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PERSONAL RESPONSIBILITY AND INDIVIDUAL DEVELOPMENT FOR EVERYONE ACT (PRIDE)

OCTOBER 3, 2003.—Ordered to be printed

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

R E P O R T

together with

MINORITY VIEWS

[To accompany H.R. 4]

[Including cost estimate of the Congressional Budget Office]

The Committee on Finance, to which was referred the bill (H.R. 4) to reauthorize and improve the program of block grants to States for temporary assistance for needy families, improve access to quality child care, and for other purposes, reports favorably thereon with an amendment and recommends that the bill, as amended, do pass.

I. BACKGROUND

The 1996 welfare reform law supplanted the main existing welfare program for families, Aid to Families with Dependent Children (AFDC) and its work/training component (JOBS), and greatly changed most other federally supported aid to the poor. It was enacted after debate stretching over 3 years and two presidential vetoes.

The move to reform this system was prompted by soaring AFDC rolls and higher costs, extant federal waivers for more than half the states to undertake their own welfare reforms, frustration with the long AFDC tenure and youth of many recipient parents, concerns over the extent of unwed parenthood among recipients, reaction to AFDC's unrestricted entitlement nature, and disillusion

with the most recent attempt at reform (the 1988 Family Support Act).

The welfare portion of the House Republicans' Contract with America agenda was introduced as the Personal Responsibility Act in January 1995. The House and Senate both passed versions of the legislation.

A preliminary House-Senate agreement on H.R. 4 was added to the 1995 Balanced Budget Act (H.R. 2491) in late November 1995. Excepting some small but controversial items, it contained the gist of the final accord on H.R. 4. President Clinton vetoed it on December 6, 1995—objecting to Medicaid provisions in the larger measure. Then, on December 21–22, 1995, Congress approved the final House-Senate H.R. 4 agreement (the Personal Responsibility and Work Opportunity Act). The President vetoed this H.R. 4 accord on January 9, 1996, citing insufficient child care and work support provisions.

By the end of June 1996, House and Senate Republicans had essentially incorporated the vetoed H.R. 4, with added money for child care and contingencies, in H.R. 3734 (the FY1997 budget reconciliation bill). On August 22, 1996, the President signed the welfare reform law.

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Programs authorized under PRWORA were scheduled to expire on September 30, 2002. In February, 2002 President Bush released his reauthorization proposal. The House of Representatives passed a welfare bill very similar to the President's proposal.

In the 107th Congress, the Senate Finance Committee reported legislation based on a proposal crafted by a bipartisan group of Senators on the Senate Finance Committee which included a number of provisions adopted from the President's proposal for welfare reform. The full Senate did not pass a reauthorization of Temporary Assistance for Needy Families (TANF).

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The Finance Committee continued the work done in the 107th Congress relative to welfare reform. In the 108th Congress, the Finance Committee held a number of bipartisan briefings on: fatherhood initiatives, data collection, state plans, workforce attachment and advancement, work readiness, and family formation policies. The committee made a sustained effort to hear from stakeholders on the issue of welfare reform, including policy experts, advocates, family groups, organizations representing the states, and officials from the Department of Health and Human Services.

The full committee held one field hearing and one committee hearing.

The field hearing was held on February 20, 2003 in Des Moines, Iowa, and was titled: "Welfare Reform: Past Successes, New Challenges." The purpose of the hearing was to review the provisions of the 1996 welfare reform bill which are working in Iowa and to identify areas in need of strengthening and improvement.

The committee heard testimony from: Ms. Donna Littrel, an Insurance Policy Specialist at Aegon Insurance, an Iowan who has successfully made the transition from welfare to work; Ms. Deb

Bingaman, Administrator, Division of Financial, Health and Work Supports at the Iowa Department of Human Services; Ms. Linda Anderson, a Human Resources Recruiter from Mercy Hospital, representing the business community to discuss successful strategies in Iowa to assist those receiving welfare make the transition from welfare to work.

The committee heard additional testimony from Representative Dave Heaton from the Iowa State Legislature to discuss ways to build upon the success of the 1996 Act; Ms. Sonja Marquez from Boost 4 Families to discuss Iowa's rural child care challenges and Ron Haskins, former White House policy lead on welfare reform to discuss ways to strengthen the family formation policies envisioned by the 1996 Act.

The final full committee hearing on welfare reform was on March 12, 2003 titled, "Welfare Reform: Building on Success."

The committee heard testimony from: The Honorable Tommy Thompson, Secretary, Department of Health and Human Services, on the Administration's proposal for the reauthorization of the Temporary Assistance for Needy Families (TANF) program.

The committee also heard testimony from Mr. Howard Hendrick, Oklahoma Secretary of Human Services on family formation policies; Ms. Marilyn Ray Smith, Deputy Commissioner and IV—D Director, Massachusetts Department of Revenue on child support; Mr. Larry Temple, Deputy Executive Director of the Texas Workforce Commission on a practitioner's perspective on running a welfare to work program and Ms. Margy Waller, Fellow at the Brookings Institution on analysis of various welfare reform proposals.

CURRENT LAW

The committee began its deliberations by agreeing to continue many of the reforms from the 1996 Act but working to improve it with priorities from members and the Administration. The committee bill reflects the analysis of Representative Dave Heaton, *"The work of welfare reform is not done. While caseloads have declined dramatically, many families struggle with barriers to self-sufficiency."* (Testimony before the Senate Finance Committee)

Additionally, the committee considered the recommendations of Ron Haskins: *"Given that the 1996 reforms have been so successful, we should leave intact the major features of the reforms. Thus, the block grant and state flexibility has proven its value and should be maintained."* (Testimony before the Senate Finance Committee)

The following provisions in the committee bill are maintained from current law:

- No individual entitlement;
- Five year time limit on assistance;
- Core work and work readiness activities;
- Consistent funding level for TANF block grant;
- Consistent supplemental grants at current level;
- States can count up to 12 months of vocational education as meeting work requirement; and
- Current sanction policies.

CHANGES TO CURRENT LAW

A number of changes to current law in the committee bill are similar to provisions both in the bill reported out of the Senate Fi-

nance Committee in the 107th Congress and the President's proposal.

Highlights include: raising the participation rate; raising the standard hour for core activities; policies designed to address the needs of every family on assistance, otherwise known as "universal engagement"; policies designed to address the needs of families who require additional time in barrier removal activities, otherwise known as the "3+3" provisions; child support improvements; and healthy family formations policies.

Major themes of the changes to current law center on the following three principles and were informed by testimony presented to the committee as well as current research and analysis:

STRENGTHENS WORK

From Donna Littrel a welfare to work success story: *"Becoming an Aegon employee was a turning point for my family and me. Our family still received assistance for our medical bills and some food stamps, but we no longer had to rely on FIP (case assistance) to provide us an income. I never imagined I would be working for such a wonderful company. It was a very liberating feeling."* (Testimony before the Senate Finance Committee)

From Larry Temple: *"What have we learned? Well, that work works. When you strengthen the work requirements, more people leave the rolls due to employment."* (Testimony before the Senate Finance Committee)

From Secretary Tommy Thompson: *"The most humane social program is a healthy and independent family that has the capacity and the ability to have a good, paying job. Federal and State welfare programs should recognize this fact by helping and encouraging Americans to build and maintain healthy and independent families. We can do better. The first step was excellent. The next step can be even better."* (Testimony before the Senate Finance Committee)

The Committee bill:

• Increases the work participation rate for States 5% each year, from 50% in 2004 to 70% in 2008.

• Eliminates the caseload reduction credit, which has erased most states' obligation to ensure that any TANF recipient is engaged in work, and replaces it with an employment credit which emphasizes good jobs.

• Caps the credit so that states have a real participation rate. The value of the credit is phased down so that in fiscal year 2008, all states must have a real work participation rate of 50%.

• Increases the minimum threshold for participation in core work activities from 20 to 24 hours.

• Increases the standard weekly average number of hours from 30 for a parent with a child six and over. Adopts a tiered approach assigning partial and extra credit for hours below and above the standard hour of 34.

• Increases the standard weekly average of hours from 20 for a parent with a child under six. Adopts a tiered approach, assigning partial credit for hours below the standard hour of 24 and extra credit for hours above 34.

• Ensures that every family has a plan for achieving self-sufficiency. States must prepare a plan for every family receiving as-

sistance and in most cases that plan should involve some amount of work or work readiness activities.

IMPROVES STATE FLEXIBILITY

From Deb Bingaman: *"* * * policies must include the maximum possible flexibility so that each family's uniqueness can be respected."* (Testimony before the Senate Finance Committee)

From Howard Hendrick: *"We are all for flexibility."* (Testimony before the Senate Finance Committee)

The Committee bill:

- Allows states to claim partial and extra credit for work hours below and above the standard hour. Currently, a recipient only counts toward the work participation requirement if the recipient meets the standard hour.
- Allows states to engage individuals in a broader range of activities, including job search, substance abuse treatment, post-secondary education and training and other barrier removal activities after the 24 hour threshold of core work activities is met.
- Allows states to engage adult recipients in a broad range of activities, including substance abuse treatment, post-secondary education and other barrier removal activities for a three-month period in each 24 month period.
- Allows states to engage adult recipients in education and rehabilitative activities combined with work or work readiness activities for an additional three months out of 24 months for a total of 6 months.
- Includes a provision allowing adult recipients to attend longer duration vocational or post-secondary education.
- Allows states to determine, on a case-by-case basis, whether or not to count families toward their participation rate in the first month of assistance.
- Makes the contingency fund more accessible to States.
- Allows states to use unobligated balances, which currently can only be used for cash assistance, for any purpose under TANF, including funding for childcare.

PROMOTES MARRIAGE AND FAMILY

From Marilyn Smith: *"There is no longer any debate that responsible father involvement is good for children. The only question is how to achieve it."* (Testimony before the Senate Finance Committee)

From Ron Haskins: *"The President has called for $300 million per year in spending on programs that attempt to increase marriage rates among low-income families. There is little question that increased marriage rates among the poor would greatly reduce poverty and lead to improved school performance, improved social behavior and improved health among children."* (Testimony before the Senate Finance Committee)

From Wade Horn and Isabel V. Sawhill, *"The empirical literature clearly demonstrates that children do best when they grow up in a household with two parents who are married to each other."* ("Father, Marriage and Welfare Reform" Chapter 16, The New World of Welfare)

The Committee bill:

• Provides $100 million a year in matching grants for marriage promotion and $100 million a year for research, demonstration and technical assistance primarily related to marriage.
• Adopts the Domenici/Bayh/Santorum bill to promote Responsible Fatherhood.
• Includes a special rule relating to a single parent caring for a child or dependant with a physical or mental impairment.
• Improves child support collection, assignment and distribution.
• Increases child care spending for the current unmet need.

CHILD CARE

Increased funding for child care is a critical issue for members on the Senate Finance Committee.

On the issue of child care, the committee bill increases mandatory child care spending $1 billion over five years. The committee bill recognizes that since 1996, federal funding specifically appropriated for child care has increased more than five-fold from $935 million in 1996 to $4.8 billion in 2002. In fiscal year 2001, an estimated 2.51 million children were receiving Child Care and Development Fund (CCDF), Temporary Assistance for Needy Families (TANF) or Social Services Block Grant (SSBG) funded child care services in an average month, compared to 1.2 million in 1996.

Further, states can transfer up to 30% of their TANF funds to CCDF, or spend TANF directly on child care, without limit. To support spending on child care, the committee bill maintains TANF's original funding level, even though the caseload is 54% of what it was prior to the 1996 act.

In 2003, states transferred $1.9 billion from TANF to CCDF and spent $1.6 billion in TANF on direct child care.

Additionally, the committee bill would allow states to use their unobligated TANF balances on services other than assistance, such as child care.

CONCLUSION

Finally, the committee bill recognizes that all committee members share the common goal of implementing policies that will help move families from dependence to increasing independence.

The committee bill reflects the view that enhancing work supports and providing additional assistance should be the focus of the next phase of welfare reform. The committee bill would enhance work supports by providing states with the option to serve families through barrier removal activities as well as substance abuse activities, post-secondary education and other activities.

The committee bill reflects the view that the fact that 57% of adults receiving assistance who report zero hours of activity is an indication that states can do more to engage clients in meaningful activities.

Additionally, the committee bill reflects the view that the fact that many states have an effective participation rate threshold of zero as a result of the caseload reduction credit represents a fundamental flaw in the 1996 act which should be corrected in this reauthorization.

The committee bill adopts a blended approach, combining work supports and flexibility with increased work requirements on indi-

viduals and states in advancement of the common goal of moving families out of deep and persistent poverty into self-sufficiency.

II. SECTION-BY-SECTION ANALYSIS

TITLE I—TANF

Section 101—State Plans

CURRENT LAW

To receive block grant funds, a state must have submitted a TANF plan within the 27-month period that ends with the close of the 1st quarter of the fiscal year. This plan must include a description of the programs that the state will run to provide assistance to needy families and provide job preparation, work and support services to enable them to leave the program and describe how the state will ensure that parents and caretakers receiving assistance engage in work activities (within 24 months of receiving assistance, or earlier at state option). The plan must indicate whether the state intends to treat families migrating from another state differently from others (and, if so, how) and whether it intends to provide assistance to non-citizens (and, if so, to provide an overview of aid). It also must establish goals to reduce the rate of out-of-wedlock pregnancies, with special emphasis on teenage pregnancies, and establish numerical goals for reducing the illegitimacy ratio of the state. The plan must describe how the state will provide education and training on statutory rape to the law enforcement and educational systems, and it must include a number of certifications (for example, equitable access to Indians and establishment and enforcement of standards against program fraud and abuse). States have the option of including a certification regarding the treatment of individuals with a history of domestic violence.

THE COMMITTEE BILL

The Committee bill requires the state plan to establish specific measurable performance objectives for pursuing TANF purposes, and to describe the methodology the state will use to measure performance in relation to each objective. The Committee bill states that the performance objectives, as determined by the state, are to be consistent with criteria used by the Secretary in establishing performance measures for the employment achievement bonus (workforce attachment and advancement) and with such other criteria related to other (non-work) purposes of the program as the Secretary may establish, in consultation with the National Governors Association and the American Public Human Services Association. The performance measures determined by the states could include both process measures and outcome measures. The Committee bill specifies that the plan must describe any strategies and programs that the state plans to use concerning employment retention and advancement; reduction of teen pregnancy; services for struggling and noncompliant families, and for clients with special problems; program integration, including provision of services through the One-Stop delivery system under WIA; and engagement of faith-based organizations in provision of services funded by TANF if the state is undertaking any strategies or programs to en-

gage these organizations. It requires state plans to describe how the state intends to encourage equitable treatment of healthy, married, two-parent families under TANF. It deletes the requirement to indicate whether the state intends to treat incoming families differently from residents (found unconstitutional) and drops the rule that community service be required from adults who fail to work after two months of aid, unless the governor opts out. It requires the plan to include a report detailing progress toward full engagement. It adds a requirement that tribal governments be consulted about the TANF plan and its service design. It requires governors of states that provide transportation aid under TANF to certify that state and local transportation agencies and planning bodies have been consulted in the development of the plan, The Committee bill directs the Secretary to develop a proposed Standard State Plan Form for use by states nine months from enactment and requires states, by October 1, 2004, to submit their fiscal year 2005 plans on the standard form. It requires states to make available to the public through an appropriate State-maintained Internet website and through other means the state deems appropriate several documents: the proposed state plan (with at least 45 days for comment), comments received concerning the plan (or, at the state's discretion, a summary of the comments), and proposed amendments to the plan. It also requires that state plans in effect for any fiscal year be available to the public by the means listed above. The Committee bill requires the Secretary, in consultation with states, to develop uniform performance measures designed to evaluate TANF state programs. The bill amends current law provisions requiring the Secretary to annually rank states by adding new ranking factors, namely: success of recipients in retaining employment, the ability of recipients to increase wages, and the degree to which recipients have workplace attachment and advancement. It also changes the job placement ranking factor by deleting the qualifier "long-term" from private sector job placement.

Sections 107, 109 and 110 of the Committee bill contain other state TANF plan provisions. Section 107 requires a state that takes the option to establish an undergraduate postsecondary or vocational educational program to describe, in an addendum to its TANF plan, eligibility criteria that will restrict enrollment to persons whose past earnings indicate that they cannot qualify for employment that will make them self-sufficient and who, by enrollment in the program, will be prepared for higher-paying occupations in demand in the state. Section 109 requires plans to include criteria for deeming a single parent who provides care for a disabled child or dependent to be meeting all or part of the family's work requirements. Section 109 permits a State, if it includes in its TANF plan a description of policies for areas of Indian country or an Alaskan native village with high joblessness, to define countable work activities for persons complying with individual responsibility plans and living in these areas. Section 110 requires state plans to outline how the State intends to require parent or caretaker recipients to engage in work or alternative self-sufficiency activities, as defined by the State, and to require recipient families to engage in activities in accordance with family self-sufficiency plans.

REASON FOR CHANGE

The Committee bill includes provisions to clarify what states are doing to move welfare clients into self sufficiency and to make the plans more meaningful. The Committee bill would require states to establish performance objectives and encourage an ongoing review of these objectives while maintaining state flexibility.

Section 102—Family Assistance Grants

CURRENT LAW

The law appropriated $16.5 billion annually for family assistance grants to the states and the District of Columbia (D.C.) for FYs1997–2002. It also appropriated $77.9 million annually for family assistance grants to the territories (and, within overall ceilings, such sums as needed for matching grants to the territories). Family assistance grants have been continued at FY2002 funding levels through March 31, 2004 through a series of temporary extensions. Basic state grants are based on federal expenditures for TANF's predecessor programs during FY1992 through FY1995.

COMMITTEE BILL

The Committee bill appropriates family assistance grants, at current levels, for the states, the District of Columbia, and the territories for fiscal years 2004 through 2008. The Committee bill also appropriates matching grants for the territories for fiscal years 2004 through 2008.

REASON FOR CHANGE

(No Change).

Section 103—Promotion of family formation and healthy marriage

CURRENT LAW

The purposes of TANF include encouraging the formation and maintenance of two-parent families, ending the dependence of needy parents on government benefits by promoting. . .marriage, and reducing the incidence of out-of-wedlock pregnancies. The law established a bonus (up to $100 million yearly for four years) for 5 jurisdictions with the greatest percentage decease in nonmarital birth ratios and a decline from 1995 levels in abortion rates.

COMMITTEE BILL

The Committee bill repeals the bonus for reduction of the illegitimacy ratio. It appropriates $100 million a year for five years (FYs 2004–2008) for competitive grants (50 percent matching rate) to states, territories, Indian tribes and tribal organizations to develop and implement innovative programs to promote and support healthy, married, two-parent families and to encourage responsible fatherhood. Grant funds must to used to support any of the following: public advertising campaigns on the value of marriage and the skills needed to increase marital stability and health; education in high schools on the value of marriage, relationship skills, and budgeting; marriage education, marriage skills, and relationship skills programs, which may include parenting skills, financial man-

agement, conflict resolution, and job and career advancement, for non-married expectant and recent mothers and fathers; pre-marital education and marriage skills training for engaged couples and for couples or persons interested in marriage; marriage enhancement and marriage skills training programs for married couples; divorce reduction programs that teach relationship skills; marriage mentoring programs which use married couples as role models and mentors; and programs to reduce the marriage disincentive in means-tested aid programs, if offered in conjunction with any activity described above. The Committee bill exempts marriage promotion grants from the general rules governing use of TANF funds (Section 404), but not from the percentage cap on administrative costs. To be eligible for a grant, applicants must consult with experts in domestic violence or with relevant community domestic violence coalitions and must describe in their applications how their proposed programs or activities will deal with issues of domestic violence and what they will do, to the extent relevant, to ensure that participation in the programs is voluntary and to inform potential participants that participation is voluntary. The Committee bill provides that marriage promotion funds appropriated for each of fiscal years 2004 through 2008 shall remain available to the Secretary until spent and that grantees may use marriage promotion funds without fiscal year limitation. The Committee bill provides that other TANF funds may be used by a state or Indian tribe with an approved tribal family assistance plan as all or part of the required state match for marriage promotion grants, but that these funds cannot count towards a state's "Maintenance of Effort" or MOE. The Committee bill also includes conforming language relative to the fourth purpose of TANF, specifying that it is to encourage the formation and maintenance of healthy, two-parent married families and to encourage responsible fatherhood. The bill provides that all state spending (including funds spent on families ineligible for TANF) for the purpose of preventing and reducing the incidence of out-of-wedlock births, encouraging the formation and maintenance of healthy two-parent married families, or encouraging responsible fatherhood shall count toward required maintenance-of-effort spending.

REASON FOR CHANGE

Two of the four original purposes of TANF are directly related to ending out-of-wedlock births and encouraging the formation and maintenance of two-parent families. The bonus to reduce out of wedlock births was initially developed to enhance these purposes. This bonus has not proven to be an effective mechanism for motivating state action. A correlation between state action and a reduction in out of wedlock births and family formation has not been established.

The Committee bill would redirect the funding to address the underlying purposes of TANF. The Committee bill would provide optional grants to states to explore innovative and creative approaches to promote healthy family formation activities. The Committee bill stipulates that participation in these programs is voluntary and that program development must be coordinated with domestic violence experts.

The Committee bill also includes a provision (in Section 114) which would direct a portion of the funds for research and demonstration programs and technical assistance related to healthy family formation activities. These funds would be in addition to grants to states for healthy family formation activities. Currently there is a 25 year body of research related to work activities and welfare. The Committee bill would encourage a focus on research centered on marriage and family assistance so that states can learn from rigorous evaluations of activities to promote marriage and family formation.

Section 104—Supplemental grant for population increases in certain states

CURRENT LAW

The law provides supplemental grants for (17) states with exceptionally high population growth during the early 1990s, benefits lower than 35% of the national average, or a combination of above-average growth and below-average AFDC benefits. Grants were authorized for a total of $800 million over FYs 1998 through 2001, and annual grants grew from $79 million to $319.5 million over this period. Congress froze grants at the fiscal year 2001 level in making fiscal year 2002 and 2003 appropriations.

COMMITTEE BILL

The Committee bill extends supplemental grants, at their FY 2001 level, for FYs 2004 through 2007.

REASON FOR CHANGE

The Committee bill extends the supplemental grant program for certain states.

Section 105—Bonus to reward employment achievement

CURRENT LAW

The Secretary of HHS, in consultation with the National Governors Association (NGA) and the American Public Human Services Association (APHSA) was required to develop a formula for measuring state performance relative to block grant goals. Awards for performance years 1998–2000 were based on work-related measures (and were paid to 38 jurisdictions). For later years, non-work measures—including food stamp and medicaid coverage of low-income families—were added. States can receive a bonus based on their absolute score in the current (performance) year and/or their improvement from the previous year, but the bonus cannot exceed 5% of the family assistance grant. $200 million per year was available for performance bonuses, for a total of $1 billion between FYs 1999 and 2003.

COMMITTEE BILL

The Committee bill appropriates $600 million (for FYs 2004 through 2009) for bonuses to states that qualify as "employment achievement" states by meeting standards to be developed by the Secretary in consultation with the states. Bonuses are to average $100 million per year. The Committee bill specifies that the em-

ployment achievement formula is to measure absolute and relative progress toward the goals of job entry, job retention, and increased earnings as well as attachment to the workforce. It caps a state's bonus at 5% of its family assistance grant. For FY 2004 and FY 2005, the employment achievement bonus may be based on three components of the repealed high performance bonus—job entry rate, job retention rate, and earnings gain rate. The Committee bill makes tribal organizations eligible for the bonus and directs the Secretary to consult with tribal organizations in determining criteria for awards to them.

REASON FOR CHANGE

The Committee bill provides for states to continue their successful efforts to move welfare recipients into good jobs. States have directed considerable resources into moving welfare recipients into meaningful employment. The Committee bill would continue to provide incentives for states to focus on employment attachment and achievement and would continue the policy of rewarding states for doing so. The Committee bill would preserve the concept of the High Performance Bonus focused on employment attachment and achievement.

Section 106—Contingency fund

CURRENT LAW

The TANF law established a $2 billion contingency fund for matching grants at the Medicaid matching rate (which ranges from 50% to 76.6% in 2003) to "needy" states that expect during the fiscal year to spend under the TANF program (not counting child care) 100% of their FY1994 level of spending on TANF-predecessor programs (not counting child care). States can access the contingency fund by meeting one of two "needy" state triggers: (1) an unemployment rate for a 3-month period that is at least 6.5% and 110% of the rate for the corresponding period in either of the two preceding calendar years; or (2) a food stamp caseload increase of 10% over the FY 1994–1995 level (adjusted for the impact of immigrant and food stamp constraints in the 1996 welfare law). Contingency fund payments for any fiscal year are limited to 20% of the state's base grant, and a state can draw down no more than 1/12 of its maximum annual contingency fund amount in a given month. Under a final reconciliation process, a state's federal match rate (for drawing down contingency funds) is reduced if it received funds for fewer than 12 months in any year.

COMMITTEE BILL

The Committee bill appropriates such sums as are needed for contingency fund grants, up to $2 billion over 5 years, FYs 2004–2008. It eliminates the requirement that states spent 100% of their historic level to qualify for contingency funds (instead applying the TANF MOE, 75%–80%). It entitles states to a contingency fund grant reflecting costs of TANF caseloads when they are "needy" under a revised definition. To trigger on as needy: (a) a state must have an increase of 5 percent in the monthly average unduplicated number of families receiving assistance under its TANF program in the most recently concluded 3-month period with data, compared

with the corresponding period in either of the two most recent preceding fiscal years; (b) the TANF caseload increase must be due, in large measure, to economic conditions rather than state policy changes, and (c) for the most recent three-month period with data, the average rate of seasonally adjusted total unemployment must be at least 1.5 percentage points or 50 percent higher than in the corresponding period in either of the two most recent preceding fiscal years; or, for the most recent 13 weeks with data, the average rate of insured unemployment must be at least 1 percentage point higher than in the corresponding period in either of the two most recent fiscal years; or, for the most recently concluded 3-months with national data, the monthly average number of food stamp recipient households, as of the last day of each month, exceeds by at least 15 percent the corresponding caseload number in the comparable period in either of the two most recent preceding fiscal years, provided the HHS Secretary and the Secretary of Agriculture agree that the increased caseload was due, in large measure, to economic conditions rather than to policy change. The Committee bill provides that a state that initially qualifies as needy because of its TANF caseload plus its food stamp caseload shall continue to be considered needy as long as the state meets the original qualifying conditions. A state that initially qualifies as needy because of its TANF caseload plus its total or insured unemployment rate shall not trigger off until its rate falls below the original qualifying level

The contingency fund grant is based on the maximum cash benefit level for a family of 3 persons (if the state has more than one maximum cash benefit level, the grant is based on the maximum benefit for the largest number of 3-person families) and is payable for TANF caseload increases above 5 percent. The grant equals the state's federal Medicaid matching rate times the benefit cost of an increase in the TANF family caseload above 5 percent in the most recently concluded 3-month period with data, compared with the corresponding period in either of the two most recent preceding fiscal years. A state's total contingency grant cannot exceed 10 percent of its family assistance grant. To receive a contingency fund grant, a state must have spent 70 percent of its TANF grants (excluding welfare-to-work funds from the Department of Labor). Unexpended balances are the total amount of TANF grants not yet spent by the state as of the end of the preceding fiscal year minus current year expenditures through the end of the most recent quarter that exceed the pro rata share of the current fiscal year TANF grant. The Committee bill repeals the fiscal penalty for failure of a state that receives contingency funds to maintain 100% of its historic spending level (MOE), but provides that a state shall not be eligible for a contingency fund grant unless its MOE spending equals 75% (80%, if it fails work participation rates).

REASON FOR CHANGE

Because state spending had to exceed 100% of the FY 1994 level in order for a state to access the contingency fund, states were unable to receive contingency funds during the recent economic downturn. The Committee bill would liberalize the contingency fund so that states are better able to draw down those dollars.

Section 107—Use of funds

CURRENT LAW

The law permits states or tribes to use TANF funds received for any fiscal year for "assistance" in any later year, without fiscal year limitation. Regulations define assistance as ongoing aid for basic needs, plus supportive services such as child care and transportation for families who are not employed. Federally funded assistance to a given family is time-limited (60 months, with some hardship extensions allowed).

COMMITTEE BILL

The Committee bill permits carryover of TANF funds granted to the state or tribe for any fiscal year to provide any benefit or service under the state or tribal TANF program without fiscal year limitation. The Committee bill also allows a state or tribe to designate a portion of the TANF grant as a contingency reserve, which may be used without fiscal year limitation, to provide any benefit or service. If the state or tribe designates reserve funds, it must include the amount in its annual report. The Committee bill deletes authority (Section 404(c)) for differential treatment of families moving into a state (which was invalidated by the U.S. Supreme Court in 1999). The Committee bill exempts marriage promotion grant funds from general rules (but not the administrative percentage cap) on use of TANF funds. The Committee bill restores transferability of TANF funds to SSBG to 10%.

The bill permits states to use TANF funds to establish an undergraduate 2- or 4-year degree postsecondary program or a vocational educational program for up to 10% of TANF families, under which the following services could be provided: child care, transportation, payment for books and supplies, other services provided under policies determined by the state to ensure coordination and lack of duplication. No TANF funds could be used for tuition under this program. Hours of participation in these programs would be countable toward meeting state work requirements. Students could also receive credit for hours spent in one of the nine "direct" work activities of current law or in work study, practicums, internships, clinical placements, laboratory or field work, or other activities that would enhance their employability, as determined by the state, or in study time (at the rate of not less than 1 hour for every hour of class time and not more than 2 hours for every hour of class time. Students' total time in education, core work, work study, laboratory or field work, study time, etc. would be countable against hours requirements. Also, students could be credited as one working family if, in addition to complying with the full-time educational participation requirements of their educational program, they engaged in one of the countable work activities above for at least the following number of hours: 6 hours weekly in the first year, 8 hours in the second year, 10 hours in the third year, and 12 hours in the fourth and any later year. For good cause, states could modify these hour requirements. To be eligible for these programs, recipients would be required to maintain satisfactory academic progress (as defined by the institution operating the program). With good cause exceptions, participants would be required to complete requirements of a degree or vocational educational

training program within the normal time frame for full time students.

REASON FOR CHANGE

Currently, carry over funds can be spent only on cash assistance for basic ongoing needs (and some services for the unemployed). The Committee bill would allow carry over funds to be spent on any activity authorized under TANF, including child care. This provides additional flexibility for the states.

Additionally, the Committee bill would permit states to designate an amount of unused dollars in a contingency reserve fund. This clarifies that, while unspent, these funds have been earmarked for purposes associated with the legislation.

In addition, under an amendment offered by Senator Snowe, the bill allows states to create postsecondary education programs for TANF recipients, but caps the number of participants at 10 percent of the TANF caseload. The bill permits states to allow a subset of recipients to benefit from a postsecondary strategy while maintaining an overall work orientation. In doing so, the committee is using a Maine program ("Parents as Scholars") as a model.

Section 108—Repeal of federal loan for state welfare programs

CURRENT LAW

The law provides a $1.7 billion revolving and interest-bearing federal loan fund for state TANF programs.

COMMITTEE BILL

The Committee bill repeals the loan fund.

REASON FOR CHANGE

The fund did not function effectively.

Section 109—Work participation requirements

Participation standards

CURRENT LAW

States must have a specified percentage of their adult recipients engaged in creditable work activities. Since FY 2002 the participation standard has been 50% for all families (and since FY 1999 it has been 90% for the two-parent component of the caseload). Participation standards are reduced by a caseload reduction credit (below). In tribal family assistance programs, work participation standards are set by the HHS Secretary, with the tribe's participation.

COMMITTEE BILL

The Committee bill increases the all-family standard from the current 50% level to the following levels: FY 2005, 55%; FY 2006, 60%; FY 2007, 65%; and FY 2008 and thereafter, 70%. The Committee bill eliminates the separate rate for two parent families.

REASON FOR CHANGE

Currently, many states have an effective participation rate requirement of 0%. The Committee bill increases work participation requirements to move towards universal engagement policies under which States actively engage all welfare recipients in moving towards self sufficiency.

Calculation of participation rates

CURRENT LAW

A state's monthly participation rate, expressed as a percentage, equals (a) the number of all recipient families in which an individual is engaged in work activities for the month, divided by (b) the number of recipient families with an adult recipient, but excluding families subject that month to a penalty for work refusal (provided they have not been penalized for more than 3 months), single-parent families with children under 1, if the state exempts them from work, and, at state option, families in tribal family assistance programs.

COMMITTEE BILL

The Committee bill permits a state to exclude all families from work participation calculations during their first month of TANF assistance on a case by case basis and to exclude families with a child under age 1 (subject to a 12 month in a lifetime limit) from work requirements and calculations of work participation rates on a case-by-case basis.

REASON FOR CHANGE

This language recognizes that the initial assessment and development of a family self sufficiency plan takes some time, during which the family may not be participating in countable activities. In addition, it ensures that states receive credit for families with young children who are engaged in countable activities.

Caseload reduction credit

CURRENT LAW

For each percent decline in the caseload from the FY 1995 level (not attributable to policy changes), the work participation standard is lowered by l percentage point). (In FY 2001, caseload reduction credits cut required work rates of 28 states to zero.)

COMMITTEE BILL

The Committee bill replaces the current caseload reduction credit with an employment credit but permits states to phase in the replacement. In a separate provision, it places the same limits on the extent to which any employment, caseload reduction, or other credit could reduce a state's required participation rate. Under these limitations, credits could not exceed 40 percentage points for fiscal year 2004; 35 percentage points for fiscal year 2005; 30 percentage points for fiscal year 2006; 25 percentage points for fiscal year 2007; and 20 percentage points for fiscal year 2008 or thereafter.

REASON FOR CHANGE

PRWORA included a credit states could take for purposes of establishing their work participation rate based on a state's caseload reduction. Because caseloads have fallen so dramatically, many states now have an effective participation threshold of 0. The cap on the employment credit ensures that while policy priorities relative to encouraging states to work to move clients into good paying jobs are achieved, participation rates are not undermined by the credit.

Employment credit

CURRENT LAW

No provision.

COMMITTEE BILL

The Committee bill establishes a percentage point credit against the work participation standard (subject to the limits described immediately below). Essentially, the credit equals the percentage of TANF families in a fiscal year who leave ongoing cash assistance with a job. It is calculated by dividing (a) twice the quarterly average unduplicated number of families (excluding child-only families) that received TANF assistance during the preceding fiscal year but who ceased to receive TANF—and did not receive cash assistance from a separate state-funded program—for at least two consecutive months following case closure during the applicable period (most recent 4 quarters with data) and were employed during the calendar quarter immediately after leaving TANF by (b) the average monthly number of families (again excluding child-only families) who received cash payments under TANF during the preceding fiscal year. At state option, calculations could include in the numerator: (1) twice the quarterly average number of families that received non-recurring short term benefits rather than ongoing cash and who earned at least $1,000 in the quarter after receiving the benefit, and (2) twice the quarterly average number of families that included an adult who received substantial child care or transportation assistance. If both these options were taken, the denominator would be increased by twice the quarterly number of families that received non-recurring short-term benefits during the year and by twice the quarterly average number of families with an adult who received substantial child care or transportation assistance. In consultation with directors of state TANF programs, the Secretary is to define substantial child care or transportation assistance, specifying a threshold for each type of aid—a dollar value or a time duration. The definition is to take account of large one-time transition payments.

Extra credit—as 1.5 families—would be given to families whose earnings during the quarter after leaving the benefit rolls during the preceding fiscal year equaled at least 33 percent of the State's average wage.

Employment credits or caseload reduction credits or a combination of the two could not exceed 40 percentage points for fiscal year 2004; 35 percentage points for fiscal year 2005; 30 percentage points for fiscal year 2006; 25 percentage points for fiscal year

2007; and 20 percentage points for fiscal year 2008 or thereafter. (As a result, credits could not cut effective work participation rates below these floors: 10 percent for fiscal year 2004, 20 percent for fiscal year 2005; 30 percent for fiscal year 2006; 40 percent for fiscal year 2007, and 50 percent for fiscal year 2008 and thereafter.)

The Committee bill authorizes and requires the HHS Secretary to use information in the National Directory of New Hires to calculate State employment credits. If the TANF leaver's employer is not required to report new hires, the Secretary must use quarterly wage information submitted by the state. To calculate employment credits for families who received non-recurring short term benefits and for those who received substantial child care and transportation assistance, the Secretary is to use other required data. The Committee bill requires the Secretary by August 30 each year to determine—and to notify each state of—the amount of the employment credit that will be used in calculating participation rates for the immediately succeeding fiscal year.

The Committee bill sets October 1, 2005 as the effective date for replacement of the caseload reduction credit by the employment credit, but permits states to elect to have a one-year delay. If a state makes this choice, its adjusted work participation standard for fiscal year 2006 shall be determined by using both the caseload reduction credit and the employment credit (one-half credit for each).

REASON FOR CHANGE

The current caseload reduction credit contains a flawed incentive under which a State may receive credit toward the work participation requirements for families who leave assistance but do not become employed. The Committee bill substitutes an employment credit for families that leave assistance for gainful employment.

Work activities

CURRENT LAW

The law lists 12 activities that can be credited toward meeting participation standards. Nine activities have priority status: unsubsidized jobs, subsidized private jobs, subsidized public jobs, work experience, on-the-job training; job search (6 weeks usual maximum, with no more than 4 consecutive weeks), community service, vocational educational training (12 month limit), and providing child care for TANF recipients in community service). Three non-priority activities are countable: job skills training directly related to employment; and (for high-school dropouts only) education directly related to work and completion of secondary school. The 6-week time limit on countable job search is doubled during high unemployment. No more than 30% of persons credited with work may consist of persons engaged in vocational educational training and teen parents without high school diplomas who are deemed to be engaged in work through education. In tribal family assistance programs, work activities are set by the HHS Secretary, with the tribe's participation.

COMMITTEE BILL

The Committee bill lists 17 activities that can be credited toward meeting participation standards. It continues the current law list of 12 work activities (treating the 9 priority activities above as direct work activities) and lists five "qualified activities" that may be counted under certain conditions (see below). The qualified activities are postsecondary education, adult literacy programs or activities, substance abuse counseling or treatment, programs or activities designed to remove work barriers, as defined by the state, and work activities authorized under any waiver for any State that was continued under Section 415 before the date of enactment of PRIDE. The Committee bill deletes the requirement that only four consecutive weeks of job search can be counted within the normal 6 week limit. It doubles the permissible length of job search if the state meets the unemployment rate or increased food stamp caseload criteria for a "needy state" under the contingency fund definition. The Committee bill permits a state to define countable work activities for persons complying with a family self sufficiency plan and living in areas of Indian country or an Alaskan native village with high "joblessness." To qualify for this option, the state must include in its TANF plan a description of its policies for these areas.

REASON FOR CHANGE

The Committee bill includes activities proposed to maintain all the flexibility of current law and adds new flexibility in countable activities. Expanding the list of allowable activities would permit states to provide up-front job preparedness for families who need specialized services. It would allow states to engage recipients in short-term "barrier removal" activities. Many states have such programs and some have done these under "waivers." Hours in such activities would now count toward the federal participation standards.

Required work hours

CURRENT LAW

Generally, to count toward the all-family rate, participation of 30 hours (20 hours in priority work activities) is required. For two-parent families the standard is 35 hours (30 in priority work activities), but increases to 55 hours (50 in priority activities) if the family receives federally-subsidized child care. For a single parent caring for a child under age 6, 20 hours of participation satisfies the standard. States may exempt single parents of children under age 1 from work and exclude them from the calculation of work participation rates. Teen parents are deemed to meet the weekly hour participation standard by maintaining satisfactory attendance in secondary school (or the equivalent in the month) or by participating in education directly related to employment for an average of 20 hours weekly. On one occasion per person, participation in job search for 3 or 4 days during a week must be treated as a week of participation.) In tribal family assistance programs, required work hours are set by the HHS Secretary, with the tribe's participation. [Note: except for teen parents, single parents with a child

under 6, and participants in a tribal program with different hour requirements, families must work an average of at least 30 hours weekly to be counted as working.]

COMMITTEE BILL

The Committee bill adopts a standard work week of 24 hours for a single parent with a child under age 6; 34 hours for a single parent with a child over 6; 39 hours for a two-parent family (but 55 hours for a two-parent family that receives federally funded child care). The calculation of weekly hour hours is made by dividing monthly hours of work by 4. Families meeting the standard are counted as 1.0 family in calculating the state's work participation rate. Extra credit is given for work by a single parent family (with or without a preschooler) above 34 hours and by two-parent families above their 39- and 55-hour standards. All schedules provide partial credit—provided sufficient hours are spent on direct work—for hours below the standard, as follows:

Partial/full/extra work credit	Single-parent family		Two-parent family	
	Child under 6	No child under 6		With child care
.675 of a family	20–23 hours	20–13 hours	26–29 hours	40–44 hours.
.75 of a family		24–29 hours	30–34 hours	45–50 hours.
.875 of a family		30–33 hours	35–38 hours	51–54 hours.
1.0 family	24–34 hours	34 hours	39 hours	55 hours.
1.05 family	35–37 hours	35–37 hours	40–42 hours	56–58 hours.
1.08 family	38+ hours	38+ hours	43+ hours	59+ hours.

Generally, to receive any credit for hours at or below 24, a single-parent family must engage for all of these hours in one of the nine direct work activities—unsubsidized job, subsidized private job, subsidized public job, work experience, on-the-job training; job search and job readiness assistance, community service, vocational educational training, and providing child care for TANF recipients in community service. For work credit, a two-parent family generally must spend all hours at or below 34 weekly in a direct work activity (50 hours if the family receives federally funded child care and has no disabled member). However, for three months in any 24-month period, a state may give work credit for any hours spent in one of the five "qualified activities"—postsecondary education, adult literacy programs or activities, substance abuse counseling or treatment, programs or activities designed to remove work barriers, as defined by the state, and work activities authorized under any waiver for any state that was continued under section 415 before the date of enactment of PRIDE. In some cases a state may give work credit for a second three-month period (within the 24 month limit). Eligible for this period of extended time are persons whose family self-sufficiency plan requires engagement in one of three qualified rehabilitative services, namely, adult literacy programs or activities, participation in a program designed to increase proficiency in the English language, and substance abuse or mental health treatment. Total hours of their activity, including any core activities, must average 24 hours weekly. Once a family has reached the direct work hours threshold, it may receive credit for unlimited job search or vocational educational training or any of the five "qualified activities."

Teen parents who maintain satisfactory secondary school attendance or participate in education directly related to work for an average of 20 hours weekly are deemed to count as 1 family. A single recipient caregiver who provides substantial ongoing care for a child or adult dependent with a physical or mental impairment may receive credit as engaged in work under certain conditions. Qualifying conditions include that the state must have determined that the child or adult dependent requires substantial ongoing care because of a verified impairment, that the parent or other caregiver is the most appropriate provider of the care, and that, in the month for which caregiving hours count as work, the recipient is in compliance with her self-sufficiency plan. Further, the state TANF plan must set forth criteria for deeming the single parent providing care for a disabled child or dependent to be meeting all or part of that family's work requirements. The Committee bill retains the (30 percent) limitation on persons who may be credited with work by virtue of vocational educational training (for no more than 12 months) or (if teen parents) by high school attendance or work directly related to education. Excluded from the 30% cap are participants in the optional, limited 2- or 4-year post-secondary education program (Parents as Scholars), participants supplementing hours spent in core activities (e.g. for single parents, meeting the 24 hour per week in core activity requirement) with vocational education training and participation during the 3-month (or 6-month) period when states have the option to count expanded work activities under the bill.

REASON FOR CHANGE

The Committee bill recognizes that the success achieved by TANF and Work First programs are a result of a sustained emphasis on adult attachment to the workforce. The Committee bill attempts to build on the success of the past by increasing work and reducing the welfare rolls. Successes thus far come primarily from experiments and initiatives undertaken at the state level under waivers or TANF to move recipients from welfare-to-work. The Committee bill establishes clearly defined goals and benchmarks for hours of participation.

Under the Committee bill, states would have flexibility to engage single moms with pre-schoolers at fewer hours than the overall "standard" and to offset this by engaging others full time.

The Committee bill would expand the list of activities that count after a recipient has engaged in core work activities for 24 hours—allowing states to count "supplemental" hours spent in post-secondary education, vocational education beyond 1 year; and other education and barrier removal activities.

It would encourage states to provide post-employment activities, particularly education or additional job search, for working recipients to help recipients enhance their job skills and training to advance and leave welfare.

The Committee bill would provide a "Tiered Approach" to calculating hours of work activity counted towards meeting the participation rate.

"Partial credit" recognizes that some recipients might not meet the full-time standard; for example, persons in unsubsidized employment might be employed part-time or part of the month.

The Committee bill recognizes that parents who must engage in substantial, continuous care of a disabled child or family member are engaged in meaningful activity. States should work with these families to monitor their progress and development.

Section 110—Universal engagement and family self sufficiency plan requirements; other prohibitions and requirements

Universal engagement

CURRENT LAW

State plan must require that a parent or caretaker engage in work (as defined by the state) after, at most, 24 months of assistance. (This requirement is not enforced by a specific penalty.)

COMMITTEE BILL

The Committee bill deletes the 24-month work trigger provision. It requires that state plans outline how they intend to require parents or minor child head of household to engage in work or alternative sufficiency activities, as defined by the state—while observing the prohibition against penalizing work refusal by a single parent of a preschool child if the parent has a demonstrated inability to obtain needed child care for specified reasons. States may not exempt partially sanctioned families from the requirements of this section.

REASON FOR CHANGE

By requiring states to outline how they intend to engage in self-sufficiency efforts all TANF families—not just those included in the work participation rate—the Committee bill would promote movement of all families from dependence to self-sufficiency.

Family self-sufficiency plan requirements

CURRENT LAW

Within 30 days, states must make an initial assessment of the skills, work experience, and employability of each recipient 18 or older or those who have not completed high school. States may, but need not, establish an individual responsibility plan for each family.

COMMITTEE BILL

The Committee bill requires states to initiate screening and assessment, in a manner they deem appropriate, of the skills, work experience, education, work readiness, work barriers and employability of each adult or minor child head of household recipient who has attained age 18 or who has not completed high school and to assess, in a manner they deem appropriate, the work support and other assistance and family support services for which families are eligible and the well-being of the family's children and, where appropriate, activities or resources to improve their well being. The use of job search can be used as a form of assessment. Assessments and plans should be constantly updated and revised. States should use the experiences of participation to inform what future assessments and plan should include. The Committee bill requires states,

in a manner they deem appropriate, to establish a self-sufficiency plan for each family. The Committee bill requires states to continually review and update a family's self sufficiency plan. Required plan contents: activities designed to assist the family achieve their maximum degree of self-sufficiency, requirement that the recipient participate in activities in accordance with the plan, supportive services that the state intends to provide, steps to promote child well-being and, when appropriate, adolescent well-being, information about work support assistance for which the family may be eligible (such as food stamps, medicaid, SCHIP, federal or state funded child care, EITC, low-income home energy assistance, WIC, WIA program, and housing assistance). The state must monitor the participation of adults and minor child household heads in the self-sufficiency plans and regularly review the family's progress, using methods it deems appropriate, and revise the plan when appropriate. Before imposing a sanction against a recipient for failure to comply with a TANF rule or a requirement of the self-sufficiency plan, the state must, to the extent deemed appropriate by the state, review the plan and make a good faith effort (defined by the state) to consult with the family. States must comply with self-sufficiency plan requirements within 1 year after enactment (for families then receiving TANF). For families not enrolled on the date of enactment, the deadline for self-sufficiency plans is the later of: 60 days after the family first receives assistance on the basis of its most recent application, or 1 year after enactment. The Committee bill provides that nothing in the self-sufficiency plan subsection or amendments made by it shall be construed to establish a private right or cause of action against a state for failure to comply with the provisions or to limit claims that might be available under other federal or state laws. The General Accounting Office is required to submit a report to the Ways and Means and Finance Committees evaluating the implementation of the universal engagement provisions of the bill. See Section 111 (Penalties) below for penalty on failure to comply with self-sufficiency plan requirements.

REASON FOR CHANGE

States should provide a plan for every family on assistance and work with those families, even if the families are not able to participate fully in the work requirements. Additionally, the self sufficiency plan for each family should be a continually updated document as States monitor the progress of families receiving assistance. The Committee bill would require States to make families on assistance aware of additional work supports and assistance for which they are eligible.

Prohibitions and requirements

Transitional compliance for teen parents

CURRENT LAW

The law makes an unmarried teenage parent (under age 18) ineligible for federally funded TANF assistance if she has a minor child at least 12 weeks old and no high school diploma unless she participates in a high school diploma program (or equivalent) or in

an alternative educational or training program approved by the state. To receive TANF, she also must live with her child in an adult-supervised setting (a residence maintained by her parent, legal guardian, or other adult relative). If the teen parent has no available relative or guardian with whom to live, or if the state determines that the relative's home might be harmful, the state must provide, or assist the teen mother in locating, a second chance home, maternity home, or other appropriate adult-supervised living arrangement. TANF funds may be used to help operate second-chance homes.

COMMITTEE BILL

The Committee bill would allow 60 days for a teen parent to comply with these requirements—permitting states to give federally funded TANF for up to 60 days to a teen parent not yet participating in education or training or not yet living in an adult-supervised arrangement. It also would add to allowable living arrangements transitional living youth projects funded under section 321 of the Runaway and Homeless Youth Act.

REASON FOR CHANGE

The Committee bill includes a "transitional compliance" period for minor parents, so that income-eligible minor parents who at the time of application are having trouble meeting the rules and eligibility conditions related to education and living arrangements (such as school dropouts and homeless youth) are brought into the program where they can get the case management they need to meet the requirements.

Section 111—Penalties against states

Failure to meet the fiscal maintenance of effort requirement

CURRENT LAW

To receive a full TANF grant, state spending under all state programs in the previous year on behalf of TANF-eligible families (defined to include those ineligible because of the 5-year time limit or the federal ban on benefits to new immigrants) must equal at least 75% of the state's historic level (sum spent in FY1994 on AFDC and related programs). If a state fails work participation requirements, the required spending level rises to 80%. State expenditures that qualify for maintenance-of-effort credit are cash aid, child care, educational activities designed to increase self-sufficiency, job training, and work (but not generally available to non-TANF families) administrative costs (15% limit), child support collection passed through to the family without benefit reduction, and any other use of funds reasonably calculated to accomplish a TANF purpose.

COMMITTEE BILL

The Committee bill extends the requirement that states maintain their own funding at 75 percent of its historic level (80% in case of failure to satisfy work standards) to cover FYs 2003 through 2009. It also specifies that a state's required MOE percentage for

a given year is to be based on its meeting or failing the work requirement for the preceding fiscal year.

REASON FOR CHANGE

By basing the MOE requirement on the state's work performance in the preceding year, the Committee bill ensures that states know the MOE requirement they will need to meet at the start of the year.

Penalties for failure to comply with self-sufficiency plan requirements

CURRENT LAW

No provision.

COMMITTEE BILL

The Committee bill (in section 110) adds failure to comply with family self-sufficiency plan requirements to the penalty paragraph regarding failure to comply with minimum participation standards (see above for penalty schedule). For fiscal year 2005 and later, it provides that the penalty shall be based on the degree of substantial noncompliance. The Secretary must take into account factors such as the number or percentage of families for whom a plan is not established in a timely fashion, the duration of delays, whether the failure are isolated and nonrecurring, and the existence of systems to ensure establishment and monitoring of plans. The Secretary may reduce the penalty if the noncompliance is due to circumstances that made the state needy under the contingency fund definition or due to extraordinary circumstances such as a natural disaster or regional recession.

REASON FOR CHANGE

The Committee bill adds a penalty provision to enforce the new requirement that states develop family self-sufficiency plans for recipients, while stipulating that states will not be subject to penalty unless they are in substantial noncompliance with the law.

Section 112—Data collection and reporting

CURRENT LAW

The law requires states to collect monthly, and report quarterly, disaggregated case record information (sample case record information may be used) about families who receive assistance under the state TANF program (except for information relating to activities carried out with welfare-to-work grants from the Department of Labor [DOL]). Required information includes ages of family members, size of family, employment status and earnings of the employed adult, marital status of adults, race and educational level of each adult and child, whether the family received subsidized housing, Medicaid, food stamps, or subsidized child care (and if the latter two, the amount). Also required are the number of hours per week that an adult participated in specified activities, information needed to calculate participation rates, type and amount of assistance received under TANF, unearned income received, and citizenship of family members.

Quarterly reports also must include the percentage of funds used for administrative costs or overhead, the total amount spent on programs for needy families, the number of noncustodial parents who participated in work activities, and the total amount spent on transitional services (with separate accounting for welfare-to-work grants). Quarterly reports also must provide the number of families and persons who received assistance each month and the total value of this assistance (with a breakdown for welfare-to-work grants). From a sample of closed cases, the report must provide the number of case closures attributed to employment, marriage, time limit sanction or state policy. The law requires the Secretary to submit annual reports to Congress that include state progress in meeting TANF objectives, demographic and financial characteristics of applicants, recipients, and ex-recipients, characteristics of each TANF-funded program, and trends in employment and earnings of needy families with children.

COMMITTEE BILL

The Committee bill extends quarterly reporting requirements to cover families in MOE-funded separate state programs. It requires monthly reports from states on the TANF and separate state program caseload and annual reports from states on the characteristics of their state TANF program and their MOE separate state programs. Annual state reports must include names of programs, their activities and purpose, eligibility criteria, funding sources, number of beneficiaries, sanction policies, and work requirements, if any. The Committee bill qualifies the use of samples to provide disaggregated case record information, permitting the Secretary to designate core data elements that must be reported for all families. The Committee bill also changes some of the data elements required in the quarterly reports. For instance, it adds the race and educational level of each minor parent, deletes the educational level of each child, and adds the reason for receipt of assistance for a total of more than 60 months. It specifies that reported work experience be supervised. It also requires information needed to calculate progress toward universal engagement of each family, the date the family first received TANF, whether a self-sufficiency plan is established for the family; the marital status of the parents at the birth of each child in the family, and whether paternity has been established for those who were unwed. Quarterly reports must include information on families that became ineligible for assistance during the month, broken down by reason (earnings, changes in family composition that result in increased earnings, sanctions, time limits, or other specified reasons). The Committee bill requires the Secretary to prescribe regulations needed to collect data and to consult with the NGA, APHSA, and the National Conference of State Legislatures (as well as the Secretary of Labor) in defining data elements for required reports. The Committee bill changes the requirements for the Secretary's annual TANF reports to Congress by setting July 1 as the deadline, deleting the requirement for information about applicants and requiring that the report include information about separate state MOE programs. It requires states to report to the Secretary annually, beginning with FY2005, on achievement and improvement during the past fiscal year under the state's performance goals and measures.

REASON FOR CHANGE

The Committee bill extends quarterly reporting requirements to ensure consistent data reporting and monitoring of all qualified State programs. Annual reports on all TANF and MOE programs are needed to provide information (e.g., number of beneficiaries) that is not otherwise available on non-cash assistance programs. Designation of a few core data elements for universal reporting would facilitate performance measurement and accountability. These elements are already submitted by states as part of the High Performance Bonus data collection. Data elements that have been difficult for the TANF agency to collect and report, or are not used to any significant extent, would be dropped to reduce burden on state agencies. A few data elements would be added to monitor compliance with universal engagement requirements.

Section 113—Direct funding and administration by Indian tribes

CURRENT LAW

The law earmarks some TANF funds—an amount equal to federal pre-TANF payments received by the state attributable to Indians—for administration by tribes with approved tribal family assistance plans. It deducts these sums ($115 million in FY2003) from state TANF grants. It also appropriates $7.6 million annually for work and training activities (now known as Native Employment Works [NEW]) to tribes that operated a pre-TANF work and training program.

COMMITTEE BILL

For FYs 2004–2008, the Committee bill reauthorizes tribal family assistance grants and grants for NEW programs. It establishes a tribal TANF improvement fund ($100 million authorized for each of 5 years) for the purpose of providing technical assistance to tribes and awarding competitive grants directly to tribes carrying out a tribal family assistance plan.

REASON FOR CHANGE

The 1996 welfare law permitted Indian tribes to receive direct Federal funding to operate cash welfare programs. The Committee bill continues that authority and creates a tribal TANF improvement fund. The fund is intended to encourage more tribes to exercise their option to operate TANF programs and to improve administration of programs already operating. The bill also continues funding for the Indian job training program known as NEW.

Section 114—Research, evaluations, and national studies

CURRENT LAW

The 1996 welfare law required the HHS Secretary to conduct research on effects, costs, and benefits of state programs. It provides that the Secretary might help states develop innovative approaches to employing TANF recipients and increasing the well-being of their children and directed the Secretary to evaluate these innovative projects. For 6 years (FYs 1997 through 2002) it appropriated $15 million yearly, half for TANF research and novel approaches

cited above and half for the federal share of state-initiated TANF studies and the completion and evaluation of pre-TANF waiver projects. (However, in subsequent appropriation acts, Congress has rescinded these provisions and appropriated research funds on a less prescriptive basis under Section 1110 of the Social Security Act—which deals with cooperative research and demonstration projects.) Section 413 of the Social Security Act also requires the Secretary to rank annually the states to which family assistance grants are paid, in the order of their placing recipients into long-term private sector jobs, reducing the overall welfare caseload, and (when a practicable calculation method becomes available) diverting persons from formally applying for TANF assistance.

COMMITTEE BILL

The Committee bill appropriates $100 million yearly for FYs 2004 through 2008, of which 80% must be spent on marriage promotion activities (described in the section establishing marriage grants). It makes these funds available to the HHS Secretary for the purpose of conducting and supporting research and demonstration projects by public or private entities, and providing technical assistance to states, Indian tribal organization, and such other TANF grantees as the Secretary may specify. It authorizes the Secretary to conduct these studies and demonstrations directly or through grants, contracts, or interagency agreements. In addition, for 5 years (FYs 2004 through 2008) it extends the current law annual appropriation of $15 million and its designated 50–50 allocation).

The committee bill also would establish a demonstration program for up to 10 states to enhance or to provide for improved program integration coordination and delivery across various workforce and public assistance programs. Programs covered in the bill ("qualified programs") are TANF, Title XX social services block grant, and mandatory child care under Title IV of the Social Security Act. The head of a state entity or of a sub-state entity administering 2 or more qualified programs could apply to operate a demonstration. Provisions that could not be waived include any provision of law relating to civil rights or the prohibition of discrimination, purposes or goals of any program, maintenance of effort funding rules, health or safety, labor standards under the Fair Labor Standards Act, and environmental protection. A waiver could not be granted if it would waive any funding restriction or limitation in an appropriations Act, or if it would have the effect of transferring appropriated funds from one account to another. Child care funding can only be spent on child care. Applicants would be required to include a plan for evaluation to demonstrate the improved effectiveness of programs included. Approval would be required from the Secretary or Secretaries overseeing programs proposed under the demonstration.

REASON FOR CHANGE

Healthy marriages are critically important to the well-being of children, a point recognized in the purposes of the original TANF law. The TANF program works with families to help them overcome great difficulties and barriers, so they can become stronger and self-sufficient. One important way we can help many families

is to help them build the skills and knowledge that will enable them to form and sustain healthy marriages.

There is much, however, that we do not yet know about how states and communities can effectively promote healthy marriages. The Secretary's Fund for Research Demonstrations and Technical Assistance serves several purposes. Just as current welfare to work programs are built on the foundation of considerable research and experience, the ability of states and communities to provide effective assistance to families in the future will depend on a strong base of research and examined experience.

This section would fund research on the operation and impact of various promising healthy marriage promotion services and strategies. Funds would also be used to support demonstration projects intended to examine how various comprehensive community based strategies and programs can help to promote the development and strength of healthy marriages.

Funds would be available for HHS to make technical assistance available to program operators, in particular, by helping states, tribes and local administrators learn from each other.

Effective service delivery is often inhibited by poor coordination and inefficiencies inherent to providing complementary services through different programs. Through these demonstrations, limited to the following three programs under the jurisdiction of the Senate Finance Committee: the Social Services Block Grant, The Temporary Assistance for Needy Families program and the mandatory child care funding, states could begin to explore ways to improve the quality of services for families.

Section 115—Study by the Census Bureau

CURRENT LAW

The 1996 welfare law appropriated $10 million annually for 7 years (FYs 1996 through 2002) to expand the Survey of Income and Program Participation (SIPP) so as to obtain data with which to evaluate TANF's impact on a random national sample of recipients and, as appropriate, other low-income working families.

COMMITTEE BILL

The Committee bill appropriates $10 million annually for FYs 2004 through 2008 for continued and enhanced study by the Census Bureau of TANF and other low-income families with children. The bill requires the Bureau to implement or enhance a longitudinal survey of program participation. It also requires the Commerce Secretary, using data from the survey, to submit two reports to congressional committees (House Ways and Means and Senate Finance Committees) on the well-being of children and families. The first report is due not later than 24 months, and the second one, not later than 60 months, after enactment of PRIDE. The bill specifies that where comparable measures of well-being exist in previous Census Bureau surveys, the reports must make appropriate comparisons and assess changes in the measures.

REASON FOR CHANGE

Reauthorization of TANF provides an opportunity to strengthen the SIPP and build upon the Census Bureau's federal-state part-

nership, linking state cross-program administrative data and survey data to meet the requirements in the enhanced SIPP to understand how low-income families are faring under TANF.

Section 116—Funding for child care

CURRENT LAW

The 1996 welfare law created a mandatory child care block grant and appropriated $13.9 billion for it over 6 years ($2.7 billion for FY2002, the final year) and authorized $1 billion annually through FY2002 in discretionary funding under an expanded Child Care and Development Block Grant (CCDBG). FY2003 appropriations totaled $4.8 billion—$2.7 billion in mandatory funds and $2.1 billion in discretionary funds. (In addition, the welfare law permits states to transfer some TANF funds to the CCDBG.)

COMMITTEE BILL

The Committee bill increases mandatory child care funding by $1 billion over five years, providing $2.9 billion annually. It also sets aside $10 million in mandatory child care funds for the Commonwealth of Puerto Rico.

REASON FOR CHANGE

The need for additional childcare resources to assist families.

Section 117—Definitions

CURRENT LAW

The law does not define the term "assistance," but regulations define it as cash, payments, vouchers, and other forms of benefits designed to meet a family's ongoing basic needs (food, clothing, shelter, utilities, household goods, personal care items, and general incidental expenses) plus supportive services such as transportation and child care provided to families who are not employed. It does not include nonrecurrent, short-term benefits that are not intended to meet recurrent or ongoing needs and will not extend beyond four months.

COMMITTEE BILL

The Committee bill defines assistance to mean payment, by cash, voucher, or other means, to or for a person or family for the purpose of meeting a subsistence need (including food, clothing, shelter, and related items, but not including costs of transportation or child care) and not including a payment for a subsistence need made on a short-term, nonrecurring basis, as defined by the state in accordance with regulations prescribed by the HHS Secretary.

REASON FOR CHANGE

The Committee bill affirms the flexibility of states to provide assistance and services to low-income families, including temporarily unemployed families, and clarifies that rules tied to state spending on "assistance" will not apply to child care and other non-cash work support services provided to the unemployed.

Section 118—Responsible Fatherhood Program

CURRENT LAW

No provision.

COMMITTEE BILL

The Responsible Fatherhood Program would be added to the Social Security Act as a new Part C to Title IV. The Committee bill amends Title 1 of P.L. 104–193 which would make the responsible fatherhood program subject to the charitable choice provisions. The Committee bill also includes a list of findings with respect to the impact of fathers being absent from the home and the purposes of a responsible fatherhood program.

The Committee bill establishes four components for the responsible fatherhood program. It authorizes (1) a $20 million grant program for up to 10 eligible states to conduct demonstration programs; (2) a $30 million grant for eligible entities to conduct demonstration programs; (3) $5 million for a nationally recognized nonprofit fatherhood promotion organization to develop and promote a responsible fatherhood media campaign; and (4) a $20 million block grant to states for states to conduct responsible fatherhood media campaigns.

Grants to states to conduct demonstration programs

The Committee bill authorizes a $20 million appropriation that gives the HHS Secretary the authority to award grants to up to 10 eligible states to conduct demonstration programs that carry out the purposes described below. An eligible state is a state that submits to the Secretary an application for a grant, at such time, in such manner, and containing the information required by the Secretary. An eligible state must give the Secretary a state plan that describes the types of programs or activities that the state will fund under the grant, including a good faith estimate of the number and characteristics of clients to be served under the projects and how the state intends to achieve at least two of the purposes described below. The state plan also must include a description of how the state will coordinate and cooperate with state and local entities responsible for carrying out other programs that relate to the purposes intended to be achieved under the demonstration program, including as appropriate, entities responsible for carrying out jobs programs and programs serving children and families. In addition, the state plan must include an agreement to maintain such records, submit such reports, and cooperate with such reviews and audits as the Secretary finds necessary to provide oversight of the demonstration program.

The Committee bill requires the chief executive officer of the state to certify to the HHS Secretary that the state will use the demonstration funds to promote at least two of the purposes described below; the state will return any unused funds to the Secretary; and that the funds provided under the grant will be used for programs and activities that target low-income participants and that at least 50 percent of the participants in each program or activity funded must be parents of a child who is, or within the past 24 months has been, a recipient of assistance or services under a state program funded under Title IV–D or Title IV–A, foster care

(Title IV–E), Medicaid (Title XIX), or food stamps; or parents, including an expectant parent or a married parent, whose income (after adjustment for court-ordered child support paid or received) does not exceed 150% of the poverty line. In addition, the chief executive officer of the state must certify to the Secretary that programs or activities funded under the demonstration grant will be provided with information about the prevention of domestic violence and that the state will consult with representatives of state and local domestic violence centers. The state must also certify that funds provided to the state for demonstration grants must not be used to supplement or supplant other federal, state, or local funds that are used to support programs or activities that are related to the purposes of the demonstration grants.

In determining which states to award responsible fatherhood demonstration grants, the HHS Secretary must attempt to achieve a balance among the eligible states with respect to the size, urban or rural location, and use of differing or unique methods of the entities that states intend to use to conduct the programs and activities funded by the demonstration grants. The Secretary must give priority to eligible states that have demonstrated progress in achieving at least one of the stated purposes through previous state initiatives or that have demonstrated need with respect to reducing the incidence of out-of-wedlock births or absent fathers in the state.

The Committee bill stipulates the purposes of the demonstration grants are to promote responsible fatherhood through (1) marriage promotion (through counseling, mentoring, disseminating information about the advantages of marriage and two-parent involvement for children, enhancing relationship skills, teaching how to control aggressive behavior, disseminating information on the causes of domestic violence and child abuse, marriage preparation programs, premarital counseling, skills-based marriage education, financial planning seminars, and divorce education and reduction programs, including mediation and counseling); (2) parenting activities (through counseling, mentoring, mediation, disseminating information about good parenting practices, skills-based parenting education, encouraging child support payments, and other methods); and (3) fostering economic stability of fathers (through work first services, job search, job training, subsidized employment, education, including career-advancing education, job retention, job enhancement, dissemination of employment materials, coordination with existing employment services such as welfare-to-work programs, referrals to local employment training initiatives, and other methods).

The Committee bill prohibits the use of responsible fatherhood demonstration grants for court proceedings on matters of child visitation or child custody, or legislative advocacy.

The Committee bill prohibits a state from being awarded a grant unless the state consults with experts of domestic violence or with relevant community domestic violence coalitions in developing programs or activities funded by the grant. The state also must describe in the grant application how the proposed programs or activities will address, as appropriate, issues of domestic violence and what the state will do, to the extent relevant, to ensure that participation in such programs or activities is voluntary and to inform potential participants that their involvement is voluntary.

The Committee bill requires that each eligible state that receives a grant must return any unused portion of the grant for a fiscal year back to the HHS Secretary not later than the last day of the second succeeding fiscal year, together with any earnings from interest on the unused portion. The Secretary is required to establish an appropriate procedure for redistributing to eligible states that have expended the entire amount of their grant for a fiscal year any amount that is returned to the Secretary by eligible states.

The Committee bill authorizes a $20 million appropriation for each of the fiscal years 2004 through 2008 for responsible fatherhood demonstration grants. The Committee bill stipulates that the amount of each responsible fatherhood demonstration grant awarded must be an amount sufficient to implement the state plan submitted by the state, subject to a minimum amount of $1 million per fiscal year in the case of the 50 states and the District of Columbia, and $500,000 in the case of Puerto Rico, the Virgin Islands, Guam, American Samoa, and the Northern Mariana Islands.

Grants to eligible entities to conduct demonstration programs

The Committee bill authorizes a $30 million appropriation that gives the HHS Secretary the authority to award grants to eligible entities to conduct demonstration programs that carry out the purposes described above. An eligible entity is a local government, local private agency, community-based or nonprofit organization, or private entity, including any charitable or faith-based organization that submits to the Secretary an application for a grant, at such time, in such manner, and containing the information required by the Secretary. An eligible entity must give the Secretary a description of the programs and activities that the entity will fund under the grant, including a good faith estimate of the number and characteristics of clients to be served under the projects and how the entity intends to achieve at least two of the purposes described above. The project description also must include a description of how the entity will coordinate and cooperate with state and local entities responsible for carrying out other programs that relate to the purposes intended to be achieved under the demonstration program, including as appropriate, entities responsible for carrying out jobs programs and programs serving children and families. In addition, the project description must include an agreement to maintain such records, submit such reports, and cooperate with such reviews and audits as the Secretary finds necessary to provide oversight of the demonstration program.

The Committee bill requires a certification that the entity will use the demonstration funds to promote at least two of the purposes described above; the entity will return any unused funds to the Secretary; and that the funds provided under the grant will be used for programs and activities that target low-income participants and that at least 50 percent of the participants in each program or activity funded must be parents of a child who is, or within the past 24 months has been, a recipient of assistance or services under a state program funded under Title IV–D or Title IV–A, foster care (Title IV–E), Medicaid (Title XIX), or food stamps; or parents, including an expectant parent or a married parent, whose income (after adjustment for court-ordered child support paid or received) does not exceed 150% of the poverty line. In addition, the

Committee bill requires a certification that the entity will consult with representatives of state and local domestic violence centers. The entity must also certify that funds provided to the state for demonstration grants must not be used to supplement or supplant other federal, state, or local funds provided to the entity that are used to support programs or activities that are related to the purposes of the demonstration grants.

In determining which entities to which to award responsible fatherhood demonstration grants, the HHS Secretary must attempt to achieve a balance among the eligible entities with respect to the size, urban or rural location, and use of differing or unique methods of the entities.

The Committee bill prohibits the use of responsible fatherhood demonstration grants awarded to entities for court proceedings on matters of child visitation or child custody, or legislative advocacy.

The Committee bill stipulates that the HHS Secretary may not award a grant to an eligible entity unless the entity, as a condition of receiving the grant, consults with experts in domestic violence or with relevant community domestic violence coalitions in developing the programs or activities funded by the grant; and describes in the grant application how the programs or activities will address issues of domestic violence and what the entity will do to ensure that participation in the programs or activities funded is voluntary and to inform potential participants that their involvement is voluntary.

The Committee bill requires that each eligible entity that receives a grant must return any unused portion of the grant for a fiscal year back to the HHS Secretary not later than the last day of the second succeeding fiscal year, together with any earnings from interest on the unused portion. The Secretary is required to establish an appropriate procedure for redistributing to eligible entities that have expended the entire amount of their grant for a fiscal year any amount that is returned to the Secretary by eligible entities.

The Committee bill authorizes a $30 million appropriation for each of the fiscal years 2004 through 2008 for responsible fatherhood demonstration grants to eligible entities.

National clearinghouse for responsible fatherhood programs

The Committee bill authorizes an appropriation of $5 million for the HHS Secretary to contract with a nationally recognized, nonprofit fatherhood promotion organization to (1) develop, promote and distribute to interested states, local governments, public agencies, and private entities a media campaign that encourages appropriate involvement of both parents in the life of their children (with an emphasis on responsible fatherhood); and (2) develop a national clearinghouse to assist states and communities in efforts to promote and support marriage and responsible fatherhood by collecting, evaluating, and making available (through the Internet and by other means) to other states information on state-sponsored media campaigns.

The Committee bill requires the HHS Secretary to ensure that the selected nationally recognized nonprofit fatherhood promotion organization coordinate the media campaign and national clearing-

house that are developed with grant funds with a national, state, or local domestic violence program.

The nationally recognized nonprofit fatherhood promotion organization must have at least four years of experience in designing and disseminating a national public education campaign, and in providing consultation and training to community-based organizations interested in implementing fatherhood programs.

The Committee bill authorizes a $5 million appropriation for each of the fiscal years 2004 through 2008 to establish a national clearinghouse for responsible fatherhood programs.

Block grants to states to encourage media campaigns

The Committee bill authorizes the HHS Secretary to provide a $20 million block grant to states for media campaigns for each of the fiscal years 2004 through 2008.

Not later than October 1 of each of the fiscal years for which a state wants to receive an allotment of block grant funds, the Committee bill requires the chief executive officer of the state to certify to the HHS Secretary that the state will use grant funds to promote the formation and maintenance of married two-parent families, strengthen fragile families, and promote responsible fatherhood through media campaigns. The executive officer also must certify that the state will return any unused funds to the Secretary and comply with the stipulated reporting requirements.

States have the option of establishing media campaigns via radio or television, air-time challenge programs (under which the state may purchase air time only if it obtains non-federal contributions to purchase additional similar air time), or through the distribution of printed or other advertisements. A state may administer media campaigns directly or through grants, contracts, or cooperative agreements with public agencies, local governments, or private entities (including charitable and faith-based organizations). In developing broadcast and printed advertisements for media campaigns, the state or other entity administering the campaign must consult with representative of state and local domestic violence centers. The Committee bill defines broadcast advertisement, child at risk, poverty line, printed or other advertisement, state, and young child.

Each state's allotment is based on its proportion of poor children in the nation, and its portion of children under age 5 in the nation. Each state and the District of Columbia would receive no less than the minimum allotment of $200,000; Guam, Puerto Rico, the Virgin Islands, American Samoa, and the Northern Mariana Islands would receive no less than $100,000 per year for FY2004–2008.

The Committee bill requires that each eligible entity that receives a grant must return any unused portion of the grant for a fiscal year back to the HHS Secretary not later than the last day of the second succeeding fiscal year, together with any earnings from interest on the unused portion. The Secretary is required to establish an appropriate procedure for redistributing to states that have expended the entire amount of their grant for a fiscal year any amount that is returned to the Secretary by states, or not allotted to states because the state did not submit a certification by October 1 of a fiscal year.

The Committee bill requires each state that receives an allotment to monitor and evaluate the media campaigns conducted using the allotted grant funds and submit an annual report to the Secretary at such time, in such manner, and containing such information as the Secretary may require.

The Committee bill authorizes the HHS Secretary to provide a $20 million block grant to states for media campaigns for each of the fiscal years 2004 through 2008. The Secretary must conduct an evaluation of the impact of the media campaigns and report to Congress the results of the evaluation no later than December 31, 2006. The Committee bill authorizes a $1 million appropriation for FY2004 to conduct the evaluation (the evaluation funding is to remain available until expended).

REASON FOR CHANGE

Children do better academically, emotionally and socially when raised by their married biological parents. This provision in the bill provides states and faith based and community organizations and local governments with resources to find innovative ways to promote responsible fatherhood through marriage promotion and divorce reduction, parenting skill building, and where appropriate, expanded opportunities for strengthening the employment opportunities of low-income fathers. The provision is targeted on families, many of whom are unmarried at the time of the birth of their child, who have received TANF, Food Stamps or Medicaid Services or who have incomes below 150% of poverty. The provision requires all grantees to ensure that program participation is voluntary and that domestic violence experts and coalitions are consulted.

Section 119—Additional grants

CURRENT LAW

No provision in TANF law.

COMMITTEE BILL

The Committee bill authorizes appropriation of $40 million for each of FYs 2004–2008 for grants to be made by the HHS Secretary to entities for the purpose of capitalizing and developing the role of sustainable social services that are critical to the success of moving TANF recipients to work. Applicants would be required to describe the capitalization strategy they intend to follow to develop a program that generates its own source of on-going revenue while assisting TANF recipients. Administrative costs could not exceed 15 percent (except for computerization and information technology needed for tracking or monitoring required by TANF), but none of the other statutory rules regarding use of TANF funds would apply. The Committee bill requires the Secretary to conduct an evaluation of the programs developed by these grants.

The bill also authorizes appropriation of $25 million for each of FYs 2004–2009 for grants for low-income car ownership. The purposes are to improve employment opportunities of low-income families and provide incentives to states, Indian tribes, localities, and nonprofit groups to develop and administer programs that promote car ownership by low-income families. No more than 5% of the

funds could be used for administrative costs of the Secretary in carrying out this program.

REASON FOR CHANGE

These provisions would support efforts to develop the role of self-sustainable social services and would help families have reliable means of getting to and from employment.

Section 120—Technical corrections

TITLE II—ABSTINENCE EDUCATION

Section 201—Extension of Abstinence Education Program

CURRENT LAW

The law appropriated $50 million annually for FYs 1998–2002 for matching grants to states to provide abstinence education and, at state option, mentoring, counseling, and adult supervision to promote abstinence from sexual activity, with a focus on groups that are most likely to bear children out-of-wedlock. Funding was extended through March 31, 2004 by continuing appropriations. Funds must be requested by states when they apply for Maternal and Child Health (MUCH) block grant funds and must be used exclusively for the teaching of abstinence. States must match every $4 in federal funds with $3 in state funds.

COMMITTEE BILL

The Committee bill appropriates $50 million annually for the program through fiscal year 2008. Moreover, the Committee bill allows unrequested abstinence education funds to be reallocated among the states with abstinence education programs instead of being returned to the U.S. Treasury.

REASON FOR CHANGE

The Committee bill continues the program with no change, but allows unrequested funds to be reallocated among the states with abstinence education programs. This will allow states that want to provide abstinence education with more access to funding.

TITLE III—CHILD SUPPORT

Section 301—Distribution of child support collected by states on behalf of children receiving certain welfare benefits

Assignment of child support rights

CURRENT LAW

In order to receive benefits TANF recipients must assign their child support rights to the state. The assignment covers any unpaid child support that accrues while the family receives TANF and any support that accrued before the family began receiving TANF.

Any assignment of rights to unpaid child support that was in effect on Sept. 30, 1997 must remain in effect. This means that any child support collected as a result of the assignment must go the state and the federal government.

COMMITTEE BILL

The Committee bill stipulates that the assignment covers only child support that accrues during the period that the family receives TANF. (In other words, pre-assistance arrearages would be eliminated). In addition, the Committee bill gives states the option to discontinue assignments in effect on Sept. 30, 1997. If a state chooses to discontinue the child support assignment, the state may distribute collections from such assignment to the family. States also would have the option to discontinue pre-assistance arrearage assignments in effect after September 30, 1997 and before the implementation date of this provision. If a state chooses to discontinue the child support assignment, the state may distribute collections from such assignment to the family.

REASON FOR CHANGE

The Committee bill would support family self-sufficiency by allowing families to keep more of the child support collected on their behalf. It would also prevent TANF families from losing access to lump sum collections of past-due pre-assistance support that may help them exit TANF.

Distribution of child support to TANF families

CURRENT LAW

While the family receives TANF benefits, the state is permitted to retain any current child support payments and any assigned arrearages it collects up to the cumulative amount of TANF benefits which has been paid to the family. In other words, the state can decide how much, if any, of the state share (some, all, none) of the child support payment collected on behalf of TANF families to send to the family. The state is required to pay the federal government the federal share of the child support collected.

Child support payments collected on behalf of TANF families that are passed through to the family and disregarded by the state count toward the TANF MOE (maintenance of effort) expenditure requirement.

COMMITTEE BILL

For families who receive assistance from the State (which would include TANF or foster care) the Committee bill requires the federal government to waive its share of child support collections passed through to TANF families by the state and disregarded by the State up to an amount equal to $400 per month in the case of a family with one child, and up to $600 per month in the case of a family with two or more children. Like current law, disregarded pass through amounts count as TANF MOE expenditures.

The Committee bill includes a provision that allows states with section 1115 demonstration waivers (on or before October 1, 1997) related to the child support pass-through provisions to continue to pass through payments to families in accordance with the terms of the waiver.

REASON FOR CHANGE

The Committee bill promotes family self-sufficiency by providing an incentive for States to allow families to keep more of the child support collected on their behalf. No such incentive currently exists. This option would also allow noncustodial parents who pay child support to know that their support payments are being received by their children.

Distribution of child support to former TANF families

CURRENT LAW

With respect to former TANF families: Current child support payments must be paid to the family. Since October 1, 1997, child support arrearages that accrue after the family leaves TANF also are required to be paid to the family before any monies may be retained by the State. Further since October 1, 2000, child support arrearages that accrued before the family began receiving TANF also are required to be distributed to the family first.

However, if child support arrearages are collected through the federal income tax refund offset program, the family does not have first claim on the arrearage payments. Such arrearage payments are retained by the state and the federal government.

COMMITTEE BILL

As mentioned above, the Committee bill eliminates the assignment of pre-assistance arrearages. The Committee bill also eliminates the special treatment of child support arrearages collected through the federal income tax refund offset program. Such collections also would go the family first.

To the extent that the arrearage amount payable to a former TANF family in any given month under the Committee bill exceeds the amount that would have been payable to the family under current law, the state can elect to have the amount paid to the family considered an expenditure for Maintenance-of-Effort (MOE) purposes. In addition, the Committee bill amends the Child Support Enforcement State Plan to include an election by the state to include whether it is using the new option to pass through all arrearage payments to former TANF families without paying the federal government its share of such collections or whether it chooses to maintain the current law distribution method. Further, the Committee bill stipulates that no later than 6 months after the date of enactment of this legislation, the HHS Secretary, in consultation with the states, must establish the procedures to be used to make estimates of excess costs associated with the new funding option.

REASON FOR CHANGE

The Committee bill supports self-sufficiency by providing former TANF families with more of the child support collected on their behalf, regardless of how it is collected. It allows states to use the federal tax refund offset remedy to get more collections to families. Providing MOE for additional money to families provides further incentive for states to exercise this option and is consistent with MOE policy on the pass through of child support collections to current TANF families.

Distribution of child support to families that never received assistance

CURRENT LAW

The entire amount of the child support collection is distributed to families that never received TANF assistance.

COMMITTEE BILL

Same as current law.

REASON FOR CHANGE

No change

Distribution of child support to families under certain agreements

CURRENT LAW

In the case of a family receiving TANF assistance from an Indian tribe or tribal organization, the child support collection is to be distributed according to the cooperative agreement specified in the Child Support Enforcement State Plan.

COMMITTEE BILL

Same as current law.

REASON FOR CHANGE

No change.

Effective date

CURRENT LAW

Not applicable.

COMMITTEE BILL

The amendments made by this section of the bill would take effect on October 1, 2007, and would apply to payments under parts A and D of Title IV of the Social Security Act for calendar quarters beginning on or after such date. States could elect to have the amendments take effect earlier—at any date that is after enactment of the bill and before October 1, 2007.

REASON FOR CHANGE

This effective date will allow states sufficient time to implement required and optional changes in child support distribution and assignment, while also allowing states to choose to proceed more quickly.

Section 302—Mandatory review and adjustment of child support orders for families receiving TANF

CURRENT LAW

Federal law requires that the state have procedures under which every 3 years the state review and adjust (if appropriate) child support orders at the request of either parent, and that in the case of

TANF families, the State review and update (if appropriate) child support orders at the request of the state Child Support Enforcement (CSE) agency or of either parent.

COMMITTEE BILL

The Committee bill requires states to review and, if appropriate, adjust child support orders in TANF cases every 3 years. The provision would take effect on October 1, 2005.

REASON FOR CHANGE

The mandatory review and, if necessary, modification of child support orders will make award amounts more appropriate. In some cases this will increase the amount of payment required, which will in turn increase collections, and in other cases it will reduce the amount of payment required, therefore limiting the accumulation of uncollectible arrears.

Section 303—Report on undistributed child support payments

CURRENT LAW

No provision.

COMMITTEE BILL

The Committee bill requires that within 6 months of enactment, the HHS Secretary must submit to the House Ways and Means Committee and the Senate Finance Committee a report on the procedures states use to locate custodial parents for whom child support has been collected but not yet distributed. The report must include an estimate of the total amount of undistributed child support and the average length of time it takes undistributed child support to be distributed. To the extent that the HHS Secretary deems appropriate, the report would be required to include recommendations as to whether additional procedures should be established at the state or federal level to expedite the payment of undistributed child support.

REASON FOR CHANGE

Undistributed collections are a significant new issue that merits further analysis and may require further state or federal action in order to ensure that families are receiving the support paid on their behalf, as appropriate.

Section 304—Use of new hire information to assist in administration of unemployment compensation programs

CURRENT LAW

Federal law requires all employers in the nation to report basic information on every newly-hired employee to the state. States are then required to collect all this information in the State Directory of New Hires, to use this information to locate noncustodial parents who owe child support and to send a wage withholding order to their employer, and to (within 3 business days) report all information in their State Directory of New Hires to the National Directory of New Hires. Information in the State Directory of New Hires is used by State Employment Security Agencies (the agency that op-

erates the State Unemployment Compensation program) to match against unemployment compensation records to determine whether people drawing unemployment compensation benefits are actually working. (Note that states currently have access to the new hire information only in their own state.)

COMMITTEE BILL

The Committee bill authorizes State Employment Security Agencies (which are responsible for administering the Unemployment Compensation program) to request and receive information from the National Directory of New Hires (which includes information from all of the state directories as well as federal employers) via the HHS Secretary in order to help detect fraud in the unemployment compensation system.

The Committee bill requires state agencies to have in effect data security and control policies that the HHS Secretary finds adequate to ensure the security of the information and to ensure that access to such information is restricted to authorized persons for purposes of authorized uses and disclosures. An officer or employee of a state agency who fails to comply with security requirements would be subject to current law penalties related to misuse of information. The Committee bill requires the Secretary to establish uniform procedures that govern information requests and data matching. The Committee bill requires the state agency to reimburse the HHS Secretary for cost incurred by the Secretary in furnishing requested information.

The provision would take effect on October 1, 2004.

REASON FOR CHANGE

The Committee bill will improve the Unemployment Compensation Program by allowing State Employment Security Agencies to determine whether people drawing unemployment compensation benefits are actually working in another state or for the federal government. Current data matches do not allow SESAs to identify this kind of employment.

Section 305—Decrease in amount of child support arrearage triggering passport denial

CURRENT LAW

Federal law stipulates that the HHS Secretary is required to submit to the Secretary of State the names of noncustodial parents who have been certified by the state CSE agency as owing more than $5,000 in past-due child support. The Secretary of State has authority to deny, revoke, restrict, or limit passports to noncustodial parents whose child support arrearages exceed $5,000.

COMMITTEE BILL

The Committee bill authorizes the denial, revocation, or restriction of passports to noncustodial parents whose child support arrearages exceed $2,500, rather than $5,000 as under current law. The provision would take effect on October 1, 2004.

REASON FOR CHANGE:

This provision will increase the success of the passport denial program and provide more collections to families. Fewer arrears will have to build up before this effective enforcement tool can be utilized.

Section 306—Use of tax refund intercept program to collect past-due child support on behalf of children who are not minors

CURRENT LAW

Federal law prohibits the use of the federal income tax offset program to recover past-due child support on behalf of non-welfare cases in which the child is not a minor, unless the child was determined disabled while he or she was a minor and for whom the child support order is still in effect. (Since its enactment in 1981 (P.L. 97–35), the federal income tax offset program has been used to collect child support arrearages on behalf of welfare families regardless of whether the children were still minors—as long as the child support order was in effect.)

COMMITTEE BILL

The Committee bill permits the federal income tax refund offset program to be used to collect arrearages on behalf of non-welfare children who are no longer minors. The provision would take effect on October 1, 2005.

REASON FOR CHANGE

This will increase support to families by removing a barrier to collecting past due child support on behalf of children who are no longer minors.

Section 307—Garnishment of compensation paid to veterans for service-connected disabilities in order to enforce child support obligations

CURRENT LAW

The disability compensation benefits of veterans are treated differently than most forms of government payment for purposes of paying child support. Whereas most government payments are subject to being automatically withheld to pay child support, veterans disability compensation is not subject to intercept. The only exception occurs when veterans have elected to forego some of their retirement pay in order to collect additional disability payments. The advantage of veterans replacing retirement pay with disability pay is that the disability pay is not subject to taxation. With this exception, which occurs rarely, the only way to obtain child support payments from veterans' disability compensation is to request that the Secretary of the Veterans Administration intercept the disability compensation and make the child support payments.

COMMITTEE BILL

The Committee bill allows veterans' disability compensation benefits to be intercepted (withheld) and paid on a routine basis to the custodial parent if the veteran is in arrears on child support pay-

ments. This provision prohibits the garnishment of any veteran's disability compensation in order to collect alimony, unless that disability compensation is being paid because retirement benefits are being waived. The provision would take effect on October 1, 2005.

REASON FOR CHANGE

This proposal will provide more child support collections to families of veterans and make the child support intercept of veterans's disability payments more consistent with other forms of government payment.

Section 308—Improving federal debt collection practices

CURRENT LAW

Federal law stipulates that any federal agency that is owed a nontax debt (that is more than 180 days past-due) may notify the Secretary of the Treasury to obtain an administrative offset of the debt. Currently, states have the authority to garnish Social Security benefits (but not Supplemental Security Income [SSI] benefits) for child support payments, but they cannot use the federal administrative offset process to do so. However, Social Security payments can only be offset for federal debt recovery. Federal law exempts $9,000 annually ($750 per month) from the administrative offset.

COMMITTEE BILL

The Committee bill expands the federal administrative offset program by allowing certain Social Security benefits to be offset to collect past-due child support (on behalf of families receiving CSE [Title IV–D of the Social Security Act] services) in appropriate cases selected by the states. The provision would take effect on October 1, 2004.

REASON FOR CHANGE

The Committee bill will increase child support collections to the families of benefit recipients by allowing offset of additional benefits, while maintaining an adequate benefit level for the recipient.

Section 309—Maintenance of technical assistance funding

CURRENT LAW

Federal law authorizes the HHS Secretary to use 1% of the federal share of child support collected on behalf of TANF families the preceding year to provide to the states—information dissemination and technical assistance, training of state and federal staff, staffing studies, and related activities needed to improve CSE programs (including technical assistance concerning state automated CSE systems), and research demonstration and special projects of regional or national significance relating to the operation of CSE programs. Such funds are available until they are expended.

COMMITTEE BILL

The Committee bill authorizes the HHS Secretary to use 1% of the federal share of child support collected on behalf of TANF families the preceding year, or the amount appropriated for FY2002, whichever is greater, to provide to the states—information dissemi-

nation and technical assistance, training of state and federal staff, staffing studies, and related activities needed to improve CSE programs (including technical assistance concerning state automated CSE systems), and research, demonstration and special projects of regional or national significance relating to the operation of CSE programs. Such funds are available until they are expended.

REASON FOR CHANGE

Since the child support assignment and distribution changes in the Committee bill will allow TANF and former TANF families to keep more of the child support collected on their behalf, TANF collections retained by the federal government will be reduced. This provision freezes technical assistance funding at least at FY2002 levels to ensure that sufficient funding is available for important child support technical assistance functions, even as the federal share of collections falls.

Section 310—Maintenance of federal parent locator service funding

CURRENT LAW

Federal law authorizes the HHS Secretary to use 2% of the federal share of child support collected on behalf of TANF families the preceding year for operation of the Federal Parent Locator Service to the extent that the costs of the Federal Parent Locator Service are not recovered by user fees. Federal law allows only such funds that were appropriated for FY1997–FY2001 to remain available until expended.

COMMITTEE BILL

The Committee bill authorizes the HHS Secretary to use 2% of the federal share of child support collected on behalf of TANF families the preceding year, or the amount appropriated for FY2002, whichever is greater, for operation of the Federal Parent Locator Service to the extent that the costs of the Federal Parent Locator Service are not recovered by user fees. Allows amounts appropriated for the Federal Parent Locator Service to remain available until they are expended.

REASON FOR CHANGE

Since the child support assignment and distribution changes in the Committee bill will allow TANF and former TANF families to keep more of the child support collected on their behalf, TANF collections retained by the federal government will be reduced. This provision freezes Federal Parent Locator Service funding at least at FY2002 levels to ensure that sufficient funding is available for the operation of the Federal Parent Locator Service, which is a key child support enforcement tool, even as the federal share of collections falls.

Section 311—Identification and seizure of assets held by multi-state financial institutions

CURRENT LAW

The 1996 welfare reform law required states to enter into agreements with financial institutions conducting business within their

state for the purpose of conducting a quarterly data match. The data match is intended to identify financial accounts (in banks, credit unions, money-market mutual funds, etc.) belonging to parents who are delinquent in the payment of their child support obligation. When a match is identified, state CSE agencies may issue liens or levies on the account(s) of the delinquent parent to collect the past-due child support. In some cases, state law prohibits the placement of liens or levies on accounts outside of the state and some financial institutions only accept liens and levies from the state where the account is located. In 1998, Congress made it easier for multi-state financial institutions to match records by permitting the Federal Parent Locator Service (FPLS) to help them coordinate their information.

COMMITTEE BILL

The Committee bill authorizes the HHS Secretary, via the Federal Parent Locator Service, to assist states to perform data matches comparing information from states and participating multi-state financial institutions with respect to persons owing past-due child support. The Committee bill authorizes the Secretary via the Federal Parent Locator Service to seize assets, held by such financial institutions, of noncustodial parents who owe child support arrearage payments, by issuing a notice of a lien or levy and requiring the financial institution to freeze and seize assets in accounts in multi-state financial institutions to satisfy child support obligations. The Secretary would be required to transmit any assets seized under the procedure to the state for accounting and distribution. The Committee bill stipulates that the Secretary must inform affected account holders/ asset holders of their due process rights.

REASON FOR CHANGE

After HHS identifies assets held in multi-state financial institutions by persons who owe past due support, many states cannot take action to seize financial assets when they are located in another state. Therefore, the Committee bill authorizes the Secretary to take administrative action on behalf of a state to freeze and seize assets in accounts in multi-state financial institutions, identified through the multi-state financial institution data match. This will make full use of this existing enforcement mechanism and increase the collection of past-due child support.

Section 312—Information comparisons with insurance data

CURRENT LAW

No provision.

COMMITTEE BILL

The Committee bill authorizes the HHS Secretary, via the Federal Parent Locator Service, to compare information of noncustodial parents who owe past-due child support with information maintained by insurers (or their agents) concerning insurance claims, settlements, awards, and payments; and to furnish any information resulting from a match to the appropriate state CSE agency in order to secure settlements, awards, etc. for payment of past-due

child support. The Committee bill stipulates that no insurer would be liable under federal or state law for disclosures made in good faith of this provision.

REASON FOR CHANGE

States must have in effect laws requiring the use of procedures authorizing intercepting or seizing periodic or lump-sum payments from settlements to satisfy current support obligations. Often states are unable to access the databases that contain insurance and settlement information, especially when the information is related to an interstate case or when an insurance company is located in another state. In order to assist states, the Committee bill permits the Secretary to administer an insurance claims matching program. Under the proposal, the Federal Offset File (individuals who owe past-due support) would be matched against insurance databases to identify individuals who have pending insurance claims and settlements. The Secretary would notify states if delinquent obligors have pending insurance claims and settlements so that states could take enforcement actions to freeze and seize these payments. Participation by insurance companies would be voluntary.

Section 313—Tribal access to the federal parent locator service

CURRENT LAW

The Federal Parent Locator Service (FPLS) is a national location system operated by the federal Office of Child Support Enforcement to assist states in locating noncustodial parents, putative fathers, and custodial parties for the establishment of paternity and child support obligations, as well as the enforcement and modification of orders for child support, custody and visitation. It also identifies support orders or support cases involving the same parties in different states. The FPLS consists of the Federal Case Registry, Federal Offset Program, Multi-state Financial Institution Data Match, National Directory of New Hires, and the Passport Denial Program. Additionally, the FPLS has access to external locate sources such as the Internal Review Service (IRS), the Social Security Administration (SSA), Veterans Affairs (VA), the Department of Defense (DOD), and the Federal Bureau of Investigation (FBI). The FPLS is only allowed to transmit information in its databases to "authorized persons," which include (1) child support enforcement agencies (and their attorneys and agents); (2) courts, (3) the resident parent, legal guardian, attorney, or agent of a child owed child support; and (4) foster care and adoption agencies.

COMMITTEE BILL

The Committee bill includes Indian tribes and tribal organizations that operate a child support enforcement program as "authorized persons."

REASON FOR CHANGE

The Committee bill will give tribal child support enforcement programs access to the Federal Parent Locator Service, to which state child support enforcement agencies currently have access, so that they can use it to locate noncustodial parents to establish pa-

ternity and collect child support. This will increase child support collections to families, especially tribal families.

Section 314—Reimbursement of Secretary's costs of information comparisons and disclosure for enforcement of obligations on higher education act loans and grants

CURRENT LAW

Federal law (P.L. 106–113) authorized the Department of Education to have access to the National Directory of New Hires. The provisions were designed to improve the ability of the Department of Education to collect on defaulted loans and grant overpayments made to individuals under Title IV of the Higher Education Act of 1965. The Federal Office of Child Support Enforcement (OCSE) and the Department of Education negotiated and implemented a Computer Matching Agreement in December 2000. Under the agreement, the Secretary of Education is required to reimburse the HHS Secretary for the additional costs incurred by the HHS Secretary in furnishing requested information.

COMMITTEE BILL

The Committee bill amends the reimbursement of costs provision by eliminating the word additional. Thus, the Secretary of Education is to reimburse the HHS Secretary for any costs incurred by the HHS Secretary in providing requested new hires information.

REASON FOR CHANGE

The Committee bill makes legislative language governing the Department of Education's access to the National Directory of New Hires consistent with general reimbursement language that applies to other entities.

Section 315—Technical amendment relating to cooperative agreements between states and Indian tribes

CURRENT LAW

Federal law requires that any state that has a child welfare program and that has Indian country may enter into a cooperative agreement with an Indian tribe or tribal organization if the tribe demonstrates that it has an established tribal court system with several specific characteristics related to paternity establishment and the establishment and enforcement of child support obligations. The HHS Secretary may make direct payments to Indian tribes and tribal organizations that have approved child support enforcement plans.

COMMITTEE BILL

The Committee bill deletes the reference to child welfare programs.

REASON FOR CHANGE

This reference incorrectly refers to the child welfare program rather than the child support enforcement program.

Section 316—Claims upon longshore and harbor workers' compensation for child support

CURRENT LAW

The Longshore and Harbor Worker's Compensation Act is the federal worker's compensation law for maritime workers and persons working in shipyards and on docks, ships, and offshore drilling platforms. The Act exempts benefits paid by longshore or harbor employers or their insurers from all claims of creditors. Thus, Longshore and Harbor Worker's Compensation Act benefits that are paid by longshore or harbor employers or their insurers are not subject to attachment for payment of child support obligations.

COMMITTEE BILL

The Committee bill amends the Longshore and Harbor Workers' Compensation Act to ensure that longshore or harbor workers benefits that are provided by the federal government or by private insurers are subject to garnishment for purposes of paying child support obligations.

REASON FOR CHANGE

The Federal Longshore and Harbor Worker's Compensation Act (LHWCA) stipulates that benefits that are paid by a self-insured entity or private insurer are not subject to attachment for payment of child support obligations. The Committee bill would allow garnishment of all LHWCA benefits for purpose of child support enforcement, thereby increasing child support collections.

Section 317—State option to use statewide automated data processing and information retrieval system for interstate cases

CURRENT LAW

The 1996 welfare reform law mandated states to establish procedures under which the state would use high-volume automated administrative enforcement, to the same extent as used for intrastate cases, in response to a request from another state to enforce a child support order. This provision was designed to enable child support agencies to quickly locate and secure assets held by delinquent noncustodial parents in another state without opening a full-blown interstate child support enforcement case in the other state. The assisting state must use automatic data processing to search various state data bases including financial institutions, license records, employment service data, and state new hire registries, to determine whether information is available regarding a parent who owes a child support obligation, the assisting state is then required to seize any identified assets. This provision does not allow states to open/establish a child support interstate case.

COMMITTEE BILL

The Committee bill allows an assisting state to establish a child support interstate case based on another state's request for assistance; and thereby an assisting state may use the CSE statewide automated data processing and information retrieval system for interstate cases.

REASON FOR CHANGE

The Committee bill allows states that cannot now use their automated systems to provide high-volume automated administrative enforcement services in interstate cases to choose to open a case in order to assist other states in collecting child support. This will increase interstate child support collections.

Section 318—Interception of gambling winnings for child support

CURRENT LAW

Federal law requires states to establish expedited processes within the state judicial system or under administrative processes for obtaining and enforcing child support orders and determining paternity. These expedited procedures include giving states authority to secure assets to satisfy payment of past-due support by seizing or attaching lumpsum payments from unemployment compensation, workers' compensation, judgments, settlements, lotteries, assets held in financial institutions, and public and private retirement funds.

COMMITTEE BILL

The Committee bill authorizes the HHS Secretary via the Federal Parent Locator Service to intercept gambling winnings of non-custodial parents who owe past-due child support and transmit those winnings to the appropriate state CSE agency for distribution. The Committee bill defines gambling winnings as the proceeds of a wager that are subject to federal tax (e.g., winnings from casinos, horse racing, dog racing, jai alai, sweepstakes, parimutuel pools, lotteries, etc.). The Secretary must compare information obtained from gambling establishments with information on persons who owe past-due support and direct the gambling establishment to withhold from the person's net winnings (i.e., the amount left after withholding amounts for federal taxes) all amounts not exceeding the total amount owed in past-due child support. In addition to the child support arrearage, a processing fee (not to exceed 2% of the child support arrearage amount withheld) would be deducted from the non-custodial parent's winnings. These procedures would only affect persons who won enough so that an IRS Form W2–G must be issued to report their winnings to the IRS and who owe child support arrearage payments.

The Committee bill stipulates that gambling establishments must not pay certain individuals any gambling winnings until the gambling establishment has furnished the HHS Secretary certain information so that a data match can be performed to determine if the individual owes past-due child support. If a data match occurs, the gambling establishment is to withhold specified winnings and transfer them to the Secretary at the same time and in the same manner as amounts withheld for federal income tax purposes would be transferred to the IRS. The Committee bill requires the Secretary to promptly transfer gambling winnings to the appropriate state CSE agency.

The Committee bill requires gambling establishments to provide written notice to the gambler regarding the amount of the withholding, the reason and authority for the withholding, and an ex-

planation of the individual's due process rights, including how the individual can appeal the withholding or the amount of the withholding to the state CSE agency. The Committee bill includes nonliability protections for gambling establishments who comply with the provisions related to the withholding of gambling winnings for child support purposes. Gambling establishments that do not comply with the aforementioned requirements would be liable for the amount that should have been withheld by the establishment.

Indian tribes and tribal organizations would have to agree to comply with the aforementioned requirements in order to receive direct child support enforcement funding.

REASON FOR CHANGE

The Committee bill requires the Secretary to provide the necessary information and assistance to state and tribal child support enforcement agencies in order to increase child support collections by withholding child support from gaming winnings while maintaining the security and privacy of child support data and ensuring that due process requirements are met.

Section 319—State law requirement concerning the uniform interstate family support act (UIFSA)

CURRENT LAW

The 1996 welfare reform law (P.L. 104–193) required that on and after January 1, 1998, each state must have in effect the Uniform Interstate Family Support Act (UIFSA), as approved by the American Bar Association on February 9, 1993, and as in effect on August 22, 1996, including any amendments officially adopted as of such date by the National Conference of Commissioners on Uniform State Laws.

Federal law requires states to treat past-due child support obligations as final judgments that are entitled to full faith and credit in every state. This means that a person who has a child support order in one state does not have to obtain a second order in another state to obtain child support due should the noncustodial parent move from the issuing court's jurisdiction. P.L. 103–383 restricts a state court's ability to modify a child support order issued by another state unless the child and the custodial parent have moved to the state where the modification is sought or have agreed to the modification. The 1996 welfare reform law (P.L. 104–193) clarified the definition of a child's home state, makes several revisions to ensure that the full faith and credit laws can be applied consistently with UIFSA, and clarifies the rules regarding which child support orders states must honor when there is more than one order.

COMMITTEE BILL

The Committee bill requires that each state's Uniform Interstate Family Support Act (UIFSA) must include any amendments officially adopted as of August 2001 by the National Conference of Commissioners on Uniform State Laws.

In addition, the Committee bill clarifies current law by stipulating that a court of a state that has established a child support order has continuing, exclusive jurisdiction to modify its order if the order is the controlling order and the state is the child's state

or the residence of any individual contestant; or if the state is not the residence of the child or an individual contestant, the contestant's consent in a record or in open court that the court may continue to exercise jurisdiction to modify its order. It also modifies the current rules regarding the enforcement of modified orders.

REASON FOR CHANGE

The Committee bill updates an outdated reference to an older version of UIFSA.

Section 320—Grants to states for access and visitation programs

CURRENT LAW

The 1996 welfare reform law (P.L. 104–193) authorized grants to states (via CSE funding) to establish and operate access and visitation programs. The purpose of the grants is to facilitate noncustodial parents' access to and visitation of their children. An annual entitlement of $10 million from the federal CSE budget account is available to states for these grants. Eligible activities include but are not limited to mediation, counseling, education, development of parenting plans, visitation enforcement, and development of guidelines for visitation and alternative custody arrangements. The allotment formula is based on the ratio of the number of children in the state living with only one biological parent in relation to the total number of such children in all states. The amount of the allotment available to a state will be this same ratio to $10 million. The allotments are to be adjusted to ensure that there is a minimum allotment amount of $50,000 per state for FY1997 and FY1998, and a minimum of $100,000 for any year after FY1998. States may use the grants to create their own programs or to fund programs operated by courts, local public agencies, or nonprofit organizations. The programs do not need to be statewide. States must monitor, evaluate, and report on their programs in accord with regulations issued by the HHS Secretary.

COMMITTEE BILL

The Committee bill increases funding for Access and Visitation grants from $10 million annually to $12 million in FY2004, $14 million in FY2005, $16 million in FY2006, and $20 million annually in FY2007 and each succeeding fiscal year. The Committee bill extends the Access and Visitation program to Indian tribes and tribal organizations that have received direct child support enforcement payments from the federal government for at least one year. The Committee bill includes a specified amount to be set aside for Indian tribes and tribal organizations: $250,000 for FY2004; $600,000 for FY2005; $800,000 for FY2006; and $1.670 million for FY2007 or any succeeding fiscal year.

The Committee bill increases the minimum allotment to states from $100,000 in fiscal years 1999–2003 to $120,000 in FY2004, $140,000 in FY2005, $160,000 in FY2006, and $180,000 in FY2007 or any succeeding fiscal year. The minimum allotment for Indian tribes and tribal organizations is $10,000 for a fiscal year. The tribal allotment cannot exceed the minimum state allotment for any given fiscal year.

The allotment formula for Indian tribes and tribal organizations that operate child support enforcement programs is based on the ratio of the number of children in the tribe or tribal organization living with only one parent in relation to the total number of children living with only one parent in all Indian tribes or tribal organizations. The amount of the allotment available to an Indian tribe or tribal organization would be this same ratio to the maximum allotment for Indian tribes and tribal organizations (i.e., $250,000 for FY2004; $600,000 for FY2005; $800,000 for FY2006; and $1.670 million for FY2007 or any succeeding fiscal year). (Pro rata reductions are to be made if they are necessary.)

REASON FOR CHANGE

The Committee bill provides additional funding for the Access and Visitation Grant Program so that more families can benefit from these services. Increasing a child's access to both parents may improve child well-being and is associated with increased compliance in the payment of child support.

Section 321—Timing of corrective action year for state noncompliance with child support enforcement program requirements

CURRENT LAW

Federal law requires that audits be conducted at least every 3 years to determine whether the standards and requirements prescribed by law and regulations have been met by the child support program of every state. If a state fails the audit, federal TANF funds must be reduced by an amount equal to at least 1 but not more than 2 percent for the first failure to comply, at least 2 but not more than 3 percent for the second failure, and at least 3 but not more than 5 percent for the third and subsequent failures.

The HHS Secretary also must review state reports on compliance with federal requirements and provide states with recommendations for corrective action. The purpose of the audits is to assess the completeness, reliability, and security of data reported for use in calculating the performance indicators and to assess the adequacy of financial management of the state program. Federal law calls for penalties to be imposed against states that fail to comply with a corrective action plan in the succeeding fiscal year.

COMMITTEE BILL

The Committee bill changes the timing of the corrective action year for states that are found to be in noncompliance of child support enforcement program requirements. The Committee bill changes the corrective action year to the fiscal year following the fiscal year in which the Secretary makes a finding of noncompliance and recommends a corrective action plan. The change is made retroactively in order to allow the Secretary to treat all findings of noncompliance consistently.

REASON FOR CHANGE

Current language does not recognize the time necessary to conduct federal audits and that those audits now occur during what is, under current law, a state's corrective action year. This tech-

nical correction will give states a full year to correct identified deficiencies.

TITLE IV—CHILD WELFARE

Section 401—Extension of authority to approve demonstration projects

CURRENT LAW

The law permits the HHS Secretary to conduct demonstration projects that are likely to promote the objectives of the child welfare programs authorized under Title IV–B and Title IV–E. This authority is granted for FY1998 through FY2003.

COMMITTEE BILL

The Committee bill extends this authority through FY2008.

REASON FOR CHANGE

The existing waiver programs have allowed states to seek improvements and efficiencies in child protection programs. Much have been learned from these demonstrations, which require rigorous evaluations. Extending waiver authority would yield additional important information.

Section 402—Removal of Commonwealth of Puerto Rico foster care funds from limitation on payments

CURRENT LAW

Combined federal funding for public assistance programs for Puerto Rico is capped at $107,255,000 yearly. This ceiling covers grants for TANF, Aid to the Aged, Blind, or Disabled, and programs under Title IV–E of the Social Security Act (foster care, adoption assistance, and independent living programs.

COMMITTEE BILL

The bill would remove from Puerto Rico's overall funding ceiling foster care payments made to Puerto Rico for FY2005 or any later year that exceed the total amount of foster payments made to the Commonwealth for FY2002. However, the amount disregarded under this provision could not exceed $6,250,000 for each of FYs 2005 through 2008.

REASON FOR CHANGE

The Committee is concerned about the ability of Puerto Rico to operate its IV–E program effectively within the current limits that exist on its combined social services expenditures for IV–E, TANF, and Aid to the Aged, Blind, and Disabled programs. Therefore the Committee would allow Puerto Rico to claim up to $6.25 million in IV–E costs per year above its total social services cap (beginning in FY 2005), but only to the extent such costs exceed IV–E expenditures in FY2002. The Committee recognizes that budgetary constraints do not allow for the removal of the entire program from the cap, but acknowledges that this change will provide additional funding to allow Puerto Rico to better serve this population.

TITLE V—SUPPLEMENTAL SECURITY INCOME

Section 501—Review of state agency blindness and disability determinations

CURRENT LAW

The law has no provision requiring review by the Social Security Commissioner of state agency determinations of SSI eligibility on grounds of blindness or disability. It does require review of blindness or disability determinations for Disability Insurance (DI).

COMMITTEE BILL

The Committee bill requires the Social Security Commissioner to review state agency blindness and disability determinations for SSI. It calls for review of at least 20 percent of determinations made in FY2004; 40% in FY2005; and 50% in FY2006 or thereafter.

TITLE VI—TRANSITIONAL MEDICAL ASSISTANCE

Section 601—Transitional medical assistance

CURRENT LAW

The law requires transitional medical assistance (TMA)—from 6 to 12 months—for those whose lose Medicaid eligibility because of increased income arising from work (higher wages or more hours of work). Authorization for 6–12 months of TMA expired on September 30, 2002, but was extended by a series of measures through March 31, 2004. (Permanent provisions of law require 4 months of transitional medical benefits to families who lose Medicaid eligibility because of income from child or spousal support or from earnings.)

COMMITTEE BILL

The Committee bill continues TMA until September 30, 2008. It also permits states to extend TMA for up to 24 months, allows continuous eligibility for 12 months by making reporting requirement optional, and eases access by permitting states to waive the requirement for previous receipt of Medicaid (for 3 of previous 6 months).

REASON FOR CHANGE

The Committee bill recognizes that Medicaid is an important part of the safety net for needy families, and that health care is a critical support for low-income families as they transition from welfare to work and self-sufficiency, particularly for families with entry-level employment.

Section 602—Covering childless adults with SCHIP funds

CURRENT LAW

In 1997, when the State Children Health Insurance Program (SCHIP) was created, Congress specified that SCHIP allocations only could be used, "to enable [States] to initiate and expand the provision of child health assistance to uninsured, low-income children in an effective and efficient manner."

COMMITTEE BILL

In the past, the Secretary of Health and Human Services has approved waivers that spend SCHIP dollars to cover childless adults. The proposal clarifies the intent of Congress: specifically stating that SCHIP funds cannot be spent on childless adults. It will no longer be legal for the Secretary to approve a waiver providing health insurance coverage through SCHIP to childless adults.

REASON FOR CHANGE

The use of funds dedicated by Congress to low-income uninsured children or childless adults is an inappropriate implementation of the SCHIP statute.

TITLE VII—EFFECTIVE DATE

COMMITTEE BILL

Provisions take effect on the date of enactment. However, if the Secretary determines that state legislation is required for a State TANF or Child Support plan to conform with the Act, the effective date is delayed to three months after the first day of the first calendar quarter beginning after the close of the first regular session of the legislature that begins after enactment of this Act If the state has a 2-year legislative session, each year is to be considered a separate regular session.

III. VOTE OF THE COMMITTEE

A substitute to H.R. 4, entitled, Personal Responsibility and Individual Development for Everyone (PRIDE) Act.

Bingaman No. 1, Amendment No. 48. Defeated by rollcall vote, 9 ayes, 11 nays.

Ayes: Baucus, Rockefeller (proxy), Breaux (proxy), Graham (proxy), Jeffords (proxy), Bingaman, Kerry (proxy), Lincoln.

Nays: Grassley, Hatch (proxy), Nickles, Lott, Snowe, Kyl (proxy), Thomas, Santorum, Frist (proxy), Bunning, Conrad.

Bingaman No. 10, Amendment No. 57. Defeated by voice vote.

Lincoln No. 1, Amendment No. 62. Defeated by voice vote.

Snowe No. 1, Amendment No. 5. Accepted by voice vote.

Lincoln No. 3, Amendment No. 64. Defeated by voice vote.

Jeffords No. 2, Amendment No. 43. Amendment accepted.

Breaux No. 1, Amendment No. 35. Amendment accepted.

Baucus No. 3, Amendment No. 13. Defeated by voice vote.

Baucus No. 1, Amendment No. 11. Defeated by rollcall vote, 10 ayes, 10 nays.

Ayes: Baucus, Rockefeller (proxy), Daschle (proxy), Breaux (proxy), Conrad (proxy), Graham (proxy), Jeffords (proxy), Bingaman, Lincoln (proxy).

Nays: Grassley, Hatch, Nickles (proxy), Lott (proxy), Snowe, Kyl (proxy), Thomas (proxy), Santorum, Frist (proxy), Bunning (proxy).

H.R. 4, final passage, approved by recorded vote of Members present: 9 ayes, 8 nays. Including proxies: 10 ayes, 10 nays.

Ayes: Grassley, Hatch, Nickles, Lott, Snowe, Kyl, Thomas (proxy), Santorum, Frist, Bunning.

Nays: Baucus, Rockefeller, Daschle, Breaux, Conrad, Graham (proxy), Jeffords, Bingaman, Kerry (proxy), Lincoln.

IV. REGULATORY IMPACT STATEMENT AND RELATED MATTERS

A. Regulatory Impact

In accordance with paragraph 11(b) of rule XXVI of the Standing Rules of the Senate, the Committee makes the following statement concerning the regulatory impact of the Personal Responsibility and Individual Development for Everyone Act (PRIDE).

IMPACT ON INDIVIDUALS AND BUSINESSES

In general, the bill provides grants to States and certain other entities to assist low-income families with children in moving toward self-sufficiency. Regulations are needed to implement these grants in specified areas but do not affect individuals or businesses, unless they choose to apply for such grants.

IMPACT ON PERSONAL PRIVACY AND PAPERWORK

The bill provides grants to States and certain other entities to assist low-income families with children in moving toward self-sufficiency. In the context of seeking assistance, families may be asked about personal circumstances and to provide applications, including paperwork associated with their financial situation. The bill should not increase the amount of personal information and paperwork required.

B. Unfunded Mandates Statement

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

The act would extend funding for a number of state programs, most notably TANF, and it also would establish new grants that target a variety of worker and family programs. The act also would place new requirements and limitations on state programs as conditions for receiving federal assistance. Preemptions and some other requirements in the act would be intergovernmental mandates as defined in UMRA, and the limit on amounts that states could retain for state child support enforcement programs also could be an intergovernmental mandate because of the narrow focus of and limited flexibility in that program.

Mandates

Generally, conditions of federal assistance are not considered intergovernmental mandates as defined in UMRA. However, UMRA makes special provisions for identifying intergovernmental mandates in large entitlement grant programs (those that provide more than $500 million annually to state, local, or tribal governments), including TANF, Medicaid, and child support enforcement. Specifically, if a legislative proposal would increase the stringency of conditions of assistance, or cap or decrease the amount of federal funding for the program, such a change would be considered an intergovernmental mandate only if the state, local, or tribal government lacks authority to amend its financial or programmatic re-

sponsibilities to continue providing required services. The TANF and Medicaid programs allow states significant flexibility to alter their programs and accommodate new requirements. However, the child support enforcement program is narrower in scope, and its primary goal is to collect and redistribute child support payments. This narrower focus does not afford states as much flexibility as other large entitlement programs, so reductions in funding for the child support program could be intergovernmental mandates as defined in UMRA. CBO estimates, however, that the cost of the intergovernmental mandates would not exceed the threshold established in UMRA ($66 million in 2008, adjusted annually for inflation).

Child Support Enforcement. H.R. 4 would reduce the amounts that states may retain from child support collections to reimburse themselves for public assistance spending, in particular for TANF. As a result, states would lose a total of about $56 million in 2008 and about $370 million over the 2008–2013 period. Retained child support collections are intended to reimburse states for their portion of spending for public assistance programs. Some states rely on these reimbursements for operating their child support enforcement program, and in those states a reduction in outside sources of revenue likely would result in the need for additional state funding. The extent of that need would determine the costs of the mandate, and if states are able to carry out their responsibilities more efficiently or to pare back their activities while maintaining a basic level of compliance, the aggregate costs of the mandate may be lower. States also would be required to conduct mandatory reviews of child support cases every three years, but this requirement is expected to result in net savings to states of about $62 million in child support program and $57 million in Medicaid over the 2006–2013 period.

Preemptions. The act contains three preemptions of state law that would be considered intergovernmental mandates as defined in UMRA. The act would preempt state laws that could prevent an individual from contesting liens or levies on property seized in an effort to collect past-due child support. The act also would protect insurers from state liability laws in cases where they have shared information with the Secretary of HHS for the purpose of identifying individuals that owe past-due child support. Similarly, both public and private gambling facilities that share information with the Secretary (as required by the act) would be protected from state liability laws. None of these preemptions would result in significant costs to state, local, or tribal governments.

TANF and Medicaid. The TANF program affords states broad flexibility to determine eligibility for benefits and to structure the programs offered as part of the state's family assistance program. Changes to the program as embodied in H.R. 4 could alter the way in which states administer the program and provide benefits, and such changes could increase costs to states. However, states could make other changes of their own, adjusting eligibility criteria or the structure of programs to avoid or offset such costs. Because the TANF program affords states such broad flexibility, new requirements general are not considered intergovernmental mandates as defined by UMRA. Similarly, a large component of the Medicaid program includes optional services that states may alter to accom-

modate new requirements and to offset additional costs in that program.

Other impacts

Benefits. Many provisions of the act would benefit state assistance programs by increasing funding, broadening flexibility, or providing new grants.

TANF. The act would reauthorize family assistance grants through 2008 and continue supplemental grants for states that historically have had rising populations or that provided relatively low levels of benefits. It also would alter the Contingency Fund program and increase the likelihood that states would qualify for funding. In addition to $16.6 billion for family assistance that states will receive under current baseline assumptions, CBO estimates that states would receive $1.1 billion for supplemental grants and $285 million from the Contingency Fund over the 2004–2013 period.

Increased Flexibility. The act would allow states to use unspent funds from prior years to pay for services in addition to benefits, and it would allow them to continue to use up to 10 percent of their TANF funds for SSBG purposes. States also could use a portion of TANF funds for projects that foster access to jobs or reverse commuting.

Child Care. The act would extend child care grants through 2008 and increase funding for those grants by $200 million annually over the 2004–2013 period.

Healthy Marriage Promotion. The act would repeal bonus grants for the reduction of illegitimacy, which were available to up to five states through 2003, and replace them with grants for developing and implementing innovative programs to promote and support healthy, two-parent married families. Grants could be used for a variety of education and media activities associated with the core goals, but they also must incorporate issues of domestic violence and ensure that participation in any related programs is voluntary. Grants of $100 million annually would be available from 2004 through 2008. State spending on related programs for otherwise non-eligible families could be counted toward a state's maintenance-of-effort requirements in TANF.

Fatherhood Grants. The act would authorize the appropriation of $75 million annually over the 2004–2008 period for a variety of grant programs to promote fatherhood, responsible parenting, and marriage—either directly or through educational and media campaigns.

Abstinence Education. The act would extend abstinence education grants and provide $50 million annually over the 2004–2008 period. Any unspent funds allocated to individual states would be periodically reallocated by the Secretary.

Tribal Family Assistance. The act would reauthorize direct funding for the tribal TANF programs through 2008. It also would authorize the appropriation of $100 million annually for a fund to support technical assistance, economic development activities, and research associated with family assistance programs administered by tribal organizations.

Access and Visitation. The act would allow tribes to receive grants for access and visitation programs, and the act would in-

crease grants to state and tribes for such programs by $82 million over the 2004–2013 period. The act also would increase the minimum state allotment, increasing from $120,000 in 2004 (up from $100,000 in current law) to $180,000 in 2007 and thereafter.

Grants to Support Work Activities. The act would authorize and appropriate $40 million annually over the 2004–2008 period for grants to capitalize and develop sustainable social services that help move recipients of assistance into work activities. The act also would authorize $25 million annually over the same period for grants to state, local, tribal, and non-profit entities for programs that help low-income families with children acquire and maintain dependable cars and insurance.

Other Costs and Additional Requirements. Some provisions of the act, while not intergovernmental mandates as defined in UMRA, would place additional conditions on state, local, and tribal governments or would result in additional spending as a result of meeting federal matching requirements.

Medicaid. The act would require states to continue providing transitional medical assistance through fiscal year 2008. TMA provides benefits to certain individuals and their dependents who otherwise would lose coverage because of increased earnings. The act also would allow states to implement simplifications of the TMA system, enabling them to provide TMA for an additional year in some cases and easing the qualification requirements. Finally, the act would prohibit SCHIP coverage for childless adults. CBO estimates that the total net effect of these provisions would be additional state spending of $1.9 billion in Medicaid and savings of about $200 million in SCHIP over the 2004–2013 period.

Bonus Grants Change to Employment Basis. Under current law, states are eligible to receive bonus grants totaling up to 5 percent of their family assistance grant if they are identified by the Secretary as a high performing state in terms of meeting the goals of the TANF program. The act would reduce those grants by half, from averages of $200 million to $100 million annually, and would change the basis of the grant from general performance to a focus on employment entry, retention, and increased earnings for beneficiaries. Grants also would be available to tribal organizations.

Work Participation Requirements. The act would increase work-participation requirements in the TANF program, but CBO estimates that states would move nonworking families into separate state programs to effectively reduce the new requirements. The act would require states to have an increasing percentage of TANF recipients participate in work activities while receiving cash assistance. It would maintain current penalties for the failure to meet those requirements. Those penalties can total up to 5 percent of the TANF block grant amount for the first failure to meet work requirements and increase with each subsequent failure. CBO expects no state would be subject to financial penalty for failing to meet the new requirements.

The bill would increase the minimum work participation rate from 50 percent to 70 percent over a five-year period. To meet those requirements, 70 percent of families would have to be engaged in work activities by 2008. The act would eliminate a separate requirement in current law that sets even higher participation rates for two-parent families. In addition to overall participation

rates, the act would increase the minimum number of hours a family would need to participate to fully count toward the standard from 30 to 34 hours a week. However, it would allow partial credit for recipients who participate for between 20 and 33 hours. Two-parent families would be required to work more hours, but parents with children under the age of six would only have to work 24 hours in order to meet the requirements. The increase in the number of hours of work per week could result in a modest spending increase by states and tribes for administration, worker support activities, and child care. As the overall participation rates increase, states and tribes would have to direct more resources toward programs such as administrative support, child care, and worker supervision to comply with the 70 percent requirement.

The act would expand the types of activities that would count toward meeting the work participation requirements and the allowed exclusions from the calculation of the work participation rate.

To the extent that states find the new work requirements difficult to meet, CBO expects states would employ strategies such as moving nonworking families into separate state programs to effectively reduce the new requirements. For example, under current law, states that fail to meet work requirements, particularly the higher requirements applying to two-parent families, set up separate state programs to serve those families. States can count funds they spend in separate state programs toward their MOE requirement in TANF, but families served under those programs do not count in the work participation rate.

Replacement of Caseload Reduction Credit. Under current law, a state's minimum work participation rate may be reduced by the amount that the average number of families receiving assistance declines, assuming the reduction is not the result of changes in eligibility requirements. The act would replace the caseload reduction credit with an employment credit that would be based on the percentage of individuals who no longer receive assistance and who are actively working. Former recipients who are earning at comparably higher salaries would be weighted heavier in calculating the state's employment credit. In total, however, the size of any credit would be limited to 40 percentage points in 2004, decreasing to 20 percentage points by 2008. States could opt to have the shift in the basis for the credit delayed until October 1, 2006.

Individual Responsibility v. Family Self-Sufficiency. The act would change the requirement that states develop individual responsibility plans for beneficiaries to a requirement for family self-sufficiency plans. States that fail to implement family self-sufficiency plans would be subject to the same penalties as failing to meet work participation requirements.

New Requirements. States would have to implement new performance measurement standards and comply with a standardized format for submitting amendments to their state plans for TANF programs. The act also would require states to collect and report additional data on families enrolled in TANF programs and on those who leave the rolls because of ineligibility. The act would require monthly reports on caseload levels and it would require an annual report on how states are achieving their performance goals.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

Section 318 would impose a mandate on gambling establishments by requiring them to withhold certain gambling winnings from individuals who owe past-due child support, to furnish written notice to those individuals, and to transfer the amount withheld to a federal agency. The gambling establishments may retain 2 percent of the amount withheld as a processing fee. CBO expects that the net direct cost of the mandate would fall well below the annual threshold established by UMRA ($117 million in 2003, adjusted annually for inflation).

V. BUDGET EFFECTS

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, October 3, 2003.

Hon. CHARLES E. GRASSLEY,
Chairman, Committee on Finance,
U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 4, the Personal Responsibility and Individual Development for Everyone Act.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contacts are Sheila Dacey (for federal costs), Leo Lex (for the state and local impact), and Ralph Smith (for the private-sector impact).

Sincerely,

DOUGLAS HOLTZ-EAKIN,
Director.

Enclosure.

H.R. 4—Personal Responsibility and Individual Development for Everyone Act

Summary: H.R. 4 would:

- Reauthorize the Temporary Assistance for Needy Families (TANF) program at current funding levels (it would increase funding for some grants and establish several new grants, but also would eliminate funding for other related grants);
- Continue funding abstinence education programs at $50 million annually, and increase funding for child care programs by $200 million annually;
- Make several changes to the child support enforcement program, including allowing the distribution to families of more collections from child support payments;
- Require the Social Security Administration (SSA) to change its system of reviewing awards to certain disabled adults in the Supplemental Security Income (SSI) program;
- Extend by five years the requirement that state Medicaid programs provide transitional medical assistance (TMA) to certain Medicaid beneficiaries; and
- Allow states to simplify aspects of TMA administration and prohibit states from using State Children's Health Insurance Program (SCHIP) funds to provide health coverage to childless adults.

CBO estimates that enacting H.R. 4 as approved by the Senate Finance Committee would increase direct spending by $348 million in 2004, by $4.7 billion over the 2004–2008 period, and by $6.4 billion over the 2004–2013 period. It also would reduce revenues by $22 million over the 2004–2008 period, and by $128 million over the 2004–2013 period.

The act would authorize the appropriation of $200 million annually for new grant programs to promote fatherhood, improve tribal services, and encourage car ownership for families with low incomes. CBO estimates that appropriation of the authorized levels would result in $14 million in outlays in 2004, $715 million over the 2004–2008 period, and $1 billion over the 2004–2013 period.

H.R. 4 would impose intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) by preempting state law, and would reduce the amount of child support collections that states could retain. The preemptions would impose no significant costs on state governments. However, the reduction in the amount of child support collections that states retain could impose significant costs. Those costs would depend on the degree to which states would be able to alter their responsibilities within their own child support enforcement programs to compensate for the loss of receipts. In total, states would face losses ranging from $56 million in 2008 growing to $67 million in 2013. These losses would not exceed the threshold established in UMRA ($66 million in 2008, adjusted annually for inflation).

Other provisions of the act would significantly affect the way states administer their TANF and Medicaid programs, but because of the flexibility in those programs, the new requirements would not be intergovernmental mandates as defined in UMRA. In general, state, local, and tribal governments would benefit from the continuation of existing grants in TANF, the creation of new grant programs, and broader flexibility and options in some areas.

The legislation would impose a private-sector mandate, as defined in UMRA, on gambling establishments by requiring them to withhold certain gambling winnings from individuals who owe past-due child support, to furnish written notice to those individuals, and to transfer the amount withheld to a federal agency. CBO estimates that the net direct cost of the mandate would fall well below the annual threshold established in UMRA ($117 million in 2003, adjusted annually for inflation).

Estimated cost to the Federal Government: The estimated budgetary impact of H.R. 4 is shown in Table 1. For this estimate, CBO assumes that H.R. 4 will be enacted early in fiscal year 2004. The costs of this legislation fall within budget functions 500 (education, training, employment, and social services), 550 (health), and 600 (income security).

TABLE 1.—ESTIMATED COSTS OF H.R. 4, THE PERSONAL RESPONSIBILITY AND INDIVIDUAL DEVELOPMENT FOR EVERYONE ACT, BY TITLE

	By fiscal year, in millions of dollars—											
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004–2008	2004–2013
CHANGES IN DIRECT SPENDING												
Title I: TANF:												
Estimated Budget Authority	913	496	500	502	186	185	285	284	283	281	2,597	3,915
Estimated Outlays	267	536	337	643	434	349	317	286	283	281	2,217	3,733
Title II: Abstinence Education:												
Estimated Budget Authority	25	50	50	50	50	0	0	0	0	0	225	225
Estimated Outlays	7	25	38	44	49	37	16	10	5	0	162	228
Title III: Child Support:												
Estimated Budget Authority	84	70	89	102	172	208	220	232	240	250	517	1,667
Estimated Outlays	64	65	94	115	184	204	218	233	240	250	522	1,667
Title IV: Child Welfare:												
Estimated Budget Authority	0	6	6	6	6	20	21	21	22	22	25	131
Estimated Outlays	0	6	6	6	6	16	17	17	18	19	25	112
Title V: Supplemental Security Income:												
Estimated Budget Authority	−6	−24	−51	−81	−116	−152	−188	−229	−259	−307	−278	−1,413
Estimated Outlays	−6	−24	−51	−81	−116	−152	−188	−229	−259	−307	−278	−1,413
Title VI: Transitional Medical Assistance:												
Estimated Budget Authority	17	400	564	630	664	455	34	−36	−69	−92	2,275	2,567
Estimated Outlays	17	386	526	583	586	367	−43	−105	−114	−110	2,098	2,093
Total Direct Spending:												
Estimated Budget Authority	1,033	998	1,158	1,209	962	716	372	272	217	154	5,361	7,092
Estimated Outlays	348	994	950	1,309	1,143	821	337	212	172	133	4,746	6,420
CHANGES IN REVENUES												
Title III: Child Support:												
Estimated Revenues	0	0	−2	−7	−13	−17	−20	−22	−23	−24	−22	−128
CHANGES IN SPENDING SUBJECT TO APPROPRIATION												
Title I: TANF:												
Authorized Level	200	200	200	200	200	0	0	0	0	0	1,000	1,000
Estimated Outlays	14	95	191	218	197	186	90	9	0	0	715	1,000

Notes.—Components may not sum to totals because of rounding. TANF = Temporary Assistance for Needy Families.

Basis of estimate: Most of H.R. 4's budgetary effects would stem from new direct spending. A portion of the new spending would be offset by some savings, resulting in a net increase in direct spending of about $6.4 billion over the next 10 years. The act also would reduce federal revenues by an estimated $128 million over the 10-year period and increase discretionary spending by $1 billion over that period.

Direct spending and revenues

H.R. 4 would increase direct spending primarily for TANF, Child Care, and Medicaid TMA, but also for abstinence education and child welfare. Those increases would total nearly $9 billion over the 2004–2013 period, but would be partially offset by $4.4 billion in savings from changes to the TANF, Medicaid, SSI, and other programs. In addition, H.R. 4 would make changes to the child support program that would result in a loss of federal collections of $1.9 billion over the 10-year period. Finally, a provision in title III would lead to a reduction in federal revenues of $128 million by allowing states to use a national directory of new hires to help detect fraud in the unemployment compensation system. (That provision

would reduce spending for unemployment compensation, and as a result, lead to some reduced taxation for funding such compensation.)

Title I: TANF. H.R. 4 would reauthorize basic TANF grants through 2008 at the current level of funding of $16.6 billion. That amount is assumed to continue in the current budget resolution baseline; thus, enacting H.R. 4 would not change basic TANF grants relative to that baseline. TANF and related grants were originally authorized through fiscal year 2002. They have been extended several times in subsequent legislation, most recently through March 31, 2004, by Public Law 108–89, which was enacted on October 1, 2003.

The act would not alter current requirements on states to spend a certain percentage of their historic spending level (80 percent, or 75 percent if the state meets the work participation requirements) and to limit assistance paid with federal funds to five years. However, it would alter the funding of some grants related to TANF and make several other changes to program rules and reporting requirements. CBO estimates that enacting title I would increase direct spending by $267 million in 2004 and $3.7 billion over the 2004–2013 period (see Table 2).

TABLE 2.—DIRECT SPENDING EFFECTS OF TITLE I: TANF

	By fiscal year, in millions of dollars—											
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004–2008	2004–2013
Eliminate Out-of-Wedlock Bonus:												
TANF:												
Estimated Budget Authority	−100	−100	−100	−100	−100	−100	−100	−100	−100	−100	−500	−1,000
Estimated Outlays	0	−35	−79	−96	−163	−122	−100	−100	−100	−100	−373	−895
Food Stamps:												
Estimated Budget Authority	0	0	1	1	2	1	1	1	1	1	4	9
Estimated Outlays	0	0	1	1	2	1	1	1	1	1	4	9
Subtotal:												
Estimated Budget Authority	−100	−100	−99	−99	−98	−99	−99	−99	−99	−99	−496	−991
Estimated Outlays	0	−35	−78	−95	−161	−121	−99	−99	−99	−99	−369	−886
Establish Healthy Marriage Promotion Grant:												
Budget Authority	100	100	100	100	100	100	100	100	100	100	500	1,000
Estimated Outlays	1	28	74	124	122	111	100	100	100	100	349	860
Continue Supplemental Grant at $319 Million Through 2007:												
TANF:												
Budget Authority	128	319	319	319	0	0	0	0	0	0	1,085	1,085
Estimated Outlays	64	217	284	340	109	48	24	0	0	0	1,013	1,085
Food Stamps:												
Estimated Budget Authority	−2	−3	−4	−4	−2	−1	0	0	0	0	−15	−16
Estimated Outlays	−2	−3	−4	−4	−2	−1	0	0	0	0	−15	−16

TABLE 2.—DIRECT SPENDING EFFECTS OF TITLE I: TANF—Continued

	By fiscal year, in millions of dollars—											
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004–2008	2004–2013
Subtotal:												
Estimated Budget Authority	126	316	315	315	−2	−1	0	0	0	0	1,070	1,069
Estimated Outlays	62	214	280	336	107	47	24	0	0	0	998	1,069
Reduce High-Performance Bonus:												
TANF:												
Budget Authority	400	−200	−200	−200	−200	−200	−100	−100	−100	−100	−400	1,000
Estimated Outlays	0	−35	−79	−96	−163	−122	−100	−100	−100	−100	−373	−895
Food Stamps:												
Estimated Budget Authority	0	0	1	1	2	1	1	1	1	1	4	9
Estimated Outlays	0	0	1	1	2	1	1	1	1	1	4	9
Subtotal:												
Estimated Budget Authority	400	−200	−199	−199	−198	−199	−99	−99	−99	−99	−396	−991
Estimated Outlays	0	−35	−78	−95	−161	−121	−99	−99	−99	−99	−369	−886
Modify Contingency Fund:												
TANF:												
Estimated Budget Authority	40	25	28	30	29	29	28	27	26	24	152	286
Estimated Outlays	28	25	32	32	33	30	28	27	26	24	150	285
Increase Transfer Authority to SSBG:												
TANF:												
Budget Authority	0	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	37	98	−54	−34	−35	−12	0	0	0	0	12	0
Establish Secretary's Fund for Research, Demonstration, and National Studies:												
Budget Authority	100	100	100	100	100	100	100	100	100	100	500	1,000
Estimated Outlays	10	60	108	115	109	101	100	100	100	100	402	903
Extend Funding of Studies and Demonstrations:												
Budget Authority	7	15	15	15	15	15	15	15	15	15	67	142
Estimated Outlays	*	4	11	15	15	15	15	15	15	15	45	120
Increase Funding for Child Care:												
Child Care:												
Budget Authority	200	200	200	200	200	200	200	200	200	200	1,000	2,000
Estimated Outlays	150	182	194	198	200	200	200	200	200	200	924	1,924
TANF:												
Budget Authority	0	05	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	−21	−16	−7	6	20	8	8	2	0	0	−18	0
Subtotal:												
Budget Authority	200	200	200	200	200	200	200	200	200	200	1,000	2,000
Estimated Outlays	129	166	187	204	220	208	208	202	200	200	906	1,924
Establish Grants to Capitalize and Develop Sustainable Social Services:												
Budget Authority	40	40	40	40	40	40	40	40	40	40	200	400
Estimated Outlays	*	11	30	50	49	44	40	40	40	40	400	344

TABLE 2.—DIRECT SPENDING EFFECTS OF TITLE I: TANF—Continued

	By fiscal year, in millions of dollars—											
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004–2008	2004–2013
Effect of Title I Interactions on TANF:												
Budget Authority	0	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	0	0	−175	−9	137	47	0	0	0	0	−47	0
Total Changes: Title I:												
Estimated Budget Authority	913	496	500	502	186	185	285	284	283	281	2,597	3,915
Estimated Outlays	267	536	337	643	434	349	317	286	283	281	2,217	3,733

Notes.—Components may not sum to total because of rounding. TANF=Temporary Assistance for Needy Families. SSBG=Social Services Block Grant.
*=Less than $500,000.

State Family Assistance Grant. Section 102 would extend the state family assistance grant through 2008 at the current level of $16.6 billion. As noted above, CBO already assumes funding at that level in its baseline in accordance with rules for constructing baseline projections, as set forth in section 257 of the Balanced Budget and Emergency Deficit Control Act of 1985 (Deficit Control Act). Therefore, CBO estimates the provision would have no effect on direct spending over the 2004–2013 period, relative to the baseline.

Healthy Marriage Promotion Grants. Section 103 would eliminate an out-or-wedlock birth grant program, but would create a new grant program to promote healthy marriages. CBO projects funding for out-of-wedlock birth grants at $100 million annually in accordance with the Deficit Control Act. We estimate that eliminating this program would reduce outlays by $895 million over the 2005–2013 period. The impact of the reduction in funding on outlays is delayed (no effect in 2004) because the grants are awarded in the last days of a fiscal year. CBO expects the reduced funding would cause states to decrease benefits to families that also receive food stamps. The reduced TANF income would increase Food Stamp benefits, increasing spending in the Food Stamp program by $9 million over the 2006–2013 period.

Section 103 would establish a new competitive grant to states, territories, and Indian tribes for developing and implementing programs to promote and support marriage. The act would appropriate $100 million annually for grants that could be used for a variety of activities including public advertising campaigns, education and training programs on topics related to marriage, marriage mentoring programs, and programs to reduce disincentives to marriage in means-tested programs. The grants could be used to cover up to 50 percent of the cost of the new programs. CBO expects grants would be spent slowly in the first few years because the Department of Health and Human Services (HHS) would need to set up a system for awarding grants, and states would need to set up programs to use the funds. CBO projects that the grants would continue as a provision of TANF in the baseline after 2008, in accordance with the Deficit Control Act. Estimated spending of these grants would total $1 million in 2004 and $860 million over the 2004–2013 period.

Supplemental Grants. Section 104 would extend the supplemental grants for population increases through 2007 at the 2003 funding level of $319 million. Supplemental grants are currently

funded for the first two quarters of fiscal year 2004 at $191 million, consistent with an annual level of funding of $319 million. Current law specifies that supplemental grants should not be assumed to continue in baseline projections after March 31, 2004, overriding the continuation rules specified in section 257 of the Deficit Control Act. Seventeen states that had lower-than-average TANF grants per poor person or had rapidly increasing populations would be eligible for supplemental grants.

Because many states have unspent balances from prior-year TANF grants, CBO assumes that states would not spend the new funds quickly. CBO estimates that states would spend $64 million in 2004 and $1.1 billion over the 2004–2010 period. CBO expects some of the additional funding provided would be used to increase benefits to families that also receive food stamps. Additional TANF income would reduce Food Stamp benefits, lowering spending in the Food Stamp program by $16 million over the 2004–2009 period.

Bonuses for High-Performing States. Section 105 would reduce funding for a bonus to high-performing states and refocus the bonus toward rewarding performance in improving job outcomes. The bonus in current law rewards states for moving TANF recipients into jobs, providing support for low-income working families, and increasing the percentage of children who reside in married-couple families. Current law provided $1 billion for bonuses, averaging $200 million annually, over the 1999–2003 period. CBO assumes that funding will continue at $200 million annually in accordance with the Deficit Control Act.

The revised bonus—the Bonus to Reward Employment Achievement—would be focused on rewarding success in employment entry, job retention, and increased earnings for families receiving assistance. The act would make $600 million available for bonuses averaging $100 million annually over the 2004–2009 period. Section 105 would make all the bonus funds immediately available to the Secretary of HHS, so CBO allocates the entire $600 million in budget authority to 2004 (a $400 million increase over what CBO assumes under current law).

The net effect of section 105 would be a reduction in budget authority of $400 million over the 2004–2008 period and $1 billion over the 10-year period. Because the bonuses are usually granted in the following fiscal year, TANF spending would fall by only $895 million over the 2005–2013 period.

CBO expects the reduced funding would cause states to decrease benefits to families that also receive food stamps. The reduced TANF income would increase Food Stamp benefits, increasing spending in the Food Stamp program by $9 million over the 2006–2013 period.

Contingency Fund. Section 106 would significantly alter the Contingency Fund for State Welfare Programs. Under current law, the contingency fund provides additional federal funds to states with high and increasing unemployment rates or significant growth in Food Stamp participation. To be eligible, states are required to maintain state spending at 100 percent of their 1994 levels and to match federal payments. CBO estimates that states will draw federal funds totaling between $1 million and $4 million annually under current law. A major factor restraining spending in the current program is the requirement to maintain the 1994 level of state

spending, because most states currently spend well below that level.

Section 106 would change the eligibility conditions, grant determination, and state spending requirements of the contingency fund. It would establish new thresholds of growth in the unemployment rate and Food Stamp participation for states to qualify for funds. The amount of funding a state would receive would be derived by multiplying the state's caseload increase over the level in the two years prior to its qualification, its TANF benefit level for a family of three, and its Medicaid matching rate. A state with high unspent TANF balances from prior years would not be eligible for payments from the contingency fund. Unlike the current contingency fund, a state would not need to maintain a high level of historic spending or put up any matching funds in order to receive a contingency fund grant.

Based on CBO's projections of unemployment rates, Food Stamp participation, TANF caseloads and state TANF spending, CBO estimates that states would qualify for an additional $20 million to $40 million annually from the fund. The revised program would increase outlays by $28 million in 2004 and $285 million over the 2004–2013 period.

Social Services Block Grant. Section 107 would allow states to maintain the authority to transfer up to 10 percent of TANF funds to SSBG. The 1996 welfare law that established the TANF program set the level of the transfer authority at 10 percent. Subsequent legislation permanently lowered the authority to 4.25 percent. However, the Congress has restored the authority to 10 percent every year since, most recently through March 31, 2004. In the absence of further legislation, the authority will fall to 4.25 percent after that date.

In recent years, state shave transferred about $1 billion annually. Maintaining the transfer authority at the higher level would make it easier for states to spend their TANF grants and would tend to accelerate spending relative to current law. Based on recent state transfers, CBO expects that states would transfer an additional $130 million in the second half of 2004 ($400 million in later years) under the provision, but because some of this money would have been spent within the TANF program anyway, only $37 million of additional spending would occur in 2004. The provision also would increase net TANF spending by $98 million in 2005. Because states would have found alternate ways to spend the funds in later years, the increase in spending in 2004 and 2005 would be offset by decreased spending in subsequent years. Thus, there would be no net impact on TANF spending over the 2004–2013 period as a whole.

Work Participation Requirements. Section 109 would require states to have an increasing percentage of TANF recipients participate in work activities while receiving cash assistance. It would maintain current penalties for the failure to meet those requirements. Those penalties can total up to 5 percent of the TANF block grant amount for the first failure to meet work requirements and increase with each subsequent failure. CBO assumes no state would be subject to financial penalty for failing to meet the new requirements.

Section 109 would require states to engage an increasing share of families receiving TANF in work activities. The required participation rate would rise by 5 percentage points a year from 50 percent in 2004 to 70 percent in 2008. The act would eliminate a separate requirement in current law that sets even higher participation rates for two-parent families. In addition, it would expand the types of activities that would count toward meeting the work participation requirements and the allowed exclusions from the calculation of the work participation rate.

The act also would increase the minimum number of hours a family would need to participate to fully count toward the standard from 30 to 34 hours a week. However, it would allow partial credit for recipients who participate for between 20 and 33 hours and extra credit for recipients who participate more than 34 hours. Two-parent families would be required to work more hours and parents with children under the age of six could be fully counted at 24 hours.

Finally, section 109 would reduce the required participation rate of a state based on the number of families in the state who leave assistance for work. That replaces a provision in current law that bases such reductions on TANF caseload declines since 1995. The credits are calculated as a percent of caseload. The caseload reduction credit has significantly lowered the required participation rate in all states and reduced it to zero in more than half the states. The new employment credit also would result in significant reductions in the required participation rates for some states. However, the act would limit the size of any credit to 40 percentage points in 2004, shrinking to 20 percentage points by 2008. So, in 2008, a state that earned a maximum credit would face a required participation rate of 50 percent (70 percent minus 20 percent).

To the extent that states find the new work requirements difficult to meet, CBO expects states would employ strategies such as moving nonworking families into separate state programs to reduce the number of families subject to the requirements and increase the percentage of families remaining in the program that meet the requirements. For example, under current law, states that fail to meet work requirements, particularly the higher requirements applying to two-parent families, set up separate state programs to serve those families. States can count funds they spend in separate state programs toward their maintenance of effort (MOE) requirement in TANF, but families served under those programs do not count in the work participation rate.

Research, Demonstrations, and Technical Assistance. Section 114 would make funds available to the Secretary of Health and Human Services to conduct and support research and demonstration projects and provide technical assistance, primarily on the promotion of marriage. The program would be funded at $100 million annually over the 2004–2008 period. Based on rates of spending in other social service research and grant programs, CBO estimates that spending would increase by $10 million in 2004 and $903 million over the 2004–2013 period.

Section 114 also would make annual grants of $15 million for research. Specifically, it would fund research on the effects, costs, and benefits of state TANF programs and innovative approaches for reducing welfare dependency and increasing the well-being of

children. It also could fund evaluations of TANF programs initiated by the states and on-going demonstration projects approved before 1996. (The 1996 welfare law provided funding for those purposes and at the same $15 million annual level, but each year in appropriation acts the Congress rescinded the funds and instead made appropriations for research under another authority.) Public Law 108–89 (recently enacted) provided $8 million in funding for the first half of 2004. Section 114 would raise that to $15 million for the year. Based on recent spending patterns, CBO estimates that this provision would increase outlays by an insignificant amount in 2004 and by $120 billion over the 2004–2013 period.

Child Care. The child care entitlement to states program provides funding to states for child care subsidies to low-income families and for other activities. Section 116 would raise the annual funding level by $200 million to $2.917 billion over the 2004–2008 period. CBO assumes funding would continue at the 2008 level in its baseline in accordance with the rules set forth in the Deficit Control Act. Based on recent spending patterns, CBO estimates that outlays would increase by $150 million in 2004 and by $1.9 billion over the 10-year period.

CBO expects the additional child care funding would induce some states to reduce the amount of TANF spending on child care (either directly or through transfers to the Child Care and Development Fund) and result in a temporary slowing of TANF spending. CBO estimates TANF spending would slow by $21 million in 2004 and a total of $44 million over the 2004–2006 period, but since states would fund alternative ways to spend any funds no longer transferred, spending would increase in later years. There would be no net impact on TANF spending over the 2004–2013 period.

Grants to Capitalize and Develop Sustainable Social Services. Section 119 would appropriate $40 million each year over the 2004–2008 period to make grants for the purpose of capitalizing and developing sustainable social services. CBO treats the grants as a provision of the TANF program and assumes they would continue in baseline after 2008 in accordance with the Deficit Control Act. Grantees would develop programs that would generate their own sources of revenue while assisting TANF recipients. CBO estimates that the grants would increase outlays by an insignificant amount in 2004, $11 million in 2005, and by $344 million over the 2005–2013 period.

Interactions. CBO estimates that several provisions on title I would accelerate the rate of spending of prior-year balances in the TANF program. Provisions that would increase the transfer authority to SSBG, eliminate the out-of-wedlock grant, and eliminate the high-performance bonus would induce states to spend uncommitted TANF funds from prior years sooner than under current law. However, those combined effects would exceed the amount of uncommitted TANF funds. Consequently, the budgetary effect of all the provisions enacted together would be smaller than the sum of the estimated effects for the individual provisions. CBO estimates that those interactions would lower TANF spending over the 2006–2007 period by $184 million below the sum of the provisions estimated individually, but raise it by $184 million over the 2008–2009 period. Thus, there would be no net impact on TANF spending over the 10-year period as a whole.

Title II: Abstinence Education. Public Law 108–89 authorized $25 million for the Abstinence Education program in 2004. H.R. 4 would provide an additional $25 million in 2004 and extend the program through 2008 at a $50 million annual funding level. In addition, it would allow any unrequested funds under the program to be reallocated to states that require additional funds to carry out their Abstinence Education programs. Based on the program's past spending patterns, CBO estimates that the act would increase outlays by $7 million in 2004 and by $228 million over the 2004–2013 period (see Table 1). That increase includes $3 million in spending from 2004 funds that would have remained unrequested without the reallocation provision.

Title III: Child Support. H.R. 4 would change many aspects of the operation and financing of the child support program. It would allow (and in one case, require) states to share more child support collections with current and former recipients of TANF, thereby reducing the amount the federal and state governments would recoup from previous TANF benefit payments. (The federal government's share of child support collections is 55 percent, on average.) It would require states to periodically update child support orders and expand the use of certain enforcement tools. It would provide increases in funding for HHS and for grants that facilitate noncustodial parent access to their children. Overall, CBO estimates that enacting title III would increase direct spending by $64 million in 2004 and $1.7 billion over the 2004–2013 period. We also estimate that this title would reduce revenues by $128 million over the 2004–2013 period. We also estimate that this title would reduce revenues by $128 million over the 2004–2013 period (see Table 3).

Distribute More Support to Current TANF Recipients. When a family applies for TANF, it assigns any rights the family has to child support collections to the state. While the family receives assistance, the state uses any collections it receives to reimburse itself and the federal government for TANF payments. Those reimbursements to the federal government are recorded as offsetting receipts (a credit against direct spending). States may choose to give some of the child support collected to families, but states must finance those payments out of their share of collections.

TABLE 3.—DIRECT SPENDING AND REVENUE EFFECTS OF TITLE III: CHILD SUPPORT

	By fiscal year, in millions of dollars—											
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004–2008	2004–2013
CHANGES IN DIRECT SPENDING												
Distribute More Support to Current TANF Families:												
Child Support Collections:												
Estimated Budget Authority	52	57	66	75	85	96	99	103	106	110	335	848
Estimated Outlays	52	57	66	75	85	96	99	103	106	110	335	848
Food Stamps:												
Estimated Budget Authority	−1	−3	−6	−9	−13	−16	−17	−18	−18	−19	−32	−120
Estimated Outlays	−1	−3	−6	−9	−13	−16	−17	−18	−18	−19	−32	−120
TANF:												
Budget Authority	0	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	−23	−9	−1	7	14	6	5	1	0	0	−12	0
Subtotal:												
Estimated Budget Authority	51	54	60	66	72	80	82	85	88	91	303	728
Estimated Outlays	28	45	59	73	86	86	87	86	88	91	291	728

TABLE 3.—DIRECT SPENDING AND REVENUE EFFECTS OF TITLE III: CHILD SUPPORT—Continued

	By fiscal year, in millions of dollars—											
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004–2008	2004–2013
Distribute More Past-Due Support to Current and Former TANF Families:												
Child Support Families:												
Estimated Budget Authority	13	27	56	87	168	201	209	218	227	236	351	1,441
Estimated Outlays	13	27	56	87	168	201	209	218	227	236	351	1,441
Food Stamps:												
Estimated Budget Authority	−1	−1	−2	−4	−5	−6	−7	−7	−7	−7	−13	−47
Estimated Outlays	−1	−1	−2	−4	−5	−6	−7	−7	−7	−7	−13	−47
TANF:												
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	3	4	6	6	−2	−10	−7	0	0	0	17	0
Student Loans:												
Estimated Budget Authority	15	*	*	*	*	*	*	*	*	*	15	15
Estimated Outlays	15	*	*	*	*	*	*	*	*	*	15	15
Subtotal:												
Estimated Budget Authority	27	26	54	84	163	194	202	211	220	229	353	1,409
Estimated Outlays	30	30	60	90	161	184	195	211	220	229	370	1,409
Require Triennial Update of Child Support Orders:												
Administrative Costs:												
Estimated Budget Authority	0	0	14	15	12	12	12	13	13	13	41	104
Estimated Outlays	0	0	14	15	12	12	12	13	13	13	41	104
Child Support Collections:												
Estimated Budget Authority	0	0	−6	−14	−20	−21	−20	−20	−20	−20	−40	−141
Estimated Outlays	0	0	−6	−14	−20	−21	−20	−20	−20	−20	−40	−141
Food Stamps:												
Estimated Budget Authority	0	0	−1	−2	−3	−3	−3	−3	−3	−4	−6	−22
Estimated Outlays	0	0	−1	−2	−3	−3	−3	−3	−3	−4	−6	−22
Medicaid:												
Estimated Budget Authority	0	0	−3	−8	−13	−13	−10	−8	−10	−10	−24	−75
Estimated Outlays	0	0	−3	−8	−13	−13	−10	−8	−10	−10	−24	−75
Subtotal:												
Estimated Budget Authority	0	0	4	−9	−24	−25	−21	−18	−20	−21	−29	−134
Estimated Outlays	0	0	4	−9	−24	−25	−21	−18	−20	−21	−29	−134
Use New Directory for Unemployment Compensation Program:												
Estimated Budget Authority	0	−14	−17	−22	−22	−23	−24	−25	−25	−26	−75	−198
Estimated Outlays	0	−14	−17	−22	−22	−23	−24	−25	−25	−26	−75	−198
Reduce Threshold for Passport Denial to $2,500:												
Estimated Budget Authority	0	−1	−1	−1	−1	−1	−1	−1	−1	−1	−4	−9
Estimated Outlays	0	−1	−1	−1	−1	−1	−1	−1	−1	−1	−4	−9
Withhold Child Support from Social Security Disability Payments:												
Estimated Budget Authority	0	−3	−4	−4	−4	−5	−5	−5	−6	−6	−15	−42
Estimated Outlays	0	−3	−4	−4	−4	−5	−5	−5	−6	−6	−15	−42
Maintain Funding for Technical Assistance and Federal Parent Locator Service:												
Estimated Budget Authority	1	0	0	0	0	0	0	0	0	0	1	1
Estimated Outlays	1	0	0	0	0	0	0	0	0	0	1	1
Allow Federal Seizure of Accounts in Multi-State Financial Institutions:												
Administrative Costs:												
Estimated Budget Authority	1	2	*	*	*	*	*	*	*	*	3	3
Estimated Outlays	1	2	*	*	*	*	*	*	*	*	3	3
Child Support Collections:												
Estimated Budget Authority	0	−2	−6	−9	−9	−9	−9	−9	−10	−10	−26	−73
Estimated Outlays	0	−2	−6	−9	−9	−9	−9	−9	−10	−10	−26	−73
Subtotal:												
Estimated Budget Authority	1	0	−6	−9	−9	−9	−9	−9	−10	−10	−23	−70
Estimated Outlays	1	0	−6	−9	−9	−9	−9	−9	−10	−10	−23	−70
Match Databases of Insurance Claims:												
Administrative Costs:												
Estimated Budget Authority	1	2	*	*	*	*	*	*	*	*	3	3
Estimated Outlays	1	2	*	*	*	*	*	*	*	*	3	3
Child Support Collections:												
Estimated Budget Authority	0	0	−2	−4	−3	−3	−3	−3	−3	−3	−9	−24
Estimated Outlays	0	0	−2	−4	−3	−3	−3	−3	−3	−3	−9	−24

TABLE 3.—DIRECT SPENDING AND REVENUE EFFECTS OF TITLE III: CHILD SUPPORT—Continued

	By fiscal year, in millions of dollars—											
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004–2008	2004–2013
Subtotal:												
Estimated Budget Authority	1	2	−2	−4	−3	−3	−3	−3	−3	−3	−6	−21
Estimated Outlays	1	2	−2	−4	−3	−3	−3	−3	−3	−3	−6	−21
Intercept Gambling Proceeds:												
Administrative Costs:												
Estimated Budget Authority	1	2	*	*	*	*	*	*	*	*	3	3
Estimated Outlays	1	2	*	*	*	*	*	*	*	*	3	3
Child Support Collections:												
Estimated Budget Authority	0	0	−4	−9	−10	−10	−11	−12	−13	−13	−23	−82
Estimated Outlays	0	0	−4	−9	−10	−10	−11	−12	−13	−13	−23	−82
Subtotal:												
Estimated Budget Authority	1	2	−4	−9	−10	−10	−11	−12	−13	−13	−20	−79
Estimated Outlays	1	2	−4	−9	−10	−10	−11	−12	−13	−13	−20	−79
Increase Grants to States for Access and Visitation:												
Budget Authority	2	4	6	10	10	10	10	10	10	10	32	82
Estimated Outlays	2	4	6	10	10	10	10	10	10	10	32	82
Total Title III Changes in Direct Spending:												
Estimated Budget Authority	84	70	89	101	172	208	220	232	240	250	517	1,667
Estimated Outlays	64	65	94	115	184	204	218	233	240	250	522	1,667
CHANGES IN REVENUES												
Use of New Hire Directory for Unemployment Compensation Program:												
Estimated Revenues	0	0	−2	−7	−13	−17	−20	−22	−23	−24	−22	−128

Notes.—Components may not sum to totals because of rounding. TANF=Temporary Assistance for Needy Families.
*=Less than $500,000.

Section 301 would allow states to pay up to $400 each month of child support to a family (up to $600 to a family with two or more children) receiving assistance and would not require the state to pay the federal government's share of those payments. The state could not count the child support as income in determining the families' benefits under the TANF program.

In recent years, states with about 60 percent of child support collections shared some of those collections with families receiving TANF. CBO expects states will continue to share at least that amount and the federal government would share that cost. In addition, based on conversations with state child-support officials and other policy experts, CBO expects that states with about one-third of collections would choose to institute a policy of sharing the first $50 collected, or, if they already have such a policy, to increase the amount of child support they share with families on assistance. CBO anticipates that states would put in place those increases slowly and that the increases would not be fully effective until 2009. Based on administrative data for child support and information supplied by state officials, CBO expects that states would raise payments to families in 2009 from the $105 million anticipated under current practices to $175 million under the proposal. CBO estimates that federal offsetting receipts (from reimbursements) would fall by $52 million in 2004, $96 million in 2009, and $848 million over the 2004–2013 period.

Because additional child support income would reduce Food Stamp benefits, CBO estimates savings in the Food Stamp program totaling $1 million in 2004, $16 million in 2009, and $120 million over the 2004–2013 period. In addition, the provision would have a small effect on the rate of TANF spending. States can count pay-

ment of child support to families out of their share of collections toward the TANF maintenance of effort requirement (the requirement that states maintain funding at their 1994 level), if such payments are not counted as income in determining the TANF benefit. States that would spend less of their own funds because of the federal contribution would have less to count toward their MOE requirement. States that increased payments to families could count more toward the requirement. States that increased payments to families could count more toward the requirement. CBO estimates that the net effect would be smaller state contributions to child support payments, resulting in a deceleration in their use of federal TANF funds. CBO estimates that the provision would decrease estimated TANF outlays by $33 million over the 2004–2006 period, but, because states would find alternative ways to spend the funds in later years, it would have no net effect over the 2004–2013 period.

Distribute More Past-Due Support to Current and Former TANF Recipients. Section 301 also would require states to share more child support with families through a change in assignment rules and allow states to share more support with families who used to receive welfare.

Under current law, families assign to the state the right to any child support due before and during the period the families received assistance. The act would eliminate the requirement that families assign support due in the period before the families received assistance. H.R. 4 would require states to implement the new policy by October 1, 2007, but would give states the option of implementing the policy sooner.

When a family ceases to receive public assistance, states continue to enforce the family's child support order. All amounts of child support collected on time are sent directly to the family. However, both the government and the family have a claim on collections of past-due child support: the government claims the support owed for the period when the family was on assistance, up to the amount of the assistance paid, and the family claims the remainder. A set of distribution rules determines which claim is paid first when a collection is made. That order matters because, in many cases, past-due child support is never fully paid.

Section 301 would give states the option to change the order of the distribution rules so that all collections would be paid to families first before the government is reimbursed. In addition, it would allow states to pay any additional amount to families from support owed for the period the family was on assistance.

CBO estimates that states with 40 percent of collections would implement optional policies by 2009. Based on conversations with state child-support officials and policy experts, and on administrative data, CBO estimates that families would receive an additional $24 million in 2004, rising to $365 million by 2009, and $2.6 billion over the 2004–2013 period, as a result of these changes. CBO estimates that those increased distributions to families would reduce the federal share of collections by $13 million in 2004, $201 million in 2009, and $1.4 billion over the 2004–2013 period.

The new collections paid to former TANF recipients would affect spending in the Food Stamp program. CBO expects that one-third of the former TANF recipients with increased child support income

would participate in the Food Stamp program, and that benefits would be reduced by 30 cents for every extra dollar of income. Increased income from the tax refund offset, which is paid as a lump sum, would not count as income for determining Food Stamp benefits. For purposes of calculating such benefits, incomes of former TANF recipients would increase by $6 million in 2004 and $474 million over the 2004–2013 period. Food Stamps savings would be about $1 million in 2004 and $47 million over the 2004–2013 period.

Section 301 would allow states to count increased state spending stemming from the new distribution policy towards their MOE requirement in the TANF program. Many states have unspent balances of federal TANF funds from prior years. Those states could reduce the amount of state money they spend on TANF by the amount that they pay to families under the new policy. To maintain TANF spending levels, those states then could accelerate spending of federal dollars. CBO estimates TANF spending would accelerate by $3 million in 2004 and $19 million over the 2004–2007 period, but reduced spending in later years would result in no net effect on TANF spending over the 2004–2013 period.

Finally, section 301 would affect federal collections in the student loan program. Under a program called the federal tax offset refund program, tax refund payments are withheld from individuals who owe over-due child support and certain federal debts, mainly related to student loans, and used to pay the debts. Beginning in 2008, H.R. 4 would give child support debt priority over all federal debts. In current law, child support that is owed to the government is given such priority, but child support owed to families is paid off after all other federal debts. In cases where an individual owes both child support debt and other federal debt, the new priority order would decrease payments to the federal government in the student loan program.

Currently one-half of one percent of tax filers are subject to a tax refund offset for child support owed to a family and one percent for student loan debt. Assuming people who owe student loan debt are neither more nor less likely to owe child support debt, 6,800 filers could be subject to an offset for either child support and student loan debt. CBO estimates that the provision would delay or reduce recoveries in the student loan program by $8 million annually beginning in 2008.

The provisions affecting the student loan programs are assessed under the requirements of the federal credit reform act. As such, the budget records all the costs and collections associated with a new loan on a present-value basis in the year the loan is obligated and the costs of all changes (i.e., "modifications") affecting outstanding loans are displayed in the fiscal year the bill is enacted—assumed to be 2004 for this estimate. This results in a federal cost of $15 million in 2004 and insignificant amounts each year for 2005 through 2013.

Mandatory Three-Year Update of Child Support Orders. Section 302 would require states to adjust child support orders of families on TANF every three years. States could use one of three methods to adjust orders: full review and adjustment, cost-of-living adjustment (COLA), or automated adjustment. Under current law, nearly half of states perform periodic adjustments. Most perform a full re-

view and the remainder apply a COLA. No state currently makes automated adjustments. The provision would take effect on October 1, 2005, and CBO estimates that the net impact of this provision would be direct spending savings of $134 million over the 2004–2013 period.

CBO estimates that there are 700,000 TANF recipients with child support orders in states that do not periodically adjust orders and one-third of those orders would be adjusted each year. CBO assumes half the states not already adjusting orders would choose to perform full reviews and half would apply a COLA.

Full review and adjustment. When a state performs a full review of a child support order, it obtains current financial information form the custodial and noncustodial parents and determines whether any adjustment in the amount of ordered child support is indicated. The state also may revise an order to require the noncustodial parent to provide health insurance.

Based on evaluations of review and modification programs, CBO estimates the average cost of a review would be about $180 with the federal government paying 66 percent of such administrative costs. The average adjustment to a child support order of a family on TANF would be $90 a month and about 18 percent of the orders reviewed would be adjusted.

In addition, CBO estimates 40 percent of orders with a monetary adjustment also would be adjusted to include a requirement that the noncustodial parent provide health insurance for their child and that insurance would be provided in about half of those cases. After the first few years, we assume newly provided medical insurance would decline by half, because many families would have already had such insurance recently added to their order. Children who receive TANF are generally eligible for Medicaid, so the new coverage would reduce spending in that program.

Cost-of-living adjustment. When a state makes a cost-of-living adjustment it applies a percentage increase reflecting the rise in the cost of living to every order, regardless of how the financial circumstances of the individuals may have changed. The process is considerably less cumbersome and expensive than a full review but also results in smaller adjustments on average. Based on recent research on COLA programs, CBO estimates that the average cost would be $11 per case modified, and the average adjustment to a support order would be $6 per month. There would be no additional health insurance coverage.

Summary. Under either method of adjustment, CBO expects any increased collections for a family would continue for up to three years. While a family remains on TANF, the state would keep all the increased collections to reimburse itself and the federal government for welfare payments. The states would pay any increased collections stemming from reviews of child support orders to families once they leave assistance. That additional child support income for former recipients would result in savings in the Food Stamp program.

Overall, CBO expects the federal share of administrative costs for child support to rise by $14 million in 2006 and $104 million over the 2006–2013 period. Federal collections would increase by $6 million in 2006 and $141 million over the 2006–2013 period. Fi-

nally, Food Stamp and Medicaid savings would total $22 million and $75 million respectively over the 2006–2013 period.

Use of New Hire Information. Section 304 would allow states, beginning in fiscal year 2005, to access information in the national database of new hires to help detect fraud in the unemployment compensation system. Currently, most states may access the information that they send to the national registry. However, without access to the national information, a state may not receive important data regarding recent hires by national corporations that may report in other states. Only a few states have examined potential savings that could be realized if they had access to the national data, and their estimates are small—less than 0.1 percent of total outlays. Nevertheless, states generally believe that access to the national data would be a valuable tool in detecting fraud earlier, as the information on new hires is more current than that contained in quarterly wage reports on which many states now rely.

Based on information provided by the National Association of State Workforce Agencies, CBO estimates that about 40 percent of the states would make use of the national information in the year that it became available, and that another 40 percent would take advantage of the national information within the next few years. CBO estimates that this proposal would result in a reduction in spending for unemployment compensation of $14 million in 2005 and $198 million over the 2005–2013 period. CBO assumes this reduction in spending would lead states to reduce their unemployment taxes. As a result, CBO estimates that revenues would fall by an insignificant amount in 2005 and $128 million over the 2005–2013 period. Because state spending and tax collection for unemployment compensation are reflected on the federal budget, enactment of this section would result in a net deficit reduction of $70 million over the 10-year period.

Denial of Passports. Under current law, the State Department denies a request for a passport for a noncustodial parent if he or she owes more than $5,000 in past-due child support. Beginning in fiscal year 2005, section 305 would lower that threshold and deny a passport to a noncustodial parent owing $2,500 or more. Generally, when a noncustodial parent seeks to restore eligibility for a passport, he or she will arrange to pay the past-due amount down to the threshold level.

The State Department currently denies about 15,000 passport requests annually. Data from HHS shows there are 4.2 million noncustodial parents owing more than $5,000 in past-due child support and an additional 1.0 million owing between $2,500 and $5,000. If noncustodial parents owing between $2,500 and $5,000 apply for passports at the same rate as those owing more than $5,000, then the proposal would generate an additional 3,400 denials annually.

CBO assumes that 20 percent of noncustodial parents who have a passport request denied would make a payment to get their passport rather than just doing without one. (In a study by the State Department, for 85 percent of applications that were denied because of child support arrears, passports were not issued within the next three months.) A noncustodial parent owing more than $5,000 would have to pay an additional $2,500 to receive a passport. On average, a noncustodial parent owing between $2,500 and $5,000 would have to pay $1,250 to receive a passport. As a result, CBO

estimates the policy would result in new payments of child support of about $8 million annually. CBO assumes the same share of those payments would be on behalf of current and former welfare families as in the overall program—13 percent—and would be retained by the government as reimbursement for welfare benefits. The federal share of such collections would be about $1 million a year and $9 million over the 2005–2013 period.

Improved Debt Collection: SSA Benefit Match. Section 308 would allow states to collect past-due child support by withholding Social Security, Black Lung, and Railroad Retirement Board payments. Because parents affected by the legislation are generally younger than 62, we assume that most of them receive benefits under the Disability Insurance (DI) program rather than the retirement or survivors programs. The Debt Collection Improvement Act of 1996 limits the amount that can be withheld annually from an individual's Social Security check to the lesser of any amount over $9,000 or 15 percent of benefits.

Based on an analysis done by the Treasury Department, CBO estimates that 50,000 beneficiaries a month could be subject to an offset. Based on states' current use of administrative offsets of other federal programs, we estimate two out of three of those beneficiaries would potentially have their check offset. On average, the offsets could amount to about $1,800 by 2008 and could yield more than $60 million in collections for child support from Social Security payments.

CBO estimates that the additional collections under section 308 would be less than one-half of the potential $60 million because of several factors. First, some of this money may have been collected anyway through other enforcement tools, such as offsets currently applied to federal tax refunds. Second, noncustodial parents are younger than average DI recipients, and younger men receive lower DI benefits than older men. Third, children of DI recipients are entitled to a benefit from Social Security that averages more than $2,000 annually. Some states consider these benefits in determining the amount of child support owed by the non-custodial parent. Fourth, in some cases the estimated offset would exceed the amount of arrears owed. Finally, CBO expects a small percentage of all non-custodial parents owing past-due support would slip through the administrative process.

The estimated $24 million in child support would result in a net increase in federal offsetting receipts of about $4 million in 2008. The estimate assumes 33 percent of collections would be on behalf of current and former welfare families.

The provision would be effective October 1, 2004, and CBO assumes that the program would take several months to establish, so that full savings would not be realized until 2006. As DI benefits rise over time, federal receipts under these provisions would climb from $3 million in 2005 to $6 million in 2013, and total $42 million over the 2005–2013 period.

Maintenance of Technical Assistance and Federal Parent Locator Service Funding. Current law allows the Secretary to use 3 percent of the federal share of child support collections to fund technical assistance efforts and to operate the federal parent locator service. Sections 309 and 310 would set a minimum funding level for those purposes equal to the 2002 level of $37 million. Because CBO

projects that such payments will fall to $36 million in 2004 under the current formula, this provision would increase payments by $1 million in that year. CBO expects that the federal share of child support payments will continue to grow after 2004 such that the payment would not fall below $37 million after that year.

Seizure of Assets held by Multi-State Financial Institutions. Under current law, HHS, matches lists of noncustodial parents who owe child support arrears against data from financial institutions to identify assets that might be seized to pay overdue child support. HHS forwards any matches to states so that states can pursue collection. On average, states make a collection in 8 percent of cases with a match. The reported performance of states varies widely from 55 percent of cases to less than 1 percent. States' collection rates are low on average for a variety of reasons. In some cases, multi-state financial institutions will not honor a seizure by a state unless the institution has branch offices in the state. Also, some states have policies of pursuing matches only when a large financial asset is identified or only when the arrearage is long-standing or no current payments are being made.

Section 311 would give the federal government the authority to act on behalf of states to seize financial assets for the purpose of paying child support. The new authority would resolve problems of jurisdiction in cases where a state is pursuing an asset in a different state. Also, the federal government plans to pursue collections in a higher percent of cases.

Currently, HHS compares a list of about 3 million cases with arrears with data from financial institutions and identifies potential financial assets in more than 1 million cases. Some of those cases are later found to be false matches or are uncollectible for other reasons. Based on conversations with child-support administrators and policy experts, CBO expects that, when fully effective, the federal government would seize assets 20 percent of the time a potential asset is identified, up from 8 percent. Based on administrative data from HHS, CBO expects the average collection would be $700 per seizure down from $930 per seizure under current law. (The average seizure would go down because the federal government would be pursuing a broader set of cases, many of which would have lower levels of assets available.) CBO assumes the policy would take some time to implement and would not be fully effective until 2007. The policy would result in new collections of $24 million in 2005 and $974 million over the 2005–2013 period. CBO assumes the same share of those payments would be on behalf of current and former welfare families as in the overall program—13 percent—and would be retained by the government as reimbursement for welfare benefits. The federal share of such collections would be $73 million over the 2004–2013 period.

Information Comparison With Insurance Data. Section 312 would authorize the Secretary to compare information of noncustodial parents who owe past-due child support with information maintained by insurers concerning insurance payments and to furnish any information resulting from the match to state agencies to pursue payments to pay overdue child support. States representing about one-third of child support collections currently participate in an existing system operated by the Child Support Lien Network that performs a similar function. The number of participating

states has been growing rapidly in the last several years and CBO expects that eventually, even without federal intervention, that about three-quarters of states would participate. Under the proposal, CBO expects all states would participate by 2007. Based on data for the existing program, CBO expects that collection would increase by more than $10 million annually when fully phased in and that half of those collections would be on behalf of current or former TANF families. The federal share of collections would be $24 million over the 2006–2013 period.

Interception of Gambling Proceeds. Section 318 would authorize the Secretary of HHS to compare information obtained from gambling establishment with information on individuals who owe past-due child support and direct the establishment to withhold from the individuals' net winnings all amounts up to the child support owed. The procedures would apply whenever an individual won enough to be required to fill out an IRS form W2–G, generally $600.

HHS would compare a list of more than 3 million noncustodial parents with overdue support to the information on winners reported by gambling establishments. CBO assumes that 3 percent of such parents will receive gambling winnings above the threshold level, in line with the rate of winning in the adult population and that percentage would increase to 5 percent by 2013. Based on data on average winnings, CBO assumes $2,800 would be collected, on average, per match. CBO expects it would take several years to establish a system of matching with the gambling establishments such that the program would not be fully operational until 2007. In that year, potential collections would total about $375 million.

CBO assumes that several factors would result in only one-third of that amount actually collected. First, child support is already regularly withheld from lottery winnings which form a substantial percent of gambling winning. Second, Indian casinos are not required to withhold winnings. Third, CBO assumes administrative errors and imperfect enforcement would result in a further reduction in potential collections.

CBO estimates that implementing the policy would result in increased collections of $57 million in 2006, $121 million in 2007, and $1.1 billion over the 2006–2013 period. CBO assumes the same share of those payments would be on behalf of current and former welfare families as in the overall program—13 percent—and would be retained by the government as reimbursement for welfare benefits. The federal share of such collections would be $82 million over the 2004–2013 period.

Grants to States for Access Visitation. The 1996 welfare law authorized grants to states funded at $10 million annually to establish and operate access and visitation programs. The purpose of the grants is to facilitate noncustodial parents' access to and visitation of their children. Section 320 would increase funding to $12 million in 2004, $14 million in 2005, $16 million in 2006, and $20 million in 2007 and in subsequent years. The new funding would result in increased of $82 million over the 2004–2013 period.

Title IV: Child Welfare. Title IV would extend a program of demonstration projects related to child welfare programs. Currently, 18 states are using waivers to test the efficiency of innovations in child welfare, such as subsidized guardianship, managed care, and

substance abuse treatment. The demonstration projects are required to be cost-neutral to the federal government. However, it is possible that the demonstrations would lead to increased costs to the federal government because of measurement or methodological errors in the cost-neutrality calculation. CBO cannot estimate the likely level of such costs, but based on experience with the demonstrations, we expect the federal budget impact would not be significant.

Beginning in fiscal year 2005, section 402 would allow Puerto Rico to claim more federal matching funds for foster care expenses by excluding amounts in excess of grants received in fiscal year 2002 from the limitation specified in section 1108 of the Social Security Act. The amount of spending above the limitation would be capped at $6.25 million for fiscal years 2005 through 2008, but would be unconstrained beginning in 2009.

The Social Security Act currently limits total federal spending in Puerto Rico on certain social service programs, including foster care, to $107 million in any year. In fiscal year 2002, foster care payments comprised $11 million of that total. Although Puerto Rico is eligible for federal matching funds for foster care administrative costs, it has not received any such payments because it does not yet have an approved cost allocation methodology. (Even if it had submitted claims for administrative costs, because Puerto Rico already is using all of the funds available under the section 1108 limit, these claims would have either reduced funding for other social services, or would have been unpaid.) CBO estimates that reimbursements of administrative costs could equal or exceed the amount of matching funds Puerto Rico receives for foster care expenses. Moreover, if the constraints imposed by the section 1108 limit were loosened, reimbursements for maintenance payments also could increase. Section 402 would effectively raise the limit on foster care reimbursements for the 2005–2008 period, and eliminate it after that. The act would constrain these additional costs at $6.25 million annually during the 2005–2008 period, after which time there would be no limit on claims above the 2002 amount. CBO estimates this provision would increase outlays by $25 million between fiscal years 2005 and 2008, and by $112 million from 2005 through 2013 (see Table 1).

Title V: Supplemental Security Income. Section 501 would require the Social Security Administration to conduct reviews of initial decisions to award SSI benefits to certain disabled adults. The legislation mandates that the agency review at least 20 percent of all favorable adult-disability determinations made by state-level Disability Determination Service (DDS) offices in 2004. Under the legislation, the agency would have to review at least 40 percent of the adult-disability awards made by DDS offices in 2005 and 50 percent in 2006 and beyond.

CBO anticipates state DDS offices will approve between 350,000 and 400,000 adult disability applications for SSI benefits annually between 2004 and 2013. Based on recent data for comparable reviews in the Social Security Disability Insurance program, CBO projects that by 2013, more than 20,000 DDS awards will have been ultimately overturned, resulting in lower outlays for SSI and Medicaid (in most states SSI eligibility automatically confers entitlement to Medicaid benefits). CBO estimates that section 501

would reduce SSI benefits by $2 million and Medicaid outlays by $4 million in 2004. Over the 2004–2013 period, CBO estimates this provision would lower SSI outlays by $405 million and Medicaid spending by $1 billion (see Table 4).

TABLE 4.—DIRECT SPENDING EFFECTS OF TITLE V: SUPPLEMENTAL SECURITY INCOME

	By fiscal year, in millions of dollars—											
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004–08	2004–13
Pre-effectuation Reviews:												
SSI:												
Estimated Budget Authority	−2	−9	−17	−25	−37	−46	−55	−68	−66	−80	−90	−405
Estimated outlays	−2	−9	−17	−25	−37	−46	−55	−68	−66	−80	−90	−405
Medicaid:												
Estimated Budget Authority	−4	−15	−34	−56	−79	−106	−133	−161	−193	−227	−188	−1,008
Estimated Outlays	−4	−15	−34	−56	−79	−106	−133	−161	−193	−227	−188	−1,008
Total Changes in Title V:												
Estimated Budget Authority	−6	−24	−51	−81	−116	−152	−188	−229	−259	−307	−278	−1,413
Estimated Outlays	−6	−24	−51	−81	−116	−152	−188	−229	−259	−307	−278	−1,413

Title VI: Transitional Medical Assistance. Title VI would make several changes to Medicaid and the State Children's Health Insurance Program. The act would extend through 2008 the requirement that state Medicaid programs provide transitional medical assistance to certain Medicaid beneficiaries (usually former welfare recipients) who otherwise would be ineligible because they have returned to work and have increased earnings. Title VI also would allow states to simplify aspects of TMA administration. Finally, it would prohibit states from using SCHIP funds to provide health coverage to childless adults.

Overall, CBO estimates that enacting title VI would increase direct spending by $17 million in 2004 and by $2.1 billion over the 2004–2013 period (see Table 5).

Extension of Transitional Medical Assistance. State Medicaid programs are required to temporarily provide Medicaid coverage, known as transitional medical assistance, for certain individuals (usually former TANF recipients) and their dependents who otherwise would lose coverage because of increase earnings. States currently are required to provide TMA to welfare-related beneficiaries who lose their eligibility prior to March 31, 2004. Section 601 of the act would extend the requirement through September 30, 2008.

CBO estimates that this provision would increase Federal Medicaid outlays by $21 million in 2004 and by $2.6 billion over the 2004–2013 period. The budgetary effects of the extension would continue beyond 2008 because families who qualify for TMA would be entitled to up to 12 months of additional eligibility, even if that eligibility runs beyond September 30, 2008. Moreover, some states provide more than 12 months of TMA through Medicaid waivers; families living in those states could remain eligible through 2011.

Without H.R. 4, CBO anticipates that some of the families leaving welfare between 2004 and 2008 would have incomes high

enough to make their children ineligible for Medicaid, and that some of the children in those families would enroll in SCHIP instead. By extending TMA, the act would make those children eligible for Medicaid. Since children who are eligible for Medicaid cannot receive SCHIP, the act would lead to savings in SCHIP.

CBO estimates that the act would reduce Federal SCHIP outlays by a total of $47 million over the 2004–2008 period. Because states generally have 3 years to spend their SCHIP allotments, those savings would free-up funds that could be spent on benefits in later years, and CBO estimates that spending would increase by $20 million over the 2009–2013 period.

Optional TMA Simplification. Section 601 also would allow states to waive or relax various requirements that currently apply to TMA. In particular, the act would allow states to expand TMA eligibility to individuals who have not been eligible for Medicaid for at least three of the previous 6 months (a requirement under current law), provide up to 12 additional months of TMA eligibility, and eliminate some or all of the requirements for TMA recipients to report their incomes periodically.

TABLE 5.—DIRECT SPENDING EFFECTS OF TITLE VI: TRANSITIONAL MEDICAL ASSISTANCE

	By fiscal year, in millions of dollars—											
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004–08	2004–13
CHANGES IN DIRECT SPENDING												
Extension of TMA through 2008:												
Medicaid:												
Estimated Budget Authority	21	385	515	575	625	417	65	13	−1	−6	2,121	2,609
Estimated Outlays	21	385	515	575	625	417	65	13	−1	−6	2,121	2,609
SCHIP:												
Budget Authority	0	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	0	−15	−11	−8	−13	5	0	2	2	11	−47	−27
Optional TMA Simplifications:												
Medicaid:												
Estimated Budget Authority	0	21	55	63	68	63	9	1	0	−1	207	279
Estimated Outlays	0	21	55	63	68	63	9	1	0	−1	207	279
SCHIP:												
Budget Authority	0	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	0	0	−2	−1	−1	0	0	0	0	1	−4	−3
Prohibition on SCHIP Coverage for Childless Adults:												
Medicaid:												
Estimated Budget Authority	−4	−6	−6	−8	−29	−25	−40	−50	−68	−85	−53	−321
Estimated Outlays	−4	−6	−6	−8	−29	−25	−40	−50	−68	−85	−53	−321
SCHIP:												
Budget Authority	0	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	0	1	−25	−38	−64	−93	−77	−71	−47	−30	−126	−444
Total Changes in Title VI:												
Estimated Budget Authority	17	400	564	630	664	455	34	−36	−69	−92	2,275	2,567
Estimated Outlays	17	386	526	583	586	367	−43	−105	−114	−110	2,098	2,093

Notes.—SCHIP = State Children's Health Insurance Program. TMA = Transitional Medical Assistance.

CBO anticipates that those provisions would boost federal Medicaid spending by $21 million in 2005 and by $279 million over the 2005–2013 period. Most of those costs would stem from the elimination of the income-reporting requirements. States already have the flexibility under current law to effectively waive the three-out-of-six months requirement or provide more than 12 months of TMA by disregarding some or all of an individual's income when determining eligibility. CBO also estimates that the effect of those provisions would have a slight impact on SCHIP, decreasing outlays by

$3 million over the 2004–2013 period. By relaxing TMA rules, the act would make some children newly eligible for Medicaid, and therefore ineligible for SCHIP.

Prohibit SCHIP Coverage for Childless Adults. Section 602 of the act would prohibit the Secretary of Health and Human Services from allowing states to use SCHIP funds to provide health coverage to childless adults (including pregnant women who have no children). Several states currently provide such coverage through temporary waivers approved by the Secretary under section 1115 of the Social Security Act, and other states have applications for similar waivers pending or in the development stage. The provision would prohibit the Secretary from approving any new waivers to cover childless adults or renewing the existing waivers once they expire.

CBO estimates that this provision would have no effect on SCHIP spending in 2004 and would decrease the program's spending by $444 million over the 2004–2013 period. Because state SCHIP programs would no longer be able to cover childless adults, they would have more funding available to cover children and their parents. CBO anticipates that states would use a portion of the freed-up funds to do so, with the remainder being spent after 2013.

Under current law, CBO anticipates that the limited nature of SCHIP funding will restrict program spending in some states, and that states will partly offset these funding shortfalls by expanding Medicaid eligibility. The provision would lessen the funding shortfalls and reduce states' use of Medicaid funding to offset them. As a result, CBO estimates that the provision would reduce Medicaid spending by $321 million over the 2004–2013 period.

Spending subject to appropriation

H.R. 4 would establish several new grant programs that would require annual appropriations. Assuming appropriation of the authorized amounts, CBO estimates that implementing the legislation would cost $14 million in 2004 and $1 billion over the 2004–2011 period (see Table 6). Estimated outlays are based on historical spending patterns for social service grant programs.

Tribal TANF Improvement Fund. Section 113 would authorize $100 million for each year through 2008 for the Secretary of HHS to carry out a program of technical assistance and competitive grants to Indian tribes operating TANF programs. CBO estimates implementing the program would cost $10 million in 2004 and $500 million over the 2004–2011 period, assuming appropriation of the authorized amounts.

Fatherhood Grants. Section 118 would establish several new grant programs to promote fatherhood and would authorize appropriations totaling $75 million annually over the 2004–2008 period. Assuming appropriation of the authorized amounts, CBO estimates implementing section 118 would cost $1 million in 2004 and $375 million over the 2004–2013 period.

TABLE 6.—ESTIMATED COSTS FOR NEW DISCRETIONARY SPENDING

	By fiscal year, in millions of dollars—											
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004–08	2004–13
CHANGES IN SPENDING SUBJECT TO APPROPRIATION												
Tribal TANF Improvement Fund:												
Authorization Level	100	100	100	100	100	0	0	0	0	0	500	500

TABLE 6.—ESTIMATED COSTS FOR NEW DISCRETIONARY SPENDING—Continued

	By fiscal year, in millions of dollars—											
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004–08	2004–13
Estimated Outlays	10	60	108	100	84	88	45	5	0	0	362	500
Fatherhood Grants:												
Authorization Level	75	75	75	75	75	0	0	0	0	0	375	375
Estimated Outlays	1	20	56	93	92	76	34	3	0	0	262	375
Grants for Car Ownership:												
Authorization Level	25	25	25	25	25	0	0	0	0	0	125	125
Estimated Outlays	3	15	27	25	21	22	11	1	0	0	91	125
Total Changes:												
Authorization Level	200	200	200	200	200	0	0	0	0	0	1,000	1,000
Estimated Outlays	14	95	191	218	197	186	90	9	0	0	715	1,000

Section 118 would authorize the appropriation of $20 million per year during the 2004–2008 period for grants to up to 20 states to conduct demonstrations to promote responsible fatherhood through promoting marriage, responsible parenting, or economic stability. It also would authorize $30 million each year over the 2004–2008 period for grants to eligible entities for the same purposes. Eligible entities would include local governments, local private agencies, community-based or nonprofit organizations, Indian tribes, or private entities.

Section 118 also would authorize $5 million annually through 2008 for the Secretary of HHS to contract with a nationally recognized nonprofit organization to develop, promote, and distribute a media campaign promoting responsible fatherhood and to develop a national clearinghouse to assist states and communities in their effort to promote marriage and responsible fatherhood. Finally, it would authorize a program of formula grants to states to conduct media campaigns to promote marriage and responsible fatherhood funded at $20 million each year over the 2005–2008 period

Grants for Car Ownership. Section 119 would authorize the appropriation of $25 million each year through 2008 for a program of grants to states, Indian tribes, localities, and nonprofit organizations to assist low-income families with children in buying automobiles. The program is designed to facilitate employment opportunities and access to training by providing low-income families with more reliable transportation. CBO estimates that implementing this provision would cost $3 million in 2004 and $125 million over the 2004–2011 period, assuming the appropriation of the authorized amounts.

Previous CBO estimate: On February 13, 2003, CBO transmitted a cost estimate for H.R. 4, the Personal Responsibility, Work, and Family Promotion Act of 2003, as introduced in the House of Representatives on February 4, 2003.

H.R. 4, as approved by the Senate Committee on Finance, would increase direct spending by nearly $5 billion over the 2004–2008 period compared to about $2 billion in the House version of the legislation. Both versions of H.R. 4 would reduce revenues by $22 million over those five years. The Senate version of H.R. 4 would increase authorizations of appropriations by $1 billion above the current baseline over the 2004–2008 period, whereas the House version would raise such authorizations by more than $2 billion.

Both versions of H.R. 4 would extend TANF and related programs through 2008, increase direct spending on child care by $200 million annually, and make changes to the child support enforce-

ment, SSI, and Medicaid programs. The estimates for some identical provisions in the versions differ because CBO estimated the House version of the act under its January 2003 baseline assumptions and the Senate version under the baseline completed in March, and which underlies the 2004 budget resolution. The major difference relates to spending under the abstinence education program. Also, CBO assumed a later enactment date in its estimate of the Senate version. Differences in other estimated costs reflect differences in the legislation.

Among the significant differences in the legislation, the Senate version of H.R. 4 would expand the contingency fund more than the House version. It would allow states to share more child support with current and former recipients of welfare and would forgive the federal share of collections on child support that states are currently sharing with families. The Senate version would establish several new enforcement tools in the child support program that were not included in the House version. It does not contain a provision in the House version that would institute a program of charging fees for certain child support clients.

The Senate version of H.R. 4 would extend TMA for five years compared with one year in the House version, and it would allow states to adopt administrative simplifications. It also contains a provision not in the House version that would prohibit states from using SCHIP funds to provide health coverage for childless adults and does not include a provision to reduce the amount of reimbursement to states for Medicaid administrative costs.

Estimate prepared by: Federal Costs: Sheila Dacey—TANF and Child Support; Christina Hawley Sadoti—Unemployment Compensation and Child Welfare; Donna Wong—Child Care; Geoffrey Gerhardt—Supplemental Security Income; Jeanne De Sa and Eric Rollins—Medicaid and SCHIP; Margaret Nowak—Abstinence Education. Impact on State, Local, and Tribal Governments: Leo Lex. Impact on the Private Sector: Ralph Smith.

Estimate approved by: Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.

VI. MINORITY VIEWS

Democratic members of the Committee support improving welfare reform to help more needy Americans escape poverty and to help their children have brighter futures. However, the Democratic members of the Committee are disappointed by the bill presented to the Committee. Despite the efforts of the Chairman to be collaborative, the bill inadequately funds child care, limits the ability of States to design effective welfare-to-work programs, and includes a potentially dangerous "super-waiver" provision likely to cede important Congressional authority to the Executive Branch.

When this bill is considered by the full Senate, Democratic members of the Committee will seek to improve it and are hopeful of being able to support it if improvements are made. A significant concern is support for child care. While the bill increases child care funding by $1 billion the Congressional Budget Office estimates it will cost States more than $1 billion to implement the new work standards required by the bill. As a result, the bill is likely to result in fewer low-income working families receiving child care assistance in the United States. This is because States would be forced to shift funds currently used to assist low-income working families at risk of needing welfare and those who have left the rolls, to aiding only welfare recipients in meeting the work requirements. Already, according to the General Accounting Office, half of States are reporting that families eligible for child care assistance are not receiving it. This result is contrary to the spirit and substance of the 1996 welfare reform law which provided substantial child care assistance to low-income working families who do not currently receive welfare. This could cause significant hardship, particularly for those families who followed the rules and left welfare for work are still struggling to achieve self-sufficiency—without child care aid they are at risk of returning to welfare. The 108th Congress should not turn its back on those families.

The bill before the Committee also does not provide enough flexibility for States in operating TANF programs. It mandates higher hour standards for State programs without any assurance that such mandates will promote private sector employment. In fact, the Committee heard testimony suggesting these new mandates could promote "workfare" at the expense of private sector jobs. The hourly mandates are particularly troubling in light of its child care deficiencies. In addition, the bill does not provide as much flexibility as the substitute we offered in permitting States to incorporate longer-term training, education, and rehabilitative services in their welfare reform strategies. And it also fails to provide States the option of restoring eligibility for benefits for legal immigrants, including health care services for legal immigrant children.

Finally, the bill before the Committee includes a 10 state "super-waiver" demonstration. The scope of this provision was not made

clear in the initial Chairman's Mark. While the final provision is scaled back, it remains an ill-considered attempt to cede Congressional authority to the Executive branch.

The Democratic Members of the Committee will work to address these objections when the full Senate considers the bill. A society can be judged on how it assists those in need, and welfare reform is an important test of that principle. The Democratic Members of the Committee believe we can do better.

MAX BAUCUS.
JOHN BREAUX.
BLANCHE L. LINCOLN.
JOHN F. KERRY.
JAY ROCKEFELLER.
JEFF BINGAMAN.
TOM DASCHLE.
KENT CONRAD.
JAMES JEFFORDS.
BOB GRAHAM.

VII. CHANGES IN EXISTING LAW

In compliance with paragraph 12 of Rule XXVI of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

SOCIAL SECURITY ACT

* * * * * * *

TITLE IV—GRANTS TO STATES FOR AID AND SERVICES TO NEEDY FAMILIES WITH CHILDREN AND FOR CHILD-WELFARE SERVICES

* * * * * * *

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

PURPOSE

SEC. 401. (a) IN GENERAL.—The purpose of this part is to increase the flexibility of States in operating a program designed to—

(1) provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives;

(2) end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage;

(3) prevent and reduce the incidence of out-of-wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies; and

(4) encourage the formation and maintenance of [two-parent families] *healthy 2-parent married families, and encourage responsible fatherhood.*

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

ELIGIBLE STATES; STATE PLAN

SEC. 402. (a) IN GENERAL.—As used in this part, the term "eligible State" means, with respect to a fiscal year, a State that, during the 27-month period ending with the close of the 1st quarter of the fiscal year, has submitted to the Secretary a plan that the Secretary has found includes the following:

(1) OUTLINE OF FAMILY ASSISTANCE PROGRAM.—

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

(i) Conduct a program, designed to serve all political subdivisions in the State (not necessarily in a uniform

manner), that provides assistance to needy families with (or expecting) children and provides parents with job preparation, work and support services to enable them to leave the program and become self-sufficient.

[(ii) Require a parent or caretaker receiving assistance under the program to engage in work (as defined by the State) once the State determines the parent or caretaker is ready to engage in work, or once the parent or caretaker has received assistance under the program for 24 months (whether or not consecutive), whichever is earlier, consistent with section 407(e)(2).

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

(ii) Require a parent or caretaker receiving assistance under the program to engage in work or alternative self-sufficiency activities (as defined by the State), consistent with section 407(e)(2).

(iii) Require families receiving assistance under the program to engage in activities in accordance with family self-sufficiency plans developed pursuant to section 408(b).

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

[(v) Establish goals and take action to prevent and reduce the incidence of out-of-wedlock pregnancies, with special emphasis on teenage pregnancies, and establish numerical goals for reducing the illegitimacy ratio of the State (as defined in section 403(a)(2)(C)(iii)).]

(v) Establish specific measurable performance objectives for pursuing the purposes of the program under this part as described in section 401(a), including by—

(I) establishing objectives consistent (as determined by the State) with the criteria used by the Secretary in establishing performance targets under section 403(a)(4)(C) (including with respect to workplace attachment and advancement), and with such additional criteria related to other purposes of the program under this part as described in section 401(a) as the Secretary, in consultation with the National Governors' Association and the American Public Human Services Association, shall establish; and

(II) describing the methodology that the State will use to measure State performance in relation to each such objective.

(vi) Describe any strategies and programs the State plans to use to address—

(I) employment retention and advancement for recipients of assistance under the program, includ-

ing placement into high-demand jobs, and whether the jobs are identified using labor market information;

(II) efforts to reduce teen pregnancy;

(III) services for struggling and noncompliant families, and for clients with special problems; and

(IV) program integration, including the extent to which employment and training services under the program are provided through the One-Stop delivery system created under the Workforce Investment Act of 1998, and the extent to which former recipients of such assistance have access to additional core, intensive, or training services funded through such Act.

[(vi)**]** *(vii)* Conduct a program, designed to reach State and local law enforcement officials, the education system, and relevant counseling services, that provides education and training on the problem of statutory rape so that teenage pregnancy prevention programs may be expanded in scope to include men.

(viii) encourage equitable treatment of healthy 2-parent married families under the program referred to in clause (i).

(B) SPECIAL PROVISIONS.—

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

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

[(iii)**]** *(ii)* The document shall set forth objective criteria for the delivery of benefits and the determination of eligibility and for fair and equitable treatment, including an explanation of how the State will provide opportunities for recipients who have been adversely affected to be heard in a State administrative or appeal process.

(iii) If the State is undertaking any strategies or programs to engage faith-based organizations in the provision of services funded under this part, or that otherwise relate to section 104 of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, the document shall describe such strategies and programs.

(iv) The document shall describe strategies to improve program management and performance.

(v) The document shall include a performance report which details State progress toward full engagement for all adult or minor child head of household recipients of assistance.

[(vi) Not later than 1 year after the date of enactment of this section, unless the chief executive officer of the State opts out of this provision by notifying the Secretary, a State shall, consistent with the exception provided in section 407(e)(2), require a parent or caretaker receiving assistance under the program who, after receiving such assistance for 2 months is not exempt from work requirements and is not engaged in work, as determined under section 407(c), to participate in community service employment, with minimum hours per week and tasks to be determined by the State.]

(vi) The document shall set forth the criteria for applying section 407(c)(6)(E) to an adult recipient or minor child head of household who is the only parent or caretaker relative for a child or adult dependent for care.

* * * * * * *

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

* * * * * * *

(8) CERTIFICATION OF CONSULTATION ON PROVISION OF TRANSPORTATION AID.—In the case of a State that provides transportation aid under the State program, a certification by the chief executive officer of the State and State and local transportation agencies and planning bodies have been consulted in the development of the plan.

[(b) PLAN AMENDMENTS.—Within 30 days after a State amends a plan submitted pursuant to subsection (a), the State shall notify the Secretary of the amendment.]

(b) PROCEDURES FOR SUBMITTING AND AMENDING STATE PLANS.—

(1) STANDARD STATE PLAN FORMAT.—The Secretary shall, after notice and public comment, develop a proposed Standard State Plan Form to be used by States under subsection (a). Such form shall be finalized by the Secretary for use by States not later than 9 months after the date of enactment of the Personal Responsibility and Individual Development for Everyone Act.

(2) REQUIREMENT FOR COMPLETED PLAN USING STANDARD STATE PLAN FORMAT BY FISCAL YEAR 2005.—Notwithstanding any other provision of law, each State shall submit a complete State plan, using the Standard State Plan Form developed under paragraph (1), not later than October 1, 2004.

(3) PUBLIC NOTICE AND COMMENT.—Prior to submitting a State plan to the Secretary under this section, the State shall—

(A) make the proposed State plan available to the public through an appropriate State maintained Internet website

and through other means as the State determines appropriate;

(B) allow for a reasonable public comment period of not less than 45 days; and

(C) make comments received concerning such plan or, at the discretion of the State, a summary of the comments received available to the public through such website and through other means as the State determines appropriate.

(4) PUBLIC AVAILABILITY OF STATE PLAN.—A State shall ensure that the State plan that is in effect for any fiscal year is available to the public through an appropriate State maintained Internet website and through other means as the State determines appropriate.

(5) AMENDING THE STATE PLAN.—A State shall file an amendment to the State plan with the Secretary if the State determines that there has been a material change in any information required to be included in the State plan or any other information that the State has included in the plan, including substantial changes in the use of funding. Prior to submitting an amendment to the State plan to the Secretary, the State shall—

(A) make the proposed amendment available to the public as provided for in paragraph (3)(A);

(B) allow for a reasonable public comment period of not less than 45 days; and

(C) make the comments available as provided for in paragraph (3)(C).

[(c) PUBLIC AVAILABILITY OF STATE PLAN SUMMARY.—The State shall make available to the public a summary of any plan or plan amendment section.**]**

GRANTS TO STATES

SEC. 403. (a) GRANTS.—

(1) FAMILY ASSISTANCE GRANT.—

(A) IN GENERAL.—Each eligible State shall be entitled to receive from the Secretary, for each of fiscal years **[**1996, 1997, 1998, 1999, 2000, 2001, 2002, and 2003,**]** *2004 through 2008* a grant in an amount equal to the State family assistance grant *payable to the State for the fiscal year.*

(B) STATE FAMILY ASSISTANCE GRANT.—The State family assistance grant payable to a State for a fiscal year shall be the amount that bears the same ratio to the amount specified in subparagraph (C) of this paragraph as the amount required to be paid to the State under this paragraph for fiscal year 2002 (determined without regard to any reduction pursuant to section 409 or 412(a)(1)) bears to the total amount required to be paid under this paragraph for fiscal year 2002 (as so determined).

(C) APPROPRIATION.—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated **[**for fiscal year 2003 $16,566,542,000 for grants under this paragraph**]** *for each of fiscal years 2004 through 2008, $16,566,542,000 for grants under this paragraph.* **[**2001, and 2002 such sums as are necessary for grants under this paragraph.

[(2) BONUS TO REWARD DECREASE IN ILLEGITIMACY RATIO.—
[(A) IN GENERAL.—Each eligible State shall be entitled to receive from the Secretary a grant for each bonus year.
[(B) AMOUNT OF GRANT.—
[(i) IN GENERAL.—If, for a bonus year, none of the eligible States is Guam, the Virgin Islands, or American Samoa, then the amount of the grant shall be—
[(I) $20,000,000 if there are 5 eligible States; or
[(II) $25,000,000 if there are fewer than 5 eligible States.
[(ii) AMOUNT IF CERTAIN TERRITORIES ARE ELIGIBLE.—If, for a bonus year, Guam, the Virgin Islands, or American Samoa is an eligible State, then the amount of the grant shall be—
[(I) in the case of such a territory, 25 percent of the mandatory ceiling amount (as defined in section 1108(c)(4)) with respect to the territory; and
[(II) in the case of a State that is not such a territory—
[(aa) if there are 5 eligible States other than such territories, $20,000,000, minus ⅕ of the total amount of the grants payable under this paragraph to such territories for the bonus year; or
[(bb) if there are fewer than 5 such eligible States, $25,000,000, or such lesser amount as may be necessary to ensure that the total amount of grants payable under this paragraph for the bonus year does not exceed $100,000,000.
[(C) DEFINITIONS.—As used in this paragraph:
[(i) ELIGIBLE STATE.—
[(I) IN GENERAL.—The term "eligible State" means a State that the Secretary determines meets the following requirements:
[(aa) The State demonstrates that the illegitimacy ratio of the State for the most recent 2-year period for which such information is available decreased as compared to the illegitimacy ratio of the State for the previous 2-year period, and the magnitude of the decrease for the State for the period is not exceeded by the magnitude of the corresponding decrease for 5 or more other States for the period. In the case of a State that is not a territory specified in subparagraph (B), the comparative magnitude of the decrease for the State shall be determined without regard to the magnitude of the corresponding decrease for any such territory.
[(bb) The rate of induced pregnancy terminations in the State for the calendar year for which the most recent data are available is less than the rate of induced pregnancy termi-

nations in the State for the calendar year 1995. 104–193, § 103(a).

[(II) DISREGARD OF CHANGES IN DATA DUE TO CHANGED REPORTING METHODS.—In making the determination required by subclause (I), the Secretary shall disregard—

[(aa) any difference between the illegitimacy ratio of a State for a calendar year and the number of out-of-wedlock births that occurred in a State for fiscal year 1995 which is attributable to a change in State methods of reporting data used to calculate the illegitimacy ratio; and

[(bb) any difference between the rate of induced pregnancy terminations in a State for a calendar year and such rate for calendar year 1995 which is attributable to a change in State methods of reporting data used to calculate such rate.

[(ii) BONUS YEAR.—The term "bonus year" means calendar years 1999, 2000, 2001, and 2002.

[(iii) ILLEGITIMACY RATIO.—The term "illegitimacy ratio" means, with respect to a State and a period—

[(I) the number of out-of-wedlock births to mothers residing in the State that occurred during the period; divided by

[(II) the number of births to mothers residing in the State that occurred during the period.

[(D) APPROPRIATION.—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated for fiscal years 1999 through 2002, such sums as are necessary for grants under this paragraph.]

(2) HEALTHY MARRIAGE PROMOTION GRANTS.—

(A) AUTHORITY.—

(i) IN GENERAL.—The Secretary shall award competitive grants to States, territories, and Indian tribes and tribal organizations for not more than 50 percent of the cost of developing and implementing innovative programs to promote and support healthy 2-parent married families.

(ii) USE OF OTHER TANF FUNDS.—A State or Indian tribe with an approved tribal family assistance plan may use funds provided under other grants made under this part for all or part of the expenditures incurred for the remainder of the costs described in clause (i). In the case of a State, any such funds expended shall not be considered qualified State expenditures for purposes of section 409(a)(7).

(B) HEALTHY MARRIAGE PROMOTION ACTIVITIES.—Funds provided under subparagraph (A) shall be used to support any of the following programs or activities:

(i) Public advertising campaigns on the value of marriage and the skills needed to increase marital stability and health.

(ii) Education in high schools on the value of marriage, relationship skills, and budgeting.

(iii) Marriage education, marriage skills, and relationship skills programs, that may include parenting skills, financial management, conflict resolution, and job and career advancement, for non-married pregnant women, non-married expectant fathers, and non-married recent parents.

(iv) Pre-marital education and marriage skills training for engaged couples and for couples or individuals interested in marriage.

(v) Marriage enhancement and marriage skills training programs for married couples.

(vi) Divorce reduction programs that teach relationship skills.

(vii) Marriage mentoring programs which use married couples as role models and mentors.

(viii) Programs to reduce the disincentives to marriage in means-tested aid programs, if offered in conjunction with any activity described in this subparagraph.

(C) VOLUNTARY PARTICIPATION.—Participation in programs or activities described in any of clauses (iii) through (vii) shall be voluntary.

(D) GENERAL RULES GOVERNING USE OF FUNDS.—The rules of section 404, other than subsection (b) of that section, shall not apply to a grant made under this paragraph.

(E) REQUIREMENTS FOR RECEIPT OF FUNDS.—A State, territory, or Indian tribe or tribal organization may not be awarded a grant under this paragraph unless the State, territory, indian tribe or tribal organization, as a condition of receiving funds under such a grant—

(i) consults with experts in domestic violence or with relevant community domestic violence coalitions in developing such programs or activities; and

(ii) describes in the application for a grant under this paragraph—

(I) how the programs or activities proposed to be conducted will address, as appropriate, issues of domestic violence; and

(II) what the State, territory, or Indian tribe or tribal organization will do, to the extent relevant, to ensure that participation in such programs or activities is voluntary, and to inform potential participants that their involvement is voluntary.

(F) APPROPRIATION.—

(i) IN GENERAL.—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated for each of fiscal years 2004 through 2008, $100,000,000 for grants under this paragraph.

(ii) EXTENDED AVAILABILITY OF FUNDS.—

(I) IN GENERAL.—Funds appropriated under clause (i) for each of fiscal years 2004 through

2008 shall remain available to the Secretary until expended.

(II) AUTHORITY FOR GRANT RECIPIENTS.—A State, territory, or Indian tribe or tribal organization may use funds made available under a grant awarded under this paragraph without fiscal year limitation pursuant to the terms of the grant.

* * * * * * *

(H) REAUTHORIZATION.—Notwithstanding any other provision of this paragraph—

(i) any State that was a qualifying State under this paragraph for fiscal year 2001 or any prior fiscal year shall be entitled to receive from the Secretary for each of fiscal years [2002 and 2003] *2004 through 2007* a grant in an amount equal to the amount required to be paid to the State under this paragraph for the most recent fiscal year in which the State was a qualifying State;

(ii) Subparagraph (G) shall be applied as if "[2003] *2007*" were substituted for "2001"; and

(iii) out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated for each of fiscal years [2002 and 2003] *2004 through 2007* such sums as are necessary for grants under this subparagraph.

[(4) BONUS TO REWARD HIGH PERFORMANCE STATES.—

[(A) IN GENERAL.—The Secretary shall make a grant pursuant to this paragraph to each State for each bonus year for which the State is a high performing State.

[(B) AMOUNT OF GRANT.—

[(i) IN GENERAL.—Subject to clause (ii) of this subparagraph, the Secretary shall determine the amount of the grant payable under this paragraph to a high performing State for a bonus year, which shall be based on the score assigned to the State under subparagraph (D)(i) for the fiscal year that immediately precedes the bonus year.

[(ii) LIMITATION.—The amount payable to a State under this paragraph for a bonus year shall not exceed 5 percent of the State family assistance grant.

[(C) FORMULA FOR MEASURING STATE PERFORMANCE.—Not after the date of the enactment of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996[4], the Secretary, in consultation with the National Governors' Association and the American Public Welfare Association, shall develop a formula for measuring State performance in operating the State program funded under this part so as to achieve the goals set forth in section 401(a).

[(D) SCORING OF STATE PERFORMANCE; SETTING OF PERFORMANCE THRESHOLDS.—For each bonus year, the Secretary shall—

[(i) use the formula developed under subparagraph (C) to assign a score to each eligible State for the fiscal year that immediately precedes the bonus year; and

[(ii) prescribe a performance threshold in such a manner so as to ensure that—

[(I) the average annual total amount of grants to be made under this paragraph for each bonus year equals $200,000,000; and

[(II) the total amount of grants to be made under this paragraph for all bonus years equals $1,000,000,000.

[(E) DEFINITIONS.—As used in this paragraph:

[(i) BONUS YEAR.—The term "bonus year" means fiscal years 1999, 2000, 2001, 2002, and 2003.

[(ii) HIGH PERFORMING STATE.—The term "high performing State" means, with respect to a bonus year, an eligible State whose score assigned pursuant to subparagraph (D)(i) for the fiscal year immediately preceding the bonus year equals or exceeds the performance threshold prescribed under subparagraph (D)(ii) for such preceding fiscal year.

[(F) APPROPRIATION.—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated for fiscal years 1999 through 2003 $1,000,000,000 for grants under this paragraph.]

(4) BONUS TO REWARD EMPLOYMENT ACHIEVEMENT.—

(A) IN GENERAL.—The Secretary shall make a grant pursuant to this paragraph to each State for each bonus year for which the State is an employment achievement State.

(B) AMOUNT OF GRANT.—

(i) IN GENERAL.—Subject to clause (ii), the Secretary shall determine the amount of the grant payable under this paragraph to an employment achievement State for a bonus year, which shall be based on the performance of the State as determined under subparagraph (D)(i) for the fiscal year that immediately precedes the bonus year.

(ii) LIMITATION.—The amount payable to a State under this paragraph for a bonus year shall not exceed 5 percent of the State family assistance grant.

(C) FORMULA FOR MEASURING STATE PERFORMANCE.—

(i) IN GENERAL.—Subject to clause (ii), not later than October 1, 2004, the Secretary, in consultation with the States, shall develop a formula for measuring State performance in operating the State program funded under this part so as to achieve the goals of employment entry, job retention, increased earnings from employment, and workplace attachment and advancement for families receiving assistance under the program, as measured on an absolute basis and on the basis of improvement in State performance.

(ii) SPECIAL RULE FOR BONUS YEARS 2004 AND 2005.—For the purposes of awarding a bonus under this paragraph for bonus year 2004 or 2005, the Secretary may

measure the performance of a State in fiscal year 2003 or 2004 (as the case may be) using the job entry rate, job retention rate, and earnings gain rate components of the formula developed under section 403(a)(4)(C) as in effect immediately before the effective date of this paragraph.

(D) DETERMINATION OF STATE PERFORMANCE.—For each bonus year, the Secretary shall—

(i) use the formula developed under subparagraph (C) to determine the performance of each eligible State for the fiscal year that precedes the bonus year; and

(ii) prescribe performance standards in such a manner so as to ensure that—

(I) the average annual total amount of grants to be made under this paragraph for each bonus year equals $100,000,000; and

(II) the total amount of grants to be made under this paragraph for all bonus years equals $600,000,000.

(E) DEFINITIONS.—In this paragraph:

(i) BONUS YEAR.—The term "bonus year" means each of fiscal years 2004 through 2009.

(ii) EMPLOYMENT ACHIEVEMENT STATE.—The term "employment achievement State" means, with respect to a bonus year, an eligible State whose performance determined pursuant to subparagraph (D)(i) for the fiscal year preceding the bonus year equals or exceeds the performance standards prescribed under subparagraph (D)(ii) for such preceding fiscal year.

(F) APPROPRIATION.—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated for the period of fiscal years 2004 through 2009, $600,000,000 for grants under this paragraph.

(G) GRANTS FOR TRIBAL ORGANIZATIONS.—This paragraph shall apply with respect to tribal organizations in the same manner in which this paragraph applies with respect to States. In determining the criteria under which to make grants to tribal organizations under this paragraph, the Secretary shall consult with tribal organizations.

(5) WELFARE-TO-WORK GRANTS.—

(A) FORMULA GRANTS.—

(i) ENTITLEMENT.—A State shall be entitled to receive from the Secretary of Labor a grant for each fiscal year specified in subparagraph (H) of this paragraph for which the State is a welfare-to-work State, in an amount that does not exceed the lesser of—

* * * * * * *

(ii) WELFARE-TO-WORK STATE.—A state shall be considered a welfare-to-work State for a fiscal year for purposes of this paragraph if the Secretary of Labor determines that the State meets the following requirements:

(I) The State has submitted to the Secretary of Labor and the Secretary of Health and Human

Services (in the form of an addendum to the State plan submitted under section 402) a plan which—

* * * * * * *

(III) The State has agreed to negotiate in good faith with the Secretary of Health and Human Services with respect to the substance and funding of any evaluation under section [413(j)] *413(i)*, and to cooperate with the conduct of any such evaluation.

* * * * * * *

(F) FUNDING FOR EVALUATIONS OF WELFARE-TO-WORK PROGRAMS.—0.6 percent $9,000,000 of the amount specified in subparagraph (H) for fiscal year 1998 and of the amount so specified for fiscal year 1999 shall be reserved for use by the Secretary to carry out section [413(j)] *413(i)*.

(G) FUNDING FOR EVALUATION OF ABSTINENCE EDUCATION PROGRAMS.—

(i) IN GENERAL.—0.2 percent $3,000,000 of the amount specified in subparagraph (H) for fiscal year 1998 and of the amount so specified for fiscal year 1999 shall be reserved for use by the Secretary to evaluate programs under section 510, directly or through grants, contracts, or interagency agreements.

(ii) AUTHORITY TO USE FUNDS FOR EVALUATIONS OF WELFARE-TO-WORK PROGRAMS.—Any such amount not required for such evaluations shall be available for use by the Secretary to carry out section [413(j)] *413(i)*.

* * * * * * *

(6) GRANTS TO CAPITALIZE AND DEVELOP SUSTAINABLE SOCIAL SERVICES.—

(A) AUTHORITY TO AWARD GRANTS.—The Secretary may award grants to entities for the purpose of capitalizing and developing the role of sustainable social services that are critical to the success of moving recipients of assistance under a State program funded under this part to work.

(B) APPLICATION.—

(i) IN GENERAL.—An entity desiring a grant under this paragraph shall submit an application to the Secretary, at such time, in such manner, and, subject to clause (ii), containing such information as the Secretary may require.

(ii) STRATEGY FOR GENERATION OF REVENUE.—An application for a grant under this paragraph shall include a description of the capitalization strategy that the entity intends to follow to develop a program that generates its own source of on-going revenue while assisting recipients of assistance under a State program funded under this part.

(C) USE OF FUNDS.—

(i) IN GENERAL.—Funds made available under a grant made under this paragraph may be used for

the acquisition, construction, or renovation of facilities or buildings.

(ii) GENERAL RULES GOVERNING USE OF FUNDS.—The rules of section 404, other than subsection (b) of that section, shall not apply to a grant made under this paragraph.

(D) EVALUATION AND REPORT.—The Secretary shall, by grant, contract, or interagency agreement, conduct an evaluation of the programs developed with grants awarded under this paragraph and shall submit a report to Congress on the results of such evaluation.

(E) AUTHORIZATION OF APPROPRIATIONS.—Out of any money in the Treasury of the United States not otherwise appropriated, there is appropriated to the Secretary for the purpose of carrying out this paragraph, $40,000,000 for each of fiscal years 2004 through 2008.

(7) GRANTS FOR LOW-INCOME CAR OWNERSHIP PROGRAMS.—

(A) PURPOSES.—The purposes of this paragraph are to—

(i) assist low-income families with children obtain dependable, affordable automobiles to improve their employment opportunities and access to training; and

(ii) provide incentives to States, Indian tribes, localities, and nonprofit entities to develop and administer programs that provide assistance with automobile ownership for low-income families.

(B) DEFINITIONS.—In this paragraph:

(i) LOCALITY.—The term "locality" means a municipality that does not administer a State program funded under this part.

(ii) LOW-INCOME FAMILY WITH CHILDREN.—The term "low-income family with children" means a household that is eligible for benefits or services funded under the State program funded under this part or under a program funded with qualified State expenditures (as defined in section 409(a)(7)(B)(i)).

(iii) NONPROFIT ENTITY.—The term "nonprofit entity" means a school, local agency, organization, or institution owned and operated by 1 or more nonprofit corporations or associations, no part of the net earnings of which inures, or may lawfully inure, to the benefit of any private shareholder or individual.

(C) AUTHORITY TO AWARD GRANTS.—The Secretary may award grants to States, counties, localities, Indian tribes, and nonprofit entities to promote improving access to dependable, affordable automobiles by low-income families with children.

(D) GRANT APPROVAL CRITERIA.—The Secretary shall establish criteria for approval of an application for a grant under this paragraph that include consideration of—

(i) the extent to which the proposal, if funded, is likely to improve access to training and employment opportunities and child care services by low-income families with children by means of car ownership;

(ii) the level of innovation in the applicant's grant proposal; and

(iii) any partnerships between the public and private sector in the applicant's grant proposal.

(E) USE OF FUNDS.—

(i) IN GENERAL.—A grant awarded under this paragraph shall be used to administer programs that assist low-income families with children with dependable automobile ownership, and maintenance of, or insurance for, the purchased automobile.

(ii) SUPPLEMENT NOT SUPPLANT.—Funds provided to a State, Indian tribe, county, or locality under a grant awarded under this paragraph shall be used to supplement and not supplant other State, county, or local public funds expended for car ownership programs.

(iii) GENERAL RULES GOVERNING USE OF FUNDS.—The rules of section 404, other than subsection (b) of that section, shall not apply to a grant made under this paragraph.

(F) APPLICATION.—Each applicant desiring a grant under this paragraph shall submit an application to the Secretary at such time, in such manner, and accompanied by such information as the Secretary may reasonably require.

(G) REVERSION OF FUNDS.—Any funds not expended by a grantee within 3 years after the date the grant is awarded under this paragraph shall be available for redistribution among other grantees in such manner and amount as the Secretary may determine, unless the Secretary extends by regulation the time period to expend such funds.

(H) LIMITATION ON ADMINISTRATIVE COSTS OF THE SECRETARY.—Not more than an amount equal to 5 percent of the funds appropriated to make grants under this paragraph for a fiscal year shall be expended for administrative costs of the Secretary in carrying out this paragraph.

(I) EVALUATION.—The Secretary shall, by grant, contract, or interagency agreement, conduct an evaluation of the programs administered with grants awarded under this paragraph.

(J) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to the Secretary to make grants under this paragraph, $25,000,000 for each of fiscal years 2004 through 2008.

(b) CONTINGENCY FUND.—

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

[(2) DEPOSITS INTO FUND.—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated for fiscal years 1997, 1998, 1999, 2000, 2001, and 2002 such sums as are necessary for payment to the Fund in a total amount not to exceed $2,000,000,000, reduced by the sum of the dollar amounts specified in paragraph (6)(C)(ii). (6)(C)(ii)", effective November 19, 1997.

[(3) GRANTS.—

[(A) PROVISIONAL PAYMENTS.—If an eligible State submits to the Secretary a request for funds under this paragraph during an eligible month, the Secretary shall, subject to this paragraph, pay to the State, from amounts appropriated pursuant to paragraph (2), an amount equal to the amount of funds so requested.

[(B) PAYMENT PRIORITY.—The Secretary shall make payments under subparagraph (A) in the order in which the Secretary receives requests for such payments.

[(C) LIMITATIONS.—

[(i) MONTHLY PAYMENT TO A STATE.—The total amount paid to a single State under subparagraph (A) during a month shall not exceed 1/12 of 20 percent of the State family assistance grant.

[(ii) PAYMENTS TO ALL STATES.—The total amount paid to all States under subparagraph (A) during fiscal years 1997 through 2002[14] shall not exceed the total amount appropriated pursuant to paragraph (2).]

(1) CONTINGENCY FUND GRANTS.—

(A) PAYMENTS.—Subject to subparagraph (C), and out of funds appropriated under subparagraph (E), each State shall receive a contingency fund grant for each eligible month in which the State is a needy State under paragraph (3).

(B) MONTHLY CONTINGENCY FUND GRANT AMOUNT.—For each eligible month in which a State is a needy State, the State shall receive a contingency fund grant equal to the product of—

(i) the applicable percentage (as defined under subparagraph (D)(i)) of the applicable benefit level (as defined in subparagraph (D)(ii)); and

(ii) the amount by which the total number of families that received assistance under the State program funded under this part in the most recently concluded 3-month period for which data are available from the State exceeds a 5 percent increase in the number of such families in the corresponding 3-month period in either of the 2 most recent preceding fiscal years and that was due, in large measure, to economic conditions rather than State policy changes.

(C) LIMITATION.—The total amount paid to a single State under subparagraph (A) during a fiscal year shall not exceed the amount equal to 10 percent of the State family assistance grant (as defined under subparagraph (B) of subsection (a)(1)).

(D) DEFINITIONS.—In this paragraph:

(i) APPLICABLE PERCENTAGE.—The term "applicable percentage" means the Federal medical assistance percentage for the State (as defined in section 1905(b)).

(ii) APPLICABLE BENEFIT LEVEL.—

(I) IN GENERAL.—Subject to subclause (II), the term "applicable benefit level" means the amount equal to the maximum cash assistance grant for a

family consisting of 3 individuals under the State program funded under this part.

(II) RULE FOR STATES WITH MORE THAN 1 MAXIMUM LEVEL.—In the case of a State that has more than 1 maximum cash assistance grant level for families consisting of 3 individuals, the basic assistance cost shall be the amount equal to the maximum cash assistance grant level applicable to the largest number of families consisting of 3 individuals receiving assistance under the State program funded under this part.

(E) APPROPRIATION.—Out of any money in the Treasury of the United States not otherwise appropriated, there is appropriated for the period of fiscal years 2004 through 2008, such sums as are necessary for making contingency fund grants under this subsection in a total amount not to exceed $2,000,000,000.;

[(4)**]** *(2)* ELIGIBLE MONTH.—As used in paragraph **[**(3)(A)*(1),* the term "eligible month" means, with respect to a State, a month in the **[**2-month period that begins with any**]** *fiscal year quarter that includes a* month for which the State is a needy State.

[(5) NEEDY STATE.—For purposes of paragraph (4), a State is a needy State for a month if—

[(A) the average rate of—

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

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

[(B) as determined by the Secretary of Agriculture (in the discretion of the Secretary of Agriculture), the monthly average number of individuals (as of the last day of each month) participating in the food stamp program in the State in the then most recently concluded 3-month period for which data are available exceeds by not less than 10 percent the less or of—

[(i) the monthly average number of individuals (as of the last day of each month) in the State that would have participated in the food stamp program in the corresponding 3-month period in fiscal year 1994 if the amendments made by titles IV and VIII of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 had been in effect throughout fiscal year 1994; or

[(ii) the monthly average number of individuals (as of the last day of each month) in the State that would have participated in the food stamp program in the corresponding 3-month period in fiscal year 1995 if the amendments made by titles IV and VIII of the Per-

sonal Responsibility and Work Opportunity Reconciliation Act of 1996 had been in effect throughout fiscal year 1995.

[(6) ANNUAL RECONCILIATION.—

[(A) IN GENERAL.—Notwithstanding paragraph (3), if the Secretary makes a payment to a State under this subsection in a fiscal year, then the State shall remit to the Secretary, within 1 year after the end of the first subsequent period of 3 consecutive months for which the State is not a needy State, an amount equal to the amount (if any) by which—

[(i) the total amount paid to the State under paragraph (3) of this subsection in the fiscal year; exceeds

[(ii) the product of—

[(I) the Federal medical assistance percentage for the State (as defined in section 1905(b), as such section was in effect on September 30, 1995);

[(II) the State's reimbursable expenditures for the fiscal year; and

[(III) 1/12 times the number of months during the fiscal year for which the Secretary made a payment to the State under such paragraph (3).

[(B) DEFINITIONS.—As used in subparagraph (A);

[(i) REIMBURSABLE EXPENDITURES.—The term "reimbursable expenditures" means, with respect to a State and a fiscal year, the amount (if any) by which—

[(I) countable State expenditures for the fiscal year; exceeds

[(II) historic State expenditures (as defined in section 409(a)(7)(B)(iii)), excluding any amount expended by the State for child care under subsection (g) or (i) of section 402 (as in effect during fiscal year 1994) for fiscal year 1994.

[(ii) COUNTABLE STATE EXPENDITURES.—The term "countable expenditures" means, with respect to a State and a fiscal year—

[(I) the qualified State expenditures (as defined in section 409(a)(7)(B)(i) (other than the expenditures described in subclause (I)(bb) of such section)) under the State program funded under this part for the fiscal year; plus

[(II) any amount paid to the State under paragraph (3) during the fiscal year that is expended by the State under the State program funded under this part.

[(C) ADJUSTMENT OF STATE REMITTANCES.—

[(i) IN GENERAL.—The amount otherwise required by subparagraph (A) to be remitted by a State for a fiscal year shall be increased by the lesser of—

[(I) the total adjustment for the fiscal year, multiplied by the adjustment percentage for the State for the fiscal year; or

[(II) the unadjusted net payment to the State for the fiscal year.

[(ii) TOTAL ADJUSTMENT.—As used in clause (i), the term "total adjustment" means—

[(I) in the case of fiscal year 1998, $2,000,000;

[(II) in the case of fiscal year 1999, $9,000,000;

[(III) in the case of fiscal year 2001, $13,000,000.

[(iii) ADJUSTMENT PERCENTAGE.—As used in clause (i), the term "adjustment percentage" means, with respect to a State and a fiscal year—

[(I) the unadjusted net payment to the State for the fiscal year; divided by

[(II) the sum of the unadjusted net payments to all States for the fiscal year.

(iv) UNADJUSTED NET PAYMENT.—As used in this subparagraph, the term, "unadjusted net payment" means with respect to a State and a fiscal year—

[(I) the total amount paid to the State under paragraph (3) in the fiscal year; minus

[(II) the amount that, in the absence of this subparagraph, would be required by subparagraph (A) or by section 409(a)(10) to be remitted by the State in respect of the payment.]

(3) INITIAL DETERMINATION OF WHETHER A STATE QUALIFIES AS A NEEDY STATE.—

(A) IN GENERAL.—For purposes of paragraph (1), subject to paragraph (4), a State will be initially determined to be a needy State for a month if, as determined by the Secretary—

(i) the monthly average of the unduplicated number of families that received assistance under the State program funded under this part in the most recently concluded 3-month period for which data are available from the State increased by at least 5 percent over the number of such families that received such benefits in the corresponding 3-month period in either of the 2 most recent preceding fiscal years;

(ii) the increase in the number of such families for the State was due, in large measure, to economic conditions rather than State policy changes; and

(iii) the State satisfies any of the following criteria:

(I) The average rate of total unemployment in the State (seasonally adjusted) for the period consisting of the most recent 3 months for which data are available has increased by the lesser of 1.5 percentage points or by 50 percent over the corresponding 3-month period in either of the 2 most recent preceding fiscal years.

(II) The average insured unemployment rate for the most recent 13 weeks for which data are available has increased by 1 percentage point over the corresponding 13-week period in either of the 2 most recent preceding fiscal years.

(III) As determined by the Secretary of Agriculture, the monthly average number of households

(as of the last day of each month) that participated in the food stamp program in the State in the then most recently concluded 3-month period for which data are available exceeds by at least 15 percent the monthly average number of households (as of the last day of each month) in the State that participated in the food stamp program in the corresponding 3-month period in either of the 2 most recent preceding fiscal years, but only if the Secretary and the Secretary of Agriculture concur in the determination that the State's increased caseload was due, in large measure, to economic conditions rather than changes in Federal or State policies related to the food stamp program.

(B) DURATION.—A State that qualifies as a needy State—

(i) under subclause (I) or (II) of subparagraph (A)(iii), shall be considered a needy State until the State's average rate of total unemployment or the State's insured unemployment rate, respectively, falls below the level attained in the applicable period that was first used to determine that the State qualified as a needy State under that subparagraph (and in the case of the insured unemployment rate, without regard to any declines in the rate that are the result of seasonal variation); and

(ii) under subclause (III) of subparagraph (A)(iii), shall be considered a needy State so long as the State meets the criteria for being considered a needy State under that subparagraph.

(4) EXCEPTIONS.—

(A) UNEXPENDED BALANCES.—

(i) IN GENERAL.—Notwithstanding paragraph (3), a State that has unexpended TANF balances in an amount that exceeds 30 percent of the total amount of grants received by the State under subsection (a) for the most recently completed fiscal year (other than welfare-to-work grants made under paragraph (5) of that subsection prior to fiscal year 2000), shall not be a needy State under this subsection.

(ii) DEFINITION OF UNEXPENDED TANF BALANCES.—In clause (i), the term "unexpended TANF balances" means the lessor of—

(I) the total amount of grants made to the State (regardless of the fiscal year in which such funds were awarded) under subsection (a) (other than welfare-to-work grants made under paragraph (5) of that subsection prior to fiscal year 2000) but not yet expended as of the end of the fiscal year preceding the fiscal year for which the State would, in the absence of this subparagraph, be considered a needy State under this subsection; and

(II) the total amount of grants made to the State under subsection (a) (other than welfare-to-work grants made under paragraph (5) of that sub-

section prior to fiscal year 2000) but not yet expended as of the end of such preceding fiscal year, plus the difference between—

(aa) the pro rata share of the current fiscal year grant to be made under subsection (a) to the State; and

(bb) current year expenditures of the total amount of grants made to the State under subsection (a) (regardless of the fiscal year in which such funds were awarded) (other than such welfare-to-work grants) through the end of the most recent calendar quarter.

(B) FAILURE TO SATISFY MAINTENANCE OF EFFORT REQUIREMENT.—Notwithstanding paragraph (3), a State that fails to satisfy the requirement of section 409(a)(7) with respect to a fiscal year shall not be a needy State under this subsection for that fiscal year.

[(7)**]** *(5)* OTHER TERMS DEFINED.—As used in this subsection:

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

(B) SECRETARY.—The term "Secretary" means the Secretary of the Treasury.

[(8)**]** *(6)* ANNUAL REPORTS.—The Secretary shall annually report to the Congress **[**on the status of the Fund**]** *on the States that qualified for contingency funds and the amount of funding awarded under this subsection.*

* * * * * * *

SEC. 404. (a) GENERAL RULES.—Subject to this part, a State to which a grant is made under section 403 may use the grant—

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

(2) in any manner that the State was authorized to use amounts received under part A or F, as such parts were in effect on September 30, 1995, or (as the option of the State) August 21, 1996.

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

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

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

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

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

(1) IN GENERAL.—Subject to paragraph (2), a State may use not more than 30 percent of the amount of any grant made to the State under section 403(a) for a fiscal year to carry out a State program pursuant to any or all of the following provisions of law:

(A) Title XX of this Act.

(B) The Child Care and Development Block Grant Act of 1990.[15]

[(2) LIMITATION ON AMOUNT TRANSFERABLE TO TITLE XX PROGRAMS.—

[(A) IN GENERAL.—A State may use not more than the applicable percent of the amount of any grant made to the State under section 403(a) for a fiscal year to carry out State programs pursuant to title XX.

[(B) APPLICABLE PERCENT.—For purposes of subparagraph (A), the applicable percent is 4.25 percent in the case of fiscal year 2001 and each succeeding fiscal year.]

(2) LIMITATION ON AMOUNT TRANSFERABLE TO TITLE XX PROGRAMS.—A State may use not more than 10 percent of the amount of any grant made to the State under section 403(a) for a fiscal year to carry out State programs pursuant to title XX.

* * * * * * *

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

(e) AUTHORITY TO CARRYOVER OR RESERVE CERTAIN AMOUNTS FOR BENEFITS OR SERVICES OR FOR FUTURE CONTINGENCIES.—

(1) CARRYOVER.—A State or tribe may use a grant made to the State or tribe under this part for any fiscal year to provide, without fiscal year limitation, any benefit or service that may be provided under the State or tribal program funded under this part.

(2) CONTINGENCY RESERVE.—A State or tribe may designate any portion of a grant made to the State or tribe under this part as a contingency reserve for future needs, and may use any amount so designated to provide, without fiscal year limitation, any benefit or service that may be provided under the State or tribal program funded under this part. If a State or tribe so designates a portion of such a grant, the State or tribe shall include in its report under section 411(a) the amount so designated.

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

* * * * * * *

(l) AUTHORITY TO ESTABLISH UNDERGRADUATE POST-SECONDARY OR VOCATIONAL EDUCATIONAL PROGRAM.—

(1) IN GENERAL.—Subject to the succeeding paragraphs of this subsection, a State to which a grant is made under section 403 may use the grant to establish a program under which an eligible participant (as defined in paragraph (5)) may be provided support services described in paragraph (7) and, subject to paragraph (8), may have hours of participation in such program counted as being engaged in work for purposes of determining monthly participation rates under section 407(b)(1)(B)(i).

(2) STATE PLAN REQUIREMENT.—In order to establish a program under this subsection, a State shall describe (in an addendum to the State plan submitted under section 402) the applicable eligibility criteria that is designed to limit participation in the program to only those individuals—

(A) whose past earnings indicate that the individuals cannot qualify for employment that pays enough to allow them to obtain self-sufficiency (as determined by the State); and

(B) for whom enrollment in the program will prepare the individuals for higher-paying occupations in demand in the State.

(3) LIMITATION ON ENROLLMENT.—The number of eligible participants in a program established under this subsection may not exceed 10 percent of the total number of families receiving assistance under the State program funded under this part.

(4) NO FEDERAL FUNDS FOR TUITION.—A State may not use Federal funds provided under a grant made under section 403 to pay tuition for an eligible participant.

(5) DEFINITION OF ELIGIBLE PARTICIPANT.—In this subsection, the term "eligible participant" means an individual who receives assistance under the State program funded under this part and satisfies the following requirements:

(A) The individual is enrolled in a postsecondary 2- or 4-year degree program or in a vocational educational training program.

(B) During the period the individual participates in the program, the individual maintains satisfactory academic progress, as defined by the institution operating the undergraduate post-secondary or vocational educational program in which the individual is enrolled.

(6) REQUIRED TIME PERIODS FOR COMPLETION OF DEGREE OR VOCATIONAL EDUCATIONAL TRAINING PROGRAM.—

(A) IN GENERAL.—Subject to subparagraph (B), an eligible participant participating in a program established under this subsection shall be required to complete the requirements of a degree or vocational educational training program within the normal time frame for full time students seeking the particular degree or completing the vocational educational training program.

(B) EXCEPTION.—For good cause, the State may allow an eligible participant to complete their degree requirements or vocational educational training program within a period not to exceed 1½ times the normal timeframe established under subparagraph (A) (unless further modification is re-

quired by the Americans with Disabilities Act of 1990 (42 U.S.C. 12101 et seq.), or section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794)) and may modify the requirements applicable to an individual participating in the program. For purposes of the preceding sentence, good cause includes the case of an eligible participant with 1 or more significant barriers to normal participation, as determined by the State, such as the need to care for a family member with special needs.

(7) SUPPORT SERVICES DESCRIBED.—For purposes of paragraph (1), the support services described in this paragraph include any or all of the following during the period the eligible participant is in the program established under this subsection:

(A) Child care.

(B) Transportation services.

(C) Payment for books and supplies.

(D) Other services provided under policies determined by the State to ensure coordination and lack of duplication with other programs available to provide support services.

(8) RULES FOR INCLUSION IN MONTHLY WORK PARTICIPATION RATES.—

(A) FAMILIES COUNTED AS PARTICIPATING IF THEY MEET THE REQUIREMENTS OF SUBPARAGRAPHS (B) OR (C).—For each eligible participant, a State may elect, for purposes of determining monthly participation rates under section 407(b)(1)(B)(i), to include such participant in the determination of such rates in accordance with subparagraph (B) or (C).

(B) FULL OR PARTIAL CREDIT FOR HOURS OF PARTICIPATION IN EDUCATIONAL OR RELATED ACTIVITIES.—

(i) IN GENERAL.—Subject to clause (iv), an eligible participant who participates in educational or related activities (as determined by the State) under a program established under this subsection shall be given credit for the number of hours of such participation to the extent that an adult recipient or minor child head of household would be given credit under section 407(c) for being engaged in the same number of hours of work activities described in paragraph (1), (2), (3), (4), (5), (6), (7), (8), or (12) of section 407(d).

(ii) RELATED ACTIVITIES.—For purposes of clause (i), related activities shall include—

(I) work activities described in paragraph (1), (2), (3), (4), (5), (6), (7), (8), or (12) of section 407(d);

(II) work study, practicums, internships, clinical placements, laboratory or field work, or such other activities as will enhance the eligible participant's employability in the participant's field of study, as determined by the State; or

(III) subject to clause (iii), study time.

(iii) LIMITATION ON INCLUSION OF STUDY TIME.—For purposes of determining hours per week of participation by an eligible participant under a program estab-

lished under this subsection, a State may not count study time of less than 1 hour for every hour of class time or more than 2 hours for every hour of class time.

(iv) TOTAL NUMBER OF HOURS LIMITED TO BEING COUNTED AS 1 FAMILY.—In no event may hours per week of participation by an eligible participant under a program established under this subsection be counted as more than 1 family for purposes of determining monthly participation rates under section 407(b)(1)(B)(i).

(C) FULL CREDIT FOR BEING ENGAGED IN DIRECT WORK ACTIVITIES FOR CERTAIN HOURS PER WEEK.—

(i) IN GENERAL.—A family that includes an eligible participant who, in addition to complying with the full-time educational participation requirements of the degree or vocational educational training program they are enrolled in, participates in an activity described in subclause (I), (II), or (III) of subparagraph (B)(ii) for not less than the number of hours required per week under clause (ii) shall be counted as 1 family.

(ii) REQUIRED HOURS PER WEEK.—For purposes of clause (i), subject to clause (iii), the number of hours per week are—

(I) 6 hours per week during the first 12-month period that an eligible participant participates in a program established under this subsection;

(II) 8 hours per week during the second 12-month period of such participation;

(II) 10 hours per week during the third 12-month period of such participation; and

(II) 12 hours per week during the fourth or any other succeeding 12-month period of such participation.

(iii) MODIFICATION OF REQUIREMENTS FOR GOOD CAUSE.—A State may modify the number of hours per week required under clause (ii) for good cause. For purposes of the preceding sentence, good cause includes the case of an eligible participant with 1 or more significant barriers to normal participation, as determined by the State, such as the need to care for a family member with special needs.

* * * * * * *

[FEDERAL LOANS FOR STATE WELFARE PROGRAMS

[SEC. 406. (a) LOAN AUTHORITY.—

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

[(2) LOAN-ELIGIBLE STATE.—As used in paragraph (1), the term "loan-eligible State" means a State against which a penalty has not been imposed under section 409(a)(1).

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

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

[(1) welfare anti-fraud activities, and

[(2) the provision of assistance under the State program to Indian families that have moved from the service area of an Indian tribe with a tribal family assistance plan approved under section 412.

[(d) LIMITATION ON TOTAL AMOUNT OF LOANS TO A STATE.—The cumulative dollar amount of all loans made to a State under this section during fiscal years 1997 through 2002 shall not exceed 10 percent of the State family assistance grant.

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

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

MANDATORY WORK REQUIREMENTS

SEC. 407. [(a) PARTICIPATION RATE REQUIREMENTS.—

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

[If the fiscal year is:	The minimum participation rate is:
[1997	25
[1998	30
[1999	35
[2000	40
[2001	45
[2002 or thereafter	50.

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

[If the fiscal year is:	The minimum participation rate is:
[1997	75
[1998	75
[1999 or thereafter	90.]

(a) PARTICIPATION RATE REQUIREMENTS.—

(1) IN GENERAL.—A State to which a grant is made under section 403 for a fiscal year shall achieve a minimum participation rate with respect to all families receiving assistance under

the State program funded under this part that is equal to not less than—

(A) 50 percent for fiscal year 2004;

(B) 55 percent for fiscal year 2005;

(C) 60 percent for fiscal year 2006;

(D) 65 percent for fiscal year 2007; and

(E) 70 percent for fiscal year 2008 and each succeeding fiscal year.

(2) LIMITATION ON REDUCTION OF PARTICIPATION RATE THROUGH APPLICATION OF CREDITS.—Notwithstanding any other provision of this part, the net effect of any percentage reduction in the minimum participation rate otherwise required under this section with respect to families receiving assistance under the State program funded under this part as a result of the application of any employment credit, caseload reduction credit, or other credit against such rate for a fiscal year, shall not exceed—

(A) 40 percentage points, in the case of fiscal year 2004;

(B) 35 percentage points, in the case of fiscal year 2005;

(C) 30 percentage points, in the case of fiscal year 2006;

(D) 25 percentage points, in the case of fiscal year 2007; or

(E) 20 percentage points, in the case of fiscal year 2008 or any fiscal year thereafter.

(b) CALCULATION OF PARTICIPATION RATES.—

(1) ALL FAMILIES.—

(A) AVERAGE MONTHLY RATE.—For purposes of subsection (a)(1), the participation rate for all families of a State for a fiscal year is the average of the participation rates for all families of the State for each month in the fiscal year.

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

(i) the number of families receiving assistance under the State program funded under this part that include an adult or a minor child head of household who is engaged in work for the month; divided by

(ii) the amount by which—

(I) the number of families receiving such assistance during the month that include an adult or a minor child head of household receiving such assistance; exceeds

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

[(2) 2-PARENT FAMILIES.—

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

rates for 2-parent families of the State for each month in the fiscal year.

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

[(C) FAMILY WITH A DISABLED PARENT NOT TREATED AS A 2-PARENT FAMILY.—A family that includes a disabled parent shall not be considered a 2-parent family for purposes of subsections (a) and (b) of this section.]

(2) EMPLOYMENT CREDIT.—

(A) IN GENERAL.—Subject to subsection (a)(2), the Secretary shall, by regulation, reduce the minimum participation rate otherwise applicable to a State under this subsection for a fiscal year by the number of percentage points in the employment credit for the State for the fiscal year, as determined by the Secretary—

(i) using information in the National Directory of New Hires;

(ii) with respect to a recipient of assistance or former recipient of assistance under the State program funded under this part who is placed with an employer whose hiring information is not reported to the National Directory of New Hires, using quarterly wage information submitted by the State to the Secretary not later than such date as the Secretary shall prescribe in regulations; or

(iii) with respect to families described in subclause (II) or (III) of subparagraph (B)(ii), using such other data as the Secretary may require in order to determine the employment credit for a State under this paragraph.

(B) CALCULATION OF CREDIT.—

(i) IN GENERAL.—The employment credit for a State for a fiscal year is an amount equal to the sum of the amounts determined under clause (ii), divided by the amount determined under clause (iii).

(ii) NUMERATOR.—For purposes of clause (i), the amounts determined under this clause are the following:

(I) Twice the quarterly average unduplicated number of families that include an adult or minor child head of household recipient of assistance under the State program funded under this part, that ceased to receive such assistance for at least 2 consecutive months following the date of the case closure for the family during the applicable period (as defined in clause (v)), that did not receive assistance under a separate State-funded program during such 2-month period, and that were employed during the calendar quarter immediately

succeeding the quarter in which the assistance under the State program funded under this part ceased.

(II) At the option of the State, twice the quarterly average number of families that received a nonrecurring short-term benefit under the State program funded under this part during the applicable period (as so defined), that were employed during the calendar quarter immediately succeeding the quarter in which the nonrecurring short-term benefit was so received, and that earned at least $1,000 during the applicable period (as so defined).

(III) At the option of the State, twice the quarterly average number of families that includes an adult who is receiving substantial child care or transportation assistance (as defined by the Secretary, in consultation with directors of State programs funded under this part, which definition shall specify for each type of assistance a threshold which is a dollar value or a length of time over which the assistance is received, and which takes account of large one-time transition payments)) during the applicable period (as so defined).

(iii) DENOMINATOR.—For purposes of clause (i), the amount determined under this clause is the amount equal to the sum of the following:

(I) The average monthly number of families that include an adult or minor child head of household who received assistance under the State program funded under this part during the applicable period (as defined under clause (v)).

(II) If the State elected the option under clause (ii)(II), twice the quarterly average number of families that received a nonrecurring short-term benefit under the State program funded under this part during the applicable period (as so defined).

(III) If the State elected the option under clause (ii)(III), twice the quarterly average number of families that includes an adult who is receiving substantial child care or transportation assistance during the applicable period (as so defined).

(iv) SPECIAL RULE FOR FORMER RECIPIENTS WITH HIGHER EARNINGS.—In calculating the employment credit for a State for a fiscal year, in the case of a family that includes an adult or a minor child head of household that is to be included in the amount determined under clause (ii)(I) and that, with respect to the quarter in which the family's earnings was examined during the applicable period, earned at least 33 percent of the average quarterly earnings in the State (determined on the basis of State unemployment data), the family shall be considered to be 1.5 families.

(v) DEFINITION OF APPLICABLE PERIOD.—For purposes of this paragraph, the term 'applicable period' means, with respect to a fiscal year, the most recent 4 quarters for which data are available to the Secretary providing information on the work status of—

(I) individuals in the quarter after the individuals ceased receiving assistance under the State program funded under this part;

(II) at State option, individuals in the quarter after the individuals received a short-term, nonrecurring benefit; and

(III) at State option, individuals in the quarter after the individuals ceased receiving substantial child care or transportation assistance.

(C) NOTIFICATION TO STATE.—Not later than August 30 of each fiscal year, the Secretary shall—

(i) determine, on the basis of the applicable period, the amount of the employment credit that will be used in determining the minimum participation rate for a State under subsection (a) for the immediately succeeding fiscal year; and

(ii) notify each State conducting a State program funded under this part of the amount of the employment credit for such program for the succeeding fiscal year.

[(3) PRO RATA REDUCTION OF PARTICIPATION RATE DUE TO CASELOAD REDUCTIONS NOT REQUIRED BY FEDERAL LAW AND NOT RESULTING FROM CHANGES IN STATE ELIGIBILITY CRITERIA.—

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

[(i) the average monthly number of families receiving assistance during the immediately preceding fiscal year under the State program funded under this part is less than

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

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

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

Such regulations shall place the burden on the Secretary to prove that such families were diverted as a direct result of differences in such eligibility criteria.]

[(4)] *(3)* STATE OPTION TO INCLUDE INDIVIDUALS RECEIVING ASSISTANCE UNDER A TRIBAL FAMILY ASSISTANCE PLAN OR TRIBAL WORK PROGRAM.—For purposes of [paragraph (a)(B) and (2)(B)] *determining monthly participation rates under paragraph (a)(B),* a State may,at its option, include families in the State that are receiving assistance under a tribal family assistance plan approved under section 412 or under a tribal work program to which funds are provided under this part.

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

(4) STATE OPTIONS FOR PARTICIPATION REQUIREMENT EXEMPTIONS.—At the option of a State, a State may, on a case-by-case basis—

(A) not include a family in the determination of the monthly participation rate for the State in the first month for which the family receives assistance from the State program funded under this part on the basis of the most recent application for such assistance; or

(B) not require a family in which the youngest child has not attained 12 months of age to engage in work, and may disregard that family in determining the minimum participation rate under subsection (a) for the State for not more than 12 months.

[(c) ENGAGED IN WORK.—

[(1) GENERAL RULES.—

[(A) ALL FAMILIES.—For purposes of subsection (b)(1)(B)(i), a recipient is engaged in work for a month in a fiscal year if the recipient is participating in work activities for at least the minimum average of hours per week specified in the following table during the month, not fewer than 20 hours per week of which are attributable to an activity described in paragraph (1), (2), (3), (4), (5), (6), (7), (8), or (12) of subsection (d), subject to this subsection:

[If the month is in [fiscal year:	**The minimum average number of hours per week is:**
[1997	20
[1998	20
[1999	25
[2000 or thereafter	30.

[(B) 2-PARENT FAMILIES.—For purposes of subsection (b)(2)(B), an individual is engaged in work for a month in a fiscal year if—

[(i) the individual and the other parent in the family are participating in work activities for a total of at least 35 hours per week during the month, not fewer

than 30 hours per week of which are attributable to an activity described in paragraph (1), (2), (3), (4), (5), (6), (7), (8), or (12) of subsection (d), subject to this subsection; and

[(2) LIMITATIONS AND SPECIAL RULES.—

[(A) NUMBER OF WEEKS FOR WHICH JOB SEARCH COUNTS AS WORK.—

[(i) LIMITATION.—Notwithstanding paragraph (1) of this subsection, an individual shall not be considered to be engaged in work by virtue of participation in an activity described in subsection (d)(6) of a State program funded under this part, after the individual has participated in such an activity for 6 weeks (or, if the unemployment rate of the State is at least 50 percent greater than the unemployment rate of the United States or the State is a needy State within the meaning of section 403(b)(6), 12 weeks), or if the participation is for a week that immediately follows 4 consecutive weeks of such participation.

[(ii) LIMITED AUTHORITY TO COUNT LESS THAN FULL WEEK OF PARTICIPATION.—For purposes of clause (i) of this subparagraph, on not more than 1 occasion per individual, the State shall consider participation of the individual in an activity described in subsection (d)(6) for 3 or 4 days during a week as a week of participation in the activity by the individual.

[(B) SINGLE PARENT OR RELATIVE WITH CHILD UNDER AGE 6 DEEMED TO BE MEETING WORK PARTICIPATION REQUIREMENTS IF PARENT OR RELATIVE IS ENGAGED IN WORK FOR 20 HOURS PER WEEK.—For purposes of determining monthly participation rates under subsection (b)(1)(B)(i), a recipient who is the only parent or caretaker relative in the family of a child who has not attained 6 years of age is deemed to be engaged in work for a month if the recipient is engaged in work for an average of at least 20 hours per week during the month.

[(C) SINGLE TEEN HEAD OF HOUSEHOLD OR MARRIED TEEN WHO MAINTAINS SATISFACTORY SCHOOL ATTENDANCE DEEMED TO BE MEETING WORK PARTICIPATION REQUIREMENT.—For purposes of determining monthly participation rates under subsection (b)(1)(B)(i), a recipient who is married or a head of household and has not attained 20 years of age is deemed to be engaged in work for a month in a fiscal year if the recipient—

[(i) maintains satisfactory attendance at secondary school or the equivalent during the month; or

[(ii) participates in education directly related to employment for an average of at least 20 hours per week during the month.

[(D) LIMITATION ON NUMBER OF PERSONS WHO MAY BE TREATED AS ENGAGED IN WORK BY REASON OF PARTICIPATION IN EDUCATIONAL ACTIVITIES.—For purposes of determining monthly participation rates under paragraphs (1)(B)(i) and (2)(B) of subsection (b), not more than 30 per-

cent of the number of individuals in all families and in 2-parent families, respectively, in a State who are treated as engaged in work for a month may consist of individuals who are determined to be engaged in work for the month by reason of participation in vocational educational training, or (if the month is in fiscal year 2000 or thereafter) deemed to be engaged in work for the month by reason of subparagraph (c) of this paragraph.]

(c) DETERMINATION OF COUNTABLE HOURS ENGAGED IN WORK.—

(1) SINGLE PARENT OR RELATIVE WITH A CHILD OVER AGE 6.—

(A) MINIMUM AVERAGE NUMBER OF HOURS PER WEEK.—Subject to the succeeding paragraphs of this subsection, a family in which an adult recipient or minor child head of household in the family is participating in work activities described in subsection (d) shall be treated as engaged in work for purposes of determining monthly participation rates under subsection (b)(1)(B)(i) as follows:

(i) In the case of a family in which the total number of hours in which any adult recipient or minor child head of household in the family is participating in such work activities for an average of at least 20, but less than 24, hours per week in a month, as 0.675 of a family.

(ii) In the case of a family in which the total number of hours in which any adult recipient or minor child head of household in the family is participating in such work activities for an average of at least 24, but less than 30, hours per week in a month, as 0.75 of a family.

(iii) In the case of a family in which the total number of hours in which any adult recipient or minor child head of household in the family is participating in such work activities for an average of at least 30, but less than 34, hours per week in a month, as 0.875 of a family.

(iv) In the case of a family in which the total number of hours in which any adult recipient or minor child head of household in the family is participating in such work activities for an average of at least 34, but less than 35, hours per week in a month, as 1 family.

(v) In the case of a family in which the total number of hours in which any adult recipient or minor child head of household in the family is participating in such work activities for an average of at least 35, but less than 38, hours per week in a month, as 1.05 families.

(vi) In the case of a family in which the total number of hours in which any adult recipient or minor child head of household in the family is participating in such work activities for an average of at least 38 hours per week in a month, as 1.08 families.

(B) DIRECT WORK ACTIVITIES REQUIRED FOR AN AVERAGE OF 24 HOURS PER WEEK.—Except as provided in subparagraph (C)(i), a State may not count any hours of participa-

tion in work activities specified in paragraph (9), (10), or (11) of subsection (d) of any adult recipient or minor child head of household in a family before the total number of hours of participation by any adult recipient or minor child head of household in the family in work activities described in paragraph (1), (2), (3), (4), (5), (6), (7), (8), or (12) of subsection (d) for the family for the month averages at least 24 hours per week.

(C) STATE FLEXIBILITY TO COUNT PARTICIPATION IN CERTAIN ACTIVITIES.—

(i) QUALIFIED ACTIVITIES FOR 3-MONTHS IN ANY 24-MONTH PERIOD.—

(I) 24-HOURS PER WEEK REQUIRED.—Subject to subclauses (III) and (IV), for purposes of determining hours under subparagraph (A), a State may count the total number of hours any adult recipient or minor child head of household in a family engages in qualified activities described in subclause (II) as a work activity described in subsection (d), without regard to whether the recipient has satisfied the requirement of subparagraph (B), but only if—

(aa) the total number of hours of participation in such qualified activities for the family for the month average at least 24 hours per week; and

(bb) engaging in such qualified activities is a requirement of the family self-sufficiency plan.

(II) QUALIFIED ACTIVITIES DESCRIBED.—For purposes of subclause (I), qualified activities described in this subclause are any of the following:

(aa) Postsecondary education.

(bb) Adult literacy programs or activities.

(cc) Substance abuse counseling or treatment.

(dd) Programs or activities designed to remove barriers to work, as defined by the State.

(ee) Work activities authorized under any waiver for any State that was continued under section 415 before the date of enactment of the Personal Responsibility and Individual Development for Everyone Act.

(III) LIMITATION.—Except as provided in clause (ii), subclause (I) shall not apply to a family for more than 3 months in any period of 24 consecutive months.

(IV) CERTAIN ACTIVITIES.—The Secretary may allow a State to count the total hours of participation in qualified activities described in subclause (II) for an adult recipient or minor child head of household without regard to the minimum 24 hour average per week of participation requirement under subclause (I) if the State has demonstrated

conclusively that such activity is part of a substantial and supervised program whose effectiveness in moving families to self-sufficiency is superior to any alternative activity and the effectiveness of the program in moving families to self-sufficiency would be substantially impaired if participating individuals participated in additional, concurrent qualified activities that enabled the individuals to achieve an average of at least 24 hours per week of participation.

(ii) ADDITIONAL 3-MONTH PERIOD PERMITTED FOR CERTAIN ACTIVITIES.—

(I) SELF-SUFFICIENCY PLAN REQUIREMENT COMBINED WITH MINIMUM NUMBER OF HOURS.—A State may extend the 3-month period under clause (i) for an additional 3 months in the same period of 24 consecutive months in the case of an adult recipient or minor child head of household who is receiving qualified rehabilitative services described in subclause (II) if—

(aa) the total number of hours that the adult recipient or minor child head of household engages in such qualified rehabilitative services and, subject to subclause (III), a work activity described in paragraph (1), (2), (3), (4), (5), (6), (7), (8), or (12) of subsection (d) for the month average at least 24 hours per week; and

(bb) engaging in such qualified rehabilitative services is a requirement of the family self-sufficiency plan.

(II) QUALIFIED REHABILITATIVE SERVICES DESCRIBED.—For purposes of subclause (I), qualified rehabilitative services described in this subclause are any of the following:

(aa) Adult literacy programs or activities.

(bb) Participation in a program designed to increase proficiency in the English language.

(cc) In the case of an adult recipient or minor child head of household who has been certified by a qualified medical, mental health, or social services professional (as defined by the State) as having a physical or mental disability, substance abuse problem, or other problem that requires a rehabilitative service, substance abuse treatment, or mental health treatment, the service or treatment determined necessary by the professional.

(III) NONAPPLICATION OF LIMITATIONS ON JOB SEARCH AND VOCATIONAL EDUCATIONAL TRAINING.—An adult recipient or minor child head of household who is receiving qualified rehabilitative services described in subclause (II) may engage in a work activity described in paragraph (6) or (8) of subsection (d) for purposes of satisfying the min-

imum 24 hour average per week of participation requirement under subclause (I)(aa) without regard to any limit that otherwise applies to the activity (including the 30 percent limitation on participation in vocational educational training under paragraph (6)(C)).

(iii) HOURS IN EXCESS OF AN AVERAGE OF 24 WORK ACTIVITY HOURS PER WEEK.—If the total number of hours that any adult recipient or minor child head of household in a family has participated in a work activity described in paragraph (1), (2), (3), (4), (5), (6), (7), (8), or (12) of subsection (d) averages at least 24 hours per week in a month, a State, for purposes of determining hours under subparagraph (A), may count any hours an adult recipient or minor child head of household in the family engages in—

(I) any work activity described in subsection (d), without regard to any limit that otherwise applies to the activity (including the 30 percent limitation on participation in vocational educational training under paragraph (6)(C)); and

(II) any qualified activity described in clause (i)(II), as a work activity described in subsection (d).

(2) SINGLE PARENT OR RELATIVE WITH A CHILD UNDER AGE 6.—

(A) IN GENERAL.—A family in which an adult recipient or minor child head of household in the family is the only parent or caretaker relative in the family of a child who has not attained 6 years of age and who is participating in work activities described in subsection (d) shall be treated as engaged in work for purposes of determining monthly participation rates under subsection (b)(1)(B)(i) as follows:

(i) In the case of such a family in which the total number of hours in which the adult recipient or minor child head of household in the family is participating in such work activities for an average of at least 20, but less than 24, hours per week in a month, as 0.675 of a family.

(ii) In the case of such a family in which the total number of hours in which the adult recipient or minor child head of household in the family is participating in such work activities for an average of at least 24, but less than 35, hours per week in a month, as 1 family.

(iii) In the case of such a family in which the total number of hours in which the adult recipient or minor child head of household in the family is participating in such work activities for an average of at least 35, but less than 38, hours per week in a month, as 1.05 families.

(iv) In the case of such a family in which the total number of hours in which the adult recipient or minor child head of household in the family is participating

in such work activities for an average of at least 38 hours per week in a month, as 1.08 families.

(B) APPLICATION OF RULES REGARDING DIRECT WORK ACTIVITIES AND STATE FLEXIBILITY TO COUNT PARTICIPATION IN CERTAIN ACTIVITIES.—Subparagraphs (B) and (C) of paragraph (1) apply to a family described in subparagraph (A) in the same manner as such subparagraphs apply to a family described in paragraph (1)(A).

(3) 2-PARENT FAMILIES.—

(A) IN GENERAL.—Subject to paragraph (6)(A), a 2-parent family in which an adult recipient or minor child head of household in the family is participating in work activities described in subsection (d) shall be treated as engaged in work for purposes of determining monthly participation rates under subsection (b)(1)(B)(i) as follows:

(i) In the case of such a family in which the total number of hours in which any adult recipient or minor child head of household in the family is participating in such work activities for an average of at least 26, but less than 30, hours per week in a month, as 0.675 of a family.

(ii) In the case of such a family in which the total number of hours in which any adult recipient or minor child head of household in the family is participating in such work activities for an average of at least 30, but less than 35, hours per week in a month, as 0.75 of a family.

(iii) In the case of such a family in which the total number of hours in which any adult recipient or minor child head of household in the family is participating in such work activities for an average of at least 35, but less than 39, hours per week in a month, as 0.875 of a family.

(iv) In the case of such a family in which the total number of hours in which any adult recipient or minor child head of household in the family is participating in such work activities for an average of at least 39, but less than 40, hours per week in a month, as 1 family.

(v) In the case of such a family in which the total number of hours in which any adult recipient or minor child head of household in the family is participating in such work activities for an average of at least 40, but less than 43, hours per week in a month, as 1.05 families.

(vi) In the case of such a family in which the total number of hours in which any adult recipient or minor child head of household in the family is participating in such work activities for an average of at least 43 hours per week in a month, as 1.08 families.

(B) APPLICATION OF RULES REGARDING DIRECT WORK ACTIVITIES AND STATE FLEXIBILITY TO COUNT PARTICIPATION IN CERTAIN ACTIVITIES.—Subparagraphs (B) and (C) of paragraph (1) apply to a 2-parent family described in sub-

paragraph (A) in the same manner as such subparagraphs apply to a family described in paragraph (1)(A), except that subparagraph (B) of paragraph (1) shall be applied to a such a 2-parent family by substituting "34" for "24" each place it appears.

(4) 2-PARENT FAMILIES THAT RECEIVE FEDERALLY-FUNDED CHILD CARE.—

(A) IN GENERAL.—Subject to paragraph (6)(A), if a 2-parent family receives federally-funded child care assistance, an adult recipient or minor child head of household in the family participating in work activities described in subsection (d) shall be treated as engaged in work for purposes of determining monthly participation rates under subsection (b)(1)(B)(i) as follows:

(i) In the case of such a family in which the total number of hours in which any adult recipient or minor child head of household in the family is participating in such work activities for an average of at least 40, but less than 45, hours per week in a month, as 0.675 of a family.

(ii) In the case of such a family in which the total number of hours in which any adult recipient or minor child head of household in the family is participating in such work activities for an average of at least 45, but less than 51, hours per week in a month, as 0.75 of a family.

(iii) In the case of such a family in which the total number of hours in which any adult recipient or minor child head of household in the family is participating in such work activities for an average of at least 51, but less than 55, hours per week in a month, as 0.875 of a family.

(iv) In the case of such a family in which the total number of hours in which any adult recipient or minor child head of household in the family is participating in such work activities for an average of at least 55, but less than 56, hours per week in a month, as 1 family.

(v) In the case of such a family in which the total number of hours in which any adult recipient or minor child head of household in the family is participating in such work activities for an average of at least 56, but less than 59, hours per week in a month, as 1.05 families.

(vi) In the case of such a family in which the total number of hours in which any adult recipient or minor child head of household in the family is participating in such work activities for an average of at least 59 hours per week in a month, as 1.08 families.

(B) APPLICATION OF RULES REGARDING DIRECT WORK ACTIVITIES AND STATE FLEXIBILITY TO COUNT PARTICIPATION IN CERTAIN ACTIVITIES.—Subparagraphs (B) and (C) of paragraph (1) apply to a 2-parent family described in subparagraph (A) in the same manner as such subparagraphs

apply to a family described in paragraph (1)(A), except that subparagraph (B) of paragraph (1) shall be applied to such a 2-parent family by substituting "50" for "24" each place it appears.

(5) CALCULATION OF HOURS PER WEEK.—The number of hours per week that a family is engaged in work is the quotient of—

(A) the total number of hours per month that the family is engaged in work; divided by

(B) 4.

(6) SPECIAL RULES.—

(A) FAMILY WITH A DISABLED PARENT NOT TREATED AS A 2-PARENT FAMILY.—A family that includes a disabled parent shall not be considered a 2-parent family for purposes of paragraph (3) or (4).

(B) NUMBER OF WEEKS FOR WHICH JOB SEARCH COUNTS AS WORK.—An individual shall not be considered to be engaged in work for a month by virtue of participation in an activity described in subsection (d)(6) of a State program funded under this part, after the individual has participated in such an activity for 6 weeks (or, if the unemployment rate of the State is at least 50 percent greater than the unemployment rate of the United States, or the State meets the criteria of subclause (I), (II), or (III) of section 403(b)(3)(A)(iii) or satisfies the applicable duration requirement of section 403(b)(3)(B), 12 weeks).

(C) SINGLE TEEN HEAD OF HOUSEHOLD OR MARRIED TEEN WHO MAINTAINS SATISFACTORY SCHOOL ATTENDANCE DEEMED TO COUNT AS 1 FAMILY.—For purposes of determining hours under the preceding paragraphs of this subsection, with respect to a month, a State shall count a recipient who is married or a head of household and who has not attained 20 years of age as 1 family if the recipient—

(i) maintains satisfactory attendance at secondary school or the equivalent during the month; or

(ii) participates in education directly related to employment for an average of at least 20 hours per week during the month.

(D) LIMITATION ON NUMBER OF PERSONS WHO MAY BE TREATED AS ENGAGED IN WORK BY REASON OF PARTICIPATION IN EDUCATIONAL ACTIVITIES.—Except as provided in paragraph (1)(C)(ii)(I), for purposes of subsection (b)(1)(B)(i), not more than 30 percent of the number of individuals in all families in a State who are treated as engaged in work for a month may consist of individuals who are—

(i) determined (without regard to individuals participating in a program established under section 404(l)) to be engaged in work for the month by reason of participation in vocational educational training (but only with respect to such training that does not exceed 12 months with respect to any individual); or

(ii) deemed to be engaged in work for the month by reason of subparagraph (C) of this paragraph.

(E) STATE OPTION TO DEEM SINGLE PARENT CARING FOR A CHILD OR ADULT DEPENDENT FOR CARE WITH A PHYSICAL OR MENTAL IMPAIRMENT TO BE MEETING ALL OR PART OF A FAMILY'S WORK PARTICIPATION REQUIREMENTS FOR A MONTH.—

(i) IN GENERAL.—A State may count the number of hours per week that an adult recipient or minor child head of household who is the only parent or caretaker relative for a child or adult dependent for care with a physical or mental impairment engages in providing substantial ongoing care for such child or adult dependent for care if the State determines that—

(I) the child or adult dependent for care has been verified through a medically acceptable clinical or diagnostic technique as having a significant physical or mental impairment or combination of impairments that require substantial ongoing care;

(II) the adult recipient or minor child head of household providing such care is the most appropriate means, as determined by the State, by which such care can be provided to the child or adult dependent for care;

(III) for each month in which this subparagraph applies to the adult recipient or minor child head of household, the adult recipient or minor child head of household is in compliance with the requirements of the family's self-sufficiency plan; and

(IV) the recipient is unable to participate fully in work activities, after consideration of whether there are supports accessible and available to the family for the care of the child or adult dependent for care.

(ii) TOTAL NUMBER OF HOURS LIMITED TO BEING COUNTED AS 1 FAMILY.—In no event may a family that includes a recipient to which clause (i) applies be counted as more than 1 family for purposes of determining monthly participation rates under subsection (b)(1)(B)(i).

(iii) STATE REQUIREMENTS.—In the case of a recipient to which clause (i) applies, the State shall—

(I) conduct regular, periodic evaluations of the family of the adult recipient or minor child head of household; and

(II) include as part of the family's self-sufficiency plan, regular updates on what special needs of the child or the adult dependent for care, including substantial ongoing care, could be accommodated either by individuals other than the adult recipient or minor child head of household outside of the home.

(iv) RULE OF CONSTRUCTION.—Nothing in this subparagraph shall be construed as prohibiting a State from including in a recipient's self-sufficiency plan a

requirement to engage in work activities described in subsection (d).

(F) OPTIONAL MODIFICATION OF WORK REQUIREMENTS FOR RECIPIENTS RESIDING IN AREAS OF INDIAN COUNTRY OR AN ALASKAN NATIVE VILLAGE WITH HIGH JOBLESSNESS.—If a State has included in the State plan a description of the State's policies in areas of Indian country or an Alaskan Native village described in section 408(a)(7)(D), the State may define the activities that the State will treat as being work activities described in subsection (d) that a recipient who resides in such an area and who is participating in such activities in accordance with a self-sufficiency plan under section 408(b) may engage in for purposes of satisfying work requirements under the State program and for purposes of determining monthly participation rates under subsection (b)(1)(B)(i).

* * * * * * *

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

(1) unsubsidized employment;

(2) subsidized private sector employment;

(3) subsidized public sector employment;

(4) work experience (including work associated with the refurbishing of publicly assisted housing) if sufficient private sector employment is not available;

(5) on-the-job training;

(6) job search and job readiness assistance;

(7) community service programs;

(8) vocational educational training (not to exceed 12 months with respect to any individual *other than an individual participating in a program established under section 404(l));*

* * * * * * *

PROHIBITIONS; REQUIREMENTS

SEC. 408. (a) IN GENERAL.—

(1) NO ASSISTANCE FOR FAMILIES WITHOUT A MINOR CHILD.—A State to which a grant is made under section 403 shall not use any part of the grant to provide assistance to a family unless the family includes a minor child who resides with the family (consistent with paragraph (10)) or a pregnant individual.

* * * * * * *

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

[(A) GENERAL.—A State to which a grant is made under section 403 shall require, as a condition of providing assistance to a family under the State program funded under this part, that a member of the family assign to the State any rights the family member may have (on behalf of the family member or of any other person for whom the family member has applied for or is receiving such assistance) to support from any other person, not exceeding the total

amount of assistance so provided to the family, which accrue (or have accrued) before the date the family ceases to receive assistance under the program, which assignment, on and after such date, shall not apply with respect to any support (other than support collected pursuant to section 464) which accrued before the family received such assistance and which the State has not collected by—

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

[(II) the date the family ceases to receive assistance under the program, if the assignment is executed on or after October 1, 2000; or

[(ii) If the State elects to distribute collections under section 457(a)(6), the date the family ceases to receive assistance under the program, if the assignment is executed on or after October 1, 1998.

[(B) LIMITATION.—A State to which a grant is made under section 403 shall not require, as a condition of providing assistance to any family under the State program funded under this part, that a member of the family assign to the State any rights to support described in subparagraph (A) which accrue after the date the family ceases to receive assistance under the program.]

(3) NO ASSISTANCE FOR FAMILIES NOT ASSIGNING CERTAIN SUPPORT RIGHTS TO THE STATE.—A State to which a grant is made under section 403 shall require, as a condition of paying assistance to a family under the State program funded under this part, that a member of the family assign to the State any right the family member may have (on behalf of the family member or of any other person for whom the family member has applied for or is receiving such assistance) to support from any other person, not exceeding the total amount of assistance so paid to the family, which accrues during the period that the family receives assistance under the program.

(4) NO ASSISTANCE FOR TEENAGE PARENTS WHO DO NOT ATTEND HIGH SCHOOL OR OTHER EQUIVALENT TRAINING PROGRAM.—A State to which a grant is made under section 403 shall not use any part of the grant to provide assistance to an individual who has not attained 18 years of age, is not married, has a minor child at least 12 weeks of age in his or her care, and has not successfully completed a high-school education (or its equivalent), if the individual does not participate in—

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

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

(5) NO ASSISTANCE FOR TEENAGE PARENTS NOT LIVING IN ADULT-SUPERVISED SETTINGS.—

(A) IN GENERAL.—

(i) REQUIREMENT.—Except as provided in [subparagraph (B)] *subparagraphs (B) and (C)*, a State to which a grant is made under section 403 shall not use

any part of the grant to provide assistance to an individual described in the minor child referred to in clause (ii) of this subparagraph if the individual and the minor child referred to in clause (ii)(II) [do not reside in a place of] *do not reside in a—*

(I) place of residence maintained by a parent, legal guardian, or other adult relative of the individual as such parent's, guardian's, or adult relative's own home[.]*; or*

(II) transitional living youth project funded under a grant made under section 321 of the Runaway and Homeless Youth Act (42 U.S.C. 5714–1).

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

(I) has not attained 18 years of age; and

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

(B) EXCEPTION.—

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

* * * * * * *

(C) AUTHORITY TO PROVIDE TEMPORARY ASSISTANCE.—A State may use any part of a grant made under section 403 to provide assistance to an individual described in clause (ii) of subparagraph (A) who would otherwise be prohibited from receiving such assistance under clause (i) of that subparagraph, subparagraph (B), or section 408(a)(4) for not more than a single 60-day period in order to assist the individual in meeting the requirement of clause (i) of subparagraph (A), subparagraph (B), or section 408(a)(4) for receipt of such assistance.

* * * * * * *

[(b) INDIVIDUAL RESPONSIBILITY PLANS.—

[(1) ASSESSMENT.—The State agency responsible for administering the State program funded under this part shall make

an initial assessment of the skills, prior work experience, and employability of each recipient of assistance under the program who—

[(A) has attained 18 years of age; or

[(B) has not completed high school or obtained a certificate of high school equivalency, and is not attending secondary school.

[(2) CONTENTS OF PLANS.—

[(A) IN GENERAL.—On the basis of the assessment made under subsection (a) with respect to an individual, the State agency, in consultation with the individual, may develop an individual responsibility plan for the individual, which—

[(i) sets forth an employment goal for the individual and a plan for moving the individual immediately into private sector employment;

[(ii) sets forth the obligations of the individual, which may include a requirement that the individual attend school, maintain certain grades and attendance, keep school age children of the individual in school, immunize children, attend parenting and money management classes, or do other things that will help the individual become and remain employed in the private sector;

[(iii) to the greatest extent possible is designed to move the individual into whatever private sector employment the individual is capable of handling as quickly as possible, and to increase the responsibility and amount of work the individual is to handle over time;

[(iv) describes the services the State will provide the individual so that the individual will be able to obtain and keep employment in the private sector, and describe the job counseling and other services that will be provided by the State; and

[(v) may require the individual to undergo appropriate substance abuse treatment.

[(B) TIMING.—The State agency may comply with paragraph (1) with respect to an individual—

[(i) within 90 days (or, at the option of the State, 180 days) after the effective date of this part, in the case of an individual who, as of such effective date, is a recipient of aid under the State plan approved under part A (as in effect immediately before such effective date); or

[(ii) within 30 days (or, at the option of the State, 90 days) after the individual is determined to be eligible for such assistance, in the case of any other individual.

[(3) PENALTY FOR NONCOMPLIANCE BY INDIVIDUAL.—In addition to any other penalties required under the State program funded under this part, the State may reduce, by such amount as the State considers appropriate, the amount of assistance otherwise payable under the State program to a family that in-

cludes an individual who fails without good cause to comply with a responsibility plan signed by the individual.

[(4) STATE DISCRETION.—The exercise of the authority of this subsection shall be within the sole discretion of the State.]

(b) FAMILY SELF-SUFFICIENCY PLANS.—

(1) IN GENERAL.—A State to which a grant is made under section 403 shall—

(A) make an initial screening and assessment, in the manner deemed appropriate by the State, of the skills, prior work experience, education obtained, work readiness, barriers to work, and employability of each adult or minor child head of household recipient of assistance in the family who—

(i) has attained age 18; or

(ii) has not completed high school or obtained a certificate of high school equivalency and is not attending secondary school;

(B) assess, in the manner deemed appropriate by the State, the work support and other assistance and family support services for which each family receiving assistance is eligible; and

(C) assess, in the manner deemed appropriate by the State, the well-being of the children in the family, and, where appropriate, activities or resources to improve the well-being of the children.

(2) CONTENTS OF PLANS.—The State shall, in the manner deemed appropriate by the State—

(A) establish for each family that includes an individual described in paragraph (1)(A), in consultation as the State deems appropriate with the individual, a self-sufficiency plan that—

(i) specifies activities described in the State plan submitted pursuant to section 402, including work activities described in paragraph (1), (2), (3), (4), (5), (6), (7), (8), or (12) of section 407(d), as appropriate;

(ii) is designed to assist the family in achieving their maximum degree of self-sufficiency, and

(iii) provides for the ongoing participation of the individual in the activities specified in the plan;

(B) requires, at a minimum, each such individual to participate in activities in accordance with the self-sufficiency plan;

(C) sets forth the appropriate supportive services the State intends to provide for the family;

(D) establishes for the family a plan that addresses the issue of child well-being and, when appropriate, adolescent well-being, and that may include services such as domestic violence counseling, mental health referrals, and parenting courses; and

(E) includes a section designed to assist the family by informing the family, in such manner, of the work support and other assistance for which the family may be eligible including (but not limited to)—

(i) the food stamp program established under the Food Stamp Act of 1977 (7 U.S.C. 2011 et seq.);

(ii) the medicaid program funded under title XIX;

(iii) the State children's health insurance program funded under title XXI;

(iv) Federal or State funded child care, including child care funded under the Child Care Development Block Grant Act of 1990 (42 U.S.C. 9858 et seq.) and funds made available under this title or title XX;

(v) the earned income tax credit under section 32 of the Internal Revenue Code of 1986;

(vi) the low-income home energy assistance program established under the Low-Income Home Energy Assistance Act of 1981 (42 U.S.C. 8621 et seq.);

(vii) the special supplemental nutrition program for women, infants, and children established under section 17 of the Child Nutrition Act of 1966 (42 U.S.C. 1786);

(viii) programs conducted under the Workforce Investment Act of 1998 (29 U.S.C. 2801 et seq.); and

(ix) low-income housing assistance programs.

(3) REVIEW.—

(A) REGULAR REVIEW.—A State to which a grant is made under section 403 shall—

(i) monitor the participation of each adult recipient or minor child head of household in the activities specified in the self-sufficiency plan, and regularly review the progress of the family toward self-sufficiency; and

(ii) upon such a review, revise the plan and activities required under the plan as the State deems appropriate in consultation with the family.

(B) PRIOR TO THE IMPOSITION OF A SANCTION.—Prior to imposing a sanction against an adult recipient, minor child head of household, or a family for failure to comply with a requirement of the self-sufficiency plan or the State program funded under this part, the State shall, to the extent determined appropriate by the State—

(i) review the self-sufficiency plan; and

(ii) make a good faith effort (as defined by the State) to consult with the family.

(4) STATE DISCRETION.—A State shall have sole discretion, consistent with section 407, to define and design activities for families for purposes of this subsection, to develop methods for monitoring and reviewing progress pursuant to this subsection, and to make modifications to the plan as the State deems appropriate to assist the individual in increasing their degree of self-sufficiency.

(5) APPLICATION TO PARTIALLY-SANCTIONED FAMILIES.—The requirements of this subsection shall apply in the case of a family that includes an adult or minor child head of household recipient of assistance who is subject to a partial sanction.

(6) TIMING.—The State shall initiate screening and assessment and the establishment of a family self-sufficiency plan in accordance with the requirements of this subsection—

(A) in the case of a family that, as of the date of enactment of the Personal Responsibility and Individual Development for Everyone Act, is not receiving assistance from the State program funded under this part, not later than the later of—

(i) 1 year after such date of enactment; or

(ii) 60 days after the family first receives assistance on the basis of the most recent application for assistance; and

(B) in the case of a family that, as of such date, is receiving assistance under the State program funded under this part, not later than 1 year after such date of enactment.

(7) RULE OF INTERPRETATION.—Nothing in this subsection shall preclude a State from—

(A) requiring participation in work and any other activities the State deems appropriate for helping families achieve self-sufficiency and improving child well-being; or

(B) using job search or other appropriate job readiness or work activities to assess the employability of individuals and to determine appropriate future engagement activities.

* * * * * * *

PENALTIES

SEC. 409. (a) IN GENERAL.—Subject to this section:

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

* * * * * * *

(3) FAILURE TO SATISFY MINIMUM PARTICIPATION RATES *OR COMPLY WITH FAMILY SELF-SUFFICIENCY PLAN REQUIREMENTS.*—

(A) IN GENERAL.—If the Secretary determines that a State to which a grant is made under section 403 for a fiscal year has failed to comply with section 407(a) *or 408(b)* for the fiscal year, the Secretary shall reduce the grant payable to the State under section 403(a)(1) for the immediately succeeding fiscal year by an amount equal to the applicable percentage of the State family assistance grant.

(B) APPLICABLE PERCENTAGE DEFINED.—As used in subparagraph (A), the term "applicable percentage" means, with respect to a State—

(i) if a penalty was not imposed on the State under subparagraph (A) for the immediately preceding fiscal year, 5 percent; or

(ii) if a penalty was imposed on the State under subparagraph (A) for the immediately preceding fiscal year, the lesser of—

(I) the percentage by which the grant payable to the State under section 403(a)(1) was reduced for such preceding fiscal year, increased by 2 percentage points; or

(II) 21 percent.

[(C) PENALTY BASED ON SEVERITY OF FAILURE.—The Secretary shall impose reductions under subparagraph (A) with respect to a fiscal year based on the degree of noncompliance, and may reduce the penalty if the noncompli-

ance is due to circumstances that caused the State to become a needy State (as defined in section 403(b)(6)) during the fiscal year or if the noncompliance is due to extraordinary circumstances such as a natural disaster or regional recession. The Secretary shall provide a written report to Congress to justify any waiver or penalty reduction due to such extraordinary circumstances.]

(C) PENALTY BASED ON SEVERITY OF FAILURE.—

(i) FAILURE TO SATISFY MINIMUM PARTICIPATION RATE.—If, with respect to fiscal year 2005 or any fiscal year thereafter, the Secretary finds that a State has failed or is failing to substantially comply with the requirements of section 407(a) for that fiscal year, the Secretary shall impose reductions under subparagraph (A) with respect to the immediately succeeding fiscal year based on the degree of substantial noncompliance. In assessing the degree of substantial noncompliance under section 407(a) for a fiscal year, the Secretary shall take into account factors such as—

(I) the degree to which the State missed the minimum participation rate for that fiscal year;

(II) the change in the number of individuals who are engaged in work in the State since the prior fiscal year; and

(III) the number of consecutive fiscal years in which the State failed to reach the minimum participation rate.

(ii) FAILURE TO COMPLY WITH SELF-SUFFICIENCY PLAN REQUIREMENTS.—If, with respect to fiscal year 2005 or any fiscal year thereafter, the Secretary finds that a State has failed or is failing to substantially comply with the requirements of section 408(b) for that fiscal year, the Secretary shall impose reductions under subparagraph (A) with respect to the immediately succeeding fiscal year based on the degree of substantial noncompliance. In assessing the degree of substantial noncompliance under section 408(b), the Secretary shall take into account factors such as—

(I) the number or percentage of families for which a self-sufficiency plan is not established in a timely fashion for that fiscal year;

(II) the duration of the delays in establishing a self-sufficiency plan during that fiscal year;

(III) whether the failures are isolated and nonrecurring; and

(IV) the existence of systems designed to ensure that self-sufficiency plans are established for all families in a timely fashion and that families' progress under such plans is monitored.

(iii) AUTHORITY TO REDUCE THE PENALTY.—The Secretary may reduce the penalty that would otherwise apply under this paragraph if the substantial noncompliance is due to circumstances that caused the State to meet the criteria of subclause (I), (II), or (III)

of section 403(b)(3)(A)(iii) or to satisfy the applicable duration requirement of section 403(b)(3)(B) during the fiscal year, or if the noncompliance is due to extraordinary circumstances such as a natural disaster or regional recession. The Secretary shall provide a written report to Congress to justify any waiver or penalty reduction due to such extraordinary circumstances.

* * * * * * *

[(6) FAILURE TO TIMELY REPAY A FEDERAL LOAN FUND FOR STATE WELFARE PROGRAMS.—If the Secretary determines that a State has failed to repay any amount borrowed from the Federal Loan Fund for State Welfare Programs established under section 406 within the period of maturity applicable to the loan, plus any interest owed on the loan, the Secretary shall reduce the grant payable to the State under section 403(a)(1) for the immediately succeeding fiscal year quarter (without regard to this section) by the outstanding loan amount, plus the interest owed on the outstanding amount. The Secretary shall not forgive any outstanding loan amount or interest owned on the outstanding amount.]

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

(A) IN GENERAL.—The Secretary shall reduce the grant payable to the State under section 403(a)(1) for fiscal year [1998, 1999, 2000, 2001, 2002, 2003, or 2004] *fiscal year 2004, 2005, 2006, 2007, 2008, or 2009* by the amount (if any) by which qualified State expenditures for the then immediately preceding fiscal year are less that the applicable percentage of historic State expenditures with respect to such preceding fiscal year.

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

(i) QUALIFIED STATE EXPENDITURES.—

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

(aa) Cash assistance, including any amount collected by the State as support pursuant to a plan approved under part D, on behalf of a family receiving assistance under the State program funded under this part, that is distributed to the family under section [457(a)(1)(B)] *457(a)(1)* and disregarded in determining the eligibility of the family for, and the amount of such assistance.

* * * * * * *

(V) COUNTING OF SPENDING ON NON-ELIGIBLE FAMILIES TO PREVENT AND REDUCE INCIDENCE OF OUT-OF-WEDLOCK BIRTHS, ENCOURAGE FORMATION AND MAINTENANCE OF HEALTHY 2-PARENT MARRIED FAMILIES, OR ENCOURAGE RESPONSIBLE FATHER-

HOOD.—Subject to subclauses (II) and (III), the term "qualified State expenditures" includes the total expenditures by the State during the fiscal year under all State programs for a purpose described in paragraph (3) or (4) of section 401(a).

(VI) PORTIONS OF CERTAIN CHILD SUPPORT PAYMENTS COLLECTED ON BEHALF OF AND DISTRIBUTED TO FAMILIES NO LONGER RECEIVING ASSISTANCE.—Any amount paid by a State pursuant to clause (i) or (ii) of section 457(a)(2)(B), but only to the extent that the State properly elects under section 457(a)(6) to have the payment considered a qualified State expenditure.

(ii) APPLICABLE PERCENTAGE.—The term "applicable percentage" means **[**for fiscal years 1997 through 2003,**]** 80 percent (or, if the State meets the requirements of section 407(a) for the *preceding* fiscal year, 75 percent).

* * * * * * *

(8) NONCOMPLIANCE OF STATE CHILD SUPPORT ENFORCEMENT PROGRAM WITH REQUIREMENTS OF PART D.—

(A) IN GENERAL.—If the Secretary finds, with respect to a State's program under part D, **[**in a fiscal year**]** *for a fiscal year* beginning on or after October 1, 1997—

(i)(I) on the basis of data submitted by a State pursuant to section 454(15)(B), or on the basis of the results of a review conducted under section 452(a)(4), that the State program failed to achieve the paternity establishment percentages (as defined in section 452(g)(2)), or to meet other performance measures that may be established by the Secretary;

(II) on the basis of the results of an audit or audits conducted under section 452(a)(4)(C)(i) that the State data submitted pursuant to section 454(15)(B) is incomplete or unreliable; or

(III) on the basis of the results of an audit or audits conducted under section 452(a)(4)(C) that a State failed to substantially comply with 1 or more of the requirements of part D (other than paragraph (24) or subparagraph (A) or (B)(i) of paragraph (27), of section 454 and

(ii) **[**that, with respect to the succeeding fiscal year—**]** *that with respect to the period described in subparagraph (D)—*

(I) the State failed to take sufficient corrective action to achieve the appropriate performance levels or compliance as described in subparagraph (A)(i); or

(II) the data submitted by the State pursuant to section 454(15)(B) is incomplete or unreliable; the amounts otherwise payable to the State under this part for quarters following **[**the end of such succeeding fiscal year**]** *the end of the period described in subparagraph (D),* prior to quarters following

the end of the first quarter throughout which the State program has achieved the paternity establishment percentages or other performance measures as described in subparagraph (A)(i)(I), or is in substantial compliance with 1 or more of the requirements of part D as described in subparagraph (A)(i)(III), as appropriate, shall be reduced by the percentage specified in subparagraph (B).

* * * * * * *

(D) PERIOD DESCRIBED.—Subject to subparagraph (E), for purposes of this paragraph, the period described in this subparagraph is the period that begins with the date on which the Secretary makes a finding described in subparagraph (A)(i) with respect to State performance in a fiscal year and ends on September 30 of the fiscal year following the fiscal year in which the Secretary makes such a finding.

(E) NO PENALTY IF STATE CORRECTS NONCOMPLIANCE IN FINDING YEAR.—The Secretary shall not take a reduction described in subparagraph (A) with respect to a noncompliance described in clause (i) of that subparagraph if the Secretary determines that the State has corrected the noncompliance in the fiscal year in which the Secretary makes the finding of the noncompliance.

(9) FAILURE TO COMPLY WITH 5-YEAR LIMIT ON ASSISTANCE.—If the Secretary determines that a State has not complied with section 408(a)(7) during a fiscal year, the Secretary shall reduce the grant payable to the State under section 403(a)(1) for the immediately succeeding fiscal year by an amount equal to 5 percent of the State family assistance grant.

[10 FAILURE OF STATE RECEIVING AMOUNTS FROM CONTINGENCY FUND TO MAINTAIN 100 PERCENT OF HISTORIC EFFORT.—If, at the end of any fiscal year during which amounts from the Contingency Fund for State Welfare Programs have been paid to a State, the Secretary finds that the qualified State expenditures (as defined in paragraph (7)(B)(i) (other than the expenditures described in subclause (I)(bb) of that paragraph)) under the State program funded under this part for the fiscal year are less than 100 percent of historic State expenditures (as defined in paragraph (7)(B)(iii) of this subsection), excluding any amount expended by the State for child care under subsection (g) or (i) of section 402 (as in effect during fiscal year 1994) for fiscal year 1994, the Secretary shall reduce the grant payable to the State under section 403(a)(1) for the immediately suceeding fiscal year by the totat of the amounts so paid to the State that the State has not remitted under section 403(b)(6).]

[11] *(10)* FAILURE TO MAINTAIN ASSISTANCE TO ADULT SINGLE CUSTODIAL PARENT WHO CANNOT OBTAIN CHILD CARE FOR CHILD UNDER AGE 6.—

(A) IN GENERAL.—If the Secretary determines that a State to which a grant is made under section 403 for a fiscal year has violated section 407(e)(2) during the fiscal year, the Secretary shall reduce the grant payable to the State under section 403(a)(1) for the immediately suc-

ceeding fiscal year by an amount equal to not more than 5 percent of the State family assistance grant.

(B) PENALTY BASED ON SEVERITY OF FAILURE.—The Secretary shall impose reductions under subparagraph (A) with respect to a fiscal year based on the degree of noncompliance.

[12] *(11)* REQUIREMENT TO EXPEND ADDITIONAL STATE FUNDS TO REPLACE GRANT REDUCTIONS; PENALTY FOR FAILURE TO DO SO.—If the grant payable to a State under section 403(a)(1) for a fiscal year is reduced by reason of this subsection, the State shall, during the immediately succeeding fiscal year, expend under the State program funded under this part an amount equal to the total amount of such reductions. If the State fails during such succeeding fiscal year to make the expenditure required by the preceding sentence from its own funds, the Secretary may reduce the grant payable to the State under section 403(a)(1) for the fiscal year that follows such succeeding fiscal year by an amount equal to the sum of—

(A) not more than 2 percent of the State family assistance grant; and

(B) the amount of the expenditure required by the preceding sentence.

[13] *(12)* PENALTY FOR FAILURE OF STATE TO MAINTAIN HISTORIC EFFORT DURING YEAR IN WHICH WELFARE-TO-WORK GRANT IS RECEIVED.—If a grant is made to a State under section 403(a)(5)(A) for a fiscal year and paragraph (7) of this subsection requires the grant payable to the State under section 403(a)(1) to be reduced for the immediately succeeding fiscal year, then the Secretary shall reduce the grant payable to the State under section 403(a)(1) for such succeeding fiscal year by the amount of the grant made to the State under section 403(a)(5)(A) for the fiscal year.

[14] *(13)* PENALTY FOR FAILURE TO REDUCE ASSISTANCE FOR RECIPIENTS REFUSING WITHOUT GOOD CAUSE TO WORK.—

* * * * * * *

(c) CORRECTIVE COMPLIANCE PLAN.—

(1) IN GENERAL.—

* * * * * * *

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

* * * * * * *

DATA COLLECTION AND REPORTING

SEC. 411. (a) QUARTERLY REPORTS BY STATES.—

(1) GENERAL REPORTING REQUIREMENT.—

(A) CONTENTS OF REPORT.—Each eligible State shall collect on a monthly basis, and report to the Secretary on a quarterly basis, the following disaggregated case record in-

formation on the families receiving assistance under the State program funded under this part (except for information relating to activities carried out under section 403(a)(5)) *and on families receiving assistance under State programs funded with other qualified State expenditures (as defined in section 409(a)(7)(B)(i)):*

(i) The county of residence of the family.

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

(I) Federal disability insurance benefits;

(II) benefits based on Federal disability status;

(III) aid under a State plan approved under title XIV (as in effect without regard to the amendment made by section 301 of the Social Security Amendments of 1972)[)];

(IV) aid or assistance under a State plan approved under title XVI (as in effect without regard to such amendment) by reason of being permanently and totally disabled; or

(V) supplemental security income benefits under title XVI (as in effect pursuant to such amendment) by reason of disability.

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

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

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

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

(vii) The race and educational level of each adult *and minor parent* in the family.

(viii) The race [and educational level] of each child in the family.

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

(x) The number of months that the family has received [each type of] assistance under the program *and, if applicable, the reason for receipt of the assistance for a total of more than 60 months*.

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

[(I) Education.

[(II) Subsidized private sector employment.

[(III) Unsubsidized employment.

[(IV) Public sector employment, work experience, or community service.

[(V) Job search.

[(VI) Job skills training or on-the-job training.

[(VII) Vocational education.]

(xii) Information necessary to calculate participation rates *and progress toward universal engagement* under section 407.

(I) Subsidized private sector employment.

(II) Unsubsidized employment.

(III) Public sector employment, supervised work experience, or supervised community service.

(IV) On-the-job training.

(V) Job search and placement.

(VI) Training.

(VII) Education.

(VIII) Other activities directed at the purposes of this part, as specified in the State plan submitted pursuant to section 402.

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

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

(xv) The citizenship of the members of the family.

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

(I) employment;

[(II) marriage;]

[(III)] *(II)* the prohibition set forth in section 408(a)(7);

[(IV)] *(III)* sanction; or

[(V)] *(IV)* State policy.

(xvii) With respect to each individual in the family who has not attained 20 years of age, whether the individual is a parent of a child in the family.

(xviii) The date the family first received assistance from the State program on the basis of the most recent application for such assistance.

(xix) Whether a self-sufficiency plan is established for the family in accordance with section 408(b).

(xx) With respect to any child in the family, the marital status of the parents at the birth of the child, and if the parents were not then married, whether the paternity of the child has been established.

(B) USE OF SAMPLES.—

(i) AUTHORITY.—A State may comply with subparagraph (A) by submitting disaggregated case record information on [a sample] *samples* of families selected through the use of scientifically acceptable sampling methods approved by the Secretary *except that the Secretary may designate core data elements that must be reported on all families*.

(ii) SAMPLING AND OTHER METHODS.—The Secretary shall provide the States with such case sampling plans and data collection procedures as the Secretary deems necessary to produce statistically valid estimates of

the performance of State programs [funded under this part] *described in subparagraph (A)*. The Secretary may develop and implement procedures for verifying the quality of data submitted by the States.

(2) REPORT ON USE OF FEDERAL FUNDS TO COVER ADMINISTRATIVE COSTS AND OVERHEAD.—The report required by paragraph (1) for a fiscal quarter shall include a statement of the percentage of the funds paid to the State under this part for the quarter that are used to cover administrative costs or overhead, with a separate statement of the percentage of such funds that are used to cover administrative costs or overhead incurred for programs operated with funds provided under section 403(a)(5).

* * * * * * *

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

[(6)] *(5)* REPORT ON FAMILIES RECEIVING ASSISTANCE.—The report required by paragraph (1) for a fiscal quarter shall include for each month in the quarter—

* * * * * * *

(6) REPORT ON FAMILIES THAT BECOME INELIGIBLE TO RECEIVE ASSISTANCE.—The report required by paragraph (1) for a fiscal quarter shall include for each month in the quarter the number of families and total number of individuals that, during the month, became ineligible to receive assistance under the State program funded under this part (broken down by the number of families that become so ineligible due to earnings, changes in family composition that result in increased earnings, sanctions, time limits, or other specified reasons).

(7) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to define the data elements *and to collect the necessary data* with respect to which reports are required by this [subsection] *section*, and shall consult with the Secretary of Labor [in defining the data elements with respect to programs operated with funds provided under section 403(a)(5).]*, the National Governors' Association, the American Public Human Services Association, the National Conference of State Legislatures, and others in defining the data elements.*

(b) ANNUAL REPORTS ON PROGRAM CHARACTERISTICS.—Not later than 90 days after the end of fiscal year 2004 and each succeeding fiscal year, each eligible State shall submit to the Secretary a report on the characteristics of the State program funded under this part and other State programs funded with qualified State expenditures (as defined in section 409(a)(7)(B)(i)). The report shall include, with respect to each such program, the program name, a description of program activities, the program purpose, the program eligibility criteria, the sources of program funding, the number of program beneficiaries, sanction policies, and any program work requirements.

(c) MONTHLY REPORTS ON CASELOAD.—Not later than 3 months after the end of each calendar month that begins 1 year or more after the date of enactment of this subsection, each eligible State shall submit to the Secretary a report on the number of families and total number of individuals receiving assistance in the calendar month under the State program funded under this part and under other State programs funded with qualified State expenditures (as defined in section 409(a)(7)(B)(i)).

(d) ANNUAL REPORT ON PERFORMANCE IMPROVEMENT.—Beginning with fiscal year 2005, not later than January 1 of each fiscal year, each eligible State shall submit to the Secretary a report on achievement and improvement during the preceding fiscal year under the performance goals and measures under the State program funded under this part with respect to each of the matters described in section 402(a)(1)(A)(v).

[(b)**]** *(e)* ANNUAL REPORTS TO THE CONGRESS BY THE SECRETARY.—Not later than 6 months after the end of fiscal year 1997, **[**and each fiscal year thereafter**]** *and not later than July 1 of each fiscal year thereafter*, the Secretary shall transmit to the Congress a report describing—

(1) whether the States are meeting—

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

(B) the objectives of—

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

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

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

(3) the characteristics of each State program funded under this part *and other programs funded with qualified State expenditures (as defined in section 409(a)(7)(B)(i))*; and

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

STATE REQUIRED TO PROVIDE CERTAIN INFORMATION

SEC. 411A. Each State to which a grant is made under section 403 shall, at lease 4 times annually and upon request of the Immigration and Naturalization Service, furnish the Immigration and Naturalization Service with the name and address of, and other identifying information on, any individual who the State knows is unlawfully in the United States.

DIRECT FUNDING AND ADMINISTRATION BY INDIAN TRIBES

SEC. 412. (a) GRANTS FOR INDIAN TRIBES.—

(1) TRIBAL FAMILY ASSISTANCE GRANT.—

(A) IN GENERAL.—For each of fiscal years **[**1997, 1998, 1999, 2000, 2001, 2002, and 2003**]**, *2004 through 2008* the Secretary shall pay to each Indian tribe that has an approved tribal family assistance plan a tribal family assistance grant for the fiscal year in an amount equal to the amount determined under subparagraph (B), which shall

be reduced for a fiscal year, on a pro rata basis for each quarter, in the case of a tribal family assistance plan approved during a fiscal year for which the plan is to be in effect, and shall reduce the grant payable under section 403(a)(1) to any State in which lies the service area or areas of the Indian tribe by that portion of the amount so determined that is attributable to expenditures by the State.

(B) AMOUNT DETERMINED.—

* * * * * * *

(3) WELFARE-TO WORK GRANTS.—

(A) IN GENERAL.—The Secretary of Labor shall award a grant in accordance with this paragraph to an Indian tribe for each fiscal year specified in section 403(a)(5)(H) for which the Indian tribe is a welfare-to-work tribe, in such amount as the Secretary of Labor deems appropriate subject to subparagraph (B) of this paragraph.

(B) WELFARE-TO-WORK TRIBE.—An Indian tribe shall be considered a welfare-to-work tribe for a fiscal year for purposes for this paragraph if the Indian tribe meets the following requirement:

(i) The Indian tribe has submitted to the Secretary of Labor a plan which describes how, consistent with section 403(a)(5), the Indian tribe will use any funds provided under this paragraph during the fiscal year. If the Indian tribe has a tribal family assistance plan, the plan referred to in the preceding sentence shall be in the form of an addendum to the tribal family assistance plan.

* * * * * * *

(iv) The Indian tribe has agreed to negotiate in good faith with the Secretary of Health and Human Services with respect to the substance and funding of any evaluation under section [413(j)]*413(i)*, and to cooperate with the conduct of any such evaluation.

* * * * * * *

(4) TRIBAL TANF IMPROVEMENT FUND.—

(A) ESTABLISHMENT.—The Secretary shall establish a fund for purposes of carrying out any of the following activities:

(i) Providing technical assistance to Indian tribes considering applying to carry out, or that are carrying out, a tribal family assistance plan under this section in order to help such tribes establish and operate strong and effective tribal family assistance plans under this section that will allow families receiving assistance under such plans achieve the highest measure of self-sufficiency.

(ii) Awarding competitive grants directly to Indian tribes carrying out a tribal family assistance plan under this section for purposes of conducting programs and activities that would substantially improve the op-

eration and effectiveness of such plans and the ability of such tribes to achieve the purposes of the program under this part as described in section 401(a).

(iii) Awarding competitive grants directly to Indian tribes carrying out a tribal family assistance plan under this section to support tribal economic development activities that would significantly assist families receiving assistance under the State program funded under this part or a tribal family assistance plan obtain employment and achieve self-sufficiency.

(iv) Conducting, directly or through grants, contracts, or interagency agreements, research and development to improve knowledge about tribal family assistance programs conducted under this section and challenges faced by such programs in order to improve the effectiveness of such programs.

(B) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to the Secretary to carry out this paragraph, $100,000,000 for each of fiscal years 2004 through 2008.

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

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

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

* * * * * * *

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

(F) applies the fiscal accountability provisions of section 5(f)(1) of the Indian Self-Determination and Education Assistance Act[26] (25 U.S.C. 450c(f)(1)), relating to the submission of a single-agency audit report required by chapter 75 of title 31, United States Code**[**.**]**; *and*

(G) provides an assurance that the State in which the tribe is located has been consulted regarding the plan and its design.

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

(1) generally accepted accounting principles; and

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

[(f) ELIGIBILITY FOR FEDERAL LOANS.—Section 406 shall apply to an Indian tribe with an approved tribal assistance plan in the same manner as such section applies to a State, except that section 406(c) shall be applied by substituting "section 412(a)" for "section 403(a)".**]**

[(g)**]** *(f)* PENALITIES.—

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

(2) Section 409(a)(3) shall apply to an Indian tribe with an approved tribal assistance plan by substituting "meet minimum work participation requirements established under section 412(c)" for "comply with section 407(a)".

[(h)] (*g*) DATA COLLECTION AND REPORTING.—Section 411 shall apply to an Indian tribe with an approved tribal family assistance plan.

[(i)] (*h*) SPECIAL RULE FOR INDIAN TRIBES IN ALASKA.—

(1) IN GENERAL.—Notwithstanding any other provision of this section, and except as provided in paragraph (2), an Indian tribe in the State of Alaska that receives a tribal family assistance grant under this section shall use the grant to operate a program in accordance with requirements comparable to the requirements applicable to the program of the State of Alaska funded under this part. Comparability of programs shall be established on the basis of program criteria developed by the Secretary in consultation with the State of Alaska and such Indian tribes.

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

RESEARCH, EVALUATIONS, AND NATIONAL STUDIES

SEC. 413. (a) RESEARCH.—The Secretary, directly or through grants, contracts, or interagency agreements, shall conduct research on the benefits, effects, and costs of operating different State programs funded under this part, including time limits relating to eligibility for assistance. The research shall include studies on the effects of different programs and the operation of such programs on welfare dependency, illegitimacy, teen pregnancy, employment rates, child well-being, and any other area the Secretary deems appropriate. The Secretary shall also conduct research on the costs and benefits of State activities under section 407.

* * * * * * *

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

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

(1) ANNUAL RANKING OF STATES.—

(A) IN GENERAL.—The Secretary shall rank annually the States to which grants are paid under section 403 in the order of their success in—

(i) placing recipients of assistance under the State program funded under this part into private sector jobs;

(ii) the success of the recipients in retaining employment;

(iii) the ability of the recipients to increase their wages;

(iv) the degree to which recipients have workplace attachment and advancement;

(v) reducing the overall welfare caseload; and

(vi) when a practicable method for calculating this information becomes available, diverting individuals from formally applying to the State program and receiving assistance.

(B) CONSIDERATION OF OTHER FACTORS.—In ranking States under this paragraph, the Secretary shall take into account the average number of minor children living at home in families in the State that have incomes below the poverty line and the amount of funding provided each State under this part for such families.

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

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

* * * * * * *

[(g) REPORT ON CIRCUMSTANCES OF CERTAIN CHILDREN AND FAMILIES.—

[(1) IN GENERAL.—Beginning 3 years after the date of the enactment of this section, the Secretary of Health and Human Services shall prepare and submit to the Committees on Ways and Means and on Education and the Workforce of the House of Representatives and to the Committees on Finance and on Labor and Resources of the Senate annual reports that examine in detail the matters described in paragraph (2) with respect to each of the following groups for the period after such enactment:

[(A) Individuals who were children in families that have become ineligible for assistance under a State program funded under this part by reason of having reached a time limit on the provision of such assistance.

[(B) Children born after such date of enactment to parents who, at the time of such birth, had not attained 20 years of age.

[(C) Individuals who, after such date of enactment, became parents before attaining 20 years of age.

[(2) MATTERS DESCRIBED.—The matters described in this paragraph are the following:

[(A) The percentage of each group that has dropped out of secondary school (or the equivalent), and the percentage of each group at each level of educational attainment.

[(B) The percentage of each group that is employed.

[(C) The percentage of each group that has been convicted of a crime or has been adjudicated as a delinquent.

[(D) The rate at which the members of each group are born, or have children, out-of-wedlock, and the percentage of each group that is married.

[(E) The percentage of each group that continues to participate in State programs funded under this part.

[(F) The percentage of each group that has health insurance provided by a private entity (broken down by whether the insurance is provided through an employer or otherwise), the percentage that has health insurance provided by an agency of government, and the percentage that does not have health insurance.

[(G) The average income of the families of the members of each group.

[(H) Such other matters as the Secretary deems appropriate.]

[(h)] (*g*) FUNDING OF STUDIES AND DEMONSTRATIONS.—

(1) IN GENERAL.—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated $15,000,000 for each of fiscal years [1997 through 2002] *2004 through 2008* for the purpose for paying—

* * * * * * *

[(i)] (*h*) CHILD POVERTY RATES.—

(1) IN GENERAL.—Not later than May 31, 1998, and annually thereafter, the chief executive officer of each State shall submit to the Secretary a statement of the child poverty rate in the State as of such date of enactment or the date of the most recent prior statement under this paragraph.

* * * * * * *

[(j)] (*i*) EVALUATION OF WELFARE-TO-WORK PROGRAMS.—

(1) EVALUATION.—The Secretary, in consultation with the Secretary of Labor and the Secretary of Housing and Urban Development—

* * * * * * *

(2) REPORTS TO THE CONGRESS.—

(A) IN GENERAL.—Subject to subparagraphs (B) and (C), the Secretary, in consultation with the Secretary of Labor and the Secretary of Housing and Urban Development, shall submit to the Congress reports on the projects funded under [section] *sections* 403(a)(5) and 412(a)(3) and on the evaluations of the projects.

(B) INTERIM REPORT.—Not later than January 1, 1999, the Secretary shall submit an interim report on the matter described in subparagraph (A).

(C) FINAL REPORT.—Not later than January 1, 2001, (or at a later date, if the Secretary informs the Committee of the Congress with jurisdiction over the subject matter of the report) the Secretary shall submit a final report on the matter described in subparagraph (A).

(j) PERFORMANCE IMPROVEMENT.—The Secretary, in consultation with the States, shall develop uniform performance measures designed to assess the degree of effectiveness, and the degree of improvement, of State programs funded under this part in accomplishing the purposes of this part.

(k) FUNDING FOR RESEARCH, DEMONSTRATIONS, AND TECHNICAL ASSISTANCE.—

(1) APPROPRIATION.—

(A) IN GENERAL.—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated $100,000,000 for each of fiscal years 2004 through 2008, which shall remain available to the Secretary until expended.

(B) USE OF FUNDS.—

(i) IN GENERAL.—Funds appropriated under subparagraph (A) shall be used for the purpose of—

(I) conducting or supporting research and demonstration projects by public or private entities; or

(II) providing technical assistance in connection with a purpose of the program funded under this part, as described in section 401(a), to States, Indian tribal organizations, sub-State entities, and such other entities as the Secretary may specify.

(ii) REQUIREMENT.—Not less than 80 percent of the funds appropriated under subparagraph (A) for a fiscal year shall be expended for the purpose of conducting or supporting research and demonstration projects, or for providing technical assistance, in connection with activities described in section 403(a)(2)(B). Funds appropriated under subparagraph (A) and expended in accordance with this clause shall be in addition to any other funds made available under this part for activities described in section 403(a)(2)(B).

(2) SECRETARY'S AUTHORITY.—The Secretary may conduct activities authorized by this subsection directly or through grants, contracts, or interagency agreements with public or private entities.

(3) REQUIREMENT FOR USE OF FUNDS.—The Secretary shall not pay any funds appropriated under paragraph (1)(A) to an entity for the purpose of conducting or supporting research and demonstration projects involving activities described in section 403(a)(2)(B) unless the entity complies with the requirements of section 403(a)(2)(E).

STUDY BY THE CENSUS BUREAU

SEC. 414. [(a) IN GENERAL.—The Bureau of the Census shall continue to collect data on the 1992 and 1993 panels of the Survey of Income and Program Participation as necessary to obtain such information as will enable interested persons to evaluate the impact

of the amendments made by title I of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 on a random national sample of recipients of assistance under State programs funded under this part and (as appropriate) other low-income families, and in doing so, shall pay particular attention to the issues of out-of-wedlock birth, welfare dependency, the beginning and end of welfare spells, and the causes of repeat welfare spells, and shall obtain information about the status of children participating is such panels.] *(a) IN GENERAL.—The Bureau of the Census shall implement or enhance a longitudinal survey of program participation, developed in consultation with the Secretary and made available to interested parties, to allow for the assessment of the outcomes of continued welfare reform on the economic and child well-being of low-income families with children, including those who received assistance or services from a State program funded under this part, and, to the extent possible, shall provide State representative samples. The content of the survey should include such information as may be necessary to examine the issues of out-of-wedlock childbearing, marriage, welfare dependency and compliance with work requirements, the beginning and ending of spells of assistance, work, earnings and employment stability, and the well-being of children.*

(b) REPORTS ON THE WELL-BEING OF CHILDREN AND FAMILIES.—

(1) IN GENERAL.—Not later than 24 months after the date of enactment of the Personal Responsibility and Individual Development for Everyone Act, the Secretary of Commerce shall prepare and submit to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate a report on the well-being of children and families using data collected under subsection (a).

(2) SECOND REPORT.—Not later than 60 months after such date of enactment, the Secretary of Commerce shall submit a second report to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate on the well-being of children and families using data collected under subsection (a).

(3) INCLUSION OF COMPARABLE MEASURES.—Where comparable measures for data collected under subsection (a) exist in surveys previously administered by the Bureau of the Census, appropriate comparisons shall be made and included in each report required under this subsection on the well-being of children and families to assess changes in such measures.

[(b)] *(c)* APPROPRIATION.—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated $10,000,000 for each of fiscal years [1996, 1997, 1998, 1999, 2000, 2001, 2002, and 2003] *2004 through 2008 for payment to the Bureau of the Census to carry out this section. Funds appropriated under this subsection for a fiscal year shall remain available through fiscal year 2008 to carry out this section* for payment to the Bureau of the Census to carry out subsection (a).

* * * * * * *

FUNDING FOR CHILD CARE

SEC. 418. (a) GENERAL CHILD CARE ENTITLEMENT.—

(1) GENERAL ENTITLEMENT.—Subject to the amount appropriated under paragraph (3), each State shall, for the purpose of providing child care assistance, be entitled to payments under a grant under this subsection for a fiscal year in an amount equal to the greater of—

* * * * * * *

(C) $2,167,000,000 for fiscal year 1999;
(D) $2,367,000,000 for fiscal year 2000;
(E) $2,567,000,000 for fiscal year 2001; **[**and**]**
(F) $2,717,000,000 for fiscal year 2002**[**.**]***; and*
(G) $2,917,000,000 for each of fiscal years 2004 through 2008.

(4) **[**INDIAN TRIBES**]** *AMOUNTS RESERVED*.—**[**The Secretary**]** *(A) INDIAN TRIBES.—The Secretary* shall reserve not less than 1 percent, and not more than 2 percent, of the aggregate amount appropriated to carry out this section in each fiscal year for payments to Indian tribes and tribal organizations.

(B) PUERTO RICO.—The Secretary shall reserve $10,000,000 of the amount appropriated under paragraph (3) for each fiscal year for payments to the Commonwealth of Puerto Rico for each such fiscal year for the purpose of providing child care assistance.

* * * * * * *

DEFINITIONS

SEC. 419. As used in this part:

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

* * * * * * *

(6) ASSISTANCE.—

(A) IN GENERAL.—The term "assistance" means payment, by cash, voucher, or other means, to or for an individual or family for the purpose of meeting a subsistence need of the individual or family (including food, clothing, shelter, and related items, but not including costs of transportation or child care).

(B) EXCEPTION.—The term "assistance" does not include a payment described in subparagraph (A) to or for an individual or family on a short-term, nonrecurring basis (as defined by the State in accordance with regulations prescribed by the Secretary).

* * * * * * *

DUTIES OF THE SECRETARY

SEC. 452. (a) The Secretary shall establish, within the Department of Health and Human Services a separate organizational

unit, under the direction of a designee of the Secretary, who shall report directly to the Secretary and who shall—

* * * * * * *

(j) Out of any money in the Treasury of the United States not otherwise appropriated, there is hereby appropriated to the Secretary for each fiscal year an amount equal to 1 percent of the total amount paid to the Federal Government pursuant to a plan approved under this part during the immediately preceding fiscal year (as determined on the basis of the most recent reliable data available to the Secretary as of the end of the third calendar quarter following the end of such preceding fiscal year) *or the amount appropriated under this paragraph for fiscal year 2002, whichever is greater*, which shall be available for use by the Secretary, either directly or through grants, contracts, or interagency agreements, for—

* * * * * * *

(m) COMPARISONS WITH INSURANCE INFORMATION.—

(1) IN GENERAL.—The Secretary, through the Federal Parent Locator Service, is authorized—

(A) to compare information concerning individuals owing past-due support with information maintained by insurers (or their agents) concerning insurance claims, settlements, awards, and payments, and

(B) to furnish information resulting from such data matches to the State agencies responsible for collecting child support from such individuals.

(2) LIABILITY.—No insurer (including any agent of an insurer) shall be liable under any Federal or State law to any person for any disclosure provided for under this subsection, or for any other action taken in good faith in accordance with the provisions of this subsection.

(n) INTERCEPTION OF GAMBLING WINNINGS FOR PAST-DUE SUPPORT.—

(1) IN GENERAL.—The Secretary, through the Federal Parent Locator Service, is authorized, in accordance with this subsection, to intercept gambling winnings of an individual owing past-due support being enforced by a State agency with a plan approved under this part, and to transmit such winnings to the State agency for distribution pursuant to section 457.

(2) REQUIREMENTS FOR GAMBLING ESTABLISHMENTS.—A gambling establishment subject to this subsection shall not pay to any individual gambling winnings (as defined in paragraph (6)) meeting the criteria for reporting to the Internal Revenue Service pursuant to section 6041 of the Internal Revenue Code of 1986 until the establishment—

(A) has furnished to the Secretary—

(i) the information required to be so reported with respect to such individual and such winnings; and

(ii) the net amount of such gambling winnings (hereafter in this subsection referred to as the 'net gambling winnings') after withholding of amounts for Federal taxes as required pursuant to section 3402(q) of the Internal Revenue Code of 1986; and

(B) has complied with the Secretary's instructions pursuant to paragraph (3).

(3) DATA MATCH AND WITHHOLDING.—The Secretary shall—

(A) compare information furnished pursuant to paragraph (2)(A) with information on individuals who owe past-due support;

(B) direct the gambling establishment to withhold from an individual's net gambling winnings all amounts not exceeding the total past-due support owed by the individual;

(C) authorize the gambling establishment, in reimbursement of its costs of complying with this subsection, to withhold and retain from such net gambling winnings an amount equal to 2 percent of the amount to be withheld pursuant to subparagraph (B), which amount shall be taken first from any excess of such net winnings above the amount withheld pursuant to subparagraph (B), with any balance to be taken from the amount so withheld; and

(D) require the gambling establishment to furnish written notice to the individual whose gambling winnings are withheld pursuant to this subsection, that includes—

(i) the amounts withheld pursuant to subparagraphs (B) and (C);

(ii) the reason and authority for the withholding; and

(iii) an explanation of the individual's procedural due process rights, including the right to contest such withholding to the responsible State agency and information necessary to contact such State agency.

(4) TRANSFER OF WITHHELD AMOUNTS.—Net amounts withheld for past-due support pursuant to subparagraphs (B) and (C) of paragraph (3) shall—

(A) be transferred by the gambling establishment to the Secretary at the same time and in the same manner as amounts withheld under section 3402(q) of the Internal Revenue Code of 1986 would be transferred to the Internal Revenue Service, together with the information described in paragraph (2)(A)(i) with respect to the individuals whose winnings were withheld under this subsection; and

(B) be promptly transferred by the Secretary to the appropriate State agency.

(5) NONLIABILITY OF GAMBLING ESTABLISHMENTS.—A gambling establishment shall not be liable under any Federal or State law to any person—

(A) for any disclosure of information to the Secretary under this subsection;

(B) for withholding or surrendering gambling winnings in accordance with this subsection; or

(C) for any other action taken in good faith to comply with this subsection.

(6) DEFINITION OF GAMBLING WINNINGS.—In this subsection, the term "gambling winnings" means the proceeds of a wager that are subject to reporting under section 6041 of the Internal Revenue Code of 1986.

FEDERAL PARENT LOCATOR SERVICE

SEC. 453. (a) ESTABLISHMENT; PURPOSE.—

(1) The Secretary shall establish and conduct a Federal Parent Locator Service, under the direction of the designee of the Secretary referred to in section 652(a) of this title, which shall be used for the purposes specified in paragraphs (2) and (3).

* * * * * * *

(c) As used in subsection (a), the term "authorized person" means—

(1) any agent or attorney of any State *or Indian tribe or tribal organization* having in effect a plan approved under this part, who has the duty or authority under such plans to seek to recover any amounts owed as child and spousal support or to seek to enforce orders providing child custody or visitation rights (including, when authorized under the State plan, any official of a political subdivision);

* * * * * * *

(i) NATIONAL DIRECTOR OF NEW HIRES.—

(1) IN GENERAL.—In order to assist States in administering programs under State plans approved under this part and programs funded under part A, and for the other purposes specified in this section, the Secretary shall, not later than October 1, 1997, establish and maintain in the Federal Parent Locator Service an automated directory to be known as the National Directory of New Hires, which shall contain the information supplied pursuant to section 453A(g)(2).

* * * * * * *

(4) LIST OF MULTISTATE EMPLOYERS.—The Secretary shall maintain within the National Directory of New Hires a list of multistate employers that report information regarding newly hired employees pursuant to section 453A(b)(1)(B), and the State which each such employer has designated to receive such information.

(5) CALCULATION OF EMPLOYMENT CREDIT FOR PURPOSES OF DETERMINING STATE WORK PARTICIPATION RATES UNDER TANF.—The Secretary may use the information in the National Director of New Hires for purposes of calculating State employment credits pursuant to section 407(b)(2).

(j) INFORMATION COMPARISONS AND OTHER DISCLOSURES.—

(1) VERIFICATION BY SOCIAL SECURITY ADMINISTRATION.—

(A) IN GENERAL.—The Secretary shall transmit information on individuals and employers maintained under this section to the Social Security Administration to the extent necessary for verification accordance with subparagraph (B).

* * * * * * *

(6) INFORMATION COMPARISONS AND DISCLOSURE FOR ENFORCEMENT OF OBLIGATIONS ON HIGHER EDUCATION ACT LOANS AND GRANTS.—

(A) FURNISHING OF INFORMATION BY THE SECRETARY OF EDUCATION.—The Secretary of Education shall furnish to

the Secretary, on a quarterly basis or at such less frequent intervals as may be determined by the Secretary of Education, information in the custody of the Secretary of Education for comparison with information in the National Directory of New Hires, in order to obtain the information in such directory with respect to individuals who—

* * * * * * *

(F) REIMBURSEMENT OF HHS COSTS.—The Secretary of Education shall reimburse the Secretary, in accordance with subsection (k)(3), for the [additional] costs incurred by the Secretary in furnishing the information requested under this subparagraph.

(7) INFORMATION COMPARISONS AND DISCLOSURE TO ASSIST IN ADMINISTRATION OF UNEMPLOYMENT COMPENSATION PROGRAMS.—

(A) IN GENERAL.—If, for purposes of administering an unemployment compensation program under Federal or State law, a State agency responsible for the administration of such program transmits to the Secretary the name and social security account number of an individual, the Secretary shall disclose to the State agency information on the individual and the individual's employer that is maintained in the National Directory of New Hires, subject to the succeeding provisions of this paragraph.

(B) CONDITION ON DISCLOSURE BY THE SECRETARY.—The Secretary shall make a disclosure under subparagraph (A) only to the extent that the Secretary determines that the disclosure would not interfere with the effective operation of the program under this part.

(C) USE AND DISCLOSURE OF INFORMATION BY STATE AGENCIES.—

(i) IN GENERAL.—A State agency may not use or disclose information provided under this paragraph except for purposes of administering a program referred to in subparagraph (A).

(ii) INFORMATION SECURITY.—A State agency to which information is provided under this paragraph shall have in effect data security and control policies that the Secretary finds adequate to ensure the security of information obtained under this paragraph and to ensure that access to such information is restricted to authorized persons for purposes of authorized uses and disclosures.

(iii) PENALTY FOR MISUSE OF INFORMATION.—An officer or employee of a State agency who fails to comply with this subparagraph shall be subject to the sanctions under subsection (l)(2) to the same extent as if such officer or employee was an officer or employee of the United States.

(D) PROCEDURAL REQUIREMENTS.—A State agency requesting information under this paragraph shall adhere to uniform procedures established by the Secretary governing information requests and data matching under this paragraph.

(E) REIMBURSEMENT OF COSTS.—A State agency shall reimburse the Secretary, in accordance with subsection (k)(3), for the costs incurred by the Secretary in furnishing the information requested under this paragraph.

(k) FEES.—

(1) FOR SSA VERIFICATION.—The Secretary shall reimburse the Commissioner of Social Security, at a rate negotiated between the Secretary and the Commissioner, for the costs incurred by the Commissioner in performing the verification services described in subsection (j).

(2) FOR INFORMATION FROM STATE DIRECTORIES OF NEW HIRES.—The Secretary shall reimburse costs incurred by State directories of new hires in furnishing information as required by section 453A(g)(2), at rates which the Secretary determines to be reasonable (which rates shall not include payment for the costs of obtaining, compiling, or maintaining such information).

(3) FOR INFORMATION *AND ENFORCEMENT SERVICES* FURNISHED TO STATE AND FEDERAL AGENCIES.—A State or Federal agency that receives information *or enforcement services* from the Secretary pursuant to this section *or subsection (l), (m), or (n)* shall reimburse the Secretary for costs incurred by the Secretary ⟦in furnishing the information⟧ *in furnishing such information or enforcement services*, at rates which the Secretary determines to be reasonable (which rates shall include payment for the costs of obtaining, verifying, maintaining, and comparing the information).

⟦(l) RESTRICTION ON DISCLOSURE AND USE.—

⟦(1) IN GENERAL.—Information in the Federal Parent Locator Service, and information resulting from comparisons using such information, shall not be used or disclosed except as expressly provided in this section, subject to section 6103 of the Internal Revenue Code of 1986.

⟦(2) PENALTY FOR MISUSE OF INFORMATION IN THE NATIONAL DIRECTORY OF NEW HIRES.—The Secretary shall require the imposition of an administrative penalty (up to and including dismissal from employment), and a fine of $1,000, for each act of unauthorized access to, disclosure of, or use of, information in the National Directory of New Hires established under subsection (i) by any officer or employee of the United States who knowingly and willfully violates this paragraph.⟧

(l) IDENTIFICATION AND SEIZURE OF ASSETS HELD BY MULTISTATE FINANCIAL INSTITUTIONS.—

(1) IN GENERAL.—The Secretary, through the Federal Parent Locator Service, is authorized—

(A) to assist State agencies operating programs under this part and financial institutions doing business in 2 or more States in reaching agreements regarding the receipt from such institutions, and the transfer to the State agencies, of information that may be provided pursuant to section 466(a)(17)(A)(i) or 469A(a);

(B) to perform data matches comparing information from such State agencies and financial institutions entering into such Agreements with respect to individuals owing past-due support; and

(C) to seize assets, held by such financial institutions, of individuals identified through such data matches who owe past-due support, by—

(i) issuing a notice of lien or levy to such financial institutions requiring them to encumber such assets for 30 calendar days and to subsequently transfer such assets to the Secretary (except that the Secretary shall promptly release such lien or levy within such 30-day period upon request of the State agencies responsible for collecting past-due support from such individuals); and

(ii) providing notice to such individuals of the lien or levy upon their assets and informing them—

(I) of their procedural due process rights, including the opportunity to contest such lien or levy to the appropriate State agency; and

(II) in the case of jointly-owned assets, of the process by which other owners may secure their respective share of such assets, according to such policies and procedures as the Secretary may specify with respect to seizure of such assets.

(2) TRANSFER OF FUNDS TO STATES.—Assets seized from individuals under paragraph (1)(C) shall be promptly transferred by the Secretary to the State agencies responsible for collecting past-due support from such individuals for distribution pursuant to section 457.

(3) RELATIONSHIP TO STATE LAWS.—Notwithstanding any provision of State law, an individual receiving a notice under paragraph (1)(C) shall have 21 calendar days from the date of such notice to contest the lien or levy imposed under such paragraph by requesting an administrative review by the State agency responsible for collecting past-due support from such individual.

(4) TREATMENT OF DISCLOSURES.—For purposes of section 1113(d) of the Right to Financial Privacy Act of 1978, a disclosure pursuant to this subsection shall be considered a disclosure pursuant to a Federal statute.

* * * * * * *

(o) USE OF SET-ASIDE FUNDS.—Out of any money in the Treasury of the United States not otherwise appropriated, there is hereby appropriated to the Secretary for each fiscal year an amount equal to 2 percent of the total amount paid to the Federal government pursuant to a plan approved under this part during the immediately preceding fiscal year (as determined on the basis of the most recent reliable data available to the Secretary as of the end of the third calendar quarter following the end of such preceding fiscal year) *or the amount appropriated under this paragraph for fiscal year 2002, whichever is greater*, which shall be available for use by the Secretary, either directly or through grants, contracts, or interagency agreements, for operation of the Federal Parent Locator Service under this section, to the extent such costs are not recovered through user fees. Amounts appropriated under this sub-

section [for each of fiscal years 1997 through 2001] shall remain available until expended.

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STATE PLAN FOR CHILD AND SPOUSAL SUPPORT

SEC. 454. A State plan for child and spousal support must—

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(C) provide that no applications will be required from, and no costs will be assessed for such services against, the foreign reciprocating country or foreign obligee (but costs may of State option be assessed against the obligor); [and]

(33) provide that a State [that receives funding pursuant to section 428 and] that has within its borders Indian country (as defined in section 1151 of title 18, United States Code) may enter into cooperative agreements with an Indian tribe or tribal organization (as defined in subsections (e) and (l) of section 4 of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450b)), if the Indian tribe or tribal organization demonstrates that such tribe or organization has an established tribal court system or a Court of Indian Offenses with the authority to establish paternity, establish, modify, or enforce support orders or, and to enter support orders in accordance with child support guidelines established or adopted by such tribe or organization, under which the State and tribe or organization, under which the State and tribe or organization shall provide for the cooperative delivery of child support enforcement services in Indian country and for the forwarding of all collections pursuant to the functions performed by the tribe or organization to the State agency, or conversely, by the State agency to the tribe or organization, which shall distribute such collections in accordance with such agreement[.]*; and*

(34) include an election by the State to apply section 457(a)(2)(B) of this Act or former section 457(a)(2)(B) of this Act (as in effect for the State immediately before the date this paragraph first applies to the State) to the distribution of the amounts which are the subject of such sections and, for so long as the State elects to so apply such former section, the amendments made by section 301(b) of the Personal Responsibility and Individual Development for Everyone Act shall not apply with respect to the State, notwithstanding section 301(e) of that Act.

The State may allow the jurisdiction which makes the collection involved to retain any application fee under paragraph (6)(B) or any late payment fee under paragraph (21). Nothing in paragraph (33) shall void any provision of any cooperative agreement entered into before the date of the enactment of such paragraph, nor shall such paragraph deprive any State of jurisdiction over Indian country (as so defined) that is lawfully exercised under section 402 of the Act entitled "An act to prescribe penalties for certain acts of violence or intimidation, and for other purposes", approved April 11, 1968 (25 U.S.C. 1322).

* * * * * * *

PAYMENTS TO STATES

SEC. 455 (a)(1) From the sums appropriated therfor, the Secretary shall pay to each State for each quarter an amount—

* * * * * * *

(f) The Secretary may make direct payments under this part to an Indian tribe or tribal organization that demonstrates to the satisfaction of the Secretary that it has the capacity to operate a child support enforcement program meeting the objective of this part, including establishment of paternity, establishment, modification, and enforcement of support orders, [and location of absent parents] location of absent parents, and interception of gambling winnings consistent with the requirements of sections 452(n) and 466(a)(20). The Secretary shall promulgate regulations establishing the requirements which must be met by an Indian tribe or tribal organization to be eligible for a grant under this subsection.

* * * * * * *

DISTRIBUTION OF COLLECTED SUPPORT

SEC. 457. [(a) IN GENERAL.—Subject to subsections (d) and (e), an amount collected on behalf of a family as support by a State pursuant to a plan approved under this part shall be distributed as follows:

[(1) FAMILIES RECEIVING ASSISTANCE.—In the case of a family receiving assistance from the State, the State shall—

[(A) pay to the Federal Government the Federal share of the amount so collected; and

[(B) retain, or distribute to the family, the State share of the amount so collected.

[In no event shall the total of the amounts paid to the Federal Government and retained by the State exceed the total of the amounts that have been paid to the family as assistance by the State.

[(2) FAMILIES THAT FORMERLY RECEIVED ASSISTANCE.—In the case of a family that formerly received assistance from the State:

[(A) CURRENT SUPPORT PAYMENTS.—To the extent that the amount so collected does not exceed the amount required to be paid to the family for the month in which collected, the State shall distribute the amount so collected to the family.

[(B) PAYMENTS OF ARREARAGES.—To the extent that the amount so collected exceeds the amount required to be paid to the family for the month in which collected, the State shall distribute the amount so collected as follows:

[(i) DISTRIBUTION OF ARREARAGES THAT ACCRUED AFTER THE FAMILY CEASED TO RECEIVE ASSISTANCE.—

[(I) PRE-OCTOBER 1997.—Except as provided in subclause (II), the provisions of this section as in effect and applied on the day before the date of the enactment of section 302 of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (other than subsection (b)(1) (as so in

effect))[97] shall apply with respect to the distribution of support arrearages that—

[(aa) accrued after the family ceased to receive assistance, and

[(bb) are collected before October 1, 1997.

[(II) POST-SEPTEMBER 1997.—With respect to the amount so collected on or after October 1, 1997 (or before such date, at the option of the State—

[(aa) IN GENERAL.—The State shall first distribute the amount so collected (other than any amount described in clause (iv)) to the family to the extent necessary to satisfy any support arrearages with respect to the family that accrued after the family ceased to receive assistance from the State.

[(bb REIMBURSEMENT OF GOVERNMENTS FOR ASSISTANCE PROVIDED TO THE FAMILY.—After the application of division (aa) and clause (ii)(II)(aa) with respect to the amount so collected, the State shall retain the State share of the amount so collected, and pay to the Federal Government the Federal share (as defined in subsection (c)(2)) of the amount so collected, but only to the extent necessary to reimburse amounts paid to the family as assistance by the State.

[(cc) DISTRIBUTION OF THE REMAINDER TO THE FAMILY.—To the extent that neither division (aa) nor division (bb) applies to the amount so collected, the State shall distribute the amount to the family.

[(ii) DISTRIBUTION OF ARREARAGES THAT ACCRUED BEFORE THE FAMILY RECEIVED ASSISTANCE.—

[(I) PRE-OCTOBER 2000.—Except as provided in subclause (II), the provisions of this section as in effect and applied on the day before the date of enactment of section 302 of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (other than subsection (b)(1) (as so in effect)) shall apply with respect to the distribution of support arrearages that—

[(aa) accrued before the family received assistance, and

[(bb) area collected before October 1, 2000.

[(II) POST-SEPTEMBER 2000.—Unless, based on the report required by paragraph (5), the Congress determines otherwise, with respect to the amount so collected on or after October 1, 2000 (or before such date, at the point of the State)—

[(aa) IN GENERAL.—The State shall first distribute the amount so collected (other than any amount described in clause (iv)) to the family to the extent necessary to satisfy any support arrearages with respect to the family

that accrued before the family received assistance from the State.

[(bb) REIMBURSEMENT OF GOVERNMENT FOR ASSISTANCE PROVIDED TO THE FAMILY.—After the application of clause (i)(II)(aa) and division (aa) with respect to the amount so collected, the State shall retain the State share of the amount so collected, and pay to the Federal Government the Federal share (as defined in subsection (c)(2)) of the amount so collected, but only to the extent necessary to reimburse amounts paid to the family as assistance by the State.

[(cc) DISTRIBUTION OF THE REMAINDER TO THE FAMILY.—To the extent that neither division (aa) nor division (bb) applies to the amount so collected, the State shall distribute the amount to the family.

[(iii) DISTRIBUTION OF ARREARAGES THAT ACCRUED WHILE THE FAMILY RECEIVED ASSISTANCE.—In the case of a family described in this subparagraph, the provisions of paragraph (1) shall apply with respect to the distribution of support arrearages that accrued while the family received assistance.

[(iv) AMOUNTS COLLECTED PURSUANT TO SECTION 464.—Notwithstanding any other provision of this section, any amount of support collected pursuant to section 464 shall be retained by the State to the extent past—due support has been assigned to the State as a condition of receiving assistance from the State, up to the amount necessary to reimburse the State for amounts paid to the family as assistance by the State. The State shall pay to the Federal Government the Federal share of the amounts so retained. To the extent the amount collected pursuant to section 464 exceeds the amount so retained, the State shall distribute the excess to the family.

[(v) ORDERING RULES FOR DISTRIBUTIONS.—For purposes of this subparagraph, unless an earlier effective date is required by this section, effective October 1, 2000, the State shall treat any support arrearages collected, except for amounts collected pursuant to section 464, as accruing in the following order:

[(I) To the period after the family ceased to receive assistance.

[(II) To the period before the family received assistance.

[(III) To the period while the family was receiving assistance.

[(3) FAMILIES THAT NEVER RECEIVED ASSISTANCE.—In the case of any other family, the State shall distribute the amount so collected to the family.

[(4) FAMILIES UNDER CERTAIN AGREEMENTS.—In the case of an amount collected for a family in accordance with a coopera-

tive agreement under section 454(33), distribute the amount so collected pursuant to the terms of the agreement.

[(5) STUDY AND REPORT.—Not later than October 1, 1999, the Secretary shall report to the Congress the Secretary's findings with respect to—

[(A) whether the distribution of post-assistance arrearages to families has been effective in moving people off of welfare and keeping them off of welfare;

[(B) whether early implementation of a pre-assistance arrearages program by some States has been effective in moving people off of welfare and keeping them off of welfare;

[(C) what the overall impact has been of the amendments made by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 with respect to child support enforcement in moving people off of welfare and keeping them off of welfare; and

[(D) based on the information and data the Secretary has obtained, what changes, if any, should be made in the policies related to the distribution of child support arrearages.

[(6) STATE OPTION FOR APPLICABILITY.—Notwithstanding any other provision of this subsection, a State may elect to apply the rules described in clauses (i)(II), (ii)(II), and (v) of paragraph (2)(B) to support arrearages collected on and after October 1, 1998, and, if the State makes such an election, shall apply the provisions of this section, as in effect and applied on the day before the date of enactment of section 302 of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (Public Law 104–193, 110 Stat. 2200), other than subsection (b)(1) (as so in effect), to amounts collected before October 1, 1998.]

(a) IN GENERAL.—Subject to subsections (d) and (e), the amounts collected on behalf of a family as support by a State pursuant to a plan approved under this part shall be distributed as follows:

(1) FAMILIES RECEIVING ASSISTANCE.—In the case of a family receiving assistance from the State, the State shall—

(A) pay to the Federal Government the Federal share of the amount collected, subject to paragraph (3)(A);

(B) retain, or pay to the family, the State share of the amount collected, subject to paragraph (3)(B); and

(C) pay to the family any remaining amount.

(2) FAMILIES THAT FORMERLY RECEIVED ASSISTANCE.—In the case of a family that formerly received assistance from the State:

(A) CURRENT SUPPORT.—To the extent that the amount collected does not exceed the current support amount, the State shall pay the amount to the family.

(B) ARREARAGES.—Except as otherwise provided in an election made under section 454(34), to the extent that the amount collected exceeds the current support amount, the State—

(i) shall first pay to the family the excess amount, to the extent necessary to satisfy support arrearages not assigned pursuant to section 408(a)(3);

(ii) if the amount collected exceeds the amount required to be paid to the family under clause (i), shall—

(I) pay to the Federal Government the Federal share of the excess amount described in this clause, subject to paragraph (3)(A); and

(II) retain, or pay to the family, the State share of the excess amount described in this clause, subject to paragraph (3)(B); and

(iii) shall pay to the family any remaining amount.

(3) LIMITATIONS.—

(A) FEDERAL REIMBURSEMENTS.—The total of the amounts paid by the State to the Federal Government under paragraphs (1) and (2) of this subsection with respect to a family shall not exceed the Federal share of the amount assigned with respect to the family pursuant to section 408(a)(3).

(B) STATE REIMBURSEMENTS.—The total of the amounts retained by the State under paragraphs (1) and (2) of this subsection with respect to a family shall not exceed the State share of the amount assigned with respect to the family pursuant to section 408(a)(3).

(4) FAMILIES THAT NEVER RECEIVED ASSISTANCE.—In the case of any other family, the State shall pay the amount collected to the family.

(5) FAMILIES UNDER CERTAIN AGREEMENTS.—Notwithstanding paragraphs (1) through (3), in the case of an amount collected for a family in accordance with a cooperative agreement under section 454(33), the State shall distribute the amount collected pursuant to the terms of the agreement.

(6) STATE FINANCING OPTIONS.—To the extent that the State's share of the amount payable to a family pursuant to paragraph (2)(B) of this subsection exceeds the amount that the State estimates (under procedures approved by the Secretary) would have been payable to the family pursuant to former section 457(a)(2)(B) (as in effect for the State immediately before the date this subsection first applies to the State) if such former section had remained in effect, the State may elect to have the payment considered a qualified State expenditure for purposes of section 409(a)(7).

(7) STATE OPTION TO PASS THROUGH ADDITIONAL SUPPORT WITH FEDERAL FINANCIAL PARTICIPATION.—

(A) FAMILIES THAT ARE NOT TANF RECIPIENTS.—Notwithstanding paragraph (2), a State shall not be required to pay to the Federal Government the Federal share of an amount collected on behalf of a family that is a former recipient of assistance under the State program funded under part A, to the extent that the State pays the amount to the family.

(B) FAMILIES THAT INCLUDE AN ADULT AND HAVE RECEIVED TANF FOR LESS THAN 5 YEARS.—

(i) IN GENERAL.—Notwithstanding paragraph (1), if a family that is a recipient of assistance under the State program funded under part A includes an adult and the family has received such assistance for not more than 5 years after the date of enactment of this paragraph, a State shall not be required to pay to the Federal Government the Federal share of the excepted portion (as defined in clause (ii)) of any amount collected on behalf of such family during a month to the extent that—

(I) the State pays the excepted portion to the family; and

(II) the excepted portion is disregarded in determining the amount and type of assistance provided to the family under such program.

(ii) EXCEPTED PORTION DEFINED.—For purposes of this subparagraph, the term "excepted portion" means that portion of the amount collected on behalf of a family during a month that does not exceed $400 per month, or in the case of a family that includes 2 or more children, that does not exceed an amount established by the State that is at least $400, but not more than $600 per month.

(8) STATES WITH DEMONSTRATION WAIVERS.—Notwithstanding the preceding paragraphs, a State with a waiver under section 1115 that was effective on or before October 1, 1997, and the terms of which allow pass-through of child support payments, may pass through payments in accordance with such terms with respect to families subject to the waiver.

(B) foster care maintenance payments under the State plan approved under part E of this title.

(2) FEDERAL SHARE.—The term "Federal share" means that portion of the amount collected resulting from the application of the Federal medical assistance percentage in effect for the fiscal year in which the amount is distributed.

(3) FEDERAL MEDICAL ASSISTANCE PERCENTAGE.—The term "Federal medical assistance percentage" means—

(A) 75 percent, in the case of Puerto Rico, the Virgin Islands, Guam, and American Samoa; or

(B) the Federal medical assistance percentage (as defined in section 1905(b), as such section was in effect on September 30, 1995) in the case of any other State.

(4) STATE SHARE.—The term "State share" means 100 percent minus the Federal share.

(5) CURRENT SUPPORT AMOUNT.—The term "current support amount" means, with respect to amounts collected as support on behalf of a family, the amount designated as the monthly support obligation of the noncustodial parent in the order requiring the support.

[(b) CONTINUATION OF ASSIGNMENTS.—Any rights to support obligations, assigned to a State as a condition of receiving assistance from the State under part A and in effect on September 30, 1997 (or such earlier date, on or after August 22, 1996, as the State may choose), shall remain assigned after such date.]

(b) CONTINUATION OF ASSIGNMENTS.—

(1) STATE OPTION TO DISCONTINUE PRE-1997 SUPPORT ASSIGNMENTS.—

(A) IN GENERAL.—Any rights to support obligations assigned to a State as a condition of receiving assistance from the State under part A and in effect on September 30, 1997 (or such earlier date on or after August 22, 1996, as the State may choose), may remain assigned after such date.

(B) DISTRIBUTION OF AMOUNTS AFTER ASSIGNMENT DISCONTINUATION.—If a State chooses to discontinue the assignment of a support obligation described in subparagraph (A), the State may treat amounts collected pursuant to such assignment as if such amounts had never been assigned and may distribute such amounts to the family in accordance with subsection (a)(4).

(2) STATE OPTION TO DISCONTINUE POST-1997 ASSIGNMENTS.—

(A) IN GENERAL.—Any rights to support obligations accruing before the date on which a family first receives assistance under part A that are assigned to a State under that part and in effect before the implementation date of this section may remain assigned after such date.

(B) DISTRIBUTION OF AMOUNTS AFTER ASSIGNMENT DISCONTINUATION.—If a State chooses to discontinue the assignment of a support obligation described in subparagraph (A), the State may treat amounts collected pursuant to such assignment as if such amounts had never been assigned and may distribute such amounts to the family in accordance with subsection (a)(4).

* * * * * * *

CONSENT BY THE UNITED STATES TO INCOME WITHHOLDING, GARNISHMENT, AND SIMILAR PROCEEDINGS FOR ENFORCEMENT OF CHILD SUPPORT AND ALIMONY OBLIGATIONS

SEC. 459. (a) CONSENT TO SUPPORT ENFORCEMENT.—* * *

* * * * * * *

(h) MONEYS SUBJECT TO PROCESS.—

(1) IN GENERAL.—Subject to paragraph (2), moneys payable to an individual which are considered to be based upon remuneration for employment, for purposes of this section—

(A) consist of—

(i) compensation payable for personal services of the individual, whether the compensation is denominated as wages, salary, commission, bonus, pay, allowances, or otherwise (including severance pay, sick pay, and incentive pay);

(ii) periodic benefits (including a periodic benefit as defined in section 228(h)(3)) or other payments—

(I) under the insurance system established by title II;

* * * * * * *

(V) by the Secretary of Veterans Affairs as compensation for a service-connected disability paid

by the Secretary to a former member of the Armed Forces [who is in receipt of retired or retainer pay if the former member has waived a portion of the retired or retainer pay in order to receive such compensation;] *except that such compensation shall not subject to withholding pursuant*

* * * * * * *

COLLECTION OF PAST-DUE SUPPORT FROM FEDERAL TAX REFUNDS

SEC. 464. (a)(1) Upon receiving notice from a State agency administering a plan approved under this part that a named individual owes past-due support which has been assigned to such State pursuant to section 408(a)(3) or section 471(a)(17), the Secretary of the Treasury shall determine whether any amounts, as refunds of Federal taxes paid, are payable to such individual (regardless of whether such individual filed a tax return as a married or unmarried individual). If the Secretary of the Treasury finds that any such amount is payable, he shall withhold from such refunds an amount equal to the past-due support, shall concurrently send notice to such individual that the withholding has been made (including in or with such notice a notification to any other person who may have filed a joint return with such individual of the steps which such other person may take in order to secure his or her proper share of the refund), and shall pay such amount to the State agency (together with notice of the individual's home address) for distribution in accordance with section 457. This subsection may be executed by the disbursing official of the Department of the Treasury.

(2)(A) Upon receiving notice from a State agency administering a plan approved under this part that a named individual owes past-due support [as that term is defined for purposes of this paragraph under subsection (c)] which such State has agreed to collect under section 454(4)(A)(ii), and that the State agency has sent notice to such individual in accordance with paragraph (3)(A), the Secretary of the Treasury shall determine whether any amounts, as refunds of Federal taxes paid, are payable to such individual (regardless of whether such individual filed a tax return as a married or unmarried individual). If the Secretary of the Treasury finds that such amount is payable, he shall withhold from such refunds an amount equal to such past-due support, and shall concurrently send notice to such individual that the withholding has been made, including in or with such notice a notification to any other person who may have filed a joint return with such individual of the steps which such other person may take in order to secure his or her proper share of the refund. The Secretary of the Treasury shall pay the amount withheld to the State agency, and the State shall pay to the Secretary of the Treasury any fee imposed by the Secretary of the Treasury to cover the cost of the withholding and any required notification. The State agency shall, subject to paragraph (3)(B), distribute such amount to or on behalf of the child to whom the support was owed in accordance with section 457. This sub-

section may be executed by the Secretary of the Department of the Treasury or his designee.

* * * * * * *

(c) [(1) Except as provided in paragraph (2), as used in] *In* this part the term "past-due support" means the amount of a delinquency, determined under a court order, or an order of an administrative process established under State law, for support and maintenance of a child *(whether or not a minor)*, or of a child *(whether or not a minor)* and the parent with whom the child is living.

[(2) For purposes of subsection (a)(2), the term "past-due support" means only past-due support owed to or on behalf of a qualified child (or a qualified child and the parent with whom the child is living if the same support order includes support for the child and the parent).

[(3) For purposes of paragraph (2), the term "qualified child" means a child—]

[(A) who is a minor; or

[(B)(i) who, while a minor, was determined to be disabled under title II or XVI; and

[(ii) for whom an order of support is in force.]

* * * * * * *

REQUIREMENT OF STATUTORILY PRESCRIBED PROCEDURES TO IMPROVE EFFECTIVENESS OF CHILD SUPPORT ENFORCEMENT

SEC. 466. (a) In order to satisfy section 454(20)(A), each State must have in effect laws requiring the use of the following procedures, consistent with this section and with regulations of the Secretary, to increase the effectiveness of the program which the State administers under this part:

(1)(A) Procedures described in subsection (b) for the withholding from income of amounts payable as support in cases subject to enforcement under the State plan.

* * * * * * *

(10) REVIEW AND ADJUSTMENT OF SUPPORT ORDERS UPON REQUEST.—

(A) 3-YEAR CYCLE.—

(i) IN GENERAL.—Procedures under which every 3 years (or such shorter cycle as the State may determine), upon the request of either [parent, or,] *parent or* if there is an assignment under part A, [upon the request of the State agency under the State plan or of either parent,] the State shall with respect to a support order being enforced under this part, taking into account the best interests of the child involved—

* * * * * * *

(14) HIGH-VOLUME, AUTOMATED ADMINISTRATIVE ENFORCEMENT IN INTERSTATE CASES.—

(A) IN GENERAL.—Procedures under which—

(i) the State shall use high-volume automated administrative enforcement, to the same extent as used for intrastate cases, in response to a request made by another State to enforce support orders, and shall

promptly report the results of such enforcement procedure to the requesting State;

* * * * * * *

(iii) if the State provides assistance to another State pursuant to this paragraph with respect to a case, neither State shall consider the case to be transferred to the caseload of such other State *(but the assisting State may establish a corresponding case based on such other State's request for assistance)*; and

(iv) the State shall maintain records of—

(I) the number of such requests for assistance received by the State;

* * * * * * *

(17) FINANCIAL INSTITUTION DATA MATCHES.—

(A) IN GENERAL.—Procedures under which the State agency shall enter into agreements with financial institutions doing business in the State—

(i) to develop and operate, in coordination with such financial institutions, and the Federal Parent Locator Service *pursuant to section 452(l)* in the case of financial institutions doing business in two or more States, a data match system, using automated data exchanges to the maximum extent feasible, in which each such financial institution is required to provide for each calendar quarter the name, record address, social security number or other taxpayer identification number, and other identifying information for each noncustodial parent who maintains an account at such institution and who owes past-due support, as identified by the State by name and social security number or other taxpayer identification number; and

(ii) in response to a notice of lien or levy *issued by the State agency or by the Secretary under section 452(l)*, encumber or surrender, as the case may be, assets held by such institution on behalf of any noncustodial parent who is subject to a child support lien pursuant to paragraph (4).

(B) REASONABLE FEES.—The State agency may pay a reasonable fee to a financial institution for conducting the data match provided for in subparagraph (A)(i), not to exceed the actual costs incurred by such financial institution.

(C) LIABILITY.—A financial institution shall not be liable under any Federal or State law to any person—

(i) for any disclosure of information to the State agency *or to the Federal Parent Locator Service* under subparagraph (A)(i);

(ii) for encumbering or surrendering any assets held by such financial institution in response to a notice of lien or levy **[**issued by the State agency**]** as provided for in subparagraph (A)(ii); or

(iii) for any other action taken in good faith to comply with the requirements of subparagraph (A).

(D) DEFINITIONS.—For purposes of this paragraph—

(i) FINANCIAL INSTITUTION.—The term "financial institution" has the meaning given to such term by section 469A(d)(1).

(ii) ACCOUNT.—The term "account" means a demand deposit account, checking or negotiable withdrawal order account, savings account, time deposit account, or money-market mutual fund account.

(18) ENFORCEMENT OF ORDERS AGAINST PATERNAL OR MATERNAL GRANDPARENTS.—Procedures under which, at the State's option, any child support order enforced under this part with respect to a child of minor parents, if the custodial parent of such child is receiving assistance under the State program under part A, shall be enforceable, jointly and severally, against the parents of the noncustodial parent of such child.

(19) HEALTH CARE COVERAGE.—Procedures under which all child support orders enforced pursuant to this part shall include a provision for the health care coverage of the child, and in the case in which a noncustodial parent provides such coverage and changes employment, and the new employer provides health care coverage, the State agency shall transfer notice of the provision to the employer, which notice shall operate to enroll the child in the noncustodial parent's health plan, unless the noncustodial parent contests the notice.

(20) INTERCEPTION OF GAMBLING WINNINGS.—Procedures under which—

(A) gambling establishments subject to the laws of the State are required to comply with the provisions of section 452(n), and are subject to sanctions for failure to comply, which shall include liability in an amount equal to the amount the establishment would have withheld if it so complied;

(B) noncustodial parents owing past-due support are provided with written notice that gambling winnings may be subject to withholding for past-due support under section 452(n); and

(C) cases where such noncustodial parents contest the State's determination with respect to past-due support are promptly resolved, and expedited refund is made of any amounts erroneously seized under such section 452(n).

* * * * * * *

(f) UNIFORM INTERSTATE FAMILY SUPPORT ACT.—In order to satisfy section 454(20)(A), on any after January 1, 1998, each State must have in effect the Uniform Interstate Family Support Act, as approved by the American Bar Association on February 9, 1993, [and as in effect on August 22, 1996] including any amendments officially [adopted as of such date] *adopted as of August, 2001* by the National Conference of Commissioners on Uniform State Laws.

* * * * * * *

NONLIABILITY FOR FINANCIAL INSTITUTIONS PROVIDING FINANCIAL RECORDS TO STATE CHILD SUPPORT ENFORCEMENT AGENCIES IN CHILD SUPPORT CASES

SEC. 469A (a) IN GENERAL.—Notwithstanding any other provision of Federal or State law, a financial 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 of such individual, or for disclosing any such record to the Federal Parent Locator Service pursuant to *section 452(l) or* section 466(a)(17)(A).

* * * * * * *

GRANTS TO STATES AND INDIAN TRIBES FOR ACCESS AND VISITATION PROGRAMS

SEC. 469B. (a) IN GENERAL.—The Administration for Children and Families shall make grants under this section to enable States *and Indian tribes or tribal organizations* to establish and administer programs to support and facilitate noncustodial parents' access to and visitation of their children, by means of activities including mediation (both voluntary and mandatory), counseling, education, development of parenting plans, visitation enforcement (including monitoring, supervision and neutral dropoff and pickup), and development of guidelines for visitation and alternative custody arrangements.

[(b) AMOUNT OF GRANT.—The amount of the grant to be made to a State under this section for a fiscal year shall be an amount equal to the lesser of—

[(1) 90 percent of State expenditures during the fiscal year for activities described in subsection (a); or

[(2) the allotment of the State under subsection (c) for the fiscal year.]

(b) AMOUNT OF GRANTS.—

(1) GRANTS TO STATES.—The amount of the grant to be made to a State under this section for a fiscal year shall be an amount equal to the lesser of—

(A) 90 percent of State expenditures during the fiscal year for activities described in subsection (a); or

(B) the allotment of the State under subsection (c) for the fiscal year.

(2) GRANTS TO INDIAN TRIBES.—An Indian tribe or tribal organization operating a program under section 455 that has operated such program throughout the preceding fiscal year and has an application under this section approved by the Secretary shall receive a grant under this section for a fiscal year in an amount equal to the allotment of such Indian tribe or tribal organization under subsection (c)(2) for the fiscal year.

[(c) ALLOTMENTS TO STATES.—

[(1) IN GENERAL.—The allotment of a State for a fiscal year is the amount that bears the same ratio to $10,000,000 for grants under this section for the fiscal year as the number of children in the State living with only 1 biological parent bears to the total number of such children in all States.

[(2) MINIMUM ALLOTMENT.—The Administration for Children and Families shall adjust allotments to States under paragraph (1) as necessary to ensure that no State is allotted less than—

[(A) $50,000 for fiscal year 1997 or 1998; or

[(B) $100,000 for any succeeding fiscal year.]

(c) ALLOTMENTS.—

(1) ALLOTMENTS TO STATES.—

(A) IN GENERAL.—Subject to the subparagraph (C), the allotment of a State for a fiscal year is the amount that bears the same ratio to the amount specified in subparagraph (B) for such fiscal year as the number of children in the State living with only 1 parent bears to the total number of such children in all States.

(B) AMOUNT AVAILABLE FOR ALLOTMENT.—For purposes of subparagraph (A), the amount specified in this subparagraph is the following amount, reduced by the total allotments to Indian tribes or tribal organizations in accordance with paragraph (2):

(i) $12,000,000 for fiscal year 2004.

(ii) $14,000,000 for fiscal year 2005.

(iii) $16,000,000 for fiscal year 2006.

(iv) $20,000,000 for fiscal year 2007 and each succeeding fiscal year.

(C) MINIMUM STATE ALLOTMENT.—The Secretary shall adjust allotments to States under subparagraph (A) as necessary to ensure that no State is allotted less than—

(i) $120,000 for fiscal year 2004;

(ii) $140,000 for fiscal year 2005;

(iii) $160,000 for fiscal year 2006; and

(iv) $180,000 for fiscal year 2007 and each succeeding fiscal year.

(2) ALLOTMENTS TO INDIAN TRIBES.—

(A) IN GENERAL.—Subject to subparagraph (C), the allotment of an Indian tribe or tribal organization described in subsection (b)(2) for a fiscal year is an amount that bears the same ratio to the amount specified in subparagraph (B) for such fiscal year as the number of children in the Indian tribe or tribal organization living with only 1 parent bears to the total number of such children in all Indian tribes and tribal organizations eligible to receive grants under this section for such year.

(B) AMOUNT AVAILABLE FOR ALLOTMENT.—For purposes of subparagraph (A), the amount available under this subparagraph is an amount, deducted from the amount specified in paragraph (1)(B), not to exceed—

(i) $250,000 for fiscal year 2004;

(ii) $600,000 for fiscal year 2005;

(iii) $800,000 for fiscal year 2006; and

(iv) $1,670,000 for fiscal year 2007 and each succeeding year.

(C) MINIMUM AND MAXIMUM TRIBAL ALLOTMENT.—The Secretary shall adjust allotments to Indian tribes and tribal organizations under subparagraph (A) as necessary to

ensure that no Indian tribe or tribal organization is allotted, for a fiscal year, an amount which is less than $10,000 or more than the minimum State allotment for such fiscal year.

(d) NO SUPPLANTATION OF STATE EXPENDITURES FOR SIMILAR ACTIVITIES.—A State to which a grant is made under this section may not use the grant to supplant expenditures by the State for activities specified in subsection (a), but shall use the grant to supplement such expenditures at a level at least equal to the level of such expenditures for fiscal year 1995.

[(e) STATE ADMINISTRATION.—Each State to which a grant is made under this section—

[(1) may administer State programs funded with the grant directly or through grants to or contracts with courts, local public agencies, or nonprofit private entities;

[(2) shall not be required to operate such programs on a statewide basis; and

[(3) shall monitor, evaluate, and report on such programs in accordance with regulations prescribed by the Secretary.**]**

(e) ADMINISTRATION.—

(1) GRANTS TO STATES.—Each State to which a grant is made under this section—

(A) may administer State programs funded with the grant, directly or through grants to or contracts with courts, local public agencies, or nonprofit private entities; and

(B) shall not be required to operate such programs on a statewide basis.

(2) GRANTS TO STATES OR INDIAN TRIBES.—Each State or Indian tribe or tribal organization to which a grant is made under this section shall monitor, evaluate, and report on such programs in accordance with regulations prescribed by the Secretary.

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TITLE V—MATERNAL AND CHILD HEALTH SERVICES BLOCK GRANT

* * * * * * *

SEPARATE PROGRAM FOR ABSTINENCE EDUCATION

SEC. 510. (a) For the purpose described in subsection (b), the Secretary shall, for fiscal year 1998 and each subsequent fiscal year, allot to each State which has transmitted **[**an application for the fiscal year under section 505(a)**]**, *for the fiscal year, an application under section 505(a), and an application under this section (in such form and meeting such terms and conditions as determined appropriate by the Secretary),* an amount equal to the product of—

(1) the amount appropriated in subsection (d) for the fiscal year; and

[(2) the percentage determined for the State under section 502(c)(1)(B)(ii).**]**

(2) the percentage described in section 502(c)(1)(B)(ii) that would be determined for the State under section 502(c) if such

determination took into consideration only those States that transmitted both such applications for such fiscal year.

(b)(1) The purpose of an allotment under subsection(a) to a State is to enable the State to provide abstinence education, and at the option of the State, where appropriate, mentoring, counseling, and adult supervision to promote abstinence from sexual activity, with a focus on those groups which are most likely to bear children out-of-wedlock.

(2) For purposes of this section, the term "abstinence education" means an educational or motivational program which—

(A) has as its exclusive purpose, teaching the social, psychological, and health gains to be realized by abstaining from sexual activity;

(B) teaches abstinence from sexual activity outside marriage as the expected standard for all school age children;

(C) teaches that abstinence from sexual activity is the only certain way to avoid out-of-wedlock pregnancy, sexually transmitted diseases, and other associated health problems;

(D) teaches that a mutually faithful monogamous relationship in context of marriage is the expected standard of human sexual activity;

(E) teaches that sexual activity outside of the context of marriage is likely to have harmful psychological and physical effects;

(F) teaches that bearing children out-of-wedlock is likely to have harmful consequences for the child, the child's parents, and society;

(G) teaches young people how to reject sexual advances and how alcohol and drug use increases vulnerability to sexual advances; and

(H) teaches the importance of attaining self-sufficiency before engaging in sexual activity.

(c)(1) Sections 503, 507, and 508 apply to allotments under subsection (a) to the same extent and in the same manner as such sections apply to allotments under section 502(c).

(2) Sections 505 and 506 apply to allotments under subsection (a) to the extent determined by the Secretary to be appropriate.

(d) For the purpose of allotments under subsection (a), there is appropriated, out of any money in the Treasury not otherwise appropriated, an additional $50,000,000 for each of the fiscal years 1998 through **[**2003**]** *2008*. The appropriation under the preceding sentence for a fiscal year is made on October 1 of the fiscal year.

(e)(1) With respect to allotments under subsection (a) for fiscal year 2004 and subsequent fiscal years, the amount of any allotment to a State for a fiscal year that the Secretary determines will not be required to carry out a program under this section during such fiscal year or the succeeding fiscal year shall be available for reallotment from time to time during such fiscal years on such dates as the Secretary may fix, to other States that the Secretary determines—

(A) require amounts in excess of amounts previously allotted under subsection (a) to carry out a program under this section; and

(B) will use such excess amounts during such fiscal years.

(2) Reallotments under paragraph (1) shall be made on the basis of such States' applications under this section, after taking into consideration the population of low-income children in each such State as compared with the population of low-income children in all such States with respect to which a determination under paragraph (1) has been made by the Secretary.

(3) Any amount reallotted under paragraph (1) to a State is deemed to be part of its allotment under subsection (a).

TITLE XI—GENERAL PROVISIONS, PEER REVIEW, AND ADMINISTRATIVE SIMPLIFICATION

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

SEC. 1108. (a) LIMITATION ON TOTAL PAYMENTS TO EACH TERRITORY.—

(1) IN GENERAL.—Notwithstanding any other provision of this Act (except for paragraph (2) of this subsection), the total amount certified by the Secretary of Health and Human Services under titles I, X, XIV, and XVI, under parts A and E of title IV, and under subsection (b) of this section, for payment to any territory for a fiscal year shall not exceed the ceiling amount for the territory for the fiscal year.

(2) CERTAIN PAYMENTS DISREGARDED.—[Paragraph (1)] *(A) IN GENERAL.—Paragraph (1)* of this subsection shall be applied without regard to any payment made under section 403(a)(2), 403(a)(4), 403(a)(5), [406, or] 413(f), *418(a)(4)(B), or subject to clause (ii) of subparagraph (B), payments to Puerto Rico described in clause (i) of that subparagraph.*

(B) CERTAIN PAYMENTS TO PUERTO RICO.—

(i) PAYMENTS DESCRIBED.—For purposes of subparagraph (A), payments described in this subparagraph are payments made to Puerto Rico under part E of title IV with respect to the portion of foster care payments made to Puerto Rico for fiscal year 2005 or any fiscal year thereafter that exceed the total amount of such payments for fiscal year 2002.

(ii) LIMITATION.—The total amount of payments to Puerto Rico described in clause (i) that are disregarded under subparagraph (A) may not exceed $6,250,000 for each of fiscal years 2005 through 2008.

* * * * * * *

DEMONSTRATION PROJECTS

SEC. 1130. (a) AUTHORITY TO APPROVE DEMONSTRATION PROJECTS.—

(1) IN GENERAL.—The Secretary may authorize States to conduct demonstration projects pursuant to this section which the Secretary finds are likely to promote the objectives of part B or E of title IV.

(2) LIMITATION.—The Secretary may authorize not more than 10 demonstration projects under paragraph (1) in each of fiscal years 1998 through [2003] *2008*.

* * * * * * *

(b) WAIVER AUTHORITY.—The Secretary may waive compliance with any requirement of part B or E of title IV which (if applied) would prevent a State from carrying out a demonstration project under this section or prevent the State from effectively achieving the purpose of such a project, except that the Secretary may not waive—

(1) any provision of section 427 (as in effect before April 1, 1996), section [422(b)(9)] *422(b)(10)* (as in effect after such date), or section 479; or

(2) any provision of such part E, to the extent that the waiver would impair the entitlement of any qualified child or family to benefits under a State plan approved under such part E.

TITLE XVI—GRANTS TO STATES FOR AID TO THE AGED, BLIND, OR DISABLED

* * * * * * *

ADMINISTRATION

SEC. 1633. (a) Subject to subsection (b), the Commissioner of Social Security may make such administrative and other arrangements (including arrangements for the determination of blindness and disability under section 1614(a)(2) and (3) in the same manner and subject to the same conditions as provided with respect to disability determinations under section 221) as may be necessary or appropriate to carry out the Commissioner's functions under this title.

* * * * * * *

(e)(1) The Commissioner of Social Security shall review determinations, made by State agencies pursuant to subsection (a) in connection with applications for benefits under this title on the basis of blindness or disability, that individuals who have attained 18 years of age are blind or disabled as of a specified onset date. The Commissioner of Social Security shall review such a determination before any action is taken to implement the determination.

(2)(A) In carrying out paragraph (1), the Commissioner of Social Security shall review—

(i) at least 20 percent of all determinations referred to in paragraph (1) that are made in fiscal year 2004;

(ii) at least 40 percent of all such determinations that are made in fiscal year 2005; and

(iii) at least 50 percent of all such determinations that are made in fiscal year 2006 or thereafter.

(B) In carrying out subparagraph (A), the Commissioner of Social Security shall, to the extent feasible, select for review the determinations which the Commissioner of Social Security identifies as being the most likely to be incorrect.

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TITLE XIX—GRANTS TO STATES FOR MEDICAL ASSISTANCE PROGRAMS

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STATE PLANS FOR MEDICAL ASSISTANCE

SEC. 1902. (a) A State plan for medical assistance must—

(1) provide that it shall be in effect in all political subdivisions of the State, and, if administered by them, be mandatory upon them;

* * * * * * *

(55) provide for receipt and initial processing of applications of individuals for medical assistance under subsection (a)(10)(A)(i)(IV), (a)(10)(A)(i)(VI), (a)(10)(A)(i)(VII), or (a)(10)(A)(ii)(IX) *and under section 1931*—

* * * * * * *

(B) Subparagraph (A) shall not apply with respect to families that cease to be eligible for aid under part A of title IV during the period beginning on April 1, 1990, and ending on [September 30, 2003] *the last date (if any) on which section 1925 applies under subsection (f) of that section.* During such period, for provisions relating to extension of eligibility for medical assistance for certain families who have received aid pursuant to a State plan approved under part A of title IV and have earned income, see section 1925.

* * * * * * *

EXTENSION OF ELIGIBILITY FOR MEDICAL ASSISTANCE

SEC. 1925. (a) INITIAL 6-MONTH EXTENSION.—

(1) REQUIREMENT.—Notwithstanding any other provision of this title*, but subject to subsection (n)*, each State plan approved under this title must provide that each family which was receiving aid pursuant to a plan of the State approved under part A of title IV in at least 3 of the 6 months immediately preceding the month in which such family becomes ineligible for such aid, because of hours of, or income from, employment of the caretaker relative (as defined in subsection (e)) or because of section 402(a)(8)(B)(ii)(II) (providing for a time-limited earned income disregard), shall, subject to paragraph (3) and without any re-application for benefits under the plan, remain eligible for assistance under the plan approved under this title during the immediately succeeding 6-month period in accordance with this subsection. *A State may, at its option, also apply the previous sentence in the case of a family that was receiving such aid for fewer than 3 months, or that had applied for and was eligible for such aid for fewer than 3 months, during the 6 immediately preceding months described in such sentence.*

(2) NOTICE OF BENEFITS.—Each State, in the notice of termination of aid under part A of title IV sent to a family meeting the requirements of paragraph (1)—

(A) shall notify the family of its right to extended medical assistance under this subsection and include in the notice a description of the reporting requirement of subsection (b)(2)(B)(i) and of the circumstances (described in paragraph (3)) under which such extension may be terminated; and

(B) shall include a card or other evidence of the family's entitlement to assistance under this title for the period provided in this subsection.

Each State shall provide, to families whose aid under part A or E of title IV has terminated but whose eligibility for medical assistance under this title continues, written notice of their ongoing eligibility for such medical assistance. If a State makes a determination that any member of a family whose aid under part A or E of title IV is being terminated is also no longer eligible for medical assistance under this title, the notice of such determination shall be supplemented by a 1-page notification form describing the different ways in which individuals and families may qualify for such medical assistance and explaining that individuals and families do not have to be receiving aid under part A or E of title IV in order to qualify for such medical assistance. Such notice shall further be supplemented by information on how to apply for child health assistance under the State children's health insurance program under title XXI and how to apply for medical assistance under this title.

* * * * * * *

(b) ADDITIONAL 6-MONTH EXTENSION.—

(1) REQUIREMENT.—Notwithstanding any other provision of this title, *but subject to subsection (h),* each State plan approved under this title shall provide that the State shall offer to each family, which has received assistance during the entire 6-month period under subsection (a) and which, *at the option of a State* meets the requirement of paragraph (2)(B)(i), in the last month of the period the option of extending coverage under this subsection for the succeeding 6-month period, subject to paragraph (3).

(2) NOTICE AND REPORTING REQUIREMENTS.—

(A) NOTICES.—*Subject to subparagraph (C):*

(i) NOTICE DURING INITIAL EXTENSION PERIOD OF OPTION AND REQUIREMENTS.—Each State, during the 3rd and 6th month of any extended assistance furnished to a family under subsection (a), shall notify the family of the family's option for additional extended assistance under this subsection. Each such notice shall include (I) in the 3rd month notice, a statement of the reporting requirement under subparagraph (B)(i), and, in the 6th month notice, a statement of the reporting requirement under subparagraph (B)(ii), (II) a statement as to whether any premiums are required for such additional extended assistance, and (III) a description of other out-of-pocket expenses, benefits, reporting and payment procedures, and any pre-existing condition limitations, waiting periods, or other coverage limitations imposed under any alternative cov-

erage options offered under paragraph (4)(D). The 6th month notice under this subparagraph shall describe the amount of any premium required of a particular family for each of the first 3 months of additional extended assistance under this subsection.

(ii) NOTICE DURING ADDITIONAL EXTENSION PERIOD OF REPORTING REQUIREMENTS AND PREMIUMS.—Each State, during the 3rd month of any additional extended assistance furnished to a family under this subsection, shall notify the family of the reporting requirement under subparagraph (B)(ii) and a statement of the amount of any premium required for such extended assistance for the succeeding 3 months.

(B) REPORTING REQUIREMENTS.—*Subject to subparagraph (C):*

(i) DURING INITIAL EXTENSION PERIOD.—Each State shall require (as a condition for additional extended assistance under this subsection) that a family receiving assistance under subsection (a) report to the State, not later than the 21st day of the 4th month in the period of extended assistance under subsection (a), on the family's gross monthly earnings and on the family's costs for such child care as is necessary for the employment of the caretaker relative in each of the first 3 months of that period. A State may permit such additional extended assistance under this subsection notwithstanding a failure to report under this clause if the family has established, to the satisfaction of the State, good cause for the failure to report on a timely basis.

(ii) DURING ADDITIONAL EXTENSION PERIOD.—Each State shall require that a family receiving extended assistance under this subsection report to the State, not later than the 21st day of the 1st month and of the 4th month in the period of additional extended assistance under this subsection, on the family's gross monthly earnings and on the family's costs for such child care as is necessary for the employment of the caretaker relative in each of the 3 preceding months.

(iii) CLARIFICATION ON FREQUENCY OF REPORTING.—A State may not require that a family receiving extended assistance under this subsection or subsection (a) report more frequently than as required under clause (i) or (ii).

(C) STATE OPTION TO WAIVE NOTICE AND REPORTING REQUIREMENTS.—A State may waive some or all of the reporting requirements under clauses (i) and (ii) of subparagraph (B). Insofar as it waives such a reporting requirement, the State need not provide for a notice under subparagraph (A) relating to such requirement.

(3) TERMINATION OF EXTENSION.—

(A) IN GENERAL.—Subject to subparagraphs (B) and (C), extension of assistance during the 6-month period de-

scribed in paragraph (1) to a family shall terminate (during the period) as follows:

(i) NO DEPENDENT CHILD.—The extension shall terminate at the close of the first month in which the family ceases to include a child, whether or not the child is (or would if needy be) a dependent child under part A of title IV.

(ii) FAILURE TO PAY ANY PREMIUM.—If the family fails to pay any premium for a month under paragraph (5) by the 21st day of the following month, the extension shall terminate at the close of that following month, unless the family has established, to the satisfaction of the State, good cause for the failure to pay such premium on a timely basis.

(iii) QUARTERLY INCOME REPORTING AND TEST.—The extension under this subsection shall terminate at the close of the 1st or 4th month of the 6-month period if *the State has not waived under paragraph (2)(C) the reporting requirement with respect to such month under paragraph (2)(B) and if—*

* * * * * * *

(c) STATE OPTION OF UP TO 12 MONTHS OF ADDITIONAL ELIGIBILITY.—

(1) IN GENERAL.—Notwithstanding any other provision of this title, each State plan approved under this title may provide, at the option of the State, that the State shall offer to each family which received assistance during the entire 6-month period under subsection (b) and which meets the applicable requirement of paragraph (2), in the last month of the period the option of extending coverage under this subsection for the succeeding period not to exceed 12 months.

(2) INCOME RESTRICTION.—The option under paragraph (1) shall not be made available to a family for a succeeding period unless the State determines that the family's average gross monthly earnings (less such costs for such child care as is necessary for the employment of the caretaker relative) as of the end of the 6-month period under subsection (b) does not exceed 185 percent of the official poverty line (as defined by the Office of Management and Budget, and revised annually in accordance with section 673(2) of the Omnibus Budget Reconciliation Act of 1981) applicable to a family of the size involved.

(3) APPLICATION OF EXTENSION RULES.—The provisions of paragraphs (2), (3), (4), and (5) of subsection (b) shall apply to the extension provided under this subsection in the same manner as they apply to the extension provided under subsection (b)(1), except that for purposes of this subsection—

(A) any reference to a 6-month period under subsection (b)(1) is deemed a reference to the extension period provided under paragraph (1) and any deadlines for any notices or reporting and the premium payment periods shall be modified to correspond to the appropriate calendar quarters of coverage provided under this subsection; and

(B) any reference to a provision of subsection (a) or (b) is deemed a reference to the corresponding provision of subsection (b) or of this subsection, respectively.

[(c)] *(d)* APPLICABILITY IN STATES AND TERRITORIES.—

(1) STATES OPERATING UNDER DEMONSTRATION PROJECTS.—In the case of any State which is providing medical assistance to its residents under a waiver granted under section 1115(a), the Secretary shall require the State to meet the requirements of this section in the same manner as the State would be required to meet such requirement if the State had in effect a plan approved under this title.

(2) INAPPLICABILITY IN COMMONWEALTHS AND TERRITORIES.—The provisions of this section shall only apply to the 50 States and the District of Columbia.

[(d)] *(e)* GENERAL DISQUALIFICATION FOR FRAUD.—

(1) INELIGIBILITY FOR AID.—This section shall not apply to an individual who is a member of a family which has received aid under part A of title IV if the State makes a finding that, at any time during the last 6 months in which the family was receiving such aid before otherwise being provided extended eligibility under this section, the individual was ineligible for such aid because of fraud.

(2) GENERAL DISQUALIFICATIONS.—For additional provisions relating to fraud and program abuse, see sections 1128, 1128A, and 1128B.

[(e)] *(f)* CARETAKER RELATIVE DEFINED.—In this section, the term "caretaker relative" has the meaning of such term as used in part A of title IV.

(g) ADDITIONAL PROVISIONS.—

(1) COLLECTION AND REPORTING OF PARTICIPATION INFORMATION.—Each State shall—

(A) collect and submit to the Secretary, in a format specified by the Secretary, information on average monthly enrollment and average monthly participation rates for adults and children under this section; and

(B) make such information publicly available.

Such information shall be submitted under subparagraph (A) at the same time and frequency in which other enrollment information under this title is submitted to the Secretary. Using such information, the Secretary shall submit to Congress annual reports concerning such rates.

(2) COORDINATION WITH ADMINISTRATION FOR CHILDREN AND FAMILIES.—The Administrator of the Centers for Medicare & Medicaid Services, in carrying out this section, shall work with the Assistant Secretary for the Administration for Children and Families to develop guidance or other technical assistance for States regarding best practices in guaranteeing access to transitional medical assistance under this section.

(h) PROVISIONS OPTIONAL FOR STATES THAT EXTEND COVERAGE TO CHILDREN AND PARENTS THROUGH 185 PERCENT OF POVERTY.—A State may meet (but is not required to meet) the requirements of subsections (a) and (b) if it provides for medical assistance under section 1931 to families (including both children and caretaker relatives) the average gross monthly earning of which (less such costs

for such child care as is necessary for the employment of a caretaker relative) is at or below a level that is at least 185 percent of the official poverty line (as defined by the Office of Management and Budget, and revised annually in accordance with section 673(2) of the Omnibus Budget Reconciliation Act of 1981) applicable to a family of the size involved.

[(f)**]** *(i)* SUNSET.—This section shall not apply with respect to families that cease to be eligible for aid under part A of title IV after September 30, **[**2003**]** *2008*.

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TITLE XXI—STATE CHILDREN'S HEALTH INSURANCE PROGRAM

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PAYMENTS TO STATES

SEC. 2105. (a) PAYMENTS.—* * *

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(c) LIMITATION ON CERTAIN PAYMENTS FOR CERTAIN EXPENDITURES.—

(1) GENERAL LIMITATIONS.—Funds provided to a State under this title shall only be used to carry out the purposes of this title (as described in section 2101), and any health insurance coverage provided with such funds may include coverage of abortion only if necessary to save the life of the mother or if the pregnancy is the result of an act of rape or incest *and may not include coverage of childless adults. For purposes of the preceding sentence, a caretaker relative (as such term is defined for purposes of carrying out section 1931) shall not be considered a childless adult.*

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STRATEGIC OBJECTIVES AND PERFORMANCE GOALS; PLAN ADMINISTRATION

SEC. 2107. (a) STATEGIC OBJECTIVES AND PERFORMANCE GOALS.—

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(f) LIMITATION ON WAIVER AUTHORITY.—Notwithstanding subsection (e)(2)(A) and section 1115(a), the Secretary may not approve a waiver, experimental, pilot, or demonstration project, or an amendment to such a project that has been approved as of the date of enactment of this subsection, that would allow funds made available under this title to be used to provide child health assistance or other health benefits coverage to childless adults. For purposes of the preceding sentence, a caretaker relative (as such term is defined for purposes of carrying out section 1931) shall not be considered a childless adult.

PERSONAL RESPONSIBILITY AND WORK OPPORTUNITY RECONCILIATION ACT OF 1966

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TITLE I—BLOCK GRANTS FOR TEMPORARY ASSISTANCE FOR NEEDY FAMILIES

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SEC. 116. EFFECTIVE DATE; TRANSITION RULE.

(a) EFFECTIVE DATES.—* * *

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SEC. 117. FATHERHOOD PROGRAM.

(a) IN GENERAL.—Title IV (42 U.S.C. 601–679b) is amended by inserting after part B the following:

"PART C—RESPONSIBLE FATHERHOOD PROGRAM

"SEC. 441. RESPONSIBLE FATHERHOOD GRANTS.

"(a) GRANTS TO STATES TO CONDUCT DEMONSTRATION PROGRAMS.—

"(1) AUTHORITY TO AWARD GRANTS.—

"(A) IN GENERAL.—The Secretary shall award grants to up to 10 eligible States to conduct demonstration programs to carry out the purposes described in paragraph (2).

"(B) ELIGIBLE STATE.—For purposes of this subsection, an eligible State is a State that submits to the Secretary the following:

"(i) APPLICATION.—An application for a grant under this subsection, at such time, in such manner, and containing such information as the Secretary may require.

"(ii) STATE PLAN.—A State plan that includes the following:

"(I) PROJECT DESCRIPTION.—A description of the programs or activities the State will fund under the grant, including a good faith estimate of the number and characteristics of clients to be served under such projects and how the State intends to achieve at least 2 of the purposes described in paragraph (2).

"(II) COORDINATION EFFORTS.—A description of how the State will coordinate and cooperate with State and local entities responsible for carrying out other programs that relate to the purposes intended to be achieved under the demonstration program, including as appropriate, entities responsible for carrying out jobs programs and programs serving children and families.

"(III) RECORDS, REPORTS, AND AUDITS.—An agreement to maintain such records, submit such reports, and cooperate with such reviews and au-

dits as the Secretary finds necessary for purposes of oversight of the demonstration program.

"(iii) CERTIFICATIONS.—The following certifications from the chief executive officer of the State:

"(I) A certification that the State will use funds provided under the grant to promote at least 2 of the purposes described in paragraph (2).

"(II) A certification that the State will return any unused funds to the Secretary in accordance with the reconciliation process under paragraph (5).

"(III) A certification that the funds provided under the grant will be used for programs and activities that target low-income participants and that not less than 50 percent of the participants in each program or activity funded under the grant shall be—

"(aa) parents of a child who is, or within the past 24 months has been, a recipient of assistance or services under a State program funded under part A, D, or E of this title, title XIX, or the Food Stamp Act of 1977; or

"(bb) parents, including an expectant parent or a married parent, whose income (after adjustment for court-ordered child support paid or received) does not exceed 150 percent of the poverty line.

"(IV) A certification that the State has or will comply with the requirements of paragraph (4).

"(V) A certification that funds provided to a State under this subsection shall not be used to supplement or supplant other Federal, State, or local funds that are used to support programs or activities that are related to the purposes described in paragraph (2).

"(C) PREFERENCES AND FACTORS OF CONSIDERATION.—In awarding grants under this subsection, the Secretary shall take into consideration the following:

"(i) DIVERSITY OF ENTITIES USED TO CONDUCT PROGRAMS AND ACTIVITIES.—The Secretary shall, to the extent practicable, achieve a balance among the eligible States awarded grants under this subsection with respect to the size, urban or rural location, and employment of differing or unique methods of the entities that the eligible States intend to use to conduct the programs and activities funded under the grants.

"(ii) PRIORITY FOR CERTAIN STATES.—The Secretary shall give priority to awarding grants to eligible States that have—

"(I) demonstrated progress in achieving at least 1 of the purposes described in paragraph (2) through previous State initiatives; or

"(II) demonstrated need with respect to reducing the incidence of out-of-wedlock births or absent fathers in the State.

"(2) PURPOSES.—The purposes described in this paragraph are the following:

"(A) PROMOTING RESPONSIBLE FATHERHOOD THROUGH MARRIAGE PROMOTION.—To promote marriage or sustain marriage through activities such as counseling, mentoring, disseminating information about the benefits of marriage and 2-parent involvement for children, enhancing relationship skills, education regarding how to control aggressive behavior, disseminating information on the causes of domestic violence and child abuse, marriage preparation programs, premarital counseling, marital inventories, skills-based marriage education, financial planning seminars, including improving a family's ability to effectively manage family business affairs by means such as education, counseling, or mentoring on matters related to family finances, including household management, budgeting, banking, and handling of financial transactions and home maintenance, and divorce education and reduction programs, including mediation and counseling.

"(B) PROMOTING RESPONSIBLE FATHERHOOD THROUGH PARENTING PROMOTION.—To promote responsible parenting through activities such as counseling, mentoring, and mediation, disseminating information about good parenting practices, skills-based parenting education, encouraging child support payments, and other methods.

"(C) PROMOTING RESPONSIBLE FATHERHOOD THROUGH FOSTERING ECONOMIC STABILITY OF FATHERS.—To foster economic stability by helping fathers improve their economic status by providing activities such as work first services, job search, job training, subsidized employment, job retention, job enhancement, and encouraging education, including career-advancing education, dissemination of employment materials, coordination with existing employment services such as welfare-to-work programs, referrals to local employment training initiatives, and other methods.

"(3) RESTRICTION ON USE OF FUNDS.—No funds provided under this subsection may be used for costs attributable to court proceedings regarding matters of child visitation or custody, or for legislative advocacy.

"(4) REQUIREMENTS FOR RECEIPT OF FUNDS.—A State may not be awarded a grant under this section unless the State, as a condition of receiving funds under such a grant—

"(A) consults with experts in domestic violence or with relevant community domestic violence coalitions in developing such programs or activities; and

"(B) describes in the application for a grant under this section—

"(i) how the programs or activities proposed to be conducted will address, as appropriate, issues of domestic violence; and

"(ii) what the State will do, to the extent relevant, to ensure that participation in such programs or activities is voluntary, and to inform potential participants that their involvement is voluntary.

"(5) RECONCILIATION PROCESS.—

"(A) 3-YEAR AVAILABILITY OF AMOUNTS ALLOTTED.—Each eligible State that receives a grant under this subsection for a fiscal year shall return to the Secretary any unused portion of the grant for such fiscal year not later than the last day of the second succeeding fiscal year, together with any earnings on such unused portion.

"(B) PROCEDURE FOR REDISTRIBUTION.—The Secretary shall establish an appropriate procedure for redistributing to eligible States that have expended the entire amount of a grant made under this subsection for a fiscal year any amount that is returned to the Secretary by eligible States under subparagraph (A).

"(6) AMOUNT OF GRANTS.—

"(A) IN GENERAL.—Subject to subparagraph (B), the amount of each grant awarded under this subsection shall be an amount sufficient to implement the State plan submitted under paragraph (1)(B)(ii).

"(B) MINIMUM AMOUNTS.—No eligible State shall—

"(i) in the case of the District of Columbia or a State other than the Commonwealth of Puerto Rico, the United States Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands, receive a grant for a fiscal year in an amount that is less than $1,000,000; and

"(ii) in the case of the Commonwealth of Puerto Rico, the United States Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands, receive a grant for a fiscal year in an amount that is less than $500,000.

"(7) DEFINITION OF STATE.—In this subsection the term 'State' means each of the 50 States, the District of Columbia, the Commonwealth of Puerto Rico, the United States Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands.

"(8) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated $20,000,000 for each of fiscal years 2004 through 2008 for purposes of making grants to eligible States under this subsection.

"(b) GRANTS TO ELIGIBLE ENTITIES TO CONDUCT DEMONSTRATION PROGRAMS.—

"(1) AUTHORITY TO AWARD GRANTS.—

"(A) IN GENERAL.—The Secretary shall award grants to eligible entities to conduct demonstration programs to carry out the purposes described in subsection (a)(2).

"(B) ELIGIBLE ENTITY.—For purposes of this subsection, an eligible entity is a local government, local public agency, community-based or nonprofit organization, or private entity, including any charitable or faith-based organization, or an Indian tribe (as defined in section 419(4)), that submits to the Secretary the following:

"(i) APPLICATION.—An application for a grant under this subsection, at such time, in such manner, and containing such information as the Secretary may require.

"(ii) PROJECT DESCRIPTION.—A description of the programs or activities the entity intends to carry out with funds provided under the grant, including a good faith estimate of the number and characteristics of clients to be served under such programs or activities and how the entity intends to achieve at least 2 of the purposes described in subsection (a)(2).

"(iii) COORDINATION EFFORTS.—A description of how the entity will coordinate and cooperate with State and local entities responsible for carrying out other programs that relate to the purposes intended to be achieved under the demonstration program, including as appropriate, entities responsible for carrying out jobs programs and programs serving children and families.

"(iv) RECORDS, REPORTS, AND AUDITS.—An agreement to maintain such records, submit such reports, and cooperate with such reviews and audits as the Secretary finds necessary for purposes of oversight of the demonstration program.

"(v) CERTIFICATIONS.—The following certifications:

"(I) A certification that the entity will use funds provided under the grant to promote at least 2 of the purposes described in subsection (a)(2).

"(II) A certification that the entity will return any unused funds to the Secretary in accordance with the reconciliation process under paragraph (3).

"(III) A certification that the funds provided under the grant will be used for programs and activities that target low-income participants and that not less than 50 percent of the participants in each program or activity funded under the grant shall be—

"(aa) parents of a child who is, or within the past 24 months has been, a recipient of assistance or services under a State program funded under part A, D, or E of this title, title XIX, or the Food Stamp Act of 1977; or

"(bb) parents, including an expectant parent or a married parent, whose income (after adjustment for court-ordered child support paid or received) does not exceed 150 percent of the poverty line.

"(IV) A certification that the entity has or will comply with the requirements of paragraph (3).

"(V) A certification that funds provided to an entity under this subsection shall not be used to supplement or supplant other Federal, State, or local funds provided to the entity that are used to support programs or activities that are related to the purposes described in subsection (a)(2).

"(C) PREFERENCES AND FACTORS OF CONSIDERATION.—In awarding grants under this subsection, the Secretary shall,

to the extent practicable, achieve a balance among the eligible entities awarded grants under this subsection with respect to the size, urban or rural location, and employment of differing or unique methods of the entities.

"(2) RESTRICTION ON USE OF FUNDS.—No funds provided under this subsection may be used for costs attributable to court proceedings regarding matters of child visitation or custody, or for legislative advocacy.

"(3) REQUIREMENTS FOR USE OF FUNDS.—The Secretary may not award a grant under this subsection to an eligible entity unless the entity, as a condition of receiving funds under such a grant—

"(A) consults with experts in domestic violence or with relevant community domestic violence coalitions in developing the programs or activities to be conducted with such funds awarded under the grant; and

"(B) describes in the application for a grant under this section—

"(i) how the programs or activities proposed to be conducted will address, as appropriate, issues of domestic violence; and

"(ii) what the entity will do, to the extent relevant, to ensure that participation in such programs or activities is voluntary, and to inform potential participants that their involvement is voluntary.

"(4) RECONCILIATION PROCESS.—

"(A) 3-YEAR AVAILABILITY OF AMOUNTS ALLOTTED.—Each eligible entity that receives a grant under this subsection for a fiscal year shall return to the Secretary any unused portion of the grant for such fiscal year not later than the last day of the second succeeding fiscal year, together with any earnings on such unused portion.

"(B) PROCEDURE FOR REDISTRIBUTION.—The Secretary shall establish an appropriate procedure for redistributing to eligible entities that have expended the entire amount of a grant made under this subsection for a fiscal year any amount that is returned to the Secretary by eligible entities under subparagraph (A).

"(5) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated $30,000,000 for each of fiscal years 2004 through 2008 for purposes of making grants to eligible entities under this subsection.

"SEC. 442. NATIONAL CLEARINGHOUSE FOR RESPONSIBLE FATHERHOOD PROGRAMS.

"(a) MEDIA CAMPAIGN NATIONAL CLEARINGHOUSE FOR RESPONSIBLE FATHERHOOD.—

"(1) IN GENERAL.—From any funds appropriated under subsection (c), the Secretary shall contract with a nationally recognized, nonprofit fatherhood promotion organization described in subsection (b) to—

"(A) develop, promote, and distribute to interested States, local governments, public agencies, and private entities a media campaign that encourages the appropriate involvement of parents in the life of any child, with a priority for

programs that specifically address the issue of responsible fatherhood; and

"(B) develop a national clearinghouse to assist States and communities in efforts to promote and support marriage and responsible fatherhood by collecting, evaluating, and making available (through the Internet and by other means) to other States information regarding the media campaigns established under section 443.

"(2) COORDINATION WITH DOMESTIC VIOLENCE PROGRAMS.—The Secretary shall ensure that the nationally recognized nonprofit fatherhood promotion organization with a contract under paragraph (1) coordinates the media campaign developed under subparagraph (A) of such paragraph and the national clearinghouse developed under subparagraph (B) of such paragraph with national, State, or local domestic violence programs.

"(b) NATIONALLY RECOGNIZED, NONPROFIT FATHERHOOD PROMOTION ORGANIZATION DESCRIBED.—The nationally recognized, nonprofit fatherhood promotion organization described in this subsection is an organization that has at least 4 years of experience in—

"(1) designing and disseminating a national public education campaign, as evidenced by the production and successful placement of television, radio, and print public service announcements that promote the importance of responsible fatherhood, a track record of service to Spanish-speaking populations and historically underserved or minority populations, the capacity to fulfill requests for information and a proven history of fulfilling such requests, and a mechanism through which the public can request additional information about the campaign; and

"(2) providing consultation and training to community-based organizations interested in implementing fatherhood outreach, support, or skill development programs with an emphasis on promoting married fatherhood as the ideal.

"(c) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated $5,000,000 for each of fiscal years 2004 through 2008 to carry out this section.

"SEC. 443. BLOCK GRANTS TO STATES TO ENCOURAGE MEDIA CAMPAIGNS.

"(a) DEFINITIONS.—In this section:

"(1) BROADCAST ADVERTISEMENT.—The term 'broadcast advertisement' means a communication intended to be aired by a television or radio broadcast station, including a communication intended to be transmitted through a cable channel.

"(2) CHILD AT RISK.—The term 'child at risk' means each young child whose family income does not exceed the poverty line.

"(3) POVERTY LINE.—The term 'poverty line' has the meaning given such term in section 673(2) of the Community Services Block Grant Act (42 U.S.C. 9902(2)), including any revision required by such section, that is applicable to a family of the size involved.

"(4) PRINTED OR OTHER ADVERTISEMENT.—The term 'printed or other advertisement' includes any communication intended to be distributed through a newspaper, magazine, outdoor adver-

tising facility, mailing, or any other type of general public advertising, but does not include any broadcast advertisement.

"(5) STATE.—The term 'State' means each of the 50 States, the District of Columbia, the Commonwealth of Puerto Rico, the United States Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands.

"(6) YOUNG CHILD.—The term 'young child' means an individual under age 5.

"(b) STATE CERTIFICATIONS.—Not later than October 1 of each of fiscal year for which a State desires to receive an allotment under this section, the chief executive officer of the State shall submit to the Secretary a certification that the State shall—

"(1) use such funds to promote the formation and maintenance of healthy 2-parent married families, strengthen fragile families, and promote responsible fatherhood through media campaigns conducted in accordance with the requirements of subsection (d);

"(2) return any unused funds to the Secretary in accordance with the reconciliation process under subsection (e); and

"(3) comply with the reporting requirements under subsection (f).

"(c) PAYMENTS TO STATES.—For each of fiscal years 2004 through 2008, the Secretary shall pay to each State that submits a certification under subsection (b), from any funds appropriated under subsection (i), for the fiscal year an amount equal to the amount of the allotment determined for the fiscal year under subsection (g).

"(d) ESTABLISHMENT OF MEDIA CAMPAIGNS.—Each State receiving an allotment under this section for a fiscal year shall use the allotment to conduct media campaigns as follows:

"(1) CONDUCT OF MEDIA CAMPAIGNS.—

"(A) RADIO AND TELEVISION MEDIA CAMPAIGNS.—

"(i) PRODUCTION OF BROADCAST ADVERTISEMENTS.—At the option of the State, to produce broadcast advertisements that promote the formation and maintenance of healthy 2-parent married families, strengthen fragile families, and promote responsible fatherhood.

"(ii) AIR-TIME CHALLENGE PROGRAM.—At the option of the State, to establish an air-time challenge program under which the State may spend amounts allotted under this section to purchase time from a broadcast station to air a broadcast advertisement produced under clause (i), but only if the State obtains an amount of time of the same class and during a comparable period to air the advertisement using non-Federal contributions.

"(B) OTHER MEDIA CAMPAIGNS.—At the option of the State, to conduct a media campaign that consists of the production and distribution of printed or other advertisements that promote the formation and maintenance of healthy 2-parent married families, strengthen fragile families, and promote responsible fatherhood.

"(2) ADMINISTRATION OF MEDIA CAMPAIGNS.—A State may administer media campaigns funded under this section directly or through grants, contracts, or cooperative agreements with pub-

lic agencies, local governments, or private entities, including charitable and faith-based organizations.

"(3) CONSULTATION WITH DOMESTIC VIOLENCE ASSISTANCE CENTERS.—In developing broadcast and printed advertisements to be used in the media campaigns conducted under paragraph (1), the State or other entity administering the campaign shall consult with representatives of State and local domestic violence centers.

"(4) NON-FEDERAL CONTRIBUTIONS.—In this section, the term 'non-Federal contributions' includes contributions by the State and by public and private entities. Such contributions may be in cash or in kind. Such term does not include any amounts provided by the Federal Government, or services assisted or subsidized to any significant extent by the Federal Government, or any amount expended by a State before October 1, 2003.

"(e) RECONCILIATION PROCESS.—

"(1) 3-YEAR AVAILABILITY OF AMOUNTS ALLOTTED.—Each State that receives an allotment under this section shall return to the Secretary any unused portion of the amount allotted to a State for a fiscal year not later than the last day of the second succeeding fiscal year together with any earnings on such unused portion.

"(2) PROCEDURE FOR REDISTRIBUTION OF UNUSED ALLOTMENTS.—The Secretary shall establish an appropriate procedure for redistributing to States that have expended the entire amount allotted under this section any amount that is—

"(A) returned to the Secretary by States under paragraph (1); or

"(B) not allotted to a State under this section because the State did not submit a certification under subsection (b) by October 1 of a fiscal year.

"(f) REPORTING REQUIREMENTS.—

"(1) MONITORING AND EVALUATION.—Each State receiving an allotment under this section for a fiscal year shall monitor and evaluate the media campaigns conducted using funds made available under this section in such manner as the Secretary, in consultation with the States, determines appropriate.

"(2) ANNUAL REPORTS.—Not less frequently than annually, each State receiving an allotment under this section for a fiscal year shall submit to the Secretary reports on the media campaigns conducted using funds made available under this section at such time, in such manner, and containing such information as the Secretary may require.

"(g) AMOUNT OF ALLOTMENTS.—

"(1) IN GENERAL.—Except as provided in paragraph (2), of the amount appropriated for the purpose of making allotments under this section for a fiscal year, the Secretary shall allot to each State that submits a certification under subsection (b) for the fiscal year an amount equal to the sum of—

"(A) the amount that bears the same ratio to 50 percent of such funds as the number of young children in the State (as determined by the Secretary based on the most current reliable data available) bears to the number of such children in all States; and

"(B) the amount that bears the same ratio to 50 percent of such funds as the number of children at risk in the State (as determined by the Secretary based on the most current reliable data available) bears to the number of such children in all States.

"(2) MINIMUM ALLOTMENTS.—No allotment for a fiscal year under this section shall be less than—

"(A) in the case of the District of Columbia or a State other than the Commonwealth of Puerto Rico, the United States Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands, 1 percent of the amount appropriated for the fiscal year under subsection (i); and

"(B) in the case of the Commonwealth of Puerto Rico, the United States Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands, 0.5 percent of such amount.

"(3) PRO RATA REDUCTIONS.—The Secretary shall make such pro rata reductions to the allotments determined under this subsection as are necessary to comply with the requirements of paragraph (2).

"(h) EVALUATION.—

"(1) IN GENERAL.—The Secretary shall conduct an evaluation of the impact of the media campaigns funded under this section.

"(2) REPORT.—Not later than December 31, 2006, the Secretary shall report to Congress the results of the evaluation under paragraph (1).

"(3) FUNDING.—Of the amount appropriated under subsection (i) for fiscal year 2004, $1,000,000 of such amount shall be transferred and made available for purposes of conducting the evaluation required under this subsection, and shall remain available until expended.

"(i) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated $20,000,000 for each of fiscal years 2004 through 2008 for purposes of making allotments to States under this section."

(b) INAPPLICABILITY OF EFFECTIVE DATE PROVISIONS.—Section 116 shall not apply to the amendment made by subsection (a) of this section.

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INTERNAL REVENUE CODE OF 1986

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CHAPTER 65.—ABATEMENTS, CREDITS, AND REFUNDS

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SEC. 6402. Authority to make credits or refunds.

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(c) OFFSET OF PAST-DUE SUPPORT AGAINST OVERPAYMENTS.—The amount of any overpayment to be refunded to the person making the overpayment shall be reduced by the amount of any past-due support (as defined in section 464(c) of the Social Security Act)

owed by that person of which the Secretary has been notified by a State in accordance with section 464 of [the Social Security Act] *such Act*. The Secretary shall remit the amount by which the overpayment is so reduced to the State collecting such support and notify the person making the overpayment that so much of the overpayment was necessary to satisfy his obligation for past-due support has been paid to the State. [A reduction under this subsection shall be applied first to satisfy any past-due support which has been assigned to the State under section 402(a)(26) or 471(a)(17) of the Social Security Act, and shall be applied to satisfy any other past-due support after any other reductions allowed by law (but before a credit against future liability for an internal revenue tax) have been made.] *The Secretary shall apply a reduction under this subsection first to an amount certified by the State as past due support under section 464 of the Social Security Act before any other reductions allowed by law.* This subsection shall be applied to any overpayment prior to its being credited to a person's future liability for an internal revenue tax.

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UNITED STATES CODE

TITLE 28—JUDICIARY AND JUDICIAL PROCEDURE

PART V—PROCEDURE

CHAPTER 115—EVIDENCE; DOCUMENTARY

SEC. 1738B. FULL FAITH AND CREDIT FOR CHILD SUPPORT ORDERS.

(a) GENERAL RULE.—The appropriate authorities of each State—

* * * * * * *

[(d) CONTINUING JURISDICTION.—A court of a State that has made a child support order consistently with this section has continuing, exclusive jurisdiction over the order if the State is the child's State or the residence of any individual contestant unless the court of another State, acting in accordance with subsections (e) and (f), has made a modification of the order.]

(d) CONTINUING EXCLUSIVE JURISDICTION.—

(1) IN GENERAL.—Subject to paragraph (2), a court of a State that has made a child support order consistent with this section has continuing, exclusive jurisdiction to modify its order if the order is the controlling order and—

(A) the State is the child's State or the residence of any individual contestant; or

(B) if the State is not the residence of the child or an individual contestant, the contestants consent in a record or in open court that the court may continue to exercise jurisdiction to modify its order.

(2) REQUIREMENT.—A court may not exercise its continuing, exclusive jurisdiction to modify the order if the court of another State, acting in accordance with subsections (e) and (f), has made a modification of the order.

(e) AUTHORITY TO MODIFY ORDERS.—A court of a State may modify a child support order issued by a court of another state if—

(1) the court has jurisdiction to make such a child support order pursuant to subsection (i); and

(2)(A) the court of the other State no longer has continuing, exclusive jurisdiction of the child support order [because that State no longer is the child's State or the residence of any individual contestant;] *pursuant to paragraph (1) or (2) of subsection (d);* or

(B) each individual contestant has filed written consent with the State of continuing, exclusive jurisdiction for a court of another State *with jurisdiction over at least 1 of the individual contestants or that is located in the child's State* to modify the order and assume continuing, exclusive jurisdiction over the order.

(f) [RECOGNITION OF] *DETERMINATION OF CONTROLLING* CHILD SUPPORT ORDERS.—If 1 or more child support orders have been issued with regard to an obligor and a child, a court [shall apply the following rules in determining which order to recognize for purposes of continuing, exclusive jurisdiction and enforcement:] *having personal jurisdiction over both individual contestants shall apply the following rules and by order shall determine which order controls:*

(1) If only 1 court has issued a child support order, the order of that court [must be] *controls and must be so* recognized.

(2) If 2 or more courts have issued child support orders for the same obligor and child, and only 1 of the courts would have continuing, exclusive jurisdiction under this section, the order of that court [must be recognized] *controls.*

(3) If 2 or more courts have issued child support orders for the same obligor and child, and more than 1 of the courts would have continuing, exclusive jurisdiction under this section, an order issued by a court in the current home State of the child [must be recognized] *controls,* but if an order has not been issued in the current home State of the child, the order most recently issued [must be recognized] *controls.*

(4) If 2 or more courts have issued child support orders for the same obligor and child, and none of the courts would have continuing, exclusive jurisdiction under this section, a court having jurisdiction over the parties shall issue a child support order, which [must be recognized] *controls.*

[(5) The court that has issued an order recognized under this subsection is the court having continuing, exclusive jurisdiction under subsection (d).]

[(g) ENFORCEMENT OF MODIFIED ORDERS.—A court of a State that no longer has continuing, exclusive jurisdiction of a child support order may enforce the order with respect to nonmodifiable obligations and unsatisfied obligations that accrued before the date on which a modification of the order is made under subsections (e) and (f).]

(g) ENFORCEMENT OF MODIFIED ORDERS.—If a child support order issued by a court of a State is modified by a court of another State which properly assumed jurisdiction, the issuing court—

(1) may enforce its order that was modified only as to arrears and interest accruing before the modification;

(2) may provide appropriate relief for violations of its order which occurred before the effective date of the modification; and

(3) shall recognize the modifying order of the other State for the purpose of enforcement.

(h) CHOICE OF LAW.—

(1) IN GENERAL.—In a proceeding to establish, modify or enforce a child support order, the forum State's law shall apply except as provided in paragraphs (2) [and (3)], *(3), and (4).*

(2) LAW OF STATE OF ISSUANCE OF ORDER.—In interpreting a child support order including the duration of current payments and other obligations of support *the computation and payment of arrearages, and the accrual of interest on the arrearages*, a court shall apply the law of the State of the court that issued the order.

* * * * * * *

(4) PROSPECTIVE APPLICATION.—After a court determines which is the controlling order and issues an order consolidating arrears, if any, a court shall prospectively apply the law of the State issuing the controlling order, including that State's law with respect to interest on arrears, current and future support, and consolidated arrears.

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TITLE 31—MONEY AND FINANCE

Subtitle III—Financial Management

Chapter 37—Claims

Subchapter II—Claims of the United States Government

SEC. 3716. ADMINISTRATIVE OFFSET.

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(h)(1) The Secretary may, in the discretion of the Secretary, apply subsection (a) with respect to any past-due, legally-enforceable debt owed to a State if—

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[(3) In applying this section with respect to any debt owed to a State, subsection (c)(3)(A) shall not apply.]

(3)(A) Except as provided in subparagraph (B), in applying this subsection with respect to any debt owed to a State, subsection (c)(3)(A) shall not apply.

(B) Subparagraph (A) shall not apply with respect to payments owed to an individual under title II of the Social Security Act, for purposes of an offset under this section of such payments against past-due support (as defined in section 464(c) of the Social Security Act, without regard to paragraphs (2) and (3) of such section 464(c))

that is being enforced by a State agency administering a program under part D of title IV of that Act.

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LONGSHORE AND HARBOR WORKERS' COMPENSATION ACT

ASSIGNMENT AND EXEMPTION FROM CLAIMS OF CREDITORS

SEC. 16. [No] *Except as provided by this Act, no* assignment, release, or commutation of compensation or benefits due or payable under this Act[, except as provided by this Act,] shall be valid, and such compensation and benefits shall be exempt from all claims of creditors and from levy, execution, and attachment or other remedy for recovery or collection of a debt, which exemption may not be waived.

[LIEN AGAINST COMPENSATION

[SEC. 17. Where a trust fund which complies with section 186(c) of title 29 established pursuant to a collective-bargaining agreement in effect between an employer and an employee covered under this chapter has paid disability benefits to an employee which the employee is legally obligated to repay by reason of his entitlement to compensation under this chapter or under a settlement, the Secretary shall authorize a lien on such compensation in favor or the trust fund for the amount of such payments.]

LIENS ON COMPENSATION; CHILD SUPPORT ENFORCEMENT

SEC. 17. (a) LIENS.—Where a trust fund which complies with section 302(c) of the Labor Management Relations Act, 1947 (29 U.S.C. 186(c)) established pursuant to a collective-bargaining agreement in effect between an employer and an employee covered under this Act has paid disability benefits to an employee which the employee is legally obligated to repay by reason of the employee's entitlement to compensation under this Act or under a settlement, the Secretary shall authorize a lien on such compensation in favor of the trust fund for the amount of such payments.

(b) CHILD SUPPORT.—Compensation or benefits due or payable to an individual under this Act (other than medical benefits) shall be subject, in like manner and to the same extent as similar compensation or benefits under a workers' compensation program if established under State law—

(1) to withholding in accordance with State law enacted pursuant to subsections (a)(1) and (b) of section 466 of the Social Security Act and regulations under such subsections; and

(2) to any other legal process brought, by a State agency administering a program under a State plan approved under part D of title IV of the Social Security Act or by an individual obligee, to enforce the legal obligation of the individual to provide child support or alimony.

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