in determining SSI and AFDC eligibility and benefit amount for an alien, his sponsor's (and sponsor's spouse's) income and resources are deemed to the alien for 3 years after the alien's entry into the United States. Public Law 103-152 extends the period of sponsor-to-alien deeming in the SSI program from 3 to 5 years for those applying for benefits beginning January 1, 1994 and ending October 1, 1996. For the SSI program, these deeming provisions do not apply to an alien who becomes blind or disabled after entry into the U.S. The Food Stamp program currently provides for a three-year sponsor-to-alien deeming period. In general, most SSI and AFDC recipients are eligible for Medicaid benefits. However, title XIX of the Act—governing the Medicaid program—does not have provisions on sponsor-to-alien deeming. Immigration law provides generally that an alien who has resided continuously in the United States for at least 5 years after being lawfully admitted for permanent residence may file an application for U.S. citizenship.

Legislative Specifications

- (a) Make permanent in the SSI program the five-year period for sponsor-to-alien deeming.
- (b) Extend sponsor-to-alien deeming from three to five years in the AFDC and Food Stamp programs.
- (c) For the period between five and ten years after being lawfully admitted for permanent residence in the U.S., no sponsored immigrant shall be eligible for benefits under the AFDC, SSI, and Food Stamp programs, unless the annual income of the immigrant's sponsor is below the most recent measure of U.S. median family income.

- ▶ "Annual income" of the sponsor shall include the most recent measure of annual adjusted gross income (AGI) of the immigrant's sponsor, and the AGI of the sponsor's spouse and dependent children, if any.
- ▶ "Median family income" shall be based on the most recent Bureau of the Census measure for U.S. median family income for all families, updated by the most recent measure of change in the Consumer Price Index (CPI-U).

NOTE: For example, CPS data on 1992 income is available in October of 1993. The measure of CPI-U is available in February 1994, which provides the measure of change from 1992 to 1993. Applying the CPI-U to the 1992 income data yields the measure of median family income for 1993, which should be published in the Federal Register in February/March 1994. This measure will then be compared to actual family income for 1993 which should be available after April 15, 1994.

- (d) Each year the Secretary of HHS shall publish in the Federal Register the median family income amount that will be used to determine the eligibility of sponsored immigrants for the AFDC, SSI, and Food Stamp programs.
- (e) State and local programs of assistance are delegated the authority to use the same deeming criteria for determining eligibility of sponsored immigrants for benefits under their programs as is used by the AFDC, SSI, and Food Stamp programs.
- (f) Effective with respect to applications filed and reinstatements of eligibility following a month or months of ineligibility on or after October 1st 1994.

Rationale:

The number of immigrants entering the U.S. has been increasing recently and has had effects on the number of persons receiving benefits. For example, in the SSI program the number of immigrants who received SSI in December 1992 was more than double the number who received benefits in December 1987. Twenty-four percent of aliens lawfully admitted for permanent residence on the SSI rolls in December 1992 came onto the rolls within 12 months after their 3-year sponsor-to-alien deeming period ended, indicating that the deeming provision is instrumental in delaying alien eligibility for SSI. Extending the deeming period avoids increases in benefit program costs which would otherwise occur as a result of increasing immigration into the United States.

For example, under the SSI program, many elderly immigrants are sponsored by their children who have signed affidavits of support. It seems equitable to require the children to continue to support their relatives beyond the 3-year (or 5-year) period, rather than allow the parents to obtain welfare entitlement benefits solely on the basis of age, particularly if the sponsors are financially able to continue supporting the immigrants they have sponsored. Sponsors generally have sufficient income and resources to support their alien relatives as indicated by the fact that only 14 percent of sponsored aliens on the SSI rolls in December 1992 became recipients within their first 3 years in the United States. Nothing in this proposal would prohibit a sponsored alien from becoming eligible for benefits if the sponsor's income and resources were depleted sufficiently to meet eligibility criteria—as is the case with current law. This proposal merely requires sponsors to continue for a longer period of time to accept financial responsibility for those immigrants they choose to sponsor.

Once aliens become citizens, it is appropriate to discontinue sponsor deeming. Aliens generally can apply for citizenship after 5 years' residence in the United States.

EMERGENCY ASSISTANCE PROVISIONS

FORTHCOMING FROM ACF