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SENATE

REPORT
109–51

PERSONAL RESPONSIBILITY AND INDIVIDUAL DEVELOPMENT FOR EVERYONE ACT (PRIDE)

R E P O R T

[To accompany S. 667]

MARCH 30, 2005.—Ordered to be printed

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PERSONAL RESPONSIBILITY AND INDIVIDUAL DEVELOPMENT FOR EVERYONE ACT (PRIDE)

MARCH 30, 2005.—Ordered to be printed

Filed under authority of the order of March 17, 2005

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

R E P O R T

[To accompany S. 667]

[Including cost estimate of the Congressional Budget Office]

The Committee on Finance reported an original bill (S. 667) 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, having considered the same, reports favorably thereon, and recommends that the bill 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, President Clinton signed the welfare reform law.

107TH CONGRESS

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).

108TH CONGRESS

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 and one subcommittee hearing.

On September 10, 2003, the Senate Finance Committee favorably reported the Personal Responsibility and Individual Development for Everyone (PRIDE) Act.

The legislation was considered by the full Senate during the week of March 29, 2004 during which time an amendment offered by Senator Olympia Snowe (R–ME) was agreed to which would increase mandatory child care spending by $6 billion over 5 years.

The full Senate did not pass a reauthorization of Temporary Assistance for Needy Families (TANF).

TANF has operated under a series of short term extensions of federal law since September 30, 2002.

The Committee determined that after nearly four years of debate, including three full committee hearings and two subcommittee hearings in the 107th Congress and one full committee hearing, one field hearing and one subcommittee hearing in the 108th Congress, two markups and one week consideration on the senate floor, that debate over the reauthorization of TANF had been extensive. The Committee determined that no more hearings on welfare reform were necessary.

The Finance Committee began deliberations in the 109th Congress by agreeing to many of the provisions negotiated in the 108th Congress and which were subsequently included in the PRIDE bill. The PRIDE bill, as reported out of the Senate Finance Committee in the 109th Congress, was included as part of the Senate Republican Leadership agenda in S. 6, sponsored by Senator Rick Santorum (R–PA).

The following provisions are retained from the PRIDE bill as reported from the Senate Finance Committee in 2003 and are included in the PRIDE bill as reported from the Senate Finance Committee in 2005. The PRIDE bill:

• Increases the work participation rate for states 5 percent each year, from 50 percent in 2006 to 70 percent in 2010.

• Phases out the caseload reduction credit, which placed too much emphasis on caseload reduction and dramatically diminished most states' work participation rates. The Committee replaces the caseload reduction credit with an employment credit which emphasizes moving TANF recipients into good jobs.

• Caps the credit. The value of the credit is phased down so that in FY 2010, all states must have a real work participation rate of 50 percent.

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

• Increases the "standard hour" (when an adult counts as "one family" for purposes of calculating a state's participation rate) from 30 to 34 for a parent with a child six and over. Provides states with increased flexibility to capture partial and extra credit for adult participation in countable activities below and above the standard hour, whereas under PRWORA states could only count adults who met the standard hour and provided no extra credit for adults who exceeded the standard hour.

• Increases the "standard hour" (when an adult counts as "one family" for purposes of calculating a state's participation rate) from 20 to 24 for a parent with a child under six. Allows states to capture partial and extra credit for adult participation in countable activities below and above the standard hour.

• Ensures that every family has a plan for achieving self-sufficiency. States must prepare a plan for every family receiving assistance and in most cases that plan should involve some amount of work or work readiness activities.

• 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.

• The Committee bill also strengthens and improves child support collection and gives states additional financing options to pass-through more child support funding collected on behalf of families receiving assistance and families who formerly received assistance.

In the ongoing effort to achieve a bipartisan consensus on the legislation, the PRIDE bill as reported by the Senate Finance Committee in 2005 added additional provisions to the bill considered in the previous Congress. These include:

Providing for mandatory spending and appropriating funding for additional grants by:

• Increasing mandatory child care spending an additional $5 billion over five years, bringing the total increase for mandatory child care spending to $6 billion over five years;

• Increasing funding for Title XX—the Social Services Block Grant by $1 billion over five years;

• Increasing annual mandatory funding by $20 million for state demonstration and by $30 million for national demonstrations to promote responsible fatherhood;

• Providing $10 million annually for the development of comprehensive indicators of child well-being;

• Providing $5 million a year to be spent over 5 years for a national teen pregnancy prevention resource center to provide technical assistance to state, tribal, local, community, and faith based organizations seeking to reduce the rates of teen pregnancy.

Providing additional state flexibility by:

• Allowing states the option to receive work participation rate credit for an individual whose plan specifies that they have a continuing need for rehabilitative services in order to engage in direct work activities. The addition permits states the option of continuing to provide rehabilitative services, if needed, beyond 6 months. To be counted as working, recipients must be engaged in additional work activities for at least half the time required to count recipients without disabilities. Eligible individuals must be determined, using a medically acceptable clinical or diagnostic technique, as having a disability that impedes the individual's ability to function in a work setting. To be eligible for the state option state agencies must work collaboratively in assisting the person with disabilities.

• By clarifying that parenting skills building shall count as a qualified work activity. The mark further clarifies substance abuse counseling or treatment in the list of qualified activities to mean drug and alcohol abuse counseling or treatment.

ASSISTING INDIAN TRIBES

The Committee bill makes a number of improvements to assist Indian tribes. The 1996 welfare law permitted Indian tribes to operate their own welfare programs for the first time. The Committee is informed that there are now currently 45 approved Tribal TANF plans (38 tribals, 3 Alaskan native associations) serving 230 tribes and Alaskan Native villages. Additionally, there are currently 10 new plans in the review and negotiation process and 15 additional letters of intent that have been submitted.

These tribes and intertribal consortia have taken advantage of the flexibility allowed under TANF to design culturally appropriate programs to support low-income American Indians. This important policy, allowing for tribal administration of programs to tribal citizens, is consistent with the value of tribal sovereignty. Although tribes have shown enthusiasm for taking on TANF administration, there is more work to be done. Less than ⅓ of tribes are served by tribal TANF programs, largely due to prohibitive start-up costs and insufficient administrative support. Tribes that are administering TANF have had to supplement the funding they receive to implement TANF. Moreover, according to the Census Bureau, 25.7 percent of American Indians live in poverty, more than twice the national poverty rate. The average household income for American Indians is only 72.9 percent of that of the rest of Americans.

The Committee bill contains critical provisions to support tribes in setting up and improving tribal TANF programs while exercising their sovereignty to adapt their programs to better fit the needs of American Indians residing in tribal communities. The Committee bill includes provisions to support economic development and job creation in Indian Country, better facilitating opportunities for tribal citizens to move from welfare (whether served by state or tribal programs) to work. Provisions supporting tribal capacity building, technical assistance, and infrastructure development for tribal human service programs bring much-needed resources to tribes operating their own welfare programs. Funding to expand job training programs and lock in tribal child care funding at the current rate is also included. Another provision allows tribes with high joblessness rates the continued flexibility to determine how best to approach work requirements and terms of assistance. The addition of a GAO study to identify barriers for urban Indians accessing benefits and the new requirements for HHS to collect more comprehensive data on receipt of benefits among American Indians will contribute to the data needed to address poverty and work supports in Indian Country.

ENCOURAGING HEALTHY MARRIAGE PROMOTION

The Committee intends that healthy marriage promotion programs, will, by definition, help couples improve the skills they need to form healthy, mutually respectful, non-violent relationships that lead to more stable, loving and committed marriages.

The Committee is aware that domestic violence is a problem and a barrier to self-sufficiency for many TANF recipients as well as those not receiving TANF, regardless of whether or not couples are participating in counseling or in marriage promotion activities. The Committee wants to ensure that marriage promotion programs are

supported in their efforts to address the safety of domestic violence victims including the need to escape violent relationships.

The Committee finds that social service programs should better integrate an awareness of the larger issue of domestic violence into their services and the TANF program represents a particularly relevant avenue for identifying those who need or are at risk of needing domestic violence services.

Provisions that enhance attention to Domestic Violence/Explanation of Provisions

Given the high incidence of DV in many women's lives, this program provides an opportunity to identify and provide services that could help those who face multiple barriers to self sufficiency including those in unhealthy relationships.

The Committee bill includes a number of provisions that address the need to identify and respond to domestic violence for families. The committee finds that these provisions are integral features of any state marriage initiative. The committee encourages states that have previously established marriage promotion activities to incorporate these provisions into their current programs as well as any future marriage promotion activities states undertake with their TANF block grant and MOE.

1. Voluntary Participation

The Committee bill requires that participation in all marriage promotion programs must be voluntary. Therefore, TANF recipients must be informed that participation in marriage promotion is voluntary and if they elect to participate in such programs and opt to discontinue, no sanction may be imposed solely for nonparticipation or disenrollment in these activities. However, the state may reassign TANF recipients at any time to other activities in accordance with universal engagement requirements. In addition, any grantee of funds for marriage promotion must detail how they will ensure that participation in their programs is voluntary and how they will inform participants that their participation is voluntary.

2. Domestic Violence Consultation

The Committee bill stipulates that funding will not be provided for marriage promotion activities unless the recipient of funds consults with domestic violence organizations, which the committee understands to be local, State or national organizations with recognized expertise in the dynamics of domestic violence and a history of working with survivors of domestic violence and whose primary purpose is to provide services to victims of domestic violence or engage in domestic violence intervention or prevention activities. This consultation will be for the purpose of developing policies, procedures, programs and training necessary to appropriately address domestic violence in families served by programs and activities which promote marriage. The committee believes that applicants should consider the issues and needs related to domestic violence awareness in the overall design of their services and proposals. An applicant for a grant will outline in the application for funds how the funded program will address issues of domestic violence. All marriage promotion programs must establish protocols for helping identify instances or risks of domestic violence and specify proce-

dures for making service referrals and providing protections and appropriate assistance.

3. Reports

A bi-annual report is required from the Secretary of HHS providing a detailed description of the programs and activities funded by marriage promotion grants and how each program addresses domestic violence. Annual reports are required of grantees under Section 103 detailing how the program addresses domestic violence.

4. Funding for domestic violence prevention grants

The Committee recognizes that TANF programs provide a unique opportunity to identify and help address issues of domestic violence among vulnerable families that these programs serve. Accordingly, $10 million is authorized annually to develop and implement programs designed to address domestic violence as a barrier to healthy relationships, marriage, and economic security. Such funding shall be used for grants, contracts, and interagency agreements to provide training for caseworkers administering TANF as well as technical assistance, services for victims of domestic violence and activities related to the prevention of domestic violence.

This funding would complement an authorization of $20 million for Domestic Violence Prevention Grants (Section 114) that can be used for additional activities including developing and disseminating best practices for addressing domestic and sexual violence and disseminating research on the causes of domestic violence and abuse. While discretionary in nature, it is the Committee's intent that funding for these programs may not be diverted from existing domestic violence prevention or services programs.

CONCLUSION

The Committee finds that during the years of debate on the issue of welfare reform, a number of different perspectives on the best approach to take for the next phase of welfare reform have been discussed. The Committee has heard arguments that the most effective way to assist families make the transition from welfare to work was to increase the time that adults receiving assistance spent engaged in meaningful work activities. The Committee finds that the correlation between full time work and increased earning is compelling.

The Committee has heard arguments that increasing the amount of time allowed for education and training led to increased earnings and self-sufficiency. The Committee finds that the correlation between increased education and increased earnings is compelling as well.

The Committee has heard that encouraging marriage and reducing out-of-wedlock births would net positive outcomes for children.

The Committee has heard that increasing state flexibility should be an integral part of any reform effort.

The Committee finds when working with vulnerable families on assistance, or struggling to keep from having to go on assistance, there is no such thing as "one size fits all." While education may be the best approach for some, it may not be for others. Encouraging healthy family formation may be what one family needs, but

perhaps this approach would not be in the best interest of another family in difference circumstances.

The Committee bill takes a "blended approach" to welfare reforms and strives to find balance among a number of perspectives. PRIDE increases the emphasis on work and work readiness activities as well as increases the flexibility for states to engage adults in education and training activities. PRIDE also provides resources to encourage states to develop innovative family formation programs, while making it clear that participation in these programs must be voluntary and the program must be developed with domestic violence professionals.

The Committee finds that the PRIDE bill represents a number of improvements over current law and that it would contribute to moving families out of dependency and into greater self-sufficiency.

II. SECTION-BY-SECTION ANALYSIS

TITLE I—TANF

SECTION 101—STATE PLANS AND PERFORMANCE

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 an outline of the program the state intends to operate to provide assistance to needy families; 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 describe 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.

COMMITTEE BILL

The Committee Bill requires states to establish and provide in their state plans specific measurable performance objectives for pursuing TANF purposes. They are to describe the methodology the state will use to measure performance in programs funded by TANF and maintenance of effort (MOE) dollars in relation to each objective. In developing the performance measures, states are to consider the criteria used by the Secretary of Health and Human Services (HHS) in establishing performance measures for the em-

ployment achievement bonus (workforce attachment and advancement) and with such other criteria related to other (non-work) purposes of the program. The Secretary is to develop performance measures related to the non-work purposes of TANF in consultation with the National Governor's Association, the National Conference of State Legislatures, and the American Public Human Services Association.

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 if the state is undertaking any strategies or programs to engage faith based organizations in the delivery of services funded under this part or that relate to section 104 of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, the document should describe such strategies and programs. It requires state plans to describe how the state intends to encourage equitable treatment of healthy, married, two-parent families under TANF.

The Committee Bill also adds to the state plan additional descriptive information about state programs. It requires states to describe in their plans financial and nonfinancial eligibility rules for assistance (including income eligibility thresholds, treatment of earnings, asset eligibility rules, and excluded forms of income), the amount of assistance, and applicable time limits on providing assistance (including exemption and extension policies). It requires state plans to set forth the criteria for counting care of a disabled family member as a work activity. Section 109 of this Committee Bill makes caring for a disabled family member a work activity under specified conditions. The Committee Bill requires states to describe how they will inform "child-only" families (families without an adult recipient) receiving assistance of the work supports and other assistance for which the family may be eligible. 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.

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, 2006 to submit their 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 that 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. States required to renew their state plans between the date of enactment and October 1, 2006 may wait until October 1, 2006 to submit their new plans in the Standard Form.

The Committee Bill adds a requirement that tribal governments be consulted about the TANF plan and its service design. It also

adds a requirement that states that provide transportation aid under TANF certify that state and local transportation agencies have been consulted in the development of the TANF state plan.

Sections 107, 109, 110, and 113 of the Committee Bill contain other state TANF plan provisions. Section 107 requires a state that takes the option to establish an undergraduate post-secondary or vocational education program to describe, in an addendum to the TANF state plan, eligibility criteria that will restrict enrollment in the program to persons whose past earnings indicate they cannot qualify for employment that will make them self-sufficient and who, by enrolling, will be prepared for higher paying occupations in demand in the state. Section 109 permits a state, if it includes in its TANF plan a description of policies for areas of Indian country 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. It further requires a state plan addendum if the state opts to receive work participation rate credit for an individual whose family self sufficiency plan specifies a need for ongoing, rehabilitative activities. Section 113 has provisions to increase the coordination and consultation between states and tribes in developing TANF 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.

Annual Ranking of States' Performance

CURRENT LAW

The Secretary of HHS is required to annually rank states on the success of their welfare to work programs. The ranking considers state performance on placing recipients into long-term private sector jobs; reducing the overall welfare caseload; and, when a practical method for calculating information becomes available, diverting individuals from formally applying for and receiving assistance. In this ranking, the Secretary is to take into account the average number of poor children in the state.

COMMITTEE BILL

The Committee Bill requires the Secretary, in consultation with states, to develop uniform performance measures designed to evaluate TANF- and MOE-funded state programs. It modifies the criteria for the Secretary's annual ranking of the success of states' welfare-to-work programs to include placement of assistance recipients in unsubsidized employment, success of recipients in retaining employment and increase in wages, and the degree to which recipients have workplace attachment and advancement. It requires the

Secretary's ranking to consider the number of poor children and child poverty rate in each state.

REASON FOR CHANGE

The Committee Bill updates the factors used in the annual ranking of states on the success of their programs.

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 FYs 1997–2002. 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 extended at FY2002 funding levels through March 31, 2005 by 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 2006 through 2010. The Committee Bill also appropriates matching grants for the territories for fiscal years 2006 through 2010.

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 annually) 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 2006–2010) for competitive grants (50 percent matching rate) to states, 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 and matching funds must be 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 importance of healthy marriages and characteristics of other healthy relationships experienced throughout life,

including the importance of grounding relationships in mutual respect; voluntary marriage education, marriage skills, and relationship skills programs, which may include parenting skills, financial management, conflict resolution, and job and career advancement, for non-married expectant and recent mothers and fathers; voluntary pre-marital education and marriage skills training for engaged couples and for couples or persons interested in marriage; voluntary marriage enhancement and marriage skills training programs for married couples; voluntary divorce reduction programs that teach relationship skills; voluntary 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 of the Social Security Act), but not from the percentage cap on administrative costs. To be eligible for a grant, applicants must consult with domestic violence organizations that have demonstrated expertise working with survivors of domestic violence in developing policies, procedures, programs and training necessary to appropriately address domestic violence in families served by programs and activities funded through the grant; describe in their applications how their proposed programs or activities will deal with issues of domestic violence; establish protocols for helping identify instances or risks of domestic violence and specify procedures for making service referrals and providing protections and appropriate assistance; 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 requires the Secretary of HHS to submit a biannual report to Congress, providing a detailed description of the programs and activities funded by the grants and how they address domestic violence.

The Committee Bill requires each State, tribe, or tribal organization that carries out marriage promotion activities to provide the Secretary of HHS with an assurance that TANF assistance recipients who elect to participate in these activities are informed that participation is voluntary; that the recipient may disenroll from such programs or activities; and that there be a process that provides recipients who withdraw from or fail to participate in marriage promotion activities to be reassigned to other activities. There is no sanction for failure to participate in marriage promotion activities. The state may reassign TANF recipients at any time to other activities in accordance with universal engagement requirements (See Section 110).

The Committee Bill provides that marriage promotion funds appropriated for each of fiscal years 2006 through 2010 shall remain available to the Secretary until spent. The Committee Bill provides that TANF funds can be used as all or part of the required state match for marriage promotion grants, but that these federal funds cannot count towards a state's 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 Committee Bill also authorizes $10 million annually for FY2006 through FY2010 for the Secretary of HHS to develop and implement programs designed to address domestic violence as a barrier to healthy relationships, marriage, and economic security. Grants, contracts, and interagency agreements shall provide training for caseworkers administering TANF, technical assistance, the provision of voluntary services for victims of domestic violence, and activities related to the prevention of domestic violence. Funding for these programs may not be diverted from existing domestic violence prevention programs.

REASON FOR CHANGE

Two of the four original purposes of PRWORA 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 PRWORA. 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 to be eligible for a grant applicants must consult with domestic violence organizations that have demonstrated expertise working with survivors of domestic violence in developing policies, procedures, programs and training necessary to appropriately address domestic violence in families served by programs and activities funded through the grant; describe in their applications how their proposed programs or activities will deal with issues of domestic violence; establish protocols for helping identify instances or risks of domestic violence and specify procedures for making service referrals and providing protections and appropriate assistance; 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 also includes a provision (in Section 114) which would redirect 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 percent 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 when it extended supplemental grants for FYs 2002–2005.

COMMITTEE BILL

The Committee Bill extends supplemental grants for the 17 states that currently receive them at their FY 2001 level, for FYs 2006 through 2009.

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 percent 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. Bonuses were awarded in FY2004 under TANF temporary extension legislation.

COMMITTEE BILL

The Committee Bill appropriates $450 million for FYs 2006 through 2011 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 for FY2006 through FY2008 are to average $50 million per year; bonuses for FY2009 through FY2011 are to average $100 million per year. The Committee Bill specifies that the employment achievement formula is to measure workplace attachment and advancement of assistance recipients and, if the Secretary determines it is possible, those diverted from assistance. It caps a state's bonus at 5 percent of its family assistance grant. For FYs 2006 and 2007, 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 Indian tribes eligible for the bonus, sets aside 2 percent of bonus funds for them, and directs the Secretary to consult with tribes in determining criteria for awards to them.

Section 702 of the Committee Bill eliminates the FY2005 High Performance Bonus.

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 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 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 percent to 77 percent) to "needy" states that expect during the fiscal year to spend under the TANF program (not counting child care) 100 percent 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 percent and at least 10 percent higher than the rate for the corresponding period in either of the two preceding calendar years; or (2) a food stamp caseload increase of 10 percent over the FY 1994–1995 level (adjusted for the impact of immigrant and food stamp constraints in the 1996 welfare law). Contingency payments for any fiscal year are limited to 20 percent 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 2006–2010. It eliminates the requirement that states spend 100 percent of their historic level to qualify for contingency funds (instead applying the TANF MOE, 75 percent-80 percent). It entitles states to a contingency fund grant reflecting costs of TANF caseloads when they are "needy" under a revised definition. To trigger 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 percent 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 percent (80 percent, if it fails work participation rates).

The Committee Bill also sets aside $25 million from the contingency fund for payment to tribes with approved tribal family assistance plans operating during periods of economic hardship. The Secretary of HHS, in consultation with the tribes, is required to develop the criteria for access by tribes to the fund.

REASON FOR CHANGE

Because of a "super" MOE provision in PRWORA, states have been unable to access contingency funds in the manner in which they were intended in times of 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

CARRYOVER 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.

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. Additionally, the Committee Bill would permit states to designate an amount of unused dollars in a contingency reserve fund. Section 117 of the Committee Bill revises the definition of assistance.

REASON FOR CHANGE

Currently, carry over funds can be spent only on cash assistance. The Committee Bill would allow carry over funds to be spent on any activity authorized under PRWORA, including child care. This provides additional flexibility for the states. Permitting states to designate unused funds as a contingency reserve clarifies that, while unspent, these funds have been earmarked for purposes associated with the legislation.

Social Services Block Grant Transfers

CURRENT LAW

The original 1996 welfare reform law provided that states could transfer up to 10 percent of their TANF grants to the Social Services Block Grant (Title XX). P.L. 105–178 (Transportation Equity Act for the 21st Century) reduced funding for the Social Services Block Grant and called for the transfer authority from TANF to SSBG to be reduced to 4.25 percent of the block grant, effective FY2001. However, annual appropriation bills through FY2005 have superceded, maintaining the 10 percent transfer limit for each year.

COMMITTEE BILL

The Committee Bill restores the transferability of TANF funds to SSBG to 10 percent.

REASON FOR CHANGE

This increases state flexibility for assisting low-income families.

Social Services Block Grant

CURRENT LAW

The current funding level for the Social Services Block Grant (Title XX) is $1.7 billion per year.

COMMITTEE BILL

The Committee Bill increases funding for the Social Services Block Grant by $1 billion over the 5-year period, to $1.9 billion per year for FY2006 through FY2010. Funding will revert to $1.7 billion per year in FY2011.

REASON FOR CHANGE

The Committee intends for states to refocus their efforts to move adult recipients from welfare to work and intends for states to use their TANF block grant for those purposes. The Committee finds that Title XX funds support needed services for children and families in crisis. SSBG funds are used to support a number of child welfare programs including, child protective services, children's foster care and prevention and intervention services. These are services that a number of states are currently funding through their TANF block grants. The Committee bill would provide an increase of funding for SSBG so that states do not have curtail their efforts to improve child welfare, as they redirect their TANF funds to provide services to move adults into meaningful employment.

Post-Secondary Education Option ("Parents as Scholars")

CURRENT LAW

TANF permits states to use TANF funds in "any manner reasonably calculated" to achieve the goals of TANF, including reducing ending the dependence of needy parents through job preparation. Post-secondary education is an allowable use of TANF funds, though participation in such education is generally limited to vocational education countable for only up to 12 months.

COMMITTEE BILL

The Committee Bill permits states to use TANF and MOE funds to establish an undergraduate 2- or 4-year degree postsecondary education or vocational educational program for students in families receiving TANF assistance, who formerly received assistance, or needy parents who are eligible for TANF services. The program may provide the following services: child care, transportation, payment for books and supplies, and other services provided by the state to ensure coordination and lack of duplication.

The Committee Bill requires states that opt to run a postsecondary education program to file an addendum with their TANF state plan with the applicable eligibility requirements of the program. Eligibility requirements must be designed to limit the program to individuals whose past earnings indicate that they cannot qualify for employment that pays enough to allow them to obtain self-sufficiency (as defined by the state) and for whom enrollment in the program will prepare individuals for higher paying occupations in demand in the state.

The Committee Bill would permit states to count the participation of TANF assistance recipients in the post-secondary program, with participation capped at 10 percent of a state's TANF caseload. There are two options for counting hours of participation for students in the post-secondary education program. Under the first option, total hours would be the sum of those in the priority activities in current law; in work-study, practicums, internships, clinical placement, laboratory or field work, or other activities that would enhance employability in the recipient's field of study; and study time. These hours would be counted toward the participation standards (e.g. the 34-hour requirement), and the state would be given either full (maximum counted as 1 family) or partial credit for that family's participation. Under the second option, a student's family would be counted as a fully participating (one family) if, in addition to complying with the full-time educational participation requirement of the program, the student is participating in TANF priority work activities and work study, practicums, etc. for at least the following number of hours: 6 hours in the first year, 8 hours in the second year, 10 hours in the third year, and 12 hours in the fourth and later years.

The rules for this program apply only for states that opt to operate it and only for students participating in the program. These rules do not limit the discretion states otherwise have under TANF to support postsecondary or vocational education for needy parents.

REASON FOR CHANGE

The Committee Bill permits a subset of recipients to benefit from a postsecondary education strategy while maintaining an overall work orientation. The option is modeled on a Maine program known as "Parents as Scholars."

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 percent for all families (and since FY 1999 it has been 90 percent for the two-parent component of the caseload). Participation standards are reduced by a caseload reduction credit (below). In tribal family assistance programs, work par-

ticipation 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 percent level to the following levels: FY 2007, 55 percent; FY 2008, 60 percent; FY 2009, 65 percent; and FY 2010 and thereafter, 70 percent. The Committee Bill eliminates the separate rate for two parent families. The Committee Bill also forgives penalties for states' failure to meet the two-parent work requirement in FY2002 through FY2004.

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, the effect of the caseload reduction credit has been to diminish states' work participation rates. 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 a recipient who is an adult or minor head of household, 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 (limited to 12 months in a lifetime) 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 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

The initial assessment and development of a family self sufficiency plan may take some time, during which the family may not be participating in countable activities. In addition, the Committee Bill would ensure 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 stand-

ard is lowered by 1 percentage point. (In FY 2003, caseload reduction credits cut required work rates of 20 states to zero.)

COMMITTEE BILL

The Committee Bill replaces the current caseload reduction credit with an employment credit. 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 2006; 35 percentage points for fiscal year 2007; 30 percentage points for fiscal year 2008; 25 percentage points for fiscal year 2009; and 20 percentage points for fiscal year 2010 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, the effect of the caseload reduction credit has been to diminish states' work participation rates. 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 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 working families (earned at least $1,000 in the quarter) that included an adult who received TANF-funded substantial child care or transportation assistance. TANF-funded child care includes child care funded through transfers from TANF to the Child Care and Development Block Grant (CCDBG). If both these options were taken, the denominator would be increased by twice the 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 a family whose earnings 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 2006; 35 percentage points for fiscal year 2007; 30 percentage points for fiscal year 2008; 25 percentage points for fiscal year 2009; and 20 percentage points for fiscal year 2010 or thereafter. (As a result, credits could not cut effective work participation rates below these floors: 10 percent for fiscal year 2006, 20 percent for fiscal year 2007; 30 percent for fiscal year 2008; 40 percent for fiscal year 2009, and 50 percent for fiscal year 2010 and thereafter.)

The Committee Bill requires the Secretary to issue regulations to implement the employment credit. It also 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 31 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.

States would continue to receive the current law caseload reduction credit through FY2007 (subject to the cap, described above). In FY2008, states would be given the option to either take the employment credit or have their participation standard reduced by a credit based ½ on the current law caseload reduction credit and ½ based on the employment credit. The employment credit would apply to all states beginning in FY2009.

"The Senator Blanche L. Lincoln Employment Credit Study." The Committee Bill also provides that the Secretary of HHS will report to the Senate Finance and House Ways and Means Committees findings from a study, known as "The Senator Blanche L. Lincoln Employment Credit Study" examining the policy implications of modifying the design of the employment credit. "The Senator Blanche L. Lincoln Employment Credit Study" will include a discussion of the implications of crediting the states for families receiving TANF-funded work supports (child care and transportation aid), crediting families diverted from the rolls who become employed, and potential different thresholds for the "good jobs" bonus. "The Senator Blanche L. Lincoln Employment Credit Study" is due July, 2009.

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 nonpriority 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 20 activities that can be credited toward meeting participation standards. It retains the 12 work activities in current law, with the 9 priority activities considered "direct work" activities, adds one new nonpriority activity, and lists seven additional "qualified activities" that may be counted under certain conditions (see below). The new nonpriority activity (countable after the family meets minimum hours requirements in direct work activities, see below) is marriage education, training, and conflict resolution. The qualified activities are postsecondary education; adult literacy programs or activities, including participation in a program to increase proficiency in the English language; substance abuse counseling or treatment (including drug or alcohol abuse counseling or treatment); programs or activities designed to remove work barriers, as defined by the state; programs or activities authorized under a waiver approved for any state after August 22, 1996 (regardless of the expiration date of the waiver); financial literacy training (limited to 5 hours per week); and programs or activities designed to develop parenting skills. The Committee Bill deletes the requirement that only four consecutive weeks of job search can be counted within the normal 6 week limit. 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. 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. 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 child care. The calculation of weekly work 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 in direct work activities—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	20–23 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 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 direct work activities (50 hours if the family receives federally funded child care and has no disabled member). Once a family has reached the work hours threshold in direct work activities, additional hours in unlimited job search or vocational educational training or any of the six "qualified activities" would be counted.

However, for three months in any 24-month period, a state may give work credit for any hours spent in one of the six "qualified activities"—(1) postsecondary education; (2) adult literacy programs or activities, including those to increase proficiency in the English language; (3) substance abuse counseling or treatment; (4) programs or activities designed to remove work barriers, as defined by the state; (5) programs or activities authorized under a waiver approved for any state after August 22, 1996; and (6) financial literacy training (for up to 5 hours per week). These "qualified activities" may be combined with direct work activities to meet hours requirements. An additional 3 months (within the 24 month period) would also be counted for recipients participating in adult literacy programs (including programs to increase proficiency in the English language) or recipients participating in a service if the recipient is certified by a qualified medical, mental health, or social services professional as having a physical or mental disability, substance abuse problem, or other problem that requires a rehabilitative service.

A parent who provides continuous care for a child or dependent with a physical or mental impairment may receive credit as engaged in work under certain conditions. The qualifying conditions include: the state must determine that the child or dependent has an impairment that requires that he/she have substantial continuous care, that the parent is the only reasonable provider of the care, that the recipient is in compliance with her self-sufficiency plan. The state must conduct regular periodic evaluations of the recipient's family and regularly update her self-sufficiency plan. (Section 101 requires state TANF plans to set forth criteria for deeming the 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 (countable toward the direct work hours requirement) or (if teen parents) by high school attendance or work directly related to education. As discussed above, vocational education done as a supplementary activity for families meeting the priority hours threshold is not subject to the 30 percent limitation. 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 one family.

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 at-

tempts to the 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 preschoolers 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 provides 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 adult or minor heads of households 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 she has a demonstrated inability to obtain needed child care for specified reasons. It also requires state plans to outline how they intend to require families to engage in activities according to their self-sufficiency plans. The Committee Bill allows, but does not require, states to develop self-sufficiency plans for child-only cases.

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 make an initial 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 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 Committee Bill requires states, in a manner they deem appropriate, to establish a self-sufficiency plan for each family with an adult recipient or minor head of household recipient. (States may establish self-sufficiency plans describing services only for child-only cases.) Required plan contents: activities designed to assist the family to 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; and information about work support assistance for which the family may be eligible (such as food stamps, Medicaid, SCRIP, federal or state funded child care—including that provided under the Child Care and Development Block Grant and the Social Services Block Grant), 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, using methods it determines appropriate, regularly review the family's progress and revise the plan when appropriate. Before imposing a sanction against a family for failing to comply with a TANF rule or 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 requirement within one 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 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 Government Accountability 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.

The Committee Bill 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 2007 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 is 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 would require states to make families on assistance aware of additional work supports and assistance for which they are eligible. 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.

State Option To Receive Work Credit for Individual With Continuing Need for Rehabilitative Services

CURRENT LAW

No provision.

COMMITTEE BILL

The Committee Bill permits states the option of continuing to provide rehabilitative services, if needed, beyond 6 months. To be counted as working, recipients must be engaged in additional work activities for at least half the time required to count recipients without disabilities. Eligible individuals must be determined, using a medically acceptable clinical or diagnostic technique, as having a disability that impedes the individual's ability to function in a work setting. To be eligible for the state option state agencies must work collaboratively in assisting the person with disabilities.

REASON FOR CHANGE

To provide states with the option to receive work participation rate credit for a recipient whose self-sufficiency plan specifies that they have a continuing need for rehabilitative services in order to engage in direct work activities.

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.

TANF Time Limit in Areas of Indian Country With High Joblessness

CURRENT LAW

In applying TANF's 60-month limit on the use of Federal funds for assistance to a family with an adult, the law requires disregard of months of assistance provided to adults living in Indian country in which at least 50 percent of the adults are unemployed.

COMMITTEE BILL

For the purposes of TANF's 60 month time limit, the Committee Bill requires disregard of months of assistance received by an adult living in Indian country if at least 40 percent of adult recipients are jobless. The 40 percent threshold is reduced to 35 percent if the adult is in a state that meets the TANF contingency fund "needy state" criteria or the tribe meets criteria for access to the contingency fund.

REASON FOR CHANGE

Many areas of Indian Country face substantial challenges to sustainable employment. Further, areas of Indian Country have significant differences with what constitutes work and how much work is available. The provision to change the threshold and continue flexibility in applying time limits in Indian Country is intended to better serve the needs of tribes so they can effectively operate tribal TANF programs.

SECTION 111—PENALTIES AGAINST STATES

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 percent 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 percent. 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 percent 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 percent in case of failure to satisfy work standards) to cover FYs 2006 through 2011. 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.

States With Work Program Improvement

CURRENT LAW

States are penalized for failure to meet work participation standards through a reduction in their block grant. States that fail the TANF work standards may enter into a corrective compliance plan with HHS which outlines how the state will come into compliance with the standards.

COMMITTEE BILL

The Committee Bill provides that a state with a corrective compliance plan accepted by the Secretary that also has had a 5 percentage point improvement in its work participation rate from the previous year will not be assessed a financial penalty for failure to meet TANF work participation standards.

REASON FOR CHANGE

To ensure that states that are making improvement towards increasing their participation rate are not penalized.

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. 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 conforms the reporting of hours in work activities to the expanded definition of activities that count toward the work participation standards. 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 from TANF- or MOE-funded separate state programs 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.

The Committee Bill requires states to report to the Secretary annually, beginning with FY2005, on achievement and improvement in TANF and MOE-funded separate state programs during the past fiscal year under the state's performance goals and measures. It also requires states to file annual reports on their progress toward the achievement of "universal engagement."

The Committee Bill also extends CCDBG case-level reporting to TANF-funded child care. It requires the Secretary to coordinate reporting so that states are not required to submit duplicate information to meet both TANF and CCDBG reporting and allows the Secretary to permit a state to fulfill reporting requirements with a consolidated TANF/CCDBG report on families receiving child care. It also allows the Secretary to waive this requirement if the Secretary determines that it would be administratively or financially burdensome to a state, but states granted such waivers must post data on TANF-funded child care on a web site. The Committee Bill provides 2 years for states to comply with this requirement.

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 allows Indian tribes to operate their own tribal family assistance plans. Tribes that opt to operate their own programs receive an amount equal to federal pre-TANF payments received by the state attributable to Indians for administration of the programs. These sums ($115 million in FY2003) are deducted 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

The Committee Bill reauthorizes tribal family assistance grants for FY2006–FY2010. It reauthorizes and increases funding for the NEW work program to $12.6 million annually for FY2006 through FY2010. Each NEW program will receive the same percent of the $12.6 million appropriation as it received of the $7.6 million appropriation under current law. The Committee Bill also provides that if a tribe elects to incorporate its TANF program into a job training, tribal work experience, employment opportunities and skill development demonstration project, it would be subject to the requirements of the Indian Employment, Training, and Related Services Demonstration Act of 1992.

The Committee Bill establishes tribal improvement grants and appropriates $80 million for them to support:

- Tribal capacity grants for tribal human services infrastructure ($40 million). The Secretary of HHS shall award grants to Indian tribes for improving human services infrastructure, including management information systems, management information system-related training, equipping offices, and renovating (but not constructing) buildings. The Secretary is to give first priority to tribes that have applied for approval to run tribal family assistance programs; second priority to tribes that have an approved tribal family assistance plan; and third priority for tribes with approved foster care and adoption assistance programs (see Title IV).
- Tribal development grants to provided technical assistance in improving reservation economies ($35 million). The Secretary of HHS, through the Commissioner of the Administration for Native Americans, shall award grants to nonprofit organizations, Indian tribes, and tribal organizations to enable grantees to provide technical assistance to tribes and tribal organizations in the following areas: the development of uniform commercial codes; creation or expansion of small business or microenterprise programs; the development of tort liability codes; creation or expansion of tribal marketing efforts; creation or expansion of for-profit collaborative

business networks; development of innovative uses of telecommunications to help with distance learning or telecommuting; and development of economic opportunities in areas of high joblessness (with 30 percent of the grants awarded in this area).

• Technical assistance ($5 million). Of this amount, at least $2.5 million is for peer-learning programs among tribal administrators; and at least $1 million is for making grants to Indian tribes for feasibility studies of their capacity to operate tribal family assistance programs.

The Committee Bill also enhances the information reported by HHS on Indians in the TANF annual report; increases requirements for consultation and coordination among states and tribes in developing TANF state plans; requires States to describe how they will provide equitable access to members of Indian tribes or tribal organizations not in a tribal TANF program; and requires a Government Accountability Office (GAO) report on the demographic, economic, and health characteristics of Indians who reside in Indian Country, Alaska, or receive assistance under a tribal TANF program (due January 1, 2007). Other provisions that affect tribal TANF programs include: making tribal organizations eligible for the Employment Achievement Bonus (Section 105); giving tribes access to the Contingency Fund (Section 106); modification to time limit rules for persons living in Indian country or Alaskan Native villages with high rates of joblessness (Section 110); setting aside $2 million to study Indian welfare programs (Section 114); increasing the tribal set aside for mandatory child care funds to a minimum of 2 percent of the appropriation (Section 116); and providing tribes the authority to receive Federal foster care and adoption assistance funds (Section 403).

REASON FOR CHANGE

The 1996 welfare law permitted Indian tribes to operate their own welfare programs for the first time. Since 1996, 47 tribal TANF plans, serving 232 tribes, have been approved by HHS. These tribes and intertribal consortia have taken advantage of the flexibility allowed under TANF to design culturally appropriate programs to support low-income American Indians. This important policy, allowing for tribal administration of programs to tribal citizens, is consistent with the value of tribal sovereignty. Although tribes have shown enthusiasm for taking on TANF administration, there is more work to be done. Less than ⅓ of tribes are served by tribal TANF programs, largely due to prohibitive start-up costs and insufficient administrative support. Tribes that are administering TANF have had to supplement the funding they receive to implement TANF. Moreover, according to the Census Bureau, 25.7 percent of American Indians live in poverty, more than twice the national poverty rate. The average household income for American Indians is only 72.9 percent of that of the rest of Americans.

The Committee Bill contains critical provisions to support tribes in setting up and improving tribal TANF programs while exercising their sovereignty to adapt their programs to better fit the needs of American Indians residing in tribal communities. The Committee Bill includes provisions to support economic development and job creation in Indian Country, better facilitating opportunities for tribal citizens to move from welfare (whether served by state or

tribal programs) to work. Provisions supporting tribal capacity building, technical assistance, and infrastructure development for tribal human service programs bring much-needed resources to tribes operating their own welfare programs. Funding to expand job training programs and lock in tribal child care funding at the current rate is also included. Another provision allows tribes with high joblessness rates the continued flexibility to determine how best to approach work requirements and terms of assistance. The addition of a GAO study to identify barriers for urban Indians accessing benefits and the new requirements for HHS to collect more comprehensive data on receipt of benefits among American Indians will contribute to the data needed to address poverty and work supports in Indian Country.

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. It appropriates $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. (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 2005 through 2010, of which 80 percent 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 2006 through 2010) it extends the current law annual appropriation of $15 million and it designates a 50–50 allocation.

The Committee Bill establishes a limited demonstration program for up to 10 states to enhance or to provide for improved program integration coordination and delivery of public assistance. The only programs eligible for inclusion in the demonstration are: TANF, the Social Services Block Grant, and child care funded from mandatory child care funds. States would need to include a plan for evaluation to demonstrate the improved effectiveness of programs included. The Secretary would need to approve the state's plan. The fol-

lowing are provisions excluded from waiver authority: civil rights or prohibition of discrimination; the purposes or goals of any program; maintenance of effort requirements; health, safety or licencing requirements; requirements relating to the use of financial assistance for activities to improve the quality and availability of child care; report and audit requirements of the Child Care and Development Block Grant Act of 1990 (42 U.S.C. 9858 et seq.); requirements of that Act that limit what financial assistance shall be expended for; the State plan and State applications requirements specified in section 658E of that Act (42 US.C. 9858c); labor standards under the Fair Labor Standards Act of 1938; or environmental protection. Additional provisions include: in the case of child care assistance funded under section 418 of the Social Security Act (42 US.C. 618), with respect to the requirement under the first sentence of subsection (b)(1) of that section that funds received by a State under that section shall only be used to provide child care assistance; with respect to any requirement that a State pass through to a sub-State entity part of all of an amount paid to the State; if the waiver would waive any funding restriction or limitation provided in an appropriations Act, or would have the effect of transferring appropriated funds from one appropriations account to another; or, except as otherwise provided by statute, if the waiver would waiver any funding restriction applicable to a program authorized under an Act which is not an appropriations Act (but not including program requirements such as application procedures, performance standards, reporting requirements, or eligibility standards), or would have the effect of transferring funds from a program for which there is direct spending (as defined in section 250 (c)(8) of the Balanced Budget and Emergency Deficit Control Act of 1985) to another program. Additionally, The Director of the Office of Management and Budget shall establish a procedure for ensuring that not more than 10 states (including any portion of a state) conduct a demonstration project.

The Committee Bill appropriates $10 million annually for the development of comprehensive indicators of child well-being. The indicators shall include measures related to education; social and emotional development; health and safety; and family well-being, such as family structure, income, employment, child care arrangements, and family relationships. Among the requirements for the indicators is that they be statistically representative at the State level, consistent across states, and over-sampled with respect to low-income children and families. The Secretary is to consult with the Federal Interagency Forum on Child and Family Statistics. It also requires the establishment of an advisory panel, appointed by the Secretary of HHS; the chairman and ranking members of the House Ways and Means and Senate Finance Committees; the Chairman of the National Governors Association; the President of the National Conference of State Legislatures; and the Director of the National Academy of Science.

The Committee Bill authorizes $20 million for each of the FY 2006–2010 for Domestic Violence Prevention Grants. The Committee Bill provides that the Secretary of Health and Human Services shall award grants to eligible entities to enable such entities to carry out domestic violence prevention activities. These activities include: developing and disseminating best practices for addressing

domestic and sexual violence; implementing voluntary skills programs on domestic violence as a barrier to economic security, including providing caseworker training, technical assistance and voluntary services for victims of domestic violence; providing broad-based income support and supplementation strategies that provide increased assistance to low-income working adults, such as housing, transportation, and transitional benefits as a means to reduce domestic violence, or, carrying out programs to enhance relationship skills and financial management skills, teaching individuals how to control aggressive behavior, and to disseminating information on the causes of domestic violence and child abuse.

The Committee Bill appropriates $2 million for FY2006 to fund research on tribal welfare programs and efforts to reduce poverty among Indians.

The Committee Bill requires the Secretary of HHS, in consultation with the Attorney General, to submit a report to Congress on the enforcement of affidavits of support and sponsor deeming required by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (P.L. 104–193). The report is due March 31, 2006.

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.

However, there is much 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, states could explore ways to build truly seamless services and improve the quality of services for families and enhance child well-being.

The domestic violence prevention grants can be used to support activities to reduce incidence of domestic and sexual violence and child abuse.

SECTION 115—STUDY BY THE CENSUS BUREAU

CURRENT LAW

Appropriates $10 million annually 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 2006 through 2010 for the Census Bureau for a new enhancement to the SIPP to allow for an assessment of the outcomes of continued welfare reform on the economic and child well-being of low income families with children.

REASON FOR CHANGE

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

Current law provides $2.7 billion per year for mandatory child care funds. These mandatory funds are combined with discretionary funds under an expanded Child Care and Development Block Grant (CCDBG).

COMMITTEE BILL

The Committee Bill included additional child care funding and three revenue provisions. According to the Congressional Budget Office ("CBO"), the additional child care funding that was added during the Committee's consideration of the bill scores as an increase in outlays of approximately $4.516 billion over the period of 2005–2010 and $4.980 billion over the period of 2005–2015 while the three revenue provisions produce a net change in the baseline of $2.859 billion over the period of 2005–2010 and $5.662 billion over the period of 2005–2015. According to the Joint Committee on Taxation ("JCT"), the three revenue provisions are estimated to increase budget receipts by the following amounts over five and ten years: (1) a modification to the required Social Security number for purposes of the earned income credit ($0 over five and ten years), (2) the uniform definition of a qualifying child ($576 million over five years and $1.253 billion over ten years), and (3) the availability of the refundable child credit to taxpayers excluding income under section 911 of the Internal Revenue Code ($322 million over five years and $440 million over ten years), for an estimated total increase in budget receipts of $898 million over five years and $1.693 billion over ten years. CBO recognizes the modification to the earned income credit relating to Social Security Numbers provision produces a net change in the baseline of $1.654 billion over the period of 2005–2010 and $3.534 billion over the period of 2005–

2015. Because this item is a technical correction of an earlier legislative action, the budget effect of which has already been taken into account in the legislative process, the JCT does not score this change. Since this change is an amendment to the Internal Revenue Code, the JCT position controls for purposes of the Budget Act.

A. Clarification of Earned Income Credit Rule Regarding Taxpayer Identification Numbers

(Sec. 116(d) of the bill and sec. 32 of the Code)

PRESENT LAW

The earned income credit is a refundable tax credit available to certain lower-income individuals. Generally, the amount of an individual's allowable earned income credit is dependent on the individual's earned income, adjusted gross income, and number of qualifying children. Individuals are ineligible for the credit if they do not include on their tax return their taxpayer identification numbers, along with that of their spouse (if married) and of each qualifying child.

If an individual fails to provide the required taxpayer identification number, then the earned income credit is denied. Such omission is treated as a mathematical and clerical error by the Internal Revenue Code, which allows the Internal Revenue Service to use certain expedited assessment and collection procedures.

The rule requiring the inclusion of valid taxpayer identification numbers for purposes of the earned income credit was intended to deny the credit with respect to individuals not authorized to work in the United States. Enacted in the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (the "1996 Act"), the rule was intended to operate by narrowly defining the term "taxpayer identification number" for purposes of the earned income credit to include only social security numbers issued by the Social Security Administration that permit their recipients to work in the United States ("valid-for-work" social security numbers). However, the provision in the 1996 Act included an incorrect reference to the Social Security Act with respect to taxpayer identification numbers.[1] As a result, present law permits certain taxpayers to claim the earned income credit using taxpayer identification numbers that are not valid-for-work social security numbers.

REASON FOR CHANGE

The Committee seeks to correct the earned income credit rules to properly reflect the intent of Congress to allow an earned income credit only to individuals authorized to work in the United States.

[1] Specifically, the 1996 Act permitted the Internal Revenue Service for earned income credit purposes to accept all social security numbers issued by the Social Security Administration except those issued pursuant to clause II (or that portion of clause III that relates to clause II) of section 205(c)(2)(B)(i) of the Social Security Act, which relates to social security numbers issued to applicants for or recipients of benefits from federally financed programs. However, not every social security number issued under other provisions of the Social Security Act constitutes a valid-for-work social security number.

EXPLANATION OF PROVISION

The bill makes a technical correction to revise the cross-reference to the Social Security Act in order to limit qualifying taxpayer identification numbers to valid-for-work social security numbers.

EFFECTIVE DATE

The provision is effective for taxable years beginning after the date of enactment.

B. Deny the Refundable Child Credit When Section 911 Exclusion Is Elected

(Sec. 116(e) of the bill and sec. 24 of the Internal Revenue Code)

PRESENT LAW

Child credit

In general

An individual may claim a $1,000 tax credit for each qualifying child under the age of 17.[2] In general, a child is a qualifying child of a taxpayer for this purpose if the child: (1) has the same principal place of abode as the taxpayer for more than one half the taxable year; (2) has a specified relationship to the taxpayer; and (3) has not provided over one-half of his or her own support. A tie-breaking rule applies if more than one taxpayer claims a child as a qualifying child.

The child tax credit is phased-out for individuals with income over certain thresholds. Specifically, the otherwise allowable child tax credit is reduced by $50 for each $1,000 (or fraction thereof) of modified adjusted gross income over $75,000 for single individuals or heads of households, $110,000 for married individuals filing joint returns, and $55,000 for married individuals filing separate returns. For this purpose, modified adjusted gross income is computed by increasing the individual's adjusted gross income by the amount otherwise excluded from gross income under Internal Revenue Code sections 911, 931, and 933 (relating to the exclusion of income of U.S. citizens or residents living abroad; residents of certain U.S. possessions; and residents of Puerto Rico; respectively). The length of the phase-out range depends on the number of qualifying children. For example, the phase-out range for a single individual with one qualifying child is between $75,000 and $95,000 of modified adjusted gross income. The phase-out range for a single individual with two qualifying children is between $75,000 and $115,000.

The amount of the child tax credit and the phase-out ranges are not adjusted annually for inflation.

Refundability

For 2005, the child credit is refundable to the extent of 15 percent of the taxpayer's earned income in excess of $11,000 (this amount is indexed for inflation). Families with three or more children are allowed a refundable credit for the amount by which the

[2] The credit reverts to $500 in taxable years beginning after December 31, 2010, under the sunset provision of the Economic Growth and Tax Relief Reconciliation Act.

taxpayer's social security taxes exceed the taxpayer's earned income credit, if that amount is greater than the refundable credit based on the taxpayer's earned income in excess of $11,000 (for 2005). The amount by which the refundable portion of the child credit exceeds the taxpayer's Federal income tax liability is payable to the taxpayer as a direct transfer payment. The refundable portion of the child credit does not constitute income and is not treated as resources for purposes of determining eligibility or the amount or nature of benefits or assistance under any Federal program or any State or local program financed with Federal funds.

The definition of "earned income" for purposes of the refundable child credit generally follows that for the earned income credit, which includes (1) wages, salaries, tips and other employee compensation to the extent includible in gross income, plus (2) net earnings from self-employment. Earned income must be taken into account in computing taxable income in order to be considered earned income for calculating the refundable child credit.

Earned income credit

In general

Low and moderate-income workers may be eligible for the refundable earned income credit ("EIC"). Eligibility for the EIC is based on earned income, adjusted gross income, investment income, filing status, and immigration and work status in the United States. The amount of the EIC is based on the presence and number of qualifying children in the worker's family, as well as on adjusted gross income and earned income.

The earned income credit generally equals a specified percentage of earned income up to a maximum dollar amount. Earned income that is not included in gross income is not considered earned income for purposes of determining the earned income credit. The maximum amount applies over a certain income range and then diminishes to zero over a specified phaseout range. For taxpayers with earned income (or adjusted gross income ("AGI"), if greater) in excess of the beginning of the phaseout range, the maximum EIC amount is reduced by the phaseout rate multiplied by the amount of earned income (or AGI, if greater) in excess of the beginning of the phaseout range. For taxpayers with earned income (or AGI, if greater) in excess of the end of the phaseout range, no credit is allowed.

The EIC is a refundable credit, meaning that if the amount of the credit exceeds the taxpayer's Federal income tax liability, the excess is payable to the taxpayer as a direct transfer payment.

Interaction of EIC and section 911

An individual electing to exclude foreign earned income under the provisions of section 911 of the Internal Revenue Code is not eligible for the EIC.

Foreign earned income and housing cost exclusion (section 911)

U.S. citizens generally are subject to U.S. income tax on all their income, whether derived in the United States or elsewhere. U.S. citizens living abroad may be eligible to elect to exclude from their income for U.S. tax purposes certain foreign earned income and for-

eign housing costs, in which case no residual U.S. tax is imposed to the extent of such exclusion.

The maximum exclusion amount for foreign earned income is $80,000 per taxable year for 2005–2007. For taxable years beginning after 2007, the maximum foreign earned income exclusion amount is indexed for inflation. The amount of the employer-provided housing exclusion is equal to the excess of the taxpayer's "housing expenses" over a base housing amount. The term "housing expenses" means the reasonable expenses paid or incurred during the taxable year with respect to the taxpayer's housing in the foreign country. In the case of housing costs that are not paid or reimbursed by the taxpayer's employer, the amount that would be excludible is treated instead as a deduction. The combined foreign earned income exclusion and housing cost exclusion may not exceed the taxpayer's total foreign earned income for the taxable year.

In order to qualify for the exclusions for foreign earned income and housing costs, an individual must be either: (1) a U.S. citizen who is a bona fide resident of a foreign country for an uninterrupted period that includes an entire taxable year, or (2) a U.S. citizen or resident present overseas for 330 days out of any 12-consecutive-month period. In addition, the taxpayer must have his or her tax home in a foreign country.

REASONS FOR CHANGE

The child credit is generally intended to be refundable only to working families of sufficiently low economic income. Under present law, however, because refundability is a function of only that portion of earned income that is taken into account in computing taxable income, taxpayers working abroad and claiming an exclusion under section 911 are generally potentially eligible for a refundable child credit only if their income is sufficiently high. For example, a married taxpayer with two qualifying children who works abroad and earns $100,000, of which $80,000 is excluded under section 911, would be eligible for a refundable child credit of $1,350. This occurs because after the section 911 exclusion of $80,000, the taxpayer's gross income is only $20,000, $9,000 of which exceeds the refundable child credit earned income threshold of $11,000 for 2005 (15 percent of $9,000 equals the $1,350 refundable credit). In contrast, a taxpayer with $20,000 less income, or $80,000, all of which is excluded under section 911, would not be eligible for any refundable child credit because the taxpayer's gross income would be zero after the section 911 exclusion is taken into account. Thus, the first taxpayer with more income could receive up to a $1,350 transfer payment from the government whereas the second taxpayer could not receive any transfer payment at all.

Under present law, the EIC is denied to taxpayers who claim benefits under section 911 of the Internal Revenue Code. In general, this rule ensures that the EIC is granted only to low and moderate income taxpayers, the intended beneficiaries of the EIC. For the same reason, refundability of the child credit, which is intended to benefit lower-income taxpayers, should not be available to taxpayers who claim benefits under section 911. The committee observes that the Joint Committee on Taxation staff has recommended that taxpayers be ineligible for refundability of the child

credit if they claim benefits under section 911 of the Internal Revenue Code.[3]

EXPLANATION OF PROVISION

The bill denies the refundable portion of the child credit to anyone claiming benefits under section 911 of the Internal Revenue Code.

EFFECTIVE DATE

The provision is effective with respect to taxable years beginning after the date of enactment.

C. Clarify Eligibility of Siblings and Other Family Members for Child Related Tax Benefits

(Sec. 116(f) of the bill and secs. 24 and 32 of the Code)

PRESENT LAW

Uniform definition of qualifying child

In general

The Working Families Tax Relief Act of 2004 generally established a uniform definition of qualifying child for purposes of the dependency exemption, the child credit, the earned income credit, the dependent care credit, and head of household filing status.

Under the uniform definition, in general, a child is a qualifying child of a taxpayer if the child satisfies each of three tests: (1) the child has the same principal place of abode as the taxpayer for more than one half the taxable year; (2) the child has a specified relationship to the taxpayer; and (3) the child has not yet attained a specified age. A tie-breaking rule applies if more than one taxpayer claims a child as a qualifying child.

Tie-breaking rules

If a child would be a qualifying child with respect to more than one individual (e.g., a child lives with his or her mother and grandmother in the same residence) and more than one person claims a benefit with respect to that child, then the following "tie-breaking" rules apply. First, if only one of the individuals claiming the child as a qualifying child is the child's parent, the child is deemed the qualifying child of the parent. Second, if both parents claim the child and the parents do not file a joint return, then the child is deemed a qualifying child first with respect to the parent with whom the child resides for the longest period of time, and second with respect to the parent with the highest adjusted gross income. Third, if the child's parents do not claim the child, then the child is deemed a qualifying child with respect to the claimant with the highest adjusted gross income.

Earned income credit

The earned income credit is a refundable tax credit available to certain lower-income individuals. Generally, the amount of an indi-

[3] See Joint Committee on Taxation, Options to Improve Tax Compliance and Reform Tax Expenditures (JCS–02–05), January 27, 2005, at 47.

vidual's allowable earned income credit is dependent on the individual's earned income, adjusted gross income, and the number of qualifying children.

An individual who is a qualifying child of another individual is not eligible to claim the earned income credit. Thus, in certain cases, a taxpayer caring for a sibling in a home with no parents is ineligible to claim the earned income credit based solely on the fact that the taxpayer is a qualifying child of the sibling (assuming the taxpayer meets the age, relationship and residency tests).

REASONS FOR CHANGE

Present law provides tax planning opportunities for certain more affluent families with respect to the child-related tax benefits while denying the earned income credit to certain lower income siblings. The committee seeks to limit the tax planning opportunities while restoring eligibility for the earned income credit to certain lower-income siblings. The committee also seeks to make certain technical corrections to the uniform definition of qualifying child.

As an example of the present-law tax planning opportunities the committee seeks to eliminate, where more than one taxpayer within a family can claim a qualifying child for certain tax benefits (e.g. in certain multi-generational families), the members of the family may arrange to maximize their tax benefits. Thus, if a grandparent, parent, and child share the same household, under present law the grandparent and parent can decide which of them should claim the qualifying child in order to maximize tax benefits. If the parent earns $60,000 a year and the grandparent $20,000, it may be more advantageous for the grandparent to claim the qualifying child in order to receive the earned income credit, for which the parent is ineligible due to his level of earnings.

Similarly, it may be possible in certain circumstances, and financially advantageous for a family as a whole, for parents to forgo claiming a child as a qualifying child so that an older child or other family member living at home may claim such child as a qualifying child. This would be most advantageous in circumstances in which the parents have income above the phaseout limits for the child credit or where the older sibling or other family member becomes eligible for the earned income credit by claiming the child as a qualifying child. The committee seeks to eliminate both of these planning opportunities by narrowing the uniform definition of qualifying child to limit the ability of a non-parent to claim an individual as a qualifying child when the individual lives with his or her parents for over half the year.

Regarding lower income siblings, present law limits the availability of the earned income credit where two or more siblings meet the uniform definition of qualifying child with respect to each other. For example, assume that a 20-year-old woman works 30 hours a week earning minimum wage while attending school full time. Her parents are dead, and she lives with her 15-year-old brother, for whom she acts as legal guardian. Under these facts, while the woman's younger brother is her qualifying child, she is also her younger brother's qualifying child. Thus, under present law, the woman is not eligible for the earned income credit. The committee seeks to restore eligibility for the earned income credit under this and similar circumstances.

EXPLANATION OF PROVISION

Uniform definition of qualifying child

Under the bill, if an individual satisfies the qualifying child test with respect to one or more parents then generally no other taxpayer may claim the child as a qualifying child. An exception is provided if: (1) no eligible parent claims the individual as a qualifying child; and (2) the taxpayer has a higher adjusted gross income than any of the eligible parents.

The bill retains the following present-law tie-breaker rules when a child is a qualifying child with respect to more than one individual and more than one individual claims a benefit with respect to that child:

First, if only one of the individuals claiming the child as a qualifying child is the child's parent, the child is deemed the qualifying child of the parent.

Second, if both parents claim the child and the parents do not file a joint return, then the child is deemed a qualifying child first with respect to the parent with whom the child resides for the longest period of time, and second with respect to the parent with the highest adjusted gross income.

Earned income credit

The bill expands eligibility for the earned income credit by modifying the rule that prohibits anyone who is a qualifying child of another individual from claiming the earned income credit. The bill provides that, with respect to two or more siblings[4] who are qualifying children with respect to each other, the sibling with the highest adjusted gross income may claim the earned income credit if otherwise eligible.

Technical corrections to the uniform definition of qualifying child

The bill makes conforming amendments, consistent with those enacted with respect to various other provisions, for purposes of health savings accounts, the dependent care credit, and the dependent care assistance programs. Under these conforming amendments, an individual may qualify as a dependent for these limited purposes without regard to whether the individual has gross income that exceeds an otherwise applicable gross income limitation or is married and files a joint return. In addition, such an individual who is treated as a dependent under these conforming amendments is not subject to the general rule that a dependent of a taxpayer shall be treated as having no dependents for the taxable year of such individual beginning in such taxable year.

EFFECTIVE DATES

The provision generally is effective for taxable years beginning after December 31, 2004. The technical corrections to the uniform definition of qualifying child are effective as if included in the provisions of the Working Families Tax Relief Act of 2004 to which they relate.

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[4] For these purposes, the term "siblings" includes brothers, sisters, stepbrothers and stepsisters.

REASON FOR CHANGE

The need for additional child care resources to assist families.

SECTION 117—DEFINITIONS AND GENERAL PROVISIONS

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 places in statute a modified version of the current regulatory definition of assistance. The current definition is modified to exclude child care and transportation aid for families without a worker (making all child care and transportation aid "nonassistance").

The Committee Bill also limits to recipients of TANF assistance the application of requirements that the state participate in the Income Eligibility and Verification system (IEVS). That is, the state need not participate in IEVS for families receiving only TANF-funded benefits and services.

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 (1) appropriates $20 million for a grant program for up to 10 eligible states to conduct demonstration programs; (2) appropriates $30 million for grants for eligible entities to conduct demonstration programs; (3) authorizes $5 million for a nationally recognized nonprofit fatherhood promotion organi-

zation to develop and promote a responsible fatherhood media campaign; (4) authorizes a $20 million block grant for states to conduct responsible fatherhood media campaigns; and (5) authorizes $1 million for a nationally recognized nonprofit research and education fatherhood organization to establish a national resource center for responsible fatherhood.

Grants to States To Conduct Demonstration Programs

The Committee Bill appropriates $20 million per year for the HHS Secretary 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 appropriates $20 million for each of the fiscal years 2006 through 2010 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 appropriates $30 million per year for FY2006 through FY2010 for the HHS Secretary 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 public agency, community-based or nonprofit organization, or private entity, including any charitable or faith-based organization, an Indian tribe or a tribal 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 percent 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 appropriates $30 million for each of the fiscal years 2006 through 2010 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 clearinghouse that are developed with grant funds with national, state, or local domestic violence programs.

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 2006 through 2010 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 2006 through 2010.

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 media campaigns conducted using the allotted grant funds and to 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 2006 through 2010. 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, 2008. The Committee Bill authorizes a $1 million appropriation for

FY2006 to conduct the evaluation (the evaluation funding is to remain available until expended).

National Resource Center for Responsible Fatherhood

The Committee Bill authorizes an appropriation of $1 million for the HHS Secretary to contract with a nationally recognized, nonprofit research and education fatherhood organization to (1) provide technical assistance and training to public and private agencies and grass roots organizations that promote responsible fatherhood and healthy marriage; and (2) develop a clearinghouse of resource materials to assist community-based organizations in developing local responsible fatherhood programs, with an emphasis on training and outcome evaluation.

The nationally recognized nonprofit research and education fatherhood organization must have at least 12 years of experience in (1) developing and distributing research-based curriculum that promotes responsible fatherhood and healthy marriage with an emphasis on low-income and noncustodial fathers; (2) providing consultation and training to community-based organizations with a track record of working with social service, government, and faith-based organizations; and (3) providing direct training to fathers, father figures, and mothers using research-based curriculum in a variety of economic, cultural and family situations.

The Committee Bill authorizes the HHS Secretary to provide $1 million for a national resource center for responsible fatherhood for each of the fiscal years 2006 through 2010.

Nondiscrimination Clause

The Committee Bill requires that the responsible fatherhood programs and activities be made available to all fathers and expectant fathers, including married and unmarried fathers and custodial and non-custodial fathers, with a special focus on low-income fathers, on the same basis; and that mothers and expectant mothers be able to participate in such programs and activities on the same basis as the fathers.

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 percent 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

Social Services Capitalization Grants

CURRENT LAW

No provision.

COMMITTEE BILL

The Committee Bill authorizes $40 million for each of FYs 2006–2010 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.

REASON FOR CHANGE

The provision would support efforts to develop the role of self-sustainable social services which are critical in the success of moving welfare recipients into work.

Transportation Ownership Demonstration Grants

CURRENT LAW

No provision.

COMMITTEE BILL

The Committee Bill authorizes $25 million for each of FYs 2006–FY2010 for grants for low-income car ownership. The purposes are to improve employment opportunities for 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 percent could be used for administrative costs of the Secretary in carrying out this program.

REASON FOR CHANGE

State TANF agencies cite a lack of reliable transportation as a major barrier to employment. This demonstration will promote innovative approaches to solving this problem. Certain State agencies and non-profit organizations have begun experimenting with car donation programs, in which donated vehicles are refurbished and ownership is transferred to families on TANF demonstrating need. Outcome studies have shown that beneficiaries reduce dependence on public cash-assistance by as much as 70 percent. The demonstration provides funds to encourage further study and dissemination of this promising approach to moving families to independence.

Transitional Jobs/Business Links Grants

CURRENT LAW

No provision.

COMMITTEE BILL

The Committee Bill authorizes $200 million per year for FY2006 through FY2010 for business links and transitional jobs programs. Grants are to be jointly awarded by the Secretaries of HHS and Labor to fund programs:

(1) to promote "business linkages." These are programs designed to improve the wages of eligible individuals by improving jobs skills in partnership with employers and providing supports and services at or near the worksite. Eligible grantees are private organizations, local workforce investment boards, States, localities, Indian tribes, tribal organizations and employers. Individuals eligible to be served by these programs are TANF recipients, former recipients, individuals with a disability, or noncustodial parents having difficulty in paying child support obligations who also have limited proficiency in the English language or other barriers to employment.

(2) for "transitional jobs." These programs combine subsidized, time-limited, wage-paying supported work in the public or nonprofit sectors with skill development and activities to remove barriers to employment. Eligible grantees are private organizations, local workforce investment boards, States, localities, Indian tribes, and tribal organizations. Individuals eligible to be served by these programs are TANF recipients, former recipients, individuals with a disability, or noncustodial parents having difficulty in paying child support obligations who also have limited proficiency in the English language or other barriers to employment.

The Committee Bill requires a minimum of 40 percent of funds appropriated be used for businesses linkages and also a minimum of 40 percent be used for transitional jobs. Benefits and services provided under these programs are not considered assistance. The Committee Bill also requires an assessment by HHS and DoL of them, and sets aside $3 million per year for that assessment. The Committee Bill provides an additional set-aside of 1.5 percent for evaluation.

REASON FOR CHANGE

Transitional jobs programs have been done in some States and have proven to be effective work-based programs where other programs have failed. By combining wage-paying subsidized jobs that combine real work, skill development and support services, these programs provide participants with the opportunity for skill development that has long-term impacts. Research shows that completers of transitional jobs program have high success rates in the labor market—an 81–94 percent employment rate for program completers. Partnership programs funded during the first round on welfare reform were successful in placing TANF parents with major employers ranging from airlines to regional and national retailers. This authorization is a targeted authorization to provide in-

centive to place TANF parents in jobs where they will stay off welfare rolls.

Nondisplacement of Regular Employees

CURRENT LAW

Under TANF law, a recipient may fill a vacant employment position. However, no adult in a work activity that is funded in whole or in part by Federal funds may be employed or assigned when another person is on layoff from the same or any substantially equivalent job, or if the employer has ended the employment of any regular employee or otherwise caused an involuntary reduction in its workforce in order to fill a vacancy with a TANF recipient. These provisions do not preempt any provision of State or local law that provides greater protection against displacement. States are required to have a grievance procedure to resolve complaints of displacement of permanent employees.

COMMITTEE BILL

The Committee Bill replaces the current nondisplacement provisions of TANF law. It provides that an adult recipient cannot displace any employee or position (including partial displacement), fill any unfilled vacancy, or perform work when any individual is on layoff from the same job or substantially equivalent job. TANF work activities cannot impair existing contracts or services; be inconsistent with any law, regulation, collective bargaining agreement; or infringe on the recall rights or promotional opportunities of any worker. TANF work activities must be in addition to any activity that would otherwise be available and not supplant the hiring of a non-TANF worker.

The Committee Bill also requires states to have a grievance procedure for resolving complaints, including the opportunity for a hearing, and sets time standards for the process. It provides remedies for a violation of the non-displacement provisions, including termination and suspension of payments, prohibition on placement of the participant, reinstatement of the employee, or other relief to make the aggrieved employee whole. These provisions do not preempt or supercede any State or local law that provides greater protection.

REASON FOR CHANGE

The Committee Bill improves protections against displacement and strengthens the grievance procedure.

Teen Pregnancy Prevention Resource Center

CURRENT LAW

No provision.

COMMITTEE BILL

The Committee Bill appropriates $5 million for FY2006 (to be available through FY2010) for the Secretary of HHS to award a grant to a nationally recognized, nonpartisan, nonprofit organization (that meets stipulated requirements) to establish and operate a national teen pregnancy prevention resource center. The purpose

of the resource center is to improve the well-being of children and families and encourage young people to delay pregnancy until marriage. The resource center will provide information and technical assistance to States, Indian tribes, local communities, and other private or public organizations seeking to reduce rates of teen pregnancy; support parents in their role in preventing teen pregnancy; and assist the entertainment media industry by encouraging them to develop content and messages for teens and adults that can help prevent teen pregnancy. The activities of the resource center are: synthesizing and disseminating research and information regarding effective and promising practices, and providing information on how to design and implement effective strategies to prevent teen pregnancy; providing information and reaching out to diverse populations, with particular attention to populations with the highest rates of teen pregnancy; helping States, local communities, and other organizations increase their knowledge of existing resources and build capacity to advance teen pregnancy prevention efforts; raising awareness of the importance of increasing the proportion of children born to, and raised in, healthy, adult marriages; linking organizations working to reduce teen pregnancy with experts and peer groups, including the creation of technical assistance networks; providing consultation and resources to teachers, coaches, mentors and other adults on how to reduce teen pregnancies through a broad array of strategies; assisting organizations seeking to reduce teen pregnancies to communicate effective messages with a variety of audiences; providing resources for parents and other adults; and working with individuals and organizations in the entertainment industry.

REASON FOR CHANGE

The Committee recognizes the significant declines in reducing teen pregnancy over the past decade. However, teen pregnancy remains a serious problem with one-third of girls in the U.S. still getting pregnant at least once by age 20. Making additional progress on this issue is closely linked to the goals of welfare reform. Consequently, the Committee appropriates funds for a national teen pregnancy prevention resource center to provide technical assistance to state, tribal, local, community and faith-based organizations seeking to reduce rates of teen pregnancy, support parents by equipping them with information and resources to promote and strengthen communication with their children, and assist the entertainment media industry to develop messages that can help prevent teen pregnancy.

SECTION 120—TECHNICAL CORRECTIONS

COMMITTEE BILL

The Committee bill makes a number of corrections to punctuation, grammar, and legal references in the law.

TITLE II—ABSTINENCE EDUCATION

SECTION 201—EXTENSION OF ABSTINENCE EDUCATION PROGRAM

CURRENT LAW

The law appropriated $50 million annually for each of the fiscal years 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 has been extended through March 31, 2005 by continuing appropriations extension measures. Funds must be requested by states when they apply for Maternal and Child Health (MCH) 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 extends the $50 million annually appropriation for the abstinence education block grant program for each of the fiscal years 2006–2010. The Committee Bill continues funding for the program through September 30, 2005 in the same manner authorized for fiscal year 2004. The Committee Bill bases a state's funding allotment on the proportion of low-income children in the state compared to the total number of low-income children in the states that apply for abstinence education block grants. Also (beginning with fiscal year 2006), the Committee Bill permits the HHS Secretary to reallocate abstinence education funds that he or she deems unnecessary to carry out a state's program to other states that the Secretary determines need additional funding to carry out their abstinence education block grant programs.

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 COLLECT BY STATE 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 pre-assistance 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 before 2003. 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 that receive TANF benefits, 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 exist. 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 to 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 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, 2009, 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 18 months after the date of enactment of the bill but not later than September 30, 2009.

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, 2007.

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—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, 2006.

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 305—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, 2007.

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 306—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. The Committee Bill prohibits the garnishment of any veteran's disability compensation in order to collect alimony, unless that disability compensation is being paid because retirement benefits were waived. The provision would take effect on October 1, 2007.

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 307—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 (*except SSI*) 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. Moreover, it specifically overrules section 207 of the Social Security Act 52 which states that Social Security benefits are not transferable by garnishment. The provision would take effect on a date that is 18 months after the date of enactment.

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 308—MAINTENANCE OF TECHNICAL ASSISTANCE FUNDING

CURRENT LAW

Federal law authorizes the HHS Secretary to use 1 percent 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 percent 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 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.

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 309—MAINTENANCE OF FEDERAL PARENT LOCATOR SERVICE FUNDING

CURRENT LAW

Federal law authorizes the HHS Secretary to use 2 percent 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 percent 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 310—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 311—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.

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 312—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 Revenue 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 resi-

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

SECTION 313—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 314—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 315—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) 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 316—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 317—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 court has 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 318—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 FY2006, $14 million in FY2007, $16 million in FY2008, and $20 million annually in FY2009 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 FY2006; $600,000 for FY2007; $800,000 for FY2008; and $1.670 million for FY2009 or any succeeding fiscal year.

The Committee Bill increases the minimum allotment to states to $120,000 in FY2006, $140,000 in FY2007, $160,000 in FY2008,

and $180,000 in FY2009 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 FY2006; $600,000 for FY2007; $800,000 for FY2008; and $1.670 million for FY2009 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 319—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 in which the sanction is imposed 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. The Committee Bill also makes a special exception for noncompliances

that occur in fiscal year 2001. If the HHS Secretary finds that the state has corrected such a noncompliance in fiscal year 2002 or fiscal year 2003, then the penalty is forgiven and no sanction is levied against the state for that noncompliance.

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

SECTION 320—REQUIREMENT THAT STATE CHILD SUPPORT ENFORCEMENT AGENCIES SEEK MEDICAL SUPPORT FOR CHILDREN FROM EITHER PARENT

CURRENT LAW

Federal law requires that a state CSE agency issue a notice to the employer of a noncustodial parent, who is subject to a child support order issued by a court or administrative agency, informing the employer of the parent's obligation to provide health care coverage for the child(ren). The employer must then determine whether family health care coverage is available for which the dependent child(ren) may be eligible, and if so, the employer must notify the plan administrator of each plan covered by the National Medical Support Notice. If the dependent child(ren) is eligible for coverage under a plan, the plan administrator is required to enroll the dependent child(ren) in an appropriate plan. The plan administrator also must notify the noncustodial parent's employer of the premium amount to be withheld from the employee's paycheck.

COMMITTEE BILL

The Committee Bill requires that medical support for a child be provided by either or both parents and that it must be enforced. The Committee Bill includes language that authorizes the state CSE agency to enforce medical support against a custodial parent whenever health care coverage is available to the custodial parent at reasonable cost. It stipulates that medical support may include health care coverage (including payment of costs of premiums, copayments, and deductibles) and payment of medical expenses incurred on behalf of a child.

REASON FOR CHANGE

To improve enforcement of medical support.

SECTION 321—NOTICE TO STATE CHILD SUPPORT ENFORCEMENT AGENCY FROM HEALTH CARE PLAN ADMINISTRATOR UNDER CERTAIN CIRCUMSTANCE WHEN A CHILD LOSES HEALTH CARE COVERAGE

CURRENT LAW

Federal law requires the health care plan administrator to notify qualified beneficiaries of their beneficiary rights with regard to health care coverage when or if one of the following events occurs:

(1) the noncustodial parent with the health care coverage dies; (2) the noncustodial parent with the health care coverage loses his or her job or starts working fewer hours; (3) the noncustodial parent with the health care coverage becomes eligible for Medicaid benefits; (4) the noncustodial parent with the health care coverage becomes involved in a bankruptcy proceeding pertaining to his or her former employer; (5) the noncustodial parent with the health care coverage gets divorced or obtains a legal separation; or (6) the child of the noncustodial parent with the health care coverage ceases to be a dependent child. (With respect to (5) and (6), the noncustodial parent (i.e., the covered employee) is required to notify the health care plan administrator of such an event.)

COMMITTEE BILL

The Committee Bill requires the health care plan administrator to notify the state CSE agency if the noncustodial parent with the health care coverage dies, loses his or her job or is working fewer hours, becomes eligible for Medicaid benefits, or is involved in a bankruptcy proceeding pertaining to the noncustodial parent's former employer. In addition, the Committee Bill requires the health care plan administrator to notify the state CSE agency if the noncustodial parent with the health care coverage gets divorced or obtains a legal separation, or if the noncustodial parent's child ceases to be a dependent child (in cases where the noncustodial parent has notified the plan administrator of such an occurrence).

REASON FOR CHANGE

To improve notification of a state CSE agency.

SECTION 322—AUTHORITY TO CONTINUE STATE PROGRAM FOR MONITORING AND ENFORCEMENT OF CHILD SUPPORT ORDERS

CURRENT LAW

Federal law stipulates that the following families automatically qualify for Child Support Enforcement (CSE) services: families receiving Temporary Assistance to Needy Families (TANF) benefits (Title IV–A), foster care payments (Title IV–E), Medicaid coverage (Title XIX), or food stamps (if cooperation is required by the state). Other families (i.e., nonwelfare families) must apply for CSE services. The state of Texas currently has a waiver of the requirement for a written application for CSE services for nonwelfare families (Section 1115 of the Social Security Act). In participating counties, these nonwelfare families are automatically a part of the CSE caseload. Texas' five-year waiver is scheduled to expire in 2006.

COMMITTEE BILL

The Committee Bill allows the state of Texas to continue to operate its CSE program for monitoring and enforcement of court orders on behalf of a nonwelfare families without applying for a federal waiver. Currently the state of Texas does not require these families to apply for CSE services.

REASON FOR CHANGE

To continue the improvements to CSE in the state of Texas.

SECTION 323—TECHNICAL AMENDMENT RELATING TO INFORMATION COMPARISONS AND DISCLOSURE TO ASSIST IN FEDERAL DEBT COLLECTION

CURRENT LAW

P.L. 108–447, the Consolidated Appropriations Act of 2005, added provisions related to the comparison of data from the Secretary of the Treasury with data in the National Directory of New Hires for the purpose of collecting nontax debt owed to the federal government.

COMMITTEE BILL

The Committee Bill makes technical changes to the Consolidated Appropriations Act of 2005 with respect to references to Title IV–D provisions related to information comparisons and other disclosures.

TITLE IV—CHILD WELFARE

SECTION 401—EXTENSION OF AUTHORITY TO APPROVE DEMONSTRATION PROJECTS

CURRENT LAW

Permits the HHS Secretary to approve waivers (state 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 through March, 31, 2005.

COMMITTEE BILL

Extends this authority through FY2010.

SECTION 402—REMOVAL OF COMMONWEALTH OF PUERTO RICO IV–E FUNDS FROM LIMITATION ON PAYMENTS

CURRENT LAW

Provides that, with the exception of certain bonus, loan and evaluation funding under Title IV–A, the total amount of funds Puerto Rico may receive under Title IV–A (TANF), Title IV–E (Foster Care, Adoption Assistance, Adoption Incentives, and independent living programs), and several other Titles (providing assistance to aged, disabled and blind) may not exceed a certain sum specified in the law.

COMMITTEE BILL

The Committee Bill would exempt Title IV–E funding from this cap but never more than $6,250,000 in a given fiscal year and only if the amount of the Title IV–E funds claimed in the given year exceed funding for the same purposes in a given previous year. It also would provide the adoption incentive bonuses would not count against a territories' overall cap.

REASON FOR CHANGE

To provide Puerto Rico flexibility in their Title IV–E program.

SECTION 403—AUTHORITY OF INDIAN TRIBES TO RECEIVE FEDERAL FUNDS FOR FOSTER CARE AND ADOPTION ASSISTANCE

CURRENT LAW

Title IV–E foster care and adoption assistance programs may be operated by "states," which are defined as each of the 50 United States, the District of Columbia, Puerto Rico, the Virgin Islands, Guam, and American Samoa. These plans must be in effect in all political subdivisions of the state and standards established for approving foster care homes must be "reasonably" in accord with recommended standards of national organizations concerned with foster care placement. States are reimbursed for foster care maintenance and adoption assistance payments made on behalf of eligible children at the applicable federal medical assistance percentage (ranging from 50 percent–83 percent); this percentage is based on the state's per capita income. Administrative expenditures related to serving children eligible for federally reimbursed maintenance payments and adoption assistance are generally at 50 percent, with 75 percent reimbursement for certain training costs.

States that operate a foster care program must make foster care maintenance payments on behalf of eligible children removed from their homes if the child's placement and care are the responsibility of the state child welfare agency or the responsibility of another public agency with whom the state child welfare agency has a currently effective agreement.

COMMITTEE BILL

The bill allows, beginning in FY 2006, an Indian tribe or intertribal consortium to operate Title IV–E foster care and adoption assistance programs under the same provisions as those applying to states (with certain specified exceptions). Tribal plans will be allowed to define service areas where a plan is in effect and to grant approval of foster homes based on tribal standards that ensure the safety of, and accountability for, children placed in foster care. To establish the applicable federal reimbursement rate for eligible foster care maintenance and adoption assistance payments made under a tribal plan, the HHS Secretary is required to determine a tribe's federal medical assistance percentage based on the per capita income of the service population defined in the Title IV–E tribal plan.

The bill also permits an Indian tribe or intertribal consortium and a state to enter into a cooperative agreement for administering or paying funds under Title IV–E. Any cooperative agreement in effect prior to the enactment of this law remains in effect unless either party to the agreement chooses to revoke or modify the agreement, according to the terms of that agreement.

The bill requires a state to make foster care payments on behalf of an eligible child whose placement and care is the responsibility of an Indian tribe or intertribal consortium if that tribe or consortium is not operating its own Title IV–E foster care program and it has a cooperative agreement with the state or it has submitted to the HHS Secretary a description of the arrangements made between the tribe or consortium and state for provision of child welfare services and protections required under Title IV–E.

The HHS Secretary is required to issue regulations to carry out provisions related to the tribal IV–E plan within 1 year after enactment. Current TANF provisions concerning eligible entities in Alaska are applied for this program.

REASON FOR CHANGE

Currently, tribes are able to operate child welfare programs and remain ineligible for direct federal funding to do so. The provisions in the Committee Bill provide tribes with direct access to IV–E funding and opportunities to create culturally relative foster care programs while respecting the importance of sovereignty.

SECTION 404—TECHNICAL CORRECTIONS

CURRENT LAW

Provides that the HHS Secretary may not waive compliance with certain provisions under Title IV–B and IV–E, including those provisions under "Section 422(b)(9)".

COMMITTEE BILL

Changes this reference to Section 422(b)(10). This technical correction is necessary because the cited language was renumbered in 1997 (P.L. 105–33) without the necessary conforming amendment to this section.

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 25 percent of determinations made in FY2006 and 50 percent in FY2007 or thereafter.

REASON FOR CHANGE

Supplemental Security Income (SSI) is designed to help aged, blind and disabled. The Committee finds that it helps people who have little or no income; and it provides cash to meet basic needs for food, clothing and shelter. SSI should be for those who qualify; not those who are ineligible.

SECTION 502—TEMPORARY EXPANSION OF LENGTH OF TIME-LIMITED ELIGIBILITY FOR QUALIFIED ALIENS FOR SUPPLEMENTAL SECURITY INCOME BENEFITS

CURRENT LAW

Asylees and refugees (as well as Cuban/Haitian entrants, certain aliens whose deportation/removal is being withheld for humanitarian reasons, and Vietnam-born Amerasians fathered by U.S. citizens) are eligible for SSI for 7 years after entry/grant of such status. Under current law, such aliens are ineligible after 7 years unless they become naturalized citizens.

COMMITTEE BILL

The Committee Bill extends the period of SSI eligibility for 7 to 9 years for the period beginning with the date of enactment through September 30, 2008.

REASON FOR CHANGE

The Committee Bill recognizes that some elderly and disabled refugees have been unable to obtain U.S. citizenship within 7 years due to a combination of processing delay, and, for asylees statutory caps on the number who can become permanent residents each year.

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 through March 31, 2005. (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 provides for the extension and simplification of the Transitional Medical Assistance Program (TMA). The Committee Bill provides for the option of continuous eligibility for 12 months and the option of continuing coverage for up to an additional year. The Committee Bill provides for a state option to waive receipt of Medicaid for 3 of previous 6 months to qualify for TMA. The Committee Bill provides for additional provisions dealing with the collection and reporting of information, coordination and other improvements.

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.

TITLE VII—EFFECTIVE DATE

CURRENT LAW

Funding for TANF, mandatory child care, and abstinence education, along with the authority for Transitional Medicaid, expire on March 31, 2005.

COMMITTEE BILL

Funding for TANF, mandatory child care, and abstinence education, along with the authority for Transitional Medicaid, is extended on current terms through September 30, 2005, except where explicitly provided for by this act. FY2005 funding for the High Performance Bonus is eliminated.

Unless otherwise specified, provisions take effect on October 1, 2005. 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. VOTES OF THE COMMITTEE

In compliance with paragraph 7(b) of Rule XXVI of the Standing Rules of the Senate, the following statements are made concerning the rollcall votes of the Committee's consideration of the bill.

Motion To Report the Bill

The bill was ordered favorably reported by voice vote on March 9, 2005. A quorum was present. No amendments were voted on.

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 BUSINESS

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.

V. BUDGET EFFECTS

MARCH 25, 2005.

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 S. 667, 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 Molly Dahl (for the private-sector impact).

Sincerely,

DOUGLAS HOLTZ-EAKIN.

Enclosure.

S. 667—Personal Responsibility and Individual Development for Everyone Act

Summary: S. 667, the Personal Responsibility and Individual Development for Everyone (PRIDE) Act 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);
- Increase funding for child care programs and the Social Services Block Grant (SSBG), and continue funding abstinence education programs at $50 million annually;
- Make several changes to eligibility rules relating to the earned income credit and various child-related tax benefits.
- Make several changes to the child support enforcement program, including allowing the distribution to families of more collections from child support payments;
- Increase funding for the foster care program for Puerto Rico and for Indian tribes;
- Require the Social Security Administration (SSA) to change its system of reviewing awards to certain disabled adults in the Supplemental Security Income (SSI) program and extend the eligibility of certain refugees for benefits in the SSI program; and
- 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.

S. 667 would extend the TANF and child care programs through 2010. Those programs are scheduled to expire on June 30, 2005. Continuing the programs at their current funding levels would provide $88 billion for TANF and $14 billion for child care over the 2005–2010 period. However, CBO already assumes that level of funding in its baseline for those programs, as specified in section 257 of the Balanced Budget and Emergency Deficit Control Act of

1985 (Deficit Control Act). Therefore the bill's extension of those programs would have no cost relative to CBO's baseline.

CBO estimates that other provisions of S. 667 would increase direct spending by $45 million in 2005, by $10.8 billion over the 2005–2010 period, and by $11.5 billion over the 2005–2015 period, relative to CBO's baseline projections. It also would increase revenues by $606 million over the 2005–2010 period and by $1.2 billion over the 2005–2015 period.

S. 667 also would authorize appropriations for new grant programs and for the administration of new functions in the SSI program. CBO estimates that appropriation of the authorized levels would result in outlays of $41 million in 2006, $1.2 billion over the 2006–2010 period, and $1.7 billion over the 2006–2015 period.

S. 667 would impose intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) by preempting state laws and by reducing the amount of child support collections that states could retain. The preemptions would impose no significant costs on state governments. The reduction in the amount of child support collections that states retain would be a mandate, and its cost would depend on the degree to which states could alter responsibilities within their child support enforcement programs to make up for that reduction. In total, states would face costs ranging from $50 million to $60 million per year from 2010 through 2015. The increased costs from all mandates in the bill would be below the threshold established in UMRA ($62 million in 2005, adjusted annually for inflation).

Other provisions of the bill 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 TANF grants, the creation of new grant programs, and broader flexibility and options in some areas.

The bill contains a private-sector mandate as defined in UMRA. Section 321 would require the administrator of a group health plan to notify a state child support enforcement agency under certain circumstances when a child loses health care coverage. The cost of this mandate would not exceed the threshold established by UMRA ($123 million in 2005, adjusted annually for inflation).

Estimated cost to the Federal Government: The estimated budgetary impact of S. 667 is shown in Table 1. For this estimate, CBO assumes that it will be enacted in fiscal year 2005. The costs of this legislation fall within budget functions 500 (education, training, employment, and social services), 550 (health), and 600 (income security).

Basis of estimate: Most of PRIDE's budgetary effects would stem from new direct spending. A portion of the new spending would be offset by savings, resulting in a net increase in direct spending of about $11.5 billion over the 2005–2015 period. The bill also would reduce federal revenues by an estimated $1.2 billion and increase discretionary spending by $1.7 billion over that period, assuming appropriation of the authorized amounts.

S. 667 would extend the authorization for several programs, including the TANF and child care programs, through 2010. The Deficit Control Act directs CBO, in constructing its baseline projec-

tions, to assume that such programs continue beyond their final year of authorization. In accordance, we assume that the TANF and child care programs and several provisions of the TANF program (such as healthy marriage grants, the contingency fund, and various research grants) continue beyond 2010. The legislation specifies that two provisions, supplemental grants for TANF and child care, should not be assumed to continue in the baseline after their final year of authorization, overriding the Deficit Control Act.

DIRECT SPENDING AND REVENUES

Title I: TANF. S. 667 would reauthorize basic TANF grants through 2010 at the current funding level of $16.6 billion. By law, that amount is assumed to continue in CBO's current baseline; thus, enacting S. 667 would not change basic TANF grants relative to that baseline. The TANF program and related grants were originally authorized through fiscal year 2002. They have been extended several times in subsequent legislation, most recently through June 30, 2005, by HR. 1160, which cleared the Congress on March 15, 2005.

Title I would alter the funding of some grants related to TANF and make several other changes to program rules and reporting requirements. That title would also increase funding for the child care and SSBG programs and would alter eligibility rules relating to the earned income credit and various child-related tax benefits. CBO estimates that enacting title I would decrease direct spending by $5 million in 2005 and increase direct spending by $5.1 billion over the 2005–2015 period, relative to CBO's baseline projections. In addition, title I would increase revenues by $1.2 billion over that period (see Table 2).

TABLE 1.—ESTIMATED COSTS OF S. 667, THE PERSONAL RESPONSIBILITY AND INDIVIDUAL DEVELOPMENT FOR EVERYONE ACT

	By fiscal year, in millions of dollars—											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2005–2015
CHANGES IN DIRECT SPENDING												
Increase Funding for Child Care:												
Budget Authority	0	900	1,000	1,200	1,300	1,600	200	200	200	200	200	7,000
Estimated Outlays	0	494	917	1,198	1,341	1,496	569	280	215	200	200	6,910
Modify Tax Credits:												
Estimated Budget Authority	−5	−97	−563	−541	−530	−517	−470	−415	−424	−432	−451	−4,445
Estimated Outlays	−5	−97	−563	−541	−530	−517	−470	−415	−424	−432	−451	−4,445
Extend and Simplify Transitional Medicaid:												
Estimated Budget Authority	0	433	791	906	1,015	1,120	757	41	−2	−13	−2	5,046
Estimated Outlays	0	422	774	898	1,012	1,116	756	42	3	13	3	5,039
Other Changes to Direct Spending:												
Estimated Budget Authority	−15	808	760	803	751	475	141	125	82	50	10	3,992
Estimated Outlays	50	593	624	807	762	564	262	144	83	49	10	3,946
Total Direct Spending:												
Estimated Budget Authority	−20	2,044	1,988	2,368	2,536	2,678	628	−49	−144	−195	−243	11,593
Estimated Outlays	45	1,412	1,752	2,362	2,585	2,659	1,117	51	−124	−170	−238	11,450
CHANGES IN REVENUES												
Estimated Revenues	1	32	146	144	142	141	162	107	111	111	120	1,217
NET CHANGES IN DIRECT SPENDING AND REVENUES (EFFECT ON DEFICITS)												
Estimated Increase or Decrease (−) in Deficit	44	1,380	1,606	2,218	2,443	2,518	955	−57	−235	−281	−358	10,233
CHANGES IN SPENDING SUBJECT TO APPROPRIATION												
Additional Spending Subject to Appropriations:												
Estimated Authorization Level	0	329	332	335	336	336	16	16	17	17	18	1,752
Estimated Outlays	0	41	205	361	338	288	296	155	30	17	18	1,749
Memorandum: Changes in Direct Spending from Program Extensions in S. 667 That Are Already Assumed in CBO's Baseline												
TANF:												
Estimated Budget Authority Estimated Outlays	3,588	16,870	16,875	16,875	16,875	16,875	0	0	0	0	0	87,958
Estimated Outlays	2,230	14,530	16,930	17,300	17,000	16,875	3,038	55	0	0	0	87,958
Child Care:												
Estimated Budget Authority	398	2,717	2,717	2,717	2,717	2,717	0	0	0	0	0	13,983
Estimated Outlays	287	2,044	2,574	2,694	2,717	2,717	761	163	26	0	0	13,983

TANF = Temporary Assistance for Needy Families.

State Family Assistance Grant. Section 102 would extend the state family assistance grant program through 2010 at the current funding level of $16.6 billion. The extension would provide more than $80 billion in additional direct spending over the 2006–2010 period. 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 Deficit Control Act. Therefore, CBO estimates this provision would have no effect on direct spending over the 2006–2015 period, relative to the baseline projections.

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

	By fiscal year, in millions of dollars—											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2005–2015
Eliminate Out-of-Wedlock Bonus:												
TANF:												
Estimated Budget Authority	0	−100	−100	−100	−100	−100	−100	−100	−100	−100	−100	−1,000
Estimated Outlays	0	0	−57	−119	−105	−100	−100	−100	−100	−100	−100	−881
Food Stamps:												
Estimated Budget Authority	0	0	1	1	1	1	1	1	1	1	1	9
Estimated Outlays	0	0	1	1	1	1	1	1	1	1	1	9
Subtotal:												
Estimated Budget Authority	0	−100	−99	−99	−99	−99	−99	−99	−99	−99	−99	−991
Estimated Outlays	0	0	−56	−118	−104	−99	−99	−99	−99	−99	−99	−872
Establish Healthy Marriage Promotion Grant:												
Budget Authority	0	100	100	100	100	100	100	100	100	100	100	1,000
Estimated Outlays	0	1	28	74	124	122	111	100	100	100	100	860
Continue Supplemental Grant at $319 Million Through 2009:												
TANF:												
Budget Authority	0	319	319	319	319	0	0	0	0	0	0	1,276
Estimated Outlays	0	262	311	326	319	57	1	0	0	0	0	1,276
Food Stamps:												
Estimated Budget Authority	0	−3	−4	4	−4	−1	0	0	0	0	0	−16
Estimated Outlays	0	−3	−4	4	−4	−1	0	0	0	0	0	−16
Subtotal:												
Estimated Budget Authority	0	316	315	315	315	−1	0	0	0	0	0	1,260
Estimated Outlays	0	259	307	322	315	56	1	0	0	0	0	1,260
Reduce High-Performance Bonus:												
TANF:												
Budget Authority	−200	−150	−150	−150	−100	−100	−100	−100	−100	−100	−100	−1,350
Estimated Outlays	0	−82	−168	−211	−161	−109	−100	−100	−100	−100	−100	−1,231
Food Stamps:												
Estimated Budget Authority	0	1	2	3	2	1	1	1	1	1	1	14
Estimated Outlays	0	1	2	3	2	1	1	1	1	1	1	14
Subtotal:												
Estimated Budget Authority	−200	−149	−148	−147	−98	−99	−99	−99	−99	−99	−99	−1,336
Estimated Outlays	0	−81	−166	−208	−159	−108	−99	−99	−99	−99	−99	−1,217
Modify Contingency Fund:												
Estimated Budget Authority	0	13	−11	−8	−2	−4	−7	−7	−9	−9	−10	−54

Estimated Outlays	0	13	−11	−8	−2	−4	−7	−7	−9	−9	−10	−54
Reserve Contingency Funding for Tribes:												
Budget Authority	0	25	0	0	0	0	5	5	5	5	5	50
Estimated Outlays	0	4	5	5	5	5	5	5	5	5	5	49
Increase Transfer Authority from TANF to SSBG:												
Budget Authority	0	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	0	70	−2	−56	−12	0	0	0	0	0	0	0
Increase SSBG Funding:												
Budget Authority	0	200	200	200	200	200	0	0	0	0	0	1,000
Estimated Outlays	0	164	196	200	200	200	36	4	0	0	0	1,000
Increase Tribal JOBS Funding:												
Budget Authority	0	5	5	5	5	5	5	5	5	5	5	50
Estimated Outlays	0	1	4	5	5	5	5	5	5	5	5	45
Establish Tribal TANF Improvement Grants:												
Budget Authority	0	80	0	0	0	0	0	0	0	0	0	80
Estimated Outlays	0	8	26	27	13	5	1	0	0	0	0	80
Establish Secretary's Fund for Research, Demonstration, and National Studies:												
Budget Authority	100	100	100	100	100	100	100	100	100	100	100	1,100
Estimated Outlays	0	20	105	148	120	109	101	100	100	100	100	1,003
Extend Funding of Studies and Demonstrations:												
Budget Authority	0	15	15	15	15	15	15	15	15	15	15	150
Estimated Outlays	0	1	10	15	15	15	15	15	15	15	15	131
Fund Indicators of Child Well-being:												
Budget Authority	0	10	10	10	10	10	10	10	10	10	10	100
Estimated Outlays	0	1	6	11	12	11	10	10	10	10	10	91
Fund Research in Tribal Welfare Programs:												
Budget Authority	0	2	0	0	0	0	0	0	0	0	0	2
Estimated Outlays	0	*	1	1	0	0	0	0	0	0	0	2
Increase Funding for Child Care:												
Budget Authority	0	200	200	200	200	200	200	200	200	200	200	2,000
Estimated Outlays	0	144	188	198	200	200	200	200	200	200	200	1,930
Establish Supplemental Grant for Child Care:												
Budget Authority	0	700	800	1,000	1,100	1,400	0	0	0	0	0	5,000
Estimated Outlays	0	350	729	1,000	1,141	1,296	369	80	15	0	0	4,980
Change EIC Identification Requirements:												
Estimated Budget Authority	0	0	−399	−377	−365	−352	−310	−295	−302	−312	−326	−3,038
Estimated Outlays	0	0	−399	−377	−365	−352	−310	−295	−302	−312	−326	−3,038
Change Eligibility for the Child Tax Credit:												
Estimated Budget Authority	0	0	−65	−63	−62	−60	−60	−8	−9	−8	−11	−346
Estimated Outlays	0	0	−65	−63	−62	−60	−60	−8	−9	−8	−11	−346

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

	By fiscal year, in millions of dollars—											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2005–2015
Clarify Eligibility for Child-Related Tax Benefits:												
Estimated Budget Authority	−5	−97	−99	−101	−103	−105	−100	−112	−113	−112	−114	−1,061
Estimated Outlays	−5	−97	−99	−101	−103	−105	−100	−112	−113	−112	−114	−1,061
Establish Fatherhood Grants:												
Budget Authority	0	50	50	50	50	50	0	0	0	0	0	250
Estimated Outlays	0	8	35	55	55	50	38	9	0	0	0	250
Create Resource Center for Teen Pregancy Prevention:												
Budget Authority	0	5	0	0	0	0	0	0	0	0	0	5
Estimated Outlays	0	1	1	1	1	1	0	0	0	0	0	5
Effects of Title I Interactions on TANF:												
Budget Authority	0	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	0	0	−91	71	20	0	0	0	0	0	0	0
Total Changes in Direct Spending: Title I:												
Estimated Budget Authority	−105	1,475	974	1,200	1,366	1,360	−240	−185	−196	−204	−224	5,221
Estimated Outlays	−5	867	752	1,202	1,419	1,347	217	−92	−181	−204	−224	5,098
CHANGES IN REVENUES												
Change EIC Identification Requirements	0	4	40	40	38	39	66	64	67	66	72	496
Change Eligibility for the Child Tax Credit	0	0	14	14	14	14	13	5	5	5	5	89
Clarity Eligibility for Child-Related Tax Benefits	1	28	92	90	90	88	83	38	39	40	43	632
Total Changes to Estimated Revenues	1	32	146	144	142	141	162	107	111	111	120	1,217

TANF = Temporary Assistance for Needy Families. SSBG = Social Services Block Grant.
* = costs or savings of less than $500,000.

Notes.—Components may not sum to total because of rounding.

Healthy Marriage Promotion Grants. Section 103 would eliminate an out-of-wedlock birth grant program, but would create a new grant program to promote healthy marriages. CBO projects $1 billion in funding for out-of-wedlock birth grants, $100 million annually over the 2006–2015 period, in accordance with the Deficit Control Act. We estimate that eliminating this program would reduce outlays by $881 million over the 2007–2015 period, relative to CBO's baseline projections. The impact on outlays of the reduction in funding is delayed (no effect in 2006) because the grants are awarded in the last days of a fiscal year. CBO expects the reduced funding would cause states to decrease benefits for families that also receive food stamps. As a result, the Food Stamp payment to those families would rise, and the cost of Food Stamp benefits would grow by an estimated $9 million over the 2007–2015 period.

Section 103 would establish a new competitive grant to states and Indian tribes for developing and implementing programs to promote and support marriage. The bill 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 that the 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. Estimated outlays would total $1 million in 2006 and $860 million over the 2006–2015 period.

Supplemental Grants. Section 104 would provide $319 million annually for the supplemental grants for population increases over the 2006–2009 period. (These grants are awarded to states that have lower-than-average TANF grants per poor person or rapidly increasing populations.) Supplemental grants are currently funded for the first three quarters of fiscal year 2005 at $255 million, consistent with an annual level of $319 million. (Section 702 of the bill would fund the grants for the final quarter of 2005.) Current law specifies that supplemental grants should not be assumed to continue in baseline projections after June 30, 2005, overriding the continuation rules specified in section 257 of the Deficit Control Act.

CBO estimates that states would spend $262 million in 2006 and $1.3 billion over the 2006–2011 period. We expect that some of the additional funding would be used to increase benefits to families that also receive food stamps. As a result, the Food Stamp payment to those families would fall and the cost of Food Stamp benefits would decline by an estimated $16 million over the 2006–2010 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 for TANF recipients. 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.

The Secretary would develop criteria for the new bonus—the Bonus to Reward Employment Achievement—in consultation with the states. The criteria would measure workplace attachment and advancement. The bill would make $450 million available for bonuses averaging $50 million annually over the 2006–2008 period and $100 million annually over the 2009–2011 period. Pursuant to the Deficit Control Act, CBO's baseline projections include $200 million a year in funding for bonuses. Therefore, the net effect of section 105 would be a reduction in budget authority of $1.35 billion over the 2005–2015 period. Because the bonuses are usually granted in the last days of a fiscal year, TANF spending would fall by only $1.2 billion over the 10-year period.

CBO expects the reduced TANF funding would cause states to decrease benefits to families that also receive food stamps. As a result, the Food Stamp payment to those families would rise and the cost of Food Stamp benefits would grow, by an estimated $14 million over the 10-year 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 their spending at 100 percent of their 1994 levels and to match federal payments. CBO estimates that states will draw federal funds totaling between $30 million and $40 million annually under current law.

Section 106 would change the eligibility conditions, grant determination, and state spending requirements for 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 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. In contrast to current law, 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 $13 million more from the contingency fund in 2006, but between $2 million and $11 million per year less over the 2007–2015 period. The net effect of the changes would be a reduction in outlays of $54 million over the 10-year period. Section 106 would also appropriate $25 million over the 2006–2010 period for making payments to Indian tribes that experience increased economic hardship. Those payments would increase outlays by $5 million annually.

Social Services Block Grant. Section 107 would allow states to continue 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 September 30, 2005. In the absence of further legislation, the authority will fall to 4.25 percent after that date.

In recent years, states have 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 accelerate spending relative to current law. Based on recent state transfers, CBO expects that states would transfer an additional $340 million annually under this provision, but because some of this money would have been spent within the TANF program anyway, only $70 million of additional spending would occur in 2006. Because states would have found alternate ways to spend the funds in later years, the increase in spending in 2006 would be offset by decreased spending in subsequent years. Thus, this provision would have no net impact on TANF spending over the 2006–2015 period as a whole.

Section 107 would also increase the amount of funding for the social services block grant by $200 million annually over the 2006–2010 period, adding $1.0 billion to outlays over the 2006–2012 period.

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 generally 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 estimates that any penalties for failing to meet the new requirements would total less than $500,000 annually.

Direct Funding and Administration by Indian Tribes. Section 113 would increase grants to tribes to operate employment programs from the current $7.6 million level to $12.6 million annually. The new funding would raise outlays by $45 million over the 2006–2015 period.

Section 113 would also appropriate $80 million in 2006 for tribal improvement grants. The Secretary of HHS would carry out a program of technical assistance and competitive grants to Indian tribes focused on improving tribes' capacity to deliver human services and promote economic development. CBO estimates implementing the program would cost $8 million in 2006 and $80 million over the 2006–2011 period.

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. Because the 2005 grant would not be available until late in the year, CBO expects an insignificant amount would be spent in 2005. Implementing the provision would boost spending by $20 million in 2006 and $1.0 billion over the 2006–2015 period.

Section 114 also would continue 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 ongoing demonstration projects approved before 1996. Based on recent spending patterns, CBO estimates that this provision would increase outlays by $1 million in 2006 and by $131 million over the 2006–2015 period.

Section 114 also would provide $10 million annually to the Secretary of HHS to develop comprehensive indicators to assess the well-being of children in each state. CBO estimates that this provision would increase outlays by $1 million in 2006 and by $91 million over the 2006–2015 period. Finally, the bill would provide $2 million in 2006 for research on tribal welfare programs.

Child Care. The child care entitlement to states provides funding to states for child care subsidies to low-income families and for other activities. Section 116 would extend the grant program through 2010, providing funding of $14 billion over the 2006–2010 period. CBO already assumes funding of $2.717 billion annually in its baseline in accordance with the Deficit Control Act, so the extension would have no effect on direct spending relative to the baseline projection. Section 116 would also raise annual funding by $200 million to $2.917 billion. CBO estimates that, as a result, outlays would increase by $144 million in 2006 and by $1.9 billion over the 10-year period relative to its baseline projections.

Section 116 would also create a new supplemental grant for child care, with funding of $700 million in 2006, rising to $1.4 billion in 2010. States would be required to put up some matching funds in 2009 and 2010. Based on current spending patterns, CBO expects that some states would not put up the full state match, so that a small amount would lapse. The bill specifies that the supplemental grants should not be assumed to continue in baseline projections after 2010, overriding the continuation rules specified in section 257 of the Deficit Control Act. Under that assumption, CBO estimates that outlays would increase by $350 million in 2006 and by nearly $5.0 billion over the 10-year period.

Tax Credits. The bill would make several changes to eligibility rules relating to the earned income tax credit and various child-related tax benefits. In total, JCT and CBO estimate those changes would increase revenues by $606 million over the 2005–2010 period and by about $1.2 billion over the 2005–2015 period. Because some or all of each of those changes applies to refundable tax credits, which are recorded in the budget as outlays, CBO also estimate that enacting the bill would reduce direct spending by about $4.4 billion over the 2005–2015 period.

Change Identification Requirements for the Earned Income Tax Credit. The bill would change the type of identification that taxpayers must possess in order to claim the earned income tax credit. To receive the credit, taxpayers would be required to possess a Social Security number that authorizes them to work in the United States. CBO estimates that the change would reduce outlays for the earned income tax credit by about $3.0 billion over the 2005–2015 period and increase revenues by nearly $500 million over the same period.

This provision was enacted in the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, but the legislative language contained a drafting oversight that negated its effect. For scorekeeping purposes, JCT concluded that the provision should not be credited with reducing outlays and increasing revenues be-

cause it is a technical correction necessary to carry out the original intent of the enacted provision and the original estimate reflected the intent of the legislation. However, CBO's baseline budget projections reflect current law as enacted and implemented, and the change made by S. 667 would affect future outlays and receipts relative to CBO's baseline projections. Therefore, CBO estimates a budgetary effect from the provision in S. 667, using an estimate of the resulting baseline change provided by JCT.

Change Eligibility for the Child Tax Credit. The bill would prohibit certain taxpayers from claiming the child tax credit. Currently, taxpayers living abroad may elect to exclude foreign earned income and qualifying housing expenses from their gross income and still receive the child credit. Under S. 667, taxpayers who choose to exclude such income would no longer be eligible to receive the credit. According to JCT, federal revenues would increase by an estimated $89 million over the 2007–2015 period as a result. Outlays from the refundable portion ofthe credit would decrease by an estimated $346 million over the same period.

Clarify Eligibility Rules for Child-Related Tax Benefits. S. 667 would clarify the rules of eligibility of siblings and other family members for child-related tax benefits. For example, the bill would clarify that if a parent resides with a child for more than half of the year, then generally only that parent could claim the child for child-related tax benefits. If no parent were able to claim the child for such purposes, another taxpayer would be allowed to claim the child, provided all other criteria are met. JCT estimates that making those changes would increase federal revenues by $1 million in 2005 and by $632 million over the 2005–2015 period. JCT also estimates that outlays for the refundable credits would decrease by about $1.1 billion between 2005 and 2015.

Fatherhood Grants. Section 118 would establish two new grant programs to promote responsible fatherhood and would appropriate $50 million annually over the 2006–2010 period. (Section 118 would also authorize appropriations of an additional $26 million annually.) CBO estimates that implementing the programs would increase direct spending by $8 million in 2006 and $250 million over the 2006–2015 period.

Teen Pregnancy Prevention Resource Center. Section 119 would appropriate $5 million for 2006 to establish a resource center to provide information and technical assistance on reducing teen pregnancy. CBO estimates implementing the program would cost $1 million annually over the 2006–2010 period.

Interactions. CBO estimates that several provisions in 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 reduce the high-performance bonus would each 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 projected TANF spending in 2007 by $91 million, relative to the sum of the provisions estimated individually, but raise it by the same amount 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. S. 667 would extend the authorization for abstinence education grants and provide $50 million annually over the 2006–2010 period. It would make a slight change to the formula for determining state allotments. Under the bill, funds would be divided only among those states that applied for them. Current allotments are determined by dividing available funds among all states and territories, regardless of whether they submit an application. In addition, any unspent funds allocated to individual states could be periodically reallocated by the Secretary. Because projected spending in 2010 does not exceed $50 million, CBO does not assume that this program would be extended beyond its specific authorization.

Title III: Child Support. S. 667 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. Finally, title III would require states to change the way they seek health coverage for children, forgive certain penalties on states, and allow Texas to continue to operate under a waiver of program rules. Overall, CBO estimates that enacting title III would increase direct spending by $5 million in 2005 and $1.8 billion over the 2005–2015 period (see Table 3).

Distribute More Collections to Current TANF Recipients. When a family applies for TANF, it assigns to the state any rights the family has to child support collections. 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 ofthe child support collected to families, but states must finance those payments out of their share of collections.

Section 301 would allow states to pay up to $400 each month of child support to a family receiving assistance (up to $600 to a family with two or more children), without turning over to the federal government its share of those payments, beginning 18 months after enactment of the bill. 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 two-thirds of child support collections shared some of those collections with families receiving TANF. CBO expects states would continue to share at least that amount, and under S. 667 the federal government would bear part of that cost. In addition, based on information from 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 per month 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 institute those increases slowly and that the increases would not be fully effective until 2010. Based on HHS data for child support and information supplied by state officials, CBO expects that states would raise payments to families in 2010 from the $104 million anticipated under current practices to $161 million under S. 667. CBO estimates that federal offsetting receipts (from reimbursements) would fall by $45 million in 2007, $88 million in 2010, and $753 million over the 2007–2015 period.

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

	By fiscal year, in millions of dollars—											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2005–2015
Distribute More Collections to Current TANF Families:												
Child Support Collections:												
Estimated Budget Authority	0	0	45	69	79	88	90	92	94	97	99	753
Estimated Outlays	0	0	45	69	79	88	90	92	94	97	99	753
Food Stamps:												
Estimated Budget Authority	0	0	−2	−6	−10	−14	−14	−14	−15	−15	−15	−105
Estimated Outlays	0	0	−2	−6	−10	−14	−14	−14	−15	−15	−15	−105
Subtotal:												
Estimated Budget Authority	0	0	43	63	69	74	76	78	79	82	84	648
Estimated Outlays	0	0	43	63	69	74	76	78	79	82	84	648
Distribute More Past-Due Support to Current and Former TANF Families:												
Child Support Collections:												
Estimated Budget Authority	0	0	34	70	106	183	187	191	195	200	204	1,370
Estimated Outlays	0	0	34	70	106	183	187	191	195	200	204	1,370
Food Stamps:												
Estimated Budget Authority	0	0	−1	−3	−5	−6	−7	−7	−7	−7	−7	−50
Estimated Outlays	0	0	−1	−3	−5	−6	−7	−7	−7	−7	−7	−50
Student Loans:												
Estimated Budget Authority	5	*	*	*	*	*	*	*	*	*	*	5
Estimated Outlays	5	*	*	*	*	*	*	*	*	*	*	5
Subtotal:												
Estimated Budget Authority	5	0	33	67	101	177	180	184	188	193	197	1,325
Estimated Outlays	5	0	33	67	101	177	180	184	188	193	197	1,325
Require Triennial Update of Child Support Orders:												
Administrative Costs:												
Estimated Budget Authority	0	0	0	15	15	12	12	13	13	13	13	106
Estimated Outlays	0	0	0	15	15	12	12	13	13	13	13	106
Child Support Collections:												
Estimated Budget Authority	0	0	0	−5	−14	−20	−20	−19	−19	−19	−20	−136
Estimated Outlays	0	0	0	−5	−14	−20	−20	−19	−19	−19	−20	−136
Food Stamps:												
Estimated Budget Authority	0	0	0	−1	−2	−2	−2	−2	−2	−3	−3	−17
Estimated Outlays	0	0	0	−1	−2	−2	−2	−2	−2	−3	−3	−17
Medicaid:												
Estimated Budget Authority	0	0	0	−2	−6	−10	−10	−8	−7	−7	−8	−58

Estimated Outlays	0	0	0	−2	−6	−10	−10	−8	−7	−7	−8	−58
Subtotal:												
Estimated Budget Authority	0	0	0	7	−7	−20	−20	−16	−15	−16	−18	−105
Estimated Outlays	0	0	0	7	−7	−20	−20	−16	−15	−16	−18	−105
Reduce Threshold for Passport Denial to $2,500:												
Estimated Budget Authority	0	0	−1	−1	−1	−1	−1	−1	−1	−1	−1	−9
Estimated Outlays	0	0	−1	−1	−1	−1	−1	−1	−1	−1	−1	−9
Withhold Child Support from Social Security Disability Payments:												
Estimated Budget Authority	0	0	−3	−4	−4	−4	−5	−5	−6	−6	−6	−43
Estimated Outlays	0	0	−3	−4	−4	−4	−5	−5	−6	−6	−6	−43
Maintain Funding for Technical Assistance and Federal Parent-Locator Service:												
Estimated Budget Authority	0	2	2	1	0	0	0	0	0	0	0	5
Estimated Outlays	0	2	2	1	0	0	0	0	0	0	0	5
Allow Federal Seizure of Accounts in Multi-State Financial Institutions:												
Administrative Costs:												
Estimated Budget Authority	0	2	2	0	0	0	0	0	0	0	0	4
Estimated Outlays	0	2	2	0	0	0	0	0	0	0	0	4
Child Support Collections:												
Estimated Budget Authority	0	0	−1	−3	−5	−5	−5	−5	−5	−5	−5	−39
Estimated Outlays	0	0	−1	−3	−5	−5	−5	−5	−5	−5	−5	−39
Subtotal:												
Estimated Budget Authority	0	2	1	−3	−5	−5	−5	−5	−5	−5	−5	−35
Estimated Outlays	0	2	1	−3	−5	−5	−5	−5	−5	−5	−5	−35
Match Databases of Insurance Claims:												
Administrative Costs:												
Estimated Budget Authority	0	2	2	0	0	0	0	0	0	0	0	4
Estimated Outlays	0	2	2	0	0	0	0	0	0	0	0	4
Child Support Collections:												
Estimated Budget Authority	0	0	0	−2	−4	−4	−4	−4	−4	−4	−4	−30
Estimated Outlays	0	0	0	−2	−4	−4	−4	−4	−4	−4	−4	−30
Subtotal:												
Estimated Budget Authority	0	2	2	−2	−4	−4	−4	−4	−4	−4	−4	−26
Estimated Outlays	0	2	2	−2	−4	−4	−4	−4	−4	−4	−4	−26
Increase Grants to States for Access and Visitation:												
Budget Authority	0	2	4	6	10	10	10	10	10	10	10	82
Estimated Outlays	0	2	4	6	10	10	10	10	10	10	10	82
Forgive Penalties for Noncompliance in 2001:												
Budget Authority	0	4	0	0	0	0	0	0	0	0	0	4
Estimated Outlays	0	4	0	0	0	0	0	0	0	0	0	4

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

	By fiscal year, in millions of dollars—											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2005–2015
Require Health Insurance from Either Parent:												
Estimated Budget Authority	0	*	−1	−1	−1	−3	−5	−7	−10	−13	−16	−57
Estimated Outlays	0	*	−1	−1	−1	−3	−5	−7	−10	−13	−16	−57
Send Notices to Child Support Agency:												
Estimated Budget Authority	0	1	1	1	1	2	2	2	2	2	2	16
Estimated Outlays	0	1	1	1	1	2	2	2	2	2	2	16
Make Texas Waiver Permanent:												
Estimated Budget Authority	0	1	3	3	4	5	6	7	8	9	11	57
Estimated Outlays	0	1	3	3	4	5	6	7	8	9	11	57
Effect of Title III Provisions on Technical Assistance Funding:												
Estimated Budget Authority	0	0	0	0	0	−1	−2	−3	−4	−5	−6	−21
Estimated Outlays	0	0	0	0	0	−1	−2	−3	−4	−5	−6	−21
Total Changes in Title III:												
Estimated Budget Authority	5	14	84	137	163	230	232	240	242	246	248	1,841
Estimated Outlays	5	14	84	137	163	230	232	240	242	246	248	1,841

* = costs or savings of less than $500,000.

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

Because additional child support income in many cases would reduce the Food Stamp benefits a family receives, CBO estimates savings in the Food Stamp program totaling $2 million in 2007 and $105 million over the 2007–2015 period.

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

Under current law, families assign to the state the right to any child support payments due before and during the period the families receive assistance. The bill would eliminate the requirement that families assign support due in the period before the families receive assistance. S. 667 would require states to implement the new policy by September 30, 2009, but would give them the option of implementing it as soon as 18 months after the date of enactment.

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 so that all collections would be paid to families first before the government is reimbursed. In addition, it would allow states to pay to families part of the government's share of support payments.

CBO estimates that states with 40 percent of collections would implement the optional policies by 2010. Based on information from state child-support officials and policy experts, and on HHS data, CBO estimates that families would receive an additional $61 million in 2007, rising to $333 million by 2010, and $2.5 billion over the 2007–2015 period, as a result of these changes. CBO estimates that those increased distributions to families would reduce the federal share of collections by $34 million in 2007, $183 million in 2010, and $1.4 billion over the 2007–2015 period.

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 2010, S. 667 would give child support debt priority over all other 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 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 0.5 percent of tax filers are subject to a tax refund offset for child support owed to a family and 0.5 percent for student

loan debt. Assuming people who owe student loan debt are neither more nor less likely to owe child support debt, 3,300 filers could be subject to an offset for both child support and student loan debt. CBO estimates that the provision would reduce recoveries in the student loan program by $4 million annually beginning in 2010. However, much of the resulting losses in recoveries in the student loan program would be subsequently recouped through various collecting methods.

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 2005 for this estimate. This results in a federal cost of $5 million in 2005 and insignificant amounts each year from 2006 through 2015.

Finally, the new collections paid to former TANF recipients would affect spending for 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 $14 million in 2007 and $480 million over the 2007–2015 period. Food Stamp savings would be $1 million in 2007 and $50 million over the 2007–2015 period.

Mandatory Three-Year Update of Child Support Orders. Section 302 would require states to adjust child support orders offamilies 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 the states perform periodic adjustments. Most perform a full review, and the remainder apply a COLA. No state currently makes automated adjustments. The provision would take effect on October 1, 2007, and CBO estimates that it would result in direct spending savings of $105 million over the 2008–2015 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 ofthose orders would be adjusted each year. We assume that half of 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 from 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 $200, 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 $95 a month, and about 18 percent of the orders reviewed would be adjusted.

In addition, CBO estimates that 40 percent of orders with a monetary adjustment also would be adjusted to include a requirement that the noncustodial parent provide health insurance for his or her 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 for 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 $5 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 $15 million in 2008 and $106 million over the 2008–2015 period. Federal collections would increase by $5 million in 2008 and $136 million over the 2008–2015 period. Finally, Food Stamp and Medicaid savings would total $17 million and $58 million respectively over the 2008–2015 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 2007, section 304 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 show there are 3.2 million noncustodial parents owing more than $5,000 in past-due child support and an additional 760,000 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, the proposal would generate an additional 3,600 denials annually.

CBO estimates that 25 percent of noncustodial parents who have a passport request denied would make a payment to get their passport rather than just doing without one. If the threshold is lowered, 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 $11 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—10 percent—and that amount 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 2007–2015 period.

Improved Debt Collection: SSA Benefit Match. Section 307 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, most of them are likely to 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 for other federal programs, we estimate two out of three of those beneficiaries could potentially have their checks offset. On average, the offsets could amount to about $2,000 by 2010 and could yield $65 million in collections for child support from Social Security payments.

CBO estimates that the additional collections under section 308 would be only one-half of the potential $65 million because of several factors. First, some of this money might be 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 noncustodial 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 provision would be effective 18 months after enactment, so that full savings would not be realized until 2008. As DI benefits rise over time, federal receipts under these provisions would climb from $3 million in 2007 to $6 million in 2015, totaling $43 million over the 2007–2015 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 308 and 309 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 below $37 million in 2005–

2007 under the current formula, this provision would increase payments by $5 million over that period.

Seizure of Assets Held by Multistate Financial Institutions. Undercurrent 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 7 percent of cases with a match. The reported performance of states varies widely, from 50 percent of cases to less than 1 percent. States' collection rates are low on average for a variety of reasons. In some cases, multistate 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 longstanding or no current payments are being made.

Section 310 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 percentage of cases.

Currently, HHS compares a list of about 5 million cases with arrears with data from financial institutions and identifies potential financial assets in more than 1.7 million cases. Some of those cases are later found to be false matches or are uncollectible for other reasons. Based on information from child-support administrators and policy experts, CBO expects that, when this provision is fully implemented, the federal government would seize assets 20 percent of the time a potential asset is identified, up from 7 percent. Based on data from HHS, CBO expects the average collection would be $500 per seizure, down from $730 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 amounts of assets available.) CBO expects that the policy would take some time to implement and would not be fully effective until 2009. We estimate that the policy would result in new collections of $26 million in 2007 and $742 million over the 2007–2015 period. CBO assumes the same share of those payments would be on behalf of current and former welfare families as in the overall program—10 percent—and that amount would be retained by the government as reimbursement for welfare benefits. The federal share of such collections would be $39 million over the 2006–2015 period. CBO estimates that implementing the program would raise administrative costs by about $3 million in each of years 2006 and 2007. The federal share of those costs would total $4 million over the two years.

Comparison With Insurance Data. Section 311 would authorize the Secretary to compare information on 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 simi-

lar function. CBO expects that eventually, even without federal intervention, about half of the states would participate. Under the proposal, CBO expects all states would participate by 2009. Based on data for the existing program, CBO expects that collections would increase by $15 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 $30 million over the 2008–2015 period. CBO estimates that implementing the program would raise administrative costs by about $3 million in each of years 2006 and 2007. The federal share of those costs would total $4 million over the two years.

Grants to States for Access and Visitation. The 1996 welfare law authorized grants to states of $10 million annually to facilitate noncustodial parents' access to and visitation of their children. Section 318 would increase funding to $12 million in 2006, $14 million in 2007, $16 million in 2008, and $20 million in 2009 and in subsequent years. The new funding would result in increased outlays of $82 million over the 2006–2015 period.

Penalties for Noncompliance. Section 319 would change the statutory requirements concerning when states pay penalties for failure to meet performance standards in the child support program. It also would forgive penalties for certain states that failed to meet such standards in 2001, but did so in 2002 or 2003. CBO expects that the change in timing of penalties would not affect the federal budget; the Secretary of HHS is generally already operating on the revised schedule. CBO estimates that half a dozen states would qualify for penalty forgiveness totaling $4 million in 2006.

Requirement To Seek Medical Support From Either Parent. Currently, about half the states explore both parents' ability to provide health insurance when setting a child support order. Section 320 would require all states to look to either parent or both parents to provide health insurance for their child. The policy would apply to child support orders that are issued or amended after enactment, so it would take effect gradually. Based on national survey data, CBO expects that the policy would result in additional private health insurance coverage for children and that without that coverage some of those children would receive Medicaid benefits. CBO estimates that private health coverage would be provided to nearly 300 children who would otherwise receive Medicaid benefits in 2006. That number would grow to more than 9,000 by 2015. Based on spending per child in the Medicaid program, CBO estimates that implementing this provision would reduce costs in the Medicaid program by an insignificant amount in 2006 and by $57 million over the 2006–2015 period.

Notice of Loss of Health Coverage. Section 321 would require administrators of health plans to notify the child support agency when a noncustodial parent providing health coverage for a child loses that coverage. CBO expects that the child support agency would handle 30,000–50,000 such notices each year and that in some cases the child support agency would take action to secure new health coverage for the children. CBO estimates that implementing the provision would raise administrative costs in the child support program by $1 million to $2 million annually.

Make Texas Waiver Permanent. Under current law, families who receive government assistance may automatically receive services

from the child support agency, while other families must apply for services. The state of Texas currently has a waiver of the requirement for a written application for child support services for families not receiving assistance. Texas' waiver is scheduled to expire in mid-2006, but could be renewed by the Secretary. Section 322 would extend the waiver permanently.

Texas currently operates under the waiver in four counties and plans to expand to additional counties. In general, new cases are added as new orders are issued, so that the child support caseload grows gradually in the participating counties. CBO estimates that each new case would increase the federal share of administrative costs by about $150 in 2010 and that under this provision, services would be provided for 65,000 cases in that year. CBO estimates that extending the waiver would result in a higher federal share of administrative costs totaling $2 million in 2006 and $112 million over the 2006–2012 period.

For its baseline projections, CBO estimates that there is a 50 percent chance that the Secretary will allow the waiver to continue, even without this legislation. So, relative to CBO's baseline, the cost of implementing this provision is only half of the total cost of extending the waiver. CBO estimates that implementing this provision would increase outlays by $1 million in 2006 and by $57 million over the 2006–2015 period.

Effect of Title III Provisions on Technical Assistance Funds. Several provisions of Title III would affect the amount of child support collections the federal government retains. Provisions allowing states to share more of those collections with families lower the federal share of collections. New enforcement mechanisms, such as seizing more financial assets or insurance payments, would boost the federal share. The net effect of all the provisions of title III would be to lower the federal share of collections by an increasing amount each year.

Current law allows the Secretary to use 3 percent of the federal share of child support collections for technical assistance efforts and to operate the federal parent-locator service. A lower federal share of collections would reduce funding for those activities. Because a separate provision of title III provides that such funding cannot fall below the 2002 level of $37 million, the lower collections would not affect funding until 2010. CBO estimates that implementing title III of the bill would lower funding for technical assistance by $1 million in 2010 and $21 million over the 2010–2015 period.

Title IV: Child Welfare. Provisions in Title IV would increase spending for federally subsidized foster care by $448 million from 2007–2015, CBO estimates. (see Table 4).

TABLE 4.—DIRECT SPENDING EFFECTS OF TITLE IV: CHILD WELFARE

	By fiscal year, in millions of dollars—											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2005–2015
Disregard of Certain Payments to Puerto Rico:												
Estimated Budget Authority	0	0	6	6	6	6	0	0	0	0	0	25
Estimated Outlays	0	0	6	6	6	6	0	0	0	0	0	25
Tribal Foster Care:												
Estimated Budget Authority	0	0	16	26	37	49	56	59	61	64	66	434
Estimated Outlays	0	0	13	25	35	47	55	58	61	63	66	423
Total, Title IV:												
Estimated Budget Authority	0	0	22	32	43	55	56	59	61	64	66	459
Estimated Outlays	0	0	19	31	41	53	55	58	61	63	66	448

Note.—Components may not sum to totals because of rounding.

This title would extend a program of demonstration projects related to child welfare programs. As of May 2004, 12 states had active demonstration projects testing the efficiency of innovations in child welfare, such as subsidized guardianship. 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 amount of such costs, but based on experience with the demonstrations, we expect the impact on the federal budget would not be significant.

Beginning in fiscal year 2007, section 402 would allow Puerto Rico to claim more federal matching funds for foster care expenses by excluding certain amounts from the limitation specified in section 1108 of the Social Security Act. The Social Security Act limits total federal spending in Puerto Rico on certain social service programs, including foster care, to $107 million in any year. The amount of spending above the limitation would be capped at $6.25 million for fiscal years 2007 through 2010. CBO estimates this provision would increase outlays by $25 million between fiscal years 2007 and 2010.

Section 403 of the bill would permit tribal entities to participate in foster care and adoption assistance programs authorized under title IV–E of the Social Security Act, effective as of October 1, 2006. Based on information from the Indian Child Welfare Association, CBO estimates that this provision could allow coverage of between 2,000 and 3,000 children per year. CBO estimates that this section would increase costs to the IV–E programs by $423 million over fiscal years 2007 through 2015.

Title V: Supplemental Security Income. Title V would make several changes to the Supplemental Security Income (SSI) program. It would require that a portion of adult disability determinations receive an additional level of review before benefits are awarded. In addition, it would extend the period of time that refugees and asylees are eligible to collect benefits. Together, these proposals would increase direct spending by $72 million in 2006 and decrease direct spending by $1.3 billion over the 2006–2015 period, CBO estimates (see Table 5).

Section 501 would require the Social Security Administration to conduct reviews of initial decisions to award SSI benefits to certain disabled adults. The legislation would direct the agency to review at least 25 percent of all favorable adult-disability determinations made by state-level Disability Determination Service (DDS) offices in 2006. Under the legislation, the agency would have to review at least 50 percent of the adult-disability awards made by DDS offices from 2007 through 2015.

CBO anticipates state DDS offices will approve between 350,000 and 400,000 adult disability applications for SSI benefits annually between 2006 and 2015. Based on recent data for comparable reviews in the Social Security Disability Insurance program, CBO projects that by 2015, more than 20,000 DDS awards would be overturned as a result of this provision, 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 $3 million and Medicaid out-

lays by $5 million in 2006. Over the 2006–2015 period, CBO estimates this provision would lower SSI outlays by $461 million and Medicaid spending by $1.1 billion. (The administrative costs for these changes are discussed later in the section on spending subject to appropriation.)

TABLE 5.—DIRECT SPENDING EFFECTS OF TITLE V: SUPPLEMENTAL SECURITY INCOME

	By fiscal year, in millions of dollars—											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2005–2015
Pre-effectuation Reviews:												
SSI:												
Estimated Budget Authority	0	−3	−11	−22	−33	−43	−57	−56	−70	−79	−87	−461
Estimated Outlays	0	−3	−11	−22	−33	−43	−57	−56	−70	−79	−87	−461
Medicaid:												
Estimated Budget Authority	0	−5	−22	−44	−68	−94	−120	−148	−179	−209	−244	−1,133
Estimated Outlays	0	−5	−22	−44	−68	−94	−120	−148	−179	−209	−244	−1,133
Extended Time Limits for SSI Refugees:												
SSI:												
Estimated Budget Authority	0	41	49	55	0	0	0	0	0	0	0	145
Estimated Outlays	0	41	49	55	0	0	0	0	0	0	0	145
Medicaid:												
Estimated Budget Authority	0	39	51	54	0	0	0	0	0	0	0	144
Estimated Outlays	0	39	51	54	0	0	0	0	0	0	0	144
Total Changes in Title V:												
Estimated Budget Authority	0	72	67	43	−101	−137	−177	−204	−249	−288	−331	−1,305
Estimated Outlays	0	72	67	43	−101	−137	−177	−204	−249	−288	−331	−1,305

Section 502 would allow refugees and asylees who are receiving SSI benefits and lawfully entered the country after August 22, 1996, to continue receiving benefits for an additional two years. Under current law, refugees and asylees who entered the country after that date are eligible to receive SSI benefits for a period of up to seven years from the date they entered the United States. The additional period of benefits would begin immediately after the bill is enacted and would last through September 30, 2008, at which point the seven-year time limit would again apply to all recipients.

Based on information from SSA, CBO estimates that about 4,600 refugees and asylees lose SSI eligibility each year because they exceed the seven-year time limit. Extending the time limit would provide up to nine years of eligibility for these beneficiaries through the end of 2008. Taking into account the rates at which people become naturalized citizens (and are no longer subject to the time limit) or exit the program for other reasons, CBO estimates section 502 would increase outlays for SSI benefits by $41 million and Medicaid outlays by $39 million in 2006. Over the 2006–2008 period, spending on SSI would increase by $145 million and Medicaid spending would increase by $144.

Title VI: Transitional Medical Assistance. Title VI would make several changes to Medicaid and the State Children's Health Insurance Program (SCHIP). Effective October 1, 2005, the bill would extend through 2010 the requirement that state Medicaid programs provide transitional medical assistance (TMA) 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. Overall, CBO estimates that enacting title VI would increase direct spending by $278 million in 2006 and by $4.9 billion over the 2006–2015 period (see Table 6).

Extension of Transitional Medical Assistance. State Medicaid programs are required to provide temporary Medicaid coverage, known as transitional medical assistance, for certain individuals (usually former TANF recipients) and their dependents who otherwise would lose coverage because of increased earnings. States currently are required to provide TMA to welfare-related beneficiaries who lose their eligibility prior to June 30, 2005. Section 601 of the bill would extend the requirement from September 30, 2005, through September 30, 2010. (Section 702 of the bill would extend the requirement through September 30, 2005.)

CBO estimates that this provision would increase federal Medicaid outlays by $267 million in 2006 and by $4.1 billion over the 2006–2015 period. The budgetary effects of the extension would continue beyond 2010 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, 2010. Moreover, some states provide more than 12 months of TMA through Medicaid waivers; families living in those states could remain eligible through 2012.

Without S. 667, CBO anticipates that some of the families leaving welfare between 2006 and 2010 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 bill would make those children eligi-

ble for Medicaid. Because children who are eligible for Medicaid cannot receive SCHIP benefits, the bill would lead to savings in the SCHIP program.

CBO estimates that the bill would reduce federal SCHIP outlays by a total of $36 million over the 2006–2010 period. Because states generally have three years to spend their SCHIP allotments, those savings would free up funds that could be spent on benefits in later years. CBO estimates that such spending would amount to $31 million over the 2011–2015 period.

Optional TMA Simplifications. Section 601 also would allow states to waive or relax various requirements that currently apply to TMA. In particular, the bill would allow states to expand TMA eligibility to individuals who have not been eligible for Medicaid for at least three of the previous six 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 6.—DIRECT SPENDING EFFECTS OF TITLE VI: TRANSITIONAL MEDICAL ASSISTANCE

	By fiscal year, in millions of dollars—										
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2006–2015
CHANGES IN DIRECT SPENDING											
Extension of TMA through 2010:											
Medicaid:											
Estimated Budget Authority	267	696	776	833	892	576	36	−2	−11	−2	4,061
Estimated Outlays	267	696	776	833	892	576	36	−2	−11	−2	4,061
SCHIP:											
Budget Authority	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	−7	−15	−8	−3	−3	1	*	5	21	4	−5
Optional TMA Simplifications:											
Medicaid:											
Estimated Budget Authority	19	82	130	182	228	181	6	*	−2	*	826
Estimated Outlays	19	82	130	182	228	181	6	*	−2	*	826
SCHIP:											
Budget Authority	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	0	−2	−2	−1	−1	−1	1	*	4	1	−1
Total Changes in Title VI:											
Estimated Budget Authority	285	778	906	1,015	1,120	757	41	−2	−13	−2	4,885
Estimated Outlays	278	761	897	1,011	1,116	756	42	3	12	3	4,879

* = costs or savings of less than $500,000.

Notes.—TMA = transitional medical assistance, SCHIP = State Children's Health Insurance Program

CBO anticipates that those provisions would boost federal Medicaid spending by $19 million in 2006 and by $826 million over the 2006–2015 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 to 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 $1 million over the 2006–2015 period. By relaxing TMA rules, the bill would make some children newly eligible for Medicaid and therefore ineligible for SCHIP.

Title VII: Effective Date. Title VII would extend several provisions of law through September 30, 2005, including authorizations of the Temporary Assistance for Needy Families (TANF), child care entitlement, and abstinence education programs, and eligibility for transitional medical assistance (TMA) under Medicaid. CBO estimates that Title VII would increase direct spending, relative to the baseline, by $45 million in 2005, by $238 million over the 2005–2010 and by $239 million over the 2005–2015 periods (see Table 7).

TABLE 7.—DIRECT SPENDING EFFECTS OF TITLE VII: EFFECTIVE DATE

	By fiscal year, in millions of dollars—											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2005–2015
TANF Supplemental Grants:												
Budget Authority	64	0	0	0	0	0	0	0	0	0	0	64
Estimated Outlays	41	15	8	0	0	0	0	0	0	0	0	64
Abstinence Education Grants:												
Budget Authority	13	0	0	0	0	0	0	0	0	0	0	13
Estimated Outlays	4	5	2	1	1	0	0	0	0	0	0	11
TANF Research Funding:												
Budget Authority	3	0	0	0	0	0	0	0	0	0	0	3
Estimated Outlays	*	1	2	0	0	0	0	0	0	0	0	3
Child Welfare Research Funding:												
Budget Authority	1	0	0	0	0	0	0	0	0	0	0	1
Estimated Outlays	*	*	1	0	0	0	0	0	0	0	0	1
TMA:												
Medicaid:												
Estimated Budget Authority	0	148	13	*	*	*	*	*	*	*	*	161
Estimated Outlays	0	148	13	*	*	*	*	*	*	*	*	161
SCHIP:												
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	0	−4	*	1	1	*	*	*	*	1	*	−1
Total Changes in Title VII:												
Estimated Budget Authority	81	148	13	*	*	*	*	*	*	*	*	242
Estimated Outlays	45	165	28	2	2	*	*	*	*	*	*	239

* = costs or savings of less than $500,000.
Notes.—Components may not sum to total because of rounding

TANF, Child Care, and Abstinence Education. The bill would extend the TANF and child care entitlement programs through September 30, 2005. Those programs are scheduled to expire on June 30, 2005. The extension would provide funding at the 2004 level—totaling about $3.3 billion for TANF and $400 million for child care under the procedures the Office of Management and Budget uses for allocating funds for those programs. The extension would have no cost relative to CBO's baseline because it already assumes annual funding for those programs at the 2004 level in accordance with the rules set forth in the Deficit Control Act.

The bill would also fund TANF supplemental grants at their 2004 level of $64 million and would extend funding for two research grants totaling $4 million through September 30, 2005. It would appropriate $12.5 million for the abstinence education program.

Transitional Medical Assistance. Title VII also would extend through September 30, 2005, the requirement that state Medicaid programs provide transitional medical assistance to certain beneficiaries—usually former TANF recipients—who would otherwise lose eligibility because of increased earnings. This requirement is set to expire on June 30, 2005.

CBO estimates that the extension of TMA would have no budgetary impact in 2005, but would increase federal Medicaid spending by $148 million in 2006 and $161 million over the 2006–2015 period. The extension would not affect spending in 2005 because families who qualify for TMA are already eligible for four months of additional eligibility under a separate provision of Medicaid law. The extension also would decrease spending in the State Children's Health Insurance Program by $1 million over the 2005–2015 period.

SPENDING SUBJECT TO APPROPRIATION

S. 667 would establish several new grant programs that would be funded through annual appropriations. Further, it would increase the cost of administering the SSI program by requiring the Social Security Administration to conduct additional reviews of SSI applications. Assuming appropriation of the authorized amounts, CBO estimates that implementing the legislation would cost $41 million in 2006 and $1.7 billion over the 2006–2015 period (see Table 8). Estimated outlays are based on historical spending patterns for social service grant programs, unless otherwise noted.

Domestic Violence Prevention Grants. Section 103 would authorize appropriations of $10 million annually through 2010 for the Secretary of HHS to develop and implement a program to address domestic violence as a barrier to healthy relationships, marriage, and economic security. CBO estimates implementing the program would cost $1 million in 2006 and $50 million over the 2006–2012 period. Section 114 would authorize an additional $20 million annually through 2010 for the Secretary to award matching grants to states, tribes, and nonprofit organizations to operate programs to reduce domestic violence. CBO estimates implementing the program would cost $2 million in 2006 and $100 million over the 10-year period.

Fatherhood Grants. Section 118 would establish new grant programs to promote responsible fatherhood and would authorize ap-

propriations of $26 million annually over the 2006–2010 period. (Section 118 appropriates an additional $50 million annually in direct spending.) CBO estimates implementing the programs would cost $4 million in 2006 and $130 million over the 2006–2012 period.

Grants To Capitalize and Develop Sustainable Social Services. Section 119 would authorize appropriations of $40 million each year over the 2006–2010 period to make grants for the purpose of capitalizing and developing sustainable social services. Grantees would develop programs that would generate their own sources of revenue while assisting TANF recipients. CBO estimates that implementing this provision would increase outlays by $4 million in 2006 and by $200 million over the 2006–2013 period.

TABLE 8.—ESTIMATED COSTS FOR NEW DISCRETIONARY SPENDING

	By fiscal year, in millions of dollars—											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2005–2015
CHANGES IN SPENDING SUBJECT TO APPROPRIATION												
Title I: TANF:												
Best Practices for Addressing Domestic Violence Grants:												
Authorization Level	0	10	10	10	10	10	0	0	0	0	0	50
Estimated Outlays	0	1	6	11	10	8	9	5	0	0	0	50
Domestic Violence Prevention Grants:												
Authorization Level	0	20	20	20	20	20	0	0	0	0	0	100
Estimated Outlays	0	2	12	22	20	16	18	10	0	0	0	100
Fatherhood Grants:												
Authorization Level	0	26	26	26	26	26	0	0	0	0	0	130
Estimated Outlays	0	4	18	29	28	26	20	5	0	0	0	130
Social Services Capitalization Grants:												
Authorization Level	0	40	40	40	40	40	0	0	0	0	0	200
Estimated Outlays	0	4	24	43	40	34	35	18	2	0	0	200
Car Ownership Grants:												
Authorization Level	0	25	25	25	25	25	0	0	0	0	0	125
Estimated Outlays	0	3	15	27	25	21	22	11	1	0	0	125
Transitional Jobs Grants:												
Authorization Level	0	200	200	200	200	200	0	0	0	0	0	1,000
Estimated Outlays	0	20	120	216	200	168	176	90	10	0	0	1,000
Subtotal Title I:												
Authorization Level	0	321	321	321	321	321	0	0	0	0	0	1,605
Estimated Outlays	0	34	195	348	323	273	280	139	13	0	0	1,605
Title V: Supplemental Security Income:												
Administrative Costs of SSI Pre-effectuation Revenues:												
Estimated Authorization Level	0	8	II	14	15	15	16	16	17	17	18	147
Estimated Outlays	0	7	10	13	15	15	16	16	17	17	18	144
Total Changes:												
Estimated Authorization Level	0	329	332	335	336	336	16	16	17	17	18	1,752
Estimated Outlays	0	41	205	361	338	288	296	155	30	17	18	1,749

Grants for Car Ownership. Section 119 would authorize the appropriation of $25 million each year through 2010 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 the program would cost $3 million in 2006 and $125 million over the 2006–2013 period.

Transitional Jobs Grants. Section 119 would authorize the appropriation of $200 million each year through 2010 for a program of grants to states, Indian tribes, localities, private organizations, and employers to promote job advancement and wage growth for low-wage workers. The program would primarily serve current and former recipients of TANF benefits, individuals at risk of needing TANF benefits, individuals with disabilities and noncustodial parents who have difficulty in paying child support. CBO estimates that implementing this program would cost $20 million in 2006 and $1 billion over the 2006–2013 period.

SSI Pre-effectuation Reviews. Section 501 would require the Social Security Administration to conduct reviews on initial decisions to award SSI benefits to certain disabled adults. CBO estimates the provision would increase the number of non-concurrent SSI determinations reviewed each year by SSA by about 135,000. Based on SSA's costs for conducting similar reviews in the Disability Insurance program, we estimate this would cause SSA's administrative costs, which are subject to appropriation, to increase by $8 million in 2006 and $147 million over the next 10 years.

Estimated impact on state, local, and tribal governments: The bill would extend funding for a number of state programs, most notably TANF, and establish new grants that target a variety of worker and family programs. The bill also would place new requirements and limitations on state programs as conditions for receiving federal assistance. Preemptions and some other requirements in the bill would be intergovernmental mandates as defined in UMRA. 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 provisions affecting 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 if the state, local, or tribal government lacks authority to amend its financial or programmatic responsibilities 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; 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 reducing the amounts that states may retain from child support collections would be an intergovernmental mandate, as defined in UMRA, for some states. CBO estimates, however, that the cost of the intergovernmental mandates would not exceed the threshold established in UMRA ($62 million in 2005, adjusted annually for inflation).

Child Support Enforcement. S. 667 would reduce the amounts that states may retain from child support collections in order to reimburse themselves for public assistance spending, in particular for TANF. As a result, states would lose a total of about $50 million in 2010 and about $325 million over the 2010–2015 period, CBO estimates. Retained child support collections are intended to reimburse states for their portion of spending for public assistance programs. If states are able to carry out their responsibilities more efficiently or pare back their child support activities while maintaining a basic level of compliance, the aggregate costs of the mandate could be reduced.

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 $56 million in the child support program and $44 million in Medicaid over the 2006–2015 period.

Preemptions. The bill contains two preemptions of state law that are intergovernmental mandates as defined in UMRA. The bill 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 bill 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. Neither 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 embodied in S. 667 could alter the way in which states administer the program and provide benefits and 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 generally 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 accommodate new requirements and to offset additional costs in that program.

OTHER IMPACTS

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

TANF. S. 667 would reauthorize family assistance grants through 2010 and continue supplemental grants for states that historically have had rising populations or that provided relatively low levels of benefits. The bill would provide more than $80 billion over the 2006–2010 period for family assistance. In addition, CBO estimates that state and tribal governments would receive a total of $1.3 billion for supplemental grants over the 2006–2011 period.

Increased Flexibility. The bill would allow states to use unspent funds from prior years to pay for services in addition to benefits, and it would increase the portion of TANF funds that may be specifically used for SSBG purposes from 4.25 percent to 10 percent. States also could use a portion of TANF funds for projects that foster access to jobs or reverse commuting.

Child Care. S. 667 would provide nearly $14 billion over the 2005–2010 period by extending the current child care grant program, and would increase funding for child care grants by an additional $1 billion over that period. It also would appropriate $5 billion in supplemental child care grants over the 2006–2010 period.

Social Services Block Grant. S. 667 would increase funding for Social Services Block Grants by $1 billion over the 2006–2010 period.

Healthy Marriage Promotion. S. 667 would repeal bonus grants for the reduction of illegitimacy, which were available to up to five states through 2003, and replace them with grants of $100 million annually over the 2006–2010 period for developing and implementing innovative programs to promote and support healthy, two-parent married families. The new grants would be available to states, Indian tribes, and tribal organizations. Grants could be used for a variety of education and media activities associated with the core goals, but they also would have to address domestic violence and ensure that participation in any related programs is voluntary. State spending on related programs for otherwise non-eligible families could be counted toward a state's maintenance-of-effort requirements in TANF.

Domestic Violence Prevention and Child Well-Being Grants. The bill would authorize appropriations totaling $30 million a year over the 2006–2010 period for two new grant programs aimed at developing strategies and best practices and providing training related to the prevention of domestic violence. The bill would appropriate $10 million annually over the same period for contracts, interagency agreements or grants for the development of comprehensive indicators of the well-being of children.

Fatherhood Grants. S. 667 would authorize appropriations of $76 million annually over the 2006–2010 period (of which $50 million would also be appropriated) for a variety of grant programs to promote fatherhood, responsible parenting, and marriage, either directly or through educational and media campaigns.

Abstinence Education. The bill would provide $50 million annually for abstinence education grants over the 2006–2010 period. Any unspent funds allocated to individual states would be periodically reallocated by the Secretary.

Tribal Assistance. S. 667 would reauthorize a program that currently provides $7.6 million annually for grants to Indian tribes and tribal organizations for increasing work opportunities. It also would increase appropriations for those grants to $12.6 million an-

nually over the 2006–2010 period. Finally, the bill would appropriate $80 million over the 2006–2010 period for grants that could be used for improving the infrastructure of human services facilities, developing economic programs, and acquiring technical assistance.

Access and Visitation. Current law provides $10 million annually for access and visitation program grants. S. 667 would increase grants to states and Indian tribes for such programs by $32 million over the 2006–2010 period. The bill also would increase the minimum state allotment, increasing it from $120,000 in 2006 (up from $100,000 in current law) to $180,000 in 2009 and thereafter.

Grants To Support Work Activities. The bill would authorize appropriations of $40 million annually over the 2006–2010 period for grants to capitalize and develop sustainable social services that help move recipients of assistance into work activities. The bill also would authorize appropriations of $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. Finally, the bill would authorize appropriations of $200 million annually over the 2006–2010 period for grants to public and private entities that promote links among businesses to provide training, create transitional work opportunities, and increase the wages of individuals who have limited English proficiency or other barriers to employment.

Extension of Texas Waiver. The bill would extend a waiver that allows Texas to automatically enroll people with child support orders in the child support enforcement program. CBO estimates that the state would receive about $16 million over the 2006–2010 period for administrative expenses.

Foster Care Funds for Puerto Rico. S. 667 also would allow Puerto Rico to claim more federal matching funds for foster care expenses. As a result, CBO estimates that Puerto Rico would receive an additional $25 million over the 2007–2010 period.

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

Medicaid. The bill would require states to continue providing transitional medical assistance through fiscal year 2010. TMA provides benefits to certain individuals and their dependents who otherwise would lose coverage because of increased earnings. The bill 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. CBO estimates that the total net effect of these provisions would be additional state spending of $3.8 billion for Medicaid and savings of about $5 million for SCHIP over the 2006–2010 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 bill would reduce those grants from an average of $200 million annually to $50 million annually in each of

the years 2006–2008 and to $100 million in each of the years 2009–2011. The bill also would change the basis of the grant from general performance to a focus on workplace attachment and advancement. Of the total amount appropriated, 2 percent would be reserved for Indian tribes.

Work Participation Requirements. The bill would increase work participation requirements in the TANF program by requiring states to have an increasing percentage of TANF recipients participating 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 significant 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 2010. The bill 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 bill 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 Indian tribes for administration, worker support activities, and child care. As the overall participation rates increase, states and Indian 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 bill 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 they would employ strategies such as moving non-working families into separate state programs to effectively reduce the new requirements. For example, under current law, some 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 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 worker 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 bill 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 comparably higher salaries would be weighted more heavily in calculating the state's employment credit. In total, however, the size of any credit would be limited to 40 percentage points in 2006, decreasing to 20 percentage points by 2010. States could opt to have the shift in the basis for the credit delayed until October 1, 2008.

Contingency Fund. S. 667 would alter the formula for contingency funds available to states. CBO estimates that those changes would result in a loss of funds to states of $12 million over the 2006–2010 period. The bill also would reserve a portion of contingency funds for tribal governments. CBO estimates that they would receive an additional $24 million over the same period.

Family Self Sufficiency Plans. The bill 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 that currently apply to work participation requirements.

New Requirements. States would have to implement new performance targets and comply with a standardized format for submitting amendments to state plans and any subsequent state plan submissions for TANF programs. Prior to submitting such plans or amendments, a state would have to make the proposals publicly available and gather public comments. S. 667 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 bill would require monthly reports on caseload levels and child care, and it would require an annual report on how states are achieving their performance goals.

Child Welfare and Foster Care. The bill would allow Indian tribes and tribal organizations to operate their own foster care programs, with direct reimbursement from the federal government. As a result, CBO estimates that more children would be covered by foster care and that on a net basis, states and Indian tribes would spend about $60 million over the 2006–2010 period as a result of this option.

Supplemental Security Income. The bill would extend from seven years to nine years the amount of time that an asylee and refugee could remain eligible for SSI benefits. Most states provide optional supplemental benefits to SSI recipients. Assuming they make no changes to their benefit packages, costs would increase. CBO has not estimated these additional costs, but they would be incurred at the option of the state and would only result from benefits provided to an estimated 4,600 people over a two-year period. CBO also estimates that Medicaid spending would increase; the state portion of those additional costs would total about $110 million over the 2006–2010 period.

States that provide supplemental benefits to SSI recipients would realize net savings as a result of additional eligibility reviews required by the bill. States would also save about $175 million over the 2006–2010 period as a result of lower Medicaid spending.

Estimated impact on the private sector: The bill contains a private-sector mandate as defined in the Unfunded Mandates Reform Act. Section 321 would require the administrator of a group health

plan to notify a State child support enforcement agency under certain circumstances when a child loses health care coverage. The cost of this mandate would not exceed the threshold established by UMRA ($123 million in 2005, adjusted annually for inflation).

Estimate prepared by: Federal costs: Sheila Dacey—TANF, Child Support, and Child Care; Christina Hawley Sadoti—Child Welfare; Geoffrey Gerhardt—Supplemental Security Income; Jeanne De Sa and Eric Rollins—Medicaid and SCHIP; Kathleen FitzGerald—Abstinence Education. Impact on State, Local, and Tribal Governments: Leo Lex. Impact on the Private Sector: Molly Dahl.

Estimate approved by: Robert A. Sunshine, Assistant Director for Budget Analysis.

VI. 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 italic, 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

SEC. 401. PURPOSE.

(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.

SEC. 402. ELIGIBLE STATES; STATE PLAN.

(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 an adult or minor child head of household 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)(I) Require families receiving assistance under the program that—

(I) include an adult or minor child head of household to engage in activities in accordance with family self-sufficiency plans developed pursuant to section 408(b); and

(II) at State option, only consist of a child or children, to engage in activities in accordance with such plans that specify the supportive services the State intends to provide for such families and provide for regular interaction with the families but do not require participation in a work activity described in section 407(d) (other than paragraph (11) of such section).

(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)) for calendar years 1996 through 2005.**]**

(v) Establish specific measurable performance objectives for pursuing the purposes of the program funded under this part or with qualified State expenditures (as defined in section 409(a)(7)(B)(i)) as described in section 401(a), including by—

(I) establishing objectives (as determined by the State) after giving consideration to the criteria

used by the Secretary in establishing performance targets under section 403(a)(4)(C) (with respect to workplace attachment and advancement), and 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, the National Conference of State Legislatures, 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 is using or plans to use to address—

(I) employment retention and advancement for recipients of assistance under the program, including 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 delivery 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, to the extent applicable with respect to each program that provides assistance that will be funded under this part or with qualified State expenditures (as defined in section 409(a)(7)(B)(i)), a description of—

(I) the applicable financial and nonfinancial eligibility rules for assistance provided under the program, including income eligibility thresholds, the treatment of earnings, asset eligibility rules, and excluded forms of income;

(II) the amount of assistance provided to needy families, and the methodology for determining assistance amounts; and

(III) the applicable time limit policies, including the length of the time limit, exemption and extension policies, and procedures for providing services to families reaching the time limit and who have lost assistance due to time limits.

(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 parent or caretaker relative for a child or adult dependent for care.

(vii) The document shall describe how the State informs families receiving assistance under the State program funded under this part that do not include an adult or minor child head of household of the information required to be provided to other families under section 408(b)(2)(G) (relating to work support and other assistance for which the family may be eligible).

(viii) The document shall describe how the State will ensure equitable access to benefits and services provided under the program for each member of an Indian tribe or tribal organization, who is domiciled in the State and is not eligible for assistance under a tribal family assistance plan approved under section 412.

[(iv) 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.]

(2) CERTIFICATION THAT THE STATE WILL OPERATE A CHILD SUPPORT ENFORCEMENT PROGRAM.—A certification by the chief executive officer of the State that, during the fiscal year, the State will operate a child support enforcement program under the State plan approved under part D.

(3) CERTIFICATION THAT THE STATE WILL OPERATE A FOSTER CARE AND ADOPTION ASSISTANCE PROGRAM.—A certification by the chief executive officer of the State that, during the fiscal year, the State will operate a foster care and adoption assistance program under the State plan approved under part E, and that the State will take such actions as are necessary to ensure that children receiving assistance under such part are eligible for medical assistance under the State plan under title XIX.

(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—

(A) have been consulted regarding the plan and design of welfare services in the State so that services are provided in a manner appropriate to local *and tribal* populations; and

(B) have had at least 45 days to submit comments on the plan and the design of such services.

(5) CERTIFICATION THAT THE STATE WILL PROVIDE INDIANS WITH EQUITABLE ACCESS TO ASSISTANCE.—A certification by the chief executive officer of the State that, during the fiscal year, the State [will provide each member of an Indian tribe, who is domiciled in the State and is not eligible for assistance under a tribal family assistance plan approved under section 412, with equitable access to assistance under the State program funded under this part attributable to funds provided by the Federal Government.]

(A) consult with each Indian tribe and tribal organization located within the State regarding the State plan in order to ensure equitable access to benefits and services provided under the plan for any member of such a tribe or organization who is not eligible for assistance under a tribal family assistance plan approved under section 412; and

(B) provide each member of an Indian tribe or tribal organization, who is domiciled in the State and is not eligible for assistance under a tribal family assistance plan approved under section 412, with equitable access to assistance under the State program funded under this part attributable to funds provided by the Federal Government.

* * * * * * *

[(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) and for purposes of filing an amendment to the State plan in accordance with paragraph (5). 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 2007.—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, 2006, and all subsequent State plan submissions, including any State plan amendments, shall be made using such form.

(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).

(6) STATE OPTION TO DELAY SUBMISSION OF PLAN.—A State required to submit a State plan under this part during the period that begins on the date of enactment of the Personal Responsibility and Individual Development for Everyone Act and ends on September 30, 2006, may wait until October 1, 2006, to submit such plan using the Standard State Plan Form developed under paragraph (1).

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

SEC. 403. GRANTS TO STATES.

(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] *2006 through 2010*, 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 2006 through 2010, $16,566,542,000 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 para-

graph 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 terminations in the State for calendar year 1995.

[(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 fiscal year and the illegitimacy ratio of 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, 2002, and 2003.

[(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 2003, 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 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 or tribal organization 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) and corresponding State matching funds 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 importance of healthy marriages and the characteristics of other healthy relationships experienced throughout life, including education on the importance of grounding all relationships in mutual respect and how earlier healthy relationships are the building blocks for later healthy marital relationships.

(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.—

(i) IN GENERAL.—Participation in programs or activities described in any of clauses (iii) through (vii) of subparagraph (B) shall be voluntary.

(ii) ASSURANCE OF INFORMED CONSENT AND OPTION TO DISENROLL.—Each State or Indian tribe or tribal organization that carries out programs or activities described in any of clauses (iii) through (vii) of subparagraph (B) shall provide the Secretary with an assurance that each recipient of assistance under the State program funded under this part who elects to participate in such programs or activities shall be informed, prior to making such election—

(I) that such participation is voluntary;

(II) that the recipient may elect at any time to disenroll from such programs or activities by notifying the State or Indian tribe or tribal organization that the recipient no longer wants to participate in such programs or activities;

(III) of the process, if any, by which a recipient who chooses to withdraw from, or fails to participate in, such programs or activities may be required to follow to become engaged in other programs or activities that are not programs or activities described in clauses (iii) through (vii) of subparagraph (B); and

(IV) that the State may reassign a recipient at any time, in accordance with the requirements of section 408(b), to other activities that are not programs or activities described in clauses (iii) through (vii) of subparagraph (B).

(iii) NO SANCTION FOR REFUSAL OR FAILURE TO PARTICIPATE.—

(I) IN GENERAL.—No State or Indian tribe or tribal organization shall deny or reduce assistance to a recipient of assistance under the State program funded under this part solely on the basis of the recipient's withdrawal from, or failure to, participate in programs or activities described in clauses (iii) through (vii) of subparagraph (B).

(II) RULE OF CONSTRUCTION.—Nothing in this subparagraph shall be construed as precluding a State or Indian tribe or tribal organization from requiring a recipient of assistance under the State program funded under this part to engage in programs or activities that are not programs or activities described in clauses (iii) through (vii) of subparagraph (B) or to sanction a recipient for failure to engage in such programs or activities or to follow any such procedures the State may establish to enroll a recipient in such other programs or activities.

(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 or Indian tribe or tribal organization may not be awarded a grant under this paragraph unless the State or Indian tribe

or tribal organization, as a condition of receiving funds under such a grant—

(i) consults with domestic violence organizations that have demonstrated expertise working with survivors of domestic violence in developing policies, procedures, programs and training necessary to appropriately address domestic violence in families served by programs and activities funded under such grant;

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

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

(II) what the State 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;

(iii) establishes a written protocol for providers and administrators of programs and activities relevant to the grant that—

(I) provides for helping identify instances or risks of domestic violence; and

(II) specifies the procedures for making service referrals and providing protections and appropriate assistance for identified individuals and families;

(iv) establishes performance goals for funded programs and activities that clarify the primary objective of such funded programs and activities is to increase the incidence and quality of healthy marriages and not solely to expand the number or percentage of married couples; and

(v) submits the annual reports required under subparagraph (F).

(F) ANNUAL REPORTS TO THE SECRETARY.—Each State and Indian tribe or tribal organization awarded a grant under this paragraph shall submit to the Secretary an annual report on the programs and activities funded under the grant that includes the following:

(i) A description of the written protocols developed in accordance with the requirements of subparagraph (E)(iii) for each program or activity funded under the grant and how such protocols are used, including specific policies and procedures for addressing domestic violence issues within each program or activity funded under the grant and how confidentiality issues are addressed.

(ii) The name of each individual, organization, or entity that was consulted in the development of such protocols.

(iii) A description of each individual, organization, or entity (if any) that provided training on domestic violence for the State, Indian tribe or tribal organization, or for any subgrantees.

(iv) A description of any implementation issues identified with respect to domestic violence and how such issues were addressed.

(G) BIANNUAL REPORTS TO CONGRESS.—Not later than 24 months after the date of enactment of the Personal Responsibility and Individual Development for Everyone Act, and every 6 months thereafter, the Secretary shall submit to Congress a report regarding the programs and activities funded with grants awarded under this paragraph. Each report submitted in accordance with this subparagraph shall include the following:

(i) The name of each program or activity funded with such grants and the name of each grantee and subgrantee.

(ii) The total number of individuals served under programs or activities funded under the grant.

(iii) The total number of individuals who—

(I) completed a program or activity funded under the grant, including the number of such individuals who received assistance under the State program funded under this part or with qualified State expenditures (as defined in section 409(a)(7)(B)(i)) while participating in such program or activity; and

(II) did not complete such a program or activity, including due to ceasing to receive assistance under the State program funded under this part or with qualified State expenditures (as defined in section 409(a)(7)(B)(i)) or for other reasons.

(iv) A description of the types of services offered under such programs or activities.

(v) The criteria for selection of programs or activities to be funded under such grant with respect to the award of grants by the Secretary and the awarding of funds to subgrantees.

(vi) A description of the activities carried out by the Secretary to support grantees and subgrantees in responding to domestic violence issues.

(v) A summary of the written domestic violence protocols used by grantees and subgrantees.

(vii) A summary of who the grantees and subgrantees consulted with in developing such protocols.

(viii) A summary of the training provided to grantees and subgrantees on domestic violence.

(ix) A list of the organizations, entities, and activities funded under sections 103(c) and 114(e) of the Personal Responsibility and Individual Development for Everyone Act.

(H) DOMESTIC VIOLENCE DEFINED.—In this paragraph, the term 'domestic violence' has the meaning given that term in section 402(a)(7)(B).

(I) 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 2005 through 2010, $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 2006 through 2010 shall remain available to the Secretary until expended.

(II) AUTHORITY FOR GRANT RECIPIENTS.—A State 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.

(3) SUPPLEMENTAL GRANT FOR POPULATION INCREASES IN CERTAIN STATES.—

(A) IN GENERAL.—Each qualifying State shall, subject to subparagraph (F), be entitled to receive from the Secretary—

* * * * * * *

(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] *2006 through 2009* 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 ["March 31, 2005"] *fiscal year 2009* were substituted for "fiscal year 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] *2006 through 2009* 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 later than 1 year after the date of the enactment of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, 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, 2006, 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 goal of workplace attachment and advancement for families receiving as-

sistance under the program (and for families diverted from receiving such assistance if, and only to the extent that, the Secretary determines that it is possible to measure State performance with respect to such families), as measured on an absolute basis and on the basis of improvement in State performance.

(ii) SPECIAL RULE FOR BONUS YEARS 2006 AND 2007.—For the purposes of awarding a bonus under this paragraph for bonus year 2006 or 2007, the Secretary may measure the performance of a State in fiscal year 2005 or 2006 (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—

(aa) each of bonus years 2006 through 2008 equals $50,000,000; and

(bb) each of bonus years 2009 through 2011 equals $100,000,000; and

(II) the total amount of grants to be made under this paragraph for all bonus years equals $450,000,000.

(E) DEFINITIONS.—In this paragraph:

(i) BONUS YEAR.—The term "bonus year" means each of fiscal years 2006 through 2011.

(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 2006 through 2011, $450,000,000 for grants under this paragraph.

(G) GRANTS FOR INDIAN TRIBES.—

(i) RESERVATION OF FUNDS.—Of the amount appropriated under subparagraph (F), the Secretary shall reserve an amount equal to 2 percent of such amount for making grants to Indian tribes.

(ii) APPLICATION.—This paragraph shall apply with respect to Indian tribes in the same manner in which this paragraph applies with respect to States.

(iii) CONSULTATION.—The Secretary shall consult with Indian tribes in determining the criteria under

which to make grants to Indian tribes and tribal organizations under this paragraph.

(5) WELFARE-TO-WORK GRANTS.—

(A) FORMULA GRANTS.—

* * * * * * *

(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 of the amount specified in subparagraph (H) for fiscal year 1998 and $9,000,000 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 of the amount specified in subparagraph (H) for fiscal year 1998 and $3,000,000 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 ongoing 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.—There is authorized to be appropriated to the Secretary for the purpose of carrying out this paragraph, $40,000,000 for each of fiscal years 2006 through 2010.

(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 or tribal organizations, 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 or tribal organizations, 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 or tribal organization, 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 2006 through 2010.

(8) INNOVATIVE BUSINESS LINK PARTNERSHIP GRANTS.—

(A) IN GENERAL.—The Secretary and the Secretary of Labor (in this paragraph referred to as the "Secretaries") jointly shall award grants in accordance with this paragraph for projects proposed by eligible applicants based on the following:

(i) The potential effectiveness of the proposed project in carrying out the activities described in subparagraph (E).

(ii) Evidence of the ability of the eligible applicant to leverage private, State, or local resources.

(iii) Evidence of the ability of the eligible applicant to coordinate with other organizations at the State or local level.

(B) DEFINITION OF ELIGIBLE APPLICANT.—

(i) IN GENERAL.—In this paragraph, the term "eligible applicant" means a private organization, a local workforce investment board established under section 117 of the Workforce Investment Act of 1998 (29 U.S.C. 2832), a State, a political subdivision of a State, or an Indian tribe or tribal organization.

(ii) GRANTS TO PROMOTE BUSINESS LINKAGES.—

(I) ADDITIONAL ELIGIBLE APPLICANT.—Only for purposes of grants to carry out the activities described in subparagraph (E)(i), the term "eligible applicant" includes an employer.

(II) ADDITIONAL REQUIREMENT.—In order to qualify as an eligible applicant for purposes of subparagraph (E)(i), the applicant must demonstrate that the application has been developed by and will be implemented by a local or regional consortium that includes, at minimum, employers or employer associations, and education and training providers, in consultation with local labor organizations and social service providers that work with low-income families or individuals with disabilities.

(C) REQUIREMENTS.—

(i) IN GENERAL.—In awarding grants under this paragraph, the Secretaries shall—

(I) consider the needs of rural areas and cities with large concentrations of residents with an income that is less than 150 percent of the poverty line; and

(II) ensure that—

(aa) all of the funds made available under this paragraph (other than funds reserved for use by the Secretaries under subparagraph (J)) shall be used for activities described in subparagraph (E);

(bb) not less than 40 percent of the funds made available under this paragraph (other than funds so reserved) shall be used for activities described in subparagraph (E)(i); and

(cc) not less than 40 percent of the funds made available under this paragraph (other than funds so reserved) shall be used for the activities described in subparagraph (E)(ii).

(ii) CONTINUATION OF AVAILABILITY.—If any portion of the funds required to be used for activities referred to in item (bb) or (cc) of clause (i)(II) are not awarded in a fiscal year, such portion shall continue to be available in the subsequent fiscal year for the same activity, in addition to other amounts that may be available for such activities for that subsequent fiscal year.

(D) DETERMINATION OF GRANT AMOUNT.—

(i) IN GENERAL.—Subject to clause (ii), in determining the amount of a grant to be awarded under this paragraph for a project proposed by an eligible applicant, the Secretaries shall take into account—

(I) the number and characteristics of the individuals to be served by the project;

(II) the level of unemployment in the area to be served by the project;

(III) the job opportunities and job growth in such area;

(IV) the poverty rate for such area; and

(V) such other factors as the Secretary deems appropriate in such area.

(ii) MAXIMUM AWARD FOR GRANTS TO PROMOTE BUSINESS LINKAGES OR PROVIDE TRANSITIONAL JOBS PROGRAMS.—

(I) IN GENERAL.—In the case of a grant to carry out activities described in clause (i) or (ii) of subparagraph (E), an eligible applicant awarded a grant under this paragraph may not receive more than $10,000,000 per fiscal year under the grant.

(II) RULE OF CONSTRUCTION.—Nothing in subclause (I) shall be construed as precluding an otherwise eligible applicant from receiving separate grants to carry out activities described in clause (i) or (ii) of subparagraph (E).

(iii) GRANT PERIOD.—The period in which a grant awarded under this paragraph may be used shall be specified for a period of not less than 36 months and not more than 60 months.

(E) ALLOWABLE ACTIVITIES.—An eligible applicant awarded a grant under this paragraph shall use funds provided under the grant to do the following:

(i) PROMOTE BUSINESS LINKAGES.—

(I) IN GENERAL.—To promote business linkages in which funds shall be used to fund new or expanded programs that are designed to—

(aa) substantially increase the wages of eligible individuals (as defined in subparagraph (F)), whether employed or unemployed, who have limited English proficiency or other barriers to employment by creating or upgrading job and related skills in partnership with employers, especially by providing supports and services at or near worksites; and

(bb) identify and strengthen career pathways by expanding and linking work and training opportunities for such individuals in collaboration with employers.

(II) CONSIDERATION OF IN-KIND, IN-CASH RESOURCES.—In determining which programs to fund under this clause, an eligible applicant awarded a grant under this paragraph shall consider the ability of a consortium to provide funds in-kind or in-cash (including employer-provided,

paid release time) to help support the programs for which funding is sought.

(III) PRIORITY.—In determining which programs to fund under this clause, an eligible applicant awarded a grant under this paragraph shall give priority to programs that include education or training for which participants receive credit toward a recognized credential, such as an occupational certificate or license.

(IV) USE OF FUNDS.—

(aa) IN GENERAL.—Funds provided to a program under this clause may be used for a comprehensive set of employment and training benefits and services, including job development, job placement, workplace supports and accommodations, curricula development, wage subsidies, retention services, and such other benefits or services as the program deems necessary to achieve the overall objectives of this clause.

(bb) PROVISION OF SERVICES.—So long as a program is principally designed to assist eligible individuals (as defined in subparagraph (F)), funds may be provided to a program under this clause that also serves low-earning employees of 1 or more employers even if such individuals are not within the definition of eligible individual (as so defined).

(ii) PROVIDE FOR TRANSITIONAL JOBS PROGRAMS.—

(I) IN GENERAL.—To provide for wage-paying transitional jobs programs which combine time-limited employment in the public or nonprofit private sector that is subsidized with public funds with skill development and activities to remove barriers to employment, pursuant to an individualized plan (or, in the case of an eligible individual described in subparagraph (F)(i), an individual responsibility plan developed for an individual under section 408(b)). Such programs also shall provide job development and placement assistance to individual participants to help them move from subsidized employment in transitional jobs into unsubsidized employment, as well as retention services after the transition to unsubsidized employment.

(II) ELIGIBLE PARTICIPANTS.—The Secretary shall ensure that individuals who participate in transitional jobs programs funded under a grant made under this paragraph shall be individuals who have been unemployed because of limited skills, experience, or other barriers to employment, and who are eligible individuals (as defined in subparagraph (F)), provided that so long as a program is designed to, and principally serves, eligible individuals (as so defined), a limited number

of individuals who are unemployed because of limited skills, experience, or other barriers to employment, and who have an income below 100 percent of the Federal poverty line but who do not satisfy the definition of eligible individual (as so defined) may be served in the program to the extent the Secretaries determine that the inclusion of such individuals in the program is appropriate.

(III) USE OF FUNDS.—Funds provided to a program under this clause may only be used in accordance with the following:

(aa) To create subsidized transitional jobs in which work shall be performed directly for the program operator or at other public and nonprofit organizations (in this subclause referred to as "worksite employers") in the community, and in which 100 percent of the wages shall be subsidized, except as described in item (ff) regarding placements in the private, for-profit sector.

(bb) Participants shall be paid at the rate paid to unsubsidized employees of the worksite employer who perform comparable work at the worksite where the individual is placed. If no other employees perform the same or comparable work then wages shall be set, at a minimum, at 50 percent of the Lower Living Standard Income Level (commonly referred to as the "LLSIL"), as determined under section 101(24) of the Workforce Investment Act of 1998 (29 U.S.C. 2801(24)), for a family of 3 based on 35 hours per week.

(cc) Transitional jobs shall be limited to not less than 6 months and not more than 24 months, however, nothing shall preclude a participant from moving into unsubsidized employment at a point prior to the maximum duration of the transitional job placement. Participants shall be paid wages based on a workweek of not less than 30 hours per week or more than 40 hours per week, except that a parent of a child under the age of 6, a child who is disabled, or a child with other special needs, or an individual who for other reasons cannot successfully participate for 30 to 40 hours per week, may be allowed to participate for more limited hours, but not less than 20 hours per week. In any work week, 50 percent to 80 percent of hours shall be spent in the transitional job and 20 percent to 50 percent of hours shall be spent in education or training, or other services designed to reduce or eliminate any barriers.

(dd) Program operators shall provide case management services and ensure access to ap-

propriate education, training, and other services, including job accommodation, work supports, and supported employment, as appropriate and consistent with an individual employment plan (unless the individual already has an employment plan developed by the appropriate State agency with responsibility for the administration of the State program funded under this part or the State workforce investment board established under section 111 of the Workforce Investment Act of 1998 (29 U.S.C. 2821)) that is based on the individual's strengths, resources, priorities, concerns, abilities, capabilities, career interests, and informed choice and that is developed with each participant. The goal of each participant's plan shall focus on preparation for unsubsidized jobs in demand in the local economy which offer the potential for advancement and growth. Services shall also include job placement assistance and retention services for 12 months after entry into unsubsidized placement. Participants shall also receive support services such as subsidized child care and transportation, on the same basis as those services are made available to recipients of assistance under the State program funded under this part who are engaged in work-related activities.

(ee) Providers shall work with individual recipients to determine eligibility for other employment-related supports which may include (but are not limited to) supported employment, other vocational rehabilitation services, and programs or services available under the Workforce Investment Act of 1998 (29 U.S.C. 2801 et seq.), or the ticket to work and self-sufficiency program established under section 1148, and, to the extent possible, shall provide transitional employment in collaboration with entities providing, or arranging for the provision of, such other supports.

(ff) Not more than 1/3 of the placements for a grantee shall be with a private for-profit company, except that such 1/3 limit may be waived by the Secretary for programs in rural areas when the grantee can demonstrate insufficient public and non-profit worksites. When a placement is made at a private for-profit company, the company shall pay 50 percent of program costs (including wages) for each participant, and the company shall agree, in writing, to hire each participant into an unsubsidized position at the completion of the agreed upon subsidized placement, or sooner, pro-

vided that the participant's job performance has been satisfactory.

(gg) Subject to item (hh), not more than 15 percent of the workforce of a private for-profit company may be composed of transitional jobs participants.

(hh) Notwithstanding item (gg), no employer shall be precluded from employing up to 2 transitional jobs participants.

(IV) DEFINITION OF TRANSITIONAL JOBS PROGRAM.—In this clause, the term "transitional jobs program" means a program that is intended to serve current and former recipients of assistance under a State or tribal program funded under this part and other low-income individuals who have been unable to secure employment through job search or other employment-related services because of limited skills, experience, or other barriers to employment.

(iii) LIMITATION ON ADMINISTRATIVE EXPENDITURES.—Not more than 5 percent of the funds awarded to an eligible applicant under clause (i) or (ii) may be used for administrative expenditures incurred in carrying out the activities described in clause (i) or (ii) or for expenditures related to carrying out the assessments and reports required under subparagraph (H).

(F) DEFINITION OF ELIGIBLE INDIVIDUAL.—In this paragraph, the term "eligible individual" means—

(i) an individual who is a parent who is a recipient of assistance under a State or tribal program funded under this part;

(ii) an individual who is a parent who has ceased to receive assistance under such a State or tribal program;

(iii) an individual who is at risk of receiving assistance under a State or tribal program funded under this part;

(iv) an individual with a disability; or

(v) a noncustodial parent who is unemployed, or is having difficulty in paying child support obligations, including such a parent who is a former criminal offender.

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

(H) ASSESSMENTS AND REPORTS BY GRANTEES.—

(i) IN GENERAL.—An eligible applicant that receives a grant under this paragraph shall assess and report on the outcomes of programs funded under the grant, including the identity of each program operator, demographic information about each participant, including education level, literacy level, prior work experience and identified barriers to employment, the nature of education, training, or other services received by the

participant, the reason for the participant's leaving the program, and outcomes related to the placement of the participant in an unsubsidized job, including 1-year employment retention, wage at placement, benefits, and earnings progression, as specified by the Secretaries.

(ii) ASSISTANCE.—The Secretaries shall—

(I) assist grantees in conducting the assessment required under clause (i) by making available where practicable low-cost means of tracking the labor market outcomes of participants; and

(II) encourage States to provide such assistance.

(I) APPLICATION TO REQUIREMENTS OF THE STATE PROGRAM.—

(i) PARTICIPATION NOT CONSIDERED ASSISTANCE.—A benefit or service provided with funds made available under a grant made under this paragraph shall not be considered assistance for any purpose under a State or tribal program funded under this part.

(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.

(J) ASSESSMENTS BY THE SECRETARIES.—

(i) RESERVATION OF FUNDS.—Of the amount appropriated to carry out this paragraph for each of fiscal years 2006 and 2007, $3,000,000 of such amount for each such fiscal year is reserved for use by the Secretaries to prepare an interim and final report summarizing and synthesizing outcomes and lessons learned from the programs funded through grants awarded under this paragraph.

(ii) INTERIM AND FINAL ASSESSMENTS.—With respect to the reports prepared under clause (i), the Secretaries shall submit—

(I) the interim report not later than 4 years after the date of enactment of the Personal Responsibility and Individual Development for Everyone Act; and

(II) the final report not later than 6 years after such date of enactment.

(K) EVALUATIONS.—

(i) RESERVATION OF FUNDS.—Of the amount appropriated to carry out this paragraph for a fiscal year, an amount equal to 1.5 percent of such amount for each such fiscal year shall be reserved for use by the Secretaries to conduct evaluations in accordance with the requirements of clause (ii).

(ii) REQUIREMENTS.—The Secretaries—

(I) shall develop a plan to evaluate the extent to which programs funded under grants made under this paragraph have been effective in promoting sustained, unsubsidized employment for each group of eligible participants, and in improving the skills and wages of participants in comparison

to the participants' skills and wages prior to participation in the programs;

(II) may evaluate the use of such a grant by a grantee, as the Secretaries deem appropriate, in accordance with an agreement entered into with the grantee after good-faith negotiations; and

(III) shall include, as appropriate, the following outcome measures in the evaluation plan developed under subclause (I):

(aa) Placements in unsubsidized employment.

(bb) Retention in unsubsidized employment 6 months and 12 months after initial placement.

(cc) Earnings of individuals at the time of placement in unsubsidized employment.

(dd) Earnings of individuals 12 months after placement in unsubsidized employment.

(ee) The extent to which unsubsidized job placements include access to affordable employer-sponsored health insurance and paid leave benefits.

(ff) Comparison of pre- and post-program wage rates of participants.

(gg) Comparison of pre- and post-program skill levels of participants.

(hh) Wage growth and employment retention in relation to occupations and industries at initial placement in unsubsidized employment and over the first 12 months after initial placement.

(ii) Recipient of cash assistance under the State program funded under this part.

(jj) Average expenditures per participant.

(iii) REPORTS TO CONGRESS.—The Secretaries shall submit to Congress the following reports on the evaluations of programs funded under grants made under this paragraph:

(I) INTERIM REPORT.—An interim report not later than 4 years after the date of enactment of the Personal Responsibility and Individual Development for Everyone Act.

(II) FINAL REPORT.—A final report not later than 6 years after such date of enactment.

(L) AUTHORIZATION OF APPROPRIATIONS.—

(i) IN GENERAL.—There is authorized to be appropriated for the purpose of carrying out this paragraph, $200,000,000 for each of fiscal years 2006 through 2010.

(ii) AVAILABILITY.—Amounts appropriated in accordance with clause (i) for a fiscal year shall remain available for obligation for 5 fiscal years after the fiscal year in which the amount is appropriated.

* * * * * * *

(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, 2002, and 2003 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).

[(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 2005 shall not exceed the total amount appropriated pursuant to paragraph (2).]

(1) CONTINGENCY FUND GRANTS.—

(A) PAYMENTS.—Subject to subparagraphs (C) and (D), and out of funds appropriated under subparagraph (F), 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 (E)(i)) of the applicable benefit level (as defined in subparagraph (E)(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 as-

sistance grant (as defined under subparagraph (B) of subsection (a)(1)).

(D) PAYMENTS TO INDIAN TRIBES.—

(i) IN GENERAL.—Of the total amount appropriated pursuant to subparagraph (F), $25,000,000 of such amount shall be reserved for making payments to Indian tribes with approved tribal family assistance plans that are operating in situations of increased economic hardship.

(ii) DETERMINATION OF CRITERIA FOR TRIBAL ACCESS.—

(I) IN GENERAL.—Subject to subclause (II), the Secretary, in consultation with Indian tribes with approved tribal family assistance plans, shall determine the criteria for access by such tribes to the amount reserved under clause (i).

(II) INCLUSION OF CERTAIN FACTORS.—Such criteria shall include factors related to increases in unemployment and loss of employers.

(iii) APPLICATION OF REQUIREMENTS FOR PAYMENTS TO STATES.—The Secretary, in consultation with Indian tribes with approved tribal family assistance plans located throughout the United States, shall determine the extent to which requirements of States for payments from the contingency fund established under this subsection shall apply to Indian tribes receiving payments under this subparagraph.

(E) 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.

(F) APPROPRIATION.—Out of any money in the Treasury of the United States not otherwise appropriated, there is appropriated for the period of fiscal years 2006 through 2010, such sums as are necessary for making contingency fund grants under this subsection in a total amount not to exceed $2,000,000,000.

(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 lesser 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 subsection 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.

[(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 lesser 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 Personal 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 2000, $16,000,000; and

[(IV) 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.]

[(7)] *(5)* STATE DEFINED.—As used in this subsection, the term "State" means each of the 50 States and the District of Columbia.

[(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. [42 U.S.C. 604] USE OF GRANTS.

(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 (at 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.]

(c) [*Reserved*].

(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.

[(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.

(3) APPLICABLE RULES.—

[(A) IN GENERAL.—Except as provided in subparagraph (B) of this paragraph, any amount paid to a State under this part that is used to carry out a State program pursuant to a provision of law specified in paragraph (1) shall not be subject to the requirements of this part, but shall

be subject to the requirements that apply to Federal funds provided directly under the provision of law to carry out the program, and the expenditure of any amount so used shall not be considered to be an expenditure under this part.

[(B) EXCEPTION RELATING TO TITLE XX PROGRAMS.—All amounts paid to a State under this part that are used to carry out State programs pursuant to title XX shall be used only for programs and services to children or their families whose income is less than 200 percent of the income 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.]

(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 Indian tribe may use a grant made to the State or Indian 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 Indian tribe may designate any portion of a grant made to the State or Indian 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 Indian tribe so designates a portion of such a grant, the State or Indian tribe shall include in its report under section 411(a) the amount so designated.

(f) AUTHORITY TO OPERATE EMPLOYMENT PLACEMENT PROGRAM.—A State to which 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 POSTSECONDARY 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 or State funds that are qualified State expenditures (as defined in section 409(a)(7)(B)(i)) to establish a program under which an eligible participant (as defined in paragraph (3)) may be provided support services described in

paragraph (5) and, subject to paragraph (6), 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 that are in demand in the State.

(3) DEFINITION OF ELIGIBLE PARTICIPANT.—In this subsection, the term 'eligible participant' means an individual—

(A) who—

(i) receives assistance under the State program funded under this part;

(ii) is a former recipient of assistance under the State program funded under this part; or

(iii) is a needy parent in a family with children eligible for benefits or services funded under a grant made under section 403 or with State funds that are qualified State expenditures (as defined in section 409(a)(7)(B)(i)); and

(B) who—

(i) is enrolled in a postsecondary 2- or 4-year degree program or a vocational educational training program; and

(ii) during the period the individual participates in the program established under this subsection, maintains satisfactory academic progress, as defined by the institution operating the postsecondary 2- or 4-year degree program or vocational educational training program in which the individual is enrolled.

(4) 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 postsecondary 2- or 4-year degree program or a vocational educational training program within the normal timeframe (as determined by the institution operating the 2- or 4-year degree program or a vocational educational training program) for full-time students seeking the particular degree or completing the vocational educational training program.

(B) EXCEPTION.—

(i) IN GENERAL.—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 nor-

mal timeframe established under subparagraph (A) (unless further modification is required 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, with respect to an eligible participant, the presence of 1 or more significant barriers, as determined by the State, to normal participation by the participant, such as the need to care for a family member with special needs.

(ii) INCLUSION OF BARRIERS IN STATE PLAN ADDENDUM.—A State shall identify and define in the addendum to the State plan under paragraph (2) the barriers that make an eligible participant eligible for the good cause exception permitted under clause (i).

(5) 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 participating 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.

(6) RULES FOR INCLUSION IN MONTHLY WORK PARTICIPATION RATES.—

(A) FAMILIES COUNTED AS PARTICIPATING IF THEY MEET THE REQUIREMENTS OF SUBPARAGRAPH (B) OR (C).—Subject to subparagraph (D), for each eligible participant who receives assistance under the State program funded under this part, 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 in accordance with clause (ii)) 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 that 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 established 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 result in the participant's family being 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 postsecondary 2- or 4-year degree program or vocational educational training program that the participant is enrolled in, participates in an activity described in subclause (I) or (II) 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;

(III) 10 hours per week during the third 12-month period of such participation; and

(IV) 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, with respect to an eligible participant, the presence of 1 or more significant barriers, as determined by the State, to normal participation by the participant, such as the need to care for a family member with special needs.

(D) CAP ON NUMBER OF PARTICIPANTS THAT MAY BE INCLUDED IN MONTHLY WORK PARTICIPATION RATES.—The monthly number of families that include an eligible participant and that are treated as being engaged in work may not exceed an amount equal to 10 percent of the families to which assistance is provided under the State program funded under this part for such month.

(7) APPLICABILITY.—Nothing in this subsection shall be construed as restricting the authority or discretion of a State in the use of grants provided under section 403 or the expenditure of qualified State expenditures (as defined in section 409(a)(7)(B)(i)) for programs or activities other than the program established under this subsection.

[SEC. 406. FEDERAL LOANS FOR STATE WELFARE PROGRAMS.

[(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 2003 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.]

SEC. 407. MANDATORY WORK REQUIREMENTS.

[(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 2006;

(B) 55 percent for fiscal year 2007;

(C) 60 percent for fiscal year 2008;

(D) 65 percent for fiscal year 2009; and

(E) 70 percent for fiscal year 2010 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 2006;

(B) 35 percentage points, in the case of fiscal year 2007;

(C) 30 percentage points, in the case of fiscal year 2008;

(D) 25 percentage points, in the case of fiscal year 2009; or

(E) 20 percentage points, in the case of fiscal year 2010 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-parent 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), beginning with fiscal year 2008, 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 (including data relating to qualified State expenditures (as defined in section 409(a)(7)(B)(i)) or any other State programs that are used to provide nonrecurring short-term benefits or substantial child care or transportation assistance to such families) 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 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 defined in clause (v)), 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 such succeeding calendar quarter.

(III) At the option of the State, twice the quarterly average number of families that include an adult who is receiving substantial child care (including child care funded by transfers under section 404(d) to the Child Care and Development Block Grant Act of 1990) 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 into account large one-time transition payments) during the applicable period (as defined in clause (v)) and that were employed during the calendar quarter in which the substantial child care or transportation assistance was so

received and earned at least $1,000 during such calendar quarter.

(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 in 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 defined in clause (v)).

(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 (including child care funded by transfers under section 404(d) to the Child Care and Development Block Grant Act of 1990) or transportation assistance during the applicable period (as defined in clause (v)).

(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 in which the individuals received substantial child care or transportation assistance.

(C) NOTIFICATION TO STATE.—Not later than August 31 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) STATE OPTION TO INCLUDE INDIVIDUALS RECEIVING ASSISTANCE UNDER A TRIBAL FAMILY ASSISTANCE PLAN OR TRIBAL WORK PROGRAM.—For purposes of ⟦paragraphs (1)(B) and (2)(B)⟧ *determining monthly participation rates under paragraph (1)(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 a 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.⟧

(5) 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 number 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

[(ii) if the family of the individual receives federally-funded child care assistance and an adult in the family is not disabled or caring for a severely disabled child, the individual and the other parent in the family are participating in work activities for a total of at least 55 hours per week during the month, not fewer than 50 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).

[(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 pro-

gram 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 REQUIREMENTS.—For purposes of determining monthly participation rates under sub-section (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 percent 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 WHOSE YOUNGEST CHILD HAS ATTAINED 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 participation 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 and in any work activities described in paragraph (1), (2), (3), (4), (5), (6), (7), (8), or (12) of subsection (d) for the family for the month average at least 24 hours per week (except that if such hours average at least 20, but less than 24, hours per week, the State may count that family in accordance with subparagraph (A)(i)); 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, including participation in a program designed to increase proficiency in the English language.

(cc) Substance abuse counseling or treatment (including drug or alcohol 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 (without regard to whether the waiver expired prior to such date of enactment).

(ff) Financial literacy training that is not otherwise countable under items (aa) through (ee), except that the State may not count more than an average of 5 hours per week of such training.

(gg) Programs or activities design to develop parenting skills.

(III) LIMITATION.—Except as provided in clause (ii), in any period of 24 consecutive months, subclause (I) shall not apply to a family for more than

3 months (no more than 1 month of which may be attributable to activities described in subclause (II)(ff)).

(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 activities are part of a substantial and supervised program whose effectiveness in moving families to self-sufficiency is superior to any alternative activities 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, including participation in a program designed to increase proficiency in the English language.

(bb) 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 (including a drug or alcohol abuse problem), or other prob-

lem that requires a rehabilitative service, substance abuse treatment (including drug or alcohol abuse treatment), or mental health treatment, the service or treatment determined necessary by a professional.

(iii) NONAPPLICATION OF LIMITATIONS ON JOB SEARCH AND VOCATIONAL EDUCATIONAL TRAINING.—An adult recipient or minor child head of household who is participating in qualified activities described in subclause (II) of clause (i) during a 3-month period under that clause, or receiving qualified rehabilitative services described in subclause (II) of clause (ii) during an additional period under that clause, may engage in a work activity described in paragraph (6) or (8) of subsection (d) for purposes of satisfying the minimum 24 hour average per week of participation requirement under clause (i)(I)(aa) or clause (ii)(I)(aa), respectively, 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)).

(iv) 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 additional 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 6-week limitation on job search and job readiness assistance under paragraph (6)(B) and 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 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 "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.—

(A) IN GENERAL.—The number of hours per week that a family is engaged in work is the quotient of—

(i) the total number of hours per month that the family is engaged in work; divided by

(ii) 4.

(B) DETERMINATION OF TOTAL NUMBER OF HOURS PER MONTH.—The total number of hours per month in which a family is engaged in work is equal to the sum of the number of hours of participation in work activities described in subsection (d) for all adults and minor child head of households in the family for the month.

(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 AND JOB READINESS ASSISTANCE 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 per fiscal year (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 per fiscal year).

(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 re-

cipient 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 a 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 is used to meet the requirements of paragraph (1)(B)); or

(ii) deemed to be engaged in work for the month by reason of subparagraph (C) of this paragraph.

(E) STATE OPTION TO DEEM 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 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;

* * * * * * *

(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));

(9) job skills training directly related to employment;

(10) education directly related to employment, in the case of a recipient who has not received a high school diploma or a certificate of high school equivalency;

(11) satisfactory attendance at secondary school or in a course of study leading to a certificate of general equivalence, in the case of a recipient who has not completed secondary school or received such a certificate; **[**and**]**

(12) the provision of child care services to an individual who is participating in a community service program**[**.**]***; and*

(13) marriage education, marriage skills training, conflict resolution counseling in the context of marriage, and participation in programs that promote marriage.

* * * * * * *

[(f) NONDISPLACEMENT IN WORK ACTIVITIES.—

[(1) IN GENERAL.—Subject to paragraph (2), an adult in a family receiving assistance under a State program funded under this part attributable to funds provided by the Federal Government may fill a vacant employment position in order to engage in a work activity described in subsection (d).

[(2) NO FILLING OF CERTAIN VACANCIES.—No adult in a work activity described in subsection (d) which is funded, in whole or in part, by funds provided by the Federal Government shall be employed or assigned—

[(A) when any other individual is on layoff from the same or any substantially equivalent job; or

[(B) if the employer has terminated the employment of any regular employee or otherwise caused an involuntary reduction of its workforce in order to fill the vacancy so created with an adult described in paragraph (1).

[(3) GRIEVANCE PROCEDURE.—A State with a program funded under this part shall establish and maintain a grievance procedure for resolving complaints of alleged violations of paragraph (2).

[(4) NO PREEMPTION.—Nothing in this subsection shall preempt or supersede any provision of State or local law that provides greater protection for employees from displacement.]

(f) NONDISPLACEMENT.—

(1) IN GENERAL.—An adult in a family receiving assistance under a State program funded under this part, in order to engage in a work activity, shall not displace any employee or position (including partial displacement, such as a reduction in the hours of nonovertime work, wages, or employment benefits), fill any unfilled vacancy, or perform work when any individual is on layoff from the same or substantially equivalent job.

(2) PROHIBITIONS.—A work activity engaged in under a program operated with funds provided under this part shall not impair any existing contract for services, be inconsistent with any existing law, regulation, or collective bargaining agreement, or infringe upon the recall rights or promotional opportunities of any worker.

(3) NO SUPPLANTING OF OTHER HIRES.—A work activity engaged in under a program operated with funds provided under this part shall be in addition to any activity that otherwise would be available and shall not supplant the hiring of an employed worker not funded under such program.

(4) ENFORCING ANTIDISPLACEMENT PROTECTIONS.—

(A) IN GENERAL.—The State shall establish and maintain an impartial grievance procedure, which shall include the opportunity for a hearing, to resolve any complaints alleging violations of the requirements of paragraph (1), (2), or (3) within 60 days of receipt of the complaint and, if a decision is adverse to the party who filed such grievance or no decision has been reached, provide for the completion of an arbitration procedure within 75 days of receipt of the com-

plaint or the adverse decision or conclusion of the 60-day period, whichever is earlier.

(B) APPEALS.—Appeals may be made to the Secretary who shall make a decision within 75 days of receipt of an appeal.

(C) REMEDIES.—Remedies for a violation of the requirements of paragraph (1), (2), or (3) shall include—

(i) suspension or termination of payments from funds provided under this part;

(ii) prohibition of placement of a participant with an employer that has violated paragraph (1), (2), or (3);

(iii) where applicable, reinstatement of an employee, payment of lost wages and benefits, and reestablishment of other relevant terms, conditions and privileges of employment; and

(iv) where appropriate, other equitable relief.

(D) LIMITATION ON PLACEMENT.—If a grievance is filed regarding a proposed placement of a participant, such placement shall not be made unless such placement is consistent with the resolution of the grievance pursuant to this paragraph.

(E) NON-EXCLUSIVE PROCEDURES.—The grievance procedures specified in this paragraph are not exclusive, and an aggrieved employee or participant in a program funded under a grant made under this part may pursue other remedies or procedures available under applicable contracts, collective bargaining agreements, or Federal, State, or local laws.

(E) NO PREEMPTION.—The provisions of this subsection shall not be construed to preempt any provision of State or local law that affords greater protections to employees or to other participants engaged in work activities under a program funded under this part than is afforded by the provisions of this subsection.

* * * * * * *

SEC. 408. PROHIBITIONS; REQUIREMENTS.

(a) IN GENERAL.—

* * * * * * *

[(3) NO ASSISTANCE FOR FAMILIES NOT ASSIGNING CERTAIN SUPPORT RIGHTS TO THE STATE.—

[(A) IN 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 clause (ii) of this subparagraph if the individual and the minor child referred to in clause (ii)(II) [do not reside in a] *do not reside in a—*

(I) place of residence maintained by a parent, legal guardian, or other adult relative of the indi-

vidual as such parent's, guardian's, or adult relative's own home[.]*; and*

(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—

* * * * * * *

(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.

* * * * * * *

(6) NO MEDICAL SERVICES.—

(A) IN GENERAL.—A State to which a grant is made under section 403 shall not use any part of the grant to provide medical services.

* * * * * * *

(D) DISREGARD OF MONTHS OF ASSISTANCE RECEIVED BY ADULT WHILE LIVING IN INDIAN [COUNTRY OR AN ALASKAN NATIVE VILLAGE WITH 50 PERCENT UNEMPLOYMENT] *country with high joblessness or in an alaskan native village with 50 percent unemployment.*

(i) [IN GENERAL.—In determining the number of months for which an adult has received assistance under a State or tribal program funded under this part, the State or tribe shall disregard any month during which the adult lived in Indian country or an Alaskan Native village if the most reliable data available with respect to the month (or a period including the month) indicate that at least 50 percent of the adults living in Indian country or in the village were not employed.]

(i) IN GENERAL.—Subject to clauses (ii), (iii), and (iv), in determining the number of months for which an adult has received assistance under a State or tribal program funded under this part, the State or Indian tribe shall disregard any month during which the adult lived in Indian country if the most reliable data available (or such other data submitted by a State or tribal program as the Secretary may approve) with respect to the month (or a period including the month) indicate that at least 40 percent of the adult recipients, who were living in Indian country were jobless.

(ii) ECONOMIC DOWNTURN.—If—

(I) in the case of a State program funded under this part—

(aa) the unemployment rate of the State is at least 50 percent greater than the unemployment rate of the United States; and

(bb) the State meets the criteria of subclause (I), (II), or (III) of section 403(b)(3)(A)(iii) and satisfies the applicable duration requirement of section 403(b)(3)(B): or

(II) in the case of a tribal program funded under this part, the Indian tribe satisfies the criteria specified under section 403(b)(1)(D)(ii),

clause (i) shall be applied by substituting "35 percent" for "40 percent".

(iii) REQUIREMENT.—A month may only be disregarded under clause (i) with respect to an adult recipient described in that clause if the adult is in compliance with program requirements.

(iv) CONTINUATION OF 50 PERCENT UNEMPLOYMENT REQUIREMENT FOR AN ALASKAN NATIVE VILLAGE.—In the case of an Alaskan Native village, this subparagraph shall be applied without regard to the amendments made by the Personal Responsibility and Individual Development for Everyone Act.

[(ii)] *(v)* INDIAN COUNTRY DEFINED.—As used in clause (i), the term "Indian country" has the meaning given such term in section 1151 of title 18, United States Code.

* * * * * * *

[(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 includes an individual who fails without good cause to comply with an individual 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 establish for each family that includes an individual described in paragraph (1)(A) (and, if the State elects, each family that only consists of a child or children), in consultation as the State deems appropriate with the individual, a self-sufficiency plan that—

(A) 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;

(B) is designed to assist the family in achieving their maximum degree of self-sufficiency;

(C) provides for the ongoing participation of the individual in the activities specified in the plan;

(D) requires, at a minimum, each such individual to participate in activities in accordance with the self-sufficiency plan;

(E) sets forth the appropriate supportive services the State intends to provide for the family;

(F) 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

(G) includes a section designed to assist the family by informing the family, in such manner as deemed appropriate by the State, 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) STATE OPTION TO RECEIVE WORK PARTICIPATION RATE CREDIT FOR AN INDIVIDUAL WHOSE PLAN SPECIFIES THAT THEY HAVE A CONTINUING NEED FOR REHABILITATIVE SERVICES IN ORDER TO ENGAGE IN DIRECT WORK ACTIVITIES.—

(A) IN GENERAL.—A State may elect, on a case-by-case basis, to include direct work activities by an individual described in subparagraph (B) that are combined with rehabilitative services in the determination of monthly participation rates under section 407(b)(1)(B)(i).

(B) INDIVIDUAL DESCRIBED.—For purposes of this paragraph, an individual described in this subparagraph is an individual who—

"(i) is an adult or minor child head of household recipient of assistance;

(ii) was treated as being engaged in work during each of the 3-month periods applicable under clauses (i) and (ii) of section 407(c)(1)(C); and

(iii) the State determines—

(I) has been verified through a medically acceptable clinical or diagnostic technique as having a disability that impedes the individual's ability to function in a work setting; and

(II) continues to need rehabilitative services in order to engage in direct work activities.

(C) REQUIREMENTS.—A State shall not include activities of an individual described in subparagraph (B) in the determination of monthly participation rates under section 407(b)(1)(B)(i) unless the following requirements are met:

(i) DEVELOPMENT AND MAINTENANCE OF COLLABORATIVE RELATIONSHIPS.—

(I) IN GENERAL.—The State agency responsible for administering the State program funded under this part has or is developing collaborative and referral relationships with other governmental and private agencies with expertise in disability determinations, or the development of appropriate services plans for individuals with disabilities, to address the needs of adult or minor child head of household recipients of assistance who have a disability and require such services plans in order to engage in direct work activities.

(II) INCLUSION OF RELATIONSHIPS WITH AGENCIES FUNDED UNDER THIS PART.—The governmental and private agencies referred to in subclause (I) include agencies that may be receiving funds under this part, such as State and local mental health agencies, substance abuse treatment providers (including drug or alcohol abuse treatment providers), disability service agencies, and providers of vocational rehabilitation services.

(ii) SELF-SUFFICIENCY PLAN SPECIFIES THE INDIVIDUAL'S CONTINUING NEED FOR SERVICES AND COORDINATION PROCESS WITH PROVIDERS.—The plan established under paragraph (2) for an individual described in subparagraph (B)—

(I) specifies the individual's continuing need for rehabilitative services in order to engage in direct work activities; and

(II) describes how the State will coordinate with each provider of such services.

(iii) STATE PLAN DESCRIPTION AND ASSURANCES.—The State includes in an addendum to the State plan submitted under section 402 the following:

(I) DESCRIPTION OF PROCESS FOR DEVELOPING AND MAINTAINING COLLABORATIVE RELATIONSHIPS.—A description of the process the State shall use to develop and maintain the collaborative and referral relationships with other governmental and private agencies required under clause (i).

(II) ASSURANCE OF REGULAR CONTACT WITH SERVICE PROVIDERS, REEVALUATION, AND MODIFICATION OF PLAN.—An assurance that the State shall—

(aa) ensure that each provider of rehabilitative services for an individual described in subparagraph (B) is in regular contact with the individual and that the provider will inform the State if the individual is no longer participating in the rehabilitation services;

(bb) reevaluate the individual's continuing need for such services not less than once each fiscal year quarter; and

(cc) make appropriate modifications to the individual's self-sufficiency plan on the basis of such information and reevaluations.

(iv) NO DETERMINATION THAT THE STATE HAS FAILED TO COMPLY WITH THE REQUIREMENT TO DEVELOP AND MAINTAIN COLLABORATIVE RELATIONSHIPS.—The Secretary has not made a determination that the State has failed to comply with the requirement to develop and maintain the collaborative and referral relationships with other governmental and private agencies required under clause (i).

(D) CREDIT FOR HOURS OF PARTICIPATION IN DIRECT WORK ACTIVITIES AND REHABILITATION SERVICES.—

(i) IN GENERAL.—A State may include in the determination of monthly participation rates under section 407(b)(1)(B)(i) the sum of the total number of hours that an individual described in subparagraph (B) participates for a month in—

(I) direct work activities; and

(II) rehabilitative services (but only up to the number of hours of such services that do not exceed the total number of hours that the individual participated in direct work activities for that month).

(ii) APPLICATION OF RULES FOR DETERMINATION OF COUNTABLE HOURS OF WORK.—The sum of hours of participation by such an individual shall be treated under section 407(c) in the same manner as a family participating in work activities described in section 407(d) is treated as engaged in work under section 407(c).

(E) DEFINITIONS.—In this paragraph:

(i) DISABILITY.—The term 'disability' means a physical or mental impairment, including substance abuse and drug or alcohol abuse, that—

(I) constitutes or results in a substantial impediment to employment; or

(II) substantially limits 1 or more major life activities.

(ii) DIRECT WORK ACTIVITY.—The term 'direct work activity' means an activity described in paragraph (1), (2), (3), (4), (5), (6), (7), (8), or (12) of section 407(d).

(4) 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, in the manner 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.

(5) STATE DISCRETION.—Subject to paragraph (3), 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.

(6) 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.

(7) 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.

(8) 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.

* * * * * * *

SEC. 409. PENALTIES.

(a) IN GENERAL.—Subject to this section:

(1) USE OF GRANT IN VIOLATION OF THIS PART.—

* * * * * * *

(2) FAILURE TO SUBMIT REQUIRED REPORT.—

* * * * * * *

(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.

* * * * * * *

[(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 noncompliance 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 2007 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 2007 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.

* * * * * * *

(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, 2004, 2005, [or 2006] *2006, 2007, 2008, 2009, 2010, or 2011 by the amount (if any) by which qualified State expenditures for the then immediately preceding fiscal year are less than 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.

(bb) Child care assistance.

* * * * * * *

(III) EXCLUSION OF AMOUNTS EXPENDED TO REPLACE PENALTY GRANT REDUCTIONS.—Such term does not include any amount expended in order to comply with paragraph [(12)] *(11)*.

* * * * * * *

(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 FATHERHOOD.—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 2005,] 80 percent (or, if the State meets the requirements of section 407(a) for the *preceding* fiscal year, 75 percent).

* * * * * * *

(III) any State funds which are used to match Federal funds provided under section 403(a)(5); or

(IV) any State funds which are expended as a condition of receiving Federal funds other than under this part.

Notwithstanding subclause (IV) of the preceding sentence, such term includes expenditures by a State for child care in a fiscal year to the extent that the total amount of the expenditures does not exceed the amount of State expenditures in fiscal year 1994 or 1995 (whichever is the greater) that equal the non-

Federal share for the programs described in section 418(a)(1)(A).

(v) SOURCE OF DATA.—In determining expenditures by a State for fiscal years 1994 and 1995, the Secretary shall use information which was reported by the State on ACF Form 231 or (in the case of expenditures under part F) ACF Form 331, available as of the dates specified in clauses (ii) and (iii) of section 403(a)(1)(D).

(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 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).

(B) AMOUNT OF REDUCTIONS.—The reductions required under subparagraph (A) shall be—

(i) not less than 1 nor more than 2 percent;

(ii) not less than 2 nor more than 3 percent, if the finding is the 2nd consecutive finding made pursuant to subparagraph (A); or

(iii) not less than 3 nor more than 5 percent, if the finding is the 3rd or a subsequent consecutive such finding.

(C) DISREGARD OF NONCOMPLIANCE WHICH IS OF A TECHNICAL NATURE.—For purposes of this section and section 452(a)(4), a State determined as a result of an audit—

(i) to have failed to have substantially complied with 1 or more of the requirements of part D shall be determined to have achieved substantial compliance only if the Secretary determines that the extent of the noncompliance is of a technical nature which does not adversely affect the performance of the State's program under part D; or

(ii) to have submitted incomplete or unreliable data pursuant to section 454(15)(B) shall be determined to have submitted adequate data only if the Secretary determines that the extent of the incompleteness or unreliability of the data is of a technical nature which does not adversely affect the determination of the level of the State's paternity establishment percentages (as defined under section 452(g)(2)) or other performance measures that may be established by the Secretary.

(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 de-

fined 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 succeeding fiscal year by the total 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 succeeding 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.—

* * * * * * *

(b) REASONABLE CAUSE EXCEPTION.—

(1) IN GENERAL.—The Secretary may not impose a penalty on a State under subsection (a) with respect to a requirement if the Secretary determines that the State has reasonable cause for failing to comply with the requirement.

(2) EXCEPTION.—Paragraph (1) of this subsection shall not apply to any penalty under paragraph [(6),] (7), (8), [(10), (12), or (13)] *(11), or (12)* of subsection (a).

(c) CORRECTIVE COMPLIANCE PLAN.—

(1) IN GENERAL.—

* * * * * * *

(2) EFFECT OF CORRECTING OR DISCONTINUING VIOLATION.—[The Secretary]

(A) *In General.—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.

(B) NO PENALTY IF WORK PROGRAM IMPROVEMENT.—The Secretary shall not impose any penalty under subsection (a)(3) for a State's failure to comply with section 407(a) for a fiscal year if the Secretary determines that the participation rate determined for the State under section 407(b)(1) for that fiscal year increased by at least 5 percentage points above the participation rate for the State for the preceding fiscal year and a State corrective compliance plan accepted by the Secretary specifies how the State will correct the violation.

* * * * * * *

(3) EFFECT OF FAILING TO CORRECT OR DISCONTINUE VIOLATION.—The Secretary shall assess some or all of a penalty imposed on a State under subsection (a) with respect to a violation if the State does not, in a timely manner, correct or discontinue, as appropriate, the violation pursuant to a State corrective compliance plan accepted by the Secretary.

(4) INAPPLICABILITY TO CERTAIN PENALTIES.—This subsection shall not apply to the imposition of a penalty against a State under paragraph [(6),] (7), (8), (10), (12), or (13) of subsection (a).

* * * * * * *

SEC. 411. DATA COLLECTION AND REPORTING.

(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 information 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))*;

* * * * * * *

(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.]

(xi) If the adult or minor child head of household participated in, and the average number of hours per week of participation in, each activity listed in subsections (c)(1)(i)(II) (including average hours per week in each different type of rehabilitative activity as prescribed by the Secretary) and (d) of section 407 and other work or self-sufficiency activities.

(xii) Information necessary to calculate participation rates *and progress toward universal engagement* under section 407.

(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.

* * * * * * *

[(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.—

(A) IN GENERAL.—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).

(B) INFORMATION REGARDING FAMILIES IN SEPARATE STATE PROGRAMS.—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, received assistance under State programs funded with qualified State expenditures (as defined in section 409(a)(7)(B)(i)).

(7) REPORT ON TANF-FUNDED CHILD CARE.—

(A) IN GENERAL.—Subject to subparagraphs (B), (C), and (D), the report required by paragraph (1) for a fiscal quarter shall include for each month in the quarter the information described in section 658K(a) of the Child Care and Development Block Grant Act of 1990 with respect to each family that received child care that was funded in whole or

in part with funds provided under section 403 (other than funds transferred under section 404(d)) or with qualified State expenditures (as defined in section 409(a)(7)(B)(i)), without regard to whether the family is a recipient or former recipient of assistance under the State program funded under this part. A State may comply with the requirement of this subparagraph through the use of scientifically acceptable sampling methods approved by the Secretary.

(B) COORDINATION WITH OTHER REPORTING REQUIREMENTS.—

(i) IN GENERAL.—The Secretary shall coordinate the reporting required under subparagraph (A) with the reporting required under the Child Care and Development Block Grant Act of 1990 to ensure that States are not required to report duplicate information on the same families in order to satisfy both requirements.

(ii) CONSOLIDATED REPORTING.—Notwithstanding section 658K(a) of the Child Care and Development Block Grant Act of 1990, the Secretary may permit a State to submit a consolidated report to satisfy the reporting required under subparagraph (A) and the reporting required under section 658K(a) of the Child Care and Development Block Grant Act of 1990, so long as the State identifies in the consolidated report the funding source for the child care provided to each family.

(C) WAIVER OF REPORTING REQUIREMENT.—The Secretary may grant a State a waiver from the requirement to comply with subparagraph (A) if—

(i) the Secretary determines that the State has demonstrated that it would be administratively or financially burdensome for the State to comply with such subparagraph; and

(ii) in the case of a State, the State agrees to post on a quarterly basis on the website of the State such information as the State may have regarding the characteristics of the families that received child care that was funded in whole or in part with funds provided under this part.

(D) APPLICABILITY.—Subparagraph (A) shall apply to a State on and after the first fiscal quarter that begins on or after 2 years after the date of enactment of the Personal Responsibility and Individual Development for Everyone Act.

(8) REPORT ON INDIANS SERVED BY THE STATE PROGRAM.—The report required by paragraph (1) for a fiscal quarter shall include information on the demographics and caseload characteristics of Indians served by each State program funded under this part or with qualified State expenditures (as defined in section 409(a)(7)(B)(i)) during the quarter.

[(7)**]** *(9)* 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).]

* * * * * * *

(3) 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 2006 and each succeeding fiscal year, each eligible State shall submit to the Secretary a report on the characteristics of State programs 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 AND PROGRESS TOWARD UNIVERSAL ENGAGEMENT.—Beginning with fiscal year 2007, not later than January 1 of each fiscal year, each eligible State shall submit to the Secretary a report—

(1) on achievement and improvement during the preceding fiscal year under the performance goals and measures under the State program funded under this part or with qualified State expenditures (as defined in section 409(a)(7)(B)(i)) with respect to each of the matters described in section 402(a)(1)(A)(v); and

(2) that details State progress toward full engagement for all adult or minor child head of household recipients of assistance.

(a) FUNDING FOR TRIBAL TANF PROGRAMS.—

[(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—

* * * * * * *

(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[.]*; and*

(5) State specific information on the demographics and caseload characteristics of Indians served by each State program

funded under this part or with qualified State expenditures (as defined in section 409(a)(7)(B)(i)).

SEC. 412. DIRECT FUNDING AND ADMINISTRATION BY INDIAN TRIBES.

(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] *2006 through 2010*, 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.

* * * * * * *

(2) GRANTS FOR INDIAN TRIBES THAT RECEIVED JOBS FUNDS.—

[(A) IN GENERAL.—For each of fiscal years 1997, 1998, 1999, 2000, 2001, 2002, and 2003, the Secretary shall pay to each eligible Indian tribe that proposes to operate a program described in subparagraph (C) a grant in an amount equal to the amount received by the Indian tribe in fiscal year 1994 under section 482(i) (as in effect during fiscal year 1994).]

(A) GRANT AUTHORITY.—For each of fiscal years 2006 through 2010, the Secretary shall pay to each eligible Indian tribe that proposes to operate a program described in subparagraph (C), a grant in an amount that bears the same ratio to the amount specified in subparagraph (D) of this paragraph as the amount required to be paid to the tribe under this paragraph for fiscal year 2004 bears to the total amount required to be paid under this paragraph for such fiscal year.

* * * * * * *

(D) APPROPRIATION.—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated [$7,633,287] *$12,633,287* for each fiscal year specified in subparagraph (A) for grants under subparagraph (A).

(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 pur-

poses of this paragraph if the Indian tribe meets the following requirements:

* * * * * * *

(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.

(C) LIMITATIONS ON USE OF FUNDS.—

* * * * * * *

(4) TRIBAL IMPROVEMENT GRANTS.—

(A) TRIBAL CAPACITY GRANTS.—

(i) IN GENERAL.—Of the amount appropriated under subparagraph (D) for the period of fiscal years 2006 through 2010, $40,000,000 shall be used by the Secretary to award grants for tribal human services program infrastructure improvement (as defined in clause (v)) to—

(I) Indian tribes that have applied for approval of a tribal family assistance plan and that meet the requirements of clause (ii)(I);

(II) Indian tribes with an approved tribal family assistance plan and that meet the requirements of clause (ii)(II); and

(III) Indian tribes that have applied for approval of a foster care and adoption assistance program under section 479B or that plan to enter into, or have in place, a tribal-State cooperative agreement under section 479B(c) and that meet the requirements of clause (ii)(III).

(ii) PRIORITIES FOR AWARDING OF GRANTS.—The Secretary shall give priority in awarding grants under this subparagraph as follows:

(I) First, for grants to Indian tribes that have applied for approval of a tribal family assistance plan, that have not operated such a plan as of the date of enactment of the Personal Responsibility and Individual Development for Everyone Act that will have such plan approved, and that include in the plan submission provisions for tribal human services program infrastructure improvement (as so defined) and related management information systems training.

(II) Second, for Indian tribes with an approved tribal family assistance plan that are not described in subclause (I) and that submit an addendum to such plan that includes provisions for tribal human services program infrastructure improvement that includes implementing or improving management information systems of the tribe (including management information systems training), as such systems relate to the operation of the tribal family assistance plan.

(III) Third, for Indian tribes that have applied for approval of a foster care and adoption assistance program under section 479B or that plan to enter into, or have in place, a tribal-State cooperative agreement under section 479B(c) and that include in the plan submission under section 471 (or in an addendum to such plan) provisions for tribal human services program infrastructure improvement (as so defined) and related management information systems training.

(iii) OTHER REQUIREMENTS FOR AWARDING GRANTS.—In awarding grants under this subparagraph, the Secretary—

(I) may not award an Indian tribe more than 1 grant under this subparagraph per fiscal year;

(II) shall award grants in such a manner as to maximize the number of Indian tribes that receive grants under this subparagraph; and

(III) shall consult with Indian tribes located throughout the United States.

(iv) APPLICATION.—An Indian tribe desiring a grant under this subparagraph shall submit an application to the Secretary, at such time, in such manner, and containing such information as the Secretary may require.

(v) DEFINITION OF HUMAN SERVICES PROGRAM INFRASTRUCTURE IMPROVEMENT.—In this subparagraph, the term "human services program infrastructure improvement" includes (but is not limited to) improvement of management information systems, management information systems-related training, equipping offices, and renovating, but not constructing, buildings, as described in an application for a grant under this subparagraph, and subject to approval by the Secretary.

(B) TRIBAL DEVELOPMENT GRANTS.—

(i) IN GENERAL.—Of the amount appropriated under subparagraph (D) for the period of fiscal years 2006 through 2010, $35,000,000 shall be used by the Secretary to award, through the Commissioner of the Administration for Native Americans, grants to nonprofit organizations, Indian tribes, and tribal organizations to enable such organizations and tribes to provide technical assistance to Indian tribes and tribal organizations in any or all of the following areas:

(I) The development and improvement of uniform commercial codes.

(II) The creation or expansion of small business or microenterprise programs.

(III) The development and improvement of tort liability codes.

(IV) The creation or expansion of tribal marketing efforts.

(V) The creation or expansion of for-profit collaborative business networks.

(VI) The development of innovative uses of telecommunications to assist with distance learning or telecommuting.

(VII) The development of economic opportunities and job creation in areas of high joblessness (as defined in section 408(a)(7)(D)).

(ii) REQUIREMENTS.—

(I) IN GENERAL.—At least an amount equal to 30 percent of the total amount of grants awarded under this subparagraph shall be awarded to carry out clause (i)(VII).

(II) CONSULTATION.—In awarding grants under this subparagraph the Secretary shall consult with other Federal agencies with expertise in the areas described in clause (i).

(iii) APPLICATION.—A nonprofit organization, Indian tribe, or tribal organization desiring a grant under this subparagraph shall submit an application to the Secretary at such time, in such manner, and containing such information as the Secretary may require.

(C) TECHNICAL ASSISTANCE.—

(i) IN GENERAL.—Of the amount appropriated under subparagraph (D) for the period of fiscal years 2006 through 2010, $5,000,000 shall be used by the Secretary for making grants, or entering into contracts, to provide technical assistance to Indian tribes—

(I) in applying for or carrying out a grant made under this paragraph;

(II) in applying for or carrying out a tribal family assistance plan under this section; or

(III) related to best practices and approaches for State and tribal coordination on the transfer of the administration of social services programs to Indian tribes.

(ii) RESERVATION OF FUNDS.—Not less than—

(I) $2,500,000 of the amount described in clause (i) shall be used by the Secretary to support, through grants or contracts, peer-learning programs among tribal administrators; and

(II) $1,000,000 of such amount shall be used by the Secretary for making grants to Indian tribes to conduct feasibility studies of the capacity of Indian tribes to operate tribal family assistance plans under this part or foster care and adoption assistance programs under section 479B.

(D) APPROPRIATION.—Out of any money in the Treasury of the United States not otherwise appropriated, there is appropriated $80,000,000 for the period of fiscal years 2006 through 2010 to carry out this paragraph. Amounts appropriated under this subparagraph shall remain available until expended.

(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 (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) describes how the Indian tribe will ensure equitable access to benefits and services provided under the plan for each member of the population to be served by the plan.

(2) APPROVAL.—The Secretary shall approve each tribal family assistance plan submitted in accordance with paragraph (1).

(3) CONSORTIUM OF TRIBES.—Nothing in this section shall preclude the development and submission of a single tribal family assistance plan by the participating Indian tribes of an intertribal consortium.

* * * * * * *

[(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)* PENALTIES.—

(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).

(j) APPLICATION OF INDIAN EMPLOYMENT, TRAINING AND RELATED SERVICES DEMONSTRATION ACT OF 1992.—Notwithstanding any other provision of law, if an Indian tribe elects to incorporate the services it provides using funds made available under this part into a plan under section 6 of the Indian Employment, Training and Related Services Demonstration Act of 1992 (25 U.S.C. 3405), the programs authorized to be conducted with such funds shall be—

(1) considered to be programs subject to section 5 of the Indian Employment, Training and Related Services Demonstration Act of 1992 (25 U.S.C. 3404); and

(2) subject to the single plan and single budget requirements of section 6 of that Act (25 U.S.C. 3505) and the single report format required under section 11 of that Act (25 U.S.C. 3410).

SEC. 413. RESEARCH, EVALUATIONS, AND NATIONAL STUDIES.

* * * * * * *

(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 for 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 unsubsidized 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, and the average proportion, 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.

* * * * * * *

[(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 for the purpose of paying—

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[(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.

* * * * * * *

(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) BEST PRACTICES FOR ADDRESSING DOMESTIC VIOLENCE.—

(1) IN GENERAL.—The Secretary shall, by grant, contract, or interagency agreement, develop and implement programs that are designed to address domestic violence as a barrier to healthy relationships, marriage, and economic security. Programs developed and implemented under this subsection shall include—

(A) training for caseworkers administering the State program funded under this part;

(B) technical assistance;

(C) the provision of voluntary services for victims of such violence; and

(D) activities related to the prevention of domestic violence.

(2) DOMESTIC VIOLENCE DEFINED.—In this subsection, the term "domestic violence" has the meaning given that term in section 402(a)(7)(B).

(3) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this subsection, $10,000,000 for each of fiscal years 2006 through 2010. Amounts appropriated to carry out this subsection shall be in addition to and not in

lieu of amounts otherwise appropriated to carry out programs to address domestic violence.

(l) 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 2005 through 2010, 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).

(m) INDICATORS OF CHILD WELL-BEING.—

(1) IN GENERAL.—The Secretary, through grants, contracts, or interagency agreements shall develop comprehensive indicators to assess child well-being in each State.

(2) REQUIREMENTS.—

(A) IN GENERAL.—The indicators developed under paragraph (1) shall include measures related to the following:

(i) Education.

(ii) Social and emotional development.

(iii) Health and safety.

(iv) Family well-being, such as family structure, income, employment, child care arrangements, and family relationships.

(B) OTHER REQUIREMENTS.—The data collected with respect to the indicators developed under paragraph (1) shall be—

(i) statistically representative at the State level;

(ii) consistent across States;

(iii) collected on an annual basis for at least the 5 years following the first year of collection;

(iv) expressed in terms of rates or percentages;

(v) statistically representative at the national level;

(vi) measured with reliability;

(vii) current;

(viii) over-sampled, with respect to low-income children and families; and

(ix) made publicly available.

(C) CONSULTATION.—In developing the indicators required under paragraph (1) and the means to collect the data required with respect to the indicators, the Secretary shall consult and collaborate with the Federal Interagency Forum on Child and Family Statistics.

(3) ADVISORY PANEL.—

(A) ESTABLISHMENT.—The Secretary shall establish an advisory panel to make recommendations regarding the appropriate measures and statistical tools necessary for making the assessment required under paragraph (1) based on the indicators developed under that paragraph and the data collected with respect to the indicators.

(B) MEMBERSHIP.—

(i) IN GENERAL.—The advisory panel established under subparagraph (A) shall consist of the following:

(I) One member appointed by the Secretary of Health and Human Services.

(II) One member appointed by the Chairman of the Committee on Ways and Means of the House of Representatives.

(III) One member appointed by the Ranking Member of the Committee on Ways and Means of the House of Representatives.

(IV) One member appointed by the Chairman of the Committee on Finance of the Senate.

(V) One member appointed by the Ranking Member of the Committee on Finance of the Senate.

(VI) One member appointed by the Chairman of the National Governors Association, or the Chairman's designee.

(VII) One member appointed by the President of the National Conference of State Legislatures or the President's designee.

(VIII) One member appointed by the Director of the National Academy of Sciences, or the Director's designee.

(ii) DEADLINE.—The members of the advisory panel shall be appointed not later than 2 months after the date of enactment of the Personal Responsibility and Individual Development for Everyone Act.

(C) MEETINGS.—The advisory panel established under subparagraph (A) shall meet—

(i) at least 3 times during the first year after the date of enactment of the Personal Responsibility and Individual Development for Everyone Act; and

(ii) annually thereafter for the 3 succeeding years.

(4) APPROPRIATION.—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated for each of fiscal years 2006 through 2010, $10,000,000 for the purpose of carrying out this subsection.

(n) DOMESTIC VIOLENCE PREVENTION GRANTS.—

(1) IN GENERAL.—The Secretary shall award grants to eligible entities to enable such entities to carry out domestic violence prevention activities. In carrying out this subsection, the Secretary shall make public the criteria to be used by the Secretary for awarding such grants.

(2) ELIGIBILITY.—To be eligible to receive a grant under this subsection, an entity shall—

(A) be a State, Indian tribe or tribal organization, or nonprofit domestic violence prevention organization; and

(B) submit to the Secretary an application at such time, in such manner, and containing such information as the Secretary may require.

(3) ACTIVITIES.—An entity shall use amounts received under a grant awarded under this subsection to—

(A) develop and disseminate best practices for addressing domestic violence (as defined in section 402(a)(7)(B));

(B) implement voluntary skills programs on domestic violence as a barrier to economic security, including providing caseworker training, technical assistance, and voluntary services for victims of domestic violence;

(C) provide broad-based income support and supplementation strategies that provide increased assistance to low-income working adults, such as housing, transportation, and transitional benefits as a means to reduce domestic violence; or

(D) carry out programs to enhance relationship skills and financial management skills, to teach individuals how to control aggressive behavior, and to disseminate information on the causes of domestic violence and child abuse.

(4) MATCHING REQUIREMENT.—The Secretary may not award a grant to an entity under this subsection unless the entity agrees that, with respect to the costs to be incurred by the entity in carrying out the program for which the grant was awarded, the entity will make available (directly or through donations from public or private entities) non-Federal contributions toward such costs in an amount equal to not less than 25 percent of such costs ($1 for each $3 of Federal funds provided under the grant).

(5) REQUIRED CONSULTATION.—The Secretary may not award a grant to a State or an Indian tribe or tribal organization under this subsection unless such State, tribe, or tribal organization agrees, in carrying out activities under the grant, to consult with National, State, local, or tribal organizations with

demonstrated expertise in providing aid to victims of domestic violence.

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

(7) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this subsection, $20,000,000 for each of fiscal years 2006 through 2010.

(o) TRIBAL WELFARE PROGRAMS AND EFFORTS TO REDUCE POVERTY AMONG INDIANS.—

(1) IN GENERAL.—The Secretary, directly or through grants, contracts, or interagency agreements, shall conduct research on tribal family assistance programs conducted under section 412 and other tribal welfare programs and on efforts to reduce poverty among Indians.

(2) PRIORITY FOR CERTAIN APPLICATIONS.—With respect to applications for grants under paragraph (1), the Secretary shall give priority to applications to conduct research in cooperation with tribal governments or tribally controlled colleges or universities.

(3) TECHNICAL ASSISTANCE.—The Secretary may use funds appropriated under paragraph (4) to provide technical assistance concerning data reporting and collection with respect to research conducted under this subsection.

(4) APPROPRIATION.—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated $2,000,000 for fiscal year 2006 for the purpose of carrying out this subsection. Funds appropriated under this paragraph shall remain available to the Secretary until expended.

(p) TEEN PREGNANCY PREVENTION RESOURCE CENTER.—

(1) AUTHORITY.—

(A) IN GENERAL.—The Secretary shall make a grant to 1 nationally recognized, nonpartisan, nonprofit organization that meets the requirements described in subparagraph (B) to establish and operate a national teen pregnancy prevention resource center (in this subsection referred to as the "Resource Center") to carry out the purposes and activities described in paragraph (2).

(B) REQUIREMENTS.—The requirements described in this subparagraph are the following:

(i) The organization focuses exclusively on preventing teen pregnancy and has at least 9 years of experience in working with diverse sectors of society to reduce teen pregnancy.

(ii) The organization has a demonstrated ability to work with, and provide assistance to, a broad range of individuals and entities with a variety of perspectives, including teens and youth leaders, parents, the entertainment and news media, State, tribal, and local organizations, networks of teen pregnancy prevention practitioners, businesses, faith and community leaders, and researchers.

(iii) The organization is research-based and has capabilities in scientific analysis and evaluation.

(iv) The organization has comprehensive knowledge and data about teen pregnancy prevention strategies.

(v) The organization has experience carrying out activities similar to the activities described in paragraph (2)(B).

(2) PURPOSES AND ACTIVITIES.—

(A) PURPOSES.—The purposes of the Resource Center are to improve the well-being of children and families and encourage young people to delay pregnancy until marriage. Specifically, the Resource Center shall—

(i) provide information and technical assistance to States, Indian tribes, local communities, and other public or private organizations seeking to reduce rates of teen pregnancy;

(ii) support parents in their essential role in preventing teen pregnancy by equipping them with information and resources to promote and strengthen communication with their children about sex, values, and positive relationships, including healthy marriage; and

(iii) assist the entertainment media industry by providing information and encouraging the industry to develop content and messages for teens and adults that can help prevent teen pregnancy.

(B) ACTIVITIES.—The Resource Center shall carry out the purposes described in subparagraph (A) through the following activities:

(i) Synthesizing and disseminating research and information regarding effective and promising practices, and providing information on how to design and implement effective strategies to prevent teen pregnancy.

(ii) Providing information and reaching out to diverse populations, with particular attention to areas and populations with the highest rates of teen pregnancy.

(iii) Helping States, local communities, and other organizations increase their knowledge of existing resources that can be used to advance teen pregnancy prevention efforts, and build their capacity to access such resources and develop partnerships with other programs and funding streams.

(iv) Raising awareness of the importance of increasing the proportion of children born to, and raised in, healthy, adult marriages.

(v) Linking organizations working to reduce teen pregnancy with experts and peers, including the creation of technical assistance networks that use cost-effective and efficient communication tools (such as the Internet).

(vi) Providing consultation and resources about how to reduce teen pregnancy to various sectors of society including parents, other adults (such as teachers, coaches, and mentors), community and faith-based groups, the entertainment and news media, businesses,

and teens themselves, through a broad array of strategies and messages, including a focus on abstinence, responsible behavior, family communication, relationships, and values.

(vii) Assisting organizations seeking to reduce teen pregnancy in their efforts to communicate effective messages about preventing teen pregnancy with a variety of audiences (including teens, parents, and ethnically diverse groups).

(viii) Providing resources for parents and other adults that help to foster strong relationships with children, a strategy that research has shown is effective in reducing sexual activity and teen pregnancy, including online access to research, parent guides, tips, advice from experts, and information about the media environment of teens.

(ix) Working directly with individuals and organizations in the entertainment industry to provide consultation and serve as a source of factual information on issues related to teen pregnancy prevention.

(3) COLLABORATION WITH OTHER ORGANIZATIONS.—The organization operating the Resource Center shall collaborate with other organizations that have expertise and interest in teen pregnancy prevention, and that can help reach out to diverse audiences.

(4) APPROPRIATION.—Out of any money in the Treasury of the United States not otherwise appropriated, there is appropriated to carry out this subsection, $5,000,000 for fiscal year 2006. Funds appropriated under this subparagraph shall remain available for expenditure through fiscal year 2010.

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SEC. 414. STUDY BY THE CENSUS BUREAU.

[(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 in 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 nec-

essary 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 Finance of the Senate and the Committee on Ways and Means of the House of Representatives 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 Finance of the Senate and the Committee on Ways and Means of the House of Representatives 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 for payment to the Bureau of the Census to carry out subsection (a).**]** *2006 through 2010 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 2010 to carry out this section.*

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SEC. 418. FUNDING FOR CHILD CARE.

(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—

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(3) APPROPRIATION.—For grants under this section, there are appropriated—

(A) $1,967,000,000 for fiscal year 1997;

(B) $2,067,000,000 for fiscal year 1998;

(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 each of fiscal years 2002 and 2003**[**.**]** *and*

(G) $2,917,000,000 for each of fiscal years 2006 through 2010.

[(4) 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.]

(4) AMOUNTS RESERVED.—

(A) INDIAN TRIBES AND TRIBAL ORGANIZATIONS.—

(i) IN GENERAL.—The Secretary shall reserve 2 percent of the aggregate amount appropriated to carry out this section for a fiscal year for payments to Indian tribes and tribal organizations for such fiscal year for the purpose of providing child care assistance.

(ii) APPLICATION OF CCDBG REQUIREMENTS.—Payments made under this subparagraph shall be subject to the requirements that apply to payments made to Indian tribes and tribal organizations under the Child Care and Development Block Grant Act of 1990.

(B) TERRITORIES.—

(i) PUERTO RICO.—The Secretary shall reserve 1.5 percent of the amount appropriated under paragraph (5)(A)(i) for a fiscal year for payments to the Commonwealth of Puerto Rico for such fiscal year for the purpose of providing child care assistance.

(ii) OTHER TERRITORIES.—The Secretary shall reserve 0.5 percent of the amount appropriated under paragraph (5)(A)(i) for a fiscal year for payments to Guam, American Samoa, the Virgin Islands of the United States, and the Commonwealth of the Northern Mariana Islands in amounts which bear the same ratio to such amount as the amounts allotted to such territories under section 658O of the Child Care and Development Block Grant Act of 1990 for the fiscal year bear to the total amount reserved under such section for that fiscal year.

(iii) APPLICATION OF CCDBG REQUIREMENTS.—Payments made under this subparagraph shall be subject to the requirements that apply to payments made to territories under the Child Care and Development Block Grant Act of 1990.

(5) SUPPLEMENTAL GRANTS.—

(A) APPROPRIATION.—

(i) IN GENERAL.—For supplemental grants under this section, there are appropriated—

(I) $700,000,000 for fiscal year 2006;

(II) $800,000,000 for fiscal year 2007;

(III) $1,000,000,000 for fiscal year 2008;

(IV) $1,100,000,000 for fiscal year 2009; and

(V) $1,400,000,000 for fiscal year 2010.

(ii) AVAILABILITY.—Amounts appropriated under clause (i) for a fiscal year shall be in addition to amounts appropriated under paragraph (3) for such fiscal year and shall remain available for expenditure through fiscal year 2010.

(B) SUPPLEMENTAL GRANT.—In addition to the grants paid to a State under paragraphs (1) and (2) for each of fiscal years 2006 through 2010, the Secretary, after reserving the amounts described in subparagraphs (A) and (B) of paragraph (4) and subject to the requirements described in

paragraph (6), shall pay each State an amount which bears the same ratio to the amount specified in subparagraph (A)(i) for the fiscal year (after such reservations), as the amount allotted to the State under paragraph (2)(B) for fiscal year 2003 bears to the amount allotted to all States under that paragraph for such fiscal year.

(C) BUDGET SCORING.—Notwithstanding section 257(b)(2) of the Balanced Budget and Emergency Deficit Control Act of 1985, the baseline shall assume that no grant shall be made under this paragraph after fiscal year 2010.

(6) REQUIREMENTS.—

(A) MAINTENANCE OF EFFORT.—A State may not be paid a supplemental grant under paragraph (5) for a fiscal year unless the State ensures that the level of State expenditures for child care for such fiscal year is not less than the sum of—

(i) the level of State expenditures for child care that were matched under a grant made to the State under paragraph (2) for fiscal year 2003; and

(ii) the level of State expenditures for child care that the State reported as maintenance of effort expenditures for purposes of paragraph (2) for fiscal year 2003.

(B) MATCHING REQUIREMENT FOR FISCAL YEARS 2009 AND 2010.—With respect to the amount of the supplemental grant made to a State under paragraph (5) for each of fiscal years 2009 and 2010 that is in excess of the amount of the grant made to the State under paragraph (5) for fiscal year 2008, subparagraph (C) of paragraph (2) shall apply to such excess amount in the same manner as such subparagraph applies to grants made under subparagraph (A) of paragraph (2) for each of fiscal years 2009 and 2010, respectively.

(C) REDISTRIBUTION.—In the case of a State that fails to satisfy the requirement of subparagraph (A) for a fiscal year, the supplemental grant determined under paragraph (5) for the State for that fiscal year shall be redistributed in accordance with paragraph (2)(D).

[(5)] *(7)* DATA USED TO DETERMINE STATE AND FEDERAL SHARES OF EXPENDITURES.—In making the determinations concerning expenditures required under paragraphs (1) and (2)(C), the Secretary shall use information that was reported by the State on ACF Form 231 and available as of the applicable dates specified in clauses (i)(I), (ii), and (iii)(III) of section 403(a)(1)(D).

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SEC. 419. DEFINITIONS.

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 cash, payments, vouchers, and other forms of benefits designed to meet a family's ongoing basic needs (including for food,

clothing, shelter, utilities, household goods, personal care items and general incidental expenses).

(B) INCLUSION OF CERTAIN BENEFITS.—Such term includes benefits even when they are—

(i) provided in the form of payments by a State agency responsible for administering the State program funded under this part, or other agency on its behalf, to individual recipients; and

(ii) conditioned on participation in work experience or community service (or any other work activity under the State program funded under this part or with qualified State expenditures (as defined in section 409(a)(7)(B)(i)).

(C) EXCLUSION OF CERTAIN BENEFITS.—Such term does not include—

(i) nonrecurrent, short-term benefits that—

(I) are designed to deal with a specific crisis situation or episode of need;

(II) are not intended to meet recurrent or ongoing needs; and

(III) will not extend beyond 4 months;

(ii) work subsidies (such as payments to employers or third parties to help cover the costs of employee wages, benefits, supervision, and training);

(iii) supportive services such as child care and transportation;

(iv) refundable earned income tax credits;

(v) contributions to, and distributions from, Individual Development Accounts;

(vi) services such as counseling, case management, peer support, child care information and referral, transitional services, job retention, job advancement, and other employment-related services that do not provide basic income support; and

(v) transportation benefits provided under a Job Access or Reverse Commute project, pursuant to section 404(k), to an individual who is not otherwise receiving assistance.

(D) APPLICABILITY.—Unless otherwise provided, the definition of "assistance" under this paragraph—

(i) only applies for purposes of the State program funded under this part or a program funded with qualified State expenditures (as defined in section 409(a)(7)(B)(i)); and

(ii) does not preclude a State from providing other types of benefits and services in support of the purposes of the State program funded under this part or a program funded with qualified State expenditures (as so defined).

PART D—CHILD SUPPORT AND ESTABLISHMENT OF PATERNITY

* * * * * * *

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—

* * * * * * *

(II) whether collections and disbursements of support payments are carried out correctly and are fully accounted for; and

(iii) for such other purposes as the Secretary may find necessary;

(5) assist States in establishing adequate reporting procedures and maintain records of the operations of programs established pursuant to this part in each State, and establish procedures to be followed by States for collecting and reporting information required to be provided under this part, and establish uniform definitions (including those necessary to enable the measurement of State compliance with the requirements of this part relating to expedited processes) to be applied in following such procedures;

(6) maintain records of all amounts collected and disbursed under programs established pursuant to the provisions of this part and of the costs incurred in collecting such amounts;

(7) provide technical assistance to the States to help them establish effective systems for collecting child and spousal support and establishing paternity, and specify the minimum requirements of an affidavit to be used for the voluntary acknowledgment of paternity which shall include the social security number of each parent and, after consultation with the States, other common elements as determined by such designee;

(8) receive applications from States for permission to utilize the courts of the United States to enforce court orders for support against noncustodial parents and, upon a finding that (A) another State has not undertaken to enforce the court order of the originating State against the noncustodial parent within a reasonable time, and (B) that utilization of the Federal courts is the only reasonable method of enforcing such order, approve such applications;

(9) operate the Federal Parent Locator Service established by section 453;

(10) not later than three months after the end of each fiscal year, beginning with the year 1977, submit to the Congress a full and complete report on all activities undertaken pursuant to the provisions of this part, which report shall include, but not be limited to, the following:

(A) total program costs and collections set forth in sufficient detail to show the cost to the States and the Federal Government, the distribution of collections to families, State and local governmental units, and the Federal Government; and an identification of the financial impact of the provisions of this part, including—

(i) the total amount of child support payments collected as a result of services furnished during the fis-

cal year to individuals receiving services under this part;

(ii) the cost to the States and to the Federal Government of so furnishing the services; and

(iii) the number of cases involving families—

(I) who became ineligible for assistance under State programs funded under part A during a month in the fiscal year; and

(II) with respect to whom a child support payment was received in the month;

(B) costs and staff associated with the Office of Child Support Enforcement;

(C) the following data, separately stated for cases where the child is receiving assistance under a State program funded under part A (or foster care maintenance payments under part E), or formerly received such assistance or payments and the State is continuing to collect support assigned to it pursuant to section 408(a)(3) or under section 471(a)(17) or 1912, and for all other cases under this part:

(i) the total number of cases in which a support obligation has been established in the fiscal year for which the report is submitted;

(ii) the total number of cases in which a support obligation has been established;

(iii) the number of cases in which support was collected during the fiscal year;

(iv) the total amount of support collected during such fiscal year and distributed as current support;

(v) the total amount of support collected during such fiscal year and distributed as arrearages;

(vi) the total amount of support due and unpaid for all fiscal years; and

(vii) the number of child support cases filed in each State in such fiscal year, and the amount of the collections made in each State in such fiscal year, on behalf of children residing in another State or against parents residing in another State;

(D) the status of all State plans under this part as of the end of the fiscal year last ending before the report is submitted, together with an explanation of any problems which are delaying or preventing approval of State plans under this part;

(E) data, by State, on the use of the Federal Parent Locator Service, and the number of locate requests submitted without the noncustodial parent's social security account number;

(F) the number of cases, by State, in which an applicant for or recipient of assistance under a State program funded under part A has refused to cooperate in identifying and locating the noncustodial parent and the number of cases in which refusal so to cooperate is based on good cause (as determined by the State);

(G) data, by State, on use of the Internal Revenue Service for collections, the number of court orders on which collections were made, the number of paternity determina-

tions made and the number of parents located, in sufficient detail to show the cost and benefits to the States and to the Federal Government;

(H) the major problems encountered which have delayed or prevented implementation of the provisions of this part during the fiscal year last ending prior to the submission of such report; and

(I) compliance, by State, with the standards established pursuant to subsections (h) and (i); and

(11) not later than October 1, 1996, after consulting with the State directors of programs under this part, promulgate forms to be used by States in interstate cases for—

(A) collection of child support through income withholding;

(B) imposition of liens; and

(C) administrative subpoenas.

(b) The Secretary shall, upon the request of any State having in effect a State plan approved under this part, certify to the Secretary of the Treasury for collection pursuant to the provisions of section 6305 of the Internal Revenue Code of 1954 the amount of any child support obligation (including any support obligation with respect to the parent who is living with the child and receiving assistance under the State program funded under part A) which is assigned to such State or is undertaken to be collected by such State pursuant to section 454(4). No amount may be certified for collection under this subsection except the amount of the delinquency under a court or administrative order for support and upon a showing by the State that such State has made diligent and reasonable efforts to collect such amounts utilizing its own collection mechanisms, and upon an agreement that the State will reimburse the Secretary of the Treasury for any costs involved in making the collection. All reimbursements shall be credited to the appropriation accounts which bore all or part of the costs involved in making the collections. The Secretary after consultation with the Secretary of the Treasury may, by regulation, establish criteria for accepting amounts for collection and for making certification under this subsection including imposing such limitations on the frequency of making such certifications under this subsection.

(c) The Secretary of the Treasury shall from time to time pay to each State for distribution in accordance with the provisions of section 457 the amount of each collection made on behalf of such State pursuant to subsection (b).

(d)(1) Except as provided in paragraph (3), the Secretary shall not approve the initial and annually updated advance automated data processing planning document, referred to in section 454(16), unless he finds that such document, when implemented, will generally carry out the objectives of the management system referred to in such subsection, and such document—

(A) provides for the conduct of, and reflects the results of, requirements analysis studies, which include consideration of the program mission, functions, organization, services, constraints, and current support, of, in, or relating to, such system,

(B) contains a description of the proposed management system referred to in section 454(16), including a description of information flows, input data, and output reports and uses,

(C) sets forth the security and interface requirements to be employed in such management system,

(D) describes the projected resource requirements for staff and other needs, and the resources available or expected to be available to meet such requirements,

(E) contains an implementation plan and backup procedures to handle possible failures,

(F) contains a summary of proposed improvement of such management system in terms of qualitative and quantitative benefits, and

(G) provides such other information as the Secretary determines under regulation is necessary.

(2)(A) The Secretary shall through the separate organizational unit established pursuant to subsection (a), on a continuing basis, review, assess, and inspect the planning, design, and operation of, management information systems referred to in section 454(16), with a view to determining whether, and to what extent, such systems meet and continue to meet requirements imposed under paragraph (1) and the conditions specified under section 454(16).

(B) If the Secretary finds with respect to any statewide management information system referred to in section 454(16) that there is a failure substantially to comply with criteria, requirements, and other undertakings, prescribed by the advance automated data processing planning document theretofore approved by the Secretary with respect to such system, then the Secretary shall suspend his approval of such document until there is no longer any such failure of such system to comply with such criteria, requirements, and other undertakings so prescribed.

(3) The Secretary may waive any requirement of paragraph (1) or any condition specified under section 454(16), and shall waive the single statewide system requirement under sections 454(16) and 454A, with respect to a State if—

(A) the State demonstrates to the satisfaction of the Secretary that the State has or can develop an alternative system or systems that enable the State—

(i) for purposes of section 409(a)(8), to achieve the paternity establishment percentages (as defined in section 452(g)(2)) and other performance measures that may be established by the Secretary;

(ii) to submit data under section 454(15)(B) that is complete and reliable;

(iii) to substantially comply with the requirements of this part; and

(iv) in the case of a request to waive the single statewide system requirement, to—

(I) meet all functional requirements of sections 454(16) and 454A;

(II) ensure that calculation of distributions meets the requirements of section 457 and accounts for distributions to children in different families or in different States or sub-State jurisdictions, and for distributions to other States;

(III) ensure that there is only one point of contact in the State which provides seamless case processing for

all interstate case processing and coordinated, automated intrastate case management;

(IV) ensure that standardized data elements, forms, and definitions are used throughout the State;

(V) complete the alternative system in no more time than it would take to complete a single statewide system that meets such requirement; and

(VI) process child support cases as quickly, efficiently, and effectively as such cases would be processed through a single statewide system that meets such requirement;

(B)(i) the waiver meets the criteria of paragraphs (1), (2), and (3) of section 1115(c); or

(ii) the State provides assurances to the Secretary that steps will be taken to otherwise improve the State's child support enforcement program; and

(C) in the case of a request to waive the single statewide system requirement, the State has submitted to the Secretary separate estimates of the total cost of a single statewide system that meets such requirement, and of any such alternative system or systems, which shall include estimates of the cost of developing and completing the system and of operating and maintaining the system for 5 years, and the Secretary has agreed with the estimates.

(e) The Secretary shall provide such technical assistance to States as he determines necessary to assist States to plan, design, develop, or install and provide for the security of, the management information systems referred to in section 454(16).

(f) The Secretary shall issue regulations to require that State agencies administering the child support enforcement program under this part [include medical support as part of any child support order whenever and enforce medical support] *enforce medical support included as part of a child support order* health care coverage is available to the noncustodial parent at a reasonable cost. *A State agency administering the program under this part is authorized to enforce medical support against a custodial parent whenever health care coverage is available to the custodial parent at a reasonable cost, notwithstanding any provision of this part (other than this sentence) that might be construed to limit or bar such enforcement actions.*

Such regulation shall also provide for improved information exchange between such State agencies and the State agencies administering the State medicaid programs under title XIX with respect to the availability of health insurance coverage.

For purposes of this part, the term "medical support" may include health care coverage, such as coverage under a health insurance plan (including payment of costs of premiums, co-payments, and deductibles) and payment for medical expenses incurred on behalf of a child.

(g)(1) A State's program under this part shall be found, for purposes of section 409(a)(8), not to have complied substantially with the requirements of this part unless, for any fiscal year beginning on or after October 1, 1994, its paternity establishment percentage for such fiscal year is based on reliable data and (rounded to the nearest whole percentage point) equals or exceeds—

(A) 90 percent;

(B) for a State with a paternity establishment percentage of not less than 75 percent but less than 90 percent for such fiscal year, the paternity establishment percentage of the State for the immediately preceding fiscal year plus 2 percentage points;

(C) for a State with a paternity establishment percentage of not less than 50 percent but less than 75 percent for such fiscal year, the paternity establishment percentage of the State for the immediately preceding fiscal year plus 3 percentage points;

(D) for a State with a paternity establishment percentage of not less than 45 percent but less than 50 percent for such fiscal year, the paternity establishment percentage of the State for the immediately preceding fiscal year plus 4 percentage points;

(E) for a State with a paternity establishment percentage of not less than 40 percent but less than 45 percent for such fiscal year, the paternity establishment percentage of the State for the immediately preceding fiscal year plus 5 percentage points; or

(F) for a State with a paternity establishment percentage of less than 40 percent for such fiscal year, the paternity establishment percentage of the State for the immediately preceding fiscal year plus 6 percentage points.

In determining compliance under this section, a State may use as its paternity establishment percentage either the State's IV–D paternity establishment percentage (as defined in paragraph (2)(A)) or the State's statewide paternity establishment percentage (as defined in paragraph (2)(B)).

(2) For purposes of this section—

(A) the term "IV–D paternity establishment percentage" means, with respect to a State for a fiscal year, the ratio (expressed as a percentage) that the total number of children—

(i) who have been born out of wedlock,

(ii)(I) except as provided in the last sentence of this paragraph, with respect to whom assistance is being provided under the State program funded under part A in the fiscal year or, at the option of the State, as of the end of such year, or (II) with respect to whom services are being provided under the State's plan approved under this part in the fiscal year or, at the option of the State, as of the end of such year pursuant to an application submitted under section 454(4)(A)(ii), and

(iii) the paternity of whom has been established or acknowledged,

bears to the total number of children born out of wedlock and (except as provided in such last sentence) with respect to whom assistance was being provided under the State program funded under part A as of the end of the preceding fiscal year or with respect to whom services were being provided under the State's plan approved under this part as of the end of the preceding fiscal year pursuant to an application submitted under section 454(4)(A)(ii);

(B) the term "statewide paternity establishment percentage" means, with respect to a State for a fiscal year, the ratio (expressed as a percentage) that the total number of minor children—

(i) who have been born out of wedlock, and

(ii) the paternity of whom has been established or acknowledged during the fiscal year,

bears to the total number of children born out of wedlock during the preceding fiscal year; and

(C) the term "reliable data" means the most recent data available which are found by the Secretary to be reliable for purposes of this section.

For purposes of subparagraphs (A) and (B), the total number of children shall not include any child with respect to whom assistance is being provided under the State program funded under part A by reason of the death of a parent unless paternity is established for such child or any child with respect to whom an applicant or recipient is found by the State to qualify for a good cause or other exception to cooperation pursuant to section 454(29).

(3)(A) The Secretary may modify the requirements of this subsection to take into account such additional variables as the Secretary identifies (including the percentage of children in a State who are born out of wedlock or for whom support has not been established) that affect the ability of a State to meet the requirements of this subsection.

(B) The Secretary shall submit an annual report to the Congress that sets forth the data upon which the paternity establishment percentages for States for a fiscal year are based, lists any additional variables the Secretary has identified under subparagraph (A), and describes State performance in establishing paternity.

(h) The standards required by subsection (a)(1) shall include standards establishing time limits governing the period or periods within which a State must accept and respond to requests (from States, jurisdictions thereof, or individuals who apply for services furnished by the State agency under this part or with respect to whom an assignment pursuant to section 408(a)(3) is in effect) for assistance in establishing and enforcing support orders, including requests to locate noncustodial parents, establish paternity, and initiate proceedings to establish and collect child support awards.

(i) The standards required by subsection (a)(1) shall include standards establishing time limits governing the period or periods within which a State must distribute, in accordance with section 457, amounts collected as child support pursuant to the State's plan approved under this part.

(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—

(1) information dissemination and technical assistance to States, training of State and Federal staff, staffing studies, and related activities needed to improve programs under this part (including technical assistance concerning State automated systems required by this part); and

(2) research, demonstration, and special projects of regional or national significance relating to the operation of State programs under this part.

The amount appropriated under this subsection shall remain available until expended.

(k)(1) If the Secretary receives a certification by a State agency in accordance with the requirements of section 454(31) that an individual owes arrearages of child support in an amount exceeding **[**$5,000,**]** $2,500 the Secretary shall transmit such certification to the Secretary of State for action (with respect to denial, revocation, or limitation of passports) pursuant to paragraph (2).

(2) The Secretary of State shall, upon certification by the Secretary transmitted under paragraph (1), refuse to issue a passport to such individual, and may revoke, restrict, or limit a passport issued previously to such individual.

(3) The Secretary and the Secretary of State shall not be liable to an individual for any action with respect to a certification by a State agency under this section.

[(l) The Secretary, through the Federal Parent Locator Service, may aid State agencies providing services under State programs operated pursuant to this part and financial institutions doing business in two 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), except that any State that, as of the date of the enactment of this subsection, is conducting data matches pursuant to section 466(a)(17)(A)(i) shall have until January 1, 2000, to allow the Secretary to obtain such information from such institutions that are operating in the State. 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.**]**

(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.

(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.

FEDERAL PARENT LOCATOR SERVICE

SEC. 453. (a)(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 452(a), which shall be used for the purposes specified in paragraphs (2) and (3).

(2) For the purpose of establishing parentage or establishing, setting the amount of, modifying, or enforcing child support obligations, the Federal Parent Locator Service shall obtain and transmit to any authorized person specified in subsection (c)—

(A) information on, or facilitating the discovery of, the location of any individual—

(i) who is under an obligation to pay child support;

(ii) against whom such an obligation is sought;

(iii) to whom such an obligation is owed; or

(iv) who has or may have parental rights with respect to a child,

including the individual's social security number (or numbers), most recent address, and the name, address, and employer identification number of the individual's employer;

(B) information on the individual's wages (or other income) from, and benefits of, employment (including rights to or enrollment in group health care coverage); and

(C) information on the type, status, location, and amount of any assets of, or debts owed by or to, any such individual.

(3) For the purpose of enforcing any Federal or State law with respect to the unlawful taking or restraint of a child, or making or enforcing a child custody or visitation determination, as defined in section 463(d)(1), the Federal Parent Locator Service shall be used to obtain and transmit the information specified in section 463(c) to the authorized persons specified in section 463(d)(2).

(b)(1) Upon request, filed in accordance with subsection (d), of any authorized person, as defined in subsection (c) for the information described in subsection (a)(2), or of any authorized person, as defined in section 463(d)(2) for the information described in section 463(c), the Secretary shall, notwithstanding any other provision of law, provide through the Federal Parent Locator Service such information to such person, if such information—

(A) is contained in any files or records maintained by the Secretary or by the Department of Health and Human Services; or

(B) is not contained in such files or records, but can be obtained by the Secretary, under the authority conferred by subsection (e), from any other department, agency, or instrumentality of the United States or of any State,

and is not prohibited from disclosure under paragraph (2).

(2) No information shall be disclosed to any person if the disclosure of such information would contravene the national policy or security interests of the United States or the confidentiality of census data. The Secretary shall give priority to requests made by any authorized person described in subsection (c)(1). No information shall be disclosed to any person if the State has notified the Secretary that the State has reasonable evidence of domestic violence or child abuse and the disclosure of such information could be

harmful to the custodial parent or the child of such parent, provided that—

(A) in response to a request from an authorized person (as defined in subsection (c) of this section and section 463(d)(2)), the Secretary shall advise the authorized person that the Secretary has been notified that there is reasonable evidence of domestic violence or child abuse and that information can only be disclosed to a court or an agent of a court pursuant to subparagraph (B); and

(B) information may be disclosed to a court or an agent of a court described in subsection (c)(2) of this section or section 463(d)(2)(B), if—

(i) upon receipt of information from the Secretary, the court determines whether disclosure to any other person of that information could be harmful to the parent or the child; and

(ii) if the court determines that disclosure of such information to any other person could be harmful, the court and its agents shall not make any such disclosure.

(3) Information received or transmitted pursuant to this section shall be subject to the safeguard provisions contained in section 454(26).

(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 (including, when authorized under the State plan, any official of a political subdivision);

(2) the court which has authority to issue an order or to serve as the initiating court in an action to seek an order against a noncustodial parent for the support and maintenance of a child, or any agent of such court;

(3) the resident parent, legal guardian, attorney, or agent of a child (other than a child receiving assistance under a State program funded under part A (as determined by regulations prescribed by the Secretary) without regard to the existence of a court order against a noncustodial parent who has a duty to support and maintain any such child; and

(4) a State agency that is administering a program operated under a State plan under subpart 1 of part B, or a State plan approved under subpart 2 of part B or under part E.

(d) A request for information under this section shall be filed in such manner and form as the Secretary shall by regulation prescribe and shall be accompanied or supported by such documents as the Secretary may determine to be necessary.

(e)(1) Whenever the Secretary receives a request submitted under subsection (b) which he is reasonably satisfied meets the criteria established by subsections (a), (b), and (c), he shall promptly undertake to provide the information requested from the files and records maintained by any of the departments, agencies, or instrumentalities of the United States or of any State.

(2) Notwithstanding any other provision of law, whenever the individual who is the head of any department, agency, or instrumen-

tality of the United States receives a request from the Secretary for information authorized to be provided by the Secretary under this section, such individual shall promptly cause a search to be made of the files and records maintained by such department, agency, or instrumentality with a view to determining whether the information requested is contained in any such files or records. If such search discloses the information requested, such individual shall immediately transmit such information to the Secretary, except that if any information is obtained the disclosure of which would contravene national policy or security interests of the United States or the confidentiality of census data, such information shall not be transmitted and such individual shall immediately notify the Secretary. If such search fails to disclose the information requested, such individual shall immediately so notify the Secretary. The costs incurred by any such department, agency, or instrumentality of the United States or of any State in providing such information to the Secretary shall be reimbursed by him in an amount which the Secretary determines to be reasonable payment for the information exchange (which amount shall not include payment for the costs of obtaining, compiling, or maintaining the information). Whenever such services are furnished to an individual specified in subsection (c)(3), a fee shall be charged such individual. The fee so charged shall be used to reimburse the Secretary or his delegate for the expense of providing such services.

(3) The Secretary of Labor shall enter into an agreement with the Secretary to provide prompt access for the Secretary (in accordance with this subsection) to the wage and unemployment compensation claims information and data maintained by or for the Department of Labor or State employment security agencies.

(f) The Secretary, in carrying out his duties and functions under this section, shall enter into arrangements with State agencies administering State plans approved under this part for such State agencies to accept from resident parents, legal guardians, or agents of a child described in subsection (c)(3) and to transmit to the Secretary requests for information with regard to the whereabouts of noncustodial parents and otherwise to cooperate with the Secretary in carrying out the purposes of this section.

(g) REIMBURSEMENT FOR REPORTS BY STATE AGENCIES.—The Secretary may reimburse Federal and State agencies for the costs incurred by such entities in furnishing information requested by the Secretary under this section in an amount which the Secretary determines to be reasonable payment for the information exchange (which amount shall not include payment for the costs of obtaining, compiling, or maintaining the information).

(h) FEDERAL CASE REGISTRY OF CHILD SUPPORT ORDERS.—

(1) IN GENERAL.—Not later than October 1, 1998, 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 establish and maintain in the Federal Parent Locator Service an automated registry (which shall be known as the "Federal Case Registry of Child Support Orders"), which shall contain abstracts of support orders and other information described in paragraph (2) with respect to each case and order in each State case registry maintained pursuant to section

454A(e), as furnished (and regularly updated), pursuant to section 454A(f), by State agencies administering programs under this part.

(2) CASE AND ORDER INFORMATION.—The information referred to in paragraph (1) with respect to a case or an order shall be such information as the Secretary may specify in regulations (including the names, social security numbers or other uniform identification numbers, and State case identification numbers) to identify the individuals who owe or are owed support (or with respect to or on behalf of whom support obligations are sought to be established), and the State or States which have the case or order. Beginning not later than October 1, 1999, the information referred to in paragraph (1) shall include the names and social security numbers of the children of such individuals.

(3) ADMINISTRATION OF FEDERAL TAX LAWS.—The Secretary of the Treasury shall have access to the information described in paragraph (2) for the purpose of administering those sections of the Internal Revenue Code of 1986 which grant tax benefits based on support or residence of children.

(i) NATIONAL DIRECTORY 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).

(2) DATA ENTRY AND DELETION REQUIREMENTS.—

(A) IN GENERAL.—Information provided pursuant to section 453A(g)(2) shall be entered into the data base maintained by the National Directory of New Hires within two business days after receipt, and shall be deleted from the data base 24 months after the date of entry.

(B) 12-MONTH limit on access to wage and unemployment compensation information.—The Secretary shall not have access for child support enforcement purposes to information in the National Directory of New Hires that is provided pursuant to section 453A(g)(2)(B), if 12 months has elapsed since the date the information is so provided and there has not been a match resulting from the use of such information in any information comparison under this subsection.

(C) RETENTION OF DATA FOR RESEARCH PURPOSES.—Notwithstanding subparagraphs (A) and (B), the Secretary may retain such samples of data entered in the National Directory of New Hires as the Secretary may find necessary to assist in carrying out subsection (j)(5).

(3) ADMINISTRATION OF FEDERAL TAX LAWS.—The Secretary of the Treasury shall have access to the information in the National Directory of New Hires for purposes of administering section 32 of the Internal Revenue Code of 1986, or the advance payment of the earned income tax credit under section

3507 of such Code, and verifying a claim with respect to employment in a tax return.

(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 Directory 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 in accordance with subparagraph (B).

(B) VERIFICATION BY SSA.—The Social Security Administration shall verify the accuracy of, correct, or supply to the extent possible, and report to the Secretary, the following information supplied by the Secretary pursuant to subparagraph (A):

(i) The name, social security number, and birth date of each such individual.

(ii) The employer identification number of each such employer.

(2) INFORMATION COMPARISONS.—For the purpose of locating individuals in a paternity establishment case or a case involving the establishment, modification, or enforcement of a support order, the Secretary shall—

(A) compare information in the National Directory of New Hires against information in the support case abstracts in the Federal Case Registry of Child Support Orders not less often than every 2 business days; and

(B) within 2 business days after such a comparison reveals a match with respect to an individual, report the information to the State agency responsible for the case.

(3) INFORMATION COMPARISONS AND DISCLOSURES OF INFORMATION IN ALL REGISTRIES FOR TITLE IV PROGRAM PURPOSES.—To the extent and with the frequency that the Secretary determines to be effective in assisting States to carry out their responsibilities under programs operated under this part and programs funded under part A, the Secretary shall—

(A) compare the information in each component of the Federal Parent Locator Service maintained under this section against the information in each other such component (other than the comparison required by paragraph (2)), and report instances in which such a comparison reveals a match with respect to an individual to State agencies operating such programs; and

(B) disclose information in such components to such State agencies.

(4) PROVISION OF NEW HIRE INFORMATION TO THE SOCIAL SECURITY ADMINISTRATION.—The National Directory of New Hires shall provide the Commissioner of Social Security with all information in the National Directory.

(5) RESEARCH.—The Secretary may provide access to data in each component of the Federal Parent Locator Service maintained under this section and to information reported by employers pursuant to section 453A(b) for research purposes found by the Secretary to be likely to contribute to achieving the purposes of part A or this part, but without personal identifiers.

(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—

(i) are borrowers of loans made under title IV of the Higher Education Act of 1965 that are in default; or

(ii) owe an obligation to refund an overpayment of a grant awarded under such title.

(B) REQUIREMENT TO SEEK MINIMUM INFORMATION NECESSARY.—The Secretary of Education shall seek information pursuant to this section only to the extent essential to improving collection of the debt described in subparagraph (A).

(C) DUTIES OF THE SECRETARY.—

(i) INFORMATION COMPARISON; DISCLOSURE TO THE SECRETARY OF EDUCATION.—The Secretary, in cooperation with the Secretary of Education, shall compare information in the National Directory of New Hires with information in the custody of the Secretary of Education, and disclose information in that Directory to the Secretary of Education, in accordance with this paragraph, for the purposes specified in this paragraph.

(ii) CONDITION ON DISCLOSURE.—The Secretary shall make disclosures in accordance with clause (i) only to the extent that the Secretary determines that such disclosures do not interfere with the effective operation of the program under this part. Support collection under section 466(b) shall be given priority over collection of any defaulted student loan or grant overpayment against the same income.

(D) USE OF INFORMATION BY THE SECRETARY OF EDUCATION.—The Secretary of Education may use information resulting from a data match pursuant to this paragraph only—

(i) for the purpose of collection of the debt described in subparagraph (A) owed by an individual whose annualized wage level (determined by taking into consideration information from the National Directory of New Hires) exceeds $16,000; and

(ii) after removal of personal identifiers, to conduct analyses of student loan defaults.

(E) DISCLOSURE OF INFORMATION BY THE SECRETARY OF EDUCATION.—

(i) DISCLOSURES PERMITTED.—The Secretary of Education may disclose information resulting from a data match pursuant to this paragraph only to—

(I) a guaranty agency holding a loan made under part B of title IV of the Higher Education Act of 1965 on which the individual is obligated;

(II) a contractor or agent of the guaranty agency described in subclause (I);

(III) a contractor or agent of the Secretary; and

(IV) the Attorney General.

(ii) PURPOSE OF DISCLOSURE.—The Secretary of Education may make a disclosure under clause (i) only for the purpose of collection of the debts owed on defaulted student loans, or overpayments of grants, made under title IV of the Higher Education Act of 1965.

(iii) RESTRICTION ON REDISCLOSURE.—An entity to which information is disclosed under clause (i) may use or disclose such information only as needed for the purpose of collecting on defaulted student loans, or overpayments of grants, made under title IV of the Higher Education Act of 1965.

(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 FOR HOUSING ASSISTANCE PROGRAMS.—

(A) FURNISHING OF INFORMATION BY HUD.—Subject to subparagraph (G), the Secretary of Housing and Urban Development shall furnish to the Secretary, on such periodic basis as determined by the Secretary of Housing and Urban Development in consultation with the Secretary, information in the custody of the Secretary of Housing and Urban Development for comparison with information in the National Directory of New Hires, in order to obtain information in such Directory with respect to individuals who are participating in any program under—

(i) the United States Housing Act of 1937 (42 U.S.C. 1437 et seq.);

(ii) section 202 of the Housing Act of 1959 (12 U.S.C. 1701q);

(iii) section 221(d)(3), 221(d)(5), or 236 of the National Housing Act (12 U.S.C. 1715l(d) and 1715z–1);

(iv) section 811 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 8013); or

(v) section 101 of the Housing and Urban Development Act of 1965 (12 U.S.C. 1701s).

(B) REQUIREMENT TO SEEK MINIMUM INFORMATION.—The Secretary of Housing and Urban Development shall seek information pursuant to this section only to the extent necessary to verify the employment and income of individuals described in subparagraph (A).

(C) DUTIES OF THE SECRETARY.—

(i) INFORMATION DISCLOSURE.—The Secretary, in cooperation with the Secretary of Housing and Urban Development, shall compare information in the National Directory of New Hires with information provided by the Secretary of Housing and Urban Development with respect to individuals described in subparagraph (A), and shall disclose information in such Directory regarding such individuals to the Secretary of Housing and Urban Development, in accordance with this paragraph, for the purposes specified in this paragraph.

(ii) CONDITION ON DISCLOSURE.—The Secretary shall make disclosures in accordance with clause (i) only to the extent that the Secretary determines that such disclosures do not interfere with the effective operation of the program under this part.

(D) USE OF INFORMATION BY HUD.—The Secretary of Housing and Urban Development may use information resulting from a data match pursuant to this paragraph only—

(i) for the purpose of verifying the employment and income of individuals described in subparagraph (A); and

(ii) after removal of personal identifiers, to conduct analyses of the employment and income reporting of individuals described in subparagraph (A).

(E) DISCLOSURE OF INFORMATION BY HUD.—

(i) PURPOSE OF DISCLOSURE.—The Secretary of Housing and Urban Development may make a disclosure under this subparagraph only for the purpose of verifying the employment and income of individuals described in subparagraph (A).

(ii) DISCLOSURES PERMITTED.—Subject to clause (iii), the Secretary of Housing and Urban Development may disclose information resulting from a data match pursuant to this paragraph only to a public housing agency, the Inspector General of the Department of Housing and Urban Development, and the Attorney General in connection with the administration of a program described in subparagraph (A). Information obtained by the Secretary of Housing and Urban Development pursuant to this paragraph shall not be made available under section 552 of title 5, United States Code.

(iii) CONDITIONS ON DISCLOSURE.—Disclosures under this paragraph shall be—

(I) made in accordance with data security and control policies established by the Secretary of Housing and Urban Development and approved by the Secretary;

(II) subject to audit in a manner satisfactory to the Secretary; and

(III) subject to the sanctions under subsection (l)(2).

(iv) ADDITIONAL DISCLOSURES.—

(I) DETERMINATION BY SECRETARIES.—The Secretary of Housing and Urban Development and the Secretary shall determine whether to permit disclosure of information under this paragraph to persons or entities described in subclause (II), based on an evaluation made by the Secretary of Housing and Urban Development (in consultation with and approved by the Secretary), of the costs and benefits of disclosures made under clause (ii) and the adequacy of measures used to safeguard the security and confidentiality of information so disclosed.

(II) PERMITTED PERSONS OR ENTITIES.—If the Secretary of Housing and Urban Development and the Secretary determine pursuant to subclause (I) that disclosures to additional persons or entities shall be permitted, information under this paragraph may be disclosed by the Secretary of Housing and Urban Development to a private owner, a management agent, and a contract administrator in connection with the administration of a program described in subparagraph (A), subject to the conditions in clause (iii) and such additional conditions as agreed to by the Secretaries.

(v) RESTRICTIONS ON REDISCLOSURE.—A person or entity to which information is disclosed under this subparagraph may use or disclose such information only as needed for verifying the employment and income of individuals described in subparagraph (A), subject to the conditions in clause (iii) and such additional conditions as agreed to by the Secretaries.

(F) REIMBURSEMENT OF HHS COSTS.—The Secretary of Housing and Urban Development 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.

(G) CONSENT.—The Secretary of Housing and Urban Development shall not seek, use, or disclose information under this paragraph relating to an individual without the prior written consent of such individual (or of a person legally authorized to consent on behalf of such individual).

(8) 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 names and social security account numbers of individuals, the Secretary shall disclose to such State agency information on such individuals and their employers maintained in the National Directory of New Hires, subject to 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.—The State agency 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 the 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.—State agencies 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.—The 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.

[(7)**]** *(9)* INFORMATION COMPARISONS AND DISCLOSURE TO ASSIST IN FEDERAL DEBT COLLECTION.—

(A) FURNISHING OF INFORMATION BY THE SECRETARY OF THE TREASURY.—The Secretary of the Treasury shall furnish to the Secretary, on such periodic basis as determined by the Secretary of the Treasury in consultation with the Secretary, information in the custody of the Secretary of the Treasury for comparison with information in the National Directory of New Hires, in order to obtain information in such Directory with respect to persons—

(i) who owe delinquent nontax debt to the United States; and

(ii) whose debt has been referred to the Secretary of the Treasury in accordance with 31 U.S.C. 3711(g).

(B) REQUIREMENT TO SEEK MINIMUM INFORMATION.—The Secretary of the Treasury shall seek information pursuant to this section only to the extent necessary to improve collection of the debt described in subparagraph (A).

(C) DUTIES OF THE SECRETARY.—

(i) INFORMATION DISCLOSURE.—The Secretary, in cooperation with the Secretary of the Treasury, shall compare information in the National Directory of New Hires with information provided by the Secretary of the Treasury with respect to persons described in subparagraph (A) and shall disclose information in such Directory regarding such persons to the Secretary of the Treasury in accordance with this paragraph, for the purposes specified in this paragraph. Such comparison of information shall not be considered a matching program as defined in 5 U.S.C. 552a.

(ii) CONDITION ON DISCLOSURE.—The Secretary shall make disclosures in accordance with clause (i) only to the extent that the Secretary determines that such disclosures do not interfere with the effective operation of the program under this part. Support collection under section 466(b) of this title shall be given priority over collection of any delinquent Federal nontax debt against the same income.

(D) USE OF INFORMATION BY THE SECRETARY OF THE TREASURY.—The Secretary of the Treasury may use information provided under this paragraph only for purposes of collecting the debt described in subparagraph (A).

(E) DISCLOSURE OF INFORMATION BY THE SECRETARY OF THE TREASURY.—

(i) PURPOSE OF DISCLOSURE.—The Secretary of the Treasury may make a disclosure under this subparagraph only for purposes of collecting the debt described in subparagraph (A).

(ii) DISCLOSURES PERMITTED.—Subject to clauses (iii) and (iv), the Secretary of the Treasury may disclose information resulting from a data match pursuant to this paragraph only to the Attorney General in connection with collecting the debt described in subparagraph (A).

(iii) CONDITIONS ON DISCLOSURE.—Disclosures under this subparagraph shall be—

(I) made in accordance with data security and control policies established by the Secretary of the Treasury and approved by the Secretary;

(II) subject to audit in a manner satisfactory to the Secretary; and

(III) subject to the sanctions under subsection (l)(2).

(iv) ADDITIONAL DISCLOSURES.—

(I) DETERMINATION BY SECRETARIES.—The Secretary of the Treasury and the Secretary shall determine whether to permit disclosure of informa-

tion under this paragraph to persons or entities described in subclause (II), based on an evaluation made by the Secretary of the Treasury (in consultation with and approved by the Secretary), of the costs and benefits of such disclosures and the adequacy of measures used to safeguard the security and confidentiality of information so disclosed.

(II) PERMITTED PERSONS OR ENTITIES.—If the Secretary of the Treasury and the Secretary determine pursuant to subclause (I) that disclosures to additional persons or entities shall be permitted, information under this paragraph may be disclosed by the Secretary of the Treasury, in connection with collecting the debt described in subparagraph (A), to a contractor or agent of either Secretary and to the Federal agency that referred such debt to the Secretary of the Treasury for collection, subject to the conditions in clause (iii) and such additional conditions as agreed to by the Secretaries.

(v) RESTRICTIONS ON REDISCLOSURE.—A person or entity to which information is disclosed under this subparagraph may use or disclose such information only as needed for collecting the debt described in subparagraph (A), subject to the conditions in clause (iii) and such additional conditions as agreed to by the Secretaries.

(F) REIMBURSEMENT OF HHS COSTS.—The Secretary of the Treasury 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. Any such costs paid by the Secretary of the Treasury shall be considered costs of implementing 31 U.S.C. 3711(g) in accordance with 31 U.S.C. 3711(g)(6) and may be paid from the account established pursuant to 31 U.S.C. 3711(g)(7).

(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) or (m) of section 452* 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 or any other person who knowingly and willfully violates this paragraph.

(m) INFORMATION INTEGRITY AND SECURITY.—The Secretary shall establish and implement safeguards with respect to the entities established under this section designed to—

(1) ensure the accuracy and completeness of information in the Federal Parent Locator Service; and

(2) restrict access to confidential information in the Federal Parent Locator Service to authorized persons, and restrict use of such information to authorized purposes.

(n) FEDERAL GOVERNMENT REPORTING.—Each department, agency, and instrumentality of the United States shall on a quarterly basis report to the Federal Parent Locator Service the name and social security number of each employee and the wages paid to the employee during the previous quarter, except that such a report shall not be filed with respect to an employee of a department, agency, or instrumentality performing intelligence or counterintelligence functions, if the head of such department, agency, or instrumentality has determined that filing such a report could endanger the safety of the employee or compromise an ongoing investigation or intelligence mission.

(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 subsection [for each of fiscal years 1997 through 2001] shall remain available until expended.

(p) SUPPORT ORDER DEFINED.—As used in this part, the term "support order" means a judgment, decree, or order, whether tem-

porary, final, or subject to modification, issued by a court or an administrative agency of competent jurisdiction, for the support and maintenance of a child, including a child who has attained the age of majority under the law of the issuing State, or of the parent with whom the child is living, which provides for monetary support, health care, arrearages, or reimbursement, and which may include related costs and fees, interest and penalties, income withholding, attorneys' fees, and other relief.

SEC. 453A. [42 U.S.C. 653a] STATE DIRECTORY OF NEW HIRES.

(a) ESTABLISHMENT.—

(1) IN GENERAL.—

(A) REQUIREMENT FOR STATES THAT HAVE NO DIRECTORY.—Except as provided in subparagraph (B), not later than October 1, 1997, each State shall establish an automated directory (to be known as the "State Directory of New Hires") which shall contain information supplied in accordance with subsection (b) by employers on each newly hired employee.

(B) STATES WITH NEW HIRE REPORTING LAW IN EXISTENCE.—A State which has a new hire reporting law in existence on the date of the enactment of this section may continue to operate under the State law, but the State must meet the requirements of subsection (g)(2) not later than October 1, 1997, and the requirements of this section (other than subsection (g)(2)) not later than October 1, 1998.

(2) DEFINITIONS.—As used in this section:

(A) EMPLOYEE.—The term "employee"—

(i) means an individual who is an employee within the meaning of chapter 24 of the Internal Revenue Code of 1986; and

(ii) does not include an employee of a Federal or State agency performing intelligence or counterintelligence functions, if the head of such agency has determined that reporting pursuant to paragraph (1) with respect to the employee could endanger the safety of the employee or compromise an ongoing investigation or intelligence mission.

(B) EMPLOYER.—

(i) IN GENERAL.—The term "employer" has the meaning given such term in section 3401(d) of the Internal Revenue Code of 1986 and includes any governmental entity and any labor organization.

(ii) LABOR ORGANIZATION.—The term "labor organization" shall have the meaning given such term in section 2(5) of the National Labor Relations Act, and includes any entity (also known as a "hiring hall") which is used by the organization and an employer to carry out requirements described in section 8(f)(3) of such Act of an agreement between the organization and the employer.

(b) EMPLOYER INFORMATION.—

(1) REPORTING REQUIREMENT.—

(A) IN GENERAL.—Except as provided in subparagraphs (B) and (C), each employer shall furnish to the Directory

of New Hires of the State in which a newly hired employee works, a report that contains the name, address, and social security number of the employee, and the name and address of, and identifying number assigned under section 6109 of the Internal Revenue Code of 1986 to, the employer.

(B) MULTISTATE EMPLOYERS.—An employer that has employees who are employed in 2 or more States and that transmits reports magnetically or electronically may comply with subparagraph (A) by designating 1 State in which such employer has employees to which the employer will transmit the report described in subparagraph (A), and transmitting such report to such State. Any employer that transmits reports pursuant to this subparagraph shall notify the Secretary in writing as to which State such employer designates for the purpose of sending reports.

(C) FEDERAL GOVERNMENT EMPLOYERS.—Any department, agency, or instrumentality of the United States shall comply with subparagraph (A) by transmitting the report described in subparagraph (A) to the National Directory of New Hires established pursuant to section 453.

(2) TIMING OF REPORT.—Each State may provide the time within which the report required by paragraph (1) shall be made with respect to an employee, but such report shall be made—

(A) not later than 20 days after the date the employer hires the employee; or

(B) in the case of an employer transmitting reports magnetically or electronically, by 2 monthly transmissions (if necessary) not less than 12 days nor more than 16 days apart.

(c) REPORTING FORMAT AND METHOD.—Each report required by subsection (b) shall be made on a W–4 form or, at the option of the employer, an equivalent form, and may be transmitted by 1st class mail, magnetically, or electronically.

(d) CIVIL MONEY PENALTIES ON NONCOMPLYING EMPLOYERS.—The State shall have the option to set a State civil money penalty which shall not exceed—

(1) $25 per failure to meet the requirements of this section with respect to a newly hired employee; or

(2) $500 if, under State law, the failure is the result of a conspiracy between the employer and the employee to not supply the required report or to supply a false or incomplete report.

(e) ENTRY OF EMPLOYER INFORMATION.—Information shall be entered into the data base maintained by the State Directory of New Hires within 5 business days of receipt from an employer pursuant to subsection (b).

(f) INFORMATION COMPARISONS.—

(1) IN GENERAL.—Not later than May 1, 1998, an agency designated by the State shall, directly or by contract, conduct automated comparisons of the social security numbers reported by employers pursuant to subsection (b) and the social security numbers appearing in the records of the State case registry for cases being enforced under the State plan.

(2) NOTICE OF MATCH.—When an information comparison conducted under paragraph (1) reveals a match with respect to the social security number of an individual required to provide support under a support order, the State Directory of New Hires shall provide the agency administering the State plan approved under this part of the appropriate State with the name, address, and social security number of the employee to whom the social security number is assigned, and the name

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STATE PLAN FOR CHILD AND SPOUSAL SUPPORT

SEC. 454. A State plan for child and spousal support must—

* * * * * * *

(31) provide that the State agency will have in effect a procedure for certifying to the Secretary, for purposes of the procedure under section 452(k), determinations that individuals owe arrearages of child support in an amount exceeding **[**$5,000**]** *$2,500*, under which procedure—

* * * * * * *

(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 at 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 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 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.

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)**[**.**]**;

(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(d)(1) 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; and

* * * * * * *

(35) provide that the State shall—

(A) upon furnishing the Secretary with information under section 452(l) with respect to individuals owing past-due support, provide notice to such individuals that their assets held in financial institutions shall be subject to seizure to pay such past-due support, and shall—

(i) instruct such individuals of the steps which may be taken to contest the State's determination that past-due support is owed or the amount of the past-due support; and

(ii) include, in the case of jointly owned assets, a description of the process by which other owners may secure their share of such assets, in accordance with such policies and procedures as the Secretary may specify with respect to seizure of such assets;

(B) promptly resolve cases in which such individuals contest the State's determination with respect to past-due support, and provide for expedited refund of any assets erroneously seized and transferred to the State under such section 452(l); and

(C) except as otherwise specified under this paragraph or by the Secretary, ensure that the due process protections afforded under this paragraph to individuals whose assets are subject to seizure under section 452(l) are generally consistent with, and to the extent practicable conform to, the due process protections afforded by the State to individuals subject to offset of tax refunds under section 464.

SEC. 457. DISTRIBUTION OF COLLECTED SUPPORT.

[(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)) 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 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)) shall apply with respect to the distribution of support arrearages that—

[(aa) accrued before the family received assistance, and

[(bb) are 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 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 before the family received assistance from the State.

[(bb) REIMBURSEMENT OF GOVERNMENTS 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 ex-

ceeds 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 cooperative 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 arrearage 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 FORMERLY RECEIVED ASSISTANCE.—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 formerly received assistance from the State to the extent that the State pays the amount to the family.

(B) FAMILIES THAT CURRENTLY RECEIVE ASSISTANCE.—

(i) IN GENERAL.—Notwithstanding paragraph (1), in the case of a family that receives assistance from the State, 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 not more than $600 per month.

(8) STATES WITH DEMONSTRATION WAIVERS.—Notwithstanding the preceding paragraphs, in the case of a State that, on the date of enactment of this paragraph, has had in effect since October 1, 1997, a waiver under section 1115 permitting pass-through payments of child support collections—

(A) the State may continue to distribute such payments to families without regard to the expiration date of such waiver; and

(B) the requirement under paragraph (1) to pay to the Federal Government the Federal share of the amount collected on behalf of a family shall not apply to the extent that—

(i) the State distributes such amount to the family; and

(ii) such amount is disregarded in determining the amount and type of assistance paid to the family.[*(b)*

(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).

(c) DEFINITIONS.—As used in subsection (a):

(1) ASSISTANCE.—The term "assistance from the State" means—

* * * * * * *

"(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 or calculated by the State based on such order.

* * * * * * *

SEC. 459. CONSENT BY THE UNITED STATES TO INCOME WITHHOLDING, GARNISHMENT, AND SIMILAR PROCEEDINGS FOR ENFORCEMENT OF CHILD SUPPORT AND ALIMONY OBLIGATIONS.

(a) * * *

* * * * * * *

(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—

* * * * * * *

(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 be subject to withholding pursuant to this section for payment of alimony unless the former member to whom it is payable is in receipt of retired or retainer pay and has waived a portion of such pay in order to receive such compensation;*

* * * * * * *

COLLECTION OF PAST-DUE SUPPORT FROM FEDERAL TAX REFUNDS

SEC. 464. (a)(1) * * *

(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 any 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 costs 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 subsection may be executed by the Secretary of the Department of the Treasury or his designee.

* * * * * * *

(B) The fee which the Secretary of the Treasury may impose to cover the costs of the withholding and notification may not exceed $25 per case submitted.

(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:

* * * * * * *

(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—

* * * * * * *

(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

* * * * * * *

(19) HEALTH CARE COVERAGE.—Procedures under which—

(A) effective as provided in [section 401(c)(3)] *section 401(e)* of the Child Support Performance and Incentive Act of 1998, all child support orders enforced pursuant to this part [which include a provision for the health care coverage of the child are enforced] *shall include a provision for medical support for the child to be provided by either or both parents, and shall be enforced*, where appropriate, through the use of the National Medical Support Notice promulgated pursuant to section 401(b) of the Child Support Performance and Incentive Act of 1998 (and referred to in section 609(a)(5)(C) of the Employee Retirement Income Security Act of 1974 in connection with group health plans covered under title I of such Act, in section 401(e)(3)(C) of the Child Support Performance and Incentive Act of 1998 in connection with State or local group health plans, and in section [401(f)(5)(C)] *section 401(f)* of such Act in connection with church group health plans);

(B) unless alternative coverage is allowed for in any order of the court (or other entity issuing the child support order), in any case in which a [noncustodial] parent is required under the child support order to provide such health care coverage and the employer of such [noncustodial] parent is known to the State agency—

(i) the State agency uses the National Medical Support Notice to transfer notice of the provision for the health care coverage of the child to the employer;

(ii) within 20 business days after the date of the National Medical Support Notice, the employer is required to transfer the Notice, excluding the severable employer withholding notice described in section 401(b)(2)(C) of the Child Support Performance and Incentive Act of 1998, to the appropriate plan providing any such health care coverage for which the child is eligible;

(iii) in any case in which the noncustodial parent is a newly hired employee entered in the State Directory of New Hires pursuant to section 453A(e), the State agency provides, where appropriate, the National Medical Support Notice, together with an income withholding notice issued pursuant to [section 466(b)] *subsection (b)*, within two days after the date of the entry of such employee in such Directory; and

(iv) in any case in which the employment of the noncustodial parent with any employer who has received a National Medical Support Notice is terminated, such employer is required to notify the State agency of such termination; and

(C) any liability of the [noncustodial] *obligated* parent to such plan for employee contributions which are required under such plan for enrollment of the child is effectively subject to appropriate enforcement, unless the [noncustodial] *obligated* parent contests such enforcement based on a mistake of fact.

* * * * * * *

(f) UNIFORM INTERSTATE FAMILY SUPPORT ACT.—In order to satisfy section 454(20)(A), on and 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.

* * * * * * *

SEC. 469A. [42 U.S.C. 669a] NONLIABILITY FOR FINANCIAL INSTITUTIONS PROVIDING FINANCIAL RECORDS TO STATE CHILD SUPPORT ENFORCEMENT AGENCIES IN CHILD SUPPORT CASES.

(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).

* * * * * * *

SEC. 469B. GRANTS TO STATES *AND INDIAN TRIBES* FOR ACCESS AND VISITATION PROGRAMS.

(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 drop-off 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 2006.

(ii) $14,000,000 for fiscal year 2007.

(iii) $16,000,000 for fiscal year 2008.

(iv) $20,000,000 for fiscal year 2009 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 2006;

(ii) $140,000 for fiscal year 2007;

(iii) $160,000 for fiscal year 2008; and

(iv) $180,000 for fiscal year 2009 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 2006;

(ii) $600,000 for fiscal year 2007;

(iii) $800,000 for fiscal year 2008; and

(iv) $1,670,000 for fiscal year 2009 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.

PART E—FEDERAL PAYMENTS FOR FOSTER CARE AND ADOPTION ASSISTANCE

PURPOSE: APPROPRIATION

SEC. 470. * * *

* * * * * * *

FOSTER CARE MAINTENANCE PAYMENTS PROGRAM

SEC. 472. (a) Each State with a plan approved under this part shall make foster care maintenance payments (as defined in section 475(4)) under this part with respect to a child who would have met the requirements of section 406(a) or of section 407 (as such sections were in effect on July 16, 1996) but for his removal from the home of a relative (specified in section 406(a)), if—

(1) the removal from the home occurred pursuant to a voluntary placement agreement entered into by the child's parent or legal guardian, or was the result of a judicial determination to the effect that continuation therein would be contrary to the welfare of such child and (effective October 1, 1983) that reasonable efforts of the type described in section 471(a)(15) for a child have been made;

(2) such child's placement and care are the responsibility of (A) the State agency administering the State plan approved under section 471, [or (B)] *(B)* any other public agency with whom the State agency administering or supervising the administration of the State plan approved under section 471 has made an agreement which is still in effect, *or (C) an Indian tribe or tribal organization (as defined in section 479B(e)) or an intertribal consortium if the Indian tribe, tribal organization, or consortium (i) is operating a program pursuant to section 479B, (ii) has a cooperative agreement with a State pursuant to section 479B(c), or (iii) submits to the Secretary a description of the arrangements (jointly developed or developed in consultation with the State) made by the Indian tribe, tribal organization, or consortium for the payment of funds and the provision*

of the child welfare services and protections required by this title

* * * * * * *

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.

* * * * * * *

(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 **[**2002**]** *2010*. 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 2006 and subsequent fiscal years, the amount of any allotment to a State for a fiscal year that the Secretary determines will not be expended 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 expend 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

PART A—GENERAL PROVISIONS

* * * * * * *

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), 473A, or, subject to clause (ii) of subparagraph (B), payments to Puerto Rico described in clause (i) of that subparagraph" before the period; and*

(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 section 474 for each of fiscal years 2007 through 2010 that exceed the total amount of payments made to Puerto Rico under that section for fiscal year 2003.

(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 2007 through 2010.

(b) ENTITLEMENT TO MATCHING GRANT.—

(1) IN GENERAL.—Each territory shall be entitled to receive from the Secretary for each fiscal year a grant in an amount equal to 75 percent of the amount (if any) by which—

(A) the total expenditures of the territory during the fiscal year under the territory programs funded under parts A and E of title IV, including any amount paid to the State under part A of title IV that is transferred in accordance with section 404(d) and expended under the program to which transferred; exceeds

(B) the sum of—

(i) the amount of the family assistance grant payable to the territory without regard to section 409; and

(ii) the total amount expended by the territory during fiscal year 1995 pursuant to parts A and F of title IV (as so in effect), other than for child care.

(2) APPROPRIATION.—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated for fiscal years [1997 through 2003] *2006 through 2010*, such sums as are necessary for grants under this paragraph.

* * * * * * *

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] *2010*.

(3) CERTAIN TYPES OF PROPOSALS REQUIRED TO BE CONSIDERED.—

* * * * * * *

(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

* * * * * * *

INCOME AND ELIGIBILITY VERIFICATION SYSTEM [60]

SEC. 1137 * * *

* * * * * * *

(b) The programs which must participate in the income and eligibility verification system are—

(1) any State program funded under part A of title IV of this Act *but only with respect to applicants for, or recipients of, assistance (as defined in section 419(6)) under such program*;

* * * * * * *

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.

(b) In determining, for purposes of this title, whether an individual is blind, there shall be an examination of such individual by a physician skilled in the diseases of the eye or by an optometrist, whichever the individual may select.

* * * * * * *

(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. Any review by the Commissioner of Social Security of a State agency determination under this paragraph shall be made before any action is taken to implement the determination.

(2)(A) In carrying out paragraph (1), the Commissioner of Social Security shall review—

(i) with respect to fiscal year 2006, at least 25 percent of all determinations referred to in paragraph (1) that are made in such fiscal year; and

(ii) with respect to each of fiscal years 2006 through 2015, at least 50 percent of all such determinations that are made in each such fiscal year.

(B) In conducting reviews pursuant to subparagraph (A), the Commissioner of Social Security shall, to the extent feasible, select for review those 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

* * * * * * *

STATE PLANS FOR MEDICAL ASSISTANCE

SEC. 1902. (a) A State plan for medical assistance must—

* * * * * * *

(e)(1)(A) Notwithstanding any other provision of this title, effective January 1, 1974, subject to subparagraph (B) 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 became ineligible for such aid because of increased hours of, or increased income from, employment, shall, while a member of such family is employed, remain eligible

for assistance under the plan approved under this title (as though the family was receiving aid under the plan approved under part A of title IV) for 4 calendar months beginning with the month in which such family became ineligible for aid under the plan approved under part A of title IV because of income and resources or hours of work limitations contained in such plan.

(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 (i) 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.

* * * * * * *

(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*—

* * * * * * *

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 (h),* 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.

(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 on-

going 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)*

* * * * * * *

(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 subjection) that a family receiving extended 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.

* * * * * * *

(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 described 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 need be) a dependent child under part A of title IV.

* * * * * * *

(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] *2010*.

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TITLE XX—BLOCK GRANTS TO STATES FOR SOCIAL SERVICES

* * * * * * *

PURPOSES OF TITLE; AUTHORIZATION OF APPROPRIATIONS

SEC. 2001. For the purposes of consolidating Federal assistance to States for social services into a single grant, increasing State flexibility in using social services grants, and encouraging each state, as far as practicable under the conditions in that State, to furnish services directed at the goals of—

* * * * * * *

ALLOTMENTS

SEC. 2003. * * *

* * * * * * *

(c) The amount specified for purposes of subsections (a) and (b) shall be—

(1) $2,400,000,000 for the fiscal year 1982;

(2) $2,450,000,000 for the fiscal year 1983;

(3) $2,700,000,000 for the fiscal years 1984, 1985, 1986, 1987, and 1989;

(4) $2,750,000,000 for the fiscal year 1988;

(5) $2,800,000,000 for each of the fiscal years 1990 through 1995;

(6) $2,381,000,000 for the fiscal year 1996;

(7) $2,380,000,000 for the fiscal year 1997;

(8) $2,299,000,000 for the fiscal year 1998;

(9) $2,380,000,000 for the fiscal year 1999;

(10) $2,380,000,000 for the fiscal year 2000; and

(11) $1,700,000,000 for the fiscal year 2001 and each fiscal year thereafter, *except that with respect to each of fiscal years 2006 through 2010, the amount shall be $1,900,000,000" after "thereafter".*

* * * * * * *

CONSOLIDATED APPROPRIATIONS ACT, 2005

* * * * * * *

DIVISION H—TRANSPORTATION, TREASURY, INDEPENDENT AGENCIES, AND GENERAL GOVERNMENT APPROPRIATIONS ACT, 2005

* * * * * * *

Title VI—General Provisions

* * * * * * *

SEC. 643. [Section 653(j) of title 42, United States Code, is amended by adding at the end the following new paragraph] *Section 453(j) of the Social Security Act (42 U.S.C. 653(j) is amended by adding at the end the following new paragraph*:

* * * * * * *

"(7) INFORMATION COMPARISONS AND DISCLOSURE TO ASSIST IN FEDERAL DEBT COLLECTION.—

* * * * * * *

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.

FOOD STAMP ACT OF 1977

* * * * * * *

ELIGIBLE HOUSEHOLDS

SEC. 5. * * *

(g)(1) The Secretary shall prescribe the types and allowable amounts of financial resources (liquid and nonliquid assets) an eligible household may own, and shall, in so doing, assure that a household otherwise eligible to participate in the food stamp program will not be eligible to participate if its resources exceed $2,000, or, in the case of a household which consists of or includes an elderly or disabled member, if its resources exceed $3,000.

(2) INCLUDED ASSETS.—

(D) ALTERNATIVE VEHICLE ALLOWANCE.—[If the vehicle allowance]

(i) IN GENERAL.—If the vehicle allowance standards that a State agency uses to determine eligibility for assistance under the State program funded under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.) would result in a lower attribution of resources to certain households than under subparagraph (B)(iv), in lieu of applying subparagraph (B)(iv), the State agency may elect to apply the State vehicle allowance standards.

(ii) DEFINITION OF ASSISTANCE.—In clause (i), the term "assistance" shall have the meaning given such term in section 260.31 of title 45 of the Code of Federal Regulations, as in effect on June 1, 2002.

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INTERNAL REVENUE CODE OF 1986

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CHAPTER 1—NORMAL TAXES AND SURTAXES

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Sec. 21. Expenses for household and dependent care services necessary for gainful employment.
(a) Allowance of credit.

* * * * * * *

(b) Definitions of qualifying individual and employment-related expenses.
For purposes of this section—

* * * * * * *

(1) Qualifying individual. The term "qualifying individual" means—

(A) a dependent of the taxpayer (as defined in section 152(a)(1)) who has not attained age 13,

(B) a dependent of the taxpayer *(as defined in section 152, determined without regard to subsections (b)(1), (b)(2), and (d)(1)(B))* who is physically or mentally incapable of caring for himself or herself and who has the same principal place of abode as the taxpayer for more than one-half of such taxable year, or

(C) the spouse of the taxpayer, if the spouse is physically or mentally incapable of caring for himself or herself and who has the same principal place of abode as the taxpayer for more than one-half of such taxable year.

* * * * * * *

Sec. 24. Child tax credit.
(a) Allowance of credit.

* * * * * * *

(b) Limitation based on adjusted gross income.
(1) In general. The amount of the credit allowable under subsection (a) shall be reduced (but not below zero) by $50 for each $1,000 (or fraction thereof) by which the taxpayer's modified adjusted gross income exceeds the threshold amount. For purposes of the preceding sentence, the term "modified adjusted gross income" means adjusted gross income increased by any amount excluded from gross income under [section 911, 931, or 933] *section 931 or 933.*

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(f) TAXABLE YEAR MUST BE FULL TAXABLE YEAR.—

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(g) Denial of Credit for Individuals Electing Section 911.
No credit shall be allowed under this section for any taxable year to a taxpayer who claims the benefits of section 911 (relating to citizens or residents living abroad) for such taxable year.

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Sec. 32. Earned income.
(a) Allowance of credit.

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(c) Definitions and special rules.
For purposes of this section—

(1) Eligible individual.

(A) In general. The term "eligible individual" means—

* * * * * * *

(B) Qualifying child ineligible. If an individual is the qualifying child of a taxpayer for any taxable year of such taxpayer beginning in a calendar year, such individual shall not be treated as an eligible individual for any taxable year of such individual beginning in such calendar year. *The preceding sentence shall not apply with respect to any individual who is a qualifying child of 1 or more brothers, sisters, stepbrothers, and stepsisters who are also qualifying children of such individual if among all such qualifying children, such individual has the highest adjusted gross income.*

[(m) Identification numbers.

[Solely for purposes of subsections (c)(1)(E) and (c)(3)(D), a taxpayer identification number means a social security number issued to an individual by the Social Security Administration (other than a social security number issued pursuant to clause (II) (or that portion of clause (III) that relates to clause (II) of section 205(c)(2)(B)(i) of the Social Security Act).]

(m) Identification numbers.

Solely for purposes of subsections (c)(1)(E) and (c)(3)(D), a taxpayer identification number means a social security number assigned by the Social Security Administration—

(1) to a citizen of the United States, or

(2) to an individual pursuant to subclause (I) (or that portion of subclause (III) that relates to subclause (I)) of section 205(c)(2)(B)(i) of the Social Security Act.

* * * * * * *

Sec. 152. Dependent defined.

(a) In general.

* * * * * * *

(c) Qualifying child.

For purposes of this section—

(1) In general. The term "qualifying child" means, with respect to any taxpayer for any taxable year, an individual—

* * * * * * *

[(4) Special rule relating to 2 or more claiming qualifying child.

[(A) In general. Except as provided in subparagraph (B), if (but for this paragraph) an individual may be and is claimed as a qualifying child by 2 or more taxpayers for a taxable year beginning in the same calendar year, such individual shall be treated as the qualifying child of the taxpayer who is—

[(i) a parent of the individual, or

[(ii) if clause (i) does not apply, the taxpayer with the highest adjusted gross income for such taxable year.

[(B) More than 1 parent claiming qualifying child. If the parents claiming any qualifying child do not file a joint return together, such child shall be treated as the qualifying child of—

[(i) the parent with whom the child resided for the longest period of time during the taxable year, or

[(ii) if the child resides with both parents for the same amount of time during such taxable year, the parent with the highest adjusted gross income.]

(4) Special rules for claiming qualifying child.

(A) Rules involving parents.

(i) In general. A taxpayer other than a parent of an individual may not claim such individual as a qualifying child for any taxable year beginning in a calendar year if—

(I) a parent is eligible to claim and claims such individual as a qualifying child for any taxable year beginning in such calendar year, or

(II) the taxpayer has a lower adjusted gross income than any parent who may claim such individual as a qualifying child for any taxable year beginning in such calendar year.

(ii) More than 1 parent claiming qualifying child. If the parents claiming any qualifying child do not file a joint return together, such child shall be treated as the qualifying child of—

(I) the parent with whom the child resided for the longest period of time during the taxable year, or

(II) if the child resides with both parents for the same amount of time during such taxable year, the parent with the highest adjusted gross income.

(B) Rule for 2 or more nonparents claiming qualifying child.

If an individual may be and is claimed as a qualifying child by 2 or more taxpayers, neither of whom is a parent of the individual, for a taxable year beginning in the same calendar year, such individual shall be treated as the qualifying child of the taxpayer with the highest adjusted gross income for such taxable year.

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Sec. 223. Health savings accounts.

(a) Deduction allowed.

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(d) Health savings account.

For purposes of this section—

(1) In general. The term "health savings account" means a trust created or organized in the United States as a health savings account exclusively for the purpose of paying the qualified medical expenses of the account beneficiary, but only if the written governing instrument creating the trust meets the following requirements:

* * * * * * *

(2) Qualified medical expenses.

(A) In general. The term "qualified medical expenses" means, with respect to an account beneficiary, amounts paid by such beneficiary for medical care (as defined in section 213(d) for such individual, the spouse of such individual, and any dependent (as defined in section 152*, determined without regard to subsections (b)(1), (b)(2), and (d)(1)(B) thereof*) of such indi-

vidual, but only to the extent such amounts are not compensated for by insurance or otherwise.

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CHAPTER 43—QUALIFIED PENSION, ETC., PLANS

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Sec. 4980B. Failure to satisfy continuation coverage requirements of group health plans.

(a) General rule.

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(f) Continuation coverage requirements of group health plans.

(1) In general. * * *

* * * * * * *

(6) Notice requirement. In accordance with regulations prescribed by the Secretary—

(A) * * *

* * * * * * *

(D) The plan administrator shall notify—

(i) in the case of a qualifying event described in subparagraph (A), (B), (D), or (F) of paragraph (3), any qualified beneficiary with respect to such event, [and]

(ii) in the case of a qualifying event described in subparagraph (C) or (E) of paragraph (3) where the covered employee notifies the plan administrator under subparagraph (C), any qualified beneficiary with respect to such event, *and*

(iii) in any case in which the qualifying event with respect to which notice to a qualified beneficiary is required by clause (i) or (ii) is a qualifying event with respect to the parent of a qualified beneficiary who is an alternative recipient under a qualified medical child support order (as such terms are defined in section 609(a)(2) of the Employee Retirement Income Security Act of 1974), the State agency administering the program under part D of title IV of the Social Security Act which issued, or is authorized to enforce, such order,

of such beneficiary's rights under this subsection.

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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 over-

payment 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.

* * * * * * *

PERSONAL RESPONSIBILITY AND WORK OPPORTUNITY RECONCILIATION ACT OF 1966

* * * * * * *

TITLE I—BLOCK GRANTS FOR TEMPORARY ASSISTANCE FOR NEEDY FAMILIES

SEC. 101. Findings.

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SEC. 117. RESPONSIBLE FATHERHOOD PROGRAM.

* * * * * * *

TITLE I—BLOCK GRANTS FOR TEMPORARY ASSISTANCE FOR NEEDY FAMILIES

* * * * * * *

SEC. 116. EFFECTIVE DATE; TRANSITION RULE.

(a) EFFECTIVE DATES.—* * *

* * * * * * *

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 audits 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 THROUGH FOSTERING ECONOMIC STABILITY OF FATHERS.—To foster economic stability by helping fathers improve their economic status by providing activities such

as work for 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 dveloping 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 ALLOTED.—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 the 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 Mar-

iana 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 State Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands.

"(8) APPROPRIATION.—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated for each of fiscal years 2006 through 2010, $20,000,000 for purposes of making grants to eligible States under this subseciton.

"(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) ELIGIBILITY 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 or tribal organization (as defined in sectin 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 chracteristics of clients tob e served under such programs or activities and how the entity intends to achieve at least 20 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 udner 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 reconcilation 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 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 fundsprovided 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 mong the eligible entities awarded grants under this subsectinw ith 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 provded 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) RECONCILITATION PROCESS.—

"(A) 3-YEAR AVAILABILITY OF AMOUNTS ALLOTTED.—Each eligible entity that receives a grant under this subseciton

for a fiscal year shll return tot he 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 fiscal year any amount that is returned to the Secretary by eligible entities amount that is returned to the Secretary by eligible entities under subparagraph (A).

"(5) APPROPRIATION.—Out of any money in the Treasury oft he United States not otherwise appropriated, there are appropriated for each of fiscal years 2006 through 2010, $30,000,000 for purposes of making grant 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 2006 through 2010 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 advertising 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 2006 through 2010, 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) AIRTIME CHALLENGE PROGRAM.—At the option of the State, to establish an airtime 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 public 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, 2005.

"(e) RECONCILIATION PROCESS.—

"(1) 3-YEAR AVAILABILITY OF AMOUNTS ALLOTTED.—Each Stated 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.—

"() 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, 2008, 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 2006, $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 2006 through 2010 for purposes of making allotments to States under this section.

"SEC. 444. NATIONAL RESOURCE CENTER FOR RESPONSIBLE FATHERHOOD

"(a) IN GENERAL.—The Secretary shall contract with a nationally recognized, nonprofit research and education fatherhood organization described in subsection (b) to—

"(1) provide technical assistance and training to public and private agencies and grass roots organizations that promote responsible fatherhood and healthy marriage; and

"(2) develop a clearinghouse of resource materials to assist community-based organizations in developing local responsible fatherhood programs, with an emphasis on training and outcome evaluation.

"(b) NATIONALLY RECOGNIZED NONPROFIT RESEARCH AND EDUCATION FATHERHOOD ORGANIZATION DESCRIBED.—A nationally recognized nonprofit research and education fatherhood organization described in this subsection is an organization that has been in existence for at least 12 years with experience in—

"(1) developing and distributing research-based curriculum that promotes responsible fatherhood and healthy marriage with an emphasis on low-income and noncustodial fathers;

"(2) providing consultation and training to community-based organizations with a track record of working with social service, government, and faith-based organizations; and

"(3) providing direct training to fathers, father figures, and mothers using research-based curriculum in a variety of economic, cultural and family situations.

"(c) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to the Secretary to carry out this section, $1,000,000 for each of fiscal years 2006 through 2010.

"SEC. 445. NONDISCRIMINATION.

"The projects and activities assisted under this part shall be available on the same basis to all fathers and expectant fathers able to benefit from such projects and activities, including married and unmarried fathers and custodial and noncustodial fathers, with particular attention to low-income fathers, and to mothers and expectant mothers on the same basis as to fathers.

"(b) INAPPLICABILITY OF EFFECTIVE DATE PROVISIONS.—Section 116 shall not apply to the amendment made by subsection (a) of this section.".

* * * * * * *

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 [may] 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 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.

* * * * * * *

(i) REGISTRTION FOR MODIFICATION.—If there is no individual contestant or child residing in the issuing State *and subsection (d)(2) does not apply*, the party or support enforcement agency seeking to modify, or to modify and enforce, a child support order issued in another State shall register that order in a State with jurisdiction over the nonmovant for the purpose of modification.

* * * * * * *

TITLE 29—LABOR

Subtitle B—Regulatory Provisions

CHAPTER 18—EMPLOYEE RETIREMENT INCOME SECURITY PROGRAM

Subchapter I—Protection of employee benefit rights

SEC. 1166. NOTICE REQUIREMENTS

(a) In general

In accordance with regulations prescribed by the Secretary—

(1) * * *

* * * * * * *

(4) the administrator shall notify—

(A) in the case of a qualifying event described in paragraph (1), (2), (4), or (6) of section 1163 of this title, any qualified beneficiary with respect to such event, [and]

(B) in the case of a qualifying event described in paragraph (3) or (5) of section 1163 of this title where the covered employee notifies the administrator under paragraph (3), any qualified beneficiary with respect to such event, *and*

(C) in any case in which the qualifying event with respect to which notice to a qualified beneficiary is required by subparagraph (A) or (B) is a qualifying event with respect to the parent of a qualified beneficiary who is an alternative recipient under a qualified medical child support order (as such terms are defined in section 609(a)(2)), the State agency administering the program under part D of title IV of the Social Security Act that issued, or is authorized to enforce, such order, of such beneficiary's rights under this subsection.

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SEC. 1169. ADDITIONAL STANDARDS FOR GROUP HEALTH PLANS

(a) Group health plan coverage pursuant to medical child support orders

(1) In general

* * * * * * *

(5) Procedural requirements

(A) Timely notifications and determinations

* * * * * * *

(C) National Medical Support Notice deemed to be a qualified medical child support order

(i) In general

If the plan administrator of a group health plan which is maintained by the employer of a [noncustodial] parent of a child or to which such an employer contributes receives an appropriately completed National Medical Support Notice promulgated pursuant to section 401(b) of the Child Support Performance and Incentive Act of 1998 is the case of such child, and the Notice meets the requirements of paragraphs (3) and (4), the Notice shall be deemed to be a qualified medical child support order in the case of such child.

(ii) Enrollment of child in plan

In any case in which an appropriately completed National Medical Support Notice is issued in the case of a child of a participant under a group health plan who is a [noncustodial] parent of the child and the Notice is deemed under clause (i) to be a qualified medical child support order, the plan administrator, within 40 business days after the date of the Notice, shall—

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29 § 1169. Note.

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National Medical Support Notices for State or Local Governmental Group Health Plans

Pub. L. 105–200, title IV § 401(e), July 16, 1998, 112 Stat. 663, provided that:

"(1) In general.—Each State or local governmental group health plan shall provide benefits in accordance with the applicable requirements of any National Medical Support Notice.

"(2) Enrollment of child in plan.—In any case in which an appropriately completed National Medical Support Notice is issued in the case of a child of a participant under a State or local governmental group health plan [who is a noncustodial parent of the child] the plan administrator, within 40 business days after the date of the Notice, shall—

Qualified Medical Child Support Orders and National Medical Support Notices for Church Plans

Pub. L. 105–200, Title IV, § 401(f), July 16, 1998, 112 Stat. 664, provided that:

"(1) * * *

"**(5) Procedural requirements.—**

"(A) * * *

"(C) National Medical Support Notice deemed to be a qualified medical child support order.—

"**(i) In general.**—If the plan administrator of any church group health plan which is maintained by the employer of a [noncustodial] parent of a child or to which such an employer contributes receives an appropriately completed National Medical Support Notice promulgated pursuant to subsection (b) of this section [Pub.L. 105–200, Title IV, § 401(b), July 16, 1998,

112 Stat. 660, which is classified as a note under section 651 of Title 42] in the case of such child, and the Notice meets the requirements of paragraphs (3) and (4) of this subsection [this note], the Notice shall be deemed to be a qualified medical child support order in the case of such child.

"**(ii) Enrollment of child in plan.**—In any case in which an appropriately completed National Medical Support Notice is issued in the case of a child of a participant under a church group health plan who is a ⟦noncustodial⟧ parent of the child, and the Notice is deemed under clause (i) to be a qualified medical child support order, the plan administrator, within 40 business days after the date of the Notice, shall—

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TITLE 31—MONEY AND FINANCE

Subtitle III—Financial Management

CHAPTER 37—CLAIMS

Subchapter II—Claims of the United States Government

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SEC. 3701. DEFINITIONS AND APPLICATION.

(a) * * *

(d) Sections 3711(e) and 3716–3719 of this title do not apply to a claim or debt under, or to an amount payable under—

(1) the Internal Revenue Code of 1986 (26 U.S.C. 1 et seq.),

(2) the Social Security Act (42 U.S.C. 301 et seq.), except to the extent provided under sections 204(f) and 1631(b)(4) of such Act and ⟦section 3716(c) of this title⟧ *subsections (c) and (h)(3) of section 3716 of this title*, or

* * * * * * *

SEC. 3716. ADMINISTRATIVE OFFSET.

* * * * * * *

(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—

* * * * * * *

⟦(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 section with respect to any debt owed to a State, subsection (c)(3)(A) shall not apply.

(B) Subsection (c)(3)(A) shall apply with respect to payments owed to an individual under title II of the Social Security Act (notwithstanding any other provision of law, including section 207 of the Social Security Act (42 U.S.C. 407)) for purposes of offset under this section of such payments to collect past-due support being enforced by a State.

* * * * * * *

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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