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THE FAMILY SELF-SUFFICIENCY ACT OF 1995

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Mr. PACKWOOD, from the Committee on Finance, submitted the following

R E P O R T

together with

ADDITIONAL VIEWS

[To accompany H.R. 4]

The Committee on Finance, to which was referred the bill (H.R. 4) to amend the Social Security Act to replace the AFDC program with block grants for needy families with children, to replace child welfare, adoption assistance and foster care programs with a block grant for child protection, to make various reforms to the Supplemental Security Income program, to strengthen the child support enforcement program (along with various reforms to other programs under other laws), and which would restore the American family, reduce illegitimacy, control welfare spending, and reduce welfare dependence, having considered the same, reports favorable thereon with an amendment in the nature of a substitute, and recommends that the bill as amended do pass.

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I. PURPOSE AND SCOPE

The Committee bill fundamentally reshapes the Nation's welfare programs. The most important change is to devolve to the States

(and U.S. territories) primary responsibility for the Aid to Families with Dependent Children (AFDC) program and related programs under the Social Security Act. The Committee bill replaces the present AFDC entitlement to cash welfare, and the myriad of complicated Federal rules and regulations for the AFDC program, with block grants under which the States (and U.S. territories) are given great latitude to design a program to assist needy families with minor children become self-sufficient and productive members of the work force. States determine who will be eligible to receive assistance and the types of assistance to be provided. States are authorized to deny assistance to noncitizens if they so choose.

The Committee bill transforms welfare into a temporary program that places strong emphasis on employment skills and work activities. Able-bodied adults who have received benefits for 2 years must participate in JOBS activities for at least 20 hours a week. The JOBS program for AFDC recipients is modified to give States more flexibility in serving the needs of welfare recipients and to strengthen work requirements. Welfare is made temporary by limiting the receipt of benefits to 5 years except in the case of hardship.

The Committee bill also makes much needed reforms to the Supplemental Security Income (SSI) welfare program, which is funded solely by Federal dollars and has experienced rapid growth of certain populations in recent years. The Committee bill changes SSI eligibility for drug addiction and alcoholism impairments, for noncitizens who enter the U.S. on the basis that they not become a public charge and who have not worked in the U.S. for specified time periods, and for certain children with disabilities.

The Committee bill provides a uniform rule for "deeming" a sponsor's income and resources to noncitizens for all means-tested programs in the Social Security Act. The sponsor's income and resources are deemed to the noncitizen for the greater of 5 years after lawfully entering the U.S. or the time specified in the sponsor's affidavit of support.

The Committee bill strengthens the child support enforcement program by requiring States to improve paternity establishment programs, establish uniform tracking systems and a directory of new hires, and adopt uniform laws to expedite interstate child support collections.

II. EXPLANATION OF PROVISIONS

TITLE I—BLOCK GRANTS FOR TEMPORARY ASSISTANCE FOR NEEDY FAMILIES

Present law

The Aid to Families with Dependent Children ("AFDC") program was enacted in 1935 to provide Federal matching funds to allow States to make cash payments on behalf of needy dependent children. AFDC programs are currently operated in all 50 States, the District of Columbia, and three territories (Guam, Puerto Rico, and U.S. Virgin Islands).

The original AFDC legislation imposed very few requirements on States. Amendments to the program over the years have drastically

increased requirements on States. Although States still set "standards of need" and benefit levels for the program, there is an extensive set of Federal eligibility rules, especially with respect to how a family's income and resources are determined. Income and resources of a sponsor of a noncitizen are "deemed" to the noncitizen for the first three years after lawfully entering the United States in determining eligibility for the AFDC program.

States must submit, for approval by the Secretary of HHS, a State plan that describes the cash benefits and services offered by the State and explains how the State intends to comply with 43 requirements of present law.

States must also have in effect an approved child support program, an approved plan for JOBS, foster care and adoption assistance programs, and an eligibility and verification program.

Reasons for change

Consolidating the AFDC program and related programs into a block grant provides States with much needed flexibility in the use of Federal funds to help needy families with minor children. Streamlining Federal requirements will allow States to devote more time to serving needy families and to develop programs that address the special circumstances of localities. States are guaranteed Federal funding for 5 years so they can make long-term plans without fear of reduced funding. The primary condition placed on Temporary Family Assistance funds is an increased commitment to make able-bodied adults on welfare work. Removing the individual entitlement to cash benefits sends a clear message to welfare recipients that welfare assistance is temporary and is not intended to continue on year after year leading to welfare dependency.

Summary of principal provisions

1. Section 101.—Block grants to States.

a. AFDC programs consolidated into Temporary Family Assistance block grant program

The AFDC program along with related programs are consolidated into a new grant to States called the "Temporary Family Assistance" grant to increase the flexibility of States in operating an assistance program for needy families with minor children. The Temporary Family Assistance grant replaces the following AFDC programs under the Social Security Act:

(1) AFDC cash benefits.
(2) AFDC administration.
(3) AFDC work-related child care.
(4) Transitional child care.
(5) At-risk families child care.
(6) Emergency assistance.
(7) Funding for the JOBS program.

b. Purposes

The purposes of the new grant program are to provide Federal funds for temporary assistance to needy families with minor children so that such children can be maintained in their homes or the

homes of relatives, to promote self-sufficiency of parents of needy children by placing greater emphasis on job preparation and employment, and to prevent and reduce the incidence of out-of-wedlock pregnancies, generally understood to be one of the root causes of welfare dependency.

c. State plan requirements

Under the Temporary Family Assistance grant, States must submit to the Secretary of Health and Human Services (HHS), and update annually, a plan outlining how the State intends to do the following:

(1) Offer a program to serve needy families with minor children throughout the State (assistance may vary from locality to locality within a State);

(2) Provide assistance to needy families with minor children for up to 5 years (longer for hardship cases) and provide job preparation and work experience to adults in the family so that they become self-sufficient;

(3) Require at least one parent in a needy family receiving benefits for more than 24 months (whether or not consecutive) to engage in work activities in accordance with section 404 and Title IV–F (as amended by the Committee bill);

(4) Meet participation rates for the JOBS program;

(5) If different from other recipients, provide benefits paid to needy families moving into the State and to noncitizens;

(6) Safeguard and restrict the use and disclosure of information about needy families receiving benefits; and

(7) Reduce the incidence of out-of-wedlock pregnancies with special emphasis on teenage pregnancy.

States must certify annually that they will operate a child support enforcement program under Title IV–D; a child protection program under Title IV–B; adoption assistance and foster care programs under Title IV–E; a JOBS program under Title IV–F; and an income and eligibility verification system under section 1137. States must certify which State agency or agencies are responsible for the administration and supervision of the program. In this regard, a State may contract with public and private organizations to provide services to welfare recipients. States must certify that any reports required under Title IV–A and IV–F will be filed with the Secretary of HHS and must provide an estimate of State funding for the program.

d. Eligibility for assistance

The Temporary Family Assistance grant is to be used to serve needy families with minor children. A minor child is an individual under 18 years old or, if a full-time student, under 19 years old and who resides with the individual's custodial parent or other caretaker relative.

States are to determine standards of need, eligibility criteria, and types and levels of assistance under the State's program funded under the Temporary Family Assistance grant, subject to work requirements and limitations on assistance under Title IV–A and IV–F. States may reduce or deny assistance to families that refuse to comply with work requirements. States may apply the rules of an-

other State to families who move from the other State for up to 12 months. States are authorized to deny assistance to noncitizens, if they so choose, and must "deem" the income and resources of a sponsor to the noncitizen for five years after lawfully entering the United States (longer if required in the affidavit of support).

A family cannot receive assistance under a State's program funded under the Temporary Family Assistance grant for more than 60 months (whether or not consecutive) after September 30, 1995, unless the State exempts the family by reason of hardship. States determine what constitutes a hardship for this purpose and are limited to granting hardship for a maximum of 15 percent of the average monthly caseload for the fiscal year. The 60-month period begins for an individual who was previously a minor child in a needy family when that individual becomes the head of household of a needy family with a minor child.

Individuals receiving other Federal assistance payments, such as Social Security benefits, Supplemental Security Income payments, or foster care payments, are not eligible for assistance under a State program funded under the Temporary Family Assistance grant.

An individual who is convicted in a Federal or State court of having made a fraudulent statement or representation with respect to the place of such individual's residence in order to receive assistance or benefits simultaneously from two or more States under programs in Titles IV, XVI, or XIX, or the Food Stamp Act of 1977 is not eligible to receive assistance under a State program funded under the Temporary Family Assistance grant for 10 years beginning with the date of conviction. An individual who is a fugitive felon or who is violating probation or parole is not eligible to receive assistance under a State program funded under the Temporary Family Assistance grant.

e. Payments to States and uses of funds

The total amount of the Temporary Family Assistance grant is $16,779,000,000 for each of the fiscal years 1996 through 2000. Each eligible State is entitled to receive a State Family Assistance Grant equal to the actual Federal AFDC and related program expenditures paid to the State for fiscal year 1994. Payments to States are made quarterly. States are allowed to carry forward unused grant funds to future years. Federal grant funds may be subject to appropriation by a State legislature, consistent with the terms and conditions of the Temporary Family Assistance grant. Indian tribes and Alaska Native organizations currently operating a JOBS program will continue to receive Federal funds directly at the same level paid to them for fiscal year 1994.

States may use Temporary Family Assistance funds in any manner reasonably calculated to accomplish the purposes of Title IV–A, including assistance to families who left welfare for employment (for a transition period) and families at risk of going on welfare. The Committee intends that the types of expenditures which were authorized by Title IV–A before the effective date of the Committee bill will continue to be an authorized use of funds. For example, authorized expenditures under present Title IV–A include cash benefits; JOBS program services for recipients and noncustodial par-

ents; work supplementation payments; child care services for recipients, families who left welfare for employment (for a transition period) and families at risk of going on welfare; transportation and other work-related expenses for recipients and families who left welfare for employment (for a transition period); pregnancy prevention education, medical and counselling services; emergency assistance to avoid destitution of a child or to provide temporary shelter; reasonable administration costs, including quality control systems; and welfare fraud detection. The Committee intends that Temporary Family Assistance funds not be used to pay expenses related to other federally funded programs, such as medical services covered by Medicaid, or to supplant State funding of such other programs.

f. Supplemental assistance for needy families Federal loan fund

The Federal Government is authorized to establish a revolving loan fund of $1.7 billion to be administered by the Secretary of HHS for supplemental funding needs for State programs funded under the Temporary Family Assistance grant. Loan funds may be used to provide assistance under such State programs and welfare anti-fraud activities. Eligible States may borrow from the revolving fund if the State has not been found to misuse funds under the Temporary Family Assistance grant. A State's outstanding loan balance may not exceed 10 percent of the State Family Assistance grant at any time. States must repay their loans, with interest based on short-term Treasury rates, within three years. In the event of default, the State's grant for the quarter after the default is reduced by the amount of the loan in default.

g. Penalties against States

The Secretary of HHS is authorized to collect the following penalties from States for noncompliance with Temporary Family Assistant grant requirements:

(1) Any amount found by audit to be in violation of this program, plus 5 percent of such amount as a penalty (unless reasonable cause is shown), will be withheld from the next quarterly payment;

(2) 5 percent of the amount otherwise payable for a fiscal year will be withheld if the State fails to submit an annual report regarding the use of funds within 6 months after the end of the fiscal year unless the Secretary of HHS determines the State has reasonable cause for such failure (the penalty is rescinded if the report is submitted within 12 months);

(3) Up to 5 percent (within discretion of the Secretary of HHS) of the amount otherwise payable for the next fiscal year will be withheld if the State fails to meet the JOBS participation rates for a fiscal year;

(4) Up to 5 percent (within discretion of the Secretary of HHS) of the amount otherwise payable for the next fiscal year will be withheld if the State fails to participate in the Income and Eligibility Verification System designed to reduce welfare fraud;

(5) Up to 5 percent if the Secretary of HHS determines a State fails to ensure that families are cooperating with the child support enforcement agency in establishing paternity or assigning child support rights to the State; and

(6) Any amount borrowed from the revolving loan fund which is not repaid within 3 years, plus interest, will be withheld from the next quarterly payment.

The Secretary of HHS may not reduce any quarterly payment to the States by more than 25 percent. Any remaining penalty (above 25 percent) will be withheld from the State's payments during succeeding payment periods.

States must provide State funds to replace reductions in State Family Assistance grants for the above penalties.

h. Mandatory work requirements

[See discussion at Title II—Modifications to JOBS program.]

i. Religious character and freedom

The Committee bill provides that any religious organization participating in a State's program funded under the Temporary Family Assistance grant shall retain its independence from Federal, State, and local government, including such an organization's control over all aspects of its religious beliefs, and must not deny needy families and children assistance on the basis of religion, religious beliefs, or refusal to participate in a religious practice.

j. Data collection and reporting

Each State receiving Temporary Family Assistance grant funds is required, not later than six months after the end of each fiscal year, to transmit to the Secretary of HHS an annual report describing the use of Federal funds and any State funds and providing aggregate information on needy families receiving assistance under the State's program funded under the Temporary Family Assistance grant during the fiscal year. States are to include the percentage of funds used for cash assistance, the JOBS program, child care, transitional services, administrative costs and overhead; child support received by the States for needy families receiving assistance; the number non-custodial parents participating in the JOBS program; and aggregate information on needy families receiving assistance during the fiscal year.

k. Research, evaluations, and national studies

The Secretary of HHS may conduct research on the effects, costs, and benefits of State programs funded under the Temporary Family Assistance grant. The Secretary of HHS may assist States in developing innovative approaches to helping welfare recipients attain self-sufficiency through employment and shall evaluate the effectiveness of such approaches.

The Secretary of HHS is required annually to rank the States in order of their success in moving individuals receiving assistance into long-term private sector jobs. In addition, the Secretary is to undertake an annual review and evaluation of the three States most recently ranked highest and the three States ranked lowest.

The Secretary of HHS is required to conduct a study of outcomes measures for evaluating the success of a State in moving individuals receiving assistance off of welfare through employment and report to the Committee on Finance of the Senate and the Committee on Ways and Means of the House of Representatives not later than September 30, 1998.

l. Study by the Census Bureau

The Bureau of the Census is directed to expand the Survey of Income and Program Participation as necessary to obtain information to enable interested persons to evaluate the impact of State programs funded under the Temporary Family Assistance grant, with particular attention to the issues of out-of-wedlock births, welfare dependency, the beginning and ending of welfare spells, and the cause of repeat welfare spells.

m. Assistant Secretary for Family Support

The Assistant Secretary for Family Support within the Department of Health and Human Services will administer the programs under Title IV–A, IV–D, and IV–F.

n. State demonstration programs

The Committee bill is not intended to limit in any way the ability of a State to conduct demonstration projects in one or more political subdivisions directed at identifying innovative or effective programs.

o. No individual entitlement

The Committee bill ends the individual entitlement to assistance under the AFDC programs under Title IV–A and IV–F.

2. Section 102.—Report on data processing

Not later than 6 months after the date of enactment, the Secretary of HHS is required to submit to the Congress a report on the status of State automated data processing systems to assist in managing the State's program funded under Temporary Family Assistance grant, tracking program participants, and checking for individuals participating in more than one State program.

3. Section 103.—Continued application of current standards under Medicaid program

The Committee does not intend the changes to Title IV–A, made in the Committee bill, to change Medicaid eligibility. Therefore, the Committee bill requires States to continue Medicaid eligibility based on AFDC eligibility rules in effect on June 1, 1995. That is, families who could have qualified under a State's June 1, 1995, AFDC eligibility requirements will continue to qualify for Medicaid in the future, even though such families may not qualify for assistance under a State program funded under the Temporary Family Assistance grant. Similarly, families receiving adoption assistance and foster care maintenance payments under Title IV–E will continue to qualify for Medicaid in the future based on eligibility requirements in effect on June 1, 1995.

4. Section 104.—Waivers

States that have a waiver under section 1115 or otherwise relating to AFDC programs under Title IV–A in effect on October 1, 1995, may continue to operate a program under the terms of the waiver notwithstanding any other provision of the Committee bill. The State is not, however, entitled to any Federal payments under the waiver.

A State may terminate a waiver, if it so chooses, and must submit a report to the Secretary of HHS on the result or effect of such waiver. A State is relieved of any accrued cost neutrality liabilities under the waiver if the State terminates the waiver by the later of January 1, 1996, or 90 days following the adjournment of the first regular session of the State legislature that begins after the date of enactment of the Committee bill.

5. Section 105.—Deemed income requirement for Federal and federally funded programs under the Social Security Act

The present law-deeming rules for determining the eligibility of noncitizens for selected programs under the Social Security Act are replaced with a uniform deeming rule that applies to all means-tested programs under the Social Security Act. The uniform deeming rule requires that the income and resources of a sponsor and the sponsor's spouse be deemed to a noncitizen for the later of 5 years beginning on the date the noncitizen lawfully entered the United States or the period specified in an affidavit of support.

The uniform deeming rule applies to State means-tested programs that are funded under the Social Security Act, including programs funded under the Temporary Family Assistance grant, Medicaid, and Supplemental Security Income. However, noncitizens will continue to be eligible for emergency medical services.

6. Section 106.—Conforming amendments to the Social Security Act

The Committee bill contains a series of technical amendments to conform the provisions of the Committee bill to other provisions of the Social Security Act.

7. Section 107.—Conforming amendments to the Food Stamp Act of 1977 and related provisions

The Committee bill contain a series of technical amendments to conform the provisions of the Committee bill to the Food Stamp Act of 1977 and related provisions.

8. Section 108.—Conforming amendments to other laws

The Committee bill contains a series of technical amendments to conform the provisions of the Committee bill to other laws.

9. Section 109.—Secretarial submission of legislative proposal for technical and conforming amendments

Not later than 90 days after the date of enactment of the Committee bill, the Secretary of HHS, in consultation with the heads of appropriate other Federal agencies, must submit to the appropriate committees of the Congress, a legislative proposal providing for such technical conforming amendments to the law as are required to fully implement the provisions of the Committee bill.

10. Section 110.—Effective date; transition rule

The provisions and amendments made by Title I of the Committee bill are generally effective on October 1, 1995. States may elect to continue their present law AFDC programs until March 31, 1996, and the State Family Assistance Grant for fiscal year 1996 will be reduced by the amount of Federal payments made before April 1, 1996.

TITLE II—MODIFICATIONS TO THE JOBS PROGRAM (AND TITLE I—WORK REQUIREMENTS)

Present law

The Family Support Act of 1988 established a new program, the Job Opportunities and Basic Skill Training Program (JOBS), to help needy families with children obtain the education, training and employment needed to avoid long-term welfare dependence. A JOBS program is currently operated in all 50 States, the District of Columbia, and three territories (Guam, Puerto Rico, and the U.S. Virgin Islands). In addition, Indian tribes and Alaska Native organizations can operate a JOBS program and receive funds directly from the Federal Government.

States must make available a range of services and activities under the JOBS program. States are required to offer:

(1) Educational activities (as appropriate), including high school or equivalent education (combined with training as needed), basic and remedial education to achieve a basic literacy level, and education for individuals with limited English proficiency;

(2) Job skills training;

(3) Job readiness activities to help prepare participants for work; and

(4) Job development and job placement.

States are also required to offer at least two of the following:

(1) Group and individual job search;

(2) On-the-job training;

(3) Work supplementation programs; and

(4) Community work experience programs (CWEP) or other approved work experience programs.

States may offer postsecondary education in appropriate cases and such other education, training, and employment activities.

A work assignment under the JOBS program must not result in the:

(1) Displacement of any currently employed worker or position;

(2) Impairment of contracts for services or collectively bargained agreements;

(3) Filling of a position when an employee has been laid off from an equivalent position or when an employer has reduced its work force to create a vacancy for a subsidized worker; and

(4) Filling of any established position vacancy.

To the extent resources are available, a State must require nonexempt AFDC recipients to participate in the JOBS program.

States must guarantee child care for AFDC recipients who need care for children under age 6 in order to engage in JOBS activities.

Recipients exempt from participation in the JOBS program are those who are:

(1) A parent or other relative caring for a child under age 3 (younger at State option);

(2) A parent or other relative caring for a child under age 6 if the State does not guarantee child care;

(3) Employed 30 hours or more a week;

(4) Under age 16 attending school full time;

(5) Pregnant women past their first trimester;

(6) Living in areas where the program is not available;

(7) Ill, incapacitated, or of advanced age; and

(8) Needed in the home because of the illness or incapacity of another household member.

The Congressional Budget Office estimates that 60 percent of the AFDC caseload is exempt from participating in the JOBS program.

Beginning with FY 1990, a State must meet specified participation rates—i.e., a specified percentage of all non-exempt recipients must participate in the JOBS program for at least 20 hours weekly. Job search activities do not count as participation after the first 4 months of receiving benefits. The participation rate was set at 7 percent in FY 1990 and has risen to 20 percent by FY 1995. This participation requirement expires at the end of FY 1995.

In addition, a State must meet specified participation rates for two-parent families. At least one parent in a two-parent family must participate at least 16 hours weekly in a work experience program, a work supplementation program, on-the-job training, or a State-designed work program (or educational activities for a parent under age 25 without a high school diploma). The participation rate for two-parent families is 50 percent for FY 1995; 60 percent for FY 1996; and 75 percent for FY 1997 and 1998. This participation requirement expires at the end of FY 1998.

Five States are allowed to offer JOBS activities to non-custodial parents.

Reasons for change

The Committee believes that the most effective way to escape welfare and become self-sufficient is through employment. Able-bodied adults should not be allowed to stay on welfare year after year without working. However, because of exemptions and weak participation standards, less than 10 percent of welfare recipients now participate in some type of job readiness or work activity under the JOBS program. The Committee bill addresses this problem by strengthening participation requirements and modifying the JOBS program to give States more flexibility in offering employment activities to welfare recipients.

Summary of principal provisions

States must continue to have a JOBS program to be eligible to receive funds under the Temporary Family Assistance grant. Federal funding for the JOBS program is included in the State Family Assistance Grant. Indian tribes and Alaska Native organizations

currently operating a JOBS program may continue to receive Federal funding (at FY 1994 levels) directly for that purpose.

The JOBS program is modified to give States more flexibility in offering JOBS activities. States may offer any combination of present law JOBS activities (instead of the six mandatory activities). Requirements for job search and work supplementation are streamlined. New JOBS activities are authorized for community service programs approved by the State and job placement voucher programs. All States are allowed to open their JOBS program to non-custodial parents. A work assignment under the JOBS program may fill an established unfilled position vacancy.

States must guarantee child care for recipients who need care for children under age 6 in order to participate in JOBS activities.

States must meet new minimum participation requirements based on the entire caseload:

Fiscal year:	*Percent*
1996	25
1997	30
1998	35
1999	40
2000	45
2001 and thereafter	50

Participation rates are measured by averaging monthly participation rates for a year. The monthly participation rate is equal to the number of recipient families in which at least one parent is engaged in JOBS program activities (job search is limited to the first 4 weeks) for at least 20 hours per week in a month divided by the total number of recipient families that received cash benefit for the month. For FY 1996, 1997 and 1998, States have the option to compute these participation rates using present law exemptions. After FY 1998, no exemptions will be allowed in computing participation rates.

Beginning with FY 1996, participation for two-parent families means that one parent in a two-parent family must participate in work activities for at least 30 hours a week. In addition, the participation rate for two-parent families will be increased to 90 percent for FY 1999 and thereafter.

States may reduce or terminate assistance for families who refuse to participate in JOBS program activities.

States not meeting the required participation rates in a fiscal year will have their grant reduced by up to 5 percent the succeeding fiscal year.

The Secretary of HHS is to conduct research on the cost/benefit of the JOBS program and to evaluate promising State approaches to employing welfare recipients. The Secretary of HHS must also rank the States in order of their success in moving recipients into long-term private sector jobs, and review the three most and three least successful programs. The Department of Health and Human Services will develop these rankings based on data collected under the bill.

TITLE III—SUPPLEMENTAL SECURITY INCOME

General description

The Supplemental Security Income (SSI) program was established by the 1972 amendments to the Social Security Act to provide cash assistance to needy aged (age 65 and over), blind, and disabled individuals. Disabled individuals are those unable to engage in any substantial gainful activity by reason of a medically determined physical or mental impairment expected to result in death or last at least 12 months. The SSI program is entirely funded by the Federal Government (States may provide supplemental payments).

SUBTITLE A—ELIGIBILITY RESTRICTIONS

1. Section 301.—Denial of SSI benefits by reason of disability to drug addicts and alcoholics.

Present law

Individuals whose drug addiction or alcoholism is a contributing factor material to their disability are eligible to receive SSI cash benefits for up to 3 years if they meet SSI income and resource requirements. These recipients must have a representative payee, must participate in an approved treatment program when available and appropriate, and must allow their participation in a treatment program to be monitored. Medicaid benefits continue beyond the 3-year limit unless the individual was expelled from SSI for failure to participate in a treatment program.

Reasons for change

The number of SSI recipients whose alcoholism or drug addiction is a contributing factor material to their disability has grown from 5,000 in 1985 to 101,000 in 1994. Costs have risen from $14 million in 1985 to $433 million in 1994. The Committee believes this trend is inappropriately diverting scarce Federal resources from severely disabled individuals and is providing a perverse incentive, contrary to the long-term interests of alcoholics and addicts, by providing them with cash payments so long as they do not work.

Summary of principal provisions

An individual will no longer be considered disabled for the SSI program if alcoholism or drug addiction is a contributing factor material to the individual's disability.

2. Section 302.—Limited eligibility of noncitizens for SSI benefits

Present law

Aged, blind, and disabled noncitizens can qualify for SSI cash benefits if they meet SSI income and resource requirements. In determining a noncitizen's income and resources, the income and resources of a sponsor is deemed to be those of the noncitizen for 5 years after the noncitizen lawfully entered the United States.

Reasons for change

Except for asylees and refugees, noncitizens granted entry into the United States stipulate that they will be self-sufficient while living in the United States and will not become a public charge. Notwithstanding this stipulation, the number of noncitizens receiving SSI cash benefits have grown dramatically in the last decade from 240,000 in 1986 to 740,000 in 1994. Costs have risen from $684 million in 1986 to $2.9 billion in 1994. The Committee believes that noncitizens should abide to the condition of self-sufficiency under which they gained entry into the United States. Limiting SSI eligibility for noncitizens who have not worked in the United States for significant time periods will ensure that scarce Federal resources will continue to be available to needy citizens.

Summary of principal provisions

Noncitizens will no longer be eligible to qualify for SSI cash benefits unless they have worked in the United States for a sufficient period to qualify for Social Security disability income (20 quarters of work) or old age benefits (40 quarters of work). Noncitizens who entered the United States as an asylee or refugee will be eligible for SSI cash benefits for up to 5 years after entering the United States (if they otherwise meet the SSI program requirements). Noncitizens who served in the United States Armed Forces and their spouses and dependent children will also be eligible for SSI cash benefits.

3. Section 303.—Denial of SSI benefits for 10 years to individuals found to have fraudulently misrepresented residence in order to obtain benefits simultaneously in two or more States

An individual who is convicted in a Federal or State court of having made a fraudulent statement or representation with respect to the place of such individual's residence in order to receive assistance or benefits simultaneously from two or more States under programs under Titles IV, XVI, or XIX, or the Food Stamp Act of 1977 is not eligible to receive SSI benefits for 10 years beginning with the date of conviction.

4. Section 304.—Denial of SSI benefits for fugitive felons and probation and parole violators

An individual who is a fugitive felon or who is violating probation or parole is not eligible to receive SSI benefits

5. Section 305.—Effective dates; application to current recipients

The eligibility changes to the SSI program are generally effective for months beginning on or after the date of enactment of the Committee bill.

Individuals receiving SSI cash benefits on the date of enactment who will no longer qualify for SSI because of alcoholism or drug addiction or because of noncitizen status will continue to receive SSI cash benefits until January 1, 1997 (if the individual otherwise continues to be eligible). The Social Security Administration must notify such individuals of the change in law within 90 days after the date of enactment. An individual so notified who wishes to reapply

for SSI benefits on another basis must reapply to the Commissioner of Social Security within 4 months after the date of enactment and the Commissioner must make a determination of such individual's eligibility within 1 year after the date of enactment.

SUBTITLE B—BENEFITS FOR DISABLED CHILDREN

Present law

There is no definition of childhood disability in statute. Instead, a needy individual under age 18 is determined eligible for SSI "if he suffers from any medically determinable physical or mental impairment of comparable severity" with that of an adult considered disabled and eligible for SSI benefits.

Under current disability evaluation procedures, the Social Security Administration begins by collecting information about an individual's impairments(s) and ability to function from many sources, including, as appropriate, parents, physicians, psychologists, other health professionals, and teachers. With this information, the Social Security Administration first decides if the impairment(s) of an individual under age 18 "meets or equals" an impairment in the "Listing of Impairments"—over 100 specific physical or mental conditions relating to individuals under age 18 described in regulations. If an individual does not have a listed impairment, the Social Security Administration next determines if the individual's impairment is of sufficient severity to equal a listing. If indicated, the Social Security Administration may also consider whether the combined effect of all impairments are of sufficient severity to be disabling (regardless of whether any single impairment is severe enough to meet a listing), or whether an individual's overall functional limitations resulting from his or her impairment(s) are of sufficient severity to be disabling.

If the Social Security Administration finds that the impairment(s) of an individual under age 18 cannot meet or equal the Listing as described above, it applies another set of disability evaluation rules, an "individualized functional assessment" (IFA).

Current law provides for continuing disability reviews of current recipients to ensure that such individuals remain disabled. Under the Social Security Independence and Program Improvements Act of 1994 (P.L. 103–296), beginning on October 1, 1995, the Commissioner of Social Security is required to conduct at least 100,000 continuing disability reviews each year of disabled SSI recipients. The provision expires on October 1, 1998.

Reasons for change

The Committee believes the provisions of the Committee bill are the minimum changes needed to restore Congressional and public confidence in the children's SSI program and to preserve the program for families with children with severe disabilities.

The Committee is concerned about significant program growth experienced in recent years. Over the last 5 years the SSI rolls have grown from 300,000 to over 900,000 children, and costs have increased from $1.5 billion to $4.5 billion. Although a significant amount of this growth followed from Congressional mandates to the Social Security Administration, e.g., to conduct outreach pro-

grams to locate children eligible for the program and to improve the Listing for mental impairments, other growth resulted from regulations issued in 1991 establishing the IFA that liberalized the eligibility regulations beyond Congressional intent. Substantial further growth in this program is projected.

The lack of a childhood disability definition is a fundamental defect in the current statute, and has led to substantial confusion over program eligibility. The Social Security Administration has been required to translate what are essentially two definitions of adult work disability in statute into a childhood disability definition.

The Committee bill establishes a statutory definition of childhood disability. By this definition, the Committee intends that only needy children with severe disabilities be eligible for children's SSI. The Committee believes that the Listing and the other disability determination regulations as modified by the Committee bill properly reflect the severity of disability contemplated by the statutory definition. In those areas of the Listing that involve domains of functioning, the Committee expects no less than two marked impairments as the standard for qualification. The Committee suggests the Social Security Administration revisit the Listing, as appropriate, to ensure that it meets this standard.

However, the Committee does not intend to suggest by its definition of childhood disability that every child need be especially evaluated for functional limitations, or that this definition creates a supposition for any such examination. The Committee notes that under the current procedure for writing individual listings, level of functioning is an explicit consideration in deciding which impairments, with what medical or other findings, are of sufficient severity to be included in the Listing. Nonetheless, the Committee does not intend to limit the use of functional assessments and functional information, if reflecting sufficient severity and are otherwise appropriate.

The Committee bill includes a technical change to the Listing for mental disorders. The Committee has eliminated references to maladaptive behavior in the domain of personal/behavioral function. Under the Listing for childhood mental disorders, maladaptive behavior may be counted twice in determining disability; once in the domain of personal/behavioral function, and again in the domain of social function. Under the Committee bill, such behavior may continue to be scored, but only once, and within the domain of social function. This change has been endorsed by various expert groups.

The Committee bill repeals the regulations establishing the IFA, and IFAs are no longer grounds for disability determinations. In the Committee's view, the IFA is a misnomer. Although the term conjures up images of a special kind of evaluation of a child's ability to function, such as a unique medical examination or clinical assessment by a psychologist, or perhaps special consideration of the disabling effects of multiple impairments, in reality the IFA is a set of regulations that permits individuals with modest conditions or impairments to be eligible for this program. The Committee is also aware that there is considerable confusion about the use of functional information in making disability determinations. The Com-

mittee notes that findings from functional assessments are substantially considered in the current Listing, and will continue to be. For example, a substantially improved Listing for childhood mental disorders was promulgated by the Social Security Administration in 1990, which emphasized functional assessment criteria and added new listings for certain specific conditions, such as Attention Deficit Hyperactivity Disorder (ADHD). As a disability determination methodology, the Committee also notes that the General Accounting Office in a March 1995 report sharply criticized the IFA, citing a number of fundamental flaws.

The Committee urges those who seek changes in eligibility standards or other program features to resolve such matters directly with Congress. As a general matter, it is impossible for Congress to properly oversee any program, especially an entitlement program, when rules are reinterpreted by a court and unilaterally implemented by an agency. The Committee is also deeply concerned about the false hopes such behavior creates for individuals who then expect to benefit from a program.

This circumstance certainly applies to children's SSI. As noted above, in 1991 the Social Security Administration substantially liberalized program eligibility regulations. This action was prompted by its reading of the Supreme Court decision in *Sullivan* v. *Zebley*. The *Zebley* decision was based on limited legislative history and obscure statutory language regarding the children's SSI program, which the Committee is now correcting. But the Committee notes that several relevant bills were before the Congress at the time of the *Zebley* decision, but that the Congress had not yet determined to act on any of those measures. In the future, the Committee invites the Social Security Administration to consult with it on any substantive matter to avoid such misunderstandings.

The Committee believes that the children's SSI program requires further examination. The Committee bill requires both a study of the disability determination process and a National Commission on the Future of Disability. The National Commission also has the larger purpose of examining dramatic projected growth in SSI, generally, and SSDI and the concerns of individuals with disabilities about barriers to independence and employment created by these programs.

For example, there is an ongoing controversy over the purpose of the children's SSI program. According to history of the original SSI legislation, the House Ways and Means Committee included children with disabilities in the SSI program to assist families with the extra expenses associated with their child's disability (see H. Rpt. 92–231 at 147–148). The Senate Finance Committee did not agree, believing the needs of children with disabilities were generally only greater for health care, and that most children would qualify for Medicaid (see S. Rpt. 92–1230 at 385). The Senate receded in conference.

The Committee believes this is an important issue that needs to be revisited. It is easy to imagine extra expenses for a child with a disability, and helping families with such expenses is an appropriate rationale for this program. However, the best data available indicate that for many children receiving SSI their families do not incur extra disability-related expenses on their behalf, and that SSI

is often used for general household expenses. Moreover, there is a small percentage of children who incur huge disability-related expenses barely touched by the SSI payment. These data raise fundamental questions of fairness and equity.

The Committee also believes there are many unmet needs for children with disabilities, and is aware of the controversy over whether some children would be better served by services, such as mental health treatment or purchase of items of assistive technology, rather than by cash payments. In the 23 years since the SSI program was created, substantial new programs have been created to assist children with disabilities, including Federal funding for special education and expansion of Medicaid. The impact of these programs on cash needs of children with disabilities merits careful evaluation as well.

The Committee is determined to treat fairly those current recipients affected by the rules changes, and has included explicit protection for appeal and due process procedures and a partial grandfathering (until January 1, 1997), with a hold harmless provision for any overpayments. The Committee expects the Social Security Administration to be mindful of its experience with the hazards of large scale continuing disability reviews and urges it to conduct these reviews in an orderly fashion.

Summary of principal provisions

1. Section 311.—Benefits for disabled children

Section 311 repeals the "comparable severity" test in statute for determining disability of individuals under age 18, and adds a definition of childhood disability to the statute:

> An individual under the age of 18 shall be considered disabled for the purposes of this Title if that individual has a medically determinable physical or mental impairment, which results in marked, pervasive, and severe functional limitations, and which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months.

Under the Listing that relates to mental disorders, the Social Security Administration is directed to eliminate references to maladaptive behavior in the domain of personal/behavior functioning.

For children whose eligibility for SSI may be affected by provisions of this bill, the Commissioner shall conduct a continuing disability review within 1 year after enactment. However, no individual shall be removed until such review is completed, and an individual's right to appeal and other due process procedures are preserved. Notwithstanding such review, no individual shall be removed from the rolls until January 1, 1997. A recipient shall be held harmless for any payments made until removed from the rolls.

2. Section 312.—Continuing disability reviews

The Commissioner is required to conduct a continuing disability review every 3 years for every individual under age 18 except for those individuals whose condition is not expected to improve. The

Commissioner is required to redetermine eligibility for SSI for an individual whose low birth weight is a contributing factor to that individual's disability determination no later than 12 months after birth. The Commissioner is required to redetermine eligibility for SSI for an individual who has reached 18 years of age.

3. Section 313.—Treatment requirements for disabled individuals under age 18

Each representative payee of an individual under age 18 shall ensure that a treatment plan prepared by a physician for such individual is followed, and shall file a copy of the treatment plan with the State agency that makes disability determinations.

SUBTITLE C—STUDY OF DISABILITY DETERMINATION PROCESS

1. Section 321.—Study of Disability Determination Process

The Commissioner is directed to contract with the National Academy of Sciences, or other independent entity, for a study of the disability determination procedure, of both individuals under age 18 and adults.

SUBTITLE D—NATIONAL COMMISSION ON THE FUTURE OF DISABILITY

1. Section 331.—National Commission on the Future of Disability

A National Commission on the Future of Disability is established to examine growth in the SSDI and SSI and reported barriers to employment and independence of individuals with disabilities created by these programs; and to make appropriate recommendations.

TITLE IV—CHILD SUPPORT ENFORCEMENT

Present law

The Child Support Enforcement (CSE) program was enacted in 1975 to address the problem of nonsupport of children. The 1975 legislation added a new part D to Title IV of the Social Security Act. This legislation authorized Federal matching funds to be used for locating absent parents, establishing paternity, establishing support obligation owed by the noncustodial parent, and obtaining child and spousal support. The basic responsibility for administering the program is left to the States, but the Federal Government plays a major role in funding, monitoring and evaluating State programs, providing technical assistance, and in certain instances, in giving direct assistance to the State in locating absent parents and obtaining support payments from them.

The current CSE program requires States to offer child support enforcement services for both welfare and nonwelfare families. For welfare families, services are automatic. Once an individual applies for AFDC or Medicaid the individual is required to cooperate with the State in establishing paternity and locating the father unless she is found to have good cause for refusing to cooperate. If an individual does not have a good cause for noncooperation, the family's AFDC benefit is reduced.

Applicants or recipients of AFDC must assign their rights to child or spousal support to the State. If the State collects child sup-

port from the noncustodial parent, the State and Federal government get to keep the amount of money needed to offset the costs the State and Federal government incurred because the family was on welfare. If any money is leftover, it is paid to the family. In an attempt to get individuals to cooperate, the first $50 of any amount collected goes to the family.

States that do not comply with their State child support plan face a reduction of their AFDC matching funds by 1 to 5 percent, depending on the severity of noncompliance. Penalties are suspended if the State submits a corrective action plan that is approved by the Secretary.

Reasons for change

The current child support system can be strengthened and improved to increase paternity establishment and collections of child support. An important part of child support enforcement is the ability to track a nonpaying, noncustodial parent. Because individuals can frequently change jobs to avoid paying support, a new system will be established to require employers to send to State registries information on all new hires within a specified time period. These new hire registries will match information with outstanding support orders so support orders can be enforced more quickly.

Because most of the problems in the current system stem from interstate cases, the current Federal Parent Locator Service is expanded to include information from the State registries so that support orders can be more easily matched with workers. In addition, all States are required to adopt the Uniform Interstate Family Support Act (UIFSA) so that all States have uniform laws and procedures governing child support.

Summary of principal provisions

The Committee bill strengthens child support enforcement by increasing paternity acknowledgement, establishing more support orders, and increasing child support collections through additional enforcement techniques. In addition, a new system will be established that will better track the noncustodial parent.

SUBTITLE A—ELIGIBILITY FOR SERVICES; DISTRIBUTION OF PAYMENTS

1. Section 401.—State obligation to provide child support enforcement services

States must provide child support services to recipients of programs under the Temporary Family Assistance grant, Medicaid, and Title IV–E. In addition, child support services must be provided to individuals who apply for services.

2. Section 402.—Distribution of child support collections

The $50 passthrough to families is ended. Instead, States are given the option of passing the entire child support payment through to the family. If a State elects this option, the State must still pay the Federal share of the collection to the Federal Government. For arrearages that accrued before the custodial parent went on welfare, the money is first paid to the family if the family leaves welfare. Only after all arrearages owed to the custodial parent

have been repaid, any arrearages owed to the State and Federal Government are repaid.

3. Section 403.—Rights to notification and hearings

All individuals involved in the process of establishing or modifying child support orders must be notified and have access to a fair hearing or other formal complaint procedure.

4. Section 404.—Privacy safeguards

States must implement safeguards against unauthorized use or disclosure of information relating to proceedings to establish paternity or to enforce child support. These safeguards must include prohibitions on release of information where there is a protective order or where the State has reason to believe a party is at risk of physical or emotional harm from the other party. This provision is effective October 1, 1997.

SUBTITLE B—LOCATE AND CASE TRACKING

1. Section 411.—State case registry

States are required to collect information using automatic data processing systems. These systems must include:

(1) Each case in which an order has been entered or modified on or after October 1, 1998, and must use standard data elements such as name, Social Security number, and other uniform identification numbers;

(2) Payment records for cases being enforced by the State agency, including amount of current and past due support owed, amounts collected and distributed, birth date of the child to whom the obligation is owed, and the amount of any lien imposed by the State;

(3) Updates on case records in the State registry being enforced by the State on the basis of information received from judicial and administration actions, from proceedings, from orders relating to paternity and support, from data matches, and from other sources; and

(4) Extracts for purposes of sharing and matching with Federal and State data bases and locator services, including the Federal Parent Locator Service, and with the child support enforcement programs in other States.

2. Section 412.—Collection and disbursement of support payments

State child support agencies are required, beginning October 1, 1998, to operate a centralized, automated unit for collection and disbursement of child support under orders enforced by the child support agency. The purpose of the Disbursement Unit is to collect and disburse support payments, to generate orders and notices of withholding to employers, to keep an accurate identification of payments, to promptly distribute money to custodial parents or other States, and to furnish parents with a record of the current status of support payments. The Disbursement Unit must distribute all amounts payable within 2 business days after receiving the money and identifying information from the employer. The State Disburse-

ment Unit may be established by linking local disbursement units through an automated information network.

3. Section 413.—State directory of new hires

States are required to establish, by October 1, 1997, a State Directory of New Hires to which employers and labor organizations in the State must furnish a W–4 form for each newly hired employee. Employers must submit the W–4 form within 15 days after the date of hire or the first business day of the week following the date the employee is first paid. The employer or labor organization may submit the report magnetically, electronically, or by first class mail. Government agencies are considered employers for purposes of New Hire reporting.

An employer failing to make a timely report is subject to a $25 fine for each unreported employee. There is also a $500 penalty on employers for every employee for whom they do not transmit a W–4 form if, under the laws of the State, there is shown to be a conspiracy between the employer and the employee to prevent the proper information from being filed.

By October 1, 1997, each State Directory of New Hires must conduct automated matches of the Social Security numbers of reported employees against the Social Security numbers of records in the State Case Registry being enforced by the State agency and must report the information on matches to the State child support agency. Then, within 2 business days, the State must issue a withholding order directing the employer to withhold wages in accordance with the child support order.

In addition, within 2 working days of receiving the W–4 information from employers, the State Directory of New Hires must furnish the information to the National Directory of New Hires for matching with the records of other State case registries. The State Directory of New Hires must also report quarterly to the National Directory of New Hires information on wages and unemployment compensation (this information is taken directly from a report that States are currently required to submit to the Secretary of Labor).

The State child support agency must use the new hire information for purposes of establishing paternity as well as establishing, modifying, and enforcing child support obligations.

New hire information must also be disclosed to the Temporary Family Assistance, Medicaid, Unemployment Compensation, Food Stamp, and territorial cash assistance programs for income eligibility verification; to the Social Security Administration for use in determining the accuracy of Supplemental Security Income payments under Title XVI and in connection with benefits under Title II of the Social Security Act; to the Secretary of the Treasury for administration of the Earned Income Tax Credit program and for verification of claims concerning employment on tax returns; to State agencies administering unemployment and workers' compensation programs to assist determinations of the allowability of claims; and to researchers (but without individual identifiers) conducting studies that serve the purposes of the child support enforcement program.

4. Section 414.—Amendments concerning income withholding

Since January 1, 1994, States are required to use immediate wage withholding for all new support orders, regardless of whether a parent has applied for child support enforcement services. There are two times when this rule does not apply:

(1) One of the parents demonstrates and the court or administrative agency finds that there is good cause not to do so; or

(2) A written agreement is reached between both parents which provides for an alternative arrangement.

States must have laws providing that all child support orders issued or modified before October 1, 1996, which are not otherwise subject to income withholding, will become subject to income withholding immediately if arrearage occurs.

5. Section 415.—Locator information from interstate networks

All State and Federal child support enforcement agencies must have access to the motor vehicle and law enforcement locator systems in all States.

6. Section 416.—Expansion of the Federal Parent Locator Service

FPLS is already a central component of the Federal child support effort, and is especially useful in interstate cases. The FPLS would be expanded to include new sources of timely information that is to be used for the purposes of establishing parentage and establishing, modifying, or enforcing child support obligations and locating the custodial parent so that visitation orders can be enforced. Within the FPLS, an automated registry known as the Federal Case Registry of Child Support Orders would be established. The Federal Case Registry contains abstracts of child support orders and other information specified by the Secretary (such as names, Social Security numbers or other uniform identification numbers, State case identification numbers, wages or other income, and rights to health care coverage) to identify individuals who owe or are owed support, and the State which has jurisdiction over the case.

In addition to the Federal Case Registry, the provision establishes within the FPLS a National Directory of New Hires containing information supplied by State Directories of New Hires. When fully implemented, the Federal Directory of New Hires will contain identifying information on virtually every person who is hired in the United States. In addition, the Federal Case Registry will contain quarterly data supplied by the State Directory of New Hires on wages and unemployment compensation paid. Provisions are included in the bill to ensure accuracy and to safeguard information in the FPLS from inappropriate disclosure or use.

The Secretary is required to match data in the National Directory of New Hires against the child support order abstracts in the Federal Case Registry of Child Support Orders and to report information obtained from matches to the State child support agency responsible for the case within 2 days. The information is to be used for purposes of locating individuals to establish paternity, and to establish, modify, or enforce child support.

7. Section 417.—Collection and use of Social Security numbers for use in child support enforcement

States must have laws requiring that Social Security numbers be placed on applications and in the files for professional licenses, commercial drivers licenses, occupational licenses, marriage licenses, divorce decrees, death certificates, child support orders, and paternity determination or acknowledgement orders.

SUBTITLE C—STREAMLINING AND UNIFORMITY OF PROCEDURES

1. Section 421.—Adoption of uniform State laws

By January 1, 1997, all States must have UIFSA and the procedures required for its implementation in effect.

2. Section 422.—Improvements to full faith and credit for child support orders

The provision changes and expands the recently enacted Federal law governing full faith and credit for child support orders by adding several provisions. One provision clarifies the definition of a child's home State; another makes several revisions to ensure that full faith and credit laws can be applied consistently with UIFSA; another clarifies the rules about which child support order States must honor when there is more than one order.

3. Section 423.—Administrative enforcement in interstate cases

States are required to have laws that facilitate the enforcement of child support orders across State lines. States are required to have laws that permit them to send and receive, without registering the underlying order unless the enforcement action is contested by the obligor on the grounds of mistake of fact or invalid order. The transmission of the order itself serves as certification to the responding State of the arrears amount and of the fact that the initiating State met all procedural due process requirements. No court action is required or permitted by the responding State. In addition, each responding State must match the case against its data bases, take appropriate action if a match occurs, and send the collections, if any, to the initiating State. States must keep records of the number of requests they receive, the number of cases that result in a collection, and the amount collected. States must respond to interstate requests within 5 days.

4. Section 424.—Use of forms in interstate enforcement

The Secretary must issue standardized forms that all States must use for income withholding, for imposing liens in interstate cases, and for issuing administrative subpoenas in interstate cases. The forms must be issued by June 30, 1996, and States must begin using the forms by October 1, 1996.

5. Section 425.—State laws providing expedited procedures

States must adopt procedures to expedite both the establishment of paternity and the establishment, enforcement, and modification of support:

(1) Ordering genetic testing;
(2) Entering a default order;

(3) Issuing subpoenas to obtain information necessary to establish, modify, or enforce an order;

(4) Obtaining access to records from State and local government agencies, law enforcement records, and corrections records;

(5) Directing parties to pay support to the appropriate government entity;

(6) Ordering income withholding;

(7) Securing assets to satisfy arrearages by intercepting or seizing periodic or lump-sum payment from States or local agencies; these payments include unemployment compensation, workers' compensation, judgments, settlements, lottery winnings, assets held by financial institutions, and public and private retirement funds; and

(8) Increasing automatically the monthly support due to include amounts to offset arrears.

SUBTITLE D—PATERNITY ESTABLISHMENT

1. Section 431.—State laws concerning paternity establishment

States must strengthen their paternity establishment laws by requiring that paternity may be established until the child reaches age 21 and by requiring the child and all other parties to undergo genetic testing upon the request of a party, where the request is supported by a sworn statement establishing a reasonable possibility of parentage or nonparentage. When the tests are ordered by the State agency, States must pay for the costs, subject to recoupment at State option from the father if paternity is established.

States must have procedures that: create a simple civil process for establishing paternity under which benefits, rights and responsibilities of acknowledgement are explained to unwed parents; establish a paternity acknowledgement program through hospitals and birth record agencies (and other agencies as designated by the Secretary) and that require the agencies to use a uniform affidavit developed by the Secretary that is entitled to full faith and credit in any other State; create a signed acknowledgement of paternity that is considered a legal finding of paternity, unless rescinded within 60 days, and thereafter may be challenged in court only on the basis of fraud, duress, or material mistake of fact; allow minors who sign a voluntary acknowledgement to rescind it until age 18 or the date of the first proceeding to establish a support order, visitation, or custody rights; and provide that no judicial or administrative proceedings are required or permitted to ratify an acknowledgement which is not challenged by the parents.

States must also have procedures for admitting into evidence accredited genetic tests, unless any objection is made within a specified number of days, and if no objection is made, clarifying that test results are admissible without the need for foundation or other testimony; creating a rebuttable or, at State option, conclusive presumption of paternity upon genetic testing results indicating a threshold probability that the alleged father is the father of the child; requiring a default order to be entered in a paternity case upon a showing of service of process on the defendant and any ad-

ditional showing required by the State law; providing that parties in a contested paternity action are not entitled to a jury trial; requiring 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; providing that bills for pregnancy, childbirth, and genetic testing are admissible without foundation testimony; ensuring that putative fathers have a reasonable opportunity to initiate paternity action; and providing for voluntary acknowledgements and adjudications of paternity to be filed with the State registry of birth records for data matches with the central registry established by the State.

The Secretary is required to develop an affidavit to be used for voluntary acknowledgement of paternity which includes the Social Security number of each parent.

2. Section 432.—Outreach for voluntary paternity establishment

States will publicize the availability and encourage the use of procedures for voluntary establishment of paternity and child support by means the State deems appropriate.

3. Section 433.—Cooperation by applicants for and recipients of temporary family assistance

Individuals who apply for or receive public assistance under the Temporary Family Assistance Program must cooperate with child support enforcement efforts by providing specific identifying information about the other parent, unless the applicant or recipient is found to have good cause for refusing to cooperate. "Good cause" is defined by States. States may also require the applicant and child to submit to genetic testing. Responsibility for determining failure to cooperate is shifted from the agency that administers the Temporary Family Assistance Program to the agency that administers the child support program.

SUBTITLE E—PROGRAM ADMINISTRATION AND FUNDING

1. Section 441.—Federal matching payments

The Committee bill maintains the Federal matching payment for child support activities at 66 percent.

2. Section 442.—Performance-based incentives and penalties

Beginning in 1999, a new incentive system will be put in place. This system will reward good State performance by increasing the State's basic matching rate of 66 percent by adding up to 12 percentage points for outstanding performance in establishing paternity and by adding up to an additional 12 percentage points for overall performance. The Secretary will design the specific features of the system and, in doing so, will maintain overall Federal reimbursement of State programs through the combined matching rate and incentives at the level projected for the current combined matching and incentive payments to States.

The minimum paternity establishment ratio is either 90 percent or:

(a) If the State paternity establishment ratio is between 50 percent and 90 percent for the fiscal year, the paternity establishment ratio of the State for the immediately preceding fiscal year plus 6 percentage points; or

(b) If the State ratio is less than 50 percent for a fiscal year, the paternity establishment ratio for the immediately preceding fiscal year plus 10 percentage points.

States are required to recycle incentive payments back into the child support program.

3. Section 443.—Federal and State reviews and audits

The Committee provision shifts the focus of child support audits from process to performance outcomes. This goal is accomplished by adding a new State plan provision that requires States to annually review and report to the Secretary, using data from their automatic data processing system, both information adequate to determine the State's compliance with Federal requirements for expedited procedures and timely case processing as well as the information necessary to calculate their levels of accomplishment and rates of improvement on the new performance indicators established by the Committee bill (percentage of cases in which an order was established, percentage of cases in which support is being paid, ratio of child support collected to child support due, and cost-effectiveness of the program). The Secretary is required to determine the amount (if any) of incentives or penalties; the Secretary must also review State reports on compliance with Federal requirements and provide States with recommendations for corrective action. Audits must be conducted at least once every 3 years, or more often in the case of States that fail to meet Federal requirements. The purpose of the audits is to assess the completeness, reliability, accuracy, and security of data reported for use in calculating the performance indicators and to assess the adequacy of financial management of the State program.

These provisions take effect beginning with the calendar quarter that begins 12 months after enactment.

4. Section 444.—Required reporting procedures

The Secretary is required to establish procedures and uniform definitions for State collection and reporting of required information necessary to measure State compliance with expedited processes and timely case processing as well as the data necessary to perform the incentive calculations.

5. Section 445.—Automated data processing requirements

States are required to have a single statewide automated data processing and information retrieval system which has the capacity to perform the following functions: to account for Federal, State, and local funds; to maintain data for Federal reporting; to calculate the State's performance for purposes of the incentive and penalty provisions; and to safeguard the integrity, accuracy, and completeness of, and access to, data in the automated systems (including policies restricting access to data).

The statutory provisions for State implementation of Federal automatic data processing requirements are revised to provide

that, first, all requirements enacted in or before the Family Support Act of 1988 are to be met by October 1, 1997, and second, that the requirements enacted in the Family Self-Sufficiency Act of 1995 are met by October 1, 1999. The October 1, 1999 deadline will be extended by 1 day for each day by which the Secretary fails to meet the deadline for regulations.

6. Section 446.—Technical assistance

The Secretary can use 1 percent of the Federal share of child support collections on behalf of families in the Temporary Family Assistance program from the preceding year to provide technical assistance to the States. Technical assistance can include training of State and Federal staff, research and demonstration programs, and special projects of regional or national significance.

The Secretary must use 2 percent of the Federal share of collections on behalf of Temporary Family Assistance recipients for operation of the Federal Parent Locator Service to the extent that costs of the Parent Locator Service are not recovered by user fees.

7. Section 447.—Reports and data collection by the Secretary

The Committee provision amends current data collection and reporting requirements to conform the requirements to changes made by this bill and to eliminate unnecessary and duplicative information. More specifically, States are required to report the following data each fiscal year: the total amount of child support payments collected, the cost to the State and Federal governments of furnishing child support services, the number of cases involving families that became ineligible for aid under part A with respect to whom a child support payment was received, the total amount of current support collected and distributed, the total amount of past-due support collected and distributed, and the total amount of support due and unpaid for all fiscal years.

SUBTITLE F—ESTABLISHMENT AND MODIFICATION OF SUPPORT ORDERS

1. Section 451.—National Child Support Guidelines Commission

A national child support guidelines commission is established to consider the adequacy of State child support guidelines, feasibility of adopting uniform terms in all child support orders, how to define income and under what circumstances income should be imputed, and the tax treatment of child support payments. In addition, they would recommend procedures to automatically adjust child support orders periodically and to help noncustodial parents address grievances regarding visitation and custody orders.

2. Section 452.—Simplified process for review and adjustment of child support orders

As under present law, States must review and, if appropriate, adjust child support orders enforced by the State child support agency every 3 years. However, States are given two simplified means by which they can use automated means to accomplish the review. First, States may adjust the order by applying the State guidelines and updating the reward amount. Second, States may

apply a cost-of-living increase to the order. In either case, both parties must be given an opportunity to contest the adjustment.

States must also review and, upon a showing of a change in circumstances, adjust orders pursuant to the child support guidelines upon request of a party. States are required to give parties one notice of their right to request review and adjustment, which may be included in the order establishing the support amount.

3. Section 453.—Furnishing consumer reports for purposes relating to child support

Authorized individuals seeking to establish or modify a child support order will be given access to the consumer report agency to determine the appropriate levels of payment.

4. Section 454.—Nonliability for depository institutions providing financial records to State child support enforcement agencies in child support cases

A depository institution shall not be liable under any Federal or State law to any person for disclosing any financial record of an individual to a State child support enforcement agency attempting to establish, modify, or enforce a child support obligation. An individual can only be sued for disclosing information if they knowingly, or by reason of negligence, disclosed a financial record of an individual for purposes other than those listed above.

SUBTITLE G—ENFORCEMENT OF SUPPORT ORDERS

1. Section 461.—Federal income tax refund offset

The offsets of child support arrears owed to individuals take priority over most debts owed to Federal agencies. It also eliminates disparate treatment of families not receiving public assistance by repealing provisions applicable only to support arrears not assigned to the State.

2. Section 462.—Internal Revenue Service collection of arrearages.

No additional fee may be assessed for adjustments to an amount previously certified with respect to the same obligor.

3. Section 463.—Authority to collect support from Federal employees

The rules governing wage withholding for Federal employees are clarified and simplified by:

(1) Establishing that Federal employees are subject to wage withholding and other legal processes to collect child support;

(2) Establishing rules that Federal agencies must respond to wage withholding or other legal processes to collect support;

(3) Deleting existing laws governing designation of agents to receive and respond to process and replace with streamlined provisions that require Federal agencies to designate agents and publish their name, title, address, and telephone number in the Federal registry annually;

(4) Requiring agents, upon receipt of process, to send written notice to the individual involved as soon as possible;

(5) Amending existing law governing allocation of monies owed by an individual to give priority to child support; and

(6) Broadening the definition of income to include funds such as insurance benefits, retirement and pension pay, survivor's benefits, compensation for death and black lung disease, veteran's benefits, and workers' compensation.

4. Section 464.—Enforcement of child support obligations of members of the Armed Forces

The Secretary of Defense must establish a central personnel locator service that contains residential or, in specified instances, duty addresses of every member of the Armed Services (including retirees, the National Guard, and the Reserves). The locator service must be updated within 30 days of the individual member establishing a new address. Information from the locator service must be made available to the Federal Parent Locator Service. The Secretary of Defense must issue regulations to facilitate granting of leave for members of the Armed Services to attend hearings to establish paternity or to establish child support orders.

The Secretary of each branch of the Armed Forces (including retirees, the Coast Guard, the National Guard, and the Reserves) is required to make child support payments directly to any State to which a custodial parent has assigned support rights as a condition of receiving public assistance. The Secretary of Defense must also ensure that payments to satisfy current support or child support arrears are made from disposable retirement pay. The Secretary of Defense must begin payroll deduction within 30 days or the first pay period after 30 days of receiving a wage withholding order.

5. Section 465.—Voiding of fraudulent transfers

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

6. Section 466.—Work requirement for persons owing child support

States must have laws that direct courts to order individuals owing past-due support with respect to a child receiving assistance under the Temporary Family Assistance program either to pay support due or participate in work activities.

7. Section 467.—Definition of support order

A support order is defined as an order issued by a court or an administrative process that requires support of a child or of a child and the parent with whom the child lives.

8. Section 468.—Reporting arrearages to credit bureaus

States must establish procedures where the State must report periodically to consumer reporting agencies the name of any parent who is delinquent in the payment of support, and the amount of overdue support owed by such parent. The parent who is delinquent in payment of support must be afforded all due process required under State law, including notice and reasonable opportunity to contest the accuracy of such information.

9. Section 469.—Liens

States must establish procedures under which liens are imposed against real and personal property for amounts of overdue support owed by an absent parent who resides or owns property. States must accord full faith and credit to liens established in another State, without registration of the underlying order.

10. Section 470.—State law authorizing suspension of licenses

Each State must have in effect laws under which the State has (and uses in appropriate cases) authority to withhold, suspend, or restrict the use of driver's licenses, professional and occupational licenses, and recreational licenses of individuals owing overdue support or failing, after receiving appropriate notice, to comply with subpoenas or warrants relating to paternity or child support proceedings.

11. Section 471.—Denial of passports for nonpayment of child support

If an individual owes arrearages of child support in an amount exceeding $5,000 or in an amount exceeding 24 months of child support, the Secretary shall transmit a certification to the Secretary of State to deny, revoke, or limit a passport.

SUBTITLE H—MEDICAL SUPPORT

1. Section 475.—Technical correction to ERISA definition of medical child support order

This provision expands the definition of medical child support order in ERISA to clarify that any judgment, decree, or order that is issued by a court of competent jurisdiction or by an administrative adjudication has the force and effect of law.

2. Section 476.—Enforcement of orders for health care coverage

Establishes procedures so that when a noncustodial parent provides health care coverage for a child, and the parent changes employment, the State agency shall transfer coverage to the new employer, unless the noncustodial parent contests the notice.

SUBTITLE I—ENHANCING RESPONSIBILITY AND OPPORTUNITY FOR NONRESIDENTIAL PARENTS

1. Section 481.—Grants to States for access and visitation programs

The Committee bill authorizes grants to States for access and visitation programs including mediation, counseling, education, development of parenting plans, and visitation enforcement. Visitation enforcement can include monitoring, supervision, neutral drop-off and pick-up, and development of guidelines for visitation and alternative custody agreements.

The Administration for Children and Families at HHS will administer the program. States are required to monitor and evaluate their programs and are given the authority to subcontract the program to courts, local public agencies, or private non-profit agencies. Programs operating under the grant will not have to be Statewide. Funding is authorized as capped spending under section IV–D of

the Social Security Act. Projects are required to supplement rather than supplant State funds.

The amount of the grant to a State is equal to 90 percent of the State expenditures during the year for access and visitation programs or the allotment for the State for the fiscal year. The allotment to the State bears the same ratio to the amount appropriated for the fiscal year as the number of children living in the State with one biological parent divided by the national number of children living with one biological parent. The Administration for Children and Families will adjust allotments to ensure that no State is allotted less than $50,000 for fiscal year 1996 or 1997 or less than $100,000 for any year after 1997.

SUBTITLE J—EFFECT OF ENACTMENT

1. Section 491.—Effective dates

Except as noted in the text of the bill for specific provisions, the general effective date for provisions in the bill is October 1, 1996. However, given that many of the changes required by this bill must be approved by State Legislatures, the bill contains a grace period tied to the meeting schedule of State Legislatures. More specifically, in any given State, the bill becomes effective either on October 1, 1996 or on the first day of the first calendar quarter after the close of the first regular session of the State Legislature that begins after the date of enactment of this bill. In the case of States that require a constitutional amendment to comply with the requirements of the bill, the grace period is extended either 1 year after the effective date of the necessary State constitutional amendment or 5 years after the date of enactment of this bill.

III. REGULATORY IMPACT OF THE BILL

In Compliance with paragraph 11(b) of rule XXVI of the Standing Rules of the Senate, the following evaluation is made concerning the regulatory impact of carrying out the changes proposed in the bill:

Individuals and businesses affected.—Because States will have the flexibility to determine the assistance to be provided and who will receive assistance under a State program for needy families with minor children funded under the Temporary Family Assistance grant, the Committee is unable to estimate the numbers of individuals affected by this legislation. The Committee expects that the restrictions on eligibility for the SSI program will disqualify certain individuals from receiving SSI cash benefits. The Committee expects the child support provisions of the bill to have some impact on businesses as a result of the requirement to report new hires. Because businesses already report such information to other agencies, the impact will be minimal.

Economic impact of regulations on individuals, consumers, and businesses.—The Committee understands that there would be an economic impact on individuals who fail to move off welfare within the 5-year time limit. However, as shown in the unemployment compensation program, it is expected that many of these individuals will find work shortly after being dropped from the roles. Because the Committee expects increased collections due to reforms

in child support enforcement, there will be an economic impact for individuals who are owed or owe child support.

Impact on personal privacy.—The Committee bill will have a minimal impact on personal privacy due to the child support provisions which authorize increased access to credit reports and require Social Security numbers on applications for a variety of licenses.

Amount of additional paperwork.—The Committee bill will greatly reduce the amount of Federal restrictions placed on State programs that assist needy families with minor children. States will receive a fixed sum of money to provide assistance to needy families with minor children in the manner that the State feels is most likely to help the family avoid long-term welfare dependence. States are required to provide data to show how the money is spent and who it is spent on. The Committee expects a temporary increase in processing SSI determinations for one year after the date of enactment.

IV. VOTES OF THE COMMITTEE

In compliance with paragraph 7 of rule XXVI of the Standing Rules of the Senate, the following statements are made concerning the votes of the Committee in its consideration of the Committee bill.

A. MOTION TO REPORT THE BILL

The Committee bill was ordered favorably reported by recorded vote (12 yeas and 8 nays) on May 26, 1995, with a quorum present. The following rollcall vote was as follows:

YEAS	NAYS
Mr. Packwood	Mr. Moynihan
Mr. Dole	Mr. Bradley
Mr. Roth	Mr. Pryor
Mr. Chafee	Mr. Rockefeller
Mr. Grassley	Mr. Breaux
Mr. Hatch	Mr. Conrad
Mr. Simpson	Mr. Graham
Mr. Pressler	Ms. Moseley-Braun
Mr. D'Amato	
Mr. Murkowski	
Mr. Nickles	
Mr. Baucus	

B. VOTES ON AMENDMENTS

The Committee defeated an amendment in the nature of a substitute (8 yeas and 12 nays) offered by Mr. Moynihan to enhance the JOBS program, reform SSI for children, and improve child support. The rollcall vote was as follows:

YEAS	NAYS
Mr. Moynihan	Mr. Packwood
Mr. Bradley	Mr. Dole
Mr. Pryor	Mr. Roth
Mr. Rockefeller	Mr. Chafee
Mr. Breaux	Mr. Grassley
Mr. Conrad	Mr. Hatch
Mr. Graham	Mr. Simpson
Ms. Moseley-Braun	Mr. Pressler
	Mr. D'Amato
	Mr. Murkowski
	Mr. Nickles
	Mr. Baucus

The Committee defeated an amendment in the nature of a substitute (8 yeas and 12 nays) offered by Mr. Conrad to block grant JOBS, JOBS child care, AFDC administration, and emergency assistance, and require teen mothers to live at home. The rollcall vote was as follows:

YEAS	NAYS
Mr. Moynihan	Mr. Packwood
Mr. Bradley	Mr. Dole
Mr. Pryor	Mr. Roth
Mr. Rockefeller	Mr. Chafee
Mr. Breaux	Mr. Grassley
Mr. Conrad	Mr. Hatch
Mr. Graham	Mr. Simpson
Ms. Moseley-Braun	Mr. Pressler
	Mr. D'Amato
	Mr. Murkowski
	Mr. Nickles
	Mr. Baucus

The Committee defeated an amendment in the nature of a substitute (8 yeas and 12 nays) offered by Ms. Moseley-Braun to emphasize job creation, provide State flexibility, and improve child support. The rollcall vote was as follows:

YEAS	NAYS
Mr. Moynihan	Mr. Packwood
Mr. Bradley	Mr. Dole
Mr. Pryor	Mr. Roth
Mr. Rockefeller	Mr. Chafee
Mr. Breaux	Mr. Grassley
Mr. Conrad	Mr. Hatch
Mr. Graham	Mr. Simpson
Ms. Moseley-Braun	Mr. Pressler
	Mr. D'Amato
	Mr. Murkowski
	Mr. Nickles
	Mr. Baucus

The Committee accepted a modification offered by the Chairman, Mr. Packwood, to make various adjustments to the Committee bill.

The Committee defeated an amendment (9 yeas and 11 nays) offered by Mr. Breaux to require a State maintenance of effort. The rollcall vote was as follows:

YEAS	NAYS
Mr. Moynihan	Mr. Packwood
Mr. Baucus	Mr. Dole
Mr. Bradley	Mr. Roth
Mr. Pryor	Mr. Chafee
Mr. Rockefeller	Mr. Grassley
Mr. Breaux	Mr. Hatch
Mr. Conrad	Mr. Simpson
Mr. Graham	Mr. Pressler
Ms. Moseley-Braun	Mr. D'Amato
	Mr. Murkowski
	Mr. Nickles

The Committee defeated an amendment (8 yeas and 12 nays) offered by Mr. Graham to change the way block grant funds are distributed to States from FY 1994 expenditures for AFDC and related programs to a poverty based formula. The rollcall vote was as follows:

YEAS	NAYS
Mr. Baucus	Mr. Packwood
Mr. Pryor	Mr. Dole
Mr. Rockefeller	Mr. Roth
Mr. Breaux	Mr. Chafee
Mr. Conrad	Mr. Grassley
Mr. Graham	Mr. Hatch
Ms. Moseley-Braun	Mr. Simpson
Mr. Nickles	Mr. Pressler
	Mr. D'Amato
	Mr. Murkowski
	Mr. Moynihan
	Mr. Bradley

The Committee accepted an amendment (by voice vote) offered by Mr. D'Amato to clarify that funds from the supplemental assistance loan fund could be used for welfare anti-fraud activities.

The Committee defeated an amendment (10 yeas and 10 nays) offered by Mr. Conrad to tighten the eligibility for the children's SSI program. The rollcall vote was as follows:

YEAS	NAYS
Mr. Moynihan	Mr. Packwood
Mr. Baucus	Mr. Dole
Mr. Bradley	Mr. Roth
Mr. Pryor	Mr. Grassley
Mr. Rockefeller	Mr. Hatch
Mr. Breaux	Mr. Simpson
Mr. Conrad	Mr. Pressler
Mr. Graham	Mr. D'Amato
Ms. Moseley-Braun	Mr. Murkowski
Mr. Chafee	Mr. Nickles

The Committee accepted a provision (without objection) offered by Mr. Moynihan to require that a representative payee of an individuals under age 18 ensure that a treatment plan prepared by a physician is followed and that the treatment plan is filed with the State agency that makes disability determinations.

The Committee defeated an amendment (8 yeas and 11 nays) offered by Mr. Nickles to require States to take action to reduce the incidence of out-of-wedlock pregnancies without increasing the number of pregnancy terminations. The rollcall vote was as follows:

YEAS	NAYS
Mr. Dole	Mr. Packwood
Mr. Roth	Mr. Chafee
Mr. Grassley	Mr. Simpson
Mr. Hatch	Mr. Moynihan
Mr. Pressler	Mr. Bradley
Mr. D'Amato	Mr. Pryor
Mr. Murkowski	Mr. Rockefeller
Mr. Nickles	Ms. Breaux
	Mr. Conrad
	Mr. Graham
	Ms. Moseley-Braun

The Committee defeated an amendment (9 yeas and 11 nays) offered by Mr. Rockefeller to provide a hardship waiver based on good cause. The roll call vote was as follows:

YEAS	NAYS
Mr. Moynihan	Mr. Packwood
Mr. baucus	Mr. Dole
Mr. Bradley	Mr. Roth
Mr. Pryor	Mr. Chafee
Mr. Rockefeller	Mr. Grassley
Mr. Breaux	Mr. Hatch
Mr. Conrad	Mr. Simpson
Mr. Graham	Mr. Pressler
Ms. Moseley-Braun	Mr. D'Amato
	Mr. Murkowski
	Mr. Nickles

The Committee accepted an amendment (without objection) offered by. Mr. Baucus to increase the hardship waiver from 10 percent to 15 percent.

The Committee defeated an amendment (6 yeas and 13 nays) offered by Mr. Graham to remove the option for States to prohibit assistance to certain noncitizens. The roll call vote [1] was as follows:

YEAS	NAYS
Mr. Moynihan	Mr. Packwood
Mr. Bradley	Mr. Dole
Mr. Breaux	Mr. Roth
Mr. Conrad	Mr. Chafee
Mr. Graham	Mr. Grassley
Ms. Moseley-Braun	Mr. Hatch
	Mr. Simpson
	Mr. Pressler
	Mr. D'Amato
	Mr. Murkowski
	Mr. Nickles
	Mr. Baucus
	Mr. Rockefeller

[1] Mr. Pryor did not vote.

The Committee defeated an amendment (10 yeas and 10 nays) offered by Mr. Conrad to require teenage mothers to live with their parents or in a foster home and to establish a new capped entitlement program to provide funding for supervised living arrangements. The roll call vote was as follows:

YEAS	NAYS
Mr. Moynihan	Mr. Packwood
Mr. Baucus	Mr. Dole
Mr. Bradley	Mr. Roth
Mr. Pryor	Mr. Chafee
Mr. Rockefeller	Mr. Grassley
Mr. Breaux	Mr. Hatch
Mr. Conrad	Mr. Simpson
Mr. Graham	Mr. Pressler
Ms. Moseley-Braun	Mr. D'Amato
Mr. Nickles	Mr. Murkowski

The Committee defeated an amendment (9 yeas and 11 nays) offered by Mr. Rockefeller to exempt individuals in high unemployment areas from the time limits under the Committee bill. The roll call vote was as follows:

YEAS	NAYS
Mr. Moynihan	Mr. Packwood
Mr. Baucus	Mr. Dole
Mr. Bradley	Mr. Roth
Mr. Pryor	Mr. Chafee
Mr. Rockefeller	Mr. Grassley
Mr. Breaux	Mr. Hatch
Mr. Conrad	Mr. Simpson
Mr. Graham	Mr. Pressler
Ms. Moseley-Braun	Mr. D'Amato
	Mr. Murkowski
	Mr. Nickles

The Committee defeated an amendment (9 yeas and 11 nays) offered by Ms. Moseley-Braun to provide that no child is denied assistance. The roll call vote was as follows:

YEAS	NAYS
Mr. Moynihan	Mr. Packwood
Mr. Baucus	Mr. Dole
Mr. Bradley	Mr. Roth
Mr. Pryor	Mr. Chafee
Mr. Rockefeller	Mr. Grassley
Mr. Breaux	Mr. Hatch
Mr. Conrad	Mr. Simpson
Mr. Graham	Mr. Pressler
Ms. Moseley-Braun	Mr. D'Amato
	Mr. Murkowski
	Mr. Nickles

The Committee defeated an amendment (4 yeas and 16 nays) offered by Ms. Moseley-Braun to provide any child who is denied assistance the right to bring an action in court. The roll call vote was as follows:

YEAS	NAYS
Mr. Moynihan	Mr. Packwood
Mr. Baucus	Mr. Dole
Mr. Bradley	Mr. Roth
Ms. Moseley-Braun	Mr. Chafee
	Mr. Grassley
	Mr. Hatch
	Mr. Simpson
	Mr. Pressler
	Mr. D'Amato
	Mr. Murkowski
	Mr. Nickles
	Mr. Pryor
	Mr. Rockefeller
	Mr. Breaux
	Mr. Conrad
	Mr. Graham

C. AMENDMENTS OFFERED AND WITHDRAWN

Mr. Conrad offered an amendment to limit educational activities to not more than 50 percent of a State's work participation rates in 1996 and 1997.

Mr. Grassley offered an amendment to provide that a State operate a jobs program in accordance with Part F of the Social Security Act or another work program to be defined by the State.

V. BUDGETARY IMPACT OF THE BILL

In compliance with sections 308 and 403 of the Congressional Budget Act of 1974, and paragraph 11(a) of rule XXVI of the Standing Rules of the Senate, the following letter has been received from the Congressional Budget Office regarding the budgetary impact of the bill:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, June 9, 1995.

Hon. BOB PACKWOOD,
Chairman, Committee on Finance,
U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed estimate of H.R. 4, the Family Self-Sufficiency Act of 1995, as ordered reported by the Senate Committee on Finance on May 26, 1995.

Enactment of H.R. 4 would effect direct spending and thus would be subject to pay-as-you-go procedures under section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985.

If you wish further details on this estimate, we will be pleased to provide them.

Sincerely,

JUNE E. O'NEILL, *Director.*

CONGRESSIONAL BUDGET OFFICE—COST ESTIMATE

1. Bill number: H.R. 4.
2. Bill title: Family Self-Sufficiency Act of 1995.
3. Bill status: As ordered reported by the Committee on Finance on May 26, 1995.
4. Bill purpose: To enhance support and work opportunities for families with children, reduce welfare dependence, and control welfare spending.
5. Estimated cost to the Federal Government:

Direct spending

The bill would effect federal outlays in the following mandatory programs: Family Support Payments, Food Stamps, Supplemental Security Income, Medicaid, and Foster Care. The following table shows projected outlays for these programs under current law, the changes that would stem from the bill, and the projected outlays for each program if the bill were enacted.

[Outlays by fiscal years, in millions of dollars]

	1995	1996	1997	1998	1999	2000	2001	1002
Projected spending under current law:								
Family Support Payments	18,223	18,544	19,048	19,534	20,132	20,793	21,477	22,184
Food Stamp Program	25,120	25,930	27,400	28,900	30,390	32,030	33,600	35,100
Supplemental Security Income	24,322	24,497	29,894	32,967	36,109	42,749	39,481	46,807
Medicaid	89,216	99,292	110,021	122,060	134,830	148,116	162,600	177,800
Foster Care	3,540	4,146	4,508	4,930	5,356	5,809	6,290	6,798
Total	160,421	172,409	190,871	208,391	226,817	249,497	263,448	288,689
Proposed changes:								
Family Support Payments [1]	0	−729	−1,192	−1,603	−2,207	−2,559	−3,234	−3,842
Food Stamps	0	238	745	993	1,274	1,511	1,818	2,155
Supplemental Security Income	0	−441	−3,554	−4,482	−4,674	−5,218	−4,646	−5,441
Medicaid	0	−22	−375	−545	−606	−662	−771	−777
Foster Care	0	0	0	0	10	25	35	45
Total	0	−954	−4,376	−5,637	−6,203	−6,903	−6,738	−7,750
Projected spending under H.R. 4:								
Family Support Payments	18,223	17,815	17,856	17,931	17,925	18,234	18,243	18,342
Food Stamps	25,120	26,168	28,145	29,893	31,664	33,541	35,418	37,255
Supplemental Security Income	24,322	24,056	26,340	28,485	31,435	37,531	34,835	41,476
Medicaid	89,216	99,270	109,646	121,515	134,224	147,454	161,889	177,023
Foster Care	3,540	4,146	4,508	4,930	5,366	5,834	6,325	6,843
Total	160,421	171,455	186,495	202,754	220,614	242,594	256,710	280,939

[1] Under current law, Family Support Payments includes spending on Aid to Families with Dependent Children (AFDC), AFDC-related child care, administrative costs for child support enforcement, net federal savings from child support collections, and the Job Opportunities and Basic Skills Training program (JOBS). Under proposed law, Family Support Payments would include spending on the Temporary Assistance for Needy Families Block Grant, administrative costs for child support enforcement, and net federal savings from child support collections.

H.R. 4 would create a new Temporary Assistance for Needy Families block grant and specifies funding levels through fiscal year 2000. CBO's estimates for 2001 and 2002 assume that the level of the block grant will remain the same as in 2000.

Note.—Details may not add to totals because of rounding.

The direct spending costs of this bill fall within budget functions 500, 550, and 600.

Authorizations of appropriations

The bill would increase the administrative costs of the Supplemental Security Income (SSI) program, which are funded by an annual appropriation. Those extra costs stem from provisions of Title III that would require program administrators to verify the citizenship of all SSI recipients and conduct reviews of some disabled recipients.

6. Basis of estimate: CBO estimates the enactment of H.R. 4, as amended by the Committee on Finance, would reduce outlays for direct spending programs by $1.0 billion in 1996 and $7.8 billion in 2002. The bill would also increase the administrative costs of the Supplemental Security Income (SSI) program, which are funded by an annual appropriation. These estimates incorporate the economic and technical assumptions from CBO's March 1995 baseline and assume an enactment date of October 1, 1995. The remainder of this section outlines the methodology used for the estimates. The attached tables detail the estimates for each title of the bill.

Titles I and II: Temporary assistance for needy families block grant and JOBS modification

Title I of H.R. 4 would alter the method by which the federal government shares in the cost of providing cash and training assistance to low-income families with children. It would combine current entitlement programs—Aid to Families with Dependent Children (AFDC), the Job Opportunities and Basic Skills Training program (JOBS), and related child care programs—into a single block grant with a fixed funding level. In addition, Title I would require that a sponsor's income be counted in determining an alien's eligibility for the Temporary Assistance for Needy Families Block Grant, Supplemental Security Income, and Medicaid for five years after arrival in the U.S. Title II would modify the definitions of activities authorized under the JOBS program. By itself, Title II would have no budgetary effects. The effects of Titles I and II are detailed in Table 1.

Effect of the block grant on cash and training assistance.—The new Temporary Assistance for Needy Families Block Grant would replace federal participation for AFDC benefit payments, AFDC administrative costs, AFDC emergency assistance benefits, the JOBS program, and three related child care programs. The bill would fix the base level of the block grant at $16.8 billion annually through 2000. CBO assumes the block grant would continue at the same level in 2001 and 2002, although the levels are not specified in the bill. Each state would be entitled to a portion of the grant based on its recent spending in the AFDC, JOBS, and related child care programs. In addition, the bill would authorize a loan fund (called the Supplemental Assistance for Needy Families Federal Fund) with an initial balance of $1.7 billion from which states could borrow during economic downturns. States would repay borrowed amounts, with interest, within three years.[1]

CBO estimates federal savings in Title I by comparing current law projections of AFDC, JOBS, and child care spending with the block grant levels. In 1996, CBO projects that under current law the federal government would spend $17.2 billion on AFDC benefits, AFDC administration, AFDC emergency assistance, the JOBS program, and related child care, or $0.6 billion more than the federal government would spend under the block grant. By 2000, the gap between spending projected under current law ($19.4 billion) and spending permitted under the block grant ($16.8 billion) would grow to $2.6 billion.

Criteria for state participation in the block grant.—To participate in the block grant program, states would present an assistance plan to the Department of Health and Human Services and would ensure that block grant funds would be spent only on needy families with minor children. States would not be required to spend any of their own resources to receive the block grant amounts. However, states would have to satisfy certain conditions. Notably, states would be prohibited from providing federal dollars to most

[1] CBO estimates the creation of the Supplemental Assistance for Needy Families Federal Fund would not generate additional outlays. Although up to $1.7 billion would be made available to states for loans, CBO assumes that every state borrowing funds would repay its loans with interest. Therefore, the program would involve no long-run loss to the federal government, and under the credit reform provisions of the Congressional Budget Act, it would have no cost.

families who have received cash assistance for more than 5 years since September 30, 1995. At their option, states could choose a shorter time limit and could grant hardship exemptions for up to 15 percent of all families. Although no family would encounter a 5-year time limit until October 1, 2000, the limit's effect on welfare participation could be noticed sooner if recipients shortened their stays on welfare or delayed childbearing in order to preserve access to the system in future years. CBO estimates that the full, potential effect of such a limit would not be realized until 2003 or later. Eventually, under current demographic assumptions, this provision could reduce cash assistance rolls by 30 percent to 40 percent. The actual effect of the time limit on families is uncertain however, because H.R. 4 would permit states and localities to provide cash assistance to such groups with their own resources. The inclusion of the time limit in the legislation does not affect the CBO estimate of federal costs because it would not directly change the amount of block grant funds disbursed to the states.

Work and training requirements under the block grant.—Other provisions in Title I would require states to provide work and training activities for an increasing percentage of block grant recipients or face penalties of up to 5 percent of the state's share of the block grant. States would face three separate requirements, with each becoming increasingly difficult to satisfy over time. CBO estimates that by 2000 most states would have difficulty satisfying the requirements. The following discussion outlines the challenge states would encounter in 2000.

First, states would have to show on a monthly basis that individuals in 45 percent of all families are engaged in an education, work, or training activity. (This requirement would rise to 50 percent in 2001 and thereafter.[2]) By contrast, program data for 1994 indicate that, in an average month, only about 11 percent of all families were engaged in a JOBS activity or an unsubsidized job at 20 hours per work. Most states would be unlikely to satisfy this requirement for several reasons. The costs of administering such a large scale work and training program would be high and federal funding is frozen at 1994 levels. Because the pay-off for such programs has been shown to be low in terms of reductions in the welfare caseload, states may be reluctant to commit their own funds. Morever, although states may succeed in reducing their caseloads through other measures, which would in turn free up federal funds for training, the requirements would still be difficult to meet because the remaining caseload would likely consist of the most needy individuals (incapacitated adults and parents with very young children) who would be very difficult and expensive to train.

Second, while tracking the work requirement for all families, states simultaneously would track a separate guideline for the smaller number of families with two parents participating in the AFDC–Unemployed Parent (AFDC–UP) program. By 2000, H.R. 4 would require that 90 percent of such families participate in a nar-

[2] The CBO estimate assumes the work participation requirements would apply to all families assisted under the state plan for needy families and would not be limited to those who receive federal dollars. Given the lack of a maintenance of effort requirement in this bill, however, it is unclear whether the federal government would have the authority to impose work requirements on individuals who receive benefits funded with state or local resources.

row set of work-related activities. States attempted to implement a similar requirement in 1994 for only 40 percent of AFDC–UP families; although final participation figures have not been released by the Department of Health and Human Services, preliminary analyses indicate that roughly 40 states failed the requirement. Given the states' records to date, CBO is not optimistic about their abilities to meet a 90 percent participation requirement.

Finally, states would also have to ensure that all parents who have received cash assistance for more than two years would engage in work activities. CBO estimates that approximately 70 percent of all parents on the cash assistance rolls in 2000 would have received such assistance for two years or more since the bill's effective date. The experience of the JOBS program to date suggests that such a requirement is well outside the states' abilities to implement.

In short, each of three work requirement would represent a significant challenge to states. Given the costs and administrative complexities involved, CBO assumes that most states would simply accept penalties of up to 5 percent of their block grant amounts rather than implement the requirements. CBO further assumes—consistent with current practice—that the Secretary of Health and Human Services would impose small penalties (less than one-half of one percent of the block grant) on non-complying states.

Effect of the block grant on the Food Stamp program.—The federal savings estimated from the block grant conversion was reduced to account for higher estimated spending in the Food Stamp program. CBO estimates that enactment of Title I would result in families receiving lower average cash payments relative to current law and consequently, higher food stamp benefits. Under current rules, each dollar lost in cash would increase a participating family's food stamp benefits by an estimated 33 cents. CBO estimates the incomes of AFDC families would decline relative to current projections by $2.2 billion in 2000, generating a food stamp cost in that year of $0.6 billion. This estimate assumes that states—on average—would follow the federal example and freeze their spending on cash benefits at their 1994 levels. Should states decide to spend more or less than 1994 levels, the costs of the food stamp program would be smaller or greater than the estimate.

Effect of the block grant on the Food Stamp Employment and Training program.—The fixed federal contribution under the block grant may inspire states to seek alternative means of financing their training and child care programs. One possibility for states would involve channeling AFDC families through the Food Stamp Employment and Training program, which is not altered by this bill and would remain an uncapped entitlement with the federal government matching 50 percent of state expenditures. With no maintenance-of-effort requirement to receive block grant funds, states could use their shares of JOBS and JOBS child care expenditures (approximately $1.0 billion in 1994) to draw an equal amount of federal funding. CBO assumes it would take a number of years before states would turn to this alternative and estimates federal costs would rise from $100 million in 1999 to $400 million in 2002.

Effect of Title I on the Medicaid Program.—CBO estimates no change in Medicaid spending associated with the conversion to a

block grant, which reflects the bill's stated intention to preserve current standards for Medicaid. How states implement these new programs would determine the ultimate impact on the Medicaid program. The requirement that states continue to provide Medicaid benefits to all individuals who meet current eligibility criteria for AFDC may increase the administrative burden in state agencies.

The creation of the block grant could affect Medicaid spending in a second way. Granting funds for cash assistance (with no requirement for state spending) while leaving Medicaid as a shared federal-state responsibility would provide states seeking to maximize federal assistance with an incentive to spend more money on Medicaid. Under the bill, a state dollar spent on cash assistance would no longer generate a federal matching payment while a state dollar spent on Medicaid would. Consequently, states could decide to expand Medicaid eligibility, financing the expansion with state dollars that otherwise would have been devoted to cash assistance. CBO has little basis upon which to predict such behavior and therefore has not estimated any change in Medicaid spending.

Title I also includes a provision requiring counting a sponsor's income (termed deeming) for a period of five years after an alien's arrival in the U.S. to determine the alien's eligibility for any need-based program authorized under the Social Security Act. Programs potentially affected by such a provision include Aid to Families with Dependent Children, Medicaid, and Supplemental Security Income. Since other provisions of the bill would replace AFDC with a program of block grants to the states and would make most aliens ineligible for SSI, however, the new deeming rule would affect only the Medicaid program. CBO estimates that savings in Medicaid would be about $0.1 billion in 1997 and $0.2 billion a year thereafter. The population targeted by the provision comprises primarily those and aged aliens who, under current law, would seek SSI benefits within five years of arrival. Non-aged aliens are less likely to have financial sponsors. CBO assumes that, in the absence of more specific instructions, deeming regulations like those currently used in SSI would apply to Medicaid. CBO also assumes that about 25 percent of the individuals that have financial sponsors would still be able to obtain Medicaid benefits because their medical expenditures are high enough that they could still apply for benefits as a medically needy recipient if their state has such a program.

Effect of the block grant on the Foster Care program.—Although H.R. 4 does not directly amend the foster care program, which would remain an open-ended entitlement with state expenditures matched by the federal government, the bill could affect foster care spending in two ways. First, eligibility for foster care is currently based on eligibility for AFDC payments in the home from which the child is removed. Because this bill would repeal the sections of the Social Security Act upon which AFDC eligibility is based, the effect of the bill on foster care payments is unclear. Should states adopt AFDC eligibility requirements that are more restrictive than current law, fewer children would be deemed eligible for foster care, and foster care payments could decline. Second, by retaining the foster care program as a matched entitlement, the bill would create an incentive for states to shift AFDC children who also are

eligible for foster care benefit into the foster care program. AFDC administrative data for 1993 suggest that roughly 500,000 children (5 percent of all children on AFDC) fall into this category because they live in a household without a parent. CBO assumes a number of legal and financial barriers would prevent states from transferring a large share of such children and estimates states would collect an additional $10 million in foster care payments in 1996, rising to $45 million in 2002.

Title III: Supplemental security income

Title III of H.R. 4 would reduce spending in the Supplemental Security Income program for three distinct groups of participants: legal aliens, drug addicts and alcoholics, and disable children. Net savings are estimated to equal $5.1 billion in 2002 (see Table 2).

Legal aliens.—In general, legal aliens are now eligible for SSI and other benefits administered by the federal government. Most aliens, other than refugees, do not collect benefits during the first few years in the U.S., because administrators must deem a portion of a sponsor's income to the alien during the period when determining the alien's eligibility. H.R. 4 would eliminate SSI benefits altogether for most legal aliens. Exceptions would be made for groups that make up about one-fifth of aliens on the SSI rolls: refugees who have been in the country for less than five years, aliens who receive a Social Security benefit based on their own earnings, and veterans of the U.S. military. All other legal aliens now on SSI would be removed from the rolls on January 1, 1997.

CBO bases its estimate of savings on administrative records for the SSI program. Those data suggested that there were about 700,000 non-citizen beneficiaries in 1994, or 12 percent of all recipients of federal SSI payments in that year, and that their numbers might be expected to continue to grow in the absence of a change in policy. The administrative records, though, are of uncertain quality. They are not likely to reflect changes in citizenship status (such as naturalization) that may have occurred since the recipient first began collecting benefits. It has not been important for agencies to keep citizenship status up-to-date so long as they have verified that the recipient is, in fact, legally eligible. That problem is thought to be particularly acute for SSI, where some beneficiaries identified as aliens have been on the program for many years. Recognizing this problem, CBO assumes that about one-fifth of SSI beneficiaries coded as aliens are in fact naturalized citizens.

CBO estimates the number of noncitizen recipients who would be removed from the SSI rolls by projecting the future caseload in the absence of policy change and subtracting the three groups (certain refugees, Social Security recipients, and veterans) exempted under the bill. CBO also assumes that some of the remainder will be spurred to become naturalized. The rest, estimated by CBO at approximately one-half million legal aliens, would be cut from the SSI rolls. Multiplying by the average benefits paid to such aliens—assumed to equal 1994 levels plus subsequent cost-of-living adjustments, or about $4,700 per alien in 1997—yields annual federal budgetary savings of between $2 billion and $3 billion a year.

Removing these aliens from the SSI rolls has indirect effects on two other programs: Medicaid and food stamps. In most states,

Medicaid is automatically available to anyone on SSI. Although H.R. 4 does not explicitly bar legal aliens from Medicaid, some aliens who lose SSI would thereby lose their only route onto the Medicaid program. CBO assumes that most aliens who lose SSI disability benefits could keep Medicaid eligibility under other terms of the program, only about half of those aliens who lose SSI old-age benefits, however, would be able to requalify as medically needy. Savings in Medicaid of $0.2 billion to $0.3 billion a year would result. H.R. 4 is silent about legal aliens' eligibility for food stamps, a program that is outside the jurisdiction of the Finance Committee. Under current law, legal aliens who lose cash income and who also get food stamps would automatically receive larger benefits under that program. CBO assumes that only a fraction of the SSI loss would be made up at the state and local level through general assistance programs. For aliens participating in food stamps, food stamp benefits are estimated to increase by about 33 cents for each dollar of cash income lost. Extra food stamp costs would be approximately $300 million a year.

These estimates, and other CBO estimates concerning legal aliens, are rife with uncertainties. First, administrative data in all programs are of uncertain quality. Citizenship status is not recorded at all for about 8 percent of SSI recipients, and—as previously noted—some persons coded as aliens are certainly naturalized citizens by now. Second, it is hard to judge how many noncitizens would react to the legislation by becoming citizens. At least 80 percent of legal aliens now on the SSI rolls are eligible to become citizens; the fact that they have not been naturalized may be attributable, in part, to the lack of a strong financial incentive. Heretofore, all legal immigrants have not been barred from most jobs, from eligibility for benefits, or from most other privileges except voting. Because the naturalization process takes time and effort, CBO assumes that only about one-third of those whose benefits would otherwise be eliminated will become citizens by the year 2000.

Drug addicts and alcoholics.—For many years, the Social Security Administration (SSA) has been required to identify certain drug addicts and alcoholics (DA&As) in the SSI program, when the substance abuse is a material contributing factor to the finding of disability. Special provisions apply to those recipients: they must comply with treatment if available, they must have representative payees, as (as a result of legislation enacted last year) they can receive a maximum of 36 months' benefits. About 100,000 recipients classified as drug addicts and alcoholics received benefits in December 1994.

CBO assumes that, under current law, the DA&A caseload would grow to about 190,000 by 1997, fall in 1998 (as the first wave of terminations under last year's legislation occurs), then resume climbing gradually. Under H.R. 4, awards to DA&As would stop immediately, and those already receiving benefits would be removed from the rolls on January 1, 1997, unless they had another seriously disabling condition.

Estimating the number of DA&As who already have or will soon develop another disabling condition is a thorny issue. A sample of 1994 awards with a primary diagnosis of substance abuse found

that two-thirds identified a secondary disabling condition (predominantly mental rather than physical). That fact must be interpreted with caution. In order to be worth noting, the secondary condition must be quite severe—but not necessary disabling in its own right. On the other hand, there is no requirement to record secondary conditions; some of the one-third for whom none was recorded undoubtedly had them. And the health of many DA&A recipients certainly deteriorates over time, with or without continued substance abuse. Thus, CBO assumes that only about one-quarter of DA&A recipients would be permanently terminated from the program; the rest could requalify by documenting that they have another sufficiently disabling condition. Multiplying the number of recipients terminated times an average benefit yields savings of $200 million to $300 million a year in SSI benefits.

Besides saving on benefits, the Social Security Administration would also be freed from the requirement to maintain contracts with referral and monitoring agencies (RMAs) for its SSI recipients. Those agencies monitor addicts' and alcoholics' treatment status and often serve as representative payees. Savings are estimated at about $150 million to $200 million a year in 1997 through 2002. Savings in 1996, however, are uncertain, as SSA will likely have to pay cancellation penalties on the contracts to be terminated.

The legislation would also eliminate Medicaid coverage for DA&As terminated from the SSI program, resulting in another $100 million a year or so in savings. And because former SSI recipients would experience a reduction in their cash income, food stamp costs under correct law would increase slightly—by approximately $30 million a year.

Disabled children.—H.R. 4 would restructure the SSI program for disabled children. Under current law, low-income children can qualify for the SSI program and its federal cash benefits of up to $458 a month in two ways. They may match one of the medical listings (a catalogue of specific impairments, with accompanying clinical findings), or they may be evaluated under an individualized functional assessment (IFA) that determines whether an unlisted impairment seriously limits a child from performing activities normal for his or her age. Both methods are spelled out in regulation. Until the Supreme Court's decision in the *Zebley* case in 1990, the medical listings were the sole path to eligibility for children. Adults, in contrast, could receive an assessment of their functional and vocational capacities even if they did not meet their own set of listings. The court ruled that sole reliance on the listings did not comport with the law's requirement to gauge whether children's disorders were of "comparable severity" to impairments that would disable adults.

H.R. 4 would eliminate childhood IFAs and their statutory underpinning, the "comparable severity" rule, as a basis for receipt. Many children on the rolls as a result of an IFA (roughly a quarter of children now on SSI) would be terminated, and future awards based on an IFA would be barred. Thus, the program would be restricted to those who met or equaled the listings. The bill would also remove the reference to maladaptive behavior—behavior that is destructive to oneself, others, property, or animals—from the

personal/behavioral domain of the medical listings, the only place where it appears as a basis for award.

Even as it repealed the "comparable severity" language, the bill would create a new statutory definition of childhood disability. It states that a child would be considered disabled if he or she has "a medically determinable physical or mental impairment which results in marked, pervasive and severe functional limitations [and can be expected to last 12 months or lead to death]." That language appears to be intended to preserve SSI eligibility for some of the most severely impaired children who now qualify by way of an IFA. The exact implications of this language would remain to be clarified through regulation (and perhaps court interpretation) and are difficult for CBO to estimate definitively.

CBO estimated the savings from these changes by judging how many present and future children would likely qualify under the new criteria. CBO relied extensively on SSA program data and on analyses conducted by the General Accounting Office and the Inspector General of the Department of Health and Human Services. Approximately 900,000 children now collect SSI benefits, and CBO projects that the number would reach 1.35 million in 2002 if policies were unchanged. CBO assumed that more than half of children who qualify through an IFA would be rendered ineligible under the proposed criteria-specifically, those who fail to rate a "marked" or "extreme" impairment in at least two areas of functioning. CBO chose that assumption because the bill's key phrase—marked, pervasive and severe functional impairments—might reasonably be interpreted to mean limitations in several different areas of functioning, a tighter standard than the one that now allows some children with "moderate" limitations onto the program. CBO also assumes that the provisions on maladaptive behavior would bar a small percentage of children from eligibility for benefits. Overall, approximately 21 percent of children who would be eligible under current law would be rendered ineligible. Because of the room for regulatory interpretation, however, that figure is uncertain. A tight interpretation might bar up to 28 percent of children; a loose one might trim the rolls by about 10 percent or even less.

CBO estimates the savings in cash benefits relative to current law by multiplying the number of children assumed to lose benefits by the average benefit. That average benefit was about $430 a month in December 1994 and would grow with inflation thereafter. Children already on the rolls would be reviewed under the new criteria but could keep their benefits through December 1996 even if found ineligible. CBO assumes that children who do not meet the new criteria could be removed from the rolls even if their medical condition has not improved since award—as is clearly intended by the bill—even though current law generally requires that SSA document such progress before it terminates a beneficiary. New awards would be affected immediately. Total savings in cash benefits would equal $0.2 billion in 1996 and $2.1 billion in 2002.

H.R. 4 would make several other changes to the SSI program for disabled children, notably by stepping up requirements for continuing disability reviews (CDRs). Savings from that requirement are embedded in CBO's estimate. The bill also requires that representative payees (usually parents) develop a treatment plan for the

child and demonstrate to SSA's satisfaction that they followed that plan. Noncompliance would lead to appointment of another representative payee, not to termination of benefits. The bill also mandates several studies of disability issues.

The proposed cutbacks in children's SSI benefits would affect spending in other programs. Food stamp outlays would increase, under current law, to replace a portion of the cash income lost by the children's families. Effects on two other programs, however, are omitted from CBO's estimate. Under current law, approximately half of the disabled children losing SSI benefits would be likely to end up on the AFDC programs; but because that program would be abolished in Title I and replaced by a fixed block grant to the states, no extra spending would result. The cutback in children's SSI benefits would have only negligible effects on the Medicaid program. Most children removed from SSI would still qualify for Medicaid-either through their eligibility for the program of temporary assistance to needy families (the successor to the AFDC program) or their poverty status.

Administrative costs.—Several provisions of Title III would affect the administrative costs of the SSI program. Those costs are funded out of an overall discretionary appropriation that limits administrative expenses of the Social Security Administration. The most significant burdens would be those involved in checking citizenship status and conducting continuing disability reviews (CDRs). Title III would presumably require SSA to check the citizenship status of all SSI beneficiaries—those coded as citizens as well as those identified as aliens—to verify their continued eligibility for benefits. CBO estimates the one-time cost of that effort at about $50 million; some savings would materialize in later years, though, as SSA would need to sift through fewer applications from legal aliens. The disability-related provisions would, in CBO's judgment, involve approximately $300 million in nonrecurring costs (principally in 1996) as SSA reviews drug addicts and alcoholics and disabled children for continued eligibility, and about $100 million a year thereafter because of the permanent requirement for additional CDRs. SSA would save small amounts of money (less than $5 million a year) from processing fewer benefit checks. Extra administrative costs are expected to total $0.3 billion in 1996 and $0.1 billion a year thereafter.

Title IV: Child support enforcement

Title IV would change many aspects of the operation and financing of the federal and state child support enforcement system. CBO estimates that the change in spending relative to current law would fluctuate between net costs or net savings of $100 million annually over the seven-year estimation period (see Table 3). The key provisions of Title IV would mandate the use of new enforcement techniques with a potential to increase collections, eliminate a current $50 payment to welfare recipients for whom child support is collected, allow former public assistance recipients to keep a greater share of their child support collections, and authorize new spending on automated systems. Similar to current law, the bill would require that states share with the federal government child

support collected on behalf of families who receive cash assistance through the Temporary Assistance for Needy Families Block Grant.

New enforcement techniques.—Using reports on the performance of various enforcement strategies at the state level, CBO estimates that child support collections received by families on cash assistance in 2000 would increase under the bill by roughly 12 percent over current projections (from $3.5 billion to $3.9 billion). Most of the improvement would result from the creation of a new-hire registry (designed to speed the receipt of earnings information on noncustodial parents) and provisions that would expedite the process by which states seize the assets of noncustodial parents who are delinquent in their child support payments. Some states have already applied the proposed enforcement techniques, thereby reducing the potential of improving collections further. CBO projects that the additional collections would result in savings of roughly $0.2 billion in 2000 to the federal government through shared child support collections, as well as reduced spending in food stamps and Medicaid.

Elimination of the $50 passthrough.—Additional federal savings would be generated by eliminating the current $50 passthrough. Under current law, amounts up to the first $50 in monthly child support collected are paid to the family receiving cash assistance without affecting the level of the welfare benefit. Thus, families for whom noncustodial parents contribute child support get as much as $50 more a month than do otherwise identical families for whom such contributions are not made. Eliminating the $50 child support payment beginning in 1996 would save the federal government between $0.1 billion and $0.2 billion annually.

Distributing additional child support to former AFDC recipients.—H.R. 4 would require states to share more child support collections with former recipients of public assistance, reducing federal and state recoupment of prior benefit payments. When someone ceases to receive public assistance, states continue to collect and enforce the family's child support order. All amounts of child support collected on time are sent directly to the family. If a state collects past-due child support, however, it may either send the amount to the family or to use the collection to reimburse itself and the federal government for past AFDC payments. The proposal, which would take effect in fiscal year 2000, would require states to send a larger share of arrearage collections to families, which would reduce recoupment by federal and state governments. Based on a survey of child support directors, CBO estimates that this provision would cost the federal government $0.3 billion in 2000 and $0.4 billion in 2001 and 2002.

Additional provisions with budgetary implications.—A number of other provisions would increase federal outlays. First, H.R. 4 would fund further improvements in states' automated systems at an estimated annual cost of $0.1 billion. Second, the bill would provide about $50 million annually to provide about $50 million annually to provide technical assistance to states and to operate a computer system designed to locate non-custodial parents. Third, the bill would change federal cost sharing in enforcing child support. Although individual states would see their share of federal funds

change relative to current law, CBO estimates that the new funding formula would be cost neutral from the federal standpoint.

7. Pay-as-you-go considerations: The Balanced Budget and Emergency Deficit Control Act of 1985 sets up pay-as-you-go procedures for legislation affecting direct spending or receipts through 1998. The pay-as-you-go effects of the bill are as follows.

[By fiscal years, in millions of dollars]

	1995	1996	1997	1998
Outlays	0	−954	−4,376	−5,637
Receipts	0	0	0	0

8. Estimated cost to State and local governments: In general, H.R. 4 mandates no new or additional spending by state and local governments and gives those governments the freedom to cut back on some spending that they already incur. It is impossible that state and local government will opt to spend more on certain activities, but that choice would be up to them.

Title I of H.R. 4 would change the structure of federal funding for cash assistance and job training for recipients of welfare benefits. THe bill would repeal the federal entitlement for these programs to individuals and would allow states to spend a specified amount of federal money provided in a block grant with a greater degree of flexibility. To the extent that demand or eligibility for these programs increases above the level of federal funding, states could choose to increase their own spending to keep pace or could reduce the amount of benefits or limit eligibility to maintain current levels of spending.

Title III's provisions, which would affect the SSI program, likewise could increase or decrease state and local spending, depending on a variety of factors. State and local government spending for legal immigrants would automatically be reduced by limiting aliens' eligibility for two programs: SSI (which is typically supplemented by states) and Medicaid. Legal immigrants cut off from federal benefits, however, might turn to state- and locally-funded general assistance (GA) and general medical assistance (GMA) programs instead, raising the demand for such benefits. Elsewhere, the bill permits but does not require states to deny benefits under the new family assistance block grant to legal aliens.

The proposed removal of drug addicts and alcoholics from the SSI and Medicaid rolls would probably boost demand for general assistance payments but trim states' costs for Medicaid and for SSI supplements, with uncertain overall effects. Cutbacks in cash SSI benefits to disabled children will probably increase demands on state and local welfare programs, but those are extensively restructured by Title I in a way that affords states great latitude.

Title IV would increase child support collections and reduce the reliance on welfare for certain families. CBO estimates the provisions would reduce state and local spending by $0.3 billion in 2002.

9. Estimate comparison: None.

10. Previous CBO estimate: On March 31, 1995, CBO issued an estimate of H.R. 4 as passed by the House of Representatives. Comparisons between the House-passed version of H.R. 4 and this substitute are difficult to make because this bill amends only programs

under the jurisdiction of the Committee on Finance (AFDC, Supplemental Security Income, Foster Care, Medicaid, and Child Support Enforcement). The House-passed bill also addressed the Food Stamp program, Child Nutrition programs, and the Child Care and Development Block Grant. The following outlines the key modifications to the House bill made by the Committee on Finance.

Titles I and II: Temporary assistance for needy families block grant and JOBS modification

The Temporary Assistance for Needy Families Block Grant is funded at a higher level in the Finance Committee substitute ($16.8 billion rather than $15.4 billion a year). The difference stems from two sources. First, the Finance version includes $1.0 billion for three AFDC-related child care programs. The House provided for such funding in a separate, discretionary child care block grant. Second, the Finance Committee provides an additional $0.4 billion for the AFDC and JOBS programs.

In addition, the Finance Committee amended the House-proposed adjustments to the block grant, dropping the population adjustment and eliminating the adjustments based on the so-called illegitimacy ratio. The federal loan fund is increased from $1.0 billion to $1.7 billion.

Finally, the Finance Committee struck a number of requirements in the House-passed version that would prohibit states from providing cash assistance to children born while their mothers were receiving welfare and to families headed by a mother who is under age 18 and who gave birth outside of marriage.

Title III: Supplemental Security Income

Restricting benefits for aliens.—H.R. 4, as reported by the Committee on Finance, would save more money by restricting SSI benefits for aliens than would its counterpart passed by the House. That is chiefly because the House bill contains two significant exemptions—namely, for legal aliens who are 75 years of age or older or who are developmentally disabled—that are absent in this version. In contrast, the Finance Committee's bill exempts another group (Social Security recipients who have paid enough in taxes to collect benefits on their own record) that would not be spared by the House. Although that is a large group, its average SSI benefit is much lower than that for other aliens, and thus the exemption is not particularly costly. CBO assumes that there would be a stronger incentive for aged aliens to become naturalized under the Finance Committee's version. Under the House-passed bill, many elderly aliens could simply wait until age 75 to claim SSI benefits. Since that possibility is blocked in the Senate bill, naturalization would be the only way to obtain benefits.

H.R. 4, as passed by the House, would bar most legal aliens from the Medicaid and food stamp programs as well as from SSI. Those provisions are absent in the Finance Committee-reported bill.

Restricting benefits for drug addicts and alcoholics.—This bill and the House-passed act have nearly identical restrictions on the eligibility of drug addicts and alcoholics for SSI. The House approved a provision adding $100 million a year in budget authority

beginning in 1997 to drug treatment and research programs. This bill has no comparable provision.

Restricting benefits for certain disabled children.—Both the House-passed and Finance Committee-reported bills would limit the provision of SSI benefits to disabled children by repealing IFAs and tightening eligibility. The greatest contrast lies in the two bills' emphasis on cash payments versus services. The House bill would steer most children seeking SSI in the future toward noncash benefits. It would set up a program of block grants to states enabling them to offer services (chosen from a list authorized by the Commissioner of Social Security) to disabled children. All qualified children would be entitled to an evaluation of their need for services, but no child would be entitled to a specific level or value of services. The total amount of the block grant would be set at just under 75 percent of the amount of cash benefits for which it would substitute. SSA could award cash benefits to future applicants only if it were convinced that the child would otherwise be institutionalized. In contrast, the Finance bill would retain cash benefits for disabled children.

Title IV: Child support enforcement

The differences between this substitute and the House-passed version are technical in nature and would have no effect on the federal budget. CBO's estimate of this substitute differs from that of the House bill because CBO has revised its estimate of the proposal to distribute additional child support to former AFDC recipients. Information from states that was available to CBO at the time of the House's action suggested that the policy would result in only modest federal and state costs. Subsequent analyses by states in early May indicate the proposal would be more costly than previously estimated.

Child protection

The major difference between the Finance Committee substitute and the House-passed version is that the House bill would transform Foster Care, Adoption Assistance, and other child welfare programs into a block grant. The House-passed version saved between $0.3 billion and $0.8 billion in Child Protection programs annually. The finance Committee's bill does not amend Child Protection programs.

11. Estimate prepared by: John Tapogna and Sheila Dacey (Titles I, II and IV), Kathy Ruffing (Title III), and Robin Rudowitz (Medicaid).

12. Estimate approved by: Paul N. Van de Water, Assistant Director for Budget Analysis.

SUMMARY TABLE.—FEDERAL BUDGET EFFECTS OF THE FAMILY SELF-SUFFICIENCY ACT, As reported by the Senate Committee on Finance

[By fiscal year, in millions of dollars]

	1996	1997	1998	1999	2000	2001	2002	1996–2000 total	1996–2000 total
Title I: Temporary Assistance for Needy Families Block Grant									
Direct spending:									
Budget Authority	(557)	(998)	(1,429)	(1,713)	(2,065)	(2,355)	(2,650)	(6,762)	(11,767)
Outlays	(473)	(943)	(1,384)	(1,678)	(2,030)	(2,312)	(2,615)	(6,508)	(11,435)
Title II: Jobs Program									
Direct spending:									
Budget authority	0	0	0	0	0	0	0	0	0
Outlays	0	0	0	0	0	0	0	0	0
Title III: Supplemental Security Income									
Direct spending:									
Budget authority	(547)	(3,419)	(4,221)	(4,459)	(5,006)	(4,427)	(5,102)	(17,652)	(27,181)
Outlays	(405)	(3,375)	(4,241)	(4,432)	(4,985)	(4,406)	(5,082)	(17,438)	(26,926)
Authorizations of appropriations:									
Budget authority	300	125	100	100	100	100	100	NA	NA
Outlays	300	125	100	100	100	100	100	NA	NA
Title IV: Child Support									
Direct spending:									
Budget authority	(76)	(58)	(12)	(93)	112	(20)	(53)	(127)	(200)
Outlays	(76)	(58)	(12)	(93)	112	(20)	(53)	(127)	(200)
Totals: Titles I–IV:									
Direct spending:									
Budget authority	(1,180)	(4,475)	(5,662)	(6,265)	(6,959)	(6,802)	(7,805)	(24,541)	(39,148)
Outlays	(954)	(4,376)	(5,637)	(6,203)	(6,903)	(6,738)	(7,750)	(24,073)	(38,561)
Authorizations of appropriations:									
Budget authority	300	125	100	100	100	100	100	NA	NA
Outlays	300	125	100	100	100	100	100	NA	NA

Notes.—Numbers in parentheses are negative numbers.
Rows and columns may not add because of rounding.
NA=not available.

Note.—H.R. 4 creates a new block grant of temporary assistance for needy families and specifies funding levels through fiscal year 2000. CBO's estimates for 2001 and 2002 assume that the level of the block grant will remain the same as in 2000.

TABLE 1.—FEDERAL BUDGET EFFECTS OF THE FAMILY SELF-SUFFICIENCY ACT, TITLES I AND II TEMPORARY ASSISTANCE FOR NEEDY FAMILIES BLOCK GRANT AND JOBS, AS REPORTED BY THE SENATE COMMITTEE ON FINANCE

[By fiscal year, in millions of dollars]

	1996	1997	1998	1999	2000	2001	2002
Repeal AFDC, Emergency Assistance, JOBS, and Child Care Programs							
Family support payments:							
Budget authority	(17,454)	(17,855)	(18,311)	(18,845)	(19,437)	(20,027)	(20,622)
Outlays	(17,194)	(17,800)	(18,266)	(18,810)	(19,402)	(19,992)	(20,587)
Food Stamp Program: [1]							
Budget authority	50	175	300	450	625	825	1,025
Outlays	50	175	300	450	625	825	1,025

TABLE 1.—FEDERAL BUDGET EFFECTS OF THE FAMILY SELF-SUFFICIENCY ACT, TITLES I AND II TEMPORARY ASSISTANCE FOR NEEDY FAMILIES BLOCK GRANT AND JOBS, AS REPORTED BY THE SENATE COMMITTEE ON FINANCE—Continued

[By fiscal year, in millions of dollars]

	1996	1997	1998	1999	2000	2001	2002
Medicaid:							
Budget authority	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Outlays	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Authorize Temporary Family Assistance Block Grant							
Family support payments:							
Budget authority	16,787	16,787	16,787	16,787	16,787	16,787	16,787
Outlays	16,619	16,787	16,787	16,787	16,787	16,787	16,787
Evaluation of Block Grant							
Family support payments:							
Budget authority	10	10	10	10	10	0	0
Outlays	2	10	10	10	10	8	0
Penalties for State Failure to Meet Work Requirements							
Family support payments:							
Budget authority	0	0	0	0	(50)	(50)	(50)
Outlays	0	0	0	0	(50)	(50)	(50)
Incentive for States to Pay Foster Care rather than AFDC Benefits							
Foster Care Program:							
Budget authority	0	0	0	10	25	35	45
Outlays	0	0	0	10	25	35	45
Incentive for States to Fund Training through the Food Stamp Employment and Training Program							
Food Stamp Program: [1]							
Budget authority	0	0	0	100	200	300	400
Outlays	0	0	0	100	200	300	400
Denial of Benefits to Persons who Misrepresent Residence							
Food Stamp Program: [1]							
Budget authority	0	(5)	(5)	(5)	(5)	(5)	(5)
Outlays	0	(5)	(5)	(5)	(5)	(5)	(5)
Hold States Harmless for Cost-Neutrality Liabilities							
Family support payments:							
Budget authority	50	0	0	0	0	0	0
Outlays	50	0	0	0	0	0	0
Impose Five-Year Deeming of Sponsors' Income and Resources							
Medicaid:							
Budget authority	0	(110)	(210)	(220)	(220)	(220)	(230)
Outlays	0	(110)	(210)	(220)	(220)	(220)	(230)
Total Titles I and II, by account:							
Family Support Payments:							
Budget authority	(607)	(1,058)	(1,514)	(2,048)	(2,690)	(3,290)	(3,885)
Outlays	(523)	(1,003)	(1,469)	(2,013)	(2,655)	(3,247)	(3,850)
Food Stamp Program:							
Budget authority	50	170	295	545	820	1,120	1,420
Outlays	50	170	295	545	820	1,120	1,420
Medicaid: [2]							
Budget authority	0	(110)	(210)	(220)	(220)	(220)	(230)
Outlays	0	(110)	(210)	(220)	(220)	(220)	(230)

TABLE 1.—FEDERAL BUDGET EFFECTS OF THE FAMILY SELF-SUFFICIENCY ACT, TITLES I AND II TEMPORARY ASSISTANCE FOR NEEDY FAMILIES BLOCK GRANT AND JOBS, AS REPORTED BY THE SENATE COMMITTEE ON FINANCE—Continued

[By fiscal year, in millions of dollars]

	1996	1997	1998	1999	2000	2001	2002
Foster Care Program:							
Budget authority	0	0	0	10	25	35	45
Outlays	0	0	0	10	25	35	45
Total, all accounts:							
Budget authority	(557)	(998)	(1,429)	(1,713)	(2,065)	(2,355)	(2,650)
Outlays	(473)	(943)	(1,384)	(1,678)	(2,030)	(2,312)	(2,615)

[1] Estimate assumes the Food Stamp program is an open-ended entitlement.

[2] Medicaid savings shown for Title I reflect only the effect of imposing a 5-year sponsor-to-alien deeming requirement. Other language in Title I, intended to hold Medicaid beneficiaries harmless from the switch to temporary assistance for needy families, has unclear effects on the Medicaid program. States may implement such provisions in a number of ways potentially resulting in small costs, small savings, or budget neutrality. The impact of the legislation would be largely determined by the implementing regulations.

Note.—H.R 4 creates a new block grant of temporary assistance for needy families and specifies funding levels through fiscal year 2000. CBO's estimates for 2001 and 2002 assume that the level of the block grant will remain the same as in 2000.

TABLE 2.—FEDERAL BUDGET EFFECTS OF THE FAMILY SELF-SUFFICIENCY ACT, TITLE III SUPPLEMENTAL SECURITY INCOME, As reported by the Senate Committee on Finance

[By fiscal year, in millions of dollars]

	1996	1997	1998	1999	2000	2001	2002
Restricting Benefits for Legal Aliens							
Supplemental Security Income:							
Budget authority	(170)	(2,190)	(2,710)	(2,710)	(2,900)	(2,470)	(2,760)
Outlays	(170)	(2,190)	(2,710)	(2,710)	(2,900)	(2,470)	(2,760)
Medicaid: [1]							
Budget authority	(10)	(180)	(230)	(240)	(260)	(270)	(290)
Outlays	(10)	(180)	(230)	(240)	(260)	(270)	(290)
Food Stamps: [2]							
Budget authority	20	270	335	335	330	335	340
Outlays	20	270	335	335	330	335	340
Drug Addicts and Alcoholics [3]							
Supplemental Security Income-Benefits:							
Budget authority	(29)	(200)	(215)	(249)	(260)	(230)	(280)
Outlays	(29)	(200)	(215)	(249)	(260)	(230)	(280)
Supplemental Security Income-Referral and Monitoring Costs:							
Budget authority	(142)	(186)	(166)	(193)	(214)	(235)	(255)
Outlays	0	(142)	(186)	(166)	(193)	(214)	(235)
Medicaid:							
Budget authority	(12)	(81)	(89)	(108)	(117)	(125)	(136)
Outlays	(12)	(81)	(89)	(108)	(117)	(125)	(136)
Food Stamps: [2]							
Budget authority	3	25	30	30	30	30	35
Outlays	3	25	25	30	30	30	35
Disabled Children [2]							
Supplemental Security Income Benefits:							
Budget authority	(242)	(1,022)	(1,371)	(1,549)	(1,865)	(1,732)	(2,056)
Outlays	(242)	(1,022)	(1,371)	(1,549)	(1,865)	(1,732)	(2,056)
Food Stamps: [2]							
Budget authority	35	145	200	225	250	270	300
Outlays	35	145	200	225	250	270	300
Additional administrative costs (authorization of appropriations)							
Supplemental Security Income:							
Budget authority	300	125	100	100	100	100	100
Outlays	300	125	100	100	100	100	100

TABLE 2.—FEDERAL BUDGET EFFECTS OF THE FAMILY SELF-SUFFICIENCY ACT, TITLE III SUPPLEMENTAL SECURITY INCOME, As reported by the Senate Committee on Finance—Continued

[By fiscal year, in millions of dollars]

	1996	1997	1998	1999	2000	2001	2002
Total Title III, by account:							
Supplemental security Income:							
Budget authority	(583)	(3,598)	(4,462)	(4,701)	(5,239)	(4,667)	(5,351)
Outlays	(441)	(3,554)	(4,482)	(4,674)	(5,218)	(4,646)	(5,331)
Medicaid:							
Budget authority	(22)	(261)	(319)	(348)	(377)	(395)	(426)
Outlays	(22)	(261)	(319)	(348)	(377)	(395)	(426)
Food Stamps: [2]							
Budget authority	58	440	560	590	610	635	675
Outlays	58	440	560	590	610	635	675
Total, all accounts (direct spending):							
Budget authority	(547)	(3,419)	(4,221)	(4,459)	(5,006)	(4,427)	(5,102)
Outlays	(405)	(3,375)	(4,241)	(4,432)	(4,985)	(4,406)	(5,082)
Authorization of appropriations:							
Supplemental Security Income:							
Budget authority	300	125	100	1000	100	100	100
Outlays	300	125	100	1000	100	100	100

[1] The proposal would not bar aliens explicity from Medicaid. However, some aliens would lose Medicaid coverage by virtue of losing their SSI eligibility.
[2] Estimate assumes the Food Stamp program is an open-ended entitlement.
[3] Proposal could increase number of individuals participating in the Temporary Assistance for Needy Families block grant; however, such an increase would not affect federal spending.

TABLE 3.—FEDERAL BUDGET EFFECTS OF THE FAMILY SELF-SUFFICIENCY ACT, TITLE IV CHILD SUPPORT ENFORCEMENT—AS REPORTED BY THE SENATE COMMITTEE ON FINANCE [1]

[By fiscal year, in millions of dollars]

	1996	1997	1998	1999	2000	2001	2002
New Enforcement Techniques							
State directory of new hires:							
Family support payments	0	0	11	(9)	(13)	(18)	(19)
Food Stamp Program	0	0	(2)	(10)	(15)	(22)	(23)
Medicaid	0	0	(8)	(18)	(31)	(46)	(52)
Subtotal	0	0	2	(37)	(59)	(86)	(93)
State laws providing expedited enforcement of child support:							
Family support payments	0	0	0	(18)	(38)	(60)	(84)
Food Stamp Program	0	0	0	(6)	(14)	(22)	(30)
Medicaid	0	0	0	(6)	(14)	(24)	(37)
Subtotal	0	0	0	(31)	(66)	(106)	(152)
State laws concerning paternity:							
Family support payments	0	(17)	(18)	(20)	(22)	(24)	(26)
Food Stamp Program	0	(3)	(3)	(4)	(4)	(4)	(5)
Medicaid	0	(2)	(2)	(3)	(3)	(4)	(5)
Subtotal	0	(22)	(24)	(26)	(29)	(32)	(36)
Suspend drivers' licenses:							
Family support payments	0	(8)	(17)	(27)	(37)	(39)	(41)
Food Stamp Program	0	(2)	(5)	(8)	(12)	(12)	(13)
Medicaid	0	(2)	(4)	(6)	(10)	(11)	(12)
Subtotal	0	(12)	(26)	(41)	(59)	(62)	(66)
Adoption of uniform State laws:							
Family support payments	0	10	2	(8)	(13)	(18)	(24)

TABLE 3.—FEDERAL BUDGET EFFECTS OF THE FAMILY SELF-SUFFICIENCY ACT, TITLE IV CHILD SUPPORT ENFORCEMENT—AS REPORTED BY THE SENATE COMMITTEE ON FINANCE [1]—Continued

[By fiscal year, in millions of dollars]

	1996	1997	1998	1999	2000	2001	2002
Food Stamp Program	0	0	(1)	(3)	(5)	(7)	(9)
Medicaid	0	0	(2)	(4)	(7)	(11)	(16)
Subtotal	0	10	(1)	(15)	(25)	(36)	(49)
Subtotal, New Enforcement	.....	(23)	(49)	(151)	(239)	(323)	(396)
Eliminate $50 passthrough:							
Family support payments	(250)	(270)	(290)	(320)	(360)	(390)	(420)
Food Stamp Program	130	140	150	170	190	200	200
Medicaid	0	0	0	0	0	0	0
Subtotal	(120)	(130)	(140)	(150)	(170)	(190)	(200)
Distribute chald support arrears to former AFDC families first:							
Family support payments	0	0	0	0	360	420	470
Food Stamp Program	0	0	0	0	(60)	(70)	(80)
Medicaid	0	0	0	0	0	0	0
Subtotal	0	0	0	0	300	350	390
Other Provisions with budgetary implications							
Automated data processing development:							
Family support payments	0	28	59	84	84	5	0
Food Stamp Program	0	0	0	0	0	0	0
Medicaid	0	0	0	0	0	0	0
Subtotal	0	28	59	84	84	5	0
Automated data processing operation and maintenance:							
Family support payments	3	12	55	52	52	46	40
Food Stamp Program	0	0	0	0	0	0	0
Medicaid	0	0	0	0	0	0	0
Subtotal	3	12	55	52	52	46	40
Technical assistance to State programs:							
Family support payments	36	47	51	55	60	56	60
Food Stamp Program	0	0	0	0	0	0	0
Medicaid	0	0	0	0	0	0	0
Subtotal	36	47	51	55	60	56	60
State obligation to provide services:							
Family support payments	0	0	0	3	11	22	39
Food Stamp Program	0	0	0	0	0	0	0
Medicaid	0	0	0	0	0	0	0
Subtotal	0	0	0	3	11	22	39
Federal and State reviews and audits:							
Family support payments	0	3	3	3	3	3	3
Food Stamp Program	0	0	0	0	0	0	0
Medicaid	0	0	0	0	0	0	0
Subtotal	0	3	3	3	3	3	3
Performance-based incentives:							
Family support payments	0	0	0	0	0	0	0
Food Stamp Program	0	0	0	0	0	0	0

TABLE 3.—FEDERAL BUDGET EFFECTS OF THE FAMILY SELF-SUFFICIENCY ACT, TITLE IV CHILD SUPPORT ENFORCEMENT—AS REPORTED BY THE SENATE COMMITTEE ON FINANCE [1]—Continued

[By fiscal year, in millions of dollars]

	1996	1997	1998	1999	2000	2001	2002
Medicaid	0	0	0	0	0	0	0
Subtotal	0	0	0	0	0	0	0
Grants to State for visitation:							
Family support payments	5	5	10	10	10	10	10
Food Stamp Program	0	0	0	0	0	0	0
Medicaid	0	0	0	0	0	0	0
Subtotal	5	5	10	10	10	10	10
Subtotal, Other Provisions	44	95	178	208	220	143	152
Total Title IV, by account							
Family support payments	(206)	(189)	(134)	(194)	96	13	8
Food Stamp Program	130	135	138	139	81	63	60
Medicaid	0	(4)	(16)	(38)	(65)	(96)	(121)
Total title IV	(76)	(58)	(12)	(93)	112	(20)	(53)

[1] Based on discussions with Committee staff, this estimate assumes a technical correction will be made to section 461 (Federal tax offset).

Note: Number in parentheses are negative numbers.

VI. ADDITIONAL VIEWS

ADDITIONAL VIEWS OF SENATORS MOYNIHAN, BRADLEY, AND MOSELEY-BRAUN

It is just seven years since the Committee on Finance reported out the Family Support Act of 1988. It seems almost unimaginable today, but there was then a vast bipartisan consensus on this great issue. The final vote in the Senate was 96 to 1.

At the Rose Garden ceremony were Senators Dole, Bentsen, and Brown, Speaker Foley, Mr. Michel, and Governors Clinton and Castle, representing the National Governors' Association. President Reagan, on signing the bill, told the assembled company that "They and the members of the administration who worked so diligently on this bill will be remembered for accomplishing what many have attempted, but no one has achieved in several decades: a meaningful redirection of our welfare system."

In large measure, he was right. The Family Support Act has performed well where it was implemented seriously. Every day a State official reports on some new success, or there is an announcement of some new initiative funded under the Act. A week ago, George Allen, Republican governor of Virginia, announced such an effort. "Virginia is again making history," he said. "It is the most sweeping, and, I think, the most compassionate welfare reform plan anywhere in the nation." And it is taking place, he might have added, under the Family Support Act of 1988.

Yet the bipartisan consensus on welfare matters is gone, and there is a newly coined view that there is simple solution to the problem of mothers and children on welfare. Cut them off.

We have long called attention to the fact that a steadily growing percentage of children are being born into single parent homes. We know that these are the children who are most likely to become dependent on welfare. The problem of a high and growing percentage of births to single parents is one we share with other industrialized nations.[1]

In the United States the proportion of births of children in single parent families has reached 33 percent. When the Social Security Act was enacted in 1935, it was around 4 percent. The ratio has gone up every year since 1970. Year in, year out, it has risen at an annual rate of about .86 percent. Some have concluded that the answer is simply to repeal title IV–A of the Social Security Act, and eliminate welfare benefits. That will somehow induce women to stop having babies. The problem is, there is no evidence whatever to support that view.

[1] In 1992 the rate was 33 percent in France, and 31 percent in the United Kingdom.

On March 9, Lawrence Mead, a professor at the Woodrow Wilson School at Princeton University, who would describe himself as a conservative, testified before the Finance Committee on this point:

> Can the forces behind growing welfare be stemmed? Conservative analysts say that unwed pregnancy is the greatest evil in welfare, the cause not only of dependency but other social ills. On all sides, people call for a family policy that would solve this problem.

But it is not that easy, says Dr. Mead:

> The great fact is that neither policymakers nor researchers have found any incentive, benefit or other intervention that can do much to cut the unwed pregnancy rate.

"We are told that ending AFDC will reduce illegitimacy," says James Q. Wilson, of the University of California at Los Angeles, "but we don't know that. It is, at best an informed guess."

It seems inconceivable that anyone would propose ending the basic protection afforded poor children in the Social Security Act based on "an informed guess", yet apparently that is what we have come to. In the midst of the Depression of the 1930s, when our economic output was at one-eighth its present level, we could provide for dependent children as a Federal responsibility. In the 1990's, with a $7 trillion economy, we are about to eliminate the Federal guarantee.

The bills passed by the House of Representatives and ordered reported by this Committee pose an enormous fiscal risk for State and local governments. The Federal law enacted in 1935 provided the several States with a Federal guarantee that whatever amount they provide by way of support for dependent children will be matched, according to formula, by the Federal government. *This* is what we mean when we speak of welfare as an entitlement. It is an entitlement of the several States to support from the Federal government. (In the 1960s children who meets the qualifications became entitled to receive whatever benefits a State prescribes. This is the result of a series of Supreme Court decisions under the Equal Protection and Supremacy clauses of the Constitution.) The decision by the Finance Committee majority to deprive States of this entitlement is a formula for tumult, recrimination, regression in which no doubt any number of political reputations will be won, and only children lose.

There is an elemental fact here. Under the Social Security Act arrangement, some States chose "low" benefits for children, with a high Federal "match". Others chose "high" benefits with a low "match". This pattern was compounded by the advent of food stamps as a uniform national benefit paid for entirely by the Federal government. The lower the AFDC benefit, the higher the food stamp benefit. Freezing this arrangement as a block grant invites Federal factionalism to a degree unknown to this century. Example. According to the Department of Health and Human Services, under the AFDC block grant as reported by the Senate Finance Committee, Mississippi will receive $87 million per year; California $3,706 million. Even before the Finance Committee acted on this legislation a group of "30 mostly conservative senators from the

South and Southwest" as one editorial put it, complained to our distinguished chairman that the present welfare bill would short-change their States because they are so fast growing. (Not all are; most are simply low benefit States. But it comes to the same thing.) The group was led by the distinguished junior Senator from Texas. Their demand can surely be met, and very likely will be. But at the expense of the "high" benefit States. (Which are typically States with relatively high costs of living, which eat up much of the nominal margin.) Thus Texas might benefit; but at the cost of California, which surely will lose. As the electoral votes of both States are thought crucial to victory in the next Presidential election, one can only await the high comedy of the various candidates explaining their various positions to the respective constituencies.

It is indeed a constitutional moment. Of self-inflicted wounds, which may not heal as readily as the mindless might, well, "think".

It would do no harm to give some thought also to the demographic facts which clearly indicate a rise in the number of child births, and correspondingly of births of children out of wedlock.

Between 1980 and 1991, 15 to 19 year olds represented a decreasing share of women in childbearing ages, falling from about 20 percent to 14 percent. The downward trend ended in 1991, and their share is projected to rise to 17 percent by 2005. Women in this age group accounted for about 30 percent of all out-of-wedlock births but only 13 percent of all births in 1992.

There is a similar trend for the larger population of women aged 15–24. This population as a share of all women in childbearing ages is projected to rise from 29 percent in 1996 to 33 percent in 2005. Women aged 15–24 accounted for 65 percent of all births out-of-wedlock and 40 percent of all births in 1992.

These are not the only problems with the bill approved on May 26 by the Finance Committee. Consider the work and training requirement. Everyone is for putting welfare parents to work, but paying for it is another matter. The Finance Committee bill says that 45 percent of the adult AFDC caseload must participate in the Job Opportunities and Basic Skills (JOBS) program by the year 2000, but it freezes welfare funding at the 1994 level. To meet the target, says the Congressional Budget Office, States would have to devote 60 percent of their block grant dollars to work activities and child care. Rather than do that, the CBO speculates, nearly all the States will simply accept the 5 percent reduction in block grant funding for failing to meet the standard. The work and training requirement will be a fiction.

The Family Support Act of 1995 (S. 828), has none of these fundamental flaws. It continues the entitlement and protects States and localities against unforeseen and unforeseeable financial hazards. It provides sufficient Federal matching funds to enable States to make participation in the JOBS program mandatory for welfare parents. The work requirement is real—a critical point if we are talking about making genuine change in the welfare system. It allows States to enroll absent parents who are unemployed and unable to pay child support in the JOBS program. S. 828 requires teen mothers to live at home and to go to school. It gives States new tools to enforce child support. It provides flexibility so that

States can test new ways to administer their AFDC and JOBS programs. It is fully paid for. And it is all we know.

The point is, welfare can be greatly changed without repealing essential guarantees. And no one should pretend that we know how to end welfare without at this point causing enormous hardships for children, as well as for State and local governments.

The group that has spoken out most eloquently on the subject of welfare is the U.S. Catholic Conference. Almost alone, they have raised the moral issue confronting us:

> We cannot support "reform" that will make it more difficult for poor children to grow into productive individuals. We cannot support reform that destroys the structures, ends entitlements, and eliminates resources that have provided an essential safety net for vulnerable children or permits states to reduce their commitment in this area.

If the bishops do not persuade, consider Hippocrates. *Primum non nocere.* First do no harm.

DANIEL PATRICK MOYNIHAN.
BILL BRADLEY.
CAROL MOSELEY-BRAUN.

ADDITIONAL VIEWS OF SENATOR BRADLEY

This legislation comes before the Committee at a time of real opportunity to do something about the very serious problems with the welfare system. We can have no illusions that the status quo is acceptable. We have an opportunity to transform Aid to Families with Dependent Children into a short path to economic self-sufficiency. We can build on innovations such as microenterprise, job-placement vouchers, maternity homes, and the Riverside County, California, approach to employment. We can bring down the barriers to success in the current system, from the long waits for federal waivers faced by states that want to innovate, to the penalties on assets, income and marriage that make it almost impossible for poor people to escape dependency through their own initiative.

In the weeks and months leading up to the Committee's brief deliberation on this bill, we held a series of hearings and heard scores of suggestions about how to improve work participation, discourage childbearing outside of marriage, reinforce parental responsibility, give states flexibility, and make welfare transitional. What did *not* emerge from these hearings, however, was any testimony in favor of doing what this bill proposes to do.

Instead, at a moment of opportunity to do something about welfare, this committee has chosen to do nothing. Instead of any substantive reform, we have an open-ended, non-specific, grant of money from the federal government to state politicians, for the loosest of abstract purposes. It is neither compassionate nor tough. It does nothing to ensure that people move quickly from welfare to work, just as it does nothing to ensure that children in the neediest families are protected from hunger, illness, homelessness, and death. It doesn't send a clear message to individuals about their responsibilities or the limits of society's willingness to help. It neither encourages innovation nor preserves the safety net. It doesn't strengthen the partnership between the federal government and the states but neither does it clearly hand responsibility to one level of government or the other.

There are two strongly positive features of this bill. The first is Title IV, the child support enforcement section. This section draws heavily on provisions of S. 456, which I introduced with a broad bipartisan coalition including members of this committee in February 1995. While I am disappointed by the substitution of some sections of H.R. 4 for sections of S. 456, on balance it will be a positive step forward for parents, whether receiving welfare or not, who are owed child support. I am disappointed by the committee's decision to eliminate the $50 pass-through of child support payments to families receiving welfare. While states will be permitted to pass through any amount of child support to families on assistance, they will have to reimburse the federal government for its share of the amount passed through, making it unlikely that most states will

pass through any amount. Thus, for a non-custodial parent of a child on welfare, there will be no tangible benefit to the children for paying child support. I appreciate that there is no consensus among researchers as to whether the $50 passthrough has had the desired effect of encouraging payment of support, but I would prefer to continue it until we can find an alternative means of achieving the same goal.

Further, with the elimination of the pass-through, the change in child support distribution rules in this bill becomes all the more important. Under this provision, included in every major child support bill introduced by members of either party in the House or Senate, when the state collects overdue child support arrearages for a family that had been on welfare, the family will first receive its share of arrearages accumulated *before* the family went on AFDC, as well as any overdue support from *after* the family left AFDC, before the state can take its share of child support to offset costs *during* the family's time on AFDC. Families leaving welfare will thus have some opportunity to become self-sufficient, and non-custodial parents will have some incentive to pay. I would urge the committee to resist any effort to reverse this change or to view it as merely technical or even accidental. It is a very deliberate policy choice and one that should remain inviolate.

The second positive aspect of the bill is simply that it does not indulge in the gratuitous meanness—towards legal immigrants, children born to welfare recipients or teenagers, and disabled children—that characterizes the version of H.R. 4 that passed the House of Representatives.

While this bill avoids the vicious symbolic politics of the House bill, it offers nothing in their place. There is only one substantive requirement upon states for receipt of the funds under this block grant: they must meet a series of work requirements, ramping up to a requirement that 50% of recipients be engaged in work activity by the year 2000. Yet the Congressional Budget Office predicts that only six states will have the funds to meet these work requirements. The rest will simply absorb the five percent penalty and continue doing business as usual, or even doing much less than they are required to do under the current JOBS program. I appreciate the Chairman's willingness to consider the implications of this unbiased opinion from the CBO, yet I would warn that it is not a peripheral issue or an oversight, but a fatal flaw at the very heart of this bill.

The driving idea behind this bill is state flexibility. Yet this is not enough of a foundation on which to build substantive welfare reform. The idea of state flexibility is compelling to anyone who has watched the contortions a state like New Jersey has had to go through to obtain waivers to try something new, usually something that involves spending a little more money now, or loosening restrictions on recipients, in expectation of savings in the future. But state flexibility is not an issue of controversy in this year's debate. All three alternatives offered by Democrats on this committee flatly eliminated or, in one case, scaled back this waiver process, and all three alternatives would have given states all the freedom that every governor ever asked for. This bill goes so much further be-

yond flexibility that it would gut the very basics of the system of assistance it seeks to reform.

Under this bill, states could conceivably do as little as merely referring needy families to a facility where some surplus cheese might be available. This may sound absurd or extreme, and it is, but it would be in full compliance with the bill's requirement that the state have "a plan to assist needy families"—any kind of plan. Under this bill states could do *almost nothing* without losing a penny of federal funds.

While I think most states will make an effort to do something, it is quite easy to see what will happen when states are hard-pressed for funds. They may provide minimal assistance in one region of the state. The will probably put very needy applicants on a waiting list after the federal funds run out. They might let state bureaucrats choose who to assist in a completely arbitrary manner. There will be no clear rules, and without clear rules, there will be none of the positive impact on behavior that proponents of the bill expect.

Further, without basic standards, work requirements would become even more meaningless that CBO says they are, because states would have no basic definition of who is eligible and therefore who should be in a work program. If a state has trouble meeting the work participation requirements under the bill, they can simply stop serving those who are having the most trouble funding work. States could thus artificially increase the percentage of those receiving assistance who are working, without increasing the number who are working.

At the very least, states should be required to set for themselves basic eligibility standards, basic benefits, rules governing assets and outside income, just as they do under current law. States must also clearly define the groups they would make categorically ineligible for help, whether teen parents, additional children born to welfare recipients, legal immigrants, or other categories. Washington would not tell the states what those rules should be, but states must set those rules for themselves, and families must know what the rules are. Then, states must be required to serve everyone who qualifies under those rules, supplementing federal funds with state funds if necessary.

Without such a minimal improvement, this bill will become a dangerous web of unintended consequences. Instead of states experimenting with time limits for those who have been on welfare for a long time, there will be waiting lists for those in need for the first time. Instead of work requirements, states may do less then they do under current law. Instead of clear rules that, over time, change individuals' attitudes about work and childbearing, we will have a muddle of ambiguity that will abandon some families that are doing their best to become self-sufficient, while allowing others who are more aggressive to continue exploiting the system. And instead of a clear funding mechanism that gives state full control of the program, we will have a structure that rewards states that choose to do the least, while leaving states that make a serious effort to reform welfare desperately strapped for funds.

A much better solution to all these problems, however, is to base the funding in each state on the state's current level of need, as

measured by the states' own eligibility and benefit levels, and to provide states with separate, flexible funding streams for jobs and training, and for child care. A number of alternatives offered in Committee, including Senator Conrad's and Senator Moynihan's, offer this funding structure along with all the flexibility states need to really change the culture of welfare. Although they were hastily rejected in Committee, they deserve full consideration on the Senate floor.

BILL BRADLEY.

ADDITIONAL VIEWS OF SENATOR JOHN D. ROCKEFELLER IV

I concur with the view expressed by the distinguished ranking member, Senator Daniel Patrick Moynihan.

Also, I would like to briefly summarize my own guiding principles regarding the current effort to achieve welfare reform.

As the vote on the Chairman's mark demonstrated, the members of the Committee disagreed on how to change the welfare system. I regret that the opportunity was not used to achieve consensus as a better route to making such important decisions affecting millions of children and families across America.

My view is that welfare reform should be a strong effort to expect work and personal responsibility from parents. Welfare should not be a hiding-place or a resting-place, and taxpayers have every reason to expect real change. The current system fails on both fronts of work and responsibility, although success requires enormous commitment, focus, and honesty about the reasons so many families are so poor.

But I do not believe welfare reform should be the route to abandoning this country's protection of children. The Chairman's legislation abdicates the federal responsibility for vulnerable children, which will punish and harm the innocent.

The legislation's shift to a block grant approach will place an arbitrary limit on funds to each state, regardless of its future changes in population, regional economic downturns, or the unpredictable changes affecting poor children and families.

State flexibility is important, but welfare reform legislation should ensure that federal tax dollars will truly be used to get AFDC parents into jobs with the necessary support of effective job placement and child care.

These are my fundamental concerns and reflect issues that are especially important to my state of West Virginia.

I do appreciate the Chairman's recognition and support of some basic provisions from the current JOBS programs designed to assure that existing workers are not displaced by community work programs established by states under new programs. The point is to move AFDC parents into work without displacing current workers and possibly pushing them into welfare. Such safeguards for hard working men and women are crucial and most be preserved. These provisions had bipartisan support over the years in a variety of federal programs, including the 1988 Family Support Act.

Also, I want to commend the Chairman's mark for supporting current law on child protective services, which includes a commitment to maintaining the entitlement status of foster care and adoption assistance. Services for abused and neglected children are basic protection for the most vulnerable members of our society, children who are unsafe in their own homes. Maintaining federal

standards and support for child protective services is a fundamental and moral obligation.

Welfare reform is an extremely challenging and essential endeavor. The goal should be to promote independence and discourage dependence, but the price should not be paid by children born into poverty through no fault of their own. For decades, this country has worked on promising opportunity and hope to every child, regardless of where they live. My hope is that the Senate will find a way to enact bipartisan legislation that keeps faith with both the principal of responsibility and a commitment to children.

JOHN D. ROCKEFELLER IV.

ADDITIONAL VIEWS OF SENATOR JOHN B. BREAUX

This bill does not reform welfare. It simply puts the welfare problems in a box and ships it to the states. When the states open that box, they're going to find a whole lot of problems and less money to help solve them.

The fact is, our nation's welfare problems are big enough for the federal and state governments, Democrats and Republicans, to solve together. That's why I think welfare reform should continue to be a state-federal partnership. Right now, the federal and state governments share the costs of supporting children and putting their parents to work. The Republican block grant plan would simply give states a check and require nothing in return. States could spend the money they now spend on poor families on roads or bridges. That is not fair. We all know that states are more careful spending money they have to raise themselves. I think both the federal and state governments should commit resources to reform welfare. That's why I offered an amendment in committee to encourage states to match federal welfare funds as they now do in most all federal state programs.

We need to move beyond the argument over whether the federal or state governments should handle the welfare problems. The real debate should be over how to best move people from welfare to work. Today, we expect too little from those on welfare. Anyone who can work, should. Everyone should do something as a condition of receiving assistance. Today, we also expect too little from the welfare bureaucracy. Its mission should be to get people off of welfare and into jobs—as soon as possible. Those who need help finding jobs should get it. But work, not welfare, should be the goal.

While we transform welfare into a work-based system, we should continue to protect kids. Welfare is a safety net for millions of American children living in poor or near-poor families. Most never need it. But it's there just in case—in case their mother loses her job or their father abandons the family. We should keep it that way.

I had hoped that the Committee would report a bill that is not just a budget cut disguised as welfare reform. A bill that doesn't just ship the welfare problem off to the states, but instead requires both levels of government to commit to solving the welfare problem. One that promotes work but protects kids. Since this bill does not, I had to oppose the measure. However, I remain hopeful that when this measure comes up for full Senate debate we will be able to produce a bipartisan product that will justify Presidential approval and be true reform for all Americans.

JOHN B. BREAUX.

ADDITIONAL VIEWS OF SENATOR CAROL MOSELEY-BRAUN

A week and half ago the Finance Committee reported out sweeping welfare reform legislation in the form of the Chairman's substitute to H.R. 4. It is likely that the full Senate will take up this bill later this month. The Chairman's substitute has serious and far reaching implications regarding this nation's commitment and obligation to poor children.

The House moved through welfare reform hastily, and produced an unworkable and ill conceived piece of legislation. Unfortunately, the Senate bill is equally problematic. While the bills do "reform welfare as we know it", neither of them deal with the underlying problems that cause expanding welfare rolls nor provide viable solutions. What the House and Senate Finance Committee bills really offer is a wholesale capitulation to those who would abandon the war on poverty. These bills end the federal guarantee to income assistance to poor children and shift the problem of responding to poverty to the states.

Welfare is a response to poverty. In 1993, 39.9 million Americans were poor. 22% or 14.9 million children live in poverty in this country—nearly one out of every four American children. This is a 40% increase since 1970. The U.S. rate is double that of Canada and Australia, and more than four times that of France, the Netherlands, Germany, and Sweden. Female headed households account for 23% of all families, and more than half of all female-headed households (53%) are poor.

Since 1935 the federal government has sought to reduce poverty and its consequences partly through income support to poor families. Poverty has been considered a national problem that required federal involvement. Under the guise of state flexibility, the Senate Finance bill, in effect, eschews any federal programmatic responsibility. The bill translates the universal frustration with the current system into an abdication of federal responsibility.

Welfare reform is clearly needed. Welfare policies should not encourage a lifetime of dependency. All recipients who can work should work. Reform will not work, however, if it does not attempt to resolve issues of poverty and offer poor families opportunity.

The Finance Committee bill fails to address poverty or offer a realistic prescription for reform. The worst consequence is that it will rob 4 million of children of opportunity to reach their full potential because it eliminates any state or federal obligation to poor children.

Several aspects of the bill are of particular concern to me:

Block grants are proposed as a solution.—The bill turns the welfare problem over to the states using a block grant mechanism. The block grant mechanism in effect, eliminates the current federal and state obligation to care for poor children. The federal government

thus transfers its current obligation to serve people and replaces it with a guarantee to provide funding to states.

This route was taken even though past history has shown that many of the block grants established in the early 1980's failed to achieve their intended goals. The lack of federal reporting requirements created a situation where targeted populations were not well served, comparable data across states was unavailable, and the federal government could not account for how funds were spent. Over time, funding for many of the block grants was reduced while the number of targeted categorical programs increased.

Funding is inadequate and inflexible.—The bill provides $16.8 billion dollars to states for each of the next five years to care for needy children. The funding is capped and cannot respond to changes in caseload or population. Fast-growing states would be penalized as would states experiencing a recession or economic downturn. Federal funds would quickly disappear but the responsibility for caring for needy children would not.

The funding level is also inadequate. According to the Congressional Budget Office (CBO), in the year 2000 two-thirds of the funding will be necessary to meet the work and child care requirements alone. Only one-third of the funds would be available for cash assistance. CBO estimates that only 6 States could meet the work requirements of the bill. Therefore the majority of the states would be forced to incur penalties or reduce the amount of cash assistance available to families with dependent children.

The bill does not require maintenance of effort.—The bill would set in stone the current funding allocations which are based on what states spend. Grant levels vary widely among states. Children would be treated differently due to the geography of their birth.

It is one thing to allow such discrepancies when it is based on state decisions of how much to spend on poor families, as is the case of the current allotment. But, under the Senate bill, states would not have to spend state revenue to receive federal funds. Benefits to poor families could be comprised solely of federal funds If this is the case, federal dollars should be allocated more equitably based on need.

Welfare reform should be done fairly. During the mark-up the decision to lock in the current funding distribution was defended as the only workable solution; rewriting the formula, it was said, would be too complicated. The current allocation system is faulty. If it does not work we should not be swayed from change because of the prospect of a formula fight.

The bill will create a "race to the bottom".—There is a widely held belief that states which set high benefit levels will become a magnet for poor families living in low benefit states. If poor people move to states with generous benefits, state spending will have to increase due to the inflexibility of the federal grant. This creates either a hidden unfunded mandate or a powerful incentive to reduce benefits levels.

States are already competing to reduce benefit levels, even through current benefits are lower than the poverty level in all 50 states. (In real dollar terms benefits levels have fallen 47% since 1970.)

The bill assumes that states will "do the right thing."—While there is merit in the notion that states are closer to the problems of their constituents and some states have demonstrated the capacity to innovate, the absolute absence of a national commitment to income assistance puts the poor at the mercy of geography and chance. State flexibility is important, but so fiscal and programmatic accountability. We must not disregard the lessons learned from the past.

States have the principal responsibility for caring for abused and neglected children. 20 states, however, are under court orders to improve their systems. It was the imposition of federal mandates that are most often cited as the cause for many of the reforms of the past 20 years. If states can not adequately care for our abused and neglected children, we should not assume that states will do a better job with other poor children.

The bill also ignores past welfare experience. We have learned from successful state experiments, such as those in Michigan and Wisconsin, that moving recipients into jobs can be done but it requires investment.

Investing in people is more expensive in the short run, but will provide a greater return over time.

The bill does not include provisions for job creation.—Finally, the bill assumes that recipients will be able to find jobs after the five year time limit (which could be less at a state's opinion) but does not provide funding for job creation or provide adequate funding for support services that will aid recipients to obtain and keep private sector jobs. In many poor communities jobs simply do not exist and those that are available are not easily accessible. Transportation may be insufficient, unavailable and or expensive. This bill buys into the "Field of Dreams" theory: If you kick them off welfare they will work. It will be nearly impossible to move recipients into permanent private sector jobs if there are no jobs.

For those who do find work, salaries are low and benefits are nonexistent. Many current recipients who work combine work and welfare benefits wages are not sufficient to support a family. This bill fails altogether to address the needs of the marginal poor.

This nation has a 7 trillion dollar economy. It is unfathomable that the federal government is poised to turn its back on this nation's children. Less than 2% of the $1.5 trillion federal budget is spent on AFDC, yet it is a target for billions in budget cuts.

This bill will exacerbate poverty and all of its attendant problems. Thirty years ago Senator Moynihan accurately predicted a bleak future for poor communities with increasing numbers of one-parent families. I believe the future for poor communities will be even more dire if this legislation passes. This bill does not provide states with the tools to move recipients into permanent employment nor does it provide economic investment or opportunities for impoverished communities.

The Senate should not rush through deliberations of welfare reform with inadequate concern for the consequences. I hope my colleagues will take the time to sort out the real issues that are involved here and consider meaningful, realistic reforms.

I therefore will not support passage of the Senate Finance Committee mark.

CAROL MOSELEY-BRAUN.

VII. CHANGES IN EXISTING LAW MADE BY BILL

In the opinion of the Committee, it is necessary in order to expedite the business of the State, to dispense with the requirements of paragraph 12 of Rule XXVI of the Standing Rules of the Senate (relating to the showing of changes in existing law made by the provisions of H.R. 4, as reported by the Committee).

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