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103D CONGRESS
2D SESSION

H. R. 4605

To amend the Social Security Act, the Food Stamp Act, and other relevant statutes to redesign the program of aid to families with dependent children to establish a program that provides time-limited, transitional assistance, prepares individuals for and requires employment, prevents dependency, overhauls the child support enforcement mechanism at both the State and Federal levels, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JUNE 21, 1994

Mr. GIBBONS (for himself, Mr. FORD of Michigan, Mr. FORD of Tennessee, Mr. MARTINEZ, Mr. GEPHARDT, Mr. CARDIN, Mr. ACKERMAN, and Mr. CRAMER) introduced the following bill; which was referred jointly to the Committees on Ways and Means, Agriculture, and Education and Labor

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A BILL

To amend the Social Security Act, the Food Stamp Act, and other relevant statutes to redesign the program of aid to families with dependent children to establish a program that provides time-limited, transitional assistance, prepares individuals for and requires employment, prevents dependency, overhauls the child support enforcement mechanism at both the State and Federal levels, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Work and Responsibility Act of 1994''.

SEC. 2. TABLE OF CONTENTS; REFERENCES.

(a) TABLE OF CONTENTS.—This Act contains the following titles and sections:

TITLE I—JOBS

Sec. 101. Requirement to participate in enhanced JOBS program.
Sec. 102. Establishment of enhanced JOBS program under part F.
Sec. 103. Amendments pertaining to services and activities under JOBS program.
Sec. 104. Twenty-four month limit.
Sec. 105. Responsibilities of assistant secretary for family support.

TITLE II—WORK

Sec. 201. Establishment of program.
Sec. 202. Federal funding for the JOBS and WORK programs; participation requirements.
Sec. 203. Administration of the JOBS and WORK programs.
Sec. 204. Special provisions relating to Indian tribes and Alaska native organizations.
Sec. 205. Special rules for the Territories.
Sec. 206. Training and employment for non-custodial parents.
Sec. 207. Federal tax treatment of work wages.

TITLE III—CHILD CARE

Sec. 301. Child care for JOBS and WORK program participants and at-risk families.
Sec. 302. Related amendments.
Sec. 303. Limitation of at-risk child care to families ineligible for recipient or transitional child care.
Sec. 304. Option to consolidate State responsibility for child care.
Sec. 305. Funding for quality improvement and licensing activities benefitting children receiving AFDC or at-risk child care.
Sec. 306. Funding of child care for families at risk of welfare dependency.
Sec. 307. Supplement to income disregard.

TITLE IV—PROVISIONS WITH MULTI-PROGRAM APPLICABILITY

Sec. 401. Performance standards.
Sec. 402. AFDC quality control system amendments.
Sec. 403. National welfare receipt registry; State information systems.
Sec. 404. Research and evaluation; technical assistance, demonstration projects.
Sec. 405. Offsets to mandatory spending from fraud, waste, and abuse.

TITLE V—PREVENTION OF DEPENDENCY

Sec. 501. Supervised living arrangements for minors.

Sec. 502. State option to limit benefit increases for additional family members.
Sec. 503. Case management for parents under age 20.
Sec. 504. State option to provide additional incentives and penalties to encourage teen parents to complete high school and participate in parenting activities.
Sec. 505. Adolescent pregnancy prevention grants.
Sec. 506. Demonstration projects to provide comprehensive services to prevent adolescent pregnancy in high-risk communities.

TITLE VI—CHILD SUPPORT ENFORCEMENT

Sec. 600. References in title.

PART A—ELIGIBILITY AND OTHER MATTERS CONCERNING TITLE IV–D PROGRAM CLIENTS

Sec. 601. Cooperation requirement and good cause exception.
Sec. 602. State obligation to provide paternity establishment and child support enforcement services.
Sec. 603. Distribution of payments.
Sec. 604. Due process rights.
Sec. 605. Privacy safeguards.
Sec. 606. Requirement to facilitate access to services.

PART B—PROGRAM ADMINISTRATION AND FUNDING

Sec. 611. Federal matching payments.
Sec. 612. Performance-based incentives and penalties.
Sec. 613. Federal and State reviews and audits.
Sec. 614. Automated data processing requirements.
Sec. 615. Director of OSCE program; training and staffing.
Sec. 616. Funding for secretarial assistance to State programs.
Sec. 617. Data collection and reports by the secretary.

PART C—LOCATE AND CASE TRACKING

Sec. 621. Central State case registry.
Sec. 622. Centralized collection and disbursement support payments.
Sec. 623. Amendments concerning income withholding.
Sec. 624. Locator information from interstate networks and labor unions.
Sec. 625. National welfare reform information clearinghouse.
Sec. 626. Expanded locate authority.
Sec. 627. Studies and demonstrations concerning Federal parent locator service.
Sec. 628. Use of Social Security numbers.

PART D—STREAMLINING AND UNIFORMITY OF PROCEDURES

Sec. 635. Adoption of uniform State laws.
Sec. 636. State laws providing expedited procedures.

PART E—PATERNITY ESTABLISHMENT

Sec. 640. State laws concerning paternity establishment.
Sec. 641. Outreach for voluntary paternity establishment.
Sec. 642. Penalty for failure to establish paternity promptly.
Sec. 643. Incentives to parents to establish paternity.

PART F—ESTABLISHMENT AND MODIFICATION OF SUPPORT ORDERS

Sec. 651. National Commission on child support guidelines.
Sec. 652. State laws concerning modification of child support orders.
Sec. 653. Study on use of tax return information for modification of child support orders.

PART G—ENFORCEMENT OF SUPPORT ORDERS

Sec. 661. Revolving loan fund for program improvements to increase collections.
Sec. 662. Federal income tax refund offset.
Sec. 663. Internal Revenue Service collection of arrears.
Sec. 664. Authority to collect support from employment-related payments by United States.
Sec. 665. Motor vehicle liens.
Sec. 666. Voiding of fraudulent transfers.
Sec. 667. State law authorizing suspension of licenses.
Sec. 668. Reporting arrearages to credit bureaus.
Sec. 669. Extended statute of limitation for collection of arrearages.
Sec. 670. Charges for arrearages.
Sec. 671. Visitation issue barred.
Sec. 672. Treatment of support obligations under bankruptcy code.
Sec. 673. Denial of passports for nonpayment of child support.

PART H—DEMONSTRATIONS

Sec. 681. Child support enforcement and assurance demonstrations.
Sec. 682. Social Security Act demonstrations.

PART I—ACCESS AND VISITATION GRANTS

Sec. 691. Grants to States for access and visitation programs.

PART J—EFFECT OF ENACTMENT

Sec. 695. Effective dates.
Sec. 696. Severability.

TITLE VII—IMPROVING GOVERNMENT ASSISTANCE AND PREVENTING FRAUD

PART A—AFDC AMENDMENTS

Sec. 701. Permanent requirement for unemployed parent program.
Sec. 702. State options regarding unemployed parent program.
Sec. 703. Definition of essential person.
Sec. 704. Expanded State option for retrospective budgeting.
Sec. 705. Disregards of income.
Sec. 706. Stepparent income.
Sec. 707. Increase in resource limit.
Sec. 708. Exclusions from resources.
Sec. 710. Transfer of resources.
Sec. 711. Limitation on underpayments.
Sec. 712. Collection of AFDC overpayments from federal tax refunds.
Sec. 713. Verification of status of citizens and aliens.
Sec. 714. Repeal of requirement to make certain supplement payments in States paying less than their needs standards.

Sec. 715. Calculation of 185 percent of need standard.
Sec. 716. Territories.

PART B—FOOD STAMP ACT AMENDMENTS

Sec. 721. Inconsequential income.
Sec. 722. Educational assistance.
Sec. 723. Earnings of students.
Sec. 724. Training stipends and allowances; income from on-the-job training programs.
Sec. 725. Earned income tax credits.
Sec. 726. Resources necessary for self-employment.
Sec. 727. Lump-sum payments for medical expenses or replacement of lost resources.
Sec. 728. Individual development accounts.
Sec. 729. Conforming amendment.

PART C—ECONOMIC INDEPENDENCE

Sec. 731. Short title.
Sec. 732. Declaration of policy and statement of purpose.
Sec. 733. Individual development account demonstration projects.
Sec. 734. Individual development accounts.

PART D—ADVANCE EITC STATE DEMONSTRATIONS

Sec. 741. Advance payment of earned income tax credit through State demonstration programs.

TITLE VIII—SELF EMPLOYMENT/MICROENTERPRISE DEMONSTRATIONS

Sec. 801. Demonstration program to provide self-employment opportunities to welfare recipients and low-income individuals.

TITLE IX—FINANCING

Sec. 901. Limitation on Federal payments for emergency assistance.
Sec. 902. Uniform alien eligibility criteria for public assistance programs.
Sec. 903. Eligibility of sponsored aliens for certain programs.
Sec. 904. National School Lunch Program.
Sec. 905. State retention of amounts recovered.
Sec. 906. Commodity Program income ineligibility.
Sec. 907. Amendments related to superfund tax extension.
Sec. 908. Federal railroad administration user fees.
Sec. 909. Special earned income tax credit rules for military personnel.
Sec. 910. Nonresident aliens not eligible for earned income tax credit.
Sec. 911. Extension of certain custom fees.

TITLE X—EFFECTIVE DATES

Sec. 1001. Effective dates.

(b) REFERENCES.—References herein to the ''Act'' are references to the Social Security Act except where otherwise provided or when the context otherwise requires.

TITLE I—JOBS

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

(a) Section 402(a)(19) of the Act is amended by striking out all down through subparagraph (E)(i) and inserting in lieu thereof the following:

''(19) provide—

''(A) that the State has in effect and operation a job opportunities and basic skills training program (hereafter in this title referred to as the 'JOBS' program which meets the requirements of part F), and a program of employment (hereafter in this title referred to as the 'WORK' program) which meets the requirements of part G;

''(B) that the State will (except as otherwise provided in this paragraph or in part F), to the extent the program is available in the political subdivision involved, apply the requirements and conditions of this paragraph to—

''(i) each applicant for or recipient of aid to families with dependent children who—

''(I)(a) was born after 1971, or

''(b) is the parent of a dependent child and is living with such child's other parent who is an individual born after 1971 (or was living with such an individual during any month after September 1995 in which they received aid under this part), and

''(II) is the parent of a dependent child,

(but not including any individual who is eligible by application of section 407, in a State which exercises the option to limit eligibility under section 407(b)(2)(B),

''(ii) thereafter any additional classes of parents of dependent children to whom the State chooses to make section 417 applicable (and identified in the State plan by date of birth, date of application, or other reasonable basis), and

''(iii) any other applicants for or recipients of aid who the State chooses to re-

quire to participate in the program under part F and identifies in its State plan approved under this part;

''(C) that the State will, except as otherwise provided in this paragraph or part F—

''(i) require all individuals described in subparagraph (B) other than a child who is not a custodial parent and is under age 16 or attending full time an elementary, secondary, or vocational (or technical) school) to participate in the program under part F;

''(ii) to the extent that Federal financial participation under section 403(k) is available, allow individuals who are not required to participate in such program, or to whom subparagraph (D) applies, to participate in such program, except that such individual shall, in a month in which he or she meets a condition of any of clauses (i) through (vii) of subparagraph (D), be permitted to cease participation in such program, and be subject to the provisions of subparagraph (D) (for so long as they remain applicable) and the State may, at its

option, apply section 417 to individuals described in subparagraph (B)(ii) and who choose to participate in the program under part F (even though they meet one of the criteria under subparagraph (D) for deferral from participation); and

''(iii) with respect to individuals who wish to participate, but whom the State is not required to include under clause (ii), consider such individual's request for approval of a self-initiated education and training program and apply criteria generally applicable to approval of such activities under the State's JOBS program, but approval of such application shall only guarantee child care pursuant to subsection (g)(1)(A)(i)(II);

''(D) that participation in the program under part F will not be required and the provisions of such part, other than paragraph (1) and (2) of section 481(a) (relating to personal responsibility agreements and employability plans) will not apply, but the State may provide for participation in appropriate cases in one or more types of activities designed as preparation

for participation in the program under part F, in the case of any individual described in subparagraph (B) who—

"(i) is the custodial parent of a child—

"(I) born less than one year earlier, or,

"(II) (in the case of either a child conceived during a month in which such parent received aid under this part or a child whose custodial parent is under the age of 20 and does not have a high school diploma or equivalent) born more recently than within the preceding 12 weeks (or, if greater) the number of weeks specified in section 102(a)(1) of the Family and Medical Leave Act of 1993 establishing the period of leave to which certain employees are entitled following the birth of a child, but this clause may only be applied to one parent of a child for any month;

"(ii) is a woman in the third trimester of pregnancy;

''(iii) is 60 years of age or older;

''(iv) is needed in the home because of the illness or incapacity (as confirmed by a licensed physician, psychologist, or mental health professional (from a list of such professionals approved for this purpose by the State)) of another member of the household and no other appropriate household member is available to provide the needed care;

''(v) is found, on the basis of a certification by a licensed physician, psychologist, or mental health professional (from a list of such professionals approved for this purpose by the State) to have an illness or incapacitating condition, that at least temporarily, prevents the individuals from engaging in employment or training;

''(vi) resides in an area of the State where the time required to travel to and from the site where the individual's participation in the program under part F would take place would exceed a total of two hours (or, if greater, the generally accepted commuting time in that area) in a day; or

''(vii) meets such other criteria as the State may specify in its plan that reasonably suggest an inability to participate in the program under part F, except that the average monthly number of individuals to whom this clause is applied for months in any fiscal year shall not exceed 5 percent of the average monthly number of all individuals (described in clauses (i) and (ii) of subparagraph (B)) for months in such fiscal year (or, in the case of fiscal years after 1999, 10 percent of such average monthly number) together with the average monthly number of individuals registered in the WORK program under part G for months in such year, unless the Secretary, upon a showing by the State of extraordinary or unforeseeable circumstances, allows the application of this clause to a greater number of individuals for a specified period of time;

''(E) that the State will promptly advise each applicant and recipient of the participation requirements under this paragraph and of the limitation on the number of months of eligibility

for aid under this part that may be applied (as required by the provisions of section 417) to such applicant or recipient;

''(F) that—

''(i) in the case of a custodial parent who has not attained 20 years of age, does not have a high school diploma (or its equivalent), and is required to participate in the program under part F, the State will require such parent to participate in an educational activity; and''.

(b) Section 402(a)(19)(E)(ii) of the Act (as in effect on the date of enactment of this Act) is amended by striking out ''(notwithstanding the part-time requirement in subparagraph (C)(iii)(II))''.

(c) Section 402(a)(19) of the Act is further amended—

(1) by striking out paragraph (F) (as in effect on the date of enactment of this Act), and

(2) by striking out so much of subparagraph (G) as precedes clause (ii) and inserting in lieu thereof the following:

''(G) that—

''(i) if an individual who is required to participate in the program under part F

refuses without good cause to accept employment of 20 hours per week or more (or such greater number of hours as the State plan provides pursuant to section 417(b)(4)(i)(IV)) in which such individual is able to engage which is offered through the public employment offices of the State, or is otherwise offered by an employer if the offer of such employer is determined to be a bona fide offer of employment, the family of which such individual is a member shall be ineligible for aid for six months or if sooner, until the first month following the month in which such individual accepts such an offer of employment; and

''(ii) if an individual who is required to participate in the program under part F fails without good cause to do so, the needs of such individual shall not be taken into account in making the determination under paragraph (7), and if such individual is the parent or other caretaker relative, at the option of the State, payments of aid for any dependent child in the fam-

ily in the form of payments of the type described in section 406(b)(2) (which in such case shall be without regard to clauses (A) through (D) thereof) may be made;''.

(d) Section 402(a)(19)(G) of the Act is further amended—

(1) by redesignating clauses (ii), (iii), and (iv) as clauses (iii), (iv), and (v), respectively,

(2) by striking out in clause (iii) (as redesignated) ''clause (i)'' and inserting in lieu thereof ''clause (ii)'',

(3) by striking out in clause (v) (as redesignated) the dash and all that follows down through ''(II)'', and placing the text of clause (II) immediately after ''this subparagraph'', and

(4) by adding at the end thereof the following new clause:

''(vi) the State agency shall conduct an evaluation of the circumstances in any case in which an individual to whom a sanction is being applied under clause (iii)(I) continues after three months to fail or refuse to comply with the requirement that occasioned the imposition of the sanc-

tion, and in the case of any other individual to whom a sanction is being applied under clause (iii), and provide appropriate counseling and other supportive services to assist the individual to address the cause of the failure or refusal;

''(vii) during months in which a sanction is applied under this subparagraph, the family of which the sanctioned individual is a member shall be considered to be receiving aid for purposes of title XIX, and for purposes of any other Federal or Federally-assisted program, such family shall be considered to be receiving the amount of such aid that would be payable if such individual were not being sanctioned;

''(viii) during months in which a sanction is applied under this subparagraph, the family of which the sanctioned individual is a member shall be considered to be receiving aid for purpose of title XIX, and for pur-

poses of any other Federal or Federally-assisted program, such family shall be considered to be receiving the amount of such aid that would be payable if such individual were not being sanctioned; and''.

(e) Section 402(a)(42) of the Act is amended by inserting before the semicolon the following: ''and if an individual is being sanctioned under section 402(a)(19)(G), such individual and all members of the family shall not become ineligible for such medical assistance by reason of such sanction''.

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

(a) Section 481 of the Act is amended—

(1) by amending the heading of such section to read:

''PURPOSE; REQUIREMENT TO ESTABLISH AND OPERATE PROGRAM; DEFINITIONS'';

(2) by redesignating subsection (b) as subsection (c); and

(3)(A) by transferring subsection (a) of section 482 to section 481, and redesignating it as subsection (b); and

(B) by amending section 481(b) (as so redesignated) by striking out ''Secretary of Labor'' in para-

graph (1)(C) and inserting in lieu thereof ''Secretary of Labor and the Secretary of Education''.

(b) Section 482 of the Act is amended by striking out all that precedes subsection (c) and adding the following new heading and subsections (a) and (b):

''OPERATION OF ENHANCED STATE PROGRAMS

''SEC. 482. (a) REQUIRED ELEMENTS OF ENHANCED JOBS PROGRAM.—

''(1)(A) PERSONAL RESPONSIBILITY AGREEMENT.—Each individual who is a parent or other caretaker relative of a dependent child and a representative of the State agency shall, at the time of application for aid under part A, sign a personal responsibility agreement. The agreement shall, in the case of individuals to whom section 417 applies, set forth in clear terms, understandable by all parties, an acknowledgment that aid under the State plan is subject to a general 24-month limit and should be considered transitional in nature. The agreement, in all cases, should acknowledge that the goal of both the individual and the State is to enable the individual to achieve maximum economic independence and self sufficiency. To this end, the individual will participate in appropriate activities, and the State will furnish necessary enabling services and assistance.

''(B) The State agency shall provide the program and employment information required by subsection (c) as promptly as possible, but in no event later than 90 days after the earliest date for which payment is made. In the case of individuals to whom section 417 applies, the information shall be provided in person, on either an individual or group basis, and the State agency shall obtain written confirmation from the individual that the individual received and understood the program and employment information.

''(2) EMPLOYABILITY PLAN.—

''(A)(i) The State agency shall, with respect to each individual required to participate in the program under this part, other than an individual to whom section 402(a)(19)(D) applies, conduct an assessment of the educational, child care, and other supportive services needs, as well as the skills, literacy, prior work experience and employability of each participant in the JOBS program, including a review of the family circumstances. The agency may also review the needs of any child of the participant.

''(ii) On the basis of such assessment, the State agency and the individual shall, within 90

days from the earliest date for which payment is made, jointly develop an employability plan for such individual. The purpose of the employability plan is to lay out the fastest and most effective way to help the participant find employment and become self-sufficient. The plan shall indicate the overall period of time that is expected to be necessary to achieve the individual's employment goal, taking into consideration, in the case of individuals to whom the provisions of section 417 apply, the maximum remaining period of time for which aid may be paid to such individual under the plan approved under part A. The plan will detail the activities in which the individual will be expected to engage in order to find employment, including job search, employment training and preparation, or education. The plan must be reasonable in light of the individual's literacy, skills, and needs, and the resources and opportunities for employment (including self-employment) within the community where the individual resides, and shall, to the maximum extent possible and consistent with this section, reflect the preferences of such individual. The employability

plan shall also describe the child care and other social services and assistance which the State agency will provide in order to allow the individual to take full advantage of the activities under the program operated under this part, and the steps the individual should take to bring promptly to the attention of the State agency any difficulties the individual is encountering in participating in the program under this part. The employability plan shall not be considered a contract.

''(iii) The State plan shall provide that, if an individual works an average of 20 hours a week (or such greater number, but not more than 30, as the State plan may provide) or more in a position of employment, work in such position shall constitute the primary activity under such individual's employability plan.

''(B) The State plan under this part must provide for a review mechanism that will be available should the individual and the State agency be unable to agree on the content of the employability plan. The review process shall, at the least, provide for prompt involvement of another employee (or designee) of the State agen-

cy with supervisory or greater responsibilities than the person with whom the individual is in disagreement to provide further negotiation support. If agreement still cannot be reached, the State agency shall, in accordance with regulations of the Secretary, afford the individual access to arbitration or a mediation process, to a more formal review or hearing, or to a combination of such processes.

''(C) Failure or refusal by an individual to sign an agreed upon employability plan, or to sign a plan with respect to which the applicable processes under subparagraph (B) have been completed and under which the employability plan has been found appropriate, shall result in denial of aid with respect to such individual, except that no sanction or other penalty shall continue under this subparagraph after the individual has signed an appropriate plan.

''(3) EMPLOYABILITY PLAN FOR DEFERRED INDIVIDUALS.—The State agency and each individual for whom participation in activities has been found appropriate under section 402(a)(19)(D) shall jointly develop an employability plan. The plan shall place primary emphasis on the activities in which

the individual is able to engage that, together with any services provided by the State, will best prepare the individual for full participation in the program under this part. Plans under this paragraph are not subject to the procedures of paragraph (2).

''(4) CASE MANAGER.—The State agency may assign a case manager to each participant and the participant's family who will be responsible for assisting the family to obtain any services which may be needed to assure effective participation in the program.

''(5) PERIODIC ASSESSMENT.—At such intervals as the State agency finds appropriate, but not less frequently than once every 6 months, a representative of the State agency and the individual shall conduct a review of the individual's employability plan (including the plan of an individual to whom paragraph (3) applies) and the progress that is being made to achieve the goals set in the plan. The State agency shall consider, in conducting the assessment, whether an individual participating in activities under section 402(a)(19)(D) has become ready to participate in the program under this part, or whether an individual required to participate under this part should no longer be so required and

instead should participate in such activities. If it is concluded that there should be any such change in status, the individual's employability plan shall be revised accordingly effective with the month following the month in which the revision is made. In the case of an individual participating in the program under this part, the assessment shall specifically address both the individual's participation and the State agency's delivery of services as agreed to in the employability plan. If it is found in the course of an assessment that there has been a substantial failure to provide services to the recipient in accordance with the employability plan, the plan (or some other State agency record) must document that finding, and the period during which the failure occurred.

''(6) REVISION OF EMPLOYABILITY PLAN.—The employability plan may be revised as necessary following an assessment under paragraph (5) or at any other time that events warrant it, upon the agreement of the individual and the State agency. If there is disagreement about the need for revision, or the respects in which the plan will be revised or the new content of the plan, the procedures described in paragraph (2)(B) will be applicable.

"(7) The State agency may require that, in the case of an individual described in section 402(a)(19)(B) and whose employability plan, including an employability plan under paragraph (3), reflects the need for treatment for substance abuse, such individual participate in substance abuse treatment that is available without charge to the individual. The State plan may, notwithstanding any other provision of law, make applicable to any individual required to participate in such treatment activities the provisions of section 402(a)(19)(G), and if so, shall advise the individual of the consequences of failure or refusal to accept treatment,

"(b) TRANSITION TO WORK PROGRAM.—(1) The State agency shall schedule a meeting with each individual subject to the time limit under section 417, with adequate advance notice to the individual, not later than 90 days prior to the first month for which such individual will become ineligible for aid under part A by reason of such time limit. The State agency shall evaluate the individual's progress under the employability plan, determine whether any extensions (as allowed under section 417) are necessary and available, and advise the individual about the job search requirement (described in paragraph (2)) and the steps that must be taken thereafter to register for the

program under part G. If a meeting is held with the individual in connection with a redetermination of eligibility, periodic assessment, or for any other purpose, within the 6-month period preceding the first month of ineligibility by reason of section 417, the State agency may take the steps required by this paragraph at such meeting in satisfaction of this requirement.

''(2) Not later than 45 days prior to the close of the twenty-fourth month of receipt of aid under part A (or, at the option of the State, at an earlier date after the twenty-first month of receipt of such aid), the individual shall be required to engage in job search to the extent consistent with the goals of such individual's employability plan. Engaging in job search for the period of time required by the State under the preceding sentence shall be a prerequisite to receipt of a work assignment under the WORK program established and operated under part G. For purposes of this subparagraph, 'month of receipt of aid under part A' shall not include any month prior to the first month in which this subparagraph was in effect.

''(3) References to applicants, or to actions that must occur at the time of application or from the earliest date for which payment is made, in the amendments made by this section, shall be construed to include references to recipients, and actions that must occur at the time of the

first redetermination of eligibility by a State for aid to families with dependent children occurring after the effective date of such amendments in such State.''.

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

(a) REPEAL OF REDUNDANT PROVISION.—Section 482(c) of this Act is amended by repealing paragraph (5).

(b) REQUIREMENT TO PROVIDE JOB SEARCH SERVICES.—Section 482(d)(1)(A) of the Act is amended—

(1) in clause (i), by redesignating subclauses (I) through (IV) as (II) through (V), respectively,

(2) by inserting before subclause (II) (as redesignated) the following:

''(I) group and individual job search as described in subsection (g);'', and

(3) in clause (ii), by repealing subclause (I) and redesignating subclauses (II) through (IV) as subclauses (I) through (III), respectively.

(c) EMPLOYMENT-ORIENTED EDUCATION.—Section 482(d)(1)(A)(i)(II) of the Act as redesignated is amended by striking out ''basic and remedial education to achieve a basic literary level'' and inserting in lieu thereof ''employment-related education to achieve literacy levels needed for economic self-sufficiency''.

(d) SELF-EMPLOYMENT PROGRAMS.—Section 482(d)(1)(A)(ii) of the Act (as redesignated) is amended—

(1) by striking out ''and'' after clause (II) (as redesignated),

(2) by adding ''and'' after clause (III), and

(3) by adding after and below clause (III) (as redesignated), the following:

''(IV) programs to prepare for self-employment or to enable individuals to establish a microenterprise.''.

(e) CHILD CARE PROVIDER TRAINING AND NONTRADITIONAL EMPLOYMENT.—Section 482(d)(1)(B) of the Act is amended by adding at the end thereof the following new sentence: ''The State shall include in its plan a description of whether and how it will provide training to prepare individuals to be child care providers. The State shall also include in its plan a description of the steps it will take to encourage the training and placement of participants in nontraditional positions of employment, including steps to increase program participants' awareness of the availability of such training and placement opportunities.''.

(f) WORK SUPPLEMENTATION EXTENSION.—Section 482(e) of the Act (as redesignated) is amended—

(1) in paragraph (2)(G)—

(A) by striking out ''9 months'' and inserting in lieu thereof ''12 months'', and

(B) by striking out ''without regard to the provisions of subparagraph (b)(ii)(II) of such section'', and

(2) in paragraph (4)(A), striking out ''9 months'' and inserting in lieu thereof ''12 months''.

(g) AMENDMENTS TO JOB SEARCH PROGRAM.—Section 482(g) of the Act is amended—

(1) in paragraph (1) by striking out ''may'' and inserting in lieu thereof ''shall'';

(2) by amending so much of paragraph (2) as precedes subparagraph (A) to read as follows:

''(2) The State agency may require job search by an individual who is applying for and shall upon approval of the application require job search by an individual who is receiving aid to families with dependent children and is determined by the State to have non-negligible work experience, or to have a high school diploma or equivalent, including individuals required by the State's exercise of its option under section 402(a)(19)(B) (i) and (ii) to participate in the program under this part—'';

(3) in paragraph (2)(A), by striking out ''8 weeks'' and inserting in lieu thereof ''12 weeks''; and

(4) by amending paragraph (2)(B) to read as follows:

''(B) at such time or times thereafter as the State agency many determine, but not to exceed a total of 4 months in any 12-month period (and for this purpose, there shall be included the time that the individual engaged in job search pursuant to both subparagraph (A) and section 482(c), but not any period of job search that occurred at the same time that the individual was participating in another activity under this part.''.

(h) PROCEDURES TO RESOLVE DISPUTES.—Section 482(h) of the Act is amended by striking out ''shall establish'' and all that follows down to ''shall provide an opportunity for a hearing'' and inserting in lieu thereof ''shall establish either (A) a conciliation procedure, meeting standards established by the Secretary, for the resolution of disputes involving an individual's participation in the program, or (B) a procedure that includes advance notice to the individual of an apparent failure to comply with a program requirement, and 10 days in which to contact

and meet with a State agency representative in order to resolve the dispute (or to comply with the requirements) and make unnecessary the imposition of a sanction. If the dispute is not resolved through whichever of these procedures the State adopts, the State agency''.

(i) COORDINATION REQUIREMENTS.—Section 483(a)(1) of the Act is amended by inserting immediately following ''the Job Training Partnership Act'' in the first sentence'', the Adult Education Act, the Carl D. Perkins Vocational and Applied Technology Education Act Amendments of 1990,''.

(j) PROVISIONS GENERALLY APPLICABLE TO PROVISION OF SERVICES UNDER JOBS AND WORK.—Section 484 of the Act, including the heading, is amended to read as follows:

''PROVISIONS GENERALLY APPLICABLE TO PROVISION OF SERVICES UNDER JOBS OR WORK

''Sec. 484. (a) In assigning participants in the program under this part to any program activity, or in assigning individuals registered with the program under part G to a position of employment, the State agency shall assure that—

''(1) each assignment takes into account the capacity, health and safety, family responsibilities, and place of residence of the participant;

''(2) no participant will be required, without his or her consent, to travel an unreasonable distance from his or her home or remain away from such home overnight;

''(3) individuals are not discriminated against on the basis of race, color, sex, national origin, religion, age, or disability, and all participants will have such rights as are available under any applicable Federal, State, or local law prohibiting discrimination;

''(4) no such assignment will—

''(A) result in the displacement of any currently employed worker, including partial displacement such as a reduction in the hours of non-overtime work, wages, or employment benefits;

''(B) impair existing contracts for services or collective bargaining agreements;

''(C) infringe upon the promotional opportunities of any currently employed worker;

''(D) result in the employment of the participant or filling of a position when—

''(i) any other person is on layoff, on strike or has been locked out from, or has recall rights to, the same or a substantially

equivalent job or position with the employer; or

''(ii) the employer has terminated any regular employee or otherwise reduced its workforce with the effect of filling the vacancy so created with such participant; or

''(E) result in filling a vacancy for a position in a State or local government agency for which State or local funds have been budgeted, unless such agency has been unable to fill such vacancy with a qualified applicant through such agency's regular employee selection procedure during a period of not less than 60 days;

''(5) no participant shall be assigned to a position to perform work under a contract for services for the first 90 days after the commencement of such contract if such contract immediately succeeds a contract for services under which an employee covered by a collective bargaining agreement performed the same or substantially similar work for another employer;

''(6) no participant shall be assigned to a position with a private nonprofit entity to carry out activities that are the same or substantially equivalent to activities that have been regularly carried out by

a State or local government agency in the same local area, unless such placement meets the nondisplacement requirements of paragraph (4);

''(7) to the extent that a State workers' compensation law is applicable, workers' compensation benefits in accordance with such law shall be available with respect to injuries suffered by participants, and, to the extent that such law is not applicable, participants shall be provided with medical and accident protection for on-site injuries in accordance with regulations issued by the Secretary;

''(8) health and safety standards established under State and Federal law that are otherwise applicable to the working conditions of employees shall be equally applicable to the working conditions for participants; and

''(9) the State will establish and maintain grievance procedures, meeting the requirements of subsection (c), for resolving complaints by regular employees or their representatives alleging violations of the nondisplacement provisions described in paragraph (4), or of the requirements relating to wages, benefits and working conditions under this title.

"(b) A grievance procedure that meets the requirements of this subsection must include the following procedures:

"(1) DEADLINES.—Hearings on any grievance filed pursuant to subsection (a)(8) shall be conducted within 30 days of the filing of such grievance and a decision shall be made not later than 60 days after the filing of such grievance. A grievance shall be made not later than 45 days after the date of the alleged occurrence.

"(2) APPEALS.—Upon receiving a decision under paragraph (1), or if 60 days has elapsed without a decision being made, a grievant may either—

"(A) file an appeal as provided for in the State's procedures or in regulations promulgated by the Secretary, or

"(B) submit such grievance to binding arbitration in accordance with paragraph (3).

"(3) ARBITRATION.—

"(A) IN GENERAL.—

"(i) JOINTLY SELECTED ARBITRATOR.—In accordance with paragraph (2) on the occurrence of an adverse grievance decision, or 60 days after the filing of such grievance if no decision has been reached,

the party filing the grievance shall be permitted to submit such grievance to binding arbitration before a qualified arbitrator who is jointly selected and independent of the interested parties.

''(ii) IMPASSE PROCEDURES.—If the parties are unable to agree on an arbitrator within 20 days from when the request for arbitration is filed, the parties shall request the Federal Mediation and Conciliation Service or the American Arbitration Association to submit a list of arbitrations. The parties shall alternately strike names from such list until the name of one person remains, who shall be the arbitrator.

''(B) DEADLINES.—An arbitration proceeding conducted pursuant to subparagraph (A)(i) shall be held not later than 45 days after the request for such arbitration, or if the arbitrator is appointed pursuant to paragraph (A)(ii), not later than 30 days after such appointment, and a decision concerning such grievance shall be made not later than 30 days after the date of such arbitration proceeding.

''(C) COST.—

"(i) IN GENERAL.—The cost of the arbitration proceeding conducted under this subsection shall be divided evenly between the parties to the arbitration.

"(ii) EXCEPTION.—If a grievant prevails under the arbitration proceeding conducted under this subsection, the party found in violation of the requirements of this part shall pay the total cost of such proceeding and the attorney's fees of the grievant.

"(D) ENFORCEMENT.—Suits to enforce arbitration awards under this subsection may be brought in any district court of the United States having jurisdiction over the parties, without regard to the amount in controversy and without regard to the citizenship of the parties.

"(4) REMEDIES.—Remedies for a grievance filed under this subsection include—

"(A) suspension of payments to employers;

"(B) the termination of such payments;

"(C) the prohibition of the placement of a participant;

''(D) reinstatement of a displaced employee to the position held by such employee prior to displacement;

''(E) payment of lost wages and benefits of the displaced employee;

''(F) reestablishment of other relevant terms, conditions, and privileges of the displaced employee; and

''(G) such equitable relief as is necessary to correct a violation or to make a displaced employee whole.

''(c) WRITTEN NOTIFICATION OF LABOR ORGANIZATIONS.—

''(1) No position of employment with an employer may be established under title part unless the local labor organization representing employees of such employer who are engaged in the same or substantially similar work as that proposed to be carried out under such position have been provided written notification of the initial assignment of a participant to such position not less than 30 days prior to the commencement of such assignment. No such notification shall be required with respect to the subsequent assignment of participants to the same position with the same employer.

''(2) If a local organization provided notice of an assignment pursuant to paragraph (1) objects to an assignment of a participant pursuant to paragraph (1) objects to an assignment of a participant on the basis that such assignment would violate the requirements relating to nondisplacement, wages, benefits, or working conditions under this title, such organization may, as an alternative to the grievance procedures provided pursuant to subsection (b), file a complaint pursuant to an expedited grievance procedure. Such expedited procedure shall be carried out in accordance with the binding arbitration procedures described in subsection (b)(3), except that—

''(A) the request for arbitration shall be filed within 30 days of receiving written notice,

''(B) the arbitrator shall be jointly selected by the parties not later than 10 days after the request for arbitration, or, if the parties are unable to agree, appointed by the Federal Mediation and Conciliation Service (or another entity is agreed to by both parties) not later than 15 days after the request for arbitration, and

''(C) the proceeding shall be conducted and a decision issued not later than 30 days after the request for arbitration.

"(3) If a local organization files a complaint pursuant to the expedited grievance procedure under paragraph (2), a participant shall not be placed in the position that is the subject of the complaint until it is determined pursuant to the expedited procedure that such placement would not be in violation of this title.

"(d) In assigning participants in the JOBS program under this part to any program activity, the State agency shall, in addition to the assurances required under subsection (a), assure that—

"(1) the conditions of participation are reasonable, taking into account in each case the experience and proficiency of the participant and the child care and other supportive services needs of the participant; and

"(2) each assignment is based on available resources, the participant's circumstances, and local employment opportunities.

"(e) In assigning individuals registered with the State's WORK program under part G to a position of employment, the State agency shall, in addition to the assurance required under subsection (a), assure that—

"(1) no individual eligible to register for the State's WORK program, determined in accordance

with the provisions of part A and this part, shall be excluded from such program;

''(2) no family with a member eligible to participate in the State's program under part G will, by reason of such assignment, and upon participating the full number of hours provided by such assignment, have income less than the amount such family would have if it were receiving aid under the State's plan approved under part A and had no other income (except if a sanction is applied under section 496(f));

''(3) each family with a member participating in the program under part G shall be considered to be receiving aid to families with dependent children for purpose of the State's plan approved under title XIX;

''(4) where a labor organization represents a substantial number of employees who are engaged in similar work in the same area as that proposed to be funded under part G, an opportunity shall be provided for such organization to submit comments with respect to such proposal;

''(5) participants employed under the WORK program shall be compensated for such employment

in accordance with appropriate law, but in no event at a rate less than the highest of—

''(A) the Federal minimum wage rate specified in section 6(a)(1) of the Fair Labor Standards Act of 1938;

''(B) the rate specified by the appropriate State or local minimum wage law; or

''(C) the rate paid to employees of the same employer performing the same type of work and having similar employment tenure with such employer; and

''(6) except as otherwise provided under this paragraph, participants employed under the WORK program shall be provided benefits (including health benefits, unless the State agency concludes that it would impose an undue financial burden on either the employer or the State), working conditions and rights at the same level and to the same extent as other employees of the same employer performing the same type of work and having similar employment tenure with employer.

''(f) Funds available to carry out the program under this part, or under part G, may not be used to assist, promote, or deter union organizing.

''(g) The provisions of this section apply to any work-related programs and activities under this part or under part G (as provided herein), and under any other work-related programs and activities authorized (in connection with the AFDC program) under section 1115.''.

SEC. 104. TWENTY-FOUR MONTH LIMIT.

Part A of title IV of the Social Security Act is amended by redesignating section 417 as section 419 and adding after and below section 416 the following new section:

''SEC. 417. TWENTY-FOUR MONTH LIMIT.

''(a) LIMITATION.—(1) IN GENERAL.—Notwithstanding any other provision of law, a State plan approved under this part must provide that, except as otherwise provided in this title, aid to families with dependent children will not be payable to an individual to whom section 402(a)(19)(B) (i) or (ii) applies or to individuals who have choses to participate in the program under part F and to whom the State has elected under section 402(a)(19)(C) to apply this section, or to his or her dependent child or children living in the same home with such individual for any month after the twenty-fourth month (whether or not such months are consecutive) for which such individual has, together with his or her dependent child or children, received aid under the State's plan, or under the plan of any other State, approved under

this part. The limitation in the preceding sentence shall not apply to (A) an individual who has received such aid for 24 months and who is working to the extent described in clause (IV) or (V) of paragraph (2)(B)(i), whichever may be applicable, or (B) an individual's dependent child or children if they are living with another relative specified in section 406(a)(1) who is not subject to, or has not received aid for months in excess of, the limit prescribed by, this section.

''(2) APPLICABILITY.—In applying paragraph (1)—

''(A) if an individual has previously received aid under a State plan approved under this part for more than 18 months, the number of months for which an individual is considered to have previously been paid aid under such a State plan shall be reduced by one month for every period of four months throughout which no such aid was paid, and no wages under the program under part G were paid but such number of months shall never be reduced to fewer than 18 (regardless of whether such periods of four months were consecutive); and

''(B)(i) there shall not be included, as a month in which an individual received aid under a State plan approved under this part—

''(I) any month prior to the first month for which this section is in effect in such State, or in the case of a recipient of aid in such State for the month preceding such month, the first month in which such individual's eligibility is redetermined by such State;

''(II) any month prior to the first month in which payment of aid under this part was authorized with respect to such individual;

''(III) any month prior to the month in which such individual attains age eighteen;

''(IV) any month during which the individual worked 20 hours a week (or such greater number, but not more than 30, as the State plan under part F provides) or more;

''(V) any month during which the total average number of hours worked per week by both parents, in a family eligible by reason of section 407 and in which section 402(a)(19)(D) is applicable to neither parent, exceeds 30 hours (or such greater number, but not more than 40, as the State plan under part F provides); or

''(VI) any month during which section 402(a)(19)(D) was applicable to such individual; and

"(ii) there shall be included each month for which aid would have been paid but for the applicability to such individual of a sanction under section 402(a)(19)(G) or 402(a)(26).

For purposes of clauses (i)(IV) and (V), there shall not be excluded any month in which the individual fails to accept an offer of additional hours of employment, or in which such individual reduces the hours of employment and thereby becomes eligible for additional amounts of aid under this part.

"(b) NOTICE TO INDIVIDUALS.—A State plan approved under this part shall provide that notice will be given to each member of a family to whom the time limit under subsection (a) applies, not less frequently than once every six months, concerning the number of months of eligibility remaining for each such member. The notice required by this subsection may be given together with the payment of aid.

"(c) EXTENSION OF LIMIT.—

"(1) EXTENSION BY REASON OF FAILURE TO PROVIDE SERVICES.—The State agency shall extend the twenty-four-month limit referred to in subsection (a) in the case of an individual who has been unable to complete the education, training, or other activities intended to prepare such individual for employ-

ment by reason of the substantial failure of the State agency to provide or arrange for the provision of child care or any other service agreed upon in the individual's employability plan. A finding of failure to provide services shall be based on the documentation made at the semi-annual assessment (required by section 482(a)(5)), together with any reports or information either the individual or the State agency may have with respect to the period between the assessment and the close of the twenty-fourth month. The time limit shall be extended for so many months as are necessary to allow the individual to complete the activities agreed upon in the employability plan, but in no event may such extension exceed an additional 24 months.

''(2) EXTENSION TO COMPLETE COURSE OF EDUCATION.—

''(A) The State agency shall extend the twenty-four-month limit referred to in subsection (a)—

''(i) in the case of an individual receiving services under the Individuals with Disabilities Education Act, for so long as necessary to permit such individual to attain a high school education (or the equiv-

alent) or, if sooner, until such individual reaches age 22; and

''(ii) in the case of an individual in a structured learning program (as defined in paragraph (4)), including a program under the School-to-Work Opportunities Act of 1993, for so long as necessary to permit such individual to complete the program or, if sooner, until such individual reaches age 22.

''(B) Subject to subsection (e), the State agency may extend the twenty-four-month limit referred to in subsection (a)—

''(i) for no more than 12 additional months in order to allow an individual to complete high school (or an equivalent program of education), so long as the individual is making satisfactory progress toward obtaining a high school diploma (or equivalent);

''(ii) for no more than 24 additional months in order to allow an individual to complete a post-secondary program so long as the individual is enrolled in a work-study program, or is employed at least 15

hours per week, and is making satisfactory progress toward completing a degree-granting or certificate-granting education or training program, or structured microenterprise or self-employment program likely to improve the individual's economic self-sufficiency; or

''(iii) for such additional number of months as it finds appropriate in any case, determined on an individual basis, where such extension is necessary to afford an individual with significant learning disabilities or other substantial barriers to employment additional time to obtain the remedial education, job skills training, or other services specified in the employability plan needed to enable the individual to secure employment.

''(3) EXTENSION OF EMPLOYABILITY PLAN.—The State agency shall extend, and if appropriate revise, the employability plan of each individual with respect to whom an extension is provided under this subsection, and shall continue to furnish, through the months of the extension, the supportive services for which the extended plan provides.

"(4) As used in this subsection, a 'structured learning program' means one that begins at the secondary school level, continues into a post-secondary program, and is designed to lead to a degree or recognized skills certificate.

"(d) EXCEPTION FOR TRANSITION TO UNSUBSIDIZED EMPLOYMENT.—The State may, at its option, provide for continuing for one additional month the payment of aid to an individual (and his or her dependent child or children) under the State plan, notwithstanding subsection (a), in any case where such continued payment is necessary to assist the individual who is about to commence a position of employment (other than as a participant in the program under part G) until receipt of the first payment of wages. The State plan shall describe the evidence of employment that the State will require in order that payment may be continued under this subsection.

"(e) LIMITATION ON AVERAGE MONTHLY NUMBER OF EXTENSIONS.—If the average monthly number of individuals with respect to whom the State has extended the twenty-four month limit by application of subsection (c)(1) or (c)(2)(B) in any fiscal year exceeds 10 percent of the average monthly number of individuals to whom this section applies (and who are required to participate in the program under part F) in the fiscal year involved, the pro-

visions of section 403(k)(6) (reducing Federal payments under section 403(a)) shall apply, unless the Secretary, upon a showing by the State of extraordinary or unforeseeable circumstances, allows the application of such subsections to a greater number of individuals for a specified period of time.

''(f) ALTERNATIVE TIME LIMIT DEMONSTRATIONS.—Notwithstanding any other provision of this part, the Secretary may permit not more than five States to conduct demonstrations to determine what effects, if any, application of time limits of other than twenty-four months would have in promoting the objectives of the part. The Secretary shall approve a demonstration only if the proposed time limit is consistent with both the purpose of making AFDC a transitional program and affording recipients with support to enable them to prepare themselves to obtain unsubsidized employment. Any State applying a time limit other than that specified in subsection (a) shall evaluate both the short and long term effects of such time limit in enabling recipients to become self-sufficient and shall report the results of such evaluation to the Secretary.''.

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

Section 419 of the Act, as redesignated by section 104 of this Act, is amended by striking out ''and part F'' and inserting in lieu thereof ''part F, and part G''.

TITLE II—WORK

SEC. 201. ESTABLISHMENT OF PROGRAM.

(a) Title IV of the Act is amended by adding at the end thereof the following new part:

''PART G—WORK

''SEC. 491. PURPOSE AND DEFINITIONS.

''(a) PURPOSE.—It is the purpose of this part to assist States in developing and providing positions of employment for individuals who have received aid to families with dependent children for 24 months, and participated in the program under part F, but have not been able to secure unsubsidized employment.

''(b) DEFINITION.—As used in this part, a 'WORK position' is a position of employment to which an individual is assigned under this part.

''SEC. 492. ESTABLISHMENT AND OPERATION OF STATE PROGRAMS.

''(a) REQUIREMENT.—Each State shall establish and operate a program to locate and create temporary positions of employment (in this part referred to as the 'WORK program') for individuals who have received aid

for 24 months, as provided in section 417. The WORK program shall be in effect in each political subdivision of the State not later than 2 years after the State's program under part F is in effect in such subdivision.

''(b) STATE PLAN.—The State shall establish and operate its WORK program under a plan approved by the Secretary which describes how the State will implement the plan, and indicates, through cross-references to the appropriate provisions of this part and of parts A and F, that the program will be operated in accordance with such provisions of law. The State plan shall describe the strategies and activities to be undertaken by the State to identify and develop WORK positions. Such strategies shall, to the extent practicable, be designed to identify and develop positions likely to result in the placement of participants in unsubsidized employment. The strategies and activities may include—

''(1) wage subsidies or other incentives to for-profit, nonprofit, and public employers to employ participants;

''(2) performance-based contracts with public or nonprofit or other private organizations to place participants in unsubsidized employment;

''(3) payments to nonprofit employers to assist in supervising participants employed by such employers;

''(4) assistance to participants in establishing microenterprises and other self-employment efforts;

''(5) payments to nonprofit employers and public agencies to employ participants in temporary projects designed to address community needs, such as projects to enhance neighborhood infrastructure and provide other community services; and

''(6) payments to employers to employ participants as child care providers.

''(c) COORDINATION WITH JOB OPPORTUNITIES AND BASIC SKILLS TRAINING PROGRAM.—The State plan submitted to the Secretary to carry out the requirements of this part shall, together with the State plan required to carry out part F, constitute a single plan and shall, to the maximum extent feasible, reflect an integrated strategy to assist the individuals and families served under the plan to achieve economic self-sufficiency.

''(d) WORK ADVISORY BOARDS.—

''(1) DESIGNATION.—The State plan shall designate, or describe a process for establishing or designating, a WORK advisory board for each local area in the State to provide advice and guidance in

the administration of the program under this part. The State shall ensure the participation of local elected officials in the designation or establishment of such boards.

''(2) LOCAL AREA.—The local areas for which WORK advisory boards shall be designated or established pursuant to paragraph (1) may be—

''(A) service delivery areas established under section 101 of the Job Training Partnership Act;

''(B) the geographic boundaries of the labor market areas in the State; or

''(C) such other areas as the Governor determines are appropriate to promote the effective administration of the WORK program.

''(3) COMPOSITION.—Each WORK advisory board designated or established pursuant to paragraph (1) shall consist of—

''(A) representatives of private sector employers,

''(B) representatives of organized labor;

''(C) representatives of not-for-profit organizations, including community-based organizations;

''(D) representatives of local government, such as local, elected officials and representatives of economic development agencies, human service agencies, and educational agencies; and

''(E) such other community leaders as the State determines are appropriate.

''(4) FUNCTIONS.—Each WORK advisory board shall provide comments to the State agency relating to the State plan developed pursuant to subsection (b) of this section. In addition, each WORK advisory board shall provide advice and guidance to the agency administering the WORK program in the local area relating to—

''(A) the identification of potential WORK positions;

''(B) opportunities for placing WORK participants in unsubsidized employment;

''(C) methods for ensuring compliance with the requirements of this part relating to nondisplacement and working conditions;

''(D) methods for carrying out the coordination requirements specified in subsection (e) of this section; and

"(E) such other aspects of the WORK program that such board determines are appropriate.

"(e) COORDINATION WITH OTHER PROGRAMS AND ENTITIES.—

"(1) IN GENERAL.—The State plan shall include a description of the cooperative arrangements established with appropriate programs and agencies to enhance the administration of the program under this part, including arrangements with—

"(A) the Employment Service, and

"(B) other relevant employment and public service programs administered through public and private entities, such as programs supported under the Job Training Partnership Act and the National and Community Service Act and with programs under the CCDBG Act to explore the development of positions in child care for WORK program participants.

"(2) LOCAL COORDINATION.—The entity administering the WORK program in local areas shall, in addition to establishing linkages with the programs and agencies described in paragraph (1), establish cooperative arrangements with other appropriate entities to enhance the administration of the

program under this part. Such arrangements may be established with local government and service agencies, public housing agencies, community-based organizations, business and labor organizations, voluntary organizations, and other appropriate entities.

"SEC. 493. ELIGIBILITY FOR WORK PROGRAM; REGISTRATION.

''(a) ELIGIBILITY.—(1) IN GENERAL.—An individual—

''(A) to whom section 417 applies, who has received aid under the State plan approved under part A for twenty-four months, and with respect to whom no extension under section 417 has been provided,

''(B) who is not an individual to whom section 402(a)(19)(D) applies, and

''(C) who meets the eligibility criteria for aid to families with dependent children (but for section 417) under the State's plan approved under part A, shall be permitted to register for participation in the State's WORK program and, upon registration and continuing compliance with the requirements applicable to individual's awaiting assignment to a WORK position, be eligible for such an assignment and, in accordance with the succeeding provisions of this part, a payment of aid to families with dependent children.

"(2) SPECIAL RULES.—The State plan shall specify whether one or both parents will be required to register with and participate in the WORK program as a condition of eligibility for an assignment for either parent under the WORK program and a payment of aid to the family, in the case of a family in which both parents are subject to the limit in section 417.

"(b) REGISTRATION.—The State plan shall establish a simple procedure under which an individual who meets the criteria of subsection (a) may register with and participate in the WORK program so that the individual will receive wages (if an appropriate assignment is available) or aid, or (if applicable) both, in the month following the final month of the time limit under section 417. The State plan must describe the methods that will be employed to assure the uninterrupted provision of aid for the family of an individual who has complied with all applicable requirements and conditions of this part.

"(c) WORK PROGRAM ASSESSMENT.—The State plan shall provide for the prompt assessment of each individual registering with the program, in order to determine an appropriate assignment for such individual. The assessment must include a review of the individual's education, training, and employment experience while participating in the

program under part F, as well as any employment experience the individual may have had thereafter.

''(d) LIMITATIONS ON ASSIGNMENTS.—

''(1) HOURS OF WORK.—The State plan shall—

''(A) ensure, to the extent practicable, that participants' wages earned from WORK positions provide on the average 75 percent of the sum of wages together with aid paid to participants in the States WORK program;

''(B) ensure no assignment will result in an average number of hours of work over any four-week period that is less than 15 hours per week or greater than 35 hours per week; and

''(C) provide that in making WORK assignments the State agency shall, to the maximum extent feasible, ensure that an assignment to a WORK position will not interfere with any hours of unsubsidized employment in which the individual is already engaged at the time of the assignment.

''(2) LENGTH OF ASSIGNMENT.—An assignment to a WORK position shall be for no longer than 12 months and may not be reassigned to the same position.

"(e) PAYMENT OF AID.—The State agency administering the State's plan approved under part A shall pay for each month to each family with an individual registered with the WORK program the amount of aid that would be payable to such family under such plan, except that—

"(1) wages earned by a family member from employment in a WORK position shall not be considered in determining eligibility for continued participation in the WORK program;

"(2) in determining the amount of aid that is payable, the State agency may determine whether to disregard from the wages received from the WORK position any amounts that may be disregarded under section 402(a)(8)(A)(iv); and

"(3) if a family member has been assigned to and is employed in a WORK position, the amount of the family's aid will not be subject to increase by reason of the individual's failure to perform the full number of hours per week for which the assignment was made.

"(f) TREATMENT UNDER OTHER LAWS.—

"(1) Individuals participating in the WORK program, and their families, whether or not any aid is payable in addition to wages from a WORK posi-

tion, shall be considered to be receiving such aid for purposes of the State's plan for medical assistance approved under title XIX.

''(2) Wages paid for employment in a WORK position shall be treated as if they were wages from unsubsidized employment for the purpose of any other Federal law unless it is expressly provided otherwise in Federal law.

''(g) PROGRAM PARTICIPANTS.—The Secretary may by regulation prescribe criteria for determining when an individual's employment no longer constitutes participation in the WORK program.

"SEC. 494. PROVISIONS GENERALLY APPLICABLE TO WORK POSITIONS.

''(a) IN GENERAL.—In addition to the applicable provisions of section 484, the conditions described in this section shall be applicable to WORK positions.

''(b) PROHIBITION ON CONTRIBUTIONS FOR RETIREMENT BENEFITS.—No funds available under this title may be used for contributions to a retirement plan on behalf of any participant.

''(c) EXCLUSION FROM UNEMPLOYMENT COMPENSATION.—The employment of participants under the WORK program shall not be subject to the provisions of any Federal or State unemployment compensation law.

"(d) SICK AND PERSONAL LEAVE.—The Secretary is authorized to issue regulations establishing a minimum number of hours that a participant may be on leave from a WORK position due to illness or other reasons specified by the Secretary without having the amount of wages payable to such participant reduced to account for such leave. In accordance with paragraph (1) of this subsection, the regulations shall provide that if the employer provides, to similarly situated regular employees, paid leave that is equal to or exceeds the minimum prescribed by the Secretary, the employer shall also provide such paid leave to a participant. If the employer does not provide such paid leave, the State agency shall implement such leave.

"(e) RECORDS ON RETENTION OF PARTICIPANTS.—The entity administering the WORK program shall maintain records on the extent to which each employer receiving assistance under this part retains participants in unsubsidized employment subsequent to the completion of WORK assignments.

"SEC. 495. PRE-ASSIGNMENT ACTIVITIES AND SERVICES; PRIORITY OF ASSIGNMENTS; POST-ASSIGNMENT ASSESSMENT

"(a) ASSIGNMENTS.—The State plan approved under this part shall provide for the establishment and maintenance of a registry, updated regularly and frequently, of

all registered individuals who are awaiting assignment to a WORK position. The State plan shall describe the criteria that will generally be applied for determining the order in which registered individuals will be assigned to positions. Such criteria must provide for assigning, as promptly as an appropriate position becomes available, and individual to whom a sanction is being applied under section 496(f)(2)(A) (in the case of a first failure to comply with a requirement of the WORK program) or who has ended a period of time during which a sanction has been applied under section 496(f)(2) (B), (C), or (D) (in the case of a second or subsequent such failure), and thereafter preference will be given to individuals who have not previously received a WORK assignment during a period of consecutive months while registered for the WORK program.

''(b) JOB SEARCH; OTHER WORK PREPARATORY ACTIVITIES.—

''(1)(A) JOB SEARCH.—The State plan under this part shall describe any requirements the State applies to individuals registered for and awaiting assignment to a WORK position, including the extent to which the individual must participate in individual or group job search (not to exceed 35 hours per week) and the period for which the job search must

continue or the number of contacts that must be made, or such other measure as the State finds appropriate.

''(B) The State agency may require an individual employed in a WORK position or in regular employment to engage in job search but the number of hours per week of required job search (or of the time needed to comply with the job search requirement if measured differently from hours per week) together with the hours per week for which the individual is employed may not exceed 35.

''(C) The State agency shall require each individual who has completed an assignment to perform supervised job search (in accordance with the time limits established under paragraph (1)) while awaiting another assignment.

''(2) OTHER ACTIVITIES.—If the State requires that an individual registered under this part and awaiting assignment to a WORK position engage in any activities in addition to job search that would prepare the individual to carry out successfully the assignment or otherwise support achievement of the purposes of this part, the State plan shall describe those activities and the maximum periods of time for which they may be required (or other measure that

the State finds appropriate), which may not exceed 35 hours per week.

''(3) CHILD CARE AND OTHER SUPPORTIVE SERVICES.—(A) The State agency shall notify each individual registered with the WORK program of the availability (under sections 402(g) (1) and (2)) of child care and other supportive services necessary to permit the individual to participate successfully in the WORK program (during both a pre-assignment period and a period of employment under the WORK program).

''(B) A State may, at its option, provide child care and other supportive services (and include an appropriate provision in its plan under this part) to an individual employed in a WORK position to enable or assist such individual also to engage in education or training activities, approved for this purpose by the State agency as likely to enhance such individual's ability to secure and retain permanent, unsubsidized employment, and if the State chooses to provide any one or more such services under this subparagraph, shall notify all registered individuals who are potentially eligible therefor of the availability of such services.

"(c) COMPREHENSIVE POST-ASSIGNMENT ASSESSMENT.—The State agency shall conduct a comprehensive assessment of each individual registered with the WORK program after every second assignment completed by such individual (or of an individual who has been registered for two years). On the basis of this assessment, the State may—

"(1) reassign the individual to activities under section 402(a)(19)(D) or to the JOBS program (for such period of training and other activities as may be appropriate), or

"(2) assign the individual to another WORK position if the individual was unable to find unsubsidized employment either because there were no jobs available that such individual had the necessary skills to fill or because such individual is incapable of working outside of a sheltered environment.

Notwithstanding the preceding sentence, in such cases where the State finds that the individual is employable and living in an area where there are jobs available to match the individual's skills, the State may require the individual to engage in intensive job search, supervised by a job developer who may require the individual to apply for appropriate job openings to determine if the individual is mak-

ing a good faith effort to find unsubsidized employment. An individual who fails without good cause to apply for appropriate job openings, cooperate with the job developer or employer, or accept a private sector job opening, shall be ineligible for aid under part A or an assignment under the State's WORK program for 6 months. Following such a period of ineligibility, the State shall reassess such individual's status, and may take such steps under this subsection as it finds appropriate.

"SEC. 496. FAILURE TO MEET WORK PROGRAM REQUIREMENTS.

''(a) ACTIONS THAT CONSTITUTE FAILURE TO MEET WORK PROGRAM REQUIREMENTS.—The following actions, without good cause, constitute failure by an individual to meet the requirements of the WORK program—

''(1) failing or refusing to accept a bona fide offer of unsubsidized employment of at least 20 hours per week (or less if the offered employment meets the criteria specified in section 482(d)(2));

''(2) failing or refusing to accept or report for a WORK position to which the individual has been assigned;

''(3) voluntarily leaving such a position; or

''(4) failing or refusing to engage, to the extent required under the State plan, in the job search or

other activities required pursuant to section 495 or subsection (e).

''(b) MISCONDUCT RESULTING IN DISCHARGE FROM WORK POSITION.—In addition to the actions described in subsection (a), a participant will be deemed to have failed to meet the requirements of the WORK program if, prior to the completion of an assignment, such participant is discharged by an employer from a WORK position due to misconduct.

''(c) DEFINITIONS OF GOOD CAUSE AND MISCONDUCT.—The Secretary shall issue regulations establishing criteria for determining what constitutes good cause for purposes of subsections (a) and (g) and misconduct for purposes of subsection (b). Such regulations shall, at a minimum, include—

''(1) with respect to the actions described in paragraph (3) of subsection (a), a requirement that a participant voluntarily leaving a WORK position promptly notify the entity administering the WORK program of the reasons for leaving; and

''(2) with respect to discharge for misconduct, a provision allowing the State, with the approval of the Secretary, to apply the criteria relating to misconduct applicable to the disqualification of an indi-

vidual for benefits under the State unemployment compensation law.

''(d) OPPORTUNITY FOR HEARING.—The State plan shall provide advance notice to an individual when the State agency determines that a sanction should be imposed, and shall advise the individual of the right to a hearing. The State agency shall provide a hearing, upon request by the individual, in accordance with procedures established by the Secretary (which shall allow the State to adopt procedures followed in hearings on unemployment compensation claims that meet the standards set forth by the United States Supreme Court in Goldberg v. Kelly, 397 U.S. 254 (1970).).

''(e) INTERIM ACTIVITIES.—The State agency may require, pending the hearing referred to in subsection (d), participation by the individual in appropriate activities under the WORK program.

''(f) SANCTIONS.—If, in accordance with the preceding provisions of the section, an individual is found to have failed without good cause to meet a requirement of the WORK program—

''(1) if the failure involves subsection (a)(1) (relating to an offer of unsubsidized employment), the family of which such individual is a member shall be ineligible for aid to families with dependent children

(if any such aid were otherwise payable) for a period of six months and such individual may not be assigned to a WORK position during such period; and

''(2) if the failure involves paragraph (2), (3), or (4), of subsection (a) or involves subsection (b)—

''(A) in connection with the first of any such failures, the amount of aid for which the family (of which such individual is a member) is eligible shall for one month equal one-half of the amount that would be payable to the family if the individual were awaiting assignment to a WORK position, but such reduction shall cease upon the acceptance by such individual of an assignment to a new WORK position or, in cases involving job search or other required activities (as described in subsection (a)(4)), the individual's engaging in the required program activities;

''(B) in connection with the second of any such failures, the amount of aid so payable shall be reduced as described in subparagraph (A) for a 3-month period and the individual may not be assigned during such period to a new WORK position;

"(C) in connection with the third of any such failure, such family shall be ineligible for any such aid for a 3-month period and the individual may not be reassigned during such period; and

"(D) in connection with the fourth or any subsequent such failure, such family shall be ineligible for any such aid for a 6-month period and the individual may not be reassigned during such period;

but during the months in which a sanction is applied under this subsection, the family of which the sanctioned individual is a member shall be considered, for purposes of the State's plan approved under part A, its plan approved under title XIX, to be receiving aid to families with dependent children and for purposes of any other Federal or federally-assisted program based on need, such family shall be considered to be receiving the amount that would be payable to such family if the individual were awaiting assignment to a WORK position. Notwithstanding the preceding sentence, if at any time an individual subject to a sanction under this subsection accepts an offer of unsubsidized employment in a position that meets the criteria for WORK positions prescribed by subsection (a)(1), the sanction shall cease at that time and both the individ-

ual and the family shall be considered, for purposes of part A, to be an individual and family no longer subject to sanction under this program.

''(g) Notwithstanding section 493, no individual who without good cause leaves an unsubsidized position that provides 20 hours or more per week (or such greater number as the State has elected under section 482(a)(2)(A)(iii)) on the average, may register under section 493(b) for the WORK program (of any State) until after the 3-month period beginning on the date on which the individual left the position.

''(h) EVALUATION FOLLOWING SECOND WORK SANCTION.—The State plan must provide that the State will promptly conduct a thorough evaluation of an individual (and family) against whom a second sanction must be imposed to determine whether there are particular circumstances, not previously recognized by the State agency, that are contributing to the individual's failure to meet the requirements of the WORK program, and to provide, where appropriate, any additional social services, evaluations, or other diagnostic or remedial services or take such other actions as may be necessary to assist the individual and protect the other family members. In conducting the evaluation, the State agency shall consider whether the individual is appropriately registered in the WORK pro-

gram, or whether the individual should be referred to the State plan approved under part A to be considered an individual to whom section 402(a)(19)(D) applies.''.

(b) REQUIREMENT TO PROVIDE SUPPORTIVE SERVICES TO INDIVIDUALS REGISTERED FOR WORK PROGRAM.—Section 402(g)(2) is amended, by striking out ''part F'' and inserting in lieu thereof ''part F or part G''.

SEC. 202. FEDERAL FUNDING FOR THE JOBS AND WORK PROGRAMS; PARTICIPATION REQUIREMENTS; MAINTENANCE OF EFFORT AND SUBSTANTIAL IMPLEMENTATION.

(a) AMOUNT OF STATE'S ENTITLEMENT FOR JOBS.—Paragraphs (1) through (4) of section 403(k) of the Act are amended to read as follows:

''(k)(1) In addition to payments under subsection (a), the Secretary shall pay to each State with a plan approved under part F an amount equal to the product of—

''(A) the State's enhanced Federal medical assistance percentage as defined in subsection (m)(6), and

''(B) its expenditures to carry out the program under part F (other than expenditures required by section 402(g)(1)(A) in the case of the 50 States and the District of Columbia),

but payments to a State under this title for any fiscal year for such activities may not exceed the limitation under paragraph (2) with respect to such State.

''(2) The limitation under this paragraph with respect to a State for any fiscal year is the amount that bears the same ratio to the amount specified in paragraph (3) for such fiscal year as the average monthly number of adult recipients (as defined in paragraph (4)) in the State in the preceding fiscal year bears to the average monthly number of such recipients in all the States for such preceding year.

''(3) The amount specified in this paragraph is—

''(A) $1,750,000,000 for fiscal year 1996,

''(B) $1,700,000,000 for fiscal year 1997,

''(C) $1,800,000,000 for fiscal year 1998,

''(D) $1,900,000,000 for each of fiscal years 1999 through 2004, and

''(E) $1,900,000,000, adjusted by the CPI as prescribed by section 406(i), for fiscal year 2005 and each fiscal year thereafter,

reduced by 2 percent (for direct grants to Indian tribes and Alaska Native organizations under section 482(i)), and further reduced by 2 percent (of the amount specified in each subparagraph) (or, in the case of fiscal years after 1998, 1 percent) for carrying out section 404 of the Work

and Responsibility Act of 1994 (relating to demonstrations, research and evaluation, and technical assistance) and further reduced in fiscal year 1996 by the amount available to the Secretary for purposes of special adjustments under subsection (p).

''(4) For purposes of this subsection, the term 'adult recipient' in the case of any State means an individual other than a dependent child (unless such child is the custodial parent of another dependent child) whose needs are met in whole or in part with payments of aid to families with dependent children or wages from a position under the WORK program, or a combination of such aid and wages.''.

(b) PARTICIPATION STANDARDS FOR JOBS PROGRAM.—Section 403(k) of the Act is further amended by adding at the end thereof the following new paragraphs:

''(6)(A) Notwithstanding any other provision of this subsection—

''(i) if, with respect to a State in a fiscal year, the average monthly number of individuals receiving aid to families with dependent children who are described in subparagraph (B)(i) or (ii) of section 402(a)(19) but are not included in subparagraph (D) thereof who participate in an activity under the JOBS program

(including individuals who are employed for the minimum number of hours adopted by the State under section 482(a)(2)(A)(iii) or are being sanctioned pursuant to section 402(a)(19)(G)) exceeds 55 percent of the average monthly number of all such individuals, the Secretary shall pay to such State an additional amount (without the requirement of any additional nonfederal share) for use in carrying out its program under part F, and

''(ii) if, with respect to a State, such average monthly number in such year does not exceed 45 percent, then the Secretary shall reduce by 25 percent the Federal matching rate generally applicable to such State's expenditures for aid for each month in such year with respect to the number of individuals by which the average monthly number is less than 45 percent of the total.

The Secretary shall determine the amount of the additional payments for performance exceeding the standard and shall make such additional payments for a fiscal year by increasing as appropriate the amount payable to such State under subsection (a) up to the amount of the reductions under clause (ii),

together with the reductions under subparagraph (C) and subsection (l)(4)(A) for such fiscal year, and if the additional payments exceed such reductions the amount available to the Secretary for such fiscal year under subsection (p) shall be reduced by the amount of such excess.

''(B) The Secretary shall issue regulations prescribing criteria for determining what constitutes participation by an individual for purposes of this section, the periods of time over which participation will be measured, and any other matters necessary to implement the provisions of this subsection or of subsection (l).

''(C) If the average monthly number of individuals in a fiscal year to whom the State applies section 402(a)(19)(D)(vii) exceeds the limit prescribed therein (or such greater limit as the Secretary may have allowed), or if the average monthly number of individuals with respect to whom the State extends the time limit under section 417 exceeds the limit prescribed in section 417(e) (or such greater limit as the Secretary may have allowed), the Secretary shall, notwithstanding any other provision of this section, reduce by 25 percent for each month in such fiscal year the Federal matching rate generally applicable

to such State's expenditures for aid with respect to the total number of individuals by which such average monthly numbers exceeds such limits.

''(D) Notwithstanding subparagraph (A)(i), the Federal payment shall not be increased if the Secretary determines that the State has not accurately recorded the number of months for which individuals to whom section 417 applies have received aid, or has not accurately recorded or reported to the Secretary other required data, to an extent inconsistent with standards for accuracy prescribed in regulations by the Secretary.''.

(c)(1) AMOUNT OF STATE'S ENTITLEMENT FOR WORK.—Section 403(l) of the Act is amended by striking out paragraphs (1) through (3) and inserting in lieu thereof the following:

''(l)(1) In addition to payments under subsections (a) and (k), the Secretary shall pay to each State with a plan approved under part G an amount to carry out its program under such plan equal to the sum of—

''(A) an amount equal to—

''(i) such State's expenditures to operate its WORK program (other than expenditures to which subparagraph (B) applies and expenditures to which section 402(g)(1)(A) applies in

the case of the 50 States and the District of Columbia), multiplied by

''(ii) the State's enhanced Federal medical assistance percentage as defined in subsection (m)(6), but such amount with respect to a State for any fiscal year may not exceed the limitation under paragraph (2) applicable to such State for such fiscal year, and

''(B) an amount equal to—

''(i) the State's expenditures for wages to participants in its program under part G (whether paid directly to the participant, or in the form of wage subsidies to the participant's employer), multiplied by

''(ii) such State's Federal medical assistance percentage, as defined in section 1905(b) (or, where applicable, the last sentence of section 1118).

''(2) The limitation under this paragraph with respect to a State for any fiscal year is the amount that bears the same ratio to the amount specified in paragraph (3) for such fiscal year as the sum of (i) the average monthly number of individuals subject to the time limit in section 417 (and who are subject to the requirement to participate in the program under part F) in such State,

and (ii) the average monthly number of individuals registered in such State's WORK program, bears to the total of such sums of all the States for months in the preceding fiscal year.

''(3) The amount specified in this paragraph is—

''(A) $200,000,000 for fiscal year 1998,

''(B) $700,000,000 for fiscal year 1999,

''(C) $1,100,000,000 for fiscal year 2000,

''(D) $1,300,000,000 for fiscal year 2001,

''(E) $1,400,000,000 for fiscal year 2002,

''(F) $1,600,000,000 for fiscal year 2003,

''(G) $1,700,000,000 for fiscal year 2004, and

''(H) $1,700,000,000 adjusted by the CPI as prescribed by section 406(i), and then multiplied by the WORK program factor, as defined in paragraph (4),

reduced by 2 percent (for direct grants to Indian tribes and Alaska Native organizations under section 482(i)) and further reduce by 2 percent (of the amount specified in each subparagraph) (or in the case of fiscal years after 1998, 1 percent) for carrying out section 404 of the Work and Responsibility Act of 1994 (relating to demonstrations, research and evaluation, and technical assistance).

''(4) For purposes of determining the amount specified in paragraph (3) for any fiscal year, the 'WORK program factor' is the ratio of—

''(A) the sum of the average monthly number of recipients of aid who are individuals described in section 402(a)(19)(B)(i) and WORK registrants (who are not receiving aid) for months in the preceding fiscal year, divided by the sum of the average monthly number of all recipients of such aid and WORK registrants (who are not receiving aid) for months in such preceding fiscal year, to

''(B) such quotient with respect to the average monthly numbers for months in fiscal year 2004.''.

(2) Paragraph (4) of section 403(l) (as in effect prior to enactment of this Act) is redesignated as subsection (k)(7) of section 403.

(d) PARTICIPATION STANDARDS FOR WORK PROGRAM.—Section 403(l) of the Act is further amended by adding at the end thereof the following new paragraphs:

''(4)(A) Notwithstanding any other provision of this paragraph, the Federal matching rate applicable to a State's expenditures for aid to families with dependent children for a fiscal year shall be reduced for each month in such year by 25 percent with respect to the average monthly number of individuals

by which such State fails to meet its WORK participation standard for such year.

''(B) For purposes of this paragraph, a State's WORK participation standard is met if—

''(i) the average monthly number of positions to which WORK registrants are assigned is not fewer than the number of such positions that the Secretary requires that the State establish, taking into account the limitation applicable to such State under paragraph (2) for the fiscal year involved, and the amounts of assistance necessary to locate or create WORK positions; or

''(ii) the ratio of—

''(I) the average monthly number of individuals assigned to positions in the WORK program, participating in job search as required by the State plan under part G following an assignment to a WORK position, but for a period of no longer than 3 consecutive months, being sanctioned pursuant to section 496(f) or in unsubsidized employment and not receiving aid (but who at some time within the pre-

ceding 3 months were participating in the WORK program), to

''(II) the sum of the average monthly number of individuals registered with the State's WORK program and the average monthly number of individuals in unsubsidized employment and not receiving aid (but who at some time within the preceding 3 months were participating in the State's WORK program), is not less than 0.80.''.

(e) PROVISIONS APPLICABLE TO JOBS, WORK, AND CHILD CARE FUNDING.—Section 403(m) of the Act is amended to read as follows:

''(m)(1) If a State so requests, the limitation applicable to such State under subsection (k)(2) for a fiscal year, or the limitation applicable to such State under subsection (l)(2) for such fiscal year, may be increased (and the other limit decreased equally) by an amount up to 10 percent of the sum of such limits for such fiscal year or, if less, by the amount of the limit to be decreased. In the case of fiscal 1997, the State may request that its limit under subsection (k)(2) be reduced by up to 10 percent and the amount made available for preparing to conduct its WORK program.

''(2) If the sum of the amount specified in any fiscal year under subsection (k)(3), and the amount specified for such fiscal year under subsection (l)(3), exceeds (or if the Secretary estimates that it will exceed) the total amount paid (or estimated to be payable) under subsections (k)(1) and (l)(1)(A) for such fiscal year, then the Secretary shall adjust the maximums applicable to payments to those States to which the limits under such subsections have made additional payment unavailable under either subsection (k)(1) or (l)(1)(A), and to which payments for such fiscal year under either or both such subsections would be greater but for the applicability to such States of such limits. The Secretary shall by regulation provide for the equitable adjustment of such limits in the case where all States' requests for adjustment of limits, and additional payments, for a fiscal year under this paragraph exceed the amount available for reallotment.

''(3)(A) If in any fiscal year—

''(i) the average rate of total unemployment in a State for such fiscal year equals or exceeds 6.5 percent, and

''(ii) the average rate of total unemployment in such State for such fiscal year equals or exceeds 110 percent of such rate for either of the two preceding fiscal years,

the percent applicable to such State for such fiscal year, for purposes of applying each of subsections (k)(1)(A), (l)(1)(A)(i), and (n)(1)(A), to the extent made possible by the availability of additional amounts to such State pursuant to paragraph (2), shall be applied as if it had been increased by 10 percent of the difference between 100 percent and the rate otherwise applicable in each of such subsections, respectively, from the beginning of such fiscal year (but if no such additional amount is made available, such rates shall be unaffected by this subparagraph).

''(B) The amounts specified in subsections (k)(3), (l)(3), and (n)(3) for any fiscal year are each increased, if, for either the last two quarters of the preceding fiscal year, or the first two quarters of the fiscal year involved (but not such last two quarters), the average rate of total unemployment in the United States equals or exceeds 7 percent, by 2.5 percent plus an additional 0.25 percent for each one-tenth of a percentage point by which the average rate of total unemployment in the United States (for such two-quarter period) exceeds 7 percent.

''(4) Notwithstanding the provisions of subsections (k) and (l), no amount of a State's expenditures as aid to families with dependent children shall be excluded for purposes of payment under subsection (a) by reason of the State's failure to meet the participation standards or

the limit on deferrals (under section 402(a)(19)(D)(vii)) or extensions of the time limit (under section 417(e)) applicable to the State's program under part F for months in the first year that such program is in effect, or by reason of the State's failure to meet the participation standard applicable to its program under part G during the first year that such program is in effect.

''(5) Prior to the general effective date of the amendments to part F made by the Work and Responsibility Act of 1994, or the general effective date of part G, as the case may be, the Secretary shall issue regulations containing the necessary information to permit implementation of such standards and application of reductions in Federal payment for failure to meet such standards. Not later than 12 months after such amendments become effective with respect to a State, such State shall be required to begin reporting data as required by the Secretary in order to determine whether the participation standards have been met.

''(6) As used in this part, a 'State's enhanced Federal medical assistance percentage' with respect to expenditures for a fiscal year means such State's Federal medical assistance percentage as defined in section 1905(b) (or, where applicable as defined in the last sentence of section 1118), plus

''(A) 5 percentage points, but not less than 65 percent, with respect to fiscal years 1996 and 1997,

''(B) 7 percentage points, but not less than 67 percent, with respect to fiscal year 1998,

''(C) 9 percentage points, but not less than 69 percent, with respect to fiscal year 1999, and

''(D) 10 percentage points, but not less than 70 percent, with respect to fiscal year 2000, and each fiscal year thereafter.''.

(f)(1) Section 402(g)(3)(A)(i) of the Act is amended by striking out ''Federal medical assistance percentage (as defined in section 1905(b))'' and inserting in lieu thereof ''State's enhanced Federal medical assistance percentage (as defined in section 403(m)(6))''.

(2) Section 402(g)(B)(A)(ii) of the Act is amended by striking out ''Federal medical assistance percentage (as defined in section 1118)'' and inserting in lieu thereof ''State's enhanced Federal medical assistance percentage (as defined in section 403(m)(6))''.

(g) Section 403 of the Act is amended by adding at the end thereof the following new subsection:

''(o) Notwithstanding the preceding provisions of this section, the percentage applicable to a State for purposes of section 402(g)(3)(A) and subsections (k)(1)(A), (l)(1)(A)(ii), and (n)(1)(A) (for determining the Federal

payment with respect to a State's JOBS program expenditures, portions of its WORK program expenditures, and its child care expenditures, respectively) shall be the State's Federal medical assistance percentage, but not less than 60 percent (or, in the case of section 402(g)(3)(A) and subsection (n)(1)(A), the State's Federal medical assistance percentage) for any fiscal year—

''(1) in which the nonfederal share of the sum of its expenditures that may be included for purposes of subsection (a)(3) and its expenditures for its program under part F, its program under part G, and child care services under subsections (g) and (i) of section 402 (not included under subsection (a)(3)) is less than the nonfederal share of expenditures for purposes of subsection (a)(3) and of expenditures (for which Federal matching was provided) under its program under part F and child care services (not included under subsection (a)(3)) under subsections (g) and (i) of section 402 for fiscal year 1994 (or fiscal year 1993 if such nonfederal share were greater for such year), or

''(2) in which the number of individuals to whom the provisions of section 417 are being applied is less than 90 percent of the number of individuals in the State who are custodial parents described in

subparagraph (B)(i) of section 402(a)(19) (but not included under subparagraph (D) thereof) unless the State has submitted an approvable plan amendment that provides for implementing all statutory requirements to its JOBS program, and meeting related requirements with respect to 90 percent of such individuals within two years of the date such requirements first become effective.''.

(h) SECRETARY'S SPECIAL ADJUSTMENT FUND.—Section 403 of the Act is amended by adding at the end thereof the following new subsection:

''(p)(1) There shall be available to the Secretary from the amount appropriated for payments under subsection (k) for States' JOBS programs for fiscal year 1996, $300,000,000 for special adjustments to States' limitations on Federal payments for their JOBS and WORK programs. Amounts made available to the Secretary pursuant to this subsection shall also be available for carrying out subsection (k)(6) and section 404(c).

''(2) A State may, not later than March 1 and September 1 of each fiscal year, submit to the Secretary a request to adjust the limitation on payments under this section with respect to its JOBS (and, in fiscal years after 1997) its WORK programs for the following fiscal year. The Secretary shall only consider such a request from a

State which has, or which demonstrates convincingly on the basis of estimates that it will, submit allowable claims for Federal payment in the full amount available to it under subsections (k) and (l) in the current fiscal year and obligated 95% of its full amount in the prior fiscal year. The Secretary shall by regulation prescribe criteria for the equitable allocation among the States of Federal payments pursuant to adjustments of the limitations referred to in the preceding sentence in the case where the requests of all States that the Secretary finds reasonable exceed the amount available, and, within 30 days following the dates specified in this paragraph, will notify each State whether one or more of its limitations will be adjusted in accordance with the State's request and the amount of the adjustment (which may be some or all of the amount requested).

''(3) The Secretary may adjust the limitation on Federal payments to a State for a fiscal year under subsection (k) and under subsection (l), and upon a determination by the Secretary that (and the amount by which) a State's limitation should be raised, the amount specified in either such subsection, or both, shall be considered to be so increased for the following fiscal year.

''(4) The amount made available under subsection (a) for special adjustments shall remain available to the Sec-

retary until expended. That amount shall be reduced by the sum of the adjustments approved by the Secretary in any fiscal year, and the amount shall be increased in a fiscal year by the amount by which all States' limitations under subsection (k), (l), and (n) for a fiscal year exceeded the sum of the Federal payments under such subsections for such fiscal year (after application of subsection (m)(2)), but for fiscal years after 1977, such amount at the end of such fiscal year shall not exceed $400,000,000.''.

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

(a) STATE OPTION.—Part G of title IV of the Act is amended by adding at the end thereof the following new section:

''ADMINISTRATION

''SEC. 497. (a) The chief executive officer of any State with a plan approved under part A may designate a State agency (hereinafter referred to as the 'JOBS/WORK agency'), other than the agency established or designated under section 402(a)(3) (hereafter referred to as the 'part A agency') to administer (or supervise the administration of) the JOBS program under part F and the WORK program under this part in such State.

''(b) The JOBS/WORK agency designated under this section and the part A agency shall jointly submit the

State plan required by parts F and G, and shall enter into and provide to the Secretary an agreement setting out the responsibilities of each agency. Any such agreement shall provide—

''(1) that the part A agency will retain responsibility for—

''(A) determining initial and continuing eligibility of applicants for and recipients of (and the amount of) aid to families with dependent children;

''(B) maintaining accurate records of the number of months for which each individual received aid, and notifying individuals of the remaining months of eligibility, in accordance with the preceding provisions of this title;

''(C) applying sanctions when appropriate under the provisions of section 402(a)(19)(G) or 496(f); and

''(D) affording an opportunity for a fair hearing as required by section 402(a)(4), or in connection with any disagreement (with adverse consequences) about the application of section 417 (other than matters about which the JOBS/WORK agency provides a hearing);

''(2) that each agency agrees to cooperate with the other in order to exchange all information necessary to carry out the programs involved in a manner that simplifies as much as possible the burden on recipients of aid under part A, and participants in the programs under parts F and G, and allows the most effective administration of all programs involved;

''(3) a specific description of how responsibility will be allocated and coordinated between the two agencies for the following functions:

''(A) determining to which individuals section 402(a)(19)(D) is applicable;

''(B) determining the individuals to whom extensions under section 417(e) are to be granted (and the length of such extensions); and

''(C) conducting reviews, and providing dispute resolution measures, including fair hearings in appropriate cases, on disagreements arising out of requirements under the JOBS or WORK program; and

''(4) that the requirements of paragraphs (4), (5), (6), (9), (19), and (21)(A) of section 402(a) will be applicable as appropriate to the joint plan submitted under this section to the same extent (and to-

gether with all relevant regulations issued thereunder by the Secretary) as they are to a State plan submitted under part A.

''(c) In each State in which the chief executive officer designates an agency under subsection (a), the Secretary shall make payment to the agency so designated in the case of payments required under subsections (k) and (l) of section 403, rather than to the State's part A agency, and the JOBS/WORK agency so designated shall be responsible for the proper expenditure of such funds.

''(d) Upon designation by the chief executive officer under subsection (a), and approval by the Secretary of the State plan submitted in accordance with this section, all references (whether direct or by context) in this Act to the State agency responsible for the State plan under part A shall be deemed to be references to the agency designated under this section when referring to a function or responsibility of such agency.

''(e) In any State administering a Statewide one-stop career center system for the provision of employment and training services, as defined by the Secretary in conjunction with the Secretary of Labor, the Governor shall ensure that the programs under parts F and G—

''(1) participate in the operation of such system, and

"(2) make employment and training services available to participants through the one-stop career centers.".

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

(a) AUTHORITY TO ADMINISTER JOBS AND WORK PROGRAMS.—Section 482(i) of the Act is amended—

(1) by redesignating paragraphs (5), (6), (7), and (8) as paragraphs (6), (7), (8), and (9), respectively, and

(2) by amending paragraphs (1) through (4) of such subsection to read as follows:

"(1)(A) An Indian tribe or Alaska Native organization may apply to the Secretary to conduct both a JOBS program under this part, and a WORK program under part G. An application to conduct these programs in a fiscal year must be submitted not later than July 1 of the preceding fiscal year. Upon approval of the application, payment in the amount determined in accordance with the succeeding provisions of this subsection shall be made directly to the tribe or organization involved.

"(B) Neither the JOBS program nor the WORK program set forth in the application of an

Indian tribe or Alaska Native organization submitted under subparagraph (A) need meet any requirement under this part or part G or under section 402(a)(19) that the Secretary determines is inappropriate for such program.

''(C) The JOBS and WORK programs of any Indian tribe or Alaska Native organization may be terminated voluntarily by such tribe or organization or may be terminated by the Secretary upon a finding that such programs are not being conducted in substantial conformity with the terms of the application approved under subparagraph (A). Following voluntary termination of an application, or termination by the Secretary of an application of an Indian tribe or Alaska Native organization, such tribe or organization shall not be eligible to submit a new application under subparagraph (A) with respect to any year before the sixth year following such termination.

''(2) The Secretary shall pay directly to each Indian tribe or Alaska Native organization with an application approved to conduct a JOBS program under this part and a WORK program under part G for a fiscal year an amount (without the requirement of any non-Federal share) which bears the

same ratio to 2 percent of the sum of the amounts specified in sections 403(k)(3) and 403(l)(3) for such fiscal year as the adult Indian or Alaska Native population receiving aid to families with dependent children residing within the area to be served by the tribe or organization bears to the total of such adults receiving such aid residing within all areas which any such tribe or organization could serve. The Secretary shall from time to time review the components of the ratios established under the first sentence of this subparagraph to determine whether the individual payments under this subsection continue to reflect accurately the distribution of population among the grantees, and shall make adjustments necessary to maintain the correct distribution of funding.

''(3) A grantee under this subsection may use up to 20 percent of its payment for the JOBS program, or for the WORK program, as the case may be, for a fiscal year to carry out such program in the following fiscal year, and up to 10 percent of such payment for either such program to carry out the other such program in the fiscal year for which the payment was made.

''(4) At the request of a grantee, the Secretary may approve use of up to 10 percent (or, if less, $5000) of the payment for the JOBS program in connection with an economic development project upon a demonstration by the grantee that such project will include provision for training JOBS program participants in skills necessary for employment on the project.

''(5) An application under this subsection shall provide that (upon approval) the grantee will be responsible for determining whether an individual (within the grantee's service area) to whom the time limits of section 417 apply is one to whom section 402(a)(19)(D) is applicable, and whether (and for how long) extensions of the time limit under section 417 should be provided and for reporting to the State agency making payments of aid to the individuals served by the grantee the determinations made under this paragraph''.

(b) CHILD CARE.—Section 403 is amended by adding after and below subsection (b) the following new subsection:

''(c)(1) Each Indian tribe and Alaska Native organization submitting an application under section 482(i) to administer its JOBS and WORK programs under parts

F and G, respectively, may also submit to the Secretary (as a part of the application) a description of the child care needs of its JOBS and WORK program participants, and of the program that it will implement to meet such needs, and request direct funding for the provision of all such child care. The child care program described need not meet any requirement of this part (other than the requirements of section 402(g)(1)(A)(viii)) that the Secretary determines is inappropriate with respect to such child care program.

''(2) The Secretary shall pay to each Indian tribe and each Alaska Native organization whose application approved under section 482(i) includes a request for direct funding for child care an amount (without the requirement of a nonfederal share) to provide child care for recipients of AFDC and for participants in the tribe's or organization's JOBS and WORK programs, and to provide transitional child care with respect to an individual who is eligible for child care under section 402(g)(1)(A)(ii). The amount of the payment provided under the preceding sentence for a fiscal year shall not exceed the total amount payable directly to such tribe or organization under section 482(i).

''(3) The provisions of sections 402(g)(1)(A) (i) and (ii) shall not be construed as imposing any obligation upon

a State to provide child care for the children of JOBS or WORK program participants included within an approved application under section 482(i) that includes a request for direct funding of child care, during the period for which such direct funding is provided.

''(4) The Secretary shall establish data collection and reporting requirements, and performance standards, with respect to child care programs implemented under this subsection.''.

SEC. 205. SPECIAL RULES FOR THE TERRITORIES.

''(a) EXCLUSION FROM GENERAL CEILING OF JOBS, WORK, AND ''AT-RISK'' CHILD CARE.—Section 1108(a) of the Act is amended by striking out, in the matter preceding paragraph (1), ''section 403(k)'' and inserting in lieu thereof ''subsection (k), (l)(1), or (n) of section 403''.

(b) Section 482 of the Act is amended by adding at the end thereof the following new subsection:

''(j) OPTIONS FOR TERRITORIES.—(1) IN GENERAL.—Puerto Rico, the Virgin Islands, Guam, and American Samoa may each determine whether the provisions of section 417 shall be applicable under its State plan approved under part A, and, if so, part G shall be applicable. Each State exercising the option in the preceding sentence shall submit the necessary plan amendments

and plans to the Secretary for approval. Any such plan or plan amendment must also describe with respect to such section 417 and part G (and all related amendments) a phase-in strategy and a timetable for achieving full implementation.

''(2) SECRETARIAL WAIVERS.—The Secretary may waive or modify any requirement pertaining to the provisions of section 417, the program required under part G, or the requirements of part A (including participation rates and performance standards) that, as established with reference to the 50 States and the District of Columbia, would be inappropriate for a State to which this subsection applies.

''(3) TERMINATION.—The applicability of section 417 and part G to a State to which this section applies may be terminated voluntarily by such State, but following any such termination, such State shall not be eligible to exercise the option with respect to any year before the sixth year following such termination.''.

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

Section 482 of the Act is amended by adding at the end thereof the following new subsection:

''(j) TRAINING AND EMPLOYMENT FOR NON-CUSTODIAL PARENTS.—

''(1) The Secretary shall approve the application of a State to conduct a program of training and employment opportunities for noncustodial parents that meets the requirements of this subsection.

''(2) An application to conduct a program under this subsection shall—

''(A) describe the political subdivision or subdivisions, or other identifiable areas of the State where the program will be conducted,

''(B) describe the services that will be provided to participants, including the training, job readiness services, and employment opportunities that will be available, and indicate whether these will be provided through the program under this part or under part G (or both) or whether some or all of the activities under this subsection will be conducted as a separate program,

''(C) describe the supportive services that will be provided to enhance the participant's involvement in the program and ability to obtain employment and meet his or her child support obligations,

''(D) indicate whether the State will conduct a random assignment evaluation of the ef-

fects of the program on improved responsibility in meeting child support obligations, and

''(E) provide assurance that the State's program will comply with the requirements of this subsection.

''(3) The application must provide that a noncustodial parent will be eligible to commence participation in the program under this subsection if his or her child is receiving aid to families with dependent children (or the child's custodial parent is receiving wages in connection with the program under part G), or if the noncustodial parent owes past-due child support which has been assigned to the State agency administering the State plan approved under part A and is unemployed. Paternity must be established before a noncustodial father may enter the program, and the noncustodial parent must be cooperating in the establishment of a child support obligation and the entry of an award. If a parent who has been participating in the program ceases to be eligible therefor because the child with respect to whom the support obligation exists is no longer eligible for aid to families with dependent children (and the custodial parent is not receiving wages in connection with the program under part G), the State

must nonetheless allow the participant to complete the training or program activity.

''(4) A State conducting a program under this subsection shall not be required—

''(A) to accept all applicants even though they meet the criteria of paragraph (3), or

''(B) to provide the same training, services, or employment opportunities to all participants, and the State shall not require—

''(C) that individuals participate in the JOBS program (or in education or training activities comparable or similar to the JOBS program) as a prerequisite to participation in the WORK program (or comparable program of subsidized employment), or

''(D) that the custodial parent of an individual's child be participating in the JOBS program under part F or the WORK program under part G as a condition of such individual's eligibility to participate in the program under this subsection.

''(5) The State agency shall assure that wages will be paid for work performed by the participant and may provide for the payment of training stipends.

''(6)(A) The State agency shall garnish subsidized wages, or any stipends, paid in connection with a non-custodial parent's participation in the program under this subsection, and remit them to the State agency administering the State plan approved under part D for distribution as a child support collection in accordance with the provisions of that part.

''(B) The State may provide, if, with respect to an individual participating in the program under this subsection, it has jurisdiction over the child support obligation being enforced that hours of participation in program activities may, or a reasonable basis, be credited to reduce amounts of past-due child support owed to such State agency by the individual.

''(7)(A) A State with an application approved under this subsection may use, for carrying out the program described in such application in any fiscal year, up to 10 percent of the sum of the amounts available to it for such fiscal year under subsection (k)(2) and (l)(2) of section 403. The State shall be entitled to so much of such amount as equals the percentage specified in section 403(k)(1)(A) multi-

plied by its expenditures necessary to carry out its approved application.

''(B) A State may include, as expenditures necessary to carry out its approved application, amounts expended for stipends, wage subsidies, supportive services, training, and administrative costs of the State agency directly related to the program under this subsection.''.

SEC. 207. FEDERAL TAX TREATMENT OF WORK REMUNERATION.

(a) WORK REMUNERATION INELIGIBLE FOR EARNED INCOME TAX CREDIT.—Subparagraph (B) of section 32(c)(2) (defining earned income for purposes of the Earned Income Tax Credit) of the Internal Revenue Code of 1986 is amended by striking ''and'' at the end of clause (ii), by striking the period at the end of clause (iii) and inserting in lieu thereof '', and'', and by inserting after clause (iii) the following clause:

''(iv) no amount of remuneration received for services provided in a WORK position to which the taxpayer was assigned under part G of title IV of the Social Security Act shall be taken into account.''.

(b) WORK REMUNERATION INELIGIBLE FOR TARGETED JOBS TAX CREDIT.—Section 51(b) (defining qualified wages for purposes of the Targeted Jobs Tax Credit) of the Internal Revenue Code of 1986 is amended by inserting after paragraph (3) the following new paragraph (4):

''(4) SPECIAL RULES FOR WORK POSITIONS.—

''(A) QUALIFIED WAGES.—No amount of remuneration received for services provided in a WORK position to which an employee was assigned under part G of title IV of the Social Security Act shall be treated as qualified wages.

''(B) QUALIFIED FIRST-YEAR WAGES.—The 1-year period described in paragraph (2) is determined without regard to the period in which the employee provided services in a WORK position to which the employee was assigned under part G of title IV of the Social Security Act.''.

(c) WORK REMUNERATION NOT SUBJECT TO FUTA.—Section 3306(b) (defining wages for purposes of the Federal unemployment tax) of the Internal Revenue Code of 1986 is amended by striking ''or'' at the end of paragraph (15), by striking the period at the end of para-

graph 16 and inserting in lieu thereof ‘‘, or’’, and by inserting after paragraph (16) the following paragraph:

‘‘(17) remuneration paid for services provided in a WORK position to which the employee was assigned under part G of title IV of the Social Security Act.’’.

(d) WORK REMUNERATION EXCLUDED FROM GROSS INCOME.—The Internal Revenue Code of 1986 is amended by redesignating section 137 (containing certain cross references) as section 138, and by inserting after section 136 the following section:

SEC. 137. WORK PROGRAM REMUNERATION.—Gross income shall not include any remuneration received for services provided in a WORK position to which the individual was assigned under part G of title IV of the Social Security Act.’’.

TITLE III—CHILD CARE

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

(a) GUARANTEE WHILE IN WORK OR JOBS PROGRAM.—(1) Section 402(g)(1)(A)(i)(I) of the Act is amended by striking out the semicolon and inserting in lieu thereof ‘‘(including employment under part G, or other required activities under such part);’’.

(2) Section 402(g)(1)(A)(i) of the Act is amended—

(A) by striking out ''(including participation in a program that meets the requirements of subsection (a)(19) and part (F))'', and

(B) by striking out ''approves the activity'' and inserting in lieu thereof ''approves the activity as part of the individual's employability plan under part F (regardless of whether resources are available to provide other services or pay for other activities to carry out such plan)''.

(b) TRANSITIONAL CHILD CARE AFTER LEAVING WORK PROGRAM.—

(1) Section 402(g)(1)(A)(ii) of the Act is amended immediately following ''aid to families with dependent children'' by inserting ''or wages under the program under part G''.

(2)(A) Clause (iii) of section 402(g)(1)(A) of the Act is amended by inserting before the period at the end thereof ''or wages under part G''.

(B) Clause (iv) of such section is amended immediately after ''aid to families with dependent children'' by inserting ''or wages under part G''.

(c) HEALTH AND SAFETY STANDARDS; CONTINUITY OF CARE.—(1) FOR RECIPIENTS.—Section 402(g)(1)(A) of the Act is amended by adding at the end thereof the following new subparagraphs:

1 ''(viii) Child care guaranteed
2 under this section, whether provided
3 by a method permitted under sub-
4 paragraph (B) or by means of an
5 agreement under subsection (j) with
6 the lead agency designated under the
7 Child Care and Development Block
8 Grant Act of 1990 (hereafter referred
9 to as the 'CCDBG Act'), must meet
10 all health and safety standards estab-
11 lished by the lead agency (for pur-
12 poses of the CCDBG Act), and, in ad-
13 dition to any other requirements im-
14 posed pursuant to that Act, the State
15 agency must establish immunization
16 requirements and assure (and any
17 such agreement must provide) that,
18 consistent with regulations of the Sec-
19 retary (I) children whose child care is
20 paid for, in whole or in part, under
21 this subsection will be required to
22 have received all immunizations, at
23 the appropriate times, as currently
24 recommended by the Advisory Com-
25 mittee on Immunization Practices (an

advisory committee established by the Secretary, acting through the director of the Centers for Disease Control and Prevention) as specified on the pediatric vaccines list referred to in section 1928(e), and (II) child care providers used will take steps to assure that toxic substances, weapons, and any other items at the location where the child care is provided that could be harmful to young children, will be secured and unobtainable by the children.

''(ix) The State plan must assure that child care provided under this subsection will conform in all ways to the provisions for parental choice, unlimited parental access, handling of parental complaints, and consumer education, as well as to all the other standards, criteria, and requirements applicable to child care provided under the CCDBG Act.

''(x) The State agency may, at its option, provide or authorize the

provision of child care under this subsection (and if it exercises this option, shall so advise the lead agency designated under the CCDBG Act, if it has an agreement with such agency under subsection (j)) to a child for such periods of time as are necessary to assure continuity of care even though, for such periods, the individual whose participation in the program under part F or part G or whose employment is enabled by the child care may have temporary interruptions in employment or training.''.

(2) FOR AT-RISK FAMILIES.—Section 402(i) of the Act is amended by redesignating paragraphs (5) and (6) as paragraphs (8) and (9), respectively, and by inserting after paragraph (4) the following new paragraphs:

''(5) Child care provided under this subsection, whether provided by a method permitted under paragraph (2) or by means of an agreement under subsection (j) with the lead agency designated under CCDBG Act, must meet all health and safety standards established by the lead agency (for purposes of the CCDBG Act), and, in addition to any other re-

quirements imposed pursuant to that Act, the State agency must establish immunization requirements and assure (and any such agreement must provide) that, consistent with the regulations of the Secretary (i) children whose child care is paid for, in whole or in part, under this subsection will be required to have received all immunizations, at the appropriate times, as currently recommended by the Advisory Committee on Immunization Practices (as advisory committee established by the Secretary, acting through the director of the Centers for Disease Control and Prevention) as specified on the pediatric vaccines list referred to in section 1928(e), and (ii) child care providers used will take steps to assure that toxic substances, weapons, and any other items at the location where the child care is provided that could be harmful to young children, will be secured and unobtainable by the children.

''(6) The State plan must assure that child care provided under this subsection will conform in all ways to the provisions for parental choice, unlimited parental access, handling of parental complaints, and consumer education, as well as to all other standards, criteria, and requirements applicable to child care provided under the CCDBG Act.

''(7) The State agency may, at its option, provide or authorize the provision of child care under this subsection (and if it exercises this option, shall so advise the lead agency designated under the CCDBG Act, if it has an agreement with such agency under subsection (j)) to a child for such periods of time as are necessary to assure continuity of care even though, for such periods, the individual whose employment is enabled by the child care may have temporary interruptions in employment.''.

SEC. 302. RELATED AMENDMENTS.

(a) CHILD CARE FOR PARTICIPANTS IN THE JOBS OR WORK PROGRAM, AND TRANSITIONAL CHILD CARE.—Section 402(g) of the Act is amended—

(1) by striking out, in paragraph (1)(A)(vii), ''a sliding scale formula'' and all that follows and inserting in lieu thereof ''the sliding fee scales established by the lead agency designated under the Child Care and Development Block Grant Act of 1990 as required by section 658E(c)(5) of that Act.'';

(2) by amending paragraph (1)(C)(i) by striking out clause (II) and inserting in lieu thereof ''an amount not less than the amount provided in the State plan pursuant to this clause for January 1994.'';

(3) by amending paragraph (3)(B) by adding ''and'' after clause (i), striking out ''applicable standards'' and all that follows in clause (ii) and inserting in lieu thereof ''all requirements, standards, and criteria applicable to child care funded under the CCDBG Act.'', and by repealing clause (iii); and

(4) by repealing paragraphs (4) and (5).

(b) AT-RISK-CHILD CARE.—Section 402(i) of the Act is amended—

(1) in paragraph (3)(A), by striking out ''a sliding scale formula'' and all that follows and inserting in lieu thereof ''the sliding fee scales referred to in subsection (g)(1)(A)(vii).'';

(2) in paragraph (8)(B) (as redesignated by section 401(c)(2)), by striking out ''applicable standards of State and local law;'' and inserting in lieu thereof ''all requirements, standards, and other criteria applicable to child care funded under the CCDBG Act;

(3) by repealing subparagraphs (C) and (D) of such paragraph (8); and

(4) by amending paragraph (9) (as redesignated) to read as follows:

''(9) In order to facilitate more accurate analysis of the supply and quality of child care resources,

the demand for such resources that cannot currently be satisfied, and the effectiveness and relationship of Federal programs providing support for child care and child development activities, the Secretary shall specify by regulation a core set of consistently defined data elements for child care which must be used by each State with respect to all reports relating to child care or child development activities supported in whole or in part under this Act or under the CCDBG Act.''.

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

Section 402(i)(1)(A) of the Act is amended to read as follows:

''(A) is not eligible for child care under subsection (g);''.

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

(a) STATE OPTION.—Section 402 of the Act is amended by adding at the end thereof the following new subsection:

''(j)(1) In order to provide the child care which must be guaranteed pursuant to subsection (g) or which may be furnished pursuant to subsection (i), the State agency

may enter into an agreement with the lead agency designated under section 658D of the CCDBG Act under which—

''(A) subject to paragraph (2), the State agency will pay (either in advance or as reimbursement) the lead agency for the cost of providing child care for any child with respect to whom care must be guaranteed under subsection (g) or is to be furnished under subsection (i), and the lead agency agrees that care for all such children will only be paid for from such reimbursement; and

''(B) that (i) all child care provided by the lead agency under the agreement, whether directly or by contractual or other arrangements, will be subject to the same requirements, standards, and other criteria as are applicable to child care funded under the CCDBG Act, and (ii) parents and children to whom such care is provided will be offered all the same protections and procedural safeguards as are applicable to child care furnished under the CCDBG Act.

''(2) LIMITS OF REIMBURSEMENT.—The State agency shall not pay the lead agency for care provided to a child an amount (A) less than the minimum permitted under subsection (g)(1)(C)(i)(II) and specified by the State for fiscal year 1994 in its plan approved under this

part nor (B) in excess of the amount described in subsection (g)(1)(C) or (i)(3)(B), whichever may be applicable to the child involved, and, with respect to children to whom subsection (i)(3)(B) applies, the State agency shall be obligated to pay the lead agency for child care furnished in a fiscal year only to the extent of appropriations available for such purpose for such fiscal year.

''(3) SINGLE STATE AGENCY.—Nothing in this subsection shall be construed as precluding the designation of the agency established or designated under section 402(a)(3) as the lead agency for purposes of the CCDBG Act. No agreement shall be necessary in the case where the same agency is designated under both the CCDBG Act and this Act, but the agency shall, as lead agency, comply with all the provisions of this subsection.''.

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

(a)(1) LICENSING AND MONITORING COSTS.—Section 402(g)(3) of the Act is amended by adding at the end thereof the following new subparagraph:

''(C) In determining the amount expended by a State for purposes of section 403(a)(3), the Secretary shall allow the State to include an

amount, determined in accordance with a formula prescribed by the Secretary, to reimburse the State for expenditures in connection with licensing, monitoring, and similar activities with respect to child care providers in the State. The formula adopted by the Secretary shall reflect either the number of children for whom child care is reimbursed under section 403(a), the number of child care providers in the State furnishing such child care, or both, and any other factors which the Secretary determines it would be equitable to consider. The total payment to all States pursuant to this subparagraph shall not exceed $15,000,000 for any fiscal year.''.

(2) The amendment made by paragraph (1) shall be effective for fiscal years after 1995.

(b) SUPPLY AND QUALITY IMPROVEMENT ACTIVITIES.—Section 402(i) of the Act is amended by redesignating paragraph (9) (as previously redesignated) as paragraph (10) and inserting after and below paragraph (8) the following:

''(9) Of the amount available to a State for any fiscal year under section 403(n), 10 percent of such amount may be paid by the Secretary with respect to expenditures for those activities to improve the

quality of child care in the State described in section 458G of the Child Care and Development Block Grant Act (referred to in this subsection as the 'CCDBG' Act) and to increase the availability in low-income communities of child care appropriate for infants and very young children in a variety of settings. Either the State agency administering the plan approved under this part or the lead agency designated under the CCDBG Act may conduct such activities (in which case the State agency shall pay to the lead agency the amount provided by the Secretary for this purpose pursuant to the preceding sentence).''.

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

(a) FEDERAL FUNDING.—Section 403(n) is amended—

(1) in paragraph (1)(A), by striking out ''the Federal medical assistance percentage as defined in section 1905(b))'' and inserting in lieu therof ''the State's enhanced Federal medical assistance percentage (as defined in subsection (m)(6))''; and

(2) in paragraph (2), by amending subparagraph (B) to read as follows:

"(B) The amount specified in this subparagraph is—

"(i) $300,000,000 for fiscal year 1995,

"(ii) $500,000,000 for fiscal year 1996,

"(iii) $600,000,000 for fiscal year 1997,

"(iv) $700,000,000 for fiscal year 1998, and

"(v) $1,000,000,000 for fiscal year 1999,

"(vi) $1,050,000,000 for fiscal year 2000,

"(vii) $1,100,000,000 for fiscal year 2001,

"(viii) $1,150,000,000 for fiscal year 2002,

"(ix) $1,200,000,000 for fiscal year 2003,

"(x) $1,300,000,000 for fiscal year 2004, and

"(xi) the product of $1,300,000,000 adjusted by the CPI as prescribed in section 406(i) and the ratio of the child popu-

lation in the United States for the most recent preceding fiscal year for which such data are available, to such population for the second most recent preceding fiscal year,

reduced by 2 percent (or, in the case of fiscal years after 1998, 1 percent) for carrying out section 404 of the Work and Responsibility Act of 1994.''.

(b) REALLOTMENT OF AT-RISK CHILD CARE FUNDS.—Section 403(n)(3)(C) of the Act (permitting a one-year carryover by a State of unclaimed Federal funds for at-risk child care) is amended to read as follows:

''(C) If the amount specified in subparagraph (B) for any fiscal year exceeds (or if the Secretary estimates that it will exceed) the total amount paid (or estimated to be payable) under paragraph (1) for such fiscal year, then the Secretary shall provide additional payments to States whose expenditures pursuant to section 402(i) for such year exceed their limitation on Federal payment under paragraph (2). The Secretary shall by regulation provide for the equitable reallotment of any amounts available in the case where all States' claims for a fiscal

year under this subparagraph exceed the amount available for reallotment.''.

SEC. 307. SUPPLEMENT TO INCOME DISREGARD.

(a) REQUIREMENT.—Section 402(g)(1)(B) of the Act is amended by adding at the end thereof the following new sentence: ''If the State agency guarantees child care by applying the income disregard provision in subsection (a)(8)(A)(iii) in determining the amount of aid to be paid for a month, the State agency shall offer the caretaker relative the option of receiving care under another arrangement pursuant to this subparagraph, or, alternatively, the State agency shall reimburse the caretaker relative for expenditures for child care for such month in an amount equal to the excess of such expenditures (or, if less, the maximum amount that may be paid for the type of child care involved, as determined under subparagraph (C)) over the amount that is disregarded under such subsection.''.

(b) NOTICE.—Section 402(g)(1)(A)(i) of the Act is amended by striking out the period at the end and inserting in lieu thereof a semicolon and adding after and below clause (II) the following: ''and if the State agency applies the income disregard provision in subsection (a)(8)(A)(iii) without reimbursement under subparagraph (B) for any additional cost, it shall advise each such family that they

also have the option to have the State agency provide child care under another arrangement pursuant to subparagraph (B).''.

TITLE IV—PROVISIONS WITH MULTI-PROGRAM APPLICABILITY

SEC. 401. PERFORMANCE STANDARDS.

Section 487 of the Act is amended to read as follows:

''SEC. 487. PERFORMANCE STANDARDS.

''(a) DEVELOPMENT OF FACTORS TO BE MEASURED.—In order to specify a set of outcome-based performance measures to which the Secretary can thereafter apply standards of achievement to define successful State JOBS and WORK programs (with appropriate variations in the factors to be measured, and the standards applied, among the States and for programs directly administered by Indian tribes or Alaska Native organizations), the Secretary shall develop recommendations for factors to be measured in assessing such programs, together with specific elements to be examined and the methodology for collecting the necessary data. Factors to be recommended shall include the percentage of a State's AFDC caseload subject to the time limits in section 417 who receive aid for 24 cumulative months and may include factors such as those considered under section 106 of the Job Training Partnership Act, as well as—

"(1) the increase in employment and level of earnings of program participants after leaving the JOBS and WORK programs,

"(2) the retention of program participants for significant periods of time in unsubsidized employment,

"(3) the decrease in the rate of dependency on welfare of participants' families,

"(4) the improvement in the long-term economic well-being of families with children with a family member who previously participated in one or both such programs, and

"(5) such other factors as the Secretary finds appropriate.

The Secretary shall solicit views on the recommendations from the Secretary of Labor, the Secretary of Education, and other Federal, State, and local officials (and representatives of associations of such officials) from both the executive and the legislative branches of government, and from other individuals and organizations with expertise in the fields of social welfare, education and training programs for children and adults, employment-related programs and social and supportive services related to these areas, as well as from community-based organizations and former and current program participants. Based upon the

consultations and consideration of the views provided regarding the recommended factors, the Secretary shall, not later than October 1, 1996, publish in the Federal Register the factors to be measured in assessing States' performance in administering the programs established under parts F and G.

''(b) DEVELOPMENT OF PERFORMANCE STANDARDS.—(1) RECOMMENDATIONS.—In order to set standards of achievement to be applied to each of the factors to be measured as defined in accordance with subsection (a), the Secretary shall, not later than April 1, 1998, develop recommended standards to be applied to each of the factors. Views on these recommended standards shall be solicited from officials, organizations, and individuals broadly representative of the groups described in subsection (a). Based upon the consultations and consideration of the comments received from these sources, the Secretary shall, not later than October 1, 1998, publish in the Federal Register the standards to be applied to the measurement factors.

''(2) REQUIREMENTS.—The performance standards described in paragraph (1) shall include provisions governing cost-effective methods for obtaining such data as are necessary to carry out this section which, notwithstanding any other provision of law, may include access to earnings

1 records, State employment security records, records col-
2 lected under the Federal Insurance Contributions Act
3 (chapter 21 of the Internal Revenue Code of 1986), State
4 aid to families with dependent children records, and the
5 use of statistical sampling techniques, and similar records
6 or measures, with appropriate safeguards to protect the
7 confidentiality of the information obtained.

8 ''(c) INCENTIVES AND PENALTIES.—The Secretary
9 shall recommend and, not later than October 1, 1998,
10 issue regulations prescribing incentives for States meeting
11 or exceeding the performance standards adopted pursuant
12 to subsection (b), and penalties for States failing to meet
13 such standards. In developing such regulations, the Sec-
14 retary shall study and consider the relationship between
15 penalties and incentives as a means of achieving the pro-
16 posed standards. The Secretary will consider whether the
17 penalties and incentives set are sufficient to insure that
18 a State which incurs the costs necessary to obtain the de-
19 sired outcomes is financially better off than one that does
20 not. Such regulations shall also include provisions for
21 delay of any penalty when the Secretary finds it appro-
22 priate to afford a State sufficient time to develop and
23 (with the Secretary's approval) implement a corrective ac-
24 tion plan which, if successful, will obviate the application
25 of a penalty, and provision for furnishing technical assist-

ance to any State in order to improve its program and avoid the application of a penalty.

''(d) The Secretary shall, from time to time, and in consultation with officials, organizations, and individuals broadly representative of the groups referred to in subsection (a), review and, if appropriate, propose modifications to the factors to be measured, the standards of performance, or the incentives and penalties, and after opportunity for review and comment, modify any one or more of such items.

''(e) The Secretary shall on an annual basis make public the level of performance achieved by each State as compared to the applicable standard.

''(f)(1) Each State with a plan approved under this part shall collect and furnish such data as the Secretary may require to assist in the development of the factors to measure performance (pursuant to subsection (a)) and the development of standards to be applied to those factors (pursuant to subsection (b)).

''(2) Each State with a plan approved under this part shall establish methods to solicit, on a regular and ongoing basis, the views of participants in the program under this part, and in the WORK program under part G, and of employers of participants from both programs, on the quality and effectiveness of the services provided under the

program. Participants and employers may provide either oral or written views, and the State should use a range of methods to obtain such views, including written questionnaires and group interviews and discussions. The information obtained from participants and employers shall be analyzed by the State and a summary of the information, together with the State's analysis, made available for use in improving the administration of the JOBS and WORK programs.

SEC. 402. AFDC QUALITY CONTROL SYSTEM AMENDMENTS.

(a) EXPANDED PURPOSE.—Section 408(a) of the Act is amended to read as follows:

''(a) IN GENERAL.—In order (1) to improve the accuracy of payments of aid to families with dependent children, and wages under the WORK program under part G, to assess the accuracy of State reported data relating to its JOBS and WORK programs and to its implementation of the time limits established by section 417, (2) to determine the number of individuals to whom the State found applicable section 402(a)(19)(D) (by each of the categories enumerated within such section) and the number of individuals with respect to whom an extension of the time limit under section 417 was provided (by each of the categories enumerated within section 417(e)), (3) to determine whether participation standards under sec-

tion 403 have been met, (4) to assess the effectiveness of the State's program by applying the performance standards developed under section 487, and (5) to serve such other purposes as the Secretary finds appropriate for a performance measurement system, the Secretary shall establish and operate a quality control system to secure the accurate data needed to measure performance, identify areas in which corrective action is necessary, and determine the amount (if any) of the disallowance required to be repaid to the Secretary because of erroneous payments of aid made by the State, or its failure to meet such participation or performance standards.''.

(b) ADDITIONAL DATA REQUIRED TO BE SAMPLED.—Section 408(h) of the Act is amended—

(1) by redesignating paragraphs (2) through (6) as paragraph (3) through (7), respectively,

(2) by adding after and below paragraph (1) the following new paragraph:

''(2) payments of aid that will be considered, for purposes of this section, to be erroneous payments because of a State's exceeding the limits specified in section 402(a)(19)(D) or 417(e), and the State's failure to achieve the participation rates specified in section 403, or to meet the performance standards developed pursuant to section 487, and

the additional data elements to be included in a sample (and whether as part of the sample review under subsection (b) or separately) in order to determine whether such participation rates have been achieved, and the extent to which the State has met such performance standards;''; and

(3) by amending paragraph (3) (as redesignated) by inserting before the semicolon ''and matters relating to the size and selection of samples and relating to the methodology for making statistically valid estimates of the State's compliance with the limits referred to in paragraph (2) and its achievement of participation rates and performance (measured against such standards) achieved by the State''.

(c) STATE STUDIES.—Section 408(h) is amended by adding at the end thereof the following new sentence: ''Expenditures by a State to conduct studies approved by the Secretary to test and improve its quality control system, and adapt it to the full range of purposes described in subsection (a) shall, notwithstanding any other provision of law, be considered for purposes of section 403(a)(3) to be necessary for the proper and efficient administration of the State's plan approved under this part.''.

(d) CONFORMING AMENDMENT.—Section 408(b)(5) of the Act is amended—

(1) in subparagraph (A), by striking out ''subsection (h)(3)'' and inserting in lieu thereof ''subsection (h)(4)'', and

(2) in subparagraph (B), by striking out ''subsection (h)(4)'' and inserting lieu thereof ''subsection (h)(5)''.

(e) CONSULTATION.—The Secretary of Health and Human Services shall consult with the State agencies administering programs under parts A, F, and G of title IV of the Act, and with others knowledgeable about design and administration of quality control systems and performance measurements systems, and thereafter, but not later than April 1, 1995, report to the Congress and publish in the Federal Register the proposed rules necessary to effectuate the amendments to section 408 of the Act made by this section.

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

(a) FEDERAL RESPONSIBILITIES.—Part A of title IV of the Act is amended by adding after section 410 the following new section:

''NATIONAL WELFARE RECEIPT REGISTRY

''SEC. 411. (a) ESTABLISHMENT.—In order to assist States in administering their State plans approved under this part, part F, and part G, the Secretary shall establish and maintain an automated registry, to be known as the

National Welfare Receipt Registry, containing information reported by each State agency administering a plan approved under this part concerning individuals receiving (or who have received) aid to families with dependent children or wages under a State's WORK program under part G.

''(b) INFORMATION TO BE MAINTAINED.—There shall be maintained in the Registry, at a minimum, the following information with respect to each individual in the family who has received aid to families with dependent children:

''(1) The individual's name, date of birth, and social security account number.

''(2) The months for which aid was provided (with respect to such individual), including months in which no aid was paid with respect to such individual because a sanction was being applied pursuant to section 402(a)(19)(G), section 402(a)(26), or section 496(f).

''(3) Months in which section 402(a)(19)(D) was applicable to the individual.

''(4) Months during which an extension under section 417 (e) was provided with respect to an individual.

''(5) Months in which an individual was registered with the State's WORK program under part

G and months in which the individual was assigned to a position under part G.

''(6) Such other information as the Secretary may determine would assist in the administration of the programs involved, including the performance measurement of one or more of such programs.

''(c) USE OF INFORMATION.—(1) TO WHOM PROVIDED.—The Secretary shall promptly respond to requests by a State agency administering a plan approved under this part for information with respect to one or more individuals, identified by name and social security number. The Secretary shall furnish such information electronically, and if such an individual has previously received (or is receiving) aid to families with dependent children, or was registered under a program pursuant to part G, identify the State making payment of aid or administering the program under part G for each month involved or indicate that the requested information is not in the Registry.

''(2) REGULATIONS.—The Secretary shall prescribe rules pertaining to—

''(A) the format in which and process by which States must submit the information maintained under subsection (b);

''(B) the format in which and process by which States must submit requests (and responses will be

furnished to such requests) for information under this subsection;

''(C) the safeguards that the State must adopt to assure that requests are submitted, and responses received, only by personnel authorized by the State agency to perform these functions; and

''(D) steps that the State must take to safeguard any information received from the Registry, and assure that it will not be redisclosed except to the extent permitted under section 402(a)(9) or under this section.

The Secretary shall take into consideration in developing and issuing rules under this subsection the varying levels of capability among the States to monitor, provide, and receive by electronic means the information to be maintained in the Registry, and shall allow in such rules a State to adopt alternatives to the generally applicable requirements if the State demonstrates that its alternative will be effective in reporting, receiving and using the information to be maintained in the Registry and the State has in effect an advance planning document approved under section 402(e).

''(d) The Secretary shall not be liable to either a State or an individual for inaccurate information provided

to the Registry by one State and reported by the Secretary to a second State.

''(e) The Secretary may disclose information in the Registry, in addition to disclosure to States for the purposes described above, only—

''(1) to the Social Security Administration in order to verify the accuracy of, and as necessary to correct, the social security account numbers of individuals about whom information has been reported, and for use by the Social Security Administration in determining the accuracy of payments under the Supplemental Security Income program under title XVI, or for use in connection with benefits under title II, as may be relevant,

''(2) to the Internal Revenue Service for purposes directly connected with the administration of the earned income tax credit under section 32 of the Internal Revenue Code of 1986, or the advance payment of such credit under section 3507 of such Code or for verification of a dependency exemption claim in an individual's tax return or in connection with the dependent care tax credit,

''(3) to the Secretary of Labor (or the State agency administering the State's program under title III of the Act) for purposes directly connected with

the administration of the unemployment compensation program under title III (or under a State law with respect to which the Secretary of Labor certifies payment under such title), and

''(4) for research purposes found by the Secretary to be likely to contribute to achieving the purposes of this part or part F or G, but without personal identifiers.

''(f) There are authorized to be appropriated to establish the National Welfare Receipt Registry, $6,000,000 for fiscal year 1995, and to operate the Registry, $4,000,000 for each of fiscal years 1996 through 1999.''.

(b) STATE RESPONSIBILITIES.—Section 402(a) of the Act is amended by adding after paragraph (28) the following new paragraph:

''(29) provide—

''(A) that information will be reported to the National Welfare Receipt Registry, at such times, in such format and by such process as the Secretary shall prescribe pursuant to section 411;

''(B) that the State agency will request from such Registry, and from the other Registries maintained as part of the National Welfare Reform Information Clearinghouse estab-

lished pursuant to section 453A, in such manner as the Secretary may prescribe, and will use all information that would facilitate the proper and efficient operation of the State's programs under this part and parts F and G, and

''(C) that the State agency will cooperate with any other State agency administering or supervising the administration of a plan approved under this part in order to resolve any disagreement between an individual seeking aid under such a plan (or seeking to participate in a program under part G) and the State about the correctness of information it reported to the Registry and report to the Registry any corrections to be made in the data contained in the Registry;''.

(c) STATE AUTOMATED INFORMATION SYSTEM.—Section 402(a)(30) of the Act is amended to read as follows:

''(30)(A) provide for an automated system which manages, monitors, and reports the information in paragraph (29) efficiently and economically, and for security against unauthorized access to, or use of, the data in such system; and

''(B) at the option of the State, provide for the establishment and operation, in accordance with an (initial and annually updated) advance planning document approved under subsection (e), of a statewide automated information system to assist in the administration of the State plan approved under this part through automated procedures and processes in any one or more of the following areas—

''(i) to assist in performing intake and referral functions;

''(ii) to assist in providing the child care services required under subsection (g)(1), and available under subsection (i), and coordinating the provision of such services with those provided in the State under the Child Care and Development Block Grant Act, in an efficient manner that eliminates (or at least minimizes) the disruption of service to children and families and assists the State in monitoring the quality, cost, and delivery of such services; or

''(iii) to assist in the administration of the State's plan approved under part F, including monitoring the delivery of employment and training services and related support services, and to manage the information necessary to ad-

minister and assess its programs under parts F and G;

and to provide for security against unauthorized access to, or use of, the data in such system and, if the State elects to implement any such automated system, may also develop and implement a system (or, if more cost-effective, enhance an existing system) for determining eligibility for any payment amount of aid under this part;''.

(d) DEVELOPMENT OF MODEL AUTOMATED INFORMATION MANAGEMENT SYSTEMS.—Section 413 of the Act (including its heading) is amended to read as follows:

''MODEL AUTOMATED INFORMATION MANAGEMENT SYSTEMS

''SEC. 413. (a)(1) The Secretary shall, in partnership with States, design and develop model automated support and case management systems to assist States in the operation, managing, tracking, and reporting in each of the program areas described in section 402(a)(30)(A) and clauses (i), (ii), and (iii) of section 402(a)(30)(B), and thereafter provide necessary technical assistance to States choosing to adopt such model.

''(2) Two or more States may determine to collaborate in developing model automated support and case management systems to assist them in operating, managing, tracking, and reporting in each of the program areas described in section 402(a)(30) and, in such case, the Sec-

retary shall provide all appropriate technical assistance, and otherwise cooperate with the States' collaboration to develop systems that meet all the requirements of this part.

''(b) The model system developed by the Secretary under subsection (a)(1), or the system developed collaboratively by States under subsection (a)(2), must meet the following criteria—

''(1) with respect to payment of aid under the State's plan approved under this part, the system must be capable of assisting in performing the intake and Federal function;

''(2) with respect to the State's child care programs under this part, as well as under the CCDBG Act, the system must be capable of assisting in—

''(A) identifying and establishing the eligibility of families with children in need of child care, and determining the appropriate program under which to pay for such care;

''(B) determining the continuing eligibility of such families for such care, and planning for and monitoring services provided to such families;

''(C) processing payments and other financial data needed for the management of the child care programs, and

''(D) producing necessary management reports for the efficient and effective administration of the child care programs, including the generating of required financial and statistical reports;

''(3) with respect to the State's JOBS and WORK programs under parts F and G respectively, the system must be capable of assisting in—

''(A) assessing a participant's service needs in relation to stated goals,

''(B) developing an appropriate employability plan, and

''(C) monitoring and recording the individual's attendance at or participation in all required program activities.

In the case of each of the State's systems described in paragraphs (1), (2), and (3), the system must also be capable of exchanging data electronically with related Federal electronic data systems and other such systems of the State, and providing such other information necessary to assess the State's

program performance against the standards established by the Secretary under section 487.

''(c) There are authorized to be appropriated to carry out subsection (a), $7,500,000 for each of fiscal years 1995 and 1996.

''(d)(1) In addition to the technical assistance required in connection with the model systems described in subsection (a)(1), the Secretary shall provide for such training, and furnish such technical assistance as may be appropriate to enable States to develop and implement automated management systems as promptly and in as cost-effective a manner as possible.

''(2) There are authorized to be appropriated $1,000,000 for each fiscal years 1995 through 1999 to carry out this subsection.''.

(e) ENHANCED MATCHING.—Section 403(a) of the Act is amended—

(1) by redesignating paragraph (3) as paragraph (3)(A) and striking out ''and'' at the end thereof, and

(2) by adding after and below such paragraph the following:

''(B) if the Secretary determines that the modification of a State's system that meets the requirements of section 402(a)(30)(A) will be

cost-effective, or that a State's automated management information system uses any one or more of the Secretary's models developed under section 413(a)(1), or is based on a State collaboration under section 413(a)(2), Federal payments with respect to such systems shall equal 80 percent (or, if greater, the State's enhanced Federal medical assistance percentage, as defined in subsection (m)(6)) of a State's expenditures under its approved advance planning document for the cost of developing and implementing any such system collaborative project; and

''(C) notwithstanding any other provision of this section, the total amount payable by the Secretary with respect to expenditures, (during the five-year period) to which subparagraph (B) applies shall not exceed $800,000,000 to be distributed among the States, and to make available at such time or times over the five-year period, as is provided in regulations issued by the Secretary, taking into account the relative size of State caseloads and the levels of automation needed to meet the requirements of this title, and payments under subparagraph (B) shall be

made at such times and in such manner as provided in subsection (b) and the advance planning document approved under section 402(e).'', and

(3) by striking out ''section 403(a)(3)'' in subparagraph (C) of section 402(g)(3) of this Act, as added by section 305(a)(1) of this Act, and inserting in lieu thereof ''section 403(a)(3)(A)''.

(f) REVISION OF ADVANCE PLANNING DOCUMENT REQUIREMENT.—Section 402(e) of the Act is amended to read as follows:

''(e)(1) The Secretary shall not approve the Advance Data Planning document referred to in subsection (a)(30), unless such document, when implemented, will economically, efficiently, and effectively carry out the objectives of the automated, statewide, management information systems referred to in such subsection, and such document provides a plan to address the State's approach, schedule, needed resources, and cost-benefit of the project.

''(2) The Secretary shall, on a continuing basis, review, access, and inspect the planning, design, and operation of the statewide management information systems approved under subsection 403(a)(3)(B), to determine whether, and to what extent, such systems meet and will continue to meet requirements imposed under this part.''.

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

(a) FUNDING.—There shall be available to the Secretary of Health and Human Services (hereafter in this section referred to as the ''Secretary'') for carrying out the projects and other activities specified in this section, and other such activities related to the provisions of this Act, in a fiscal year an amount equal to 2 percent (or, in the case of fiscal years after 1998, 1 percent) of the sum of the amounts specified in subsections (k)(3), (l)(3), and (n)(2)(B) of section 403 of the Social Security Act for such fiscal year.

(b) RESEARCH AND EVALUATION.—In addition to any other research and evaluation found appropriate by the Secretary pertaining to the new programs and amendments to existing programs added to the Social Security Act by the provisions of this Act, the Secretary shall, in consultation with the Secretary of Labor and the Secretary of Education conduct, in accordance with scientifically-acceptable methodology, the following studies of the time-limited program of assistance together with training and preparation for employment, followed by a program of required employment or employment-related activities:

(1) A two-phase implementation study of—

(A) the initial steps taken by States and political subdivisions to implement the new pro-

grams and requirements established by the amendments made by this Act, as well as the obstacles faced, institutional arrangements entered into, and recommendations of such States and political subdivisions based on their experiences, and thereafter

(B) the experiences of States and localities after the new programs and requirements have been substantially implemented, including a study of the program design, services provided, funding levels, participation rates, and recommendations of the administering agencies, and a review of the impact of these new programs and requirements on the State and local administration of the programs, including management systems, staffing structures, and the culture of the welfare programs.

(2) An evaluation in a variety of States and localities, using random assignment of individuals to treatment and control groups, and other appropriate rigorous methods, to examine the effectiveness of time-limited assistance in helping participants achieve self-sufficiency, and the corresponding effect on unemployment rates, reduction of welfare dependency and teen pregnancy, the effects on income lev-

els, family structure, and children's well-being among participant groups.

(3) Together with the Secretary of Labor, a comprehensive national study after the WORK program (under part G of title IV of the Act) has been in effect for 2 years to measure the program's success in assisting participants to obtain unsubsidized employment, and to evaluate skill levels and barriers to employment in the case of individuals who have not, after participating in such program for 2 years, been able to obtain unsubsidized employment.

(c) TECHNICAL ASSISTANCE.—In addition to any other specific authorization in the Social Security Act for technical assistance, the Secretary is authorized to offer a broad range of technical assistance to States (including Indian tribes and Alaska Native organizations) and territories, including training, consultations, and fostering the exchange of information among States and others about practices, strategies, and techniques that are proving effective.

(d) PLACEMENT DEMONSTRATION PROJECTS.—The Secretary is authorized to approve up to 10 demonstrations of innovative techniques to increase the number of placements of participants in the JOBS program (under part F of title IV of the Social Security Act) in positions

of unsubsidized employment with significant retention rates. No more than 5 such demonstrations shall test the use by the State of a private organization, pursuant to a contractual arrangement under which the organization will place JOBS program participants in employment, and no more than 5 such demonstrations shall involve the use of placement bonuses payable to State or local agency employees who effectuate successful placements. All the projects shall specify performance standards (based on placement and retention rates) to measure successful performance, and, in the case of projects involving the use of private agencies, shall also specify the services that must be made available to clients, both before and after the placement, and indicate whether the organization will also serve participants in the State's WORK program (under part G of title IV of the Social Security Act.)

(e) WORK-FOR-WAGES DEMONSTRATION PROJECTS.—The Secretary is authorized to approve up to 5 local demonstration projects to test the development, implementation, and effectiveness of WORK programs conducted outside the context of the State's AFDC program. Any project approved under this subsection must include the following elements:

(1) The State agency administering the State's AFDC program (under part A of title IV of the So-

cial Security Act) must close the case when an individual to whom section 417 applies (as added by section 104 of this Act) reaches the time limit specified in such section.

(2) Each individual involved in the demonstration must be advised of the procedures that must be followed to apply for the WORK-for-Wages Project, and may not be denied an opportunity to participate if such individual would be eligible to participate in the State's WORK program under part G of such title.

(3) Each individual will be afforded the opportunity to earn wages in a position of employment and WORK stipends if necessary to provide at least the income level of the State's AFDC program (after application of the $120 per month earned income disregard for work expenses) in the case of a similarly situated family (and States conducting projects will be encouraged to standardize, to the extent consistent with the preceding provisions of this paragraph, the amount of the stipends), but no payment of either wages or the stipend will occur unless the individual has worked or participated in an alternative project-specified activity such as job search,

interim community service, or other activity designed by the project.

(4) Those elements of the WORK program under part G of title IV of the Act which the Secretary determines are essential to achieve its objectives, while protecting the interests of participants in the program and others involved in or affected by the project, will be retained and applied in the project.

(f) WORK SUPPORT AGENCY DEMONSTRATIONS.—The Secretary is authorized, in consultation with the Secretary of Labor, the Secretary of Agriculture, and the Secretary of the Treasury, to approve demonstration projects in up to 5 States, under which the State establishes a Work Support Agency to provide a broad and coordinated array of services and assistance to individuals who are former recipients of aid to families with dependent children to assist them in retaining unsubsidized employment. Services may include assistance in obtaining other benefits or payments for which the individual is still eligible, assistance in dealing with short-term family problems which could otherwise jeopardize continuation of the employment relationship, short-term or one-time financial aid to meet unusual employment-related needs and any other aid or

1 services that support the individual's ability to retain or,
2 where necessary, secure employment.

3 (g) DEMONSTRATION PROJECTS FOR NONCUSTODIAL
4 PARENTS.—In order to encourage the development of in-
5 novative parenting programs for noncustodial parents that
6 build upon existing programs for high-risk families, such
7 as the Head Start program, the Healthy Start program,
8 the Even Start program, and the Family Preservation and
9 Support program, the Secretary is authorized to make
10 grants to States, Indian tribes and Alaska Native organi-
11 zations, or community-based organizations to conduct
12 demonstration projects designed to improve the parenting
13 skills of noncustodial parents with particular emphasis on
14 matters such as the importance of parental involvement
15 and economic security in the healthy development of chil-
16 dren. The applicant shall describe the services to be pro-
17 vided, and the way in which project services will be coordi-
18 nated with one or more of the programs or initiates re-
19 ferred to in the preceding sentence.

20 (h) The Secretary shall, with respect to all dem-
21 onstrations authorized under this section, prescribe—

22 (1) the minimum length of such projects in
23 order to assure the value of the project,

(2) the assignment techniques and other requirements for the methodologies so that the results will be scientifically acceptable,

(3) the required financial contribution by the project applicant,

(4) types of expenditures that may be included under the project,

(5) the timing and nature of required reports and the procedures to be followed in conducting the evaluation and review of project results, and

(6) any other rules that the Secretary finds appropriate to assure the integrity of the demonstration, and to protect the rights and interests of program participants who are assigned to the demonstration.

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

(a) CERTIFICATIONS.—In order to assure achievement of the reductions in mandatory spending assumed in the cost estimates accompanying this Act, beginning in fiscal year 1998, and each of the five succeeding fiscal years is—

(1) the Secretary of Health and Human Services shall certify to the Director of the Office of Management and Budget that each of the systems

of data bases included in the National Welfare Reform Information Clearinghouse established by Section 453A of the Social Security Act, (as added by section 625 of this Act) are both receiving data from and providing data to State and Federal agencies, and otherwise fully complying with all requirements imposed by or pursuant to the provisions of the Social Security Act establishing, and requiring use of the components, of the Clearinghouse, and

(2) the Director of the Office of Management and Budget shall determine whether, and if so certify that, all such data were used fully and by the Federal agencies to which it was supplied in order to reduce fraud, waste, and abuse in the programs it administers and in compliance with the requirements imposed by or pursuant to the Social Security Act and subsection (d).

(b) ALTERNATIVE REDUCTIONS IN MANDATORY SPENDING.—If the Director of the Office of Management and Budget, after consultation with the Secretary of Health and Human Services, certifies, prior to the close of a fiscal year, as provided in subsection (a)(2), that, notwithstanding the full use of data as described in subsection (a) and States' implementation of applicable requirements of the Social Security Act, mandatory spend-

ing was not reduced (when compared to the levels estimated had the Clearinghouse not been established and used) by the amount projected in the cost estimates, then in the succeeding fiscal year the following reductions in spending shall occur, in the sequence stated, to the extent necessary to reduce mandatory spending by the difference between the amount that it was estimated would be saved (or avoided) in the year (in which the certifications are made) and the amount certified by the Director as having been saved (or avoided)—

(1) the amount made available to the Secretary of Health and Human Services under section 404(a) of this Act for research, demonstrations, and technical assistance, and the amount available under section 452(j) of the Social Security Act (as added by section 616 of this Act) for technical assistance to States with respect to child support enforcement programs (each such amount being reduced proportionately); and, if necessary,

(2) amounts otherwise payable under section 403(a)(3) of the Social Security Act (as amended by this Act) to States which have not fully implemented all the requirements imposed by or pursuant to the Social Security Act for full use of the data available from any part of the National Welfare Reform Infor-

mation Clearinghouse shall be reduced by 3 percent (or such lesser amount as is necessary to achieve the necessary reductions in mandatory spending).

(c) RELATED AMENDMENTS.—Section 1137(a)(2) of the Act is amended by striking out ''such Code,'' and inserting in lieu thereof ''such Code, and information available from any Registry maintained under the National Welfare Reform Information Clearinghouse established under section 453(A) (or, prior to the full establishment and operation of the Director of New Hires, from systems of similar information maintained by any other State, where cost-effective),''.

(d) The Social Security Administration and the Secretary of the Treasury shall each request and fully use all information in the registries maintained under the National Welfare Reform Information Clearinghouse established under section 453A of the Social Security Act to the extent that such information may be useful in carrying out their statutory responsibilities and reducing fraud, waste, and abuse.

TITLE V—PREVENTION OF DEPENDENCY

SEC. 501. SUPERVISED LIVING ARRANGEMENTS FOR MINORS.

(a) Section 402(a)(43) of the Act is amended by striking out ''at the option of the State,''.

(b) Such section is further amended in subparagraph (A)(i) by striking out ‘‘, or reside in a foster home’’ and all that follows down to the semicolon.

(c) Such section is further amended—

(1) by amending so much of subparagraph (B) as precedes clause (i) to read ‘‘(B) in the case where—’’,

(2) by striking out the semicolon at the end of each numbered clause in such subparagraph and inserting in lieu thereof a comma, and

(3) by adding after and below clause (v) of such subparagraph the following: ‘‘subparagraph (A) shall not be applicable, but the State agency shall assist the individual in locating an appropriate adult-supervised supportive living arrangement taking into consideration the needs and concerns of the minor, (or may determine that the individual’s current living arrangement is appropriate) and thereafter shall require that the individual (and child, if any) reside in such living arrangement as a condition of the continued receipt of aid under the plan (or in an alternative appropriate arrangement, should circumstances change and the current arrangement cease to be appropriate) or, if the State agency is unable, after making diligent efforts, to locate any

such appropriate living arrangement, it shall provide for comprehensive case management, monitoring, and other social services consistent with the best interests of the individual (and child) while living independently;''.

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

(a) STATE OPTION.—Section 402(a) of the Act is amended—

(1) by striking out ''and'' after paragraph (44);

(2) by striking out the period after paragraph (45) and inserting in lieu thereof ''; and''; and

(3) by adding at the end thereof the following new paragraph:

''(46) at the option of the State, provide that—

''(A) subject to subparagraphs (B), (C), and (D), the amount of aid to families with dependent children paid to a family under the plan will not be increased by reason of the birth of a child to an individual included in such family for purposes of making the determination under paragraph (7) and applying paragraph (8), or will be increased less than the amount that would be paid with respect to such child if such child had been a member of the family

when the family first applied for aid, (but any such child will be considered to be a recipient of aid for all other purposes, including title XIX) if—

''(i) in the case where the individual is a custodial parent of a dependent child, the child was conceived in a month for which the individual received aid under the plan, or

''(ii) in the case where the individual is a dependent child, the individual is the parent of another child who is a member of the same family and whose needs are included for purposes of making such determination;

''(B) services will be offered under paragraph (15) to all appropriate family members;

''(C) there will be disregarded, in making the determination under paragraph (7) and before applying the provisions of paragraph (8), an amount of income equal to any increase in aid that would have been paid but for subparagraph (A) that is derived from child support collected with respect to the child referred to in paragraph (A), earned income of a member of

the family referred to in such subparagraph, or from any other source specified in the plan that the Secretary may approve as consistent with the objectives of this paragraph; and

''(D) the provisions of subparagraph (A) will not be applied in case of rape or in any other cases that the State agency finds would violate standards of fairness and good conscience.''.

(b) MATCHING FOR RELATED ADMINISTRATIVE COSTS.—Section 403(a)(3) of the Act is amended by striking out the semicolon and inserting in lieu thereof ''or counseling or referral services (but no other types of family planning services) furnished pursuant to section 402(a)(15);''.

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

Section 482(b) of the Act, as amended by section 102(2) of this Act, is further amended by—

(1) redesignating paragraph (4) as paragraph (4)(A),

(2) striking out ''The State agency'' in such paragraph (4)(A) and inserting in lieu thereof ''Except as provided in subparagraph (B), the State agency'', and

(3) by inserting after and below paragraph (4)(A) the following:

''(B) The State agency shall—

''(i) assign a case manager to each custodial parent receiving aid under part A who is under age 20;

''(ii) provide that case managers will have the training necessary (taking into consideration the recommendations of appropriate professional organizations) to enable them to carry out their responsibilities and will be assigned a caseload the size of which permits effective case management; and

''(iii) provide that the case manager will be responsible for—

''(I) assisting such parent in obtaining appropriate services, including at a minimum, parenting education, family planning services, education and vocational training, and child care and transportation services,

''(II) making the determinations required to implement the provision of paragraph (43),

''(III) monitoring such parent's compliance with all program requirements, and, where appropriate, providing incentives and applying sanctions, and

''(IV) providing general guidance, encouragement and support to assist such parent in his or her role as a parent and in achieving self-sufficiency.''.

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

(a) STATE PLAN.—Section 402(a)(19)(E) of the Act (as amended by section 101 of this Act) is amended by adding ''and'' after clause (ii) and adding after and below clause (ii) the following new clause:

''(iii) at the option of the State, some or all custodial parents who are under age 20 (and pregnant women under age 20) who are receiving aid under this part will be required to participate in a program of monetary incentives and penalties, consistent with subsection (k);''.

(b) ELEMENTS OF PROGRAM.—Section 402 of the Act is amended by adding at the end thereof the following new subsection:

''(k)(1) If a State chooses to conduct a program of monetary incentives and penalties to encourage custodial parents (and pregnant women) who are under age 20 to complete their high school (or equivalent) education, and participate in parenting activities, the State shall amend its State plan—

''(A) to specify the one or more political subdivisions in which the State will conduct the program (or other clearly defined geographic area or areas), and

''(B) to describe its program in detail.

''(2) A program under this subsection—

''(A) may, at the option of the State, include all such parents who are under age 21;

''(B) may, at the option of the State, require full-time participation in secondary school or equivalent educational activities, or participation in a course or program leading to a skills certificate found appropriate by the State agency or parenting education activities (or any combination of such activities and secondary education);

''(C) shall require that the case manager assigned to the custodial parent pursuant to section 482(b)(3) will review the needs of such parent and will assure that, either in the initial development or revision of the parent's employability plan, there will be included a description of the services that will be provided to the parent and the way in which the case manager and service providers will coordinate with the educational or skills training activities in which the custodial parent is participating;

''(D) shall provide monetary incentives for more than minimally acceptable performance of required educational activities; and

''(E) shall provide penalties (which may be those required by subsection (a)(19)(G) or, with the approval of the Secretary, other monetary penalties that the State finds will better achieve the objectives of the program.

''(3) When a monetary incentive is payable because of the more than minimally acceptable performance of required educational activities by a custodial parent, the incentive shall be paid directly to such parent, regardless of whether the State agency makes payment of aid under the State plan directly to such parent.

''(4)(A) For purposes of this part, monetary incentives paid under this subsection shall be considered aid to families with dependent children.

''(B) For purposes of any other Federal or federally-assisted program based on need, no monetary incentive paid under this subsection shall be considered income in determining a family's eligibility for or amount of benefits under such program, and if aid is reduced by reason of a penalty under this subsection, such other program shall treat the family involved as if no such penalty has been applied.

''(5) The State agency shall from time to time provide such information as the Secretary may request, and otherwise cooperate with the Secretary, in order to permit evaluation of the effectiveness on a broad basis of the State's program conducted under this subsection.''.

SEC. 505. ADOLESCENT PREGNANCY PREVENTION GRANTS.

(a) ADOLESCENT PREGNANCY PREVENTION.—Title XX (42 U.S.C. 1397–1397F) is amended by adding at the end the following:

"SEC. 2008. ADOLESCENT PREGNANCY PREVENTION GRANTS.

''(a) PURPOSE.—The purpose of this section is to encourage and provide financial assistance for the development of intensive and sustained school-linked and school-

based pregnancy prevention programs for adolescents and their families in areas of high poverty or high unmarried adolescent birth rates that build upon other Federal, State, and local pregnancy prevention and youth development programs.

''(b) GENERAL AUTHORITY.—Notwithstanding section 2005(a)(6), the Secretary of Health and Human Services, the Secretary of Education, and the Chief Executive Officer of the Corporation for National and Community Service (hereinafter referred to as the 'responsible Federal officials'), in consultation with other relevant Federal agencies, shall jointly make grants to eligible entities, to carry out programs in accordance with this section.

''(c) FEDERAL ADMINISTRATION.—

''(1) Notwithstanding the Department of Education Organization Act (20 U.S.C. 3401 et seq.) and the General Education Provisions Act (20 U.S.C. 1221 et seq.), the responsible Federal officials shall jointly provide for the administration of this section, and shall jointly issue whatever regulations, procedures, and guidelines, the responsible Federal officials consider necessary and appropriate to administer and enforce the provisions of this section.

"(2) The responsible Federal officials may enter into agreements with any other Federal entity with expertise in youth development activities to administer the program under this section and may provide such entity with appropriate reimbursement.

"(d) FUNDING.—

"(1) IN GENERAL.—To achieve the purposes of this section, the responsible Federal officials shall make grants to eligible entities under subsection (b) and conduct activities under subsections (m) and (n) so that in the aggregate the expenditures for such grants and activities do not exceed $20,000,000 for fiscal year 1995, $40,000,000 for fiscal year 1996, $60,000,000 for fiscal year 1997, $80,000,000 for fiscal year 1998, and $100,000,000 for fiscal year 1999 and each subsequent fiscal year.

"(2) PAYMENTS TO GRANTEES.—Upon approval by the responsible Federal officials, each grant applicant shall be entitled to payment of at least $50,000 and not more than $400,000 for each fiscal year based on an assessment by the responsible Federal officials of the scope and quality of the proposed program and the number of adolescents to be served by the program. Payments to a grantee for any fiscal year shall be available for expenditure by such

grantee in such fiscal year or the succeeding fiscal year.

''(3) RESERVATION FOR EVALUATION, TRAINING, TECHNICAL ASSISTANCE, AND NATIONAL CLEARINGHOUSE.—The responsible Federal officials shall reserve, with respect to each fiscal year, up to 10 percent of the aggregate amount described in paragraph (1) for expenditure by the responsible Federal officials for evaluation, training, and technical assistance related to the programs under this section, and for the establishment and operation of a National Clearinghouse on Adolescent Pregnancy Prevention Programs under subsection (n).

''(4) EXCESS AMOUNT.—If in any fiscal year the aggregate amount specified in paragraph (1) for such fiscal year exceeds the amount required to carry out approved grant applications and other functions under paragraph (3), then the amount specified in section 2003(c)(5) shall be increased by the excess.

''(e) DEFINITIONS.—As used in this section:

''(1) ADOLESCENTS.—The term 'adolescents' means youth who are ages 10 through 19.

''(2) ELIGIBLE ENTITY.—The term 'eligible entity' means a partnership that includes—

''(A) a local education agency, acting on behalf of one or more schools, together with

''(B) one or more community-based organizations, institutions of higher education, or public or private agencies or organizations.

''(3) ELIGIBLE AREA.—The term 'eligible area' means a school attendance area in which—

''(A) at least 75 percent of the children are from low-income families as that term is used in part A of title I of the Elementary and Secondary Education Act of 1965; or

''(B) the number of children receiving Aid to Families with Dependent Children under part A of title IV is substantial as determined by the responsible Federal officials; or

''(C) the unmarried adolescent birth rate is high, as determined by the responsible Federal officials.

''(4) SCHOOL.—The term 'school' means a public elementary, middle, or secondary school.

''(5) RESPONSIBLE FEDERAL OFFICIALS.—The term 'responsible Federal officials' means the Secretary of Education, the Secretary of Health and Human Services, and the Chief Executive Officer of

the Corporation for National and Community Service.

''(f) USES OF FUNDS.—Grants under this section—

''(1) shall be used to—

''(A) develop, operate, expand, and improve a sequential, age-appropriate program of instruction and counseling services for adolescents designed to promote personal responsibility and a healthy drug free lifestyle, and to prevent adolescent pregnancy, through such activities as counseling and instruction in the full range of consequences of premature sexual behavior and adolescent pregnancy, training in decision-making, and activities to promote involvement of parents and families in adolescent development and personal responsibility; and

''(B) provide opportunities for youth at-risk to develop sustained contact with one or more volunteer or professionally trained adults to provide character development, through such activities as mentoring, group coaching, or after-school activities; and

''(2) may be used to conduct other related activities that promote the purposes of this section.

"(g) APPLICATION.—Each applicant for a grant under subsection (b) must submit an application that—

"(1) includes a plan, based on local needs, for accomplishing the purposes of this section that—

"(A) sets forth specific, measurable goals intended to be accomplished under the program, and describes the methods to be used in measuring progress toward accomplishment of such goals;

"(B) describes the components of the program, including—

"(i) the role in the program of any national service participants supported by the National and Community Service Act of 1990 (42 U.S.C. 12501 et seq.) or by any other national service law as defined in such Act, and

"(ii) the activities, in accordance with subsection (f), that will be made available under the program,

and the manner in which such components will be implemented, including the extent to which activities will take place after school, on weekends, or during the summer;

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

''(2) demonstrates the manner in which the program will be based on research concerning effective means of reducing adolescent pregnancy, including reducing risk-taking behaviors correlated with adolescent pregnancy;

''(3) demonstrates that the program will serve male and female adolescents and, where feasible, out-of-school adolescents, and describes the steps the applicant will take to serve such adolescents;

''(4) demonstrates the manner in which the applicant will provide, to the extent feasible, a continuity of services for adolescents until age 19;

''(5) demonstrates the extent to which school personnel, parents, community organizations, and the adolescents to be served have participated in the development of the application and will participate in the planning and implementation of the program;

''(6) describes the applicant's partnership, including the relationship of the partners, the role of each partner in the development and implementation of the program, and the manner in which the partners will coordinate their resources;

''(7) describes the nature and scope of commitment to the program by other community institutions, such as religious organizations, community groups, institutions of higher education, business, and labor;

''(8) describes the methods to be used in coordinating the provision of services under the program with the provision of services or benefits under other Federal or federally assisted programs, State and local programs, and private programs serving the same population;

''(9) demonstrates that the area to be served is an eligible area;

''(10) contains assurances that at least one activity will be located in a school in the area to be served and describes the activities that will be school-based;

''(11) contains assurances that the amounts provided under this section will not be used to sup-

plant Federal, State, or local funds for services and activities that promote the purposes of this section;

''(12) contains assurances that the applicant will provide a non-Federal share, in cash or in kind, of at least 20 percent of the cost of carrying out the approved program;

''(13) describes the applicant's plan for continuation of the program following completion of the grant period and termination of Federal support under this section;

''(14) contains assurances that the applicant will furnish such reports, containing such information, and participate in such evaluations, as the responsible Federal officials may require; and

''(15) includes such other information and assurances as the responsible Federal officials may reasonably require.

''(h) PRIORITIES.—In making awards under this section, the responsible Federal officials shall give priority to applicants that—

''(1) provide for non-Federal resources significantly in excess of those required in subsection (g)(12) or for an increasing ratio of non-Federal resources over the term of the grant; and

"(2) participate in other Federal and non-Federal programs that relate to the purposes of this section.

"(i) TREATMENT AS NON-FEDERAL SHARE.—For purposes of the National and Community Service Act of 1990 (42 U.S.C. 12501 et seq.), the funds provided to a grantee under this section shall not be considered Federal funds.

"(j) PROHIBITION ON USE OF FUNDS.—No assistance made available under this section shall be used to provide religious instruction, to conduct worship services, or to promote any religious view or teaching in any manner.

"(k) GEOGRAPHIC DIVERSITY.—The responsible Federal officials shall, to the extent feasible, ensure that applications are approved from both urban and rural areas and reflect nationwide geographic diversity.

"(l) APPLICATION PERIOD.—An application approved under this section shall be for a term of 5 years; except that approval may be terminated before the end of such period if the responsible Federal officials determine that the grantee conducting the program has failed substantially to carry out the program as described in the approved application.

"(m) EVALUATION, TRAINING, AND TECHNICAL ASSISTANCE.—

"(1) EVALUATION.—The responsible Federal officials shall evaluate the effectiveness of programs conducted under this section, directly or by grant or contract, and may require each grantee conducting such a program to provide such information as the responsible Federal officials determine is necessary for such evaluations.

"(2) TRAINING AND TECHNICAL ASSISTANCE.—The responsible Federal officials may provide training and technical assistance with respect to the development, implementation, or operation of programs under this section.

"(3) COORDINATION WITH NATIONAL CLEARINGHOUSE.—The responsible Federal officials shall coordinate the activities conducted under this subsection with the activities conducted by the National Clearinghouse on Adolescent Pregnancy Prevention Programs under subsection (n).

"(n) NATIONAL CLEARINGHOUSE ON ADOLESCENT PREGNANCY.—

"(1) ESTABLISHMENT.—The responsible Federal officials shall establish, through grant or contract, a national center for the collection and provi-

sion of programmatic information and technical assistance that relates to adolescent pregnancy prevention programs, to be known as the 'National Clearinghouse on Adolescent Pregnancy Prevention Programs'.

''(2) FUNCTIONS.—The national center established under paragraph (1) shall serve as a national information and data clearinghouse, and as a training, technical assistance, and material development source for adolescent pregnancy prevention programs. Such center shall—

''(A) develop and maintain a system for disseminating information on all types of adolescent pregnancy prevention program and on the state of adolescent pregnancy prevention program development, including information concerning the most effective model programs;

''(B) develop and sponsor a variety of training institutes and curricula for adolescent pregnancy prevention program staff;

''(C) identify model programs representing the various types of adolescent pregnancy prevention programs;

''(D) develop technical assistance materials and activities to assist other entities in estab-

lishing and improving adolescent pregnancy prevention programs;

''(E) develop networks of adolescent pregnancy prevention programs for the purpose of sharing and disseminating information; and

''(F) conduct such other activities as the responsible Federal officials find will assist in developing and carrying out programs or activities to reduce adolescent pregnancy.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall become effective October 1, 1994.

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

(a) DEMONSTRATON PROJECTS.—Title XX (42 U.S.C. 1397–1397f) is amended by adding at the end the following:

"SEC. 2009. DEMONSTRATION PROJECTS TO PROVIDE COMPREHENSIVE SERVICES TO PREVENT ADOLESCENT PREGNANCY IN HIGH-RISK COMMUNITIES.

''(a)(1) PURPOSE.—In order to stimulate the development of innovative approaches for the effective delivery of comprehensive services, with particular emphasis on preg-

nancy prevention, to certain youth and their families in high-risk communities and the promotion of community involvement in improving the environment in which such youth live, the Secretary of Health and Human Services shall conduct demonstration projects in accordance with this section.

''(2) APPROVAL OF PROJECTS.—The Secretary of Health and Human Services, in consultation with the Secretary of Education, the Secretary of Housing and Urban Development, the Attorney General, the Director of the Office of National Drug Control Policy, and the Secretary of Labor, shall approve at least 5 and not more than 7 projects, in accordance with subsection (c). Upon approval by the Secretary, each project applicant shall be entitled to payment of up to $3,600,000 for each of fiscal years 1995 through 1999 for the purpose of conducting approved demonstration projects.

''(b) FUNDING.—

''(1) IN GENERAL.—There shall be made available to the Secretary not to exceed $20,000,000 for each of fiscal years 1995 through 1999 for carrying out the projects under this section. Payments to a grantee for any fiscal year must be expended by the grantee in such fiscal year or the succeeding fiscal year.

"(2) EVALUATION, TRAINING, AND TECHNICAL ASSISTANCE.—The Secretary shall reserve, with respect to each fiscal year, ten percent of the amount described in paragraph (1) for expenditure by the Secretary for training and technical assistance related to the demonstration projects under this section and for evaluation of such projects. The amount so reserved shall remain available for obligation through fiscal year 1999.

"(3) EXCESS AMOUNTS.—If in any fiscal year the amount specified in paragraph (1) for such fiscal year exceeds the amount required to carry out approved projects and evaluation, training, and technical assistance under this section, then the amount specified in section 2003(c)(5) shall be increased by the excess.

"(c) APPLICATION; ELIGIBILITY CRITERIA.—A local public or private nonprofit organization, including a unit of government, or any combination of such entities, shall be eligible to submit a project application. In order that an application be approved under subsection (a), the application must—

"(1) demonstrate that the geographic area to be served by the project satisfies the following criteria:

''(A) it includes a population of 20,000 to 35,000 residents,

''(B) it has an identifiable boundary and is recognizable as a community by its residents, and

''(C) within the community, there is a poverty rate of not less than 20 percent;

''(2) include a plan for accomplishing the purposes of this section that—

''(A) describes the comprehensive, integrated services, in accordance with subsection (e), that will be made available under the project;

''(B)(i) sets forth the goals intended to be accomplished under the project, and

''(ii) describes the methods to be used in measuring progress toward accomplishment of such goals and the outcomes to be measured, including unmarried adolescent birth rates, rates of youth alcohol and drug use, rates of youth violence, high school graduation rates, and such other outcomes as the Secretary finds appropriate;

''(C) describes the process by which the affected community (including parents, the youth

to be served, schools, local government, religious organizations, community groups, business, and labor) is a full partner in the process of developing and implementing the project and the extent to which parents, the youth to be served, and local institutions and organizations have contributed to the planning process;

''(D) identifies the private and public partnerships to be used;

''(E) describes the methods to be used in coordinating the provision of services under the project and the provision of services or benefits under other Federal or federally assisted programs, State and local programs, and private programs serving the same population; and

''(F) describes the manner in which other Federal funds and non-Federal funds will be used to further the purpose of the program;

''(3) demonstrate strong State and local government commitment to the project and involvement in the planning and implementation of the project;

''(4) demonstrate the ability of the applicant to carry out the project;

''(5) describe the methods to be used for maintaining accurate records regarding the activities carried out with funds under this section;

''(6) contain assurances that the amounts provided under this section will not be used to supplant Federal, State, and local funds for services and activities that promote the purposes of this section;

''(7) contain assurances that the applicant will provide a non-Federal share, in cash or in kind, of 10 percent of the cost of carrying out the approved project and describe the capacity of the applicant to provide the non-Federal share;

''(8) contain assurances that the applicant will furnish such reports, containing such information, and participate in such evaluations, as the Secretary may require; and

''(9) include such other information as the Secretary may require.

''(d) PRIORITY.—In making awards under this section, the Secretary shall give priority to applicants that provide for non-Federal resources significantly in excess of those required in subsection (c)(7).

''(e) USE OF GRANTS.—Under each demonstration project conducted under this section, the grantee shall develop a community-wide strategy to address the causes

and factors of risk-taking tendencies among youth, to positively affect community norms, to increase community health and safety, and to generally improve the social environment to enhance the life choice of community youth. The strategy shall be used to provide a comprehensive set of coordinated services designed to saturate the community and shall include, but not be limited to, the following areas:

''(1) Health education and access services designed to promote physical and mental well-being and personal responsibility (with particular emphasis on pregnancy prevention), such as school health services, family planning services, alcohol and drug abuse prevention services and referral for treatment, life skills training, and decision-making skills training.

''(2) Educational and employability development services designed to promote educational advancement leading to a high school diploma or its equivalent and opportunities for high skill, high wage job attainment and productive employment, to establish a lifelong commitment to learning and achievement, and to increase self-confidence, such as academic tutoring, literacy training, drop-out prevention programs, career and college counseling, mentoring pro-

grams, job skills training, apprenticeships, and part-time paid work opportunities.

''(3) Social support services designed to provide youth with a stable environment, opportunities for a sustained relationship with one or more adults, and opportunities for participation in safe and productive activities, such as cultural, recreational and sports activities, leadership development, peer counseling and crisis intervention, mentoring programs, parenting skills training, and family counseling.

''(4) Community activities designed to improve community stability, and to encourage youth to participate in community service and establish a stake in the community, such as community policing, community service programs, community activities in partnership with less distressed neighborhoods, local media campaigns, and establishment of community advisory councils with youth representation.

''(5) Employment opportunity development activities designed to be coordinated with educational and employability development services, social support services, and community activities described in paragraphs (2) through (4). Emphasis shall be on development of linkages with employers within and outside the community to help create employment

opportunities and foster an understanding by community youth of the relationship between productive employment, healthy development, and sound life choices.

''(f) EVALUATION, TRAINING, AND TECHNICAL ASSISTANCE.—

''(1) EVALUATION.—The Secretary shall evaluate the effectiveness of each demonstration project conducted under this section and may require each grantee conducting such a project to provide such information as the Secretary determines is necessary for such evaluations.

''(2) TRAINING AND TECHNICAL ASSISTANCE.—The Secretary shall provide training and technical assistance with respect to the development, implementation, or operation of projects under this section.

''(3) COORDINATION WITH NATIONAL CLEARINGHOUSE.—The Secretary shall coordinate the activities conducted under this subsection with activities conducted by the National Clearinghouse on Adolescent Pregnancy Prevention Programs under section 2008(n).

''(g) FUNDING PERIOD.—Each demonstration project supported under this section shall be conducted for

a 5-year period; except that the Secretary may terminate a project before the end of such period if the Secretary determines that the grantee conducting the project has failed substantially to carry out the project as described in the approved application.

''(h) DEFINITIONS AND SPECIAL RULES.—As used in this section:

''(1) YOUTH.—The term 'youth' means an individual who is not less than 10 years of age and not more than 21 years of age.

''(2) USE OF CENSUS DATA.—Population and poverty rate shall be determined by the most recent decennial census data available.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall become effective October 1, 1994.

TITLE VI—CHILD SUPPORT ENFORCEMENT

SEC. 600. REFERENCES IN TITLE.

References in this title to a section or other provision refer to a section or other provision of the Social Security Act, unless the context otherwise requires.

PART A—ELIGIBILITY AND OTHER MATTERS CONCERNING TITLE IV-D PROGRAM CLIENTS

SEC. 601. COOPERATION REQUIREMENT AND GOOD CAUSE EXCEPTION.

(a) CHILD SUPPORT ENFORCEMENT REQUIREMENTS.—Section 454 is amended—

(1) by striking ''and'' at the end of paragraph (23);

(2) by striking the period at the end of paragraph (24) and inserting ''; and''; and

(3) by adding after paragraph (24) the following new paragraph:

''(25) provide that the State agency administering the plan under this part—

''(A) will make the determination specified under paragraph (4), as to whether an individual is cooperating with efforts to establish paternity and secure support (or has good cause not to cooperate with such efforts) for purposes of the requirements of sections 402(a)(26) and 1912;

''(B) will advise individuals, both orally and in writing, of the grounds for good cause

exceptions to the requirement to cooperate with such efforts;

''(C) will take the best interests of the child into consideration in making the determination whether such individual has good cause not to cooperate with such efforts;

''(D)(i) will make the initial determination as to whether an individual is cooperating (or has good cause not to cooperate) with efforts to establish paternity within 10 days after such individual is referred to such State agency by the State agency administering the program under part A of title XIX;

''(ii) will make redeterminations as to cooperation or good cause at appropriate intervals; and

''(iii) will promptly notify the individual, and the State agencies administering such programs, of each such determination and redetermination;

''(E) with respect to any child born on or after the date 10 months after enactment of this provision, will not determine (or redetermine) the mother (or other custodial relative) of such child to be cooperating with efforts to es-

tablish paternity unless such individual furnishes—

''(i) the name of the putative father (or fathers); and

''(ii) sufficient additional information to enable the State agency, if reasonable efforts were made, to verify the identity of the person named as the putative father (including such information as the putative father's present address, telephone number, date of birth, past or present place of employment, school previously or currently attended, and names and addresses of parents, friends, or relatives able to provide location information, or other information that could enable service of process on such person), and

''(F)(i) (where a custodial parent who was initially determined not to be cooperating (or to have good cause not to cooperate) is later determined to be cooperating or to have good cause not to cooperate) will immediately notify the State agencies administering the programs under part A of title XIX that this eligibility condition has been met; and

''(ii) (where a custodial parent was initially determined to be cooperating (or to have good cause not to cooperate)) will not later determine such individual not to be cooperating (or not to have good cause not to cooperate) until such individual has been afforded an opportunity for a hearing.''.

(b) AFDC AMENDMENTS.—

(1) Section 402(a)(11) is amended by striking ''furnishing of'' and inserting ''application for''.

(2) Section 402(a)(26) is amended—

(A) in each of subparagraphs (A) and (B), by redesignating clauses (i) and (ii) as subclauses (I) and (II);

(B) by indenting and redesignating subparagraphs (A), (B), and (C) as clauses (i), (ii), and (iv), respectively;

(C) in clause (ii), as redesignated—

(i) by striking ''is claimed, or in obtaining any other payments or property due such applicant or such child,'' and inserting ''is claimed;''; and

(ii) by striking ''unless'' and all that follows through ''aid is claimed; and'';

(D) by adding after clause (ii) the following new clause:

''(iii) to cooperate with the State in obtaining any other payments or property due such applicant or such child; and'';

(E) in the matter preceding clause (i), as redesignated, to read as follows:

''(26) provide—

''(A) that, as a condition of eligibility for aid, each applicant or recipient will be required (subject to subparagraph (C))—'';

(F) in subparagraph (A)(iv), as redesignated, by striking '', unless such individual'' and all that follows through ''individuals involved'';

(G) by adding at the end the following new subparagraphs:

''(B) that the State agency will immediately refer each applicant requiring paternity establishment services to the State agency administering the program under part D;

''(C) that an individual will not be required to cooperate with the State, as provided under subparagraph (A), if the individual is found to have good cause for refusing to cooperate, as

determined in accordance with standards prescribed by the Secretary, which standards shall take into consideration the best interests of the child on whose behalf aid is claimed—

''(i) to the satisfaction of the State agency administering the program under part D, as determined in accordance with section 454(25), with respect to the requirements under clauses (i) and (ii) of subparagraph (A); and

''(ii) to the satisfaction of the State agency administering the program under this part, with respect to the requirements under clauses (iii) and (iv) of subparagraph (A);

''(D) that (except as provided in subparagraph (E)) an applicant requiring paternity establishment services (other than an individual eligible for emergency assistance as defined in section 406(e)) shall not be eligible for any aid under this part until such applicant—

''(i) has furnished to the agency administering the State plan under part D the information specified in section 454(25)(E); or

''(ii) has been determined by such agency to have good cause not to cooperate;

''(E) that the provisions of subparagraph (D) shall not apply—

''(i) if the State agency specified in such subparagraph has not, within 10 days after such individual was referred to such agency, provided the notification required by section 454(25)(D)(iii), until such notification is received; and

''(ii) if such individual appeals a determination that the individual lacks good cause for noncooperation, until after such determination is affirmed after notice and opportunity for a hearing; and''; and

(H)(i) by relocating and redesignating as subparagraph (F) the text at the end of subparagraph (A)(ii) beginning with ''that, if the relative'' and all that follows through the semicolon;

(ii) in subparagraph (F), as so redesignated and relocated, by striking ''subparagraphs (A) and (B) of this paragraph'' and inserting ''subparagraph (A)''; and

(iii) by striking ''and'' at the end of subparagraph (a)(ii).

(c) MEDICAID AMENDMENTS.—Section 1912(a) is amended—

(1) in paragraph (1)(B), by inserting ''(except as provided in paragraph (2))'' after ''to cooperate with the State'';

(2) in subparagraphs (B) and (C) of paragraph (1) by striking '', unless'' and all that follows and inserting a semicolon; and

(3) by redesignating paragraph (2) as paragraph (5), and inserting after paragraph (1) the following new paragraphs:

''(2) provide that the State agency will immediately refer each applicant or recipient requiring paternity establishment services to the State agency administering the program under part D of title IV;

''(3) provide that an individual will not be required to cooperate with the State, as provided under paragraph (1), if the individual is found to have good cause for refusing to cooperate, as determined in accordance with standards prescribed by the Secretary, which standards shall take into consideration the best interests of the individuals involved—

''(A) to the satisfaction of the State agency administering the program under part D, as determined in accordance with section 454(25), with respect to the requirements to cooperate with efforts to establish paternity and to obtain support (including medical support) from a parent; and

''(B) to the satisfaction of the State agency administering the program under this title, with respect to other requirements to cooperate under paragraph (1);

''(4) provide that (except as provided in paragraph (5)) an applicant requiring paternity establishment services (other than an individual eligible for emergency assistance as defined in section 406(e), or presumptively eligible pursuant to section 1920) shall not be eligible for medical assistance under this title until such applicant—

''(i) has furnished to the agency administering the State plan under part D of title IV the information specified in section 454(25)(E); or

''(ii) has been determined by such agency to have good cause not to cooperate; and

"(5) provide that the provisions of paragraph (4) shall not apply with respect to an applicant—

"(i) if such agency has not, within 10 days after such individual was referred to such agency, provided the notification required by section 454(25)(D)(iii), until such notification is received); and

"(ii) if such individual appeals a determination that the individual lacks good cause for noncooperation, until after such determination is affirmed after notice and opportunity for a hearing.".

(d) EFFECTIVE DATE.—The amendments made by this section shall be effective with respect to applications filed in or after the first calendar quarter beginning 10 months or more after enactment of this amendment (or such earlier quarter as the State may select) for aid under title IV–A or for medical assistance under title XIX.

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

(a) STATE LAW REQUIREMENTS.—Section 466(a) is amended by adding at the end the following new paragraph:

''(12) USE OF CENTRAL CASE REGISTRY AND CENTRALIZED COLLECTIONS UNIT.—Procedures under which—

''(A) every child support order established or modified in the State on or after October 1, 1997, is recorded in the central case registry established in accordance with section 454A(e); and

''(B) child support payments are collected through the centralized collections unit established in accordance with section 454B—

''(i) on and after October 1, 1997, under each order subject to wage withholding under section 466(b); and

''(ii) on and after October 1, 1998, under each other order required to be recorded in such central case registry under this paragraph or section 454A(e), except as provided in subparagraph (C); and

''(C)(i) parties subject to a child support order described in subparagraph (B)(ii) may opt out of the procedure for payment of support through the centralized collections unit (but not the procedure for inclusion in the central case registry) by filing with the State agency a writ-

ten agreement, signed by both parties, to an alternative payment procedure; and

''(ii) an agreement described in clause (i) becomes void, and may not be renewed, whenever—

''(I) the party owing support fails to make a timely payment; or

''(II) either party advises the State agency of an intent to vacate the agreement.''.

(b) STATE PLAN REQUIREMENTS.—Section 454 is amended—

(1) in paragraph (4), to read as follows:

''(4) provide that such State will undertake—

''(A) to provide appropriate services under this part to—

''(i) each child with respect to whom an assignment is effective under section 402(a)(26), 471(a)(17), or 1912 (except in cases where the State agency determines, in accordance with paragraph (25), that it is against the best interests of the child to do so); and

''(ii) each child not described in clause (i)—

''(I) with respect to whom an individual applies for such services; and

''(II) (on and after October 1, 1997) each child with respect to whom a support order is recorded in the central State case registry established under section 454A, regardless of whether application is made for services under this part; and

''(B) to enforce the support obligation established with respect to the custodial parent of a child described in subparagraph (A).'';

(2) in paragraph (6)—

(A) by striking all that precedes subparagraph (C) and inserting the following:

''(6) provide that—

''(A) services under the State plan shall be made available to nonresidents on the same terms as to residents;

''(B) no fees or costs shall be imposed on any absent or custodial parent or other individual—

''(i) on or after October 1, 1997, for application for child support enforcement services under this part; or

''(ii) for inclusion in the central State registry maintained pursuant to section 454A(e);'';

(B) in each of subparagraphs (C) and (D)—

(i) by indenting such subparagraph and aligning its left margin with the left margin of paragraph (B); and

(ii) by striking the final comma and inserting a semicolon;

(C) by striking subparagraph (E) and inserting the following subparagraphs:

''(E) no other fees or costs may be imposed on the custodial parent; and

''(F) any other fees or costs may be imposed on the noncustodial parent (but fees for child support collection services provided through the central collections unit operated pursuant to section 454B, or for related automated procedures pursuant to section 454A(g), may be imposed only if such fees or costs are added to, and not deducted from, amounts collected as child support);''.

(c) CONFORMING AMENDMENTS.—

(1) Section 452(g)(2)(A) is amended by striking ''454(6)'' each place it appears and inserting ''454(4)(A)(ii)''.

(2) Section 454(23) is amended, effective October 1, 1997, by striking ''information as to any application fees for such services and''.

(3) Section 466(a)(3)(B) is amended by striking ''in the case of overdue support which a State has agreed to collect under section 454(6)'' and inserting ''in any other case''.

(4) Section 466(e) is amended by striking ''or (6)''.

SEC. 603. DISTRIBUTION OF PAYMENTS.

(a) DISTRIBUTIONS THROUGH STATE CHILD SUPPORT ENFORCEMENT AGENCY TO FORMER ASSISTANCE RECIPIENTS.—Section 454(5) is amended—

(1) in subparagraph (A)—

(A) by inserting ''except as otherwise specifically provided in section 464 or 466(a)(3),'' after ''is effective,''; and

(B) by striking ''except that'' and all that follows through the semicolon; and

(2) in subparagraph (B), by striking '', except'' and all that follows through ''medical assistance''.

(b) DISTRIBUTION TO A FAMILY CURRENTLY RECEIVING AFDC.—Section 457 is amended—

(1) by striking subsection (a) and redesignating subsection (b) as subsection (a);

(2) in subsection (a), as redesignated—

(A) in the matter preceding paragraph (2), to read as follows:

''(a) IN THE CASE OF A FAMILY RECEIVING AFDC.—Amounts collected under this part during any month as support of a child who is receiving assistance under part A (or a parent or caretaker relative of such a child) shall (except in the case of a State exercising the option under subsection (b)) be distributed as follows:

''(1) an amount equal to the amount specified in section 402(a)(8)(A)(vi) shall be taken from each of—

''(A) amounts received in a month which represent payments for that month; and

''(B) amounts received in a month which represent payments for a prior month which were made by the absent parent in the month when due;

and shall be paid to the family without affecting its eligibility for assistance or decreasing any amount

otherwise payable as assistance to such family during such month;'';

(B) in paragraph (4), by striking ''or (B)'' and all that follows and inserting ''; then (B) from any remainder, amounts equal to arrearages of such support obligations assigned, pursuant to part A, to any other State or States shall be paid to such other State or States and used to pay any such arrearages (with appropriate reimbursement of the Federal Government to the extent of its participation in the financing); and then (C) any remainder shall be paid to the family.''.

(3) by inserting after subsection (a), as redesignated, the following new subsection:

''(b) ALTERNATIVE DISTRIBUTION IN CASE OF FAMILY RECEIVING AFDC.—In the case of a State electing the option under this subsection, amounts collected as described in subsection (a) shall be distributed as follows:

''(1) an amount equal to the amount specified in section 402(a)(8)(A)(vi) shall be taken from each of—

''(A) amounts received in a month which represent payments for that month; and

''(B) amounts received in a month which represent payments for a prior month which were made by the absent parent in the month when due;

and shall be paid to the family without affecting its eligibility for assistance or decreasing any amount otherwise payable as assistance to such family during such month;

''(2) second, from any remainder, amounts equal to the balance of support owed for the current month shall be paid to the family;

''(3) third, from any remainder, amounts equal to arrearages of such support obligations assigned, pursuant to part A, to the State making the collection shall be retained and used by such State to pay any such arrearages (with appropriate reimbursement of the Federal Government to the extent of its participation in the financing);

''(4) fourth, from any remainder, amounts equal to arrearages of such support obligations assigned, pursuant to part A, to any other State or States shall be paid to such other State or States and used to pay any such arrearages (with appropriate reimbursement of the Federal Government to the extent of its participation in the financing); and

''(5) fifth, any remainder shall be paid to the family.''.

(c) DISTRIBUTION TO A FAMILY NOT RECEIVING AFDC.—Section 457(c) is amended to read as follows:

''(c) IN CASE OF FAMILY NOT RECEIVING AFDC.—Amounts collected by a State agency under this part during any month as support of a child who is not receiving assistance under part A (or of a parent or caretaker relative of such a child) shall (subject to the remaining provisions of this section) be distributed as follows:

''(1) first, amounts equal to the total of such support owed for such month shall be paid to the family;

''(2) second, from any remainder, amounts equal to arrearages of such support obligations for months during which such child did not receive assistance under part A shall be paid to the family;

''(3) third, from any remainder, amounts equal to arrearages of such support obligations assigned to the State making the collection pursuant to part A shall be retained and used by such State to pay any such arrearages (with appropriate reimbursement of the Federal Government to the extent of its participation in the financing);

"(4) fourth, from any remainder, amounts equal to arrearages of such support obligations assigned to any other State pursuant to part A shall be paid to such other State or States, and used to pay such arrearages, in the order in which such arrearages accrued (with appropriate reimbursement of the Federal Government to the extent of its participation in the financing).".

(d) DISTRIBUTION TO A CHILD RECEIVING ASSISTANCE UNDER TITLE IV–E.—Subsection (d) is amended, in the matter preceding paragraph (1), by striking "Notwithstanding the preceding provisions of this section, amounts" and inserting "IN CASE OF A CHILD RECEIVING ASSISTANCE UNDER TITLE IV–E.—Amounts".

(e) SUSPENSION OR CANCELLATION OF DEBTS UPON MARRIAGE OF PARENTS.—Section 457 is further amended by adding at the end the following new subsection:

"(e) SUSPENSION OR CANCELLATION OF DEBTS TO STATE UPON MARRIAGE OF PARENTS.—(1) CIRCUMSTANCES REQUIRING SUSPENSION OR CANCELLATION.—In any case in which a State has been assigned rights to support owed with respect to a child who is receiving or has received assistance under part A and—

"(A) the parent owing such support marries (or remarries) the parent with whom such child is living

and to whom such support is owed and applies to the State for relief under this subsection;

''(B) the State determines (in accordance with procedures and criteria established by the Secretary) that the marriage is not a sham marriage entered into solely to satisfy this subsection; and

''(C) the combined income of such parents is less than twice the Federal poverty line,

the State shall afford relief to the parent owing such support in accordance with paragraph (2).

''(2) SUSPENSION OR CANCELLATION.—In the case of a marriage or remarriage described in paragraph (1), the State shall either—

''(A) cancel all debts owed to the State pursuant to such assignment, or

''(B) suspend collection of such debts for the duration of such marriage, and cancel such debts if such duration extends beyond the end of the period with respect to which support is owed.

''(3) NOTICE REQUIRED.—The State shall notify custodial parents of children who are receiving aid under part A of the relief available under this subsection to individuals who marry (or remarry).''.

(f) REGULATIONS.—The Secretary shall promulgate regulations—

(1) under title IV–D of the Social Security Act, establishing a uniform nationwide standard for allocation of child support collections from an obligor owing support to more than one family; and

(2) under title IV–A of such Act, establishing standards applicable to States electing the alternative formula under section 457(b) of the Social Security Act for distribution of collections on behalf of families receiving Aid to Families with Dependent Children, designed to minimize irregular monthly payments to such families.

(g) CLERICAL AMENDMENT.—Section 454 is amended—

(1) in paragraph (11), by striking ''(11)'' and inserting ''(11)(A)''; and

(2) by redesignating paragraph (12) as subparagraph (B) of paragraph (11).

(h) CONFORMING AMENDMENT.—Section 402(a)(26)(A)(i), as redesignated by section 601(b)(2)(A), is amended—

(1) by striking ''(I)''; and

(2) by striking '', and (II)'' and all that follows before the semicolon.

SEC. 604. DUE PROCESS RIGHTS.

(a) Section 454, as amended by section 603(g), is further amended by inserting after paragraph (11) the following new paragraph:

''(12) provide for procedures to ensure that—

''(A) individuals who are parties to cases in which services are being provided under this part—

''(i) receive notice of all proceedings in which support obligations might be established or modified; and

''(ii) receive a copy of any order establishing or modifying a child support obligation within 14 days after issuance of such order; and

''(B) individuals receiving services under this part have access to a fair hearing or other formal complaint procedure, meeting standards established by the Secretary, that ensures prompt consideration and resolution of complaints (but the resort to such procedure shall not stay the enforcement of any support order);''.

(b) EFFECTIVE DATE.—The amendments made by this section shall become effective on October 1, 1996.

SEC. 605. PRIVACY SAFEGUARDS.

(a) STATE PLAN REQUIREMENT.—Section 454, as amended by section 601, is further amended—

(1) by striking ''and'' at the end of paragraph (24);

(2) by striking the period at the end of paragraph (25) and inserting ''; and''; and

(3) by adding after paragraph (25) the following new paragraph;

''(26) will have in effect safeguards applicable to all sensitive and confidential information handled by the State agency designed to protect the privacy rights of the parties, including—

''(A) safeguards against unauthorized use or disclosure of information relating to proceedings or actions to establish paternity, or to establish or enforce support; and

''(B) prohibitions on the release of information on the whereabouts of one party to another party against whom a protective order with respect to such party has been entered.''.

(b) The amendments made by this section shall become effective on October 1, 1996.

SEC. 606. REQUIREMENT TO FACILITATE ACCESS TO SERVICES.

(a) STATE PLAN REQUIREMENT.—Section 454(23) is amended—

(1) by striking ''the State will regularly'' and inserting ''the State will—

''(A) regularly'';

(2) by incorporating the remainder of the text within subparagraph (A);

(3) by striking ''and'' at the end; and

(4) by adding after and below subparagraph (A) the following new subparagraph:

''(B) have a plan for outreach to parents designed to disseminate information about and increase access to child support enforcement services, including plans responding to needs—

''(i) of working parents to obtain such services without taking time off work; and

''(ii) of parents with limited proficiency in English for elimination of language barriers to use of such services; and''.

(b) The amendments made by this section shall become effective on October 1, 1996.

PART B—PROGRAM ADMINISTRATION AND FUNDING

SEC. 611. FEDERAL MATCHING PAYMENTS.

(a) INCREASED BASE MATCHING RATE.—Section 455(a)(2) is amended to read as follows:

''(2) The applicable percent for a quarter for purposes of paragraph (1)(A) is—

''(A) for fiscal year 1996, 69 percent,

''(B) for fiscal year 1997, 72 percent, and

''(C) for fiscal year 1998 and succeeding fiscal years, 75 percent.''.

(b) MAINTENANCE OF EFFORT.—Section 455 is amended—

(1) in subsection (a)(1), in the matter preceding subparagraph (A), by striking ''From'' and inserting ''Subject to subsection (c), from''; and

(2) by inserting after subsection (b) the following new subsection:

''(c) MAINTENANCE OF EFFORT.—Notwithstanding the provisions of subsection (a), total expenditures for the State program under this part for fiscal year 1996 and each succeeding fiscal year, reduced by the percentage specified for such fiscal year under subsection (a)(2)(A), (B), or (C)(i), shall not be less than such total expenditures for fiscal year 1995, reduced by 66 percent.''

SEC. 612. PERFORMANCE-BASED INCENTIVES AND PENALTIES.

(a) INCENTIVE ADJUSTMENTS TO FEDERAL MATCHING RATE.—(1) IN GENERAL.—Section 458 is amended to read as follows:

''INCENTIVE ADJUSTMENTS TO MATCHING RATE

''SEC. 458. (a) INCENTIVE ADJUSTMENT.—(1) IN GENERAL.—In order to encourage and reward State child support enforcement programs which perform in an effective manner, the Federal matching rate for payments to a State under section 455(a)(1)(A), for each fiscal year beginning on or after October 1, 1997, shall be increased by a factor reflecting the sum of the applicable incentive adjustments (if any) determined in accordance with regulations under this section with respect to Statewide paternity establishment and to overall performance in child support enforcement.

''(2) STANDARDS.—(A) IN GENERAL.—The Secretary shall specify in regulations—

''(i) the levels of accomplishment, and rates of improvement as alternatives to such levels, which States must attain to qualify for incentive adjustments under this section; and

''(ii) the amounts of incentive adjustment that shall be awarded to States achieving specified ac-

complishment or improvement levels, which amounts shall be graduated, ranging up to—

"(I) 5 percentage points, in connection with Statewide paternity establishment; and

"(II) 10 percentage points, in connection with overall performance in child support enforcement.

"(B) LIMITATION.—In setting performance standards pursuant to subparagraph (A)(i) and adjustment amounts pursuant to subparagraph (A)(ii), the Secretary shall ensure that the aggregate number of percentage point increases as incentive adjustments to all States do not exceed such aggregate increases as assumed by the Secretary in estimates of the cost of this section as of June 1994, unless the aggregate performance of all States exceeds the projected aggregate performance of all States in such cost estimates.

"(3) DETERMINATION OF INCENTIVE ADJUSTMENT.—The Secretary shall determine the amount (if any) of incentive adjustment due each State on the basis of the data submitted by the State pursuant to section 454(15)(B) concerning the levels of accomplishment (and rates of improvement) with respect to performance indicators specified by the Secretary pursuant to this section.

"(4) FISCAL YEAR SUBJECT TO INCENTIVE ADJUSTMENT.—The total percentage point increase determined pursuant to this section with respect to a State program in a fiscal year shall apply as an adjustment to the applicable percent under section 455(a)(2) for payments to such State for the succeeding fiscal year.

"(b) MEANING OF TERMS.—For purposes of this section—

"(1) the term 'Statewide paternity establishment percentage' means, with respect to a fiscal year, the ratio (expressed as a percentage) of—

"(A) the total number of out-of-wedlock children in the State under one year of age for whom paternity is established or acknowledged during the fiscal year, to

"(B) the total number of children born out of wedlock in the State during such fiscal year; and

"(2) the term 'overall performance in child support enforcement' means a measure or measures of the effectiveness of the State agency in a fiscal year which takes into account factors including—

"(A) the percentage of cases requiring a child support order in which such an order was established;

''(B) the percentage of cases in which child support is being paid;

''(C) the ratio of child support collected to child support due; and

''(D) the cost-effectiveness of the State program, as determined in accordance with standards established by the Secretary in regulations.''.

(b) TITLE IV–D PAYMENT ADJUSTMENT.—Section 455(a)(2), as amended by section 611, is further amended—

(1) by striking the period at the end of subparagraph (C)(ii) and inserting a period; and

(2) by adding after and below subparagraph (C), flush with the left margin of the subsection, the following:

''increased by the incentive adjustment factor (if any) determined by the Secretary pursuant to section 458.''.

(c) CONFORMING AMENDMENTS.—Section 454(22) is amended—

(1) by striking ''incentive payments'' the first place it appears and inserting ''incentive adjustments''; and

(2) by striking ''any such incentive payments made to the State for such period'' and inserting

''any increases in Federal payments to the State resulting from such incentive adjustments''.

(d) CALCULATION OF IV–D PATERNITY ESTABLISHMENT PERCENTAGE.—(1) Section 452(g) is amended in paragraph (1), in the matter preceding subparagraph (A), by inserting ''its overall performance in child support enforcement is satisfactory (as defined in section 458(b) and regulations of the Secretary), and'' after ''1994,''.

(2) Section 452(g)(2) is amended—

(A) in subparagraph (A), in the matter preceding clause (i)—

(i) by striking ''paternity establishment percentage'' and inserting ''IV–D paternity establishment percentage''; and

(ii) by striking ''(or all States, as the case may be)'';

(B) in subparagraph (A)(i), by striking ''during the fiscal year'';

(C) in subclause (I) of subparagraph (A)(ii), by striking ''as of the end of the fiscal year'' and inserting ''in the fiscal year or, at the option of the State, as of the end of such year'';

(D) in subclause (II) of subparagraph (A)(ii), by striking ''or (E) as of the end of the fiscal year''

and inserting ''in the fiscal year or, at the option of the State, as of the end of such year'';

(E) in subparagraph (A)(iii)—

(i) by striking ''during the fiscal year''; and

(ii) by striking ''and'' at the end; and

(F) in the matter following subparagraph (A)—

(i) by striking ''who were born out of wedlock during the immediately preceding fiscal year'' and inserting ''born out of wedlock'';

(ii) by striking ''such preceding fiscal year'' both places it appears and inserting ''the preceding fiscal year''; and

(iii) by striking ''or (E)'' the second place it appears.

(3) Section 452(g)(3) is amended—

(A) by striking subparagraph (A) and redesignating subparagraphs (B) and (C) as subparagraphs (A) and (B), respectively;

(B) in subparagraph (A), as redesignated, by striking ''the percentage of children born out-of-wedlock in the State'' and inserting ''the percentage of children in the State who are born out of wedlock or for whom support has not been established''; and

(C) in subparagraph (B), as redesignated—

(i) by inserting ''and overall performance in child support enforcement'' after ''paternity establishment percentages''; and

(ii) by inserting ''and securing support'' before the period.

(e) TITLE IV–A PAYMENT REDUCTION.—Section 403 is amended—

(1) in subsection (a), by striking ''1958—'' and inserting ''1958—'' (subject to subsection (h))—'';

(2) in subsection (h), by striking all that precedes paragraph (3) and inserting the following:

''(h)(1) If the Secretary finds, with respect to a State program under this part in a fiscal year beginning on or after October 1, 1996—

''(A)(i) on the basis of data submitted by a State pursuant to section 454(15)(B), that the State program in such fiscal year failed to achieve the IV–D paternity establishment percentage (as defined in section 452(g)(2)(A)) or the appropriate level of overall performance in child support enforcement (as defined in section 458(b)(2)), or to meet other performance measures that may be established by the Secretary, or

''(ii) on the basis of an audit or audits of such State data conducted pursuant to section

452(a)(4)(C), that the State data submitted pursuant to section 454(15)(B) is incomplete or unreliable; and

''(B) that, with respect to the succeeding fiscal year—

''(i) the State failed to take sufficient corrective action to achieve the appropriate performance levels 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, prior to quarters following the end of the first quarter throughout which the State program is in compliance with such performance requirement, shall be reduced by the percentage specified in paragraph (2).

''(2) The reductions required under paragraph (1) shall be—

''(A) not less than one nor more than two percent, or

''(B) not less than two nor more than three percent, if the finding is the second consecutive finding made pursuant to paragraph (1), or

''(C) not less than three nor more than five percent, if the finding is the third or a subsequent consecutive such finding.''; and

''(3) In subsection (h)(3), by striking ''not in full compliance'' and all that follows and inserting ''determined as a result of an audit to have submitted incomplete or unreliable data pursuant to section 454(15)(B), shall be determined to have submitted adequate data 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 performance.''.

(f) EFFECTIVE DATES.—

(1) INCENTIVE ADJUSTMENTS.—(A) The amendments made by subsections (a), (b), and (c) shall become effective October 1, 1996, except to the extent provided in subparagraph (B).

(B) The provisions of section 458 of the Act, as in effect prior to the enactment of this section, shall be effective for purposes of incentive payments to States for fiscal years prior to fiscal year 1998.

(2) PENALTY REDUCTIONS.—(A) The amendments made by subsection (d) shall become effective with respect to calendar quarters beginning on and after the date of enactment of this Act.

(B) The amendments made by subsection (e) shall become effective with respect to calendar quarters beginning on and after the date one year after the date of enactment of this Act.

SEC. 613. FEDERAL AND STATE REVIEWS AND AUDITS.

(a) STATE AGENCY ACTIVITIES.—Section 454 is amended—

(1) in paragraph (14), by striking ''(14)'' and inserting ''(14)(A)'';

(2) by redesignating paragraph (15) as subparagraph (B) of paragraph (14); and

(3) by inserting after paragraph (14) the following new paragraph:

''(15) provide for—

''(A) a process for annual reviews of and reports to the Secretary on the State program under this part, using such standards and procedures as are required by the Secretary, under which the State agency will determine the extent to which such program is in conformity with applicable requirements with respect to the operation of State programs under this part (including the status of complaints filed under the procedure required under paragraph (12)(B)); and

"(B) a process of extracting from the State automated data processing system and transmitting to the Secretary data and calculations concerning the levels of accomplishment (and rates of improvement) with respect to applicable performance indicators (including IV–D paternity establishment percentages and overall performance in child support enforcement) to the extent necessary for purposes of sections 452(g) and 458.".

(b) FEDERAL ACTIVITIES.—Section 452(a)(4) is amended to read as follows:

"(4)(A) review data and calculations transmitted by State agencies pursuant to section 454(15)(B) on State program accomplishments with respect to performance indicators for purposes of section 452(g) and 458, and determine the amount (if any) of penalty reductions pursuant to section 403(h) to be applied to the State;

"(B) review annual reports by State agencies pursuant to section 454(15)(A) on State program conformity with Federal requirements; evaluate any elements of a State program in which significant deficiencies are indicated by such report on the status of complaints under the State procedure under sec-

tion 454(12)(B); and, as appropriate, provide to the State agency comments, recommendations for additional or alternative corrective actions, and technical assistance; and

''(C) conduct audits, in accordance with the government auditing standards of the United States Comptroller General—

''(i) at least once every 3 years (or more frequently, in the case of a State which fails to meet requirements of this part, or of regulations implementing such requirements, concerning performance standards and reliability of program data) to assess the completeness, reliability, and security of the data, and the accuracy of the reporting systems, used for the calculations of performance indicators specified in subsection (g) and section 458;

''(ii) of the adequacy of financial management of the State program, including assessments of—

''(I) whether Federal and other funds made available to carry out the State program under this part are being appropriately expended, and are properly and fully accounted for; and

''(II) whether collections and disbursements of support payments and program income are carried out correctly and are properly and fully accounted for; and

''(iii) for such other purposes as the Secretary may find necessary;''.

(c) EFFECTIVE DATE.—The amendments made by this section shall be effective with respect to calendar quarters beginning on or after the date one year after enactment of this section.

SEC. 614. AUTOMATED DATA PROCESSING REQUIREMENTS.

(a) REVISED REQUIREMENTS.—(1) Section 454(16) is amended—

(A) by striking '', at the option of the State,'';

(B) by inserting ''and operation by the State agency'' after ''for the establishment'';

(C) by inserting ''meeting the requirements of section 454A'' after ''information retrieval system'';

(D) by striking ''in the State and localities thereof, so as (A)'' and inserting ''so as'';

(E) by striking ''(i)''; and

(F) by striking ''(including'' and all that follows and inserting a semicolon.

(2) Part D of title IV is amended by inserting after section 454 the following new section:

''AUTOMATED DATA PROCESSING

''SEC. 454A. (a) IN GENERAL.—In order to meet the requirements of this section, for purposes of the requirement of section 454(16), a State agency shall have in operation a single statewide automated data processing and information retrieval system which has the capability to perform the tasks specified in this section, and performs such tasks with the frequency and in the manner specified in this part or in regulations or guidelines of the Secretary.

''(b) PROGRAM MANAGEMENT.—The automated system required under this section shall perform such functions as the Secretary may specify relating to management of the program under this part, including—

''(1) controlling and accounting for use of Federal, State, and local funds to carry out such program; and

''(2) maintaining the data necessary to meet Federal reporting requirements on a timely basis.

''(c) CALCULATION OF PERFORMANCE INDICATORS.—In order to enable the Secretary to determine the incentive and penalty adjustments required by sections 452(g) and 458, the State agency shall—

''(1) use the automated system—

"(A) to maintain the requisite data on State performance with respect to paternity establishment and child support enforcement in the State; and

"(B) to calculate the IV–D paternity establishment percentage and overall performance in child support enforcement for the State for each fiscal year; and

"(2) have in place systems controls to ensure the completeness, and reliability of, and ready access to, the data described in paragraph (1)(A), and the accuracy of the calculations described in paragraph (1)(B).

"(d) INFORMATION INTEGRITY AND SECURITY.—The State agency shall have in effect safeguards on the integrity, accuracy, and completeness of, access to, and use of data in the automated system required under this section, which shall include the following (in addition to such other safeguards as the Secretary specifies in regulations):

"(1) POLICIES RESTRICTING ACCESS.—Written policies concerning access to data by State agency personnel, and sharing of data with other persons, which—

''(A) permit access to and use of data only to the extent necessary to carry out program responsibilities;

''(B) specify the data which may be used for particular program purposes, and the personnel permitted access to such data; and

''(C) ensure that data obtained or disclosed for a limited program purpose is not used or redisclosed for another, impermissible purpose.

''(2) SYSTEMS CONTROLS.—Systems controls (such as passwords or blocking of fields) to ensure strict adherence to the policies specified under paragraph (1).

''(3) MONITORING OF ACCESS.—Routine monitoring of access to and use of the automated system, through methods such as audit trails and feedback mechanisms, to guard against and promptly identify unauthorized access or use.

''(4) TRAINING AND INFORMATION.—The State agency shall have in effect procedures to ensure that all personnel (including State and local agency staff and contractors) who may have access to or be required to use sensitive or confidential program data are fully informed of applicable requirements and

penalties, and are adequately trained in security procedures.

''(5) PENALTIES.—The State agency shall have in effect administrative penalties (up to and including dismissal from employment) for unauthorized access to, or disclosure or use of, confidential data.''.

(3) IMPLEMENTATION TIMETABLE.—Section 454(24) is amended to read as follows:

''(24) provide that the State will have in effect an automated data processing and information retrieval system—

''(A) by October 1, 1995, meeting all requirements of this part which were enacted on or before the date of enactment of the Family Support Act of 1988; and

''(B) by October 1, 1998, meeting all requirements of this part enacted on or before the date of enactment of the Work and Responsibility Act of 1994 (but this provision shall not be construed to alter earlier deadlines specified for elements of such system);''.

(b) SPECIAL FEDERAL MATCHING RATE FOR DEVELOPMENT COSTS OF AUTOMATED SYSTEMS.—Section 455(a) is amended—

(1) in paragraph (1)(B)—

(A) by striking ''90 percent'' and inserting ''the percent specified in paragraph (3)'';

(B) by striking ''so much of''; and

(C) by striking ''which the Secretary'' and all that follows and inserting '', and''; and

(2) by adding at the end the following new paragraph:

''(3)(A) The Secretary shall pay to each State, for each quarter in fiscal year 1995, 90 percent of so much of State expenditures described in subparagraph (1)(B) as the Secretary finds are for a system meeting the requirements specified in section 454(16), or meeting such requirements without regard to clause (D) thereof.

''(B)(i) The Secretary shall pay to each State, for each quarter in fiscal years 1996 through 2000, the percentage specified in clause (ii) of so much of State expenditures described in subparagraph (1)(B) as the Secretary finds are for a system meeting the requirements specified in section 454(16) and 454A, subject to clause (iii).

''(ii) The percentage specified in this clause, for purposes of clause (i), is the higher of—

''(I) 80 percent, or

''(II) the percentage otherwise applicable to Federal payments to the State under subparagraph (A) (as adjusted in pursuant to section 458).

''(iii) Notwithstanding any other provision of this section, the total amount payable by the Secretary with respect to expenditures during fiscal years specified in clause (i) shall not exceed $260,000,000, to be distributed among the States, and to be made available at such time or times over the five-year period, as is provided in regulations issued by the Secretary, taking into account the relative size of State caseloads and the level of automation needed to meet the requirements of this part, and payments under clause (i) shall be made to a State at such times and in such a manner as provided in the advance planning document approved under section 452(d).''.

(c) CONFORMING AMENDMENT.—Section 123(c) of the Family Support Act of 1988 is repealed.

(d) ADDITIONAL PROVISIONS.—For additional provisions of section 454A, as added by subsection (a), see sections 621, 622, and 636 of this Act.

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

(a) REPORTING TO SECRETARY.—Section 452(a) is amended, in the matter preceding paragraph (1), by striking ''directly''.

(b) TRAINING PROGRAM.—Section 452(a)(7) is amended by striking ''paternity;'' and inserting ''paternity, through activities including—

''(A) development of a core curriculum and training standards to be used by States in the development of State-specific training guides; and

''(B) development of a national training program for directors of State programs under this part;''.

(c) STATE PLAN REQUIREMENT.—Section 454, as amended by sections 602 and 604, is further amended—

(1) by striking ''and'' at the end of paragraph (25);

(2) by striking the period at the end of paragraph (26) and inserting ''; and''; and

(3) by adding after paragraph (26) the following new paragraph:

''(27) provide that the State agency will develop and implement a training program which—

''(A) is consistent with the national training standards and core curriculum developed by the Secretary pursuant to section 452(a)(7), and uses a State-specific training guide incorporating such core curriculum;

''(B) provides for initial and ongoing training of all staff (including State and local agency staff and contractors) of the program under

this part, including annual training for case workers and special training when significant changes are made in statutes, regulations, policies, or procedures; and

''(C) may provide (subject to approval by the Secretary) for appropriate training of other persons with responsibilities relating to the implementation of the State program under this part (including staff administering programs under part A, part E, title XIX, and other related and complementary programs; judges and other staff of judicial and administrative tribunals; law enforcement personnel; staff of social services organizations; and the private bar.''.

(d) STAFFING STUDIES.—(1) SCOPE OF STUDY.—The Secretary of Health and Human Services shall, directly or by contract, conduct studies of the staffing of each State child support enforcement program under title IV–D of the Act. Such studies shall include a review of the staffing needs created by requirements for automated data processing, maintenance of a central case registry, and centralized collections of child support, and of changes in these needs resulting from changes in such requirements.

(2) FREQUENCY OF STUDIES.—The Secretary shall complete the first staffing study required under paragraph (1) by October 1, 1996, and may conduct additional studies subsequently at appropriate intervals.

(3) REPORT TO CONGRESS.—The Secretary shall submit a report to the Congress stating the findings and conclusions of each study conducted under this subsection.

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

Section 452 is amended by adding at the end the following new subsection:

''(j) FUNDING FOR FEDERAL ACTIVITIES ASSISTING STATE PROGRAMS.—(1) There shall be available to the Secretary, from amounts appropriated for fiscal year 1995 and each succeeding fiscal year for payments to States under this part, the amount specified in paragraph (2) for the costs to the Secretary for—

''(A) information dissemination and technical assistance to States, training of State and Federal staff, staffing studies, and related activities needed to improve programs (including technical assistance concerning State automated systems);

''(B) research, demonstration, and special projects of regional or national significance relating

to the operation of State programs under this part; and

''(C) operation of the Federal parent Locator Service under section 453 and the National Welfare Reform Information Clearinghouse under section 453A, to the extent such costs are not recovered through user fees.

''(2) The amount specified in this paragraph for a fiscal year is the amount equal to a percentage of the reduction in Federal payments to States under part A on account of child support (including arrearages) collected in the preceding fiscal year on behalf of children receiving aid under such part A in such 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), equal to—

''(A) 1 percent, for the activities specified in subparagraphs (A) and (B) of paragraph (1); and

''(B) 2 percent, for the activities specified in subparagraph (C) of paragraph (1).''.

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

(a) ANNUAL REPORT TO CONGRESS.—(1) Section 452(a)(10)(A) is amended—

(A) by striking ''this part;'' and inserting ''this part, including—''; and

(B) by adding at the end the following indented clauses:

''(i) the total amount of child support payments collected as a result of services furnished during such fiscal year to individuals receiving services under this part;

''(ii) the cost to the States and to the Federal Government of furnishing such services to those individuals; and

''(iii) the number of cases involving families—

''(I) who became ineligible for aid under part A during a month in such fiscal year; and

''(II) with respect to whom a child support payment was received in the same month;''.

(2) Section 452(a)(10)(C) is amended—

(A) in the matter preceding clause (i)—

(i) by striking ''with the data required under each clause being separately stated for cases'' and inserting ''separately stated for (1) cases'';

(ii) by striking ''cases where the child was formerly receiving'' and inserting ''or formerly received'';

(iii) by inserting ''or 1912'' after ''471(a)(17)''; and

(iv) by inserting ''(2)'' before ''all other'';

(B) in each of clauses (i) and (ii), by striking '', and the total amount of such obligations'';

(C) in clause (iii), by striking ''described in'' and all that follows and inserting ''in which support was collected during the fiscal year;'';

(D) by striking clause (iv);

(E) by redesignating clause (v) as clause (vii), and inserting after clause (iii) the following new clauses:

''(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''.

(3) Section 452(a)(10)(G) is amended by striking ''on the use of Federal courts and''.

(4) Section 452(a)(10) is further amended by striking the matter following the end of subparagraph (I).

(b) DATA COLLECTION AND REPORTING.—Section 469 is amended—

(1) in subsections (a) and (b), to read as follows:

''(a) The Secretary shall collect and maintain, on a fiscal year basis, up-to-date statistics, by State, with respect to services to establish paternity and services to establish child support obligations, the data specified in subsection (b), separately stated, in the case of each such service, with respect to—

''(1) families (or dependent children) receiving aid under plans approved under part A (or E); and

''(2) families not receiving such aid.

''(b) The data referred to in subsection (a) are—

''(1) the number of cases in the caseload of the State agency administering the plan under this part in which such service is needed; and

''(2) the number of such cases in which the service has been provided.''; and

(2) in subsection (c), by striking ''(a)(2)'' and inserting ''(b)(2)''.

(c) EFFECTIVE DATE.—The amendments made by this section shall be effective with respect to fiscal year 1995 and succeeding fiscal years.

PART C—LOCATE AND CASE TRACKING

SEC. 621. CENTRAL STATE AND CASE REGISTRY.

Section 454A, as added by section 614, is further amended by adding at the end the following new subsections:

''(e) CENTRAL CASE REGISTRY.—(1) IN GENERAL.—The automated system required under this section shall perform the functions, in accordance with the provisions of this subsection, of a single central registry containing records with respect to each case in which services are being provided by the State agency (including, on and after October 1, 1997, each order specified in section 466(a)(12)), using such standardized data elements (such as names, social security numbers or other uniform identification numbers, dates of birth, and case identification numbers), and containing such other information (such as information on case status) as the Secretary may require.

''(2) PAYMENT RECORDS.—Each case record in the central registry shall include a record of—

''(A) the amount of monthly (or other periodic) support owed under the support order, and other

amounts due or overdue (including arrears, interest or late payment penalties, and fees);

''(B) the date on which the support obligation will terminate under such order;

''(C) all child support and related amounts collected (including such amounts as fees, late payment penalties, and interest on arrearages); and

''(D) the distribution of such amounts collected.

''(3) UPDATING AND MONITORING.—The State agency shall promptly establish and maintain, and regularly monitor, case records in the registry required by this subsection, on the basis of—

''(A) information on administrative actions and administrative and judicial proceedings and orders relating to paternity and support;

''(B) information obtained from matches with Federal, State, or local data sources;

''(C) information on support collections and distributions; and

''(D) any other relevant information.

''(f) DATA MATCHES AND OTHER DISCLOSURES OF INFORMATION.—The automated system required under this section shall have the capacity, and be used by the State agency, to extract data at such times, and in such standardized format or formats, as may be required by

the Secretary, and to share and match data with, and receive data from, other data bases and data matching services, in order to obtain (or provide) information necessary to enable the State agency (or Secretary or other State or Federal agencies) to carry out responsibilities under this part. Data matching activities of the State agency shall include at least the following:

''(1) NATIONAL CHILD SUPPORT REGISTRY.—Furnish to the National Child Support Registry established under section 453A (and update as necessary, with information including notice of expiration of orders) minimal information (to be specified by the Secretary) on each child support case in the central case registry.

''(2) FEDERAL PARENT LOCATOR SERVICE.—Exchange data with the Federal Parent Locator Service for the purposes specified in section 453.

''(3) AFDC AND MEDICAID AGENCIES.—Exchange data with State agencies (of the State and of other States) administering the programs under part A and title XIX, as necessary for the performance of State agency responsibilities under this part and under such programs.

''(4) INTRA- AND INTERSTATE DATA MATCHES.—Exchange data with other agencies of

the State, agencies of other States, and interstate information networks, as necessary and appropriate to carry out (or assist other States to carry out) the purposes of this part.''.

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

(a) STATE PLAN REQUIREMENT.—Section 454, as previously amended by sections 601, 605, and 615, is further amended—

(1) by striking ''and'' at the end of paragraph (26);

(2) by striking the period at the end of paragraph (27) and inserting ''; and''; and

(3) by adding after paragraph (27) the following new paragraph:

''(28) provide that the State agency, on and after October 1, 1997—

''(A) will operate a centralized, automated unit for the collection and disbursement of child support under orders being enforced under this part, in accordance with section 454B; and

''(B) will have sufficient State staff (consisting of State employees, and (at State option) contractors reporting directly to the State agency) to monitor and enforce support collec-

tions through such centralized unit, including carrying out the automated data processing responsibilities specified in section 454A(g) and to impose, as appropriate in particular cases, the administrative enforcement remedies specified in section 466(c)(1).''.

(b) ESTABLISHMENT OF CENTRALIZED COLLECTION UNIT.—Part D of title IV is amended by adding after section 454A the following new section:

''CENTRALIZED COLLECTION AND DISBURSEMENT OF SUPPORT PAYMENTS

''SEC. 454B. (a) IN GENERAL.—In order to meet the requirement of section 454(28), the State agency must operate a single centralized, automated unit for the collection and disbursement of support payments, coordinated with the automated data system required under section 454A, in accordance with the provisions of this section, which shall be—

''(1) operated directly by the State agency (or by two or more State agencies under a regional cooperative agreement), or by a single contractor responsible directly to the State agency; and

''(2) used for the collection and disbursement (including interstate collection and disbursement) of payments under support orders in all cases being enforced by the State pursuant to section 454(4).

"(b) REQUIRED PROCEDURES.—The centralized collections unit shall use automated procedures, electronic processes, and computer-driven technology to the maximum extent feasible, efficient, and economical, for the collection and disbursement of support payments, including procedures—

"(1) for receipt of payments from parents, employers, and other States, and for disbursements to custodial parents and other obligees, the State agency, and the State agencies of other States;

"(2) for accurate identification of payments;

"(3) to ensure prompt disbursement of the custodial parent's share of any payment; and

"(4) to furnish to either parent, upon request, timely information on the current status of support payments.".

(c) USE OF AUTOMATED SYSTEM.—Section 454A, as added by section 614 and amended by section 621, is further amended by adding at the end the following new subsection:

"(g) CENTRALIZED COLLECTION AND DISTRIBUTION OF SUPPORT PAYMENTS.—The automated system required under this section shall be used, to the maximum extent feasible, to assist and facilitate collections and disbursement of support payments through the centralized

collections unit operated pursuant to section 454B, through the performance of functions including at a minimum—

''(1) generation of orders and notices to employers (and other debtors) for the withholding of wages (and other income)—

''(A) within two working days after receipt (from the National Directory of New Hires or any other source) of notice of and the income source subject to such withholding; and

''(B) using uniform formats directed by the Secretary;

''(2) ongoing monitoring to promptly identify failures to make timely payment; and

''(3) automatic use of enforcement mechanisms (including mechanisms authorized pursuant to section 466(c)) where payments are not timely made.''.

(d) The amendments made by this section shall become effective on October 1, 1997.

SEC. 623. AMENDMENTS CONCERNING INCOME WITHHOLDING.

(a) MANDATORY INCOME WITHHOLDING.—(1) Section 466(a)(1) is amended to read as follows:

''(1) INCOME WITHHOLDING.—(A) UNDER ORDERS ENFORCED UNDER THE STATE PLAN.—Proce-

dures described in subsection (b) for the withholding from income of amounts payable as support in cases subject to enforcement under the State plan.

''(B) UNDER CERTAIN ORDERS PREDATING CHANGE IN REQUIREMENT.—Procedures under which all child support orders issued (or modified) before October 1, 1995, and which are not otherwise subject to withholding under subsection (b), shall become subject to withholding from wages as provided in subsection (b) if arrearages occur, without the need for a judicial or administrative hearing.''.

(2) Section 466(a)(8) is repealed.

(3) Section 466(b) is amended—

(A) in the matter preceding paragraph (1), by striking ''subsection (a)(1)'' and inserting ''subsection (a)(1)(A)'';

(B) in paragraph (5), by striking all that follows ''administered by'' and inserting ''the State through the centralized collections unit established pursuant to section 454B, in accordance with the requirements of such section 454B.'';

(C) in paragraph (6)(A)(i)—

(i) by inserting ‘‘, in accordance with timetables established by the Secretary,’’ after ‘‘must be required’’; and

(ii) by striking ‘‘to the appropriate agency’’ and all that follows and inserting ‘‘to the State centralized collections unit within 5 working days after the date such amount would (but for this subsection) have been paid or credited to the employee, for distribution in accordance with this part.’’;

(D) in paragraph (6)(A)(ii), by inserting ‘‘be in a standard format prescribed by the Secretary, and’’ after ‘‘shall’’; and

(E) in paragraph (6)(D)—

(i) by striking ‘‘employer who discharges’’ and inserting ‘‘employer who—(A) discharges’’;

(ii) by relocating subparagraph (A), as designated, as an indented subparagraph after and below the introductory matter;

(iii) by striking the period at the end; and

(iv) by adding after and below subparagraph (A) the following new subparagraph:

‘‘(B) fails to withhold support from wages, or to pay such amounts to the State centralized

collections unit in accordance with this subsection.''.

(b) CONFORMING AMENDMENT.—Section 466(c) is repealed.

(c) DEFINITION OF TERMS.—The Secretary shall promulgate regulations providing definitions, for purposes of title IV–D of the Act, for the term ''income'' and for such other terms relating to income withholding under section 466(b) of the Act as the Secretary may find it necessary or advisable to define.

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

STATE LAW REQUIREMENT.—Section 466(a), as amended by section 623, is amended by adding after paragraph (7) the following new paragraph:

''(8) LOCATOR INFORMATION.—(A) INTERSTATE NETWORKS.—Procedures ensuring that the State will neither provide funding for, nor use for any purpose (including any purpose unrelated to the purposes of this part), any automated interstate network or system used to locate individuals—

''(i) for purposes relating to the use of motor vehicles; or

''(ii) providing information for law enforcement purposes (where child support enforcement agencies

are otherwise allowed access by State and Federal law),

unless all Federal and State agencies administering programs under this part (including the entities established under sections 453 and 453A) have access to information in such system or network to the same extent as any other user of such system or network.

''(B) LABOR UNIONS.—Procedures under which labor unions, and their hiring halls, must furnish to the State agency, upon request, with respect to any union member against whom paternity or a support obligation is sought to be established or enforced, such information as the union or hiring hall may have on such member's residential address and telephone number, employer's name, address, and telephone number, and wages and medical insurance benefits.''.

SEC. 625. NATIONAL WELFARE REFORM INFORMATION CLEARINGHOUSE.

(a) Part D of title IV is amended by adding after section 453 the following new section:

''NATIONAL WELFARE REFORM INFORMATION CLEARINGHOUSE

''SEC. 453A. (a)(1) In order to assist States in administering their State plans under this part and parts

A, F, and G, and for the other purposes specified in this section, the Secretary shall establish and operate a National Welfare Reform Information Clearinghouse, performing the functions and meeting the requirements specified in this section, and containing the registries and directory specified in paragraph (2).

''(2) COMPONENTS SPECIFIED.—The registries and directory specified in this paragraph, for purposes of paragraph (1), are—

''(A) the National Child Support Registry established pursuant to subsection (b);

''(B) the National Directory of New Hires established pursuant to subsection (c);

''(C) the Federal Parent Locater Service established pursuant to section 453; and

''(D) the National Welfare Receipt Registry established pursuant section 411.

''(3) USE OF TERM.—For purposes of this section, references to registries maintained under this section shall be considered to include the National Directory of New Hires and the Federal Parent Locator Service.

''(b) NATIONAL CHILD SUPPORT REGISTRY.—(1) IN GENERAL.—The Secretary shall establish by October 1, 1997, and maintain thereafter, an automated registry, to be known as the National Child Support Registry, contain-

ing minimal information (in accordance with paragraph (2)) on each case in each State central 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 INFORMATION.—The case information required to be furnished pursuant to this subsection, as specified by the Secretary, shall include sufficient information (including 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 established or modified, or are enforcing or seeking to establish, such an order.

''(c) NATIONAL DIRECTORY OF NEW HIRES.—(1) IN GENERAL.—The Secretary shall establish by October 1, 1997, and maintain thereafter, an automated directory, to be known as the National Directory of New Hires, containing—

''(A) information supplied by employers on each newly hired individual, in accordance with paragraph (2); and

''(B) information supplied by State agencies administering State unemployment compensation laws, in accordance with paragraph (3).

''(2) EMPLOYER INFORMATION.—(A) INFORMATION REQUIRED.—Subject to subparagraph (D), each employer shall furnish to the Secretary, for inclusion in the directory under this subsection, not later than 10 days after the date (on or after October 1, 1997) on which the employer hires a new employee (as defined in subparagraph (C)), a report containing the name, date of birth, and social security number of such employee, and the employer identification number of the employer.

''(B) REPORTING METHOD AND FORMAT.—The Secretary shall provide for transmission of the reports required under subparagraph (A) using formats and methods which minimize the burden on employers, which shall include—

''(i) automated or electronic transmission of such reports;

''(ii) transmission by regular mail; and

''(iii) transmission of a copy of the form required for purposes of compliance with section 3402 of the Internal Revenue Code of 1986.

''(C) EMPLOYEE DEFINED.—For purposes of this paragraph, the term ''employee''—

''(i) means (subject to clause (ii)) any individual subject to the requirement of section 3402(f)(2) of the Internal Revenue Code of 1986; and

''(ii) does not include an employee of a Federal or State agency performing law enforcement functions, or of a Federal agency performing intelligence or counterintelligence functions, where the head of such agency has determined that reporting pursuant to this paragraph with respect to such employee could endanger the safety of the employee or compromise an ongoing investigation or intelligence mission.

''(D) PAPERWORK REDUCTION REQUIREMENT.—As required by the information resources management policies published by the Director of the Office of Management and Budget pursuant to 44 U.S.C. 3504(b)(1), the Secretary, in order to minimize the cost and reporting burden on employers, shall not require reporting pursuant to this paragraph if an alternative reporting mechanism can be developed that either relies on existing Federal or State reporting or enables the Secretary to collect the needed information in a more cost-effective and equally expeditious manner, taking into account the reporting costs on employers.

"(E) CIVIL MONEY PENALTY ON NONCOMPLYING EMPLOYERS.—(i) Any employer that fails to make a timely report in accordance with this paragraph with respect to an individual shall be subject to a civil money penalty, for each calendar year in which the failure occurs, of the lesser of $500 or 1 percent of the wages or other compensation paid by such employer to such individual during such calendar year.

"(ii) Subject to clause (iii), the provisions of section 1128A (other than subsections (a) and (b) thereof) shall apply to a civil money penalty under clause (i) in the same manner as they apply to a civil money penalty or proceeding under section 1128A(a).

"(iii) Any employer with respect to whom a penalty under this subparagraph is upheld after an administrative hearing shall be liable to pay all costs of the Secretary with respect to such hearing.

"(3) EMPLOYMENT SECURITY INFORMATION.—(A) REPORTING REQUIREMENT.—Each State agency administering a State unemployment compensation law approved by the Secretary of Labor under the Federal Unemployment Tax Act shall furnish to the Secretary of Health and Human Services extracts of the reports to the Secretary of Labor concerning the wages and unemployment com-

pensation paid to individuals required under section 303(a)(6), in accordance with subparagraph (B).

''(B) MANNER OF COMPLIANCE.—The extracts required under subparagraph (A) shall be furnished to the Secretary of Health and Human Services on a quarterly basis, with respect to calendar quarters beginning on and after October 1, 1995, by such dates, in such format, and containing such information as required by that Secretary in regulations.

''(d) DATA MATCHES AND OTHER DISCLOSURES.—(1) VERIFICATION BY SOCIAL SECURITY ADMINISTRATION.—(A) The Secretary shall transmit data on individuals and employers in the registries maintained under this section to the Social Security Administration to the extent necessary for verification in accordance with subparagraph (B).

''(B) The Social Security Administration shall verify the accuracy of, correct or supply to the extent necessary and feasible, and report to the Secretary, the following information in data supplied by the Secretary pursuant to subparagraph (A):

''(i) the name, social security number, and birth date of each individual; and

''(ii) the employer identification number of each employer.

"(2) CHILD SUPPORT LOCATOR MATCHES.—For the purpose of locating individuals for purposes of paternity establishment and establishment and enforcement of child support, the Secretary shall—

"(A) match data in the New Hire Directory against data in the Child Support Registry not less often than every 2 working days; and

"(B) report information obtained from such a match to concerned State agencies operating programs under this part not later than 2 working days after such match.

"(3) DATA MATCHES AND DISCLOSURES OF DATA IN ALL REGISTRIES.—(A) FOR TITLE IV PROGRAM PURPOSES.—The Secretary shall—

"(i) perform matches of data in each registry maintained under this section against data in each other such registry (other than the matches required pursuant to paragraph (1)), and report information resulting from such matches to State agencies operating programs under this part and parts A, F, and G; and

"(ii) disclose data in such registries to such State agencies—

to the extent, and with the frequency, that the Secretary determines to be effective in assisting such States to carry out their responsibilities under such programs.

''(B) FOR INCOME ELIGIBILITY VERIFICATION SYSTEM.—The Secretary shall disclose data in the registries maintained under this section to the programs specified in section 1137(b), to the extent necessary to enable such programs to meet requirements for an income eligibility verification system under such section 1137.

''(C) TO SOCIAL SECURITY ADMINISTRATION.—The Secretary shall disclose data in the registries maintained under this section to the Social Security Administration—

''(i) for the purpose of determining the accuracy of payments under the supplemental security income program under title XVI; or

''(ii) for use in connection with benefits under title II.

''(4) OTHER DISCLOSURES OF NEW HIRE DATA.—The Secretary shall disclose data in the New Hire Directory under subsection (c)—

''(A) to the Secretary of the Treasury for purposes directly connected with—

''(i) the administration of the earned income tax credit under section 32 of the Internal Revenue Code of 1986, or the advance payment

of such credit under section 3507 of such Code; or

''(ii) verification of a claim with respect to employment in an individual tax return; and

''(B) to State agencies operating employment security and workers compensation programs, for the purpose of assisting such agencies to determine the allowability of claims for benefits under such programs.

''(5) DISCLOSURES FOR RESEARCH PURPOSES.—The Secretary is authorized to disclose data in registries maintained under this section for research purposes found by the Secretary to be likely to contribute to achieving the purposes of this part or part A, F, or G, but without personal identifiers.

''(f) FEES.—(1) FOR SSA VERIFICATION.—The Secretary shall reimburse the Commissioner of Social Security, at a rate negotiated between the Secretary and the Commissioner, the costs incurred by the Commissioner in performing the verification services specified in subsection (d).

''(2) FOR INFORMATION FROM SESAS.—The Secretary shall reimburse costs incurred by State employment security agencies in furnishing data as required by subsection (c)(3), at rates which the Secretary determines to

be reasonable (which rates shall not include payment for the costs of obtaining, compiling, or maintaining such data).

''(3) FOR INFORMATION FURNISHED TO STATE AND FEDERAL AGENCIES.—State and Federal agencies receiving data or information from the Secretary pursuant to this section shall reimburse the costs incurred by the Secretary in furnishing such data or information, at rates which the Secretary determines to be reasonable (which rates shall include payment for the costs of obtaining, verifying, maintaining, and matching such data or information).

''(g) RESTRICTION ON DISCLOSURE AND USE.—Data in registries maintained pursuant to this section, and information resulting from matches using data maintained in such registries, shall not be used or disclosed except as specifically provided in this section.

''(h) RETENTION OF DATA.—Data in registries maintained pursuant to this title, and data resulting from matches performed pursuant to this section, shall be retained for such period (determined by the Secretary) as appropriate for the data uses specified in this section.

''(i) 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 system; and

''(2) restrict access to confidential information in the registries to authorized persons, and restrict use of such information to authorized purposes.

''(j) LIMIT ON LIABILITY.—The Secretary shall not be liable to either a State or an individual for inaccurate information provided to a registry maintained under this section and disclosed by the Secretary in accordance with this section.''.

(b) CONFORMING AMENDMENTS.—

(1) TO TITLE IV–D.—Section 454(8) is amended—

(A) by striking '', and'' at the end of subparagraph (A);

(B) in subparagraph (B), to read as follows:

''(B) the Federal Parent Locator Service established under section 453; and''; and

(C) by adding at the end the following new subparagraph:

''(C) the National Welfare Reform Information Clearinghouse established under section 453A;''.

(2) TO FEDERAL UNEMPLOYMENT TAX ACT.—26 U.S.C. 3304 is amended in paragraph (16)—

(A) by striking ''Secretary of Health, Education, and Welfare'' each place it appears and inserting ''Secretary of Health and Human Services'';

(B) in subparagraph (B), by striking ''such information'' and all that follows and inserting ''information furnished under subparagraph (A) or (B) is used only for the purposes authorized under such subparagraph;'';

(C) by striking ''and'' at the end of subparagraph (A);

(D) by redesignating subparagraph (B) as subparagraph (C); and

(E) by inserting after subparagraph (A) the following new subparagraph:

''(B) wage and unemployment compensation information contained in the records of such agency shall be furnished to the Secretary of Health and Human Services (in accordance with regulations promulgated by such Sec-

retary) as necessary for the purposes of the National Directory of New Hires established under section 453A(b) of the Social Security Act, and''.

(3) TO STATE GRANT PROGRAM UNDER TITLE III OF THE SOCIAL SECURITY ACT.—Section 303(a) is amended—

(A) by striking ''and'' at the end of paragraph (8);

(B) by striking the period at the end of paragraph (9) and inserting ''; and''; and

(C) by adding after paragraph (9) the following new paragraph:

''(10) The making of quarterly electronic reports, at such dates, in such format, and containing such information, as required by the Secretary of Health and Human Services under section 453A(b)(3), and compliance with such provisions as such Secretary may find necessary to ensure the correctness and verification of such reports.''.

SEC. 626. EXPANDED LOCATE AUTHORITY.

(a) EXPANDED AUTHORITY TO LOCATE INDIVIDUALS AND ASSETS.—Section 453 is amended—

(1) in subsection (a), by striking all that follows ''subsection (c))'' and inserting the following:

‘‘, for the purpose of establishing, setting the amount of, or enforcing child support obligations—

‘‘(1) information on, or facilitating the discovery of, the location of any individual—

‘‘(A) who is under an obligation to pay child support;

‘‘(B) against whom such an obligation is sought; or

‘‘(C) to whom such an obligation is owed, including such individual’s social security number (or numbers), most recent residential address, and the name, address, and employer identification number of such individual’s employer; and

‘‘(2) 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

‘‘(3) information on the type, status, location, and amount of any assets of, or debts owed by or to, any such individual.’’; and

(2) in subsection (b)—

(A) in the matter preceding paragraph (1), by striking ‘‘social security’’ and all that follows

through ''absent parent'' and inserting ''information specified in subsection (a)''; and

(B) in paragraph (2), by inserting before the period '', or from any consumer reporting agency (as defined in section 603(f) of the Fair Credit Reporting Act (15 U.S.C. 1681a(f))'';

(3) in subsection (e)(1), by inserting before the period '', or by consumer reporting agencies''.

(b) REIMBURSEMENT FOR DATA FROM FEDERAL AGENCIES.—Section 453(e)(2) is amended in the fourth sentence by inserting before the period ''in an amount which the Secretary determines to be reasonable payment for the data exchange (which amount shall not include payment for the costs of obtaining, compiling, or maintaining the data)''.

(c) ACCESS TO CONSUMER REPORTS UNDER FAIR CREDIT REPORTING ACT.—(1) Section 608 of the Fair Credit Reporting Act (15 U.S.C. 1681f) is amended—

(A) by striking '', limited to'' and inserting ''to a governmental agency (including the entire consumer report, in the case of a Federal, State, or local agency administering a program under part D of title IV of the Social Security Act, and limited to''; and

(B) by striking ''employment, to a governmental agency'' and inserting ''employment, in the case of any other governmental agency)''.

(2) REIMBURSEMENT FOR REPORTS BY STATE AGENCIES AND CREDIT BUREAUS.—Section 453 is amended by adding at the end the following new subsection:

''(g) The Secretary is authorized to reimburse costs to State agencies and consumer credit reporting agencies the costs incurred by such entities in furnishing information requested by the Secretary pursuant to this section in an amount which the Secretary determines to be reasonable payment for the data exchange (which amount shall not include payment for the costs of obtaining, compiling, or maintaining the data).''.

(d) DISCLOSURE OF TAX RETURN INFORMATION.—(1) Section 6103(1)(6)(A)(ii) of the Internal Revenue Code of 1986 (26 U.S.C. 6103(1)(6)(A)(ii) is amended by striking '', but only if'' and all that follows and inserting a period.

(2) Section 6103(1)(8)(A) of the Internal Revenue Code of 1986 (26 U.S.C. 6103(1)(8)(A)) is amended by inserting ''Federal,'' before ''State or local''.

(e) TECHNICAL AMENDMENTS.—

(1) Sections 452(a)(9), 453(a), 453(b), 463(a), and 463(e) are each amended by inserting ''Federal'' before ''Parent'' each place it appears.

(2) Section 453 is amended in the heading by adding ''FEDERAL'' before ''PARENT''.

SEC. 627. STUDIES AND DEMONSTRATIONS CONCERNING LOCATOR ACTIVITIES.

(a) STUDIES.—The Secretary of Health and Human Services shall study, and report and make recommendations to the Congress concerning—

(1) whether access to information available through the Federal Parent Locator Service under section 453 of the Social Security Act should be afforded to noncustodial parents seeking to locate their children and, if so, whether custodial parents at risk of harm by such noncustodial parents could be adequately protected; and

(2) the feasibility, implications, and costs of establishing and operating electronic data interchanges between such Service and major consumer credit reporting bureaus.

(b) DEMONSTRATIONS.—The Secretary shall make grants to States, from funds available under section 452(j) of the Social Security Act, for demonstrations designed to test the utility of automated data exchanges with State

data bases that have the potential to improve the States' effectiveness in locating individuals and resources for purposes of establishing paternity and establishing and enforcing support obligations.

SEC. 628. USE OF SOCIAL SECURITY NUMBERS.

(a) STATE LAW REQUIREMENT.—Section 466(a) is amended by adding at the end the following new paragraph:

''(13) SOCIAL SECURITY NUMBERS REQUIRED.—Procedures requiring the recording of social security numbers—

''(A) of both parties on marriage licenses and divorce decrees; and

''(B) of both parents, on birth records and child support and paternity orders.''.

(b) CLARIFICATION OF FEDERAL POLICY.—Section 205(c)(2)(C)(ii) is amended by striking the third sentence and inserting ''This clause shall not be considered to authorize disclosure of such numbers except as provided in the preceding sentence.''.

Part D—Streamlining and Uniformity of Procedures

SEC. 635. ADOPTION OF UNIFORM STATE LAWS.

(a) Section 466(a) is amended by adding at the end the following new paragraph:

"(14) INTERSTATE ENFORCEMENT.—(A) ADOPTION OF UIFSA.—Procedures under which the State adopts in its entirety (with the modifications and additions specified in this paragraph) not later than January 1, 1996, and uses on and after such date, the Uniform Interstate Family Support Act, as approved by the National Conference of Commissioners on Uniform State Laws in August, 1992.

"(B) EXPANDED APPLICATION OF UIFSA.—The State law adopted pursuant to subparagraph (A) shall be applied to any case—

"(i) involving an order established or modified in one State and for which a subsequent modification is sought in another State; or

"(ii) in which interstate activity is required to enforce an order.

"(C) LONG-ARM JURISDICTION, BASED ON RESIDENCE OF CHILD.—The State law adopted pursuant to subparagraph (A) shall presume that, in the case where a child meets the criteria for residence in the State, a tribunal of the State having jurisdiction over such child has jurisdiction over both parents of such child, if parentage has been legally established or acknowledged, or may be presumed under the laws of the State.

"(D) JURISDICTION TO MODIFY ORDERS.—For purposes of the State law adopted pursuant to subparagraph (A), section 611(a)(1) of such Uniform Act shall be amended to read as follows:

"'(1) the following requirements are met:

"'(i) the child, the individual obligee, and the obligor—

"'(I) do not reside in the issuing State; and

"'(II) either reside in this State or are subject to the jurisdiction of this State pursuant to section 201; and

"'(ii) (in any case where another State is exercising or seeks to exercise jurisdiction to modify the order) the conditions of section 204 are met to the same extent as required for proceedings to establish orders; or'.

"(E) PARTIES' OPTION CONCERNING JURISDICTION.—The State law adopted pursuant to subparagraph (A) shall allow parties, by agreement, to permit a State that issued an order to retain jurisdiction which the State would otherwise lose under the provisions of such law.

"(F) SERVICE OF PROCESS.—The State law adopted pursuant to subparagraph (A) shall recog-

nize as valid, for purposes of any proceeding subject to such State law, service of process upon persons in the State (and proof of such service) by any means acceptable in another State which is the initiating or responding State in such proceeding.

''(G) COOPERATION BY EMPLOYERS.—The State law adopted pursuant to subparagraph (A) shall provide for the use of procedures (including sanctions for noncompliance) under which all entities in the State (including for-profit, nonprofit, and governmental employers) are required to provide promptly, in response to a request by the State agency of that or any other State administering a program under this part, information on the employment, compensation, and benefits of any individual employed by such entity as an employee or contractor.''.

(b) EXPEDITED APPEAL OF CONSTITUTIONAL CHALLENGE.—(1) An appeal may be taken directly to the Supreme Court of the United States from any interlocutory or final judgment, decree, or order issued by a United States district court ruling upon the constitutionality of section 466(a)(14)(C) of the Act, as added by subsection (a).

(2) The Supreme Court shall, if it has not previously ruled on the question, accept jurisdiction over, and advance on the docket, and expedite to the greatest extent possible, such appeal. All cases raising such question shall be consolidated to the maximum extent permissible under applicable rules of civil procedure.

SEC. 636. STATE LAWS PROVIDING EXPEDITED PROCEDURES.

(a) STATE LAW REQUIREMENTS.—Section 466 is amended—

(1) in subsection (a)(2), in the first sentence, to read as follows: ''Expedited administrative and judicial procedures (including the procedures specified in subsection (c)) for establishing paternity and for establishing, modifying, and enforcing support obligations.''; and

(2) by adding after subsection (b) the following new subsection:

''(c) EXPEDITED PROCEDURES.—(1) ADMINISTRATIVE ACTION BY STATE AGENCY.—Procedures which give the State agency the authority (and recognize and enforce the authority of State agencies of other States), without the necessity of obtaining an order from any other judicial or administrative tribunal (but subject to due process safeguards, including (as appropriate) requirements for notice,

opportunity to contest the action, and opportunity for an appeal on the record to an independent administrative or judicial tribunal), to take the following actions relating to establishment or enforcement of orders:

"(A) ESTABLISH OR MODIFY SUPPORT AMOUNT.—To establish the amount of support awards in all cases in which services are being provided under this part, and to modify the amount of such awards under all orders included in the central case registry established under section 454A(e) (including orders entered by a court), in accordance with the guidelines established under section 467.

"(B) GENETIC TESTING.—To order genetic testing for the purpose of paternity establishment as provided in section 466(a)(5).

"(C) DEFAULT ORDERS.—To enter a default order, upon a showing of service of process and any additional showing required by State law—

"(i) establishing paternity, in the case of any putative father who refuses to submit to genetic testing; and

"(ii) establishing or modifying a support obligation, in the case of a parent (or other obligor or obligee) who fails to respond to notice to appear at a proceeding for such purpose.

''(D) SUBPOENAS.—To subpoena any financial or other information needed to establish, modify, or enforce an order, and to sanction failure to respond to any such subpoena.

''(E) ACCESS TO PERSONAL AND FINANCIAL INFORMATION.—To obtain access, subject to safeguards on privacy and information security, to the following records (including automated access, in the case of records maintained in automated data bases):

''(i) records of other State and local government agencies, including:

''(I) vital statistics (including records of marriage, birth, and divorce);

''(II) State and local tax and revenue records (including information on residence address, employer, income and assets);

''(III) records concerning real and titled personal property;

''(IV) records of occupational and professional licenses, and records concerning the ownership and control of corporations, partnerships, and other business entities;

''(V) employment security records;

''(VI) records of agencies administering public assistance programs;

''(VII) records of the motor vehicle department; and

''(VIII) corrections records; and

''(ii) certain records held by private entities, including—

''(I) customer records of public utilities and cable television companies; and

''(II) information (including information on assets and liabilities) on individuals who owe or are owed support (or against or with respect to whom a support obligation is sought) held by financial institutions (subject to limitations on liability of such entities arising from affording such access).

''(F) INCOME WITHHOLDING.—To order income withholding in accordance with section 466(a)(1) and (b).

''(G) CHANGE IN PAYEE.—(In cases where support is subject to an assignment under section 402(a)(26), 471(a)(17), or 1912, or to a requirement to pay through the centralized collections unit under section 454B) upon providing notice to obligor

and obligee, to direct the obligor or other payor to change the payee to the appropriate government entity.

''(H) SECURE ASSETS TO SATISFY ARREARAGES.—For the purpose of securing overdue support—

''(i) to intercept and seize any periodic or lump-sum payment to the obligor by or through a State or local government agency, including—

''(I) unemployment compensation, workers' compensation, and other benefits;

''(II) judgments and settlements in cases under the jurisdiction of the State or local government; and

''(III) lottery winnings;

''(ii) to attach and seize assets of the obligor held by financial institutions;

''(iii) to attach public and private retirement funds in appropriate cases, as determined by the Secretary; and

''(iv) to impose liens in accordance with paragraph (a)(4) and, in appropriate cases, to force sale of property and distribution of proceeds.

"(I) INCREASE MONTHLY PAYMENTS.—For the purpose of securing overdue support, to increase the amount of monthly support payments to include amounts for arrearages (subject to such conditions or restrictions as the State may provide).

"(J) SUSPENSION OF DRIVERS' LICENSES.—To suspend drivers' licenses of individuals owing past-due support, in accordance with subsection (a)(16).

"(2) SUBSTANTIVE AND PROCEDURAL RULES.—The expedited procedures required under subsection (a)(2) shall include the following rules and authority, applicable with respect to all proceedings to established paternity or to establish, modify, or enforce support orders:

"(A) LOCATOR INFORMATION; PRESUMPTIONS CONCERNING NOTICE.—Procedures under which—

"(i) the parties to any paternity or child support proceedings are required (subject to privacy safeguards) to file with the tribunal before entry of an order, and to update as appropriate, information on location and identity (including social security number, residential and mailing addresses, telephone number, driver's license number, and name, address, and telephone number of employer); and

''(ii) in any subsequent child support enforcement action between the same parties, the tribunal shall be authorized, upon sufficient showing that deligent effort has been made to ascertain such a party's current location, to deem due process requirements for notice and service of process to be met, with respect to such party, by delivery to the most recent residential or employer address so filed pursuant to clause (i).

''(B) STATEWIDE JURISDICTION.—Procedures under which—

''(i) the State agency and any administrative or judicial tribunal with authority to hear child support and paternity cases exerts statewide jurisdiction over the parties, and orders issued in such cases have statewide effect; and

''(ii) (in the case of a State in which orders in such cases are issued by local jurisdictions) a case may be transferred between jurisdictions in the State without need for any additional filing by the petitioner, or service of process upon the respondent, to retain jurisdiction over the parties.''.

(c) EXCEPTIONS FROM STATE LAW REQUIREMENTS.—Section 466(d) is amended—

(1) by striking ''(d) If'' and inserting ''(d) EXEMPTIONS FROM REQUIREMENTS.—(1) IN GENERAL.—Subject to paragraph (2), if''; and

(2) by adding at the end the following new paragraph:

''(2) NON-EXEMPT REQUIREMENTS.—The Secretary shall not grant an exemption from the requirements of—

''(A) subsection (a)(5) (concerning procedures for paternity establishment);

''(B) subsection (a)(10) (concerning modification of orders);

''(C) subsection (a)(12) (concerning recording of orders in the central State case registry);

''(D) subsection (a)(13) (concerning recording of social security numbers);

''(E) subsection (a)(14) (concerning interstate enforcement); or

''(F) subsection (c) (concerning expedited procedures), other than paragraph (1)(A) thereof (concerning establishment or modification of support amount).''.

(d) AUTOMATION OF STATE AGENCY FUNCTIONS.—Section 454A, as added by section 614 and amended by sections 621 and 622, is further amended by adding at the end the following new subsection:

''(h) EXPEDITED ADMINISTRATIVE PROCEDURES.—The automated system required under this section shall be used, to the maximum extent feasible, to implement the expedited administrative procedures required under section 466(c).''.

PART E—PATERNITY ESTABLISHMENT

SEC. 640. STATE LAWS CONCERNING PATERNITY ESTABLISHMENT.

(a) STATE LAWS REQUIRED.—Section 466(a)(5) is amended—

(1) by striking ''(5)'' and inserting ''(5) PROCEDURES CONCERNING PATERNITY ESTABLISHMENT.—'';

(2) in subparagraph (A)—

(A) by striking ''(A)'' and inserting ''(A) ESTABLISHMENT PROCESS AVAILABLE FROM BEFORE BIRTH UNTIL AGE EIGHTEEN.—'';

(B) by indenting clause (ii) an additional unit of indentation from the left margin; and

(C) by adding after and below clause (ii) the following new clause:

''(iii) Procedures which permit the initiation of proceedings to establish paternity before the birth of the child concerned.'';

(3) in subparagraph (B)—

(A) by striking ''(B)'' and inserting ''(B) PROCEDURES CONCERNING GENETIC TESTING.—(i)'';

(B) in clause (i), as redesignated, by inserting before the period '', where such request is supported by a sworn statement by such party setting forth facts establishing a reasonable possibility of the requisite sexual contact'';

(C) by inserting after and below clause (i) (as redesignated) the following new clause:

''(ii) Procedures which require the State agency, in any case in which such agency orders genetic testing—

''(I) to pay costs of such tests, subject to recoupment (where the State so elects) from the putative father if paternity is established; and

''(II) to obtain additional testing in any case where an original test result is disputed, upon request and ad-

vance payment by the disputing party.'';

(4) in subparagraph (C), to read as follows:

''(C) VOLUNTARY ACKNOWLEDGMENT PROCEDURE.—Procedures for a simple civil process for voluntarily acknowledging paternity under which—

''(i) the benefits, rights and responsibilities of acknowledging paternity are explained to unwed parents;

''(ii) due process safeguards are afforded; and

''(iii) hospitals and other health care facilities providing inpatient or outpatient maternity and pediatric services are required, as a condition of participation in the State program under title XIX—

''(I) to explain to unwed parents the matters specified in clause (i);

''(II) to make available the voluntary acknowledgment procedure required under this subparagraph; and

''(III) (in the case of hospitals providing maternity services) to have

facilities for obtaining blood or other genetic samples from the mother, putative father, and child for genetic testing; to inform the mother and putative father of the availability of such testing (at their expense); and to obtain such samples upon request of both such individuals;'';

(5) in subparagraphs (D) and (E), to read as follows:

''(D) LEGAL STATUS OF ACKNOWLEDGMENT.—Procedures under which—

''(i) a voluntary acknowledgment of paternity creates, at State option, either—

''(I) a conclusive presumption of paternity, or

''(II) a rebuttable presumption which becomes a conclusive presumption within one year, unless rebutted or invalidated by an intervening determination which reaches a contrary conclusion;

''(ii) (at State option), notwithstanding clause (i), upon the request of a party, a determination of paternity based on an

acknowledgment may be vacated on the basis of new evidence, the existence of fraud, or the best interests of the child; and

''(iii) a voluntary acknowledgment of paternity is admissible as evidence of paternity, and as a basis for seeking a support order, without requiring any further proceedings to establish paternity.

''(E) BAR ON ACKNOWLEDGMENT RATIFICATION PROCEEDINGS.—Procedures under which no judicial or administrative proceedings are required or permitted to ratify an unchallenged acknowledgment of paternity.'';

(6) in subparagraph (F), to read as follows:

''(F) ADMISSIBILITY OF GENETIC TESTING RESULTS.—Procedures—

''(i) requiring that the State admit into evidence, for purposes of establishing paternity, results of any genetic test that is—

''(I) of a type generally acknowledged, by accreditation bodies designated by the Secretary, as reliable evidence of paternity; and

''(II) performed by a laboratory approved by such an accreditation body;

''(ii) that any objection to genetic testing results must be made in writing not later than a specified number of days before any hearing at which such results may be introduced into evidence (or, at State option, not later than a specified number of days after receipt of such results); and

''(iii) that, if no objection is made, the test results are admissible as evidence of paternity without the need for foundation testimony or other proof of authenticity or accuracy.''; and

''(7) by adding after subparagraph (H) the following new paragraphs:

''(I) NO RIGHT TO JURY TRIAL.—Procedures providing that the parties to an action to establish paternity are not entitled to jury trial.

''(J) TEMPORARY SUPPORT ORDER BASED ON PROBABLE PATERNITY IN CONTESTED CASES.—Procedures which require that a temporary order be issued, upon motion by a party,

requiring the provision of child support pending an administrative or judicial determination of parentage, where there is clear and convincing evidence of paternity (on the basis of genetic tests or other evidence).

''(K) PROOF OF CERTAIN SUPPORT AND PATERNITY ESTABLISHMENT COSTS.—Procedures under which bills for pregnancy, childbirth, and genetic testing are admissible as evidence without requiring third-party foundation testimony, and shall constitute prima facie evidence of amounts incurred for such services and testing on behalf of the child.

''(L) WAIVER OF STATE DEBTS FOR COOPERATION.—Procedures under which the tribunal establishing paternity and support has discretion to waive rights to all or part of amounts owed to the State (but not to the mother) for costs related to pregnancy, childbirth, and genetic testing and for public assistance paid to the family where the father cooperates or acknowledges paternity before or after genetic testing.

''(M) STANDING OF PUTATIVE FATHERS.—Procedures ensuring that the putative father

has a reasonable opportunity to initiate a paternity action.''.

(b) TECHNICAL AMENDMENT.—Section 468 is amended by striking ''a simple civil process for voluntarily acknowledging paternity and''.

SEC. 641. OUTREACH FOR VOLUNTARY PATERNITY ESTABLISHMENT.

(a) STATE PLAN REQUIREMENT.—Section 454(23), as amended by section 606, is further amended by adding at the end the following new subparagraph:

''(C) publicize the availability and encourage the use of procedures for voluntary establishment of paternity and child support through a variety of means, which—

''(i) include distribution of written materials at health care facilities (including hospitals and clinics), and other locations such as schools;

''(ii) may include pre-natal programs to educate expectant couples on individual and joint rights and responsibilities with respect to paternity (and may require all expectant recipients of assistance under part A to participate in such pre-natal programs, as an element of cooperation with

efforts to establish paternity and child support);

''(iii) include, with respect to each child discharged from a hospital after birth for whom paternity or child support has not been established, reasonable follow-up efforts (including at least one contact of each parent whose whereabouts are known, except where there is reason to believe such follow-up efforts would put mother or child at risk), providing—

''(I) in the case of a child for whom paternity has not been established, information on the benefits of and procedures for establishing paternity; and

''(II) in the case of a child for whom paternity has been established but child support has not been established, information on the benefits of and procedures for establishing a child support order, and an application for child support services;''.

(b) ENHANCED FEDERAL MATCHING.—Section 455(a)(1)(C) is amended—

(1) by inserting ''(i)'' before ''laboratory costs'', and

(2) by inserting before the semicolon '', and (ii) costs of outreach programs designed to encourage voluntary acknowledgment of paternity''.

(c) EFFECTIVE DATES.—(1) The amendments made by subsection (a) shall become effective October 1, 1996.

(2) The amendments made by subsection (b) shall be effective with respect to calendar quarters beginning on and after October 1, 1995.

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

Section 403 is amended—

(1) in subsection (a), as amended by section 612(e), by striking ''subsection (h)'' and inserting ''subsections (h) and (i)—''; and

(2) by adding after subsection (h) the following new subsection:

''(i) PENALTY FOR FAILURE TO ESTABLISH PATERNITY PROMPTLY.—(1) IN GENERAL.—The amounts otherwise payable to a State under subsection (a) for any calendar quarter beginning 10 months or more after enactment of this subsection shall be reduced by an amount, determined pursuant to regulations in accordance with

paragraph (2), for certain children for whom paternity has not been established.

''(2) REDUCTION FORMULA.—The Secretary shall promulgate regulations specifying the formula for the reduction required under this subsection, which formula shall provide for a reduction in Federal matching payments to a State under this section by an amount equal to the product of—

''(A) the number (after allowing for the tolerance level established under paragraph (3)) of children born on or after the date 10 months after enactment of this provision who are receiving aid under the State plan under part A, whose custodial relatives have, throughout the preceding 12-month period, complied with the cooperation requirements specified in section 454(25)(D), but for whom paternity has not been established;

''(B) the average monthly assistance payment under the State plan under this part; and

''(C) the Federal matching rate applicable to such assistance payment.

''(3) TOLERANCE LEVEL.—(A) The tolerance level, for purposes of paragraph (2)(A), shall not be higher than the percentage specified in subparagraph (B) of children in the State described in paragraph (1), and may decrease

over time to make allowance for a State's inability to establish paternity in all cases.

''(B) The percentage specified in this paragraph shall be 25 percent for fiscal years 1997 and 1998, 20 percent for fiscal years 1999 and 2000, 15 percent for fiscal years 2001 and 2002, and 10 percent for fiscal year 2003 and each succeeding fiscal year.''.

SEC. 643. INCENTIVES TO PARENTS TO ESTABLISH PATERNITY.

(a) OPTIONAL STATE ACTIVITIES.—Section 455 is amended by adding at the end the following new subsection:

''(f) PATERNITY ESTABLISHMENT INCENTIVES TO FAMILIES.—(1) The Secretary, in accordance with regulations, may approve proposals by States to amend State plans under this part to provide for incentive payments to families to encourage paternity establishment.

''(2) Federal financial participation shall be available in accordance with subsection (a) for expenditures by a State pursuant to a plan amendment approved under paragraph (1).

(b) DEMONSTRATIONS.—(1) PROJECTS AUTHORIZED.—The Secretary shall authorize up to 3 States to conduct demonstrations providing financial incentives to families for establishment of paternity.

(2) FEDERAL FUNDING.—(A) Subject to subparagraph (B), a State participating in a demonstration under this section shall be entitled to Federal payments pursuant to section 455(f) of the Social Security Act for 90 percent of the payments to families under such demonstration.

(B) FUNDING LIMITATION.—Total Federal expenditures for demonstrations under this section shall not exceed $1,000,000.

PART F—ESTABLISHMENT AND MODIFICATION OF SUPPORT ORDERS

SEC. 651. NATIONAL COMMISSION ON CHILD SUPPORT GUIDELINES.

(a) ESTABLISHMENT.—The Secretary is authorized to establish, in accordance with this section, a commission to be known as the ''National Commission on Child Support Guidelines'' (in this section referred to as the ''Commission'').

(b) GENERAL DUTIES.—The Commission shall consider whether a national child support guideline is advisable and, if it so determines, shall develop and propose for congressional consideration such a guideline (or parameters for State guidelines), reflecting the Commission's study of various guideline models and its conclusions concerning their strengths and deficiencies, and specifically reflecting consideration of the need for simplicity and ease

of application of guidelines, and of the matters enumerated in subsection (c).

(c) MATTERS FOR CONSIDERATION BY THE COMMISSION.—In making the recommendations concerning guidelines required pursuant to subsection (b), the Commission shall consider—

(1) the adequacy of State child support guidelines established pursuant to section 467;

(2) matters generally applicable to all support orders, including—

(A) the feasibility of adopting uniform terms in all child support orders;

(B) how to define income and under what circumstances income should be imputed; and

(C) tax treatment of child support payments;

(3) the appropriate treatment of cases in which either or both parents have financial obligations to more than one family, including the effect (if any) to be given to—

(A) the income of either parent's spouse; and

(B) the financial responsibilities of either parent for other children or stepchildren;

(4) the appropriate treatment of expenses for child care (including care of the children of either parent, and work-related or job-training-related child care);

(5) the appropriate treatment of expenses for health care (including uninsured health care) and other extraordinary expenses for children with special needs;

(6) the appropriate duration of support by one or both parents, including—

(A) support (including shared support) for post-secondary or vocational education; and

(B) support for disabled adult children; and

(7) whether, or to what extent, support levels should be adjusted in cases where custody is shared or where the noncustodial parent has extended visitation rights.

(d) MEMBERSHIP.—

(1) NUMBER; APPOINTMENT.—

(A) IN GENERAL.—The Commission shall be composed of 12 individuals appointed not later than March 1, 1995, of which—

(i) two shall be appointed by the Chairman of the Senate Committee on Fi-

nance, and one shall be appointed by the Ranking Minority Member of such Committee;

(ii) two shall be appointed by the Chairman of the House Committee on Ways and Means, and one shall be appointed by the Ranking Minority Member of such Committee; and

(iii) six shall be appointed by the Secretary of Health and Human Services.

(B) QUALIFICATIONS OF MEMBERS.—Members of the Commission shall have expertise and experience in the evaluation and development of child support guidelines. At least one member shall represent advocacy groups for custodial parents, at least one member shall represent advocacy groups for noncustodial parents, and at least one member shall be the director of a State program under title IV–D of the Social Security Act.

(2) TERMS OF OFFICE.—Each member shall be appointed for the life of the Commission. A vacancy in the Commission shall be filled in the manner in which the original appointment was made.

(e) COMMISSION POWERS, COMPENSATION, ACCESS TO INFORMATION, AND SUPERVISION.—The first sentence of subparagraph (C), the first and third sentences of subparagraph (D), subparagraph (F) (except with respect to the conduct of medical studies), clauses (ii) and (iii) of subparagraph (G), and subparagraph (H) of section 1886(e)(6) of the Social Security Act shall apply to the Commission in the same manner in which such provisions apply to the Prospective Payment Assessment Commission, except that references in such section to the Office of Technology Assessment shall be disregarded.

(f) REPORT.—Not later than July 1, 1997, the Commission shall report to the President and the Congress on the results of the studies required under this section.

(g) The Commission shall terminate 6 months after submission of the report required under subsection (f).

(h) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this section $1,000,000 for each of fiscal years 1995 and 1996, to remain available until expended.

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

(a) STATE LAW REQUIREMENTS.—Section 466(a)(10) is amended—

(1) by inserting ''PROCEDURES FOR MODIFICATION OF SUPPORT ORDERS.—'' after ''(10)'';

(2) by redesignating subparagraph (C) as subparagraph (E) and inserting after subparagraph (B) the following new subparagraphs:

''(C)(i) Procedures to ensure that, beginning October 1, 1999 (or such earlier date as the State may select), the State agency (or, at the option of the State, the local agency) reviews and adjusts, in accordance with guidelines established pursuant to section 467(a), judicial and administrative child support orders included in the State registry established pursuant to section 454A(d), under which (subject to clauses (ii) and (iii) the order—

''(I) is to be reviewed not later than 36 months after the establishment of the order or the most recent adjustment of (or determination not to adjust) such order; and

''(II) (at State option) may not be reviewed during a minimum period established by the State following the establishment or most recent review of the order.

''(ii) The requirement of clause (i)(I) shall not apply in any case where—

''(I) the State has determined, in accordance with regulations of the Secretary, that such a review would not be in the best interests of the child; or

''(II) both parents have been informed of the modified support amount that would be imposed under the guidelines and have declined such modification in writing.

''(iii) The State shall provide for review of a child support order upon the request of either parent, notwithstanding the requirement of clause (i)(II), whenever, subsequent to the establishment or most recent review—

''(I) either parent's income has changed by more than 20 percent, or

''(II) other substantial changes have occurred in either parent's circumstances.

''(D) AMOUNT OF MODIFICATION BASED ON GUIDELINES.—Procedures under which support orders reviewed in accordance with subparagraph (C) must be adjusted in accordance with the guidelines established pursuant to section 467(a), without a requirement for any

other change in circumstances (except that the State may refuse to modify an order in any case where the change in the support amount, if so modified, would not exceed a threshold percentage (which may not be greater than 10 percent)).'';

(3) in subparagraph (E), as redesignated—

(i) by striking ''(E)'' and inserting ''(E) DUE PROCESS SAFEGUARDS.—'';

(ii) in the matter preceding clause (i), by striking ''this part—'' and inserting ''this part, in accordance with State due process requirements—'';

(iii) in clause (i), by striking '', at least 30 days before the commencement of such review''; and

(iv) in clause (iii), by striking ''not less than 30 days'' and inserting ''a reasonable time''.

(b) AUTOMATED PROCEDURES.—Section 454A, as previously added and amended by this Act, is further amended by adding at the end the following new subsection:

''(i) MODIFICATION OF SUPPORT ORDERS.—The automated system required under this section shall be

used, to the maximum extent feasible, to assist in the review and modification of support orders in accordance with the timetable under section 466(a)(10) and the guidelines under section 467.''.

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

(a) REQUIREMENT FOR STUDY.—The Secretary of Health and Human Services and the Secretary of the Treasury shall conduct a study to determine how return information (as defined in section 6103(b) of the Internal Revenue Code of 1986) filed with the Secretary of the Treasury might be used to facilitate the process of determining the amount (if any) by which child support award amounts should be modified in accordance with guidelines established under section 467.

(b) AMENDMENT TO INTERNAL REVENUE CODE.—Section 6103(1)(6) of the Internal Revenue Code of 1986 is amended by adding at the end the following new subparagraph:

''(C) Upon written request by the Secretary of Health and Human Services, the Secretary may disclose return information to officers and employees of the Department of the Treasury and the Department of Health and

Human Services, as may be specified in such written request, to be used in conducting the study required under section 653 of the Work and Responsibility Act of 1994. Return information disclosed pursuant to this subparagraph shall be used only for purposes of conducting such study.''.

PART G—ENFORCEMENT OF SUPPORT ORDERS

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

Part D of title IV is amended by inserting after section 455 the following new section:

''REVOLVING FUND FOR PROGRAM IMPROVEMENTS TO INCREASE COLLECTIONS

''SEC. 455A. (a) PURPOSE; AUTHORIZATION OF APPROPRIATIONS.—The Secretary is authorized to establish a revolving fund for loans to States operating programs under this part, for short-term projects by such States (and political subdivisions of such States) for making operational improvements in such programs with the potential for achieving substantial increases in child support collections. There are authorized to be appropriated for payment to such fund $10,000,000 for each of fiscal years 1998 and 1999, and $20,000,000 for each of fiscal years 2000 through 2003: *Provided,* That payment may be made

to this fund only to the extent, and in such amounts, as are provided for in advance in appropriations Acts.

''(b) CRITERIA FOR LOAN AWARDS.—Criteria for evaluating applications for loans under this section must include—

''(1) the likelihood that the proposed project will increase child support collections, and

''(2) the availability to the State (or political subdivision) of funding for the project from other sources.

''(c) AMOUNT AND DURATION OF LOANS.—

''(1) AMOUNT.—Loans may be made to a State under this section in amounts not to exceed $5,000,000 per State or $1,000,000 per project (or $5,000,000 for a single Statewide project in a large State). States may supplement loan funds under this section with funds from other sources, and may require contributions from local jurisdictions served by the project.

''(2) DURATION.—Loan payments to a State for a project under this section may not be made for a period longer than 3 years.

''(d) RECOUPMENT.—A loan to a State under this section shall be recovered from the State over 3 fiscal years, beginning in the fourth calendar quarter beginning

after the project ends (or, if earlier, the sixteenth calendar quarter beginning after loan payments for the project began) through—

"(1) an offset of one-half of the increase in incentive payments due to the State under section 458 for each calendar quarter until funds are fully repaid, plus

"(2) an offset from payments due to the State under section 455(a) for each calendar quarter equal to the amount, if any, by which one-twelfth of the total loan (plus interest) exceeds the amount described under paragraph (1),

with such amounts recovered being credited to the revolving fund under this section.

"(e) AVAILABILITY AS STATE SHARE.—Funds received by a State under this section may be used by the State as the non-Federal share of expenditures under the State program under this part.".

SEC. 662. FEDERAL INCOME TAX REFUND OFFSET.

(a) CHANGED ORDER OF REFUND DISTRIBUTION UNDER INTERNAL REVENUE CODE.—(1) Section 6402(c) of the Internal Revenue Code of 1986 is amended—

(A) by striking "The amount" and inserting "(1) IN GENERAL.—The amount";

(B) by striking ''paid to the State. A reduction'' and inserting ''paid to the State.

''(2) Priorities for offset. A reduction'';

(C) by striking ''shall be applied first''and inserting ''shall be applied (after any reduction under subsection (d) on account of a debt owed to the Department of Education or Department of Health and Human Services with respect to a student loan) first'';

(D) by striking ''has been assigned'' and inserting ''has not been assigned''; and

(E) by striking ''and shall be applied'' and all that follows and inserting ''and shall thereafter be applied to satisfy any past-due support that has been so assigned.''.

(2) Section 6402(d)(2) of such Code is amended by striking ''after such overpayment'' and all that follows through ''Social Security Act and'' and inserting ''(A) before such overpayment is reduced pursuant to subsection (c), in the case of a debt owed to the Department of Education or Department of Health and Human Services with respect to a student loan, (B) after such overpayment is reduced pursuant to subsection (c), in the case of any other debt, and (C) in either case,''.

(b) ELIMINATION OF DISPARITIES IN TREATMENT OF ASSIGNED AND NON-ASSIGNED ARREARAGES.—(1) Section 464(a) is amended—

(A) by striking ''(a)'' and inserting ''(a) Offset Authorized.—'';

(B) in paragraph (1)—

(i) in the first sentence, by striking ''which has been assigned to such State pursuant to section 402(a)(26) or section 471(a)(17)''; and

(ii) in the second sentence, by striking ''in accordance with section 457(b)(4) or (d)(3)'' and inserting ''as provided in paragraph (2)'';

(C) in paragraph (2), to read as follows:

''(2) The State agency shall distribute amounts paid by the Secretary of the Treasury pursuant to paragraph (1)—

''(A) in accordance with section 457(a)(4) or (d)(3), in the case of past-due support assigned to a State pursuant to section 402(a)(26) or section 471(a)(17); and

''(B) to or on behalf of the child to whom the support was owed, in the case of past-due support not so assigned.'';

(C) in paragraph (3)—

(i) by striking ''or (2)'' each place it appears; and

(ii) in subparagraph (B), by striking ''under paragraph (2)'' and inserting ''on account of past-due support described in paragraph (2)(B)'';

(2) Section 464(b) is amended—

(A) by striking ''(b)(1)'' and inserting ''(b) REGULATIONS.—''; and

(B) by striking paragraph (2).

(3) Section 464(c) is amended—

(A) by striking ''(c)(1) Except as provided in paragraph (2), as'' and inserting ''(c) DEFINITION.—As''; and

(B) by striking paragraphs (2) and (3).

(c) EFFECTIVE DATE.—The amendments made by this section shall become effective October 1, 1996.

SEC. 663. INTERNAL REVENUE SERVICE COLLECTION OF ARREARS.

(a) AMENDMENT TO INTERNAL REVENUE CODE.—Section 6305(a) of the Internal Revenue Code of 1986 is amended—

(1) in paragraph (1), by inserting ''except as provided in paragraph (5)'' after ''collected'';

(2) by striking ''and'' at the end of paragraph (3);

(3) by striking the period at the end of paragraph (4) and inserting a comma;

(4) by adding after paragraph (4) the following new paragraph:

''(5) no additional fee may be assessed for adjustments to an amount previously certified pursuant to such section 452(b) with respect to the same obligor.''; and

(5) by striking ''Secretary of Health, Education, and Welfare'' each place it appears and inserting ''Secretary of Health and Human Services''.

(b) EFFECTIVE DATE.—The amendments made by this section shall become effective October 1, 1996.

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

(a) CONSOLIDATION AND STREAMLINING OF AUTHORITIES.—

(1) Section 459 is amended in the caption by inserting ''INCOME WITHHOLDING,'' before ''GARNISHMENT''.

(2) Section 459(a) is amended—

(A) by striking ''(a)'' and inserting ''(a) CONSENT TO SUPPORT ENFORCEMENT.—

(B) by striking ''section 207'' and inserting ''section 207 of this Act and 38 U.S.C. 5301''; and

(C) by striking all that follows ''a private person,'' and inserting ''to withholding in accordance with State law pursuant to subsections (a)(1) and (b) of section 466 and regulations of the Secretary thereunder, and to any other legal process brought, by a State agency administering a program under this part or by an individual obligee, to enforce the legal obligation of such individual to provide child support or alimony.''.

(3) Section 459(b) is amended to read as follows:

''(b) CONSENT TO REQUIREMENTS APPLICABLE TO PRIVATE PERSON.— Except as otherwise provided herein, each entity specified in subsection (a) shall be subject, with respect to notice to withhold income pursuant to section 466(a)(1) or (b), or to any other order or process to enforce support obligations against an individual (if such order or process contains or is accompanied by sufficient data to permit prompt identification of the individual

and the moneys involved), to the same requirements as would apply if such entity were a private person.''.

(4) Section 459(c) is redesignated and relocated as paragraph (2) of subsection (f), and is amended—

(A) by striking ''responding to interrogatories pursuant to requirements imposed by section 461(b)(3)'' and inserting ''taking actions necessary to comply with the requirements of subsection (A) with regard to any individual''; and

(B) by striking ''any of his duties'' and all that follows and inserting ''such duties.''.

(5) Section 461(b) is relocated and redesignated as section 459(c)(1), and is amended to read as follows:

''(c) DESIGNATION OF AGENT; RESPONSE TO NOTICE OR PROCESS.—(1) The head of each agency subject to the requirements of this section shall—

''(A) designate an agent or agents to receive orders and accept service of process; and

''(B) publish (i) in the appendix of such regulations, (ii) in each subsequent republication of such regulations, and (iii) annually in the Federal Register, the designation of such agent or agents, identi-

fied by title of position, mailing address, and telephone number.''.

(6) Section 459(d) is redesignated as paragraph (2) of section 459(c), and is amended to read as follows:

''(2) Whenever an agent designated pursuant to paragraph (1) receives notice pursuant to section 466(a)(1) or (b), or is effectively served with any order, process, or interrogatories, with respect to an individual's child support or alimony payment obligations, such agent shall—

''(A) as soon as possible (but not later than fifteen days) thereafter, send written notice of such notice or service (together with a copy thereof) to such individual at his duty station or last-known home address;

''(B) within 30 days (or such longer period as may be prescribed by applicable State law) after receipt of a notice pursuant to section 466(a)(1) or (b), comply with all applicable provisions of such section 466; and

''(C) within 30 days (or such longer period as may be prescribed by applicable State law) after effective service of any other such order, process, or interrogatories, respond thereto.''.

(7) Section 461(c) is relocated and redesignated as section 459(d), and is amended to read as follows:

''(d) PRIORITY OF CLAIMS.—In the event that a governmental entity receives notice or is served with process, as provided in this section, concerning amounts owed by an individual to more than one person—

''(A) support collection under section 466(b) must be given priority over any other process, as provided in section 466(b)(7);

''(B) allocation of moneys due or payable to an individual among claimants under section 466(b) shall be governed by the provisions of such section 466(b) and regulations thereunder; and

''(C) such moneys as remain after compliance with subparagraphs (A) and (B) shall be available to satisfy any other such processes on a first-come, first-served basis, with any such process being satisfied out of such moneys as remain after the satisfaction of all such processes which have been previously served.''.

(8) Section 459(e) is amended by striking ''(e)'' and inserting ''(e) NO REQUIREMENT TO VARY PAY CYCLES.—''.

(9) Section 459(f) is amended by striking ''(f)'' and inserting ''(f) RELIEF FROM LIABILITY.—(1)''.

(10) Section 461(a) is redesignated and relocated as section 459(g), and is amended—

(A) by striking ''(g)'' and inserting ''(g) REGULATIONS.—''; and

(B) by striking ''section 459'' and inserting ''this section''.

(11) Section 462(f) is relocated and redesignated as section 459(h), and is amended to read as follows:

''(h) MONEYS SUBJECT TO PROCESS.—(1) Subject to subsection (i), moneys paid or payable to an individual which are considered to be based upon remuneration for employment, for purposes of this section—

''(A) consist of—

''(i) compensation paid or payable for personal services of such individual, whether such compensation is denominated as wages, salary, commission, bonus, pay, allowances, or otherwise (including severance pay, sick pay, and incentive pay); and

''(ii) periodic benefits (including a periodic benefit as defined in section 228(h)(3)) or other payments—

''(I) under the insurance system established by title II; and

''(II) under any other system or fund established by the United States which provides for the payment of pensions, retirement or retired pay, annuities, dependents' or survivors' benefits, or similar amounts payable on account of personal services performed by the individual or any other individual;

''(B) do not include any payment—

''(i) as compensation for death under any Federal program;

''(ii) under any Federal program established to provide 'black lung' benefits;

''(iii) by the Secretary of Veterans Affairs as pension, or as compensation for a service-connected disability or death (except any compensation paid by such Secretary to a former member of the Armed Forces who is in receipt of retired or retainer pay if such former member has waived a portion of his retired pay in order to receive such compensation);

''(iv) by way of reimbursement or otherwise, to defray expenses incurred by such indi-

vidual in carrying out duties associated with his employment; or

''(v) as allowances for members of the uniformed services payable pursuant to chapter 7 of 37 U.S.C., as prescribed by the Secretaries concerned (defined by 37 U.S.C. 101(5)) as necessary for the efficient performance of duty.''.

(12) Section 462(g) is redesignated and relocated as section 459(i).

(13)(A) Section 462 is amended—

(i) in subsection (e)(1), by redesignating subparagraphs (A), (B), and (C) as clauses (i), (ii), and (iii); and

(ii) in subsection (e), by redesignating paragraphs (1) and (2) as subparagraphs (A) and (B).

(B) Section 459 is amended by adding at the end the following:

''(j) DEFINITIONS.—For purposes of this section—''.

(C) Subsections (a) through (e) of section 462, as amended by subparagraph (A), are relocated and redesignated as paragraphs (1) through (4) of section 459(j), and are indented accordingly.

(b) CONFORMING AMENDMENTS.—

(1) TO TITLE IV–D.—Sections 461 and 462 are repealed.

(2) TO 5 U.S.C.—5 U.S.C. 5520a is amended, in subsections (h)(2) and (i), by striking ''sections 459, 461, and 462 of the Social Security Act (42 U.S.C. 659, 661, and 662)'' and inserting ''section 459 of the Social Security Act (42 U.S.C. 659)''.

(d) MILITARY RETIRED AND RETAINER PAY.—(1) DEFINITION OF COURT.—10 U.S.C. 1408(a)(1) is amended—

(A) by striking ''and'' at the end of subparagraph (B);

(B) by striking the period at the end of subparagraph (C) and inserting ''; and''; and

(C) by adding after subparagraph (C) the following new paragraph:

''(D) any administrative or judicial tribunal of a State competent to enter orders for support or maintenance (including a State agency administering a State program under part D of title IV of the Social Security Act).'';

(2) DEFINITION OF COURT ORDER.—10 U.S.C. 1408(a)(2) is amended by inserting ''or a court order for the payment of child support not included in or accom-

panied by such a decree or settlement,'' before ''which—''.

(3) PUBLIC PAYEE.—10 U.S.C. 1408(d) is amended—

(A) in the heading, by striking ''to spouse'' and inserting ''to (or for benefit of)''; and

(B) in paragraph (1), in the first sentence, by inserting ''(or for the benefit of such spouse or former spouse to a State central collections unit or other public payee designated by a State, in accordance with part D of title IV of the Social Security Act, as directed by court order, or as otherwise directed in accordance with such part D)'' before ''in an amount sufficient''.

(4) RELATIONSHIP TO TITLE IV–D.—10 U.S.C. 1408 is amended by adding at the end the following new subsection:

''(j) RELATIONSHIP TO OTHER LAWS.—In any case involving a child support order against a member who has never been married to the other parent of the child, the provisions of this section shall not apply, and the case shall be subject to the provisions of section 459 of the Social Security Act.''.

(e) EFFECTIVE DATE.—The amendments made by this section shall become effective on the date six months after enactment of this Act.

SEC. 665. MOTOR VEHICLE LIENS.

Section 466(a)(4) is amended—

(1) by striking ''(4) PROCEDURES'' and inserting ''(4) LIENS.—(A) IN GENERAL.—''; and

(2) by adding at the end the following new subparagraph:

''(B) MOTOR VEHICLE LIENS.—Procedures for placing liens for arrears of child support on motor vehicle titles of individuals owing such arrears equal to or exceeding two months of support, under which—

''(i) any person owed such arrears may place such a lien;

''(ii) the State agency administering the program under this part shall systematically place such liens;

''(iii) expedited methods are provided for—

''(I) ascertaining the amount of arrears;

''(II) affording the person owing the arrears or other titleholder to con-

test the amount of arrears or to obtain a release upon fulfilling the support obligation;

''(iv) such a lien has precedence over all other encumbrances on a vehicle title other than a purchase money security interest; and

''(v) the individual or State agency owed the arrears may execute on, seize, and sell the property in accordance with State law.''.

SEC. 666. VOIDING OF FRAUDULENT TRANSFERS.

Section 466(a) is amended by adding at the end the following new paragraph:

''(15) FRAUDULENT TRANSFERS.—Procedures under which—

''(A) the State has in effect—

''(i) the Uniform Fraudulent Conveyance Act of 1981,

''(ii) the Uniform Fraudulent Transfer Act of 1984, or

''(iii) another law, specifying indicia of fraud which create a prima facie case that a debtor transferred income or property to avoid payment to a child support creditor,

which the Secretary finds affords comparable rights to child support creditors; and

''(B) in any case in which the State knows of a transfer by a child support debtor with respect to which such a prima facie case is established, the State must—

''(i) seek to void such transfer; or

''(ii) obtain a settlement in the best interests of the child support creditor.''.

SEC. 667. STATE LAW AUTHORIZING SUSPENSION OF LICENSES.

Section 466(a) is amended by adding at the end the following new paragraph:

''(16) AUTHORITY TO WITHHOLD OR SUSPEND LICENSES.—Procedures under which the State has (and uses in appropriate cases) authority (subject to appropriate due process safeguards) to withhold or suspend, or to restrict the use of driver's licenses, professional and occupational licenses, and recreational licenses of individuals owing overdue child support or failing, after receiving appropriate notice, to comply with subpoenas or warrants relating to paternity or child support proceedings.''.

SEC. 668. REPORTING ARREARAGES TO CREDIT BUREAUS.

Section 466(a)(7) is amended to read as follows:

''(7) REPORTING ARREARAGES TO CREDIT BUREAUS.—(A) Procedures (subject to safeguards pursuant to subparagraph (B)) requiring the State to report periodically to consumer reporting agencies (as defined in section 603(f) of the Fair Credit Reporting Act (15 U.S.C. 1681a(f)) the name of any absent parent who is delinquent by one month or more in the payment of support, and the amount of overdue support owed by such parent.

''(B) Procedures ensuring that, in carrying out subparagraph (A), information with respect to an absent parent is reported—

''(i) only after such parent has been afforded all due process required under State law, including notice and a reasonable opportunity to contest the accuracy of such information; and

''(ii) only to an entity that has furnished evidence satisfactory to the State that the entity is a consumer reporting agency.''.

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

(a) AMENDMENTS.—Section 466(a)(9) is amended—

(1) by striking ''(9) PROCEDURES'' and inserting ''(9) LEGAL TREATMENT OF ARREARS.—(A) FINALITY.—'';

(2) by redesignating indented subparagraphs (A), (B), and (C) as clauses (i), (ii), and (iii), respectively; and

(3) by adding after and below subparagraph (A), as redesignated, the following new subparagraph:

''(B) STATUTE OF LIMITATIONS.—Procedures under which the statute of limitations on any arrearages of child support extends at least until the child owed such support is 30 years of age.''.

(b) APPLICATION OF REQUIREMENT.—The amendment made by this section shall not be read to require any State law to revive any payment obligation which had lapsed prior to the effective date of such State law.

SEC. 670. CHARGES FOR ARREARAGES.

(a) STATE LAW REQUIREMENT.—Section 466(a) is amended by adding at the end the following new paragraph:

''(17) CHARGES FOR ARREARAGES.—Procedures providing for the calculation and collection of interest or penalties for arrearages of child support,

and for distribution of such interest or penalties collected for the benefit of the child (except where the right to support has been assigned to the State).''.

(b) REGULATIONS.—The Secretary of Health and Human Services shall establish by regulation a rule to resolve choice of law conflicts arising in the implementation of the amendment made by subsection (a).

(c) CONFORMING AMENDMENT.—Section 454(21) is repealed.

(d) EFFECTIVE DATE.—The amendments made by this section shall be effective with respect to arrearages accruing on or after October 1, 1997.

SEC. 671. VISITATION ISSUES BARRED.

Section 466(a) is amended by adding at the end the following new paragraph:

''(18) VISITATION ISSUE BARRED.—Procedures under which failure to pay child support is not a defense to denial of visitation rights, and denial of visitation rights is not a defense to failure to pay child support.''.

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

(a) NO STAY OF PROCEEDINGS.—Section 362(b)(2) of title 11, United States Code, is amended to read as follows:

''(2) under subsection (a) of this section—

''(A) of the commencement or continuation of a judicial or administrative proceeding, or other action under State or territorial law by a governmental unit, against the debtor to establish paternity, to establish or modify an obligation to pay for the support of a spouse, former spouse, or child of the debtor, or to establish a schedule for payment of such support (including any arrearages); or

''(B) of the collection of alimony, maintenance, or support from property that is not property of the estate;''.

(b) STREAMLINED FILING PROCEDURE FOR SUPPORT CREDITOR.—Section 501 of title 11, United States Code, is amended by adding at the end the following new subsection:

''(e)(1) The creditor of a claim that is excepted from discharge under section 523(a)(5) may file such claim by delivering to the clerk of the bankruptcy court in which a petition under this title is pending, in person or by registered mail, the claim form promulgated under paragraph (2). Such a creditor, filing a claim in such a manner, shall not be required to make a personal appearance before the court, to be represented by counsel admitted to practice

in the jurisdiction in which such court is located, to comply with any local rules not specified pursuant to paragraph (2), or to pay any filing fees or other charges in connection with the filing of such claim.

''(2) The Judicial Conference of the United States shall promulgate, not later than June 30, 1995—

''(A) a standardized, simplified form for filing claims described in paragraph (1); and

''(B) procedural guidelines for the use of such form, which rules shall be designed to minimize the burden on support creditors of filing such claims.''.

(c) TREATMENT AS PREFERRED UNSECURED CREDITOR.—Section 507(a) of title 11, United States Code, is amended—

(1) by striking ''(8) Eighth,'' and inserting ''(9) Ninth,''; and

(2) by inserting after paragraph (7) the following new paragraph:

''(8) Eighth, unsecured claims for alimony, maintenance, or support of a spouse, former spouse, or child of the debtor allowed under section 502 of this title, to the full extent of such claims, and in accordance with any payment schedule established as described in section 362(b)(2).''.

(d) PAYMENT SCHEDULE IN CHAPTER 13 PLANS.—Section 1322(a)(2) of title 11, United States Code, is amended by inserting before the semicolon ''(except that the plan shall provide, in the case of a debt not subject to discharge under section 523(a)(5), for payment in accordance with any payment schedule included in the order providing for alimony, maintenance, or support)''.

(e) EFFECTIVE DATE.—The amendments made by this section shall become effective October 1, 1995.

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

(a) HHS CERTIFICATION PROCEDURE.—(1) SECRETARIAL RESPONSIBILITY.—Section 452 is amended by adding at the end the following new subsection:

''(k) CERTIFICATIONS FOR PURPOSES OF PASSPORT RESTRICTIONS.—(1) IN GENERAL.—Where the Secretary receives a certification by a State agency in accordance with the requirements of section 454(29) that an individual owes arrearages of child support in excess of $5,000, the Secretary shall transmit such certification to the Secretary of State for action (with respect to denial, revocation, or limitation of passports) pursuant to section 219 of title 22, United States Code.

"(2) LIMIT ON LIABILITY.—The Secretary shall not be liable to an individual for any action with respect to a certification by a State agency under this section.".

(2) STATE CSE AGENCY RESPONSIBILITY.—Section 454, as previously amended by sections 601, 605, 615, and 622, is further amended—

(A) by striking "and" at the end of paragraph (27);

(B) by striking the period at the end of paragraph (28) and inserting "; and"; and

(C) by adding after paragraph (28) the following new paragraph:

"(29) provide that the State agency will have in effect a procedure (which may be combined with the procedure for tax refund offset under section 464) for certifying to the Secretary, for purposes of the procedure under section 452(k) (concerning denial of passports) determinations that individuals owe child support arrearages of $5,000 or more, under which procedure—

"(A) each individual concerned is afforded notice of such determination and the consequences thereof, and an opportunity to contest the determination; and

"(B) the certification by the State agency is furnished to the Secretary in such format, and ac-

companied by such supporting documentation, as the Secretary may require.''.

(b) STATE DEPARTMENT PROCEDURE FOR DENIAL OF PASSPORTS.—Chapter 4 of title 22, United States Code, is amended by adding at the end the following new section:

"§ 219. Denial of passport for nonpayment of child support.

''(a) IN GENERAL.—The Secretary, upon certification by the Secretary of Health and Human Services, in accordance with section 452(k) of the Social Security Act, that an individual owes arrearages of child support in excess of $5,000, shall refuse to issue a passport to such individual, and may revoke, restrict, or limit a passport issued previously to such individual.

''(b) LIMIT ON LIABILITY.—The Secretary shall not be liable to an individual for any action with respect to a certification by a State agency under this section.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall become effective October 1, 1995.

PART H—DEMONSTRATIONS

SEC. 681. CHILD SUPPORT ENFORCEMENT AND ASSURANCE DEMONSTRATIONS.

(a) DEMONSTRATIONS AUTHORIZED.—(1) INITIAL PROJECTS.—The Secretary shall make grants to three

States for demonstrations under this section to determine the effectiveness of programs to provide assured levels of child support to custodial parents of children for whom paternity and support obligations have been established.

(b) DURATION OF PROJECTS.—(1) TOTAL PROJECT PERIOD.—The Secretary shall make grants to States for demonstrations under this section beginning in fiscal year 1997, for periods of from 7 to 10 years.

(2) PHASEDOWN PERIOD.—Each State implementing a demonstration project under this section shall—

(A) phase out activities under such demonstration during the final two years of the project; and

(B) obtain the Secretary's approval, before the beginning of such phasedown period, of a plan for accomplishing such phasedown.

(c) CONSIDERATIONS IN SELECTION OF PROJECTS.—(1) SCOPE.—Projects under this section may, but need not, be statewide in scope.

(2) STATE ADMINISTRATION.—(A) RESPONSIBLE STATE AGENCY.—A State demonstration project under this section shall be administered either by the State agency administering the program under title IV–D of the Social Security Act or the State department of revenue and taxation.

(B) AUTOMATION.—The State agency described in subparagraph (A) shall operate (or have automated access to) the automated data system required under section 454(16) of the Social Security Act, and shall have adequate automated capacity to carry out the project under this section (including the timely distribution of child support assurance benefits).

(3) CONTROLS.—At least one demonstration project under this section shall include randomly assigned control groups.

(d) ELIGIBILITY.—(1) IN GENERAL.—Child support assurance payments under projects under this section shall be available only to children for whom paternity and support obligations have been established (or with respect to whom a determination has been made that efforts to establish paternity or support would not be in the best interests of the child).

(2) FAMILIES WITH SHARED CUSTODY.—In cases where both parents share custody of a child, a parent and child shall not be eligible for benefits under a demonstration under this section unless—

(A) a support order is in effect entitling such parent to support payments in excess of the minimum benefit; or

(B) the agency or tribunal which issued the order certifies that the child support award would be below such minimum benefit if either parent was awarded sole custody and the guidelines under section 467 were applied.

(3) STATE OPTION TO BASE ELIGIBILITY ON NEED.—At State option, eligibility for benefits under a demonstration under this section may be limited to families with incomes and resources below a standard of need established by the State.

(f) BENEFIT AMOUNTS.—(1) RANGE OF BENEFIT LEVELS.—States shall have flexibility to set annual benefit levels under demonstrations under this section, provided that (subject to the remaining provisions of this subsection) such levels—

(A) are not lower than $1,500 for a family with one child or $3,000 for a family with four or more children; and

(B) are not higher than $3,000 for a family with one child or $4,500 for a family with four or more children;

(2) INDEXING.—Annual benefit levels for each fiscal year after fiscal year 1996 shall be indexed to reflect the change in the Consumer Price Index.

(3) UNMATCHED EXCESS BENEFITS.—The Secretary may permit States to pay benefits higher than a maximum specified in paragraphs (1) and (2), but Federal matching of such payments shall not be available for benefits in excess of the amounts specified in paragraph (1) (as adjusted in accordance with paragraph (2)) by more than $25 per month.

(g) TREATMENT OF BENEFITS.—(1) FOR PURPOSES OF AFDC.—The amount of aid otherwise payable to a family under title IV–A of the Social Security Act shall be reduced by an amount equal to the amount of child support assurance paid to such family (or, at the Secretary's discretion, by a percentage of such amount paid specified by the Secretary).

(2) FOR PURPOSES OF OTHER BENEFIT PROGRAMS.—(A) IN GENERAL.—Except as provided in subparagraph (B), child support assurance paid to a family shall be considered ordinary income for purposes of determining eligibility for and benefits under any Federal or State program.

(B) DEEMED AFDC ELIGIBILITY.—At State option, a child (or family) that is ineligible for aid under title IV–A of the Social Security Act because of payments under a demonstration under this section may be deemed to be

receiving such aid for purposes of determining eligibility for other Federal and State programs.

(3) FOR TAX PURPOSES.—Child support assurance which is paid to a family under this section and is not reimbursed from a child support collection from a noncustodial parent shall be considered ordinary income for purposes of Federal and State tax liability.

(h) WORK PROGRAM OPTION.—At the option of the State grantee, a demonstration under this section may include a work program for unemployed noncustodial parents of eligible children.

(i) AVAILABILITY OF APPROPRIATIONS FOR PAYMENTS TO STATES.—(1) STATE ENTITLEMENT TO IV–D FUNDING.—A State administering an approved demonstration under this section in a calendar quarter shall be entitled to payments for such quarter, pursuant to section 455 of the Social Security Act for the Federal share of reasonable and necessary expenditures (including expenditures for benefit payments and for associated administrative costs) under such project, in an amount (subject to paragraphs (2) and (3)) equal to—

(A) with respect to that portion of such expenditures equal to the reduction of expenditures under title IV–A of the Social Security Act pursuant to subsection (g)(1), a percentage equal to the percent-

age that would have been paid if such expenditures had been made under such title IV–A; and

(B) 90 percent of the remainder of such expenditures.

(2) STATES WITH LOW AFDC BENEFITS.—In the case of a State in which benefit levels under title IV–A of the Act are below the national median for such payments, the Secretary may elect to provide 90 percent Federal matching of a portion of expenditures under a project under this section that would otherwise be matched at the rate specified in paragraph (1)(A).

(3) FUNDING LIMITS; PRO RATA REDUCTIONS OF STATE MATCHING.—(A) FUNDS AVAILABLE.—There shall be available to the Secretary, from amounts appropriated to carry our part D of title IV of the Social Security Act, for purposes of carrying out demonstrations under this section, amounts not to exceed—

(i) $27,000,000 for fiscal year 1997;

(ii) $55,000,000 for fiscal year 1998;

(iii) $70,000,000 for each of fiscal years 1999 through 2002; and

(iv) $55,000,000 for fiscal year 2003.

(B) PRO RATA REDUCTIONS.—The Secretary shall make pro rata reductions in the amounts otherwise pay-

able to States under this section as necessary to comply with the funding limitation specified in subparagraph (A).

(j) DISTRIBUTION OF CHILD SUPPORT COLLECTIONS.—Notwithstanding section 457 of the Social Security Act, support payments collected from the noncustodial parent of a child receiving (or who has received) child support assurance payments under this section shall be distributed as follows:

(1) first, amounts equal to the total support owed for such month shall be paid to the family;

(2) second, from any remainder, amounts owed to the State on account of child support assurance payments to the family shall be paid to the State (with appropriate reimbursement to the Federal Government of its share to such payments);

(3) third, from any remainder, arrearages of support owed to the family shall be paid to the family; and

(4) fourth, from any remainder, amounts owed to the State on account of current or past payments of aid under title IV–A of the Social Security Act shall be paid to the State (with appropriate reimbursement to the Federal Government of its share of such payments).

(k) EVALUATIONS AND REPORTS.—(1) STATE EVALUATIONS.—Each State administering a demonstration project under this section shall—

(A) provide for ongoing and retrospective evaluation of the project, meeting such conditions and standards as the Secretary may require; and

(B) submit to the Secretary such reports (at such times, in such format, and containing such information) as the Secretary may require, including at least an interim report not later than 90 days after the end of the fourth year of the project, and a final report not later than one year after the completion of the project, which shall include information on and analysis of the effect of the project with respect to—

(i) the economic circumstances of both noncustodial and custodial parents;

(ii) the rate of compliance by noncustodial parents with support orders;

(iii) work-force participation by both custodial and noncustodial parents;

(iv) need for or amount of aid to families with dependent children under title IV–A of the Social Security Act;

(v) paternity establishment rates; and

(vi) any other matters the Secretary may specify.

(2) REPORTS TO CONGRESS.—The Secretary shall, on the basis of reports received from States administering projects under this section, make the following reports, containing an assessment of the effectiveness of the projects and any recommendations the Secretary considers appropriate:

(A) an interim report, not later than six months following receipt of the interim State reports required by subsection (c); and

(B) a final report, not later than six months following receipt of the final State reports required under subsection (i).

(3) FUNDING FOR COSTS TO SECRETARY.—There are authorized to be appropriated $10,000,000 for fiscal year 1997, to remain available under expended for payment of the cost of evaluations by the Secretary of demonstrations under this section.

SEC. 682. SOCIAL SECURITY ACT DEMONSTRATIONS.

Section 1115(c)(3) is amended by striking ''increased cost'' and all that follows and inserting ''an increase in total costs to the Federal Government.''.

Part I—Access and Visitation Grants

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

(a) IN GENERAL.—Part D of title IV is amended by adding at the end the following new section:

''GRANTS TO STATES FOR ACCESS AND VISITATION PROGRAMS

''SEC. 469A. (a) PURPOSES; AUTHORIZATION OF APPROPRIATIONS.—For the purposes of enabling States to establish and administer programs to support and facilitate absent 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, there are authorized to be appropriated $5,000,000 for each of fiscal years 1996 and 1997, and $10,000,000 for each succeeding fiscal year.

''(b) PAYMENTS TO STATES.—(1) Each State shall be entitled to payment under this section for each fiscal year in an amount equal to its allotment under subsection (c) for such fiscal year, to be used for payment of 90 percent of State expenditures for the purposes specified in subsection (a).

"(2) Payments under this section shall be used by a State to supplement (and not to substitute for) expenditures by the State, for activities specified in subsection (a), at a level at least equal to the level of such expenditures for fiscal year 1994.

"(c) ALLOTMENTS TO STATES.—(1) IN GENERAL.—For purposes of subsection (b), each State shall be entitled (subject to paragraph (1)) to an amount for each fiscal year bearing the same ratio to the amount authorized to be appropriated pursuant to subsection (a) for such fiscal year as the number of children in the State living with only one biological parent bears to the total number of such children in all States.

"(2) MINIMUM ALLOTMENT.—Allotments to States under subparagraph (A) shall be adjusted as necessary to ensure that no State is allotted less than $50,000 for fiscal year 1996 or 1997, or $100,000 for any succeeding fiscal year.

"(d) FEDERAL ADMINISTRATION.—The program under this section shall be administered by the Administration for Children and Families.

"(e) STATE PROGRAM ADMINISTRATION.—(1) Each State may administer the program under this section directly or through grants to or contracts with courts, local public agencies, or non-profit private entities.

''(2) State programs under this section may, but need not, be Statewide.

''(3) States administering programs under this section shall monitor, evaluate, and report on such programs in accordance with requirements established by the Secretary.

Part J—Effect of Enactment

SEC. 695. EFFECTIVE DATES.

(a) IN GENERAL.—Except as otherwise specifically provided (but subject to subsections (b) and (c))—

(1) provisions of this title requiring enactment or amendment of State laws under section 466 of the Act, or revision of State plans under section 454 of the Act, shall be effective with respect to periods beginning on and after October 1, 1995; and

(2) all other provisions of this title shall become effective upon enactment.

(b) GRACE PERIOD FOR STATE LAW CHANGES.—The provisions of this title shall become effective with respect to a State on the later of—

(1) the date specified in this title, or

(2) the effective date of laws enacted by the legislature of such State implementing such provisions, but in no event later than the first day of the first calendar quarter beginning after the close of the first regular

session of the State legislature that begins after the date of enactment of this Act. For purposes of the previous sentence, in the case of a State that has a 2-year legislative session, each year of such session shall be deemed to be a separate regular session of the State legislature.

(c) GRACE PERIOD FOR STATE CONSTITUTIONAL AMENDMENT.—A State shall not be found out of compliance with any requirement enacted by this title if it is unable to comply without amending the State constitution until the earlier of—

(1) the date one year after the effective date of the necessary State constitutional amendment, or

(2) the date five years after enactment of this title.

SEC. 696. SEVERABILITY.

If any provision of this title or the application thereof to any person or circumstance is held invalid, the invalidity shall not affect other provisions or applications of this title which can be given effect without regard to the invalid provision or application, and to this end the provisions of this title shall be severable.

TITLE VII—IMPROVING GOVERNMENT ASSISTANCE AND PREVENTING FRAUD

Part A—AFDC Amendments

SEC. 701. PERMANENT REQUIREMENT FOR UNEMPLOYED PARENT PROGRAM.

(a) IN GENERAL.—Section 401(h) of the Family Support Act of 1988 (terminating the requirement that States provide benefits to two-parent families based on the unemployment of the principal earner) is repealed.

(b) APPLICABILITY TO PUERTO RICO, AMERICAN SAMOA, GUAM, AND THE VIRGIN ISLANDS.—Section 401(g)(2) of the Family Support Act of 1988 is amended, effective on the date of enactment of such Act, to read as follows:

> ''(2) The amendments made by this section (other than those made by subsection (c)) shall not become effective with respect to Puerto Rico, American Samoa, Guam, or the Virgin Islands unless the jurisdiction involved notifies the Secretary of Health and Human Services that it chooses to have such amendments apply and submits the necessary plan amendment.''.

SEC. 702. STATE OPTIONS REGARDING UNEMPLOYED PARENT PROGRAM.

(a) DURATION OF UNEMPLOYMENT AND RECENCY-OF-WORK TESTS.—(1) Section 407(b)(1)(A) of the Act (in the matter preceding clause (i)) is amended to read as follows:

''(A) subject to paragraph (2), shall provide for the payment of aid to families with dependent children with respect to a dependent child within the meaning of subsection (a)—''.

(2) Such section is further amended—

(A) by striking out ''whichever'' in clause (i) and inserting in lieu thereof ''when, if the State chooses to so require (and specifies in its State plan), whichever'',

(B) by inserting ''when'' before such parent in clause (ii), and

(C) by striking out ''(iii)(I)'' and inserting in lieu thereof ''(iii) when, if the State chooses to so require (and specifies in its State plan) (I)''.

(b) STATE OPTION TO DEFINE ''UNEMPLOYMENT''.—At its option, a State may provide aid under part A to children of employed parents and may apply, for purposes of section 407 of the Act, a definition of unemployment that includes some or all of the individuals who, solely by reasons of the standards prescribed by the

Secretary of Health and Human Services under subsection (a) of such section and in effect on the date of enactment of this Act, would not have been eligible for aid to families with dependent children, and shall include such definition in its State plan approved under part A of title IV of the Act.

(c) EFFECTIVE DATE.—The amendments made by this section and the provisions of this section shall become effective October 1, 1996.

SEC. 703. DEFINITION OF ESSENTIAL PERSON.

(1) GENERAL REQUIREMENT.—Section 402 of the Act is amended by adding immediately after and below subsection (c) the following new subsection:

''(d) In order that the State may include the needs of an individual in determining the needs of the dependent child and relative with whom the child is living, such individual must be living in the same home as such child and relative and—

''(1) furnishing personal services required because of the relative's physical or mental inability to provide care necessary for herself or himself or for the dependent child (which, for purposes of this subsection only, includes a child receiving supplemental security income benefits under title XVI), or

''(2) furnishing child care services, or care for an incapacitated member of the family, that is necessary to permit the caretaker relative—

''(A) to engage in full or part-time employment outside the home, or

''(B) to attend a course of education designed to lead to a high school diploma (or its equivalent) or a course of training on a full or part-time basis, or to participate in the program under part F on a full or part-time basis.''.

SEC. 704. EXPANDED STATE OPTION FOR RETROSPECTIVE BUDGETING.

Section 402(a)(13) of the Act is amended—

(1) by striking out in the matter that precedes subparagraph (A) ''but only with respect to any one or more categories of families required to report monthly to the State agency pursuant to paragraph (14),''; and

(2) by striking out in each of subparagraphs (A) and (B) ''(but only where the Secretary determines it to be appropriate, in the case of families who are required to report monthly to the State agency pursuant to paragraph (14),''.

SEC. 705. DISREGARDS OF INCOME.

''(a) STUDENT EARNINGS.—(1) IN GENERAL.—Section 402(a)(8)(A)(i) of the Act is amended by striking out ''dependent child'' and all that follows and inserting in lieu thereof ''individual under age 19 who is an elementary or secondary school student''.

''(2) CONFORMING AMENDMENTS.—Section 402(a) of the Act is amended—

(A)(i) by striking out ''a dependent child who is a full-time student'' in paragraph (8)(A)(vii) and inserting in lieu thereof ''an individual under age 19 who is an elementary or secondary school student'', and

(ii) by striking out ''such child'' in such paragraph and inserting in lieu thereof ''such individual'', and

(B) by striking out in paragraph (18) ''of a dependent child'' and inserting in lieu thereof ''of an individual under age 19''.

(b) STANDARD EARNED INCOME DISREGARD AMOUNT.—(1) Section 402(a)(8)(a)(ii) of the Act is amended by striking out ''$90'' and inserting in lieu thereof ''$120, or if greater, $120 adjusted by the CPI (as prescribed in section 406(i))''.

(2) The amendment made by this subsection shall become effective October 1, 1996.

(c) STATE OPTION TO DISREGARD EARNED INCOME.—(1) IN GENERAL.—Section 402(a)(8)(A)(iv) of the Act is amended to read as follows:

''(iv) may, at its option, disregard amounts of earned income in addition to those required or permitted to be disregarded under this paragraph, and shall specify in its State plan any such additional amounts and the circumstances (including whether they will be disregarded for applicants as well as for recipients) under which they will be disregarded;''

(2) CONFORMING AMENDMENTS.—

(A) Clause (ii) of section 402(a)(8)(B) of the Act is repealed.

(B)(i) Section 402(a)(37) of the Act is amended by striking out ''or because of paragraph (8)(B)(ii)(II)''.

(ii) Section 1925(a) of the Act is amended by striking out ''or because of section 402(a)(8)(B)(ii)(II) (providing for a time-limited earned income disregard)''.

(C) Section 402(g)(1)(A)(ii) of the Act is amended by striking out ''increased income'' and all that follows down to the period and inserting in lieu

thereof ''amount of earnings from such employment''.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall become effective October 1, 1996.

(d) DISREGARD OF TRAINING STIPENDS.—Section 402(a)(8)(A)(v) of the Act is amended to read as follows:

> ''(v) shall disregard from the income of any individual applying for or receiving aid to families with dependent children any amount received as a stipend or allowance under the Job Training Partnership Act or under any other training or similar program;''.

(e) MANDATORY CHILD SUPPORT PASS-THROUGH.—(1) Section 402(a)(8)(A)(vi) of the Act is amended—

(A) by striking out ''$50'' (in two places) and inserting in lieu thereof ''$50, or, if greater, $50 adjusted by the CPI (as prescribed in section 406(i));'', and

(B) by striking out the semicolon at the end and inserting in lieu thereof ''or, in lieu of the amount specified in two places in this clause, such greater amount as the State many choose (and provide for in its State plan);''.

(2) CPI ADJUSTMENT.—Section 406 of the Act is amended by adding at the end thereof the following new subsection:

''(i) For purposes of this part, an amount is 'adjusted by the CPI' for any month in a calendar year by multiplying the amount involved by the ratio of—

''(1) the Consumer Price Index (as prepared by the Department of Labor) for the third quarter of the preceding calendar year, to

''(2) such Consumer Price Index for the third quarter of calendar year 1996,

and rounding the product, if not a multiple of $10, to the nearer multiple of $10.''.

(f) LUMP-SUM INCOME.—(1) IN GENERAL.—Section 402(a)(8)(A) of the Act is amended—

(A) by striking out ''and'' after clause (viii), and

(B) by adding after and below clause (viii) the following new clause:

''(ix) shall disregard from the income of any family member any amounts of income received in the form of nonrecurring lump-sum payments;''.

(2) REPEAL.—Section 402(a)(17) of the Act is repealed.

(g) EDUCATIONAL ASSISTANCE.—Section 402(a)(8)(A) of the Act is further amended by adding after and below clause (ix) the following new clause:

''(x) shall disregard all educational assistance provided to a family member;''.

(h) IN-KIND INCOME.—Such section is further amended by adding after and below clause (x) the following new clause:

''(xi) shall disregard all in-kind income provided to a family member;''

(i) BENEFITS UNDER THE NATIONAL AND COMMUNITY SERVICE ACT.—Such section is further amended by adding after and below clause (xi) the following new clause:

''(xii) shall disregard any living allowance, child care allowance, stipend, or educational award paid under section 140 of the National and Community Service Act of 1990 to a family member participating in a national service program carried out with assistance from the Corporation for National and Community Service;''.

(j) ''FILL-THE-GAP'' DISREGARDS.—(1) Such section is further amended by adding after and below clauses (xii) the following new clause:

''(xiii) may disregard, in addition to any other amounts required or permitted by this paragraph, income described in the State plan by type or source and by amount, but no amount in excess of the difference between the State's standard of need applicable to the family involved and the State's payment amount for a family of the same size with no other income;''.

(2) The amendment made by this subsection shall become effective October 1, 1996.

SEC. 706. STEPPARENT INCOME.

(a) Section 402(a)(31) of the Act is amended by striking out ''$90'' and inserting in lieu thereof ''$120'' and by striking out the semicolon at the end and inserting in lieu thereof '', or, at the option of the State, so much of such income as exceeds any greater amount or amounts as the State agency finds appropriate to strengthen family life and provide incentives to increase earnings;''.

(b) The amendment made by this section shall become effective October 1, 1996.

SEC. 707. INCREASE IN RESOURCE LIMIT.

Section 402(a)(7)(B) of the Act is amended (in the matter preceding clause (i)) by striking out ''$1000 or such lower amount as the State may determine'' and in-

serting in lieu thereof ''$2000 or, in the case of a family with a member who is 60 years of age or older, $3000''.

SEC. 708. EXCLUSIONS FROM RESOURCES.

(a) LIFE INSURANCE.—Section 402(a)(7)(B)(ii) of the Act is amended by striking out the semicolon at the end and inserting in lieu thereof '', and the cash value of life insurance policies;''.

(b) REAL PROPERTY WHICH MUST BE DISPOSED OF.—Section 402(a)(7)(B)(iii) of the Act is amended to read as follows: ''real property which the family is making a good faith effort to dispose of at a reasonable price;''.

(c) EXCLUSION OF PAYMENTS OF THE EITC.—Section 402(a)(7)(B) of the Act is amended—

(1) by striking out ''or'' after clause (iii), and

(2) by amending clause (iv) (pertaining to payments by reason of the Earned Income Tax Credit) by striking out ''the following month'' and inserting in lieu thereof ''the following eleven-month period'', and by striking out the semicolon at the end and inserting in lieu thereof ''and any lump-sum payment of State earned income tax credits and any payments described in this clause shall be deemed to be expended prior to other resources that are not excluded;''.

(d) LUMP-SUM PAYMENTS FOR MEDICAL EXPENSES OR REPLACEMENT OF LOST RESOURCES.—Section 402(a)(7)(B) of the Act is amended—

(1) by striking out ''and'' after clause (iv), and

(2) by adding after clause (iv) the following new clause: ''(v) for the month of receipt and the following eleven-month period, amounts that have been paid as reimbursement (or payment in advance) for medical expenses or for the cost of repairing or replacing resources of the family;''.

(e) INDIVIDUAL DEVELOPMENT ACCOUNTS.—Section 402(a)(7)(B) of the Act is amended by adding after clause (v) the following new clause: ''(vi) amounts, not to exceed $10,000 (including interest) in total, in one or more Individual Development Accounts established in accordance with (I) section 529 of the Internal Revenue Code of 1986 by any member of a family receiving aid to families with dependent children, or (II) under a demonstration project conducted under the Individual Development Account Demonstration Act of 1994, but only such amounts (including interest) that were credited to such account in a month for which such aid was paid, or food stamps provided, with respect to such individual or in any month after such a month;''.

(f) RESOURCES FOR SELF-EMPLOYMENT.—Section 402(a)(7)(B) of the Act is amended by adding after clause (vi) the following new clause: ''(vii) liquid and nonliquid resources that are or will be used for the self-employment of a family member, to the extent and under the circumstances allowed by the State agency in accordance with regulations issued by the Secretary after consultation with the Secretary of Agriculture;''.

SEC. 710. TRANSFER OF RESOURCES.

Section 402(a)(7) of the Act is amended—

(1) by adding ''and'' after subparagraph (C), and

(2) by adding after and below subparagraph (C) the following new subparagraph:

''(D) shall determine ineligible for aid any family member who knowingly transfers resources for the purpose of qualifying or attempting to qualify for such aid for such period, not in excess of one year from the date of discovery of the transfer, determined in accordance with regulations of the Secretary;''.

SEC. 711. LIMITATION ON UNDERPAYMENTS.

Section 402(a)(22)(C) of the Act is amended by striking out ''an underpayment'' and inserting in lieu thereof ''an underpayment, the corrective payment shall be made

regardless of whether the family is, at the time payment is made, receiving current payment of aid under the State plan but such payment shall not exceed the amount necessary to correct for the underpayment of aid during the twelve-month period immediately preceding the month in which the State agency first learned of the underpayment, and''.

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

(a) AUTHORITY TO INTERCEPT TAX REFUND.—(1) Part A of title IV of the Act is amended by adding at the end thereof the following new section:

''COLLECTION OF OVERPAYMENTS FROM FEDERAL TAX REFUNDS

''Sec. 418.(a). Upon receiving notice from a State agency administering a plan approved under this part that a named individual has been overpaid under the State plan approved under this part, the Secretary of the Treasury shall determine whether any amounts as refunds of Federal taxes paid are payable to such individual, regardless of whether such individual filed a tax return as a married or unmarried individual. If the Secretary of the Treasury finds that any such amount is payable, he shall withhold from such refunds an amount equal to the overpayment sought to be collected by the State and pay such amount to the State agency.

''(b) The Secretary of the Treasury shall issue regulations, approved by the Secretary of Health and Human Services, that provide—

''(1) that a State may only submit under subsection (a) requests for collection of overpayments with respect to individuals (A) who are no longer receiving aid under the State plan approved under this part, (B) with respect to whom the State has already taken appropriate action under State law against the income or resources of the individuals or families involved as required under section 402(a)(22) (B), and (C) to whom the State agency has given notice of its intent to request withholding by the Secretary of the Treasury from their income tax refunds;

''(2) that the Secretary of the Treasury will give a timely and appropriate notice to any other person filing a joint return with the individual whose refund is subject to withholding under subsection (a); and

''(3) the procedures that the State and the Secretary of the Treasury will follow in carrying out this section which, to the maximum extent feasible and consistent with the specific provisions of this section, will be the same as those issued pursuant to

section 464(b) applicable to collection of past-due child support.''.

(2) Section 6402 of the Internal Revenue Code of 1986 (as previously amended by section 662 of this Act) is further amended—

(A) in subsection (a), by striking ''(c) and (d)'' and inserting ''(c), (d), and (e)'';

(B) by redesignating subsections (e) through (i) as subsections (f) through (j), respectively; and

(C) by inserting after subsection (d) the following new subsection:

''(g) COLLECTION OF OVERPAYMENTS UNDER TITLE IV–A OF SOCIAL SECURITY ACT.—The amount of any overpayment to be refunded to the person making the overpayment shall be reduced (after reductions pursuant to subsections (c) and (d), but before a credit against future liability for an internal revenue tax) in accordance with section 418 of the Social Security Act (concerning recovery of overpayments to individuals under State plans approved under part A of title IV of such Act).''.

(b) CONFORMING AMENDMENT.—Section 552a(a)(8)(B)(iv)(III) of title 5 of the United States Code is amended by striking out ''section 464 or 1137 of the Social Security Act'' and inserting in lieu thereof ''section 419, 464, or 1137 of the Social Security Act.''

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

(a) IN GENERAL.—Section 1137(d) of the Act is amended by adding at the end thereof the following:

''(6) A State shall be deemed to meet the requirements of paragraph (1) with respect to the eligibility of each member of a family applying for aid under the State plan approved under part A of title IV, if the State requires, as a condition for such eligibility, a declaration in writing by an adult member of the family, under penalty of perjury, that each family member is a citizen of the United States or an alien eligible for aid under such State plan (and, with respect to a child born into a family receiving such aid, such declaration must be made no later than the time of the next redetermination of such family's eligibility following the birth of such child).''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall become effective upon enactment.

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

Section 402(a)(28) of the Act is repealed.

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

Section 402(a)(18) of the Act is amended by striking out ''without application of paragraph (8)(A)(viii),'' and inserting in lieu thereof ''applying only the disregard provisions of paragraph (8)(A) that appear in clauses (v) (income from a program under the Job Training Partnership Act and similar programs), (viii) (payments related to the Earned Income Tax Credit), (ix) (certain lump-sum payments), (x) (educational assistance), (xi) (in-kind income), and (xii) (certain payments under the National and Community Service Act of 1990),''.

SEC. 716. TERRITORIES.

(a) Section 1108(a) of the Act is amended by amending paragraphs (1), (2), and (3) to read as follows:

''(1) for payment to Puerto Rico shall not exceed—

''(A) $82,000,000 with respect to fiscal years 1994, 1995, and 1996, and

''(B) $102,500,000 or, if greater, such amount adjusted by the CPI (as prescribed in subsection (f)) for fiscal year 1997 and each fiscal year thereafter;

''(2) for payment to the Virgin Islands shall not exceed—

''(A) $2,800,000 with respect to fiscal years 1994, 1995, and 1996, and

''(B) $3,500,000 or, if greater, such amount adjusted by the CPI (as prescribed in subsection (f)) for fiscal year 1997 and each fiscal year thereafter; and

''(3) for payment to Guam shall not exceed—

''(A) $3,800,000 with respect to fiscal year 1994, 1995, and 1996, and

''(B) $4,750,000 or, if greater, such amount adjusted by the CPI (as prescribed in subsection (f)), for fiscal year 1997 and each fiscal year thereafter.''.

(b) CPI ADJUSTMENT.—Section 1108 of the Act is amended by adding at the end thereof the following new subsection:

''(f) For purposes of subsection (a), an amount is 'adjusted by the CPI' for months in calendar year by multiplying that amount by the ratio of the Consumer Price Index as prepared by the Department of Labor for—

''(1) the third quarter of the preceding calendar year, to

''(2) the third quarter of calendar year 1996, and rounding the product, if not a multiple of $10,000, to the nearer multiple of $10,000.''.

PART B—FOOD STAMP ACT AMENDMENTS

SEC. 721. INCONSEQUENTIAL INCOME.

Section 5(d)(2) of the Food Stamp Act of 1977 (7 U.S.C. 2014(d)(2)) is amended to read as follows—

''(2) any inconsequential payments, as defined by the Secretary, received during the certification period, but not to exceed a total of such payments of $30 per household member in any quarter, whether the household's income is calculated on a prospective or retrospective basis,''.

SEC. 722. EDUCATIONAL ASSISTANCE.

Section 5 of the Food Stamp Act of 1977 (7 U.S.C. 2014) is amended by—

(1) striking clause (3) of subsection (d) and inserting in lieu thereof the following—

''(3) all educational assistance provided to a household member,'';

(2) in the proviso of clause (5) of subsection (d), striking ''and no portion of any educational loan'' and all that follows through ''provided for living expenses,''; and

(3) striking clause (3) of subsection (k).

SEC. 723. EARNINGS OF STUDENTS.

Effective on and after September 1, 1994, section 5(d)(7) of the Food Stamp Act of 1977 (7 U.S.C. 2014(d)(7)) is amended by—

(1) striking ''a child who is a member of the household, who is''; and

(2) striking '', and who is 21'' and inserting in lieu thereof ''who is 18''.

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

Section 5 of the Food Stamp Act of 1977 (7 U.S.C. 2014) is amended by—

(1) striking ''and (16)'' in subsection (d) and inserting in lieu thereof ''(16)'';

(2) inserting before the period at the end of subsection (d) '', and (17) any amount received by any member of a household as a stipend or allowance under the Job training Partnership Act (29 U.S.C. 1501 et seq.) or under any other training or similar program''; and

(3) striking in subsection (1) the language beginning with ''under section 204(b)(1)(C)'' and all that follows through ''19 years of age.'' and inserting in lieu thereof ''shall be considered earned income for purposes of the Food Stamp program.''.

SEC. 725. EARNED INCOME TAX CREDITS.

Effective on and after September 1, 1994, the second sentence of section (5)(g)(3) of the Food Stamp Act of 1977 (7 U.S.C. 2014(g)(3)) is amended by—

(1) inserting ''Federal or State lump-sum'' immediately preceding ''earned income tax credits''; and

(2) striking the language beginning with ''if such member was participating'' and all that follows through ''the 12-month period''.

SEC. 726. RESOURCES NECESSARY FOR SELF-EMPLOYMENT.

Section 5(g)(3) of the Food Stamp Act of 1977 (7 U.S.C. 2014(g)(3)) is amended by adding the following new third and fourth sentences: ''The Secretary shall also exclude from financial resources loans obtained for the purposes of starting or operating a business. The Secretary may exclude from financial resources liquid or nonliquid resources that are or will be used for the self-employment of any member of a household to the extent and under the circumstances allowed in regulations issued by the Secretary after consultation with and the Secretary of Health and Human Services.''.

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

Section 5(g)(3) of the Food Stamp Act of 1977 (7 U.S.C. 2014(g)(3)) as amended by this Act is further amended by adding the following new fifth sentence: ''The Secretary shall also exclude from financial resources, for

a period of one year from their receipt, amounts that have been paid as reimbursements (or payment in advance) for medical expenses or for the cost of repairing or replacing resources of the family.''.

SEC. 728. INDIVIDUAL DEVELOPMENT ACCOUNTS.

Section 5(g)(3) of the Food Stamp Act of 1977 (7 U.S.C. 2014(g)(3)) as amended by this Act is further amended by adding the following new sixth and seventh sentences: ''The Secretary shall also exclude from financial resources amounts, not to exceed $10,000 (including interest) in total, in one or more Individual Development Accounts established in accordance with (A) section 529 of the Internal Revenue Code of 1986 (26 U.S.C. 1 et seq.) by any member of a household applying for or receiving assistance under this Act or (B) a demonstration project conducted under the Individual Development Account Demonstration Act of 1994, but only such amounts (including interest) that were credited to such account in a month for which assistance was provided under this Act or aid to families with dependent children was provided pursuant to part A of title IV of the Social Security Act, with respect to such individual, or in any month after such a month. The Secretary shall also exclude from financial resources, for the month of its receipt and the following month, a nonrecurring lump-sum payment received by any

household member if the household member represents that the payment will be deposited in an Individual Development Account established as described in the preceding sentence.''.

SEC. 729. CONFORMING AMENDMENT.

Section 5(d)(8) of the Food Stamp Act of 1977 (7 U.S.C 2014(d)(8)) is amended in the proviso by inserting ''paragraph (3) of subsection (g) of this section or'' immediately preceding ''other laws''.

PART C—ECONOMIC INDEPENDENCE

SEC. 731. SHORT TITLE.

This title may be cited as the ''Individual Development Account Demonstration Act of 1994''.

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

(a) DECLARATION OF POLICY.—It is the policy of the United States—

(1) to eliminate barriers that prevent recipients of Aid to Families with Dependent Children (AFDC) from becoming self-sufficient through self-employment and asset accumulation;

(2) to identify and implement cost-effective strategies to encourage saving and entrepreneurship among the broadest possible range of low-income families, particularly families eligible for AFDC, and

that have the potential to reduce Federal spending on transfers and services to the disadvantaged;

(3) to enhance private-sector opportunities for low-income families by enabling them to use their own human and financial resources through expansion of business investment, job creation, home ownership, and human capital investment; and

(4) to expand the capacity of local organizations to provide asset-related services that help people to help themselves such as savings mechanisms, loan funds, technical assistance, and entrepreneurial training.

(b) STATEMENT OF PURPOSE.—The purpose of the demonstration projects authorized under this title is to provide for a means of determining—

(1) the social, psychological, and economic effects of providing low-income individuals the opportunity to accumulate assets and develop and utilize entrepreneurial skills; and

(2) the extent to which an asset-based assistance policy may be used to enable individuals with low-income to achieve economic self-sufficiency.

SEC. 733. INDIVIDUAL DEVELOPMENT ACCOUNT DEMONSTRATION PROJECTS.

(a) IN GENERAL.—Not later than one year after the date of enactment of this Act, any State or local government, or any qualified organization may apply to the Administrator/Chairperson of the Community Development Bank and Financial Institutions Fund (hereinafter the Administrator/Chairperson) for a grant to conduct individual development account demonstration projects for eligible persons.

(b) CONTENTS.—Each application shall—

(1) describe the demonstration project;

(2) describe the persons who will participate in the project;

(3) demonstrate the ability of the applicant—

(A) to assist project participants in achieving economic self-sufficiency through the project; and

(B) to assist project participants in developing greater knowledge about savings, investments, and other financial matters;

(C) to oversee the use of grant funds, including the documentation and verification of start-up expenses in the case of entrepreneurial assistance; and

(D) to effectively administer the project;

(4) in the case of a qualified organization, document a commitment by the State in which the project is to be conducted to provide a specified amount of funds to the qualified organization for the project, and any similar commitment made to the qualified organization by any other non-Federal public entity or any private entity;

(5) contain a plan for maintaining data and other information concerning assistance provided to project participants sufficient to evaluate the project and a certification that the applicant will fully cooperate and provide access to all information concerning the project in connection with any evaluation of the project conducted pursuant to subsection (1); and

(6) contain such other information as the Administrator/Chair may prescribe.

(c) CRITERIA.—In considering whether to approve an application, the Administrator/Chairperson shall assess the following:

(1) The degree to which the project described in the application is likely to aid project participants in achieving economic self-sufficiency through activities requiring qualified expenses. In making such assessment, the Administrator/Chairperson shall consider

the overall quality of project activities and shall not consider any particular kind or combination of such qualified expenses to be an essential feature of any project.

(2) The ability of the applicant to responsibly administer the project.

(3) The amount of funds from non-Federal sources that are committed to the project.

(4) The adequacy of the plan for maintaining information necessary to evaluate the project.

(d) APPROVAL.—

(1) The Administrator/Chairperson shall, on a competitive basis, approve such applications to conduct demonstration projects under this section as the Administrator/Chairperson deems appropriate on the basis of the criteria described in subsection (c).

(2) No court shall have jurisdiction to review the approval or nonapproval of any application by the Administrator/Chairperson.

(e) DEMONSTRATION AUTHORITY; ANNUAL GRANTS.—

(1) DEMONSTRATION AUTHORITY.—The approval by the Administrator of an application shall authorize the applicant (hereinafter the grantee) to conduct the project for five project years in accord-

ance with the approved application and the requirements of this section.

(2) ANNUAL GRANTS.—The Administrator/Chairperson shall make a grant to each grantee on the first day of each project year.

(f) RESERVE FUND.—

(1) ESTABLISHMENT.—Each grantee shall establish a reserve fund that shall be used in accordance with this subsection.

(2) DEPOSITS.—

(A) As soon after receipt as is practicable, a grantee shall deposit into the reserve fund—

(i) all annual grants made by the Administrator/Chairperson;

(ii) all funds provided to the grantee by any non-Federal public or private entity to conduct the demonstration project;

(iii) all proceeds from any investments made pursuant to paragraph (4); and

(iv) all amounts title to which vests in the grantee pursuant to subsection (h)(5).

(3) EXPENDITURES.—A grantee shall use amounts in the reserve fund only—

(A) to assist project participants in obtaining the skills and information necessary to

achieve economic self-sufficiency through activities requiring the payment of qualified expenses;

(B) to provide financial assistance in accordance with subsection (h) to project participants;

(C) to administer the project; and

(D) to maintain and provide information necessary for the evaluation of the project pursuant to subsection (1).

(4) ACCOUNTING STANDARDS.—The Administrator/Chairperson shall prescribe regulations governing the accounting of amounts deposited in and withdrawn from reserve funds.

(5) TERMINATION OF PROJECT.—Notwithstanding paragraph (3), upon the termination of any demonstration project approved under this section, remaining amounts in the reserve fund established with respect to such project and remaining investments made from amounts in the reserve fund shall be distributed to the Administrator/Chairperson and each non-Federal public or private entity that contributed to the project in proportion to their contributions.

(g) SELECTION OF ELIGIBLE PERSONS TO RECEIVE ASSISTANCE.—A grantee shall provide individual development account assistance to eligible persons whom the grantee deems to be best situated to benefit from such assistance, taking into account the amount of grants made by the Administrator/Chairperson and other funds available to the grantee for such assistance.

(h) FINANCIAL ASSISTANCE FOR INDIVIDUAL DEVELOPMENT ACCOUNTS.—

(1) IN GENERAL.—A grantee shall provide initial financial assistance to a project participant who establishes an individual development account, not to exceed $500 per participant. Such financial assistance shall be deposited in the individual development account established by a project participant.

(2) MATCHING CONTRIBUTIONS.—The Administrator/Chairperson or a grantee may make matching contributions of not less than 50 cents and not more than $4 for every $1 deposited into an individual development account by a project participant, not to exceed $2,500 for any project participant.

(3) LIMITATION ON USE.—

(A) Financial assistance provided pursuant to paragraph (1) shall not be available for use by a project participant until—

(i) the individual development account is closed; and

(ii) a project participant has deposited into the individual development account an amount equal to the initial financial assistance provided pursuant to paragraph (1).

(B) Financial assistance provided pursuant to paragraph (1) or (2) shall be used by a project participant only for the payment of qualified expenses.

(4) APPLICABILITY OF OTHER LAW.—The provisions of section 529 of the Internal Revenue Code of 1986 (26 U.S.C. 529) and such rules, regulations and procedures as may be prescribed by the Secretary of the Treasury under such Code shall apply to an individual development account for which financial assistance is provided pursuant to this subsection.

(5) EFFECT OF PROHIBITED TRANSACTIONS.—In the event that an individual development account ceases to be an individual development account under the provisions of section 529(e)(2) of the Internal Revenue Code of 1986 (26 U.S.C. 529(e)(2)), or any portion of an individual development account is treated as distributed under the provisions of sec-

tion 529(e)(3) of the Internal Revenue Code of 1986 (26 U.S.C. 529(e)(3)), title to all amounts in such an account, or such portion of an account, attributable to financial assistance provided pursuant to paragraph (1) or (2) shall vest in the grantee providing financial assistance pursuant to paragraph (1) and such amounts shall be paid to such grantee.

(i) LOCAL CONTROL OVER DEMONSTRATION.—

(1) Each grantee shall, subject to the provisions of subsection (k), have sole responsibility for the administration of demonstration projects approved by the Administrator/Chairperson.

(2) The Administrator/Chairperson may prescribe such regulations as may be necessary to ensure that grantees comply with the terms of approved applications and the requirements of this section.

(j) ANNUAL REPORTS.—

(1) IN GENERAL.—Each grantee shall annually report to the Administrator/Chairperson concerning the progress of each approved demonstration project administered by such grantee. The report shall, at a minimum—

(A) describe project participants;

(B) contain an audited financial statement for the reserve fund established with respect to the project;

(C) provide information on amounts deposited in individual development accounts of project participants to whom such assistance is provided under the project; and

(D) such other information as the Administrator/Chairperson may require with respect to the evaluation of the project pursuant to subsection (1).

(2) SUBMISSION.—Reports required by paragraph (1) shall be submitted annually not later than the anniversary of the date the Administrator/Chairperson approved the application for the demonstration project.

(3) COORDINATION WITH STATE GOVERNMENT.—A grantee shall transmit a copy of each report required by paragraph (1) to the Treasurer (or equivalent official) of the State in which the project is conducted at the time prescribed by paragraph (2).

(k) SANCTIONS.—

(1) REVOCATION OF DEMONSTRATION AUTHORITY.—If the Administrator/Chairperson determines a

grantee is not conducting a demonstration project in accordance with the approved application and the requirements of this section, and has failed to undertake corrective action satisfactory to the Administrator/Chairperson, the Administrator/Chairperson may revoke the approval to conduct the project. A determination by the Administrator/Chairperson to revoke the approval for a demonstration project shall not be subject to review by any court.

(2) ACTIONS REQUIRED UPON REVOCATION.—

(A) If the Administrator/Chairperson revokes approval to conduct a demonstration project pursuant to paragraph (1), the Administrator/Chairperson—

(i) shall suspend the project;

(ii) shall take control of the reserve fund established pursuant to subsection (f) with respect to such project; and

(iii) shall solicit applications from entities described in subsection (a) to conduct the suspended project in accordance with the approved application (or under such terms and conditions as the Administrator may prescribe) and the requirements of this section.

(B) If the Administrator/Chairperson approves an application to conduct the suspended project, the Administrator/Chairperson shall transfer to the new grantee control of the reserve fund established pursuant to subsection (f) for the project, and such grantee shall be considered to be the original grantee for purposes of this section. The date the Administrator/Chairperson approved the application of the new grantee to conduct the suspended project shall apply for purposes of the annual reports required by subsection (j).

(C) If the Administrator/Chairperson has not approved an application to conduct a project by the date that is one year after approval to conduct the project was revoked, the Administrator/Chairperson shall—

(i) terminate the project; and

(ii) distribute remaining amounts in the reserve fund for such project and investments made from amounts in the reserve fund in accordance with the provisions of subsection (f)(6).

(l) PROJECT EVALUATIONS.—

(1) IN GENERAL.—Not later than six months after the date of enactment of this Act, the Administrator/Chairperson, in consultation with the Secretary of the Treasury and the Secretary of the Department of Health and Human Services, shall enter into a contract with an independent organization (hereinafter ''evaluator'') for the evaluation of individual demonstration projects conducted pursuant to this section and the effectiveness of assistance provided to eligible persons pursuant to this section.

(2) EVALUATIONS.—In entering into the contract provided for in paragraph (1), the Administrator/Chairperson should consider providing for evaluation of—

(A) the types of information and public education efforts that attract project participants;

(B) the accessibility of the demonstration project by participants and the ease of participation;

(C) the level of financial assistance required to stimulate participation in the demonstration project, and whether such level varies among different demographic populations;

(D) whether project features utilized in conjunction with individual development accounts (such as peer support, structured planning exercises, mentoring, and case management) contribute to participation in the project;

(E) the level of self-sufficiency achieved by project participants as measured by employment or self-employment rates, earned and investment income, exit rates, poverty rates, and recidivism rates, particularly for program participants eligible for food stamp benefits and AFDC;

(F) the reduction in the level of public expenditure on project participants as measured by changes in overall support payments including AFDC, food stamp benefits, Federal child care assistance, Federal housing assistance, JOBS, and other benefits, taking into account costs incurred by the Federal Government in support of demonstration projects;

(G) the level of asset accumulation by project participants as measured by savings rates, net worth, business start-ups, human capital investments, new homes, number of loans to low-income and AFDC eligible families,

and whether asset accumulation continued after a subsidy or other assistance;

(H) the economic, psychological, and social effects of asset accumulation; and

(I) the circumstances concerning and the extent to which asset accumulation by project participants contributes to—

(i) a greater sense of security and control and positive outlook;

(ii) greater household stability;

(iii) increased long-term planning;

(iv) increased efforts to maintain and develop assets;

(v) greater knowledge about savings, investments, and other financial matters;

(vi) increased effort and success in educational achievement within the household;

(vii) increased specialization in career development;

(viii) improved social status;

(ix) increased political participation;

(x) increased community involvement;

(xi) increased earned income;

(xii) decreased reliance on traditional forms of public assistance, with particular emphasis on food stamp benefits and AFDC; and

(xiii) increased tendency to save during and after the period of project participation.

(3) METHODOLOGICAL REQUIREMENT.—In evaluating any demonstration project conducted under this section, the evaluator should obtain such quantitative data before, during, and after the project, as is necessary to evaluate the project and include randomly assigned control groups.

(m) DEFINITIONS.—As used in this section:

(1) HOUSEHOLD.—The term ''household'' means all individuals who share use of a dwelling unit as primary quarters for living and eating separately from other individuals in the living quarters.

(2) NET WORTH.—

(A) IN GENERAL.—Except as provided in subparagraph (B), the term ''net worth'' means, with respect to a household, the aggregate fair market value of all assets that are owned in whole or in part by any member of the

household, less the obligations or debts of any member of the household.

(B) ASSETS EXCLUDED.—Net worth shall be determined without taking into account the fair market value and the obligations or debts of—

(i) the primary dwelling unit of the household;

(ii) the motor vehicle having the greatest equity value; and

(iii) items essential for daily living, such as clothes, furniture, and similar items of limited value.

(3) INDIVIDUAL DEVELOPMENT ACCOUNT.—The term ''individual development account'' shall have the same meaning given such term in section 529 of the Internal Revenue Code of 1986 (26 U.S.C. 529).

(4) PROJECT YEAR.—The term ''project year'' means with respect to a demonstration project, any of the six consecutive 12-month periods beginning on the date the project is approved by the Administrator.

(5) QUALIFIED ORGANIZATION.—The term ''qualified organization'' means a community devel-

opment financial institution as defined in section of the Community Development Banking and Financial Institutions Act of 1994.

(6) ELIGIBLE PERSON DEFINED.—The term ''eligible person'' means any person who is a member of a household that meets all of the following requirements:

(A) EITC TEST.—The household has at least one individual who is an eligible individual within the meaning of section 32(c)(1) of the Internal Revenue Code of 1986 for purposes of the earned income tax credit.

(B) INCOME TEST.—The household did not have adjusted gross income (as determined pursuant to the Internal Revenue Code of 1986) in the immediately preceding calendar year in excess of $18,000.

(C) NET WORTH TEST.—The net worth of the household, as of the close of the immediately preceding calendar year, did not exceed $20,000.

(7) QUALIFIED EXPENSES.—The term ''qualified expenses'' shall have the same meaning as provided in section 529(c)(1) of the Internal Revenue Code of 1986 (26 U.S.C. 529(C)(1)).

(n) AUTHORIZATION OF APPROPRIATIONS.—To carry out the purposes of this section there are authorized to be appropriated to the Administrator/Chairperson—

(1) $10,000,000 for fiscal year 1997,

(2) $20,000,000 for each of fiscal years 1998, 1999, 2000, and 2001, and

(3) $10,000,000 for fiscal year 2002.

SEC. 734. INDIVIDUAL DEVELOPMENT ACCOUNTS.

(a) IN GENERAL.—Subchapter F of chapter 1 of the Internal Revenue Code of 1986 (relating to additional itemized deductions for individuals) is amended by adding at the end of the following new part:

''PART VIII—INDIVIDUAL DEVELOPMENT ACCOUNTS

"SEC. 529. INDIVIDUAL DEVELOPMENT ACCOUNTS.

''(a) ESTABLISHMENT OF ACCOUNTS.—

''(1) IN GENERAL.—An individual development account may be established by or on behalf of an eligible individual for the purpose of accumulating funds to pay the qualified expenses of such individual.

''(2) ELIGIBLE INDIVIDUAL.—The term 'eligible individual' means an individual—

''(A) for whom assistance is provided under section 733(h) of the Individual Development Account Demonstration Act;

"(B) receiving assistance under 42 U.S.C. 601 et seq.; or

"(C) receiving assistance under 7 U.S.C. 2011 et seq.

"(b) LIMITATIONS.—

"(1) ACCOUNT TO BENEFIT ONE INDIVIDUAL.—An individual development account may not be established for the benefit of more than one individual.

"(2) MULTIPLE ACCOUNTS.—If, at any time during a calendar year, two or more individual development accounts are maintained for the benefit of an eligible individual, such individual shall be treated as an eligible individual for such year only with respect to the account first established.

"(3) WHO MAY CONTRIBUTE.—Contributions to an individual development account, other than contributions made pursuant to section 733(h) of the Individual Development Account Demonstration Act, may be made only by an eligible individual and in the case of an eligible individual described in subsection (e)(2)(A), by another eligible individual who is a member of the same household as the eligible individual.

"(4) ANNUAL LIMIT.—Contributions to an individual development account by or on behalf of an eli-

gible individual for any taxable year shall not exceed the lesser of $1,000 or 100 percent of the earned income, within the meaning of section 32(c)(2), of the eligible individual making such contribution. No contribution to the account under section 733(h) of the Individual Development Account Demonstration Act shall be taken into account for the purposes of this limitation. No contribution may be made to an individual development account by or on behalf of any individual after such individual has ceased to be an eligible individual.

''(5) LIMIT ON TOTAL CONTRIBUTIONS.—Total contributions to an individual development account for all years may not exceed $10,000.

''(c) DEFINITIONS AND SPECIAL RULES.—For the purposes of this section—

''(1) QUALIFIED EXPENSES.—In the case of an eligible individual described in subsection (a)(2)(A), the term 'qualified expenses' means one or more of the expenses described in subparagraphs (A), (B), (C), and (D), as provided by the entity providing assistance to the eligible individual under section 733(h) of the Individual Development Account Demonstration Act. In the case of any other eligible individual, the term 'qualified expenses' means one or

more of the expenses described in subparagraphs (A), (B), (C), and (D).

''(A) POST-SECONDARY EDUCATION EXPENSES.—Post-secondary educational expenses paid from an individual development account directly to an eligible educational institution. For the purposes of this subparagraph—

''(i) the term 'post-secondary educational expenses' means—

''(I) tuition and fees required for the enrollment or attendance of a student at an eligible educational institution;

''(II) fees, books, supplies, and equipment required for courses of instruction at an eligible educational institution; and

''(III) a reasonable allowance for meals, lodging, transportation, and child care, while attending an eligible educational institution; and

''(ii) the term 'eligible educational institution' means—

''(I) an institution described in section 481(a)(1) or 1201(a) of the

Higher Education Act of 1965 (20 U.S.C. 1088(a)(1) or 1141(a)), as such sections are in effect on the date of the enactment of this section; and

''(II) an area vocational education school (as defined in subparagraph (C) or (D) of section 521(4) of the Carl D. Perkins Vocational and Applied Technology Education Act Amendments of 1990 (20 U.S.C. 2471(4))) in any State (as defined in section 521(33) of such Act), as such section is in effect on the date of the enactment of this section.

''(B) FIRST-HOME PURCHASE.—Qualified acquisition costs with respect to a qualified principal residence for a qualified first-time homebuyer, if paid from an individual development account directly to the persons to whom the amounts are due. For purposes of this subparagraph—

''(i) the term 'qualified acquisition costs' means the costs of acquiring, constructing, or reconstructing a residence,

and includes any usual or reasonable settlement, financing, or other closing costs;

''(ii) the term 'qualified principal residence' means a principal residence (within the meaning of section 1034), the qualified acquisition costs of which do not exceed 80 percent of the average area purchase price applicable to such residence (determined in accordance with paragraphs (2) and (3) of section 143(e));

''(iii) the term 'qualified first-time home-buyer' means a taxpayer (and, if married, the taxpayer's spouse) who has no present ownership interest in a principal residence during the three-year period ending on the date on which a binding contract was entered into to acquire, construct, or reconstruct the principal residence to which this subparagraph applies.

''(C) BUSINESS CAPITALIZATION.—Amounts paid from an individual development account directly into a business capitalization account which is established in a federally insured financial institution and is restricted to

use solely for qualified business capitalization expenses. For purposes of this subparagraph—

''(i) the term 'qualified business capitalization expenses' means qualified expenditures for the capitalization of a qualified business pursuant to a qualified plan;

''(ii) the term 'qualified expenditures' means expenditures included in a qualified plan, including capital, plant, equipment, working capital, and inventory expenses;

''(iii) the term 'qualified business' means any business that does not contravene any law or public policy (as determined by the Administrator of the Community Development Bank and Financial Institutions Fund);

''(iv) the term 'qualified plan' means a business plan

''(I) that is approved by a financial institution, or any other institution designated as a community development financial institution, having demonstrated fiduciary integrity;

''(II) that includes a description of services or goods to be sold, a mar-

keting plan, and projected financial statements; and

''(III) that may require the eligible individual to obtain assistance of an experienced entrepreneurial advisor.

''(D) TRANSFERS TO IDAS OF FAMILY MEMBERS.—Amounts in an individual development account may be paid or transferred directly into another such account established for the benefit of an eligible individual who is—

''(i) the taxpayer's spouse; or

''(ii) any dependent of the taxpayer with respect to whom the taxpayer is allowed a deduction under section 151.

''(2) INDIVIDUAL DEVELOPMENT ACCOUNT.—The term 'individual development account' means a trust created or organized in the United States exclusively for the purpose of paying the qualified expenses of an individual who was an eligible individual at the time when contributions were made to such trust, but only if the written instrument creating the trust meets the following requirements:

''(A) No contribution will be accepted unless it is in cash or check.

''(B) The trustee is a financial institution insured by an instrumentality of the Federal Government.

''(C) The assets of the account will be invested only in federally insured deposits and/or stock of a regulated investment company within the meaning of section 851(a), in accordance with the direction of the eligible individual.

''(D) The assets of the trust will not be commingled with other property except in a common trust fund or common investment fund.

''(E) Except as provided in subparagraph (F), any amount in the account which is attributable to assistance provided under section 733(h) of the Individual Development Account Demonstration Act may be paid or distributed out of the account only for the purpose of paying the qualified expenses of the eligible individual.

''(F)(i) Any balance in the account on the day after the date on which the individual for whose benefit the trust is established dies will be transferred within 60 days of such date as directed by such individual to another individual

development account established for the benefit of an individual who is a family member described in subsection (c)(1)(D) and who is an eligible individual, or who was an eligible individual on the day immediately preceding the date on which the individual for whose benefit the trust is established dies.

''(ii) In any case where clause (i) does not apply, the portion of the account attributable to contributions other than those provided under section 733(h) of the Individual Development Account Demonstration Act shall be paid out within five years of the date of death to the beneficiaries of the individual for whose benefit the account was established, and the balance shall vest in the grantee providing assistance under section 733(h) of the Individual Development Account Demonstration Act and shall be paid to such grantee within 60 days of the day after the date of death.

''(3) TIME WHEN CONTRIBUTIONS DEEMED MADE.—A taxpayer shall be deemed to have made a contribution to an individual development account on the last day of the preceding taxable year if the contribution is made on account of such taxable year

and is made not later than the time prescribed by law for filing the return for such taxable year (not including extensions thereof).

''(d) TAX TREATMENT OF DISTRIBUTIONS.—

''(1) IN GENERAL.—Except as otherwise provided in this subsection, any amount paid or distributed out of an individual development account shall be included in gross income of the payee or distributee for the taxable year in the manner provided in section 72.

''(2) TREATMENT OF ASSISTANCE CONTRIBUTIONS.—

''(A) DISTRIBUTIONS USED TO PAY QUALIFIED EXPENSES.—If a distribution or payment from an individual development account is used exclusively to pay the qualified expenses incurred by the individual for whose benefit the account is established, then, for purposes of section 72, assistance contributions made to such individual development account under section 733(h) of the Individual Development Account Demonstration Act shall be treated in the same manner as contributions made by the individual.

"(B) DISTRIBUTIONS NOT USED TO PAY QUALIFIED EXPENSES.—If a distribution or payment from an individual development account is not used exclusively to pay the qualified expenses incurred by the individual for whose benefit the account is established, then, for purposes of section 72, assistance contributions made to such individual development account under section 733(h) of the Individual Development Account Demonstration Act shall be treated in the same manner as earnings on the account.

"(e) TAX TREATMENT OF ACCOUNTS.—

"(1) EXEMPTION FROM TAX.—An individual development account is exempt from taxation under this subtitle unless such account has ceased to be an individual development account by reason of paragraph (2). Notwithstanding the preceding sentence, any such account is subject to the taxes imposed by section 511 (relating to imposition of tax on unrelated business income of charitable, etc. organizations).

"(2) LOSS OF EXEMPTION OF ACCOUNT WHERE INDIVIDUAL ENGAGES IN PROHIBITED TRANSACTION.—

"(A) IN GENERAL.—If the individual for whose benefit an individual development account is established or any individual who contributes to such account engages in any transaction prohibited by section 4975 with respect to the account, the account shall cease to be an individual development account as of the first day of the taxable year (of the individual so engaging in such transaction) during which such transaction occurs.

"(B) ACCOUNT TREATED AS DISTRIBUTING ALL ITS ASSETS.—In any case in which any account ceases to be an individual development account by reason of subparagraph (A) as of the first day of any taxable year—

"(i) all assets in the account on such first day that are attributable to assistance provided under section 733(h)(1) and (2) of the Individual Development Account Demonstration Act shall be paid as provided in section 733(h)(5) of such Act; and

"(ii) the provisions of subsection (d)(1) shall apply as if there was a distribution on such first day in an amount

equal to the fair market value of all other assets in the account on such first day.

''(3) EFFECT OF PLEDGING ACCOUNT AS SECURITY.—If, during any taxable year, the individual for whose benefit an individual development account is established, or any individual who contributes to such account, uses the account or any portion thereof as security for a loan—

''(A) an amount equal to the part of the portion so used which is attributable to assistance provided under section 733(h)(1) and (2) of the Individual Account Demonstration Act shall be paid as provided in section 733(h)(5) of such Act; and

''(B) the remaining part of the portion so used shall be treated as distributed under the provisions of subsection (d)(1) to the individual so using such portion.

''(f) ADDITIONAL TAX ON CERTAIN AMOUNTS INCLUDED IN GROSS INCOME.—

''(1) DISTRIBUTION NOT USED FOR QUALIFIED EXPENSES.—In the case of any payment or distribution that is not used exclusively to pay qualified expenses incurred by the eligible individual for whose benefit the account is established, the tax liability of

each payee or distributee under this chapter for the taxable year in which the payment or distribution is received shall be increased by an amount equal to 10 percent of the amount of the distribution that is included in the gross income of such payee or distributee for such taxable year.

''(2) DISQUALIFICATION CASES.—If any amount includible in the gross income of an individual for a taxable year because such amount is required to be treated as a distribution under paragraph (2) or (3) of subsection (e), the tax liability of such individual under this chapter for such taxable year shall be increased by an amount equal to 10 percent of such amount required to be treated as a distribution and included in the gross income of such individual.

''(3) DISABILITY OR DEATH CASES.—Paragraphs (1) and (2) shall not apply if the payment or distribution is made after the individual for whose benefit the individual development account becomes disabled within the meaning of section 72(m)(7) or dies.

''(g) COMMUNITY PROPERTY LAWS.—This section shall be applied without regard to any community property laws.

"(h) CUSTODIAL ACCOUNTS.—For purposes of this section, a custodial account shall be treated as a trust if the assets of such account are held by a bank (as defined in section 408(n)) or another person who demonstrates, to the satisfaction of the Administrator of the Community Development Bank and Financial Institutions Fund, that the manner in which he will administer the account will be consistent with the requirements of this section, and if the custodial account would, except for the fact that it is not a trust, constitute an individual development account described in subsection (c)(2). For purposes of this title, in the case of a custodial account treated as a trust by reason of the preceding sentence, the custodian of such account shall be treated as the trustee thereof.

"(i) REPORTS.—

"(1) The trustee of an individual development account established by or on behalf of an eligible individual described in subsection (a)(2)(A) shall—

"(A) prepare reports regarding the account with respect to contributions, distributions, and any other matter required by the Administrator of the Community Development Bank and Financial Institutions Fund under regulations; and

''(B) submit such reports, at the time and in the manner prescribed by the Administrator of the Community Development Bank and Financial Institutions Fund in regulations to—

''(i) the individual for whose benefit the account is maintained;

''(ii) the organization providing assistance to the individual under section 733(h) of the Individual Development Account Demonstration Act; and

''(iii) the Administrator of the Community Development Bank and Financial Institutions Fund.

''(2) The trustee of any individual development account shall make such reports regarding such account to the Secretary and to the individual for whom the account is, or is to be, maintained with respect to contributions (and the years to which they relate), distributions, and such other matters as the Secretary may require under forms or regulations. The reports required by this subsection—

''(A) shall be filed at such time and in such manner as the Secretary prescribes in such forms or regulations, and

''(B) shall be furnished to individuals—

"(i) not later than January 31 of the calendar year following the calendar year to which such reports relate, and

"(ii) in such manner as the Secretary prescribes in such forms or regulations.".

(b) CONTRIBUTION NOT SUBJECT TO THE GIFT TAX.—Section 2503 of the Internal Revenue Code of 1986 (26 U.S.C. 2503) (relating to taxable gifts) is amended by adding at the end thereof the following new subsection:

"(h) INDIVIDUAL DEVELOPMENT ACCOUNTS.—Any contribution made by an individual to an individual development account described in section 529(c)(2) shall not be treated as a transfer of property by gift for purposes of this chapter.".

(c) TAX ON PROHIBITED TRANSACTIONS.—Section 4975 of the Internal Revenue Code of 1986 (26 U.S.C. 4975) (relating to prohibited transactions) is amended—

(1) by adding at the end of subsection (c) the following new paragraph:

"(4) SPECIAL RULE FOR INDIVIDUAL DEVELOPMENT ACCOUNTS.—An individual for whose benefit an individual development account is established and any contributor to such account shall be exempt from tax imposed by this section with respect to any transaction concerning such account (which would

otherwise be taxable under this section) if, with respect to such transaction, the account ceases to be an individual development account by reason of section 529(e)(2)(A) to such account.''; and

(2) in subsection (e)(1), by inserting '', an individual development account described in section 529(c)(2)'' after ''section 408(a)''.

(d) INFORMATION REPORTING.—Section 6047 of the Internal Revenue Code of 1986 (26 U.S.C. 6693) (relating to information returns) is amended by adding at the end of subsection (c) the following new sentence: ''To the extent provided by forms or regulations prescribed by the Secretary, the provisions of this section shall apply to any transaction of any trust described in section 529.''.

(e) FAILURE TO PROVIDE REPORTS ON INDIVIDUAL DEVELOPMENT ACCOUNTS.—Section 6693 of the Internal Revenue Code of 1986 (26 U.S.C. 6693) (relating to failure to provide reports on individual retirement accounts or annuities) is amended—

(1) in the heading of such section, by inserting ''OR ON INDIVIDUAL DEVELOPMENT ACCOUNTS'' after ''ANNUITIES''; and

(2) by adding at the end of subsection (a) the following new sentence: ''The person required by section 529(i) to file a report regarding an individual

development account at the time and in the manner required by such section shall pay a penalty of $50 for each failure, unless it is shown that such failure is due to reasonable cause.''.

(f) SPECIAL RULE FOR DETERMINING AMOUNTS OF SUPPORT FOR DEPENDENT.—Section 152(b) of the Internal Revenue Code of 1986 (26 U.S.C. 152(b)) (relating to definition of dependent) is amended by adding at the end the following new paragraph:

''(6) A distribution from an individual development account described in section 529(c)(2) used exclusively to pay qualified expenses described in section 529(c)(1) of the individual for whose benefit the account is established shall not be taken into account in determining support for such individual for purposes of this section.''.

(g) CLERICAL AMENDMENTS.—

(1) The table of parts for subchapter F of chapter 1 of such Code is amended by inserting at the end the following new item:

''PART VIII. INDIVIDUAL DEVELOPMENT ACCOUNTS.''.

(2) The table of sections for subchapter B of chapter 68 of such Code is amended by amending the item relating to section 6693 to read as follows:

''Sec. 6693. Failure to provide reports on individual development accounts or annuities or on individual development accounts.''.

(h) EFFECTIVE DATE.—The amendments made by this section shall apply to contributions made after the enactment of the Act.

PART D—ADVANCE EITC STATE DEMONSTRATIONS

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

(A) IN GENERAL.—Section 3507 (relating to the advance payment of the earned income tax credit) of the Internal Revenue Code of 1986 is amended by adding at the end the following subsection (g);

''(g) STATE DEMONSTRATIONS.—

''(1) IN GENERAL.—In lieu of receiving earned income advance amounts from an employer under subsection (a), a participating resident shall receive advance earned income payments from a responsible State agency pursuant to a State Advance Payment Program that is designated pursuant to paragraph (2).

''(2) DESIGNATIONS.—

''(A) IN GENERAL.—From among the States submitting proposals satisfying the requirements of subsection (g)(3), the Secretary (in consultation with the Secretary of Health

and Human Services) may designate not more than 4 State Advance Payment Demonstrations. States selected for the demonstrations may have, in the aggregate, no more than 5 percent of the total number of household participating in the program under the Food Stamp program in the immediately preceding fiscal year, Administrative costs of a State in conducting a demonstration under this section may be included for matching under section 403(a) of the Social Security Act and section 16(a) of the Food Stamp Act of 1977.

''(B) WHEN DESIGNATION MAY BE MADE.—Any designation under this paragraph shall be made no later than December 31, 1995.

''(C) PERIOD FOR WHICH DESIGNATION IS IN EFFECT.—

''(i) IN GENERAL.—Designations made under this paragraph shall be effective for advance earned income payments made after December 31, 1995, and before January 1, 1999.

''(ii) SPECIAL RULES.—

"(I) REVOCATION OF DESIGNATIONS.—The Secretary may revoke the designation under this paragraph if the Secretary determines that the State is not complying substantially with the proposal described in paragraph (3) submitted by the State.

"(II) AUTOMATIC TERMINATION OF DESIGNATIONS.—Any failure by a State to comply with the reporting requirements described in paragraphs (3)(F) and (3)(G) has the effect of immediately terminating the designation under this paragraph (2) and rendering paragraph (5)(A)(ii) inapplicable to subsequent payments.

"(3) PROPOSALS.—No State may be designated under subsection (g)(2) unless the State's proposal for such designation—

"(A) identifies the responsible State agency,

"(B) describes how and when the advance earned income payments will be made by that agency, including a description of any other

State or Federal benefits with which such payments will be coordinated,

''(C) describes how the State will obtain the information on which the amount of advance earned income payments made to each participating resident will be determined in accordance with paragraph (4),

''(D) describes how State residents who will be eligible to receive advance earned income payments will be selected, notified of the opportunity to receive advance earned income payments from the responsible State agency, and given the opportunity to elect to participate in the program,

''(E) describes how the State will verify, in addition to receiving the certifications and statement described in paragraph (7)(D)(iv), the eligibility of participating residents for the earned tax credit,

''(F) commits the State to furnishing to each participating resident to the Secretary by January 31 of each year a written statement showing—

''(i) the name and taxpayer identification number of the participating resident, and

''(ii) the total amount of advance earned income payments made to the participating resident during the prior calendar year,

''(G) commits the State to furnishing to the Secretary by December 1 of each year a written statement showing the name and taxpayer identification number of each participating resident,

''(H) commits the State to treat the advanced earned income payments as described in subsection (g)(5) and any repayments of excessive advance earned income payments as described in subsection (g)(6),

''(I) commits the State to assess the development and implementation of its State Advance Payment Program, including an agreement to share its findings and lessons with other interested States in a manner to be described by the Secretary, and

''(J) is submitted to the Secretary on or before June 30, 1995.

"(4) AMOUNT AND TIMING OF ADVANCE EARNED INCOME PAYMENTS.—

"(A) AMOUNT.—

"(i) IN GENERAL.—The method for determining the amount of advance earned income payments made to each participating resident is to conform to the full extent possible with the provisions of subsection (c).

"(ii) SPECIAL RULE.—A State may, at its election, apply the rules of subsection (c)(2)(B) by substituting 'between 60 percent and 75 percent of the credit percentage in effect under section 32(b)(1) for an individual with the corresponding number of qualifying children' for '60 percent of the credit percentage in effect under section 32(b)(1) for such an eligible individual with 1 qualifying child' in clause (i) and 'the same percentage (as applied in clause (i))' for '60 percent' in clause (ii).

"(B) TIMING.—The frequency of advance earned income payments may be made on the basis of the payroll periods of participating residents, on a single statewide schedule, or on any

other reasonable basis prescribed by the State in its proposal; however, in no event may advance earned income payments be made to any participating resident less frequently than on a calendar-quarter basis.

''(5) PAYMENTS TO BE TREATED AS PAYMENTS OF WITHHOLDING AND FICA TAXES.—

''(A) IN GENERAL.—For purposes of this title, advance earned income payments during any calendar quarter—

''(i) shall neither be treated as a payment of compensation nor be included in gross income, and

''(ii) shall be treated as made out of—

''(I) amounts required to be deducted by the State and withheld for the calendar quarter by the State under section 3401 (relating to wage withholding), and

''(II) amounts required to be deducted for the calendar quarter under section 3102 (relating to FICA employee taxes), and

''(III) amounts of the taxes imposed on the State for the calendar

quarter under section 3111 (relating to FICA employer taxes),

as if the State had paid to the Secretary, on the day on which payments are made to participating residents, an amount equal to such payments.

''(B) ADVANCE PAYMENTS EXCEED TAXES DUE.—If for any calendar quarter the aggregate amount of advance earned income payments made by the responsible State agency under a State Advance Payment Program exceeds the sum of the amounts referred to in subparagraph (A)(ii) (without regard to paragraph (6)(A)), each such advance earned income payment shall be reduced by an amount which bears the same ratio to such excess as such advance earned income payment bears to the aggregate amount of all such advance earned income payments.

''(6) STATE REPAYMENT OF EXCESSIVE ADVANCE EARNED INCOME PAYMENTS.—

''(A) IN GENERAL.—Notwithstanding any other provision of law, in the case of an excessive advance earned income payment a State shall be treated as having deducted and with-

held under section 3401 (relating to wage withholding), and therefore is required to pay to the United States, the repayment amount during the repayment calendar quarter.

''(B) EXCESSIVE ADVANCE EARNED INCOME PAYMENT.—For purposes of this section, an excessive advance income payment is that portion of any advance earned income payment that, when combined with other advance earned income payments previously made to the same participating resident during the same calendar year, exceeds the amount of earned income tax credit to which that participating resident is entitled under section 32 for that year.

''(C) REPAYMENT AMOUNT.—The repayment amount is equal to 50 percent of the excess of—

''(i) excessive advance earned income payments made by a State during a particular calendar year, over

''(ii) the sum of—

''(I) 4 percent of all advance earned income payments made by the State during that calendar year, and

"(II) the excessive advance earned income payments made by the State during that calendar year that have been collected from participating residents by the Secretary.

"(D) REPAYMENT CALENDAR QUARTER.—The repayment calendar quarter is the second calendar quarter of the third calendar year after the calendar year in which an excessive earned income payment is made.

"(7) DEFINITIONS.—For purposes of this section—

"(A) STATE ADVANCE PAYMENT PROGRAM.—The term 'State Advance Payment Program' means the program described in a proposal submitted for designation under paragraph (1) and designated by the Secretary under paragraph (2).

"(B) RESPONSIBLE STATE AGENCY.—The term 'responsible State agency' means the single State agency that will be making the advance earned income payments to residents of the State who elect to participate in a State Advance Payment Program.

''(C) ADVANCE EARNED INCOME PAYMENTS.—The term 'advance earned income payments' means an amount paid by a responsible State agency to residents of the State pursuant to a State Advance Payment Program.

''(D) PARTICIPATING RESIDENT.—The term 'participating resident' means an individual who—

''(i) is a resident of a State that has in effect a designated State Advance Payment Program,

''(ii) makes the election described in paragraph (3)(C) pursuant to guidelines prescribed by the State,

''(iii) certifies to the State the number of qualifying children the individual has, and

''(iv) provides to the State the certifications and statement set forth in subsections (b)(1), (b)(2), (b)(3), and (b)(4) (except that for purposes of this clause (iv), the term 'any employer' shall be substituted for 'another employer' in subsection (b)(3)), along with any other information required by the State.''.

(b) TECHNICAL ASSISTANCE.—The Secretaries of Treasury and Health and Human Services shall jointly ensure that technical assistance is provided to State Advance Payment Programs and that these programs are rigorously evaluated.

(c) ANNUAL REPORTS.—The Secretary shall issue annual reports detailing the extent to which—

(1) residents participate in the State Advance Payment Programs,

(2) participating residents file Federal and State tax returns,

(3) participating residents report accurately the amount of the advance earned income payments made to them by the responsible State agency during the year, and

(4) recipients of excessive advance earned income payments repaid those amounts.

The report shall also contain an estimate of the amount of advance earned income payments made by each responsible State agency but not reported on the tax returns of a participating resident and the amount of excessive advance earned income payments.

(d) AUTHORIZATION OF APPROPRIATIONS.—For purposes of providing technical assistance described in subsection (b), preparing the reports described in subsection

(c), and providing grants to States in support of designated State Advance Payment Programs, there are authorized to be appropriated in advance to the Secretary of the Treasury and the Secretary of Health and Human Services a total of $1,400,000 for fiscal years 1996 through 1999.

TITLE VIII—SELF EMPLOYMENT/ MICROENTERPRISE DEMONSTRATIONS

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

(a) IN GENERAL.—The Secretary of Health and Human Services (hereinafter in this section referred to as the ''Secretary'') and the Administrator of the Small Business Administration (hereinafter in this section referred to as the ''Administrator''), shall, subject to the availability of appropriations in advance for this purpose, jointly develop a self-employment/microenterprise demonstration program for at least five years in length that will build on the experience of microenterprise and self-employment programs previously carried out by the Federal Government and other entities. The program shall be designed—

(1) to identify regulatory and other barriers that prevent welfare recipients and low-income individuals from increasing self-sufficiency through self-

employment and microenterprise development, and to identify and test effective means to eliminate such barriers;

(2) to develop and evaluate promising program models, based upon existing effective practices, which have the potential to (A) increase the number of welfare recipients and low-income individuals who become self-sufficient or increase self-sufficiency through self-employment and microenterprise development and (B) reduce Federal spending on transfer payments and services to welfare recipients and low-income individuals; and

(3) to demonstrate the potential for expanding the capacity of local organizations to provide services, technical assistance and loans which help welfare recipients and low-income individuals start or expand self-employment or microenterprises.

(b) USE OF INTERMEDIARIES.—To carry out such program, the Secretary and Administrator shall jointly enter into agreements with local intermediaries that—

(1) apply to participate in such program, and

(2) demonstrate that they are capable of implementing the provisions of the agreement.

(c) PROGRAM DESIGN.—In order to facilitate a randomized evaluation, as provided for in subsection (i)(1)

below, the Secretary and Administrator shall identify those predominant and effective program models currently used by existing intermediaries to provide self-employment and related services to low-income individuals, and shall design the demonstration program in order to evaluate at least two distinct types of program models with contrasting levels of technical assistance. In designing the demonstration program, the Secretary and Administrator shall consult with appropriate parties, such as—

(1) State and local agencies and private, non-profit organizations with experience in administering self-employment programs that serve low-income individuals; and

(2) other persons with recognized expertise in conducting randomized evaluations of self-employment programs or other related programs.

(d) ASSISTANCE TO INTERMEDIARIES.—

(1) IN GENERAL.—To carry out the program, the Secretary and Administrator may provide the following assistance to intermediaries selected to participate in the program—

(A) grants for providing technical assistance to eligible individuals, for operating costs and for costs associated with participating in

the evaluation provided for in subsection (i)(1) below;

(B) loan guarantees; and

(C) loans.

(2) TECHNICAL ASSISTANCE TO INTERMEDIARIES.—The Secretary and Administrator may provide grants to intermediaries or third-party technical assistance providers for the provision of technical assistance to intermediaries selected to participate in this program.

(3) TERMINATION OF ASSISTANCE.—Assistance awarded pursuant to this section may fully fund project periods of up to five years. The Secretary and Administrator may revoke, terminate or reduce assistance to an intermediary if the intermediary fails to comply with the terms of any agreement it enters into with the Secretary and Administrator.

(e) SELECTION OF INTERMEDIARIES.—

(1) IN GENERAL.—In determining whether to enter into an agreement with an intermediary under this section, the Secretary and Administrator shall take into consideration—

(A) the intermediary's record of success in serving low-income individuals;

(B) the intermediary's record of success in providing technical assistance or loans to low-income individuals for the purpose of self-employment;

(C) the nature, types, and costs of technical assistance and/or lending methods the intermediary will employ in serving the target population;

(D) the intermediary's ability to obtain matching funds from private sources; and

(E) such other matters as the Secretary and Administrator deem appropriate.

(2) ADDITIONAL PROGRAMS.—In addition to the demonstration program provided for in subsection (c) above, the Secretary and Administrator may select up to five intermediaries that would employ program models that would operate independently of the randomized evaluation provided for in subsection (i)(1) below, where such program models demonstrate promising, innovative strategies that could not readily be evaluated by a randomized experimental design.

(f) ELIGIBLE INDIVIDUALS.—An individual eligible to participate in a program conducted under this section is any low-income individual or welfare recipient. The Sec-

retary and Administrator shall ensure that an appropriate minimum percentage of welfare recipients will participate in each demonstration program funded under this section.

(g) PROVISIONS OF AGREEMENTS.—Any agreement entered into with an intermediary under this section shall provide that—

(1) the intermediary has or will have an agreement with the State agency responsible for administering the job opportunities and basic skills training program (as provided for under part F of title IV of the Social Security Act) (hereinafter in this section referred to as the ''JOBS'' programs) and the Work Program (as provided under part G of title IV of such Act) such that JOBS and Work Program funds will be used to provide support services, including training and technical assistance, to welfare recipients who are participating in the demonstration programs funded under this section;

(2) the intermediary will implement a program that is approved by the Secretary and Administrator;

(3) the intermediary will cooperate with any independent evaluator(s) selected pursuant to subsection (i) below; and

(4) the intermediary will meet any other obligations required by the Secretary and Administrator, including any fund matching requirements.

(h) PROGRAM ADMINISTRATION.—

(1) IN GENERAL.—The Secretary and Administrator shall enter into a memorandum of understanding for the joint administration of the demonstration programs provided for by this section. The designation of intermediaries to participate in the program shall be completed no later than 12 months after the date of appropriation of funds for this Act.

(2) COORDINATION WITH OTHER AGENCIES.—The Secretary and Administrator shall also coordinate and consult with the Secretaries of the Department of Agriculture, the Department of Housing and Urban Development, and the Department of Labor, on regulatory or other reforms or coordinated efforts by such agencies that may further eliminate barriers to self-employment and legitimize microenterprise development by low-income individuals and welfare recipients.

(i) EVALUATION AND REPORT.—

(1) IN GENERAL.—The Secretary, in consultation with the Administrator, shall conduct or provide

for an evaluation of the effectiveness of the demonstration program provided for in subsection (c) above and shall prepare and submit to the President and Congress a preliminary report of the evaluation no later than three years following the designation of intermediaries and a final report no later than seven years following such designation, together with such recommendations, including recommendations for legislation, as the Secretary and Administrator deem appropriate. Such evaluation shall be based on an experimental design with random assignment between a treatment group and a control group. In designing the evaluation, the Secretary shall consider testing for—

(A) greater self-sufficiency as measured by employment and self-employment rates, amount of earned income, poverty rates, and exit and recidivism rates for Aid to Families With Dependent Children (hereinafter in this section referred to as ''AFDC''), Food Stamps and other public assistance programs;

(B) reduced costs of public support as measured by changes in overall support payments for items such as income maintenance,

food, child care, health care, housing, job training and other benefits;

(C) number of businesses and jobs created, number of loans to welfare recipients and low-income individuals, repayment rates for loans, and business performance after welfare or other public assistance ends;

(D) the relative effectiveness, cost-to-benefit ratio, and degree of financial self-sufficiency of the different program models employed by the intermediaries participating in the demonstration program; and

(E) the program's impact and effectiveness in serving participants in a time-limited welfare system, as compared to other low-income individuals.

(2) EVALUATION OF ADDITIONAL PROGRAMS.—The Secretary, in consultation with the Administrator, shall also conduct or provide for an independent evaluation of the effectiveness of any program models selected pursuant to subsection (e)(2) above and shall prepare and submit to the President and Congress a preliminary report of the evaluation no later than three years following the designation of intermediaries, and a final report no later than five

years following such designation, together with such recommendations, including recommendations for legislation, as the Secretary and Administrator deem appropriate.

(3) PRELIMINARY REPORTS TO CONGRESS.—The preliminary reports provided for in paragraphs (1) and (2) of this subsection shall include an analysis of any regulatory or other barriers that prevent welfare recipients and low-income individuals from becoming self-sufficient through self-employment and microenterprise development.

(4) REQUIRED INFORMATION.—The Secretary may require each intermediary selected pursuant to this section to provide the Secretary with such information as the Secretary determines is necessary to carrying out the duties of this subsection.

(5) EARLY AND REGULAR INFORMATION SHARING WITH INTERMEDIARIES.—The Secretary, in consultation with the Administrator, shall provide early and regular feedback and summaries to intermediaries selected to participate pursuant to this section of the progress of the evaluation, the data collected during the evaluation, preliminary findings and such other information as the Secretary deems appropriate. The Secretary shall provide such

feedback and summaries at least once a year for the life of the demonstration.

(j) AUTHORIZATION OF APPROPRIATIONS.—To carry out the purposes of this section there are authorized to be appropriated to the Secretary and Administrator—

(1) $4,000,000 for fiscal year 1997,

(2) $8,000,000 for each of fiscal years 1998, 1999, 2000, and 2001, and

(3) $4,000,000 for fiscal year 2002.

(k) DEFINITIONS.—For the purposes of this section—

(1) the term ''intermediary'' means an organization, partnership, or consortium of organizations that acts as a lender and/or as a technical assistance provider to individuals who wish to start or expand a microenterprise;

(2) the term ''low-income individual'' means an individual whose income level does not exceed 130 percent of the official poverty line as defined by the Office of Management and Budget;

(3) the term ''microenterprise'' generally means a business that has a net worth of less than $15,000;

(4) the term ''technical assistance'' as it relates to assisting a welfare recipient or low-income indi-

vidual to become self-employed includes business technical assistance, entrepreneurial training, and/or personal development services; and

(5) the term ''welfare recipient'' means a participant in a time-limited welfare program who is eligible for the JOBS or Work program or a person who is receiving assistance from AFDC.

TITLE IX—FINANCING

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

Section 403(a)(5) of the Act is amended to read as follows:

''(5)(A) Each State shall be entitled to payment from the Secretary in an amount equal to 50 percent of the total amounts expended under the State plan in a fiscal year as emergency assistance to needy families with children, but such payment may not exceed the greater of—

''(i) such State's share of the limitation in subparagraph (B) for such fiscal year, or

''(ii) the amount paid by the Secretary with respect to such State's expenditures for emergency assistance to needy families with children for fiscal year 1991.

''(B) The limitation referred to in subparagraph (A) is $418,000,000 for fiscal year 1995, and for fiscal year 1996 and for each fiscal year thereafter, $418,000,000 multiplied by the ratio of the Consumer Price Index (prepared by the Department of Labor) for the third quarter of the preceding fiscal year to such Index for the third quarter of fiscal year 1994.

''(C) For purposes of this paragraph, a 'State's share of the limitation in subparagraph (B)' for a fiscal year means—

''(i) such State's share of the EA portion of the limitation (as defined in subparagraph (D)), plus

''(ii) such State's share of the AFDC portion of the limitation (as defined in subparagraph (E)) for the fiscal year involved.

''(D) For the purposes of this paragraph, the EA portion of the limitation is—

''(i) for fiscal year 1995 and each fiscal year thereafter, the limitation for such year, multiplied by—

''(I) 90 percent, minus

''(II) 10 percentage points for each year after 1995.

but never less than zero.

''(E) For purposes of this paragraph, the AFDC portion of the limitation is—

''(i) for fiscal year 1995, the limitation for such year, multiplied by 10 percent, and

''(ii) for fiscal year 1996 and each fiscal year thereafter, the limitation for such year multiplied by—

''(I) 10 percent, plus

''(II) 10 percentage points for each year after 1995,

but never more than 100.

''(F) For purposes of this paragraph—

''(i) a State's share of the EA portion of the limitation for a fiscal year is the limitation for such year multiplied by the ratio of the estimated expenditures in such State for emergency assistance to needy families with children for quarters in fiscal year 1994 to the sum of such estimated expenditures in all the States for quarters in such year, and

''(ii) a State's share of the AFDC portion of the limitation for a fiscal year is the limitation for such year multiplied by the ratio of the estimated expenditures in such State for aid to

families with dependent children for quarters in the preceding fiscal year to the sum of such expenditures in all the States for quarters in such preceding fiscal year.''.

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

(a) FEDERAL AND FEDERALLY-ASSISTED PROGRAMS.—

(1) PROGRAM ELIGIBILITY CRITERIA.—

(A) AID TO FAMILIES WITH DEPENDENT CHILDREN.—Section 402(a)(33) of the Social Security Act is amended by striking ''(A) a citizen'' and all that follows and inserting the following:

''(A) a citizen or national of the United States, or

''(B) a qualified alien (as defined in section 1101(a)(10)), provided that such alien is not disqualified from receiving aid under a State plan approved under a State plan approved under this part by or pursuant to section 210(f) or 245A(h) of the Immigration and Nationality Act or any other provision of law;''.

(B) SUPPLEMENTAL SECURITY INCOME.—Section 1614(a)(1)(B)(i) of such Act is amended to read as follows:

''(B)(i) is a resident of the United States, and is either (I) a citizen or national of the United States, or (II) a qualified alien (as defined in section 1101(a)(10)), or''.

(C) MEDICAID—

(i) Section 1903(v)(1) of such Act is amended to read as follows:

''(v)(1) Notwithstanding the preceding provisions of this section, (A) no payment may be made to a State under this section for medical assistance furnished to an individual who is disqualified from receiving such assistance by or pursuant to section 210(f) or 245A(h) of the Immigration and Nationality Act or any other provision of law, and (B) except as provided in paragraph (2), no such payment may be made for medical assistance furnished to an individual who is not a (i) citizen or national of the United States, or (ii) qualified alien (as defined in section 1101(a)(10)).''.

(ii) Section 1903(v)(2) of such Act is amended by—

(I) striking ''paragraph (1)'' and inserting ''paragraph (1)(B)''; and

(II) striking ''alien'' each place it appears and inserting ''individual''.

(iii) Section 1902(a) of such Act is amended in the last sentence by striking ''alien'' and all that follows and inserting ''individual who is not (A) a citizen or national of the United States, or (B) a qualified alien (as defined in section 1101(a)(10)) only in accordance with section 1903(v).''.

(iv) Section 1902(b)(3) of such Act is amended by inserting ''or national'' after ''citizen''.

(2) DEFINITION OF TERM ''QUALIFIED ALIEN''.—Section 1101(a) of such Act is amended by adding at the end the following new paragraph:

''(10) The term 'qualified alien' means an alien—

''(A) who is lawfully admitted for permanent residence within the meaning of section 101(a)(20) of the Immigration and Nationality Act;

''(B) who is admitted as a refugee pursuant to section 207 of such Act;

''(C) who is granted asylum pursuant to section 208 of such Act;

''(D) whose deportation is withheld pursuant to section 243(h) of such Act;

''(E) whose deportation is suspended pursuant to section 244 of such Act;

''(F) who is granted conditional entry pursuant to section 203(a)(7) of such Act as in effect prior to April 1, 1980;

''(G) who is lawfully admitted for temporary residence pursuant to section 210 or 245A of such Act;

''(H) who is within a class of aliens lawfully present within the United States pursuant to any other provision of such Act, provided that—

''(i) the Attorney General determines that the continued presence of such class of aliens serves a humanitarian or other compelling public interest, and

''(ii) the Secretary of Health and Human Services determines that such interest would be further served by treating each alien within such class as a 'qualified alien' for purposes of this Act; or

''(I) who is the spouse or unmarried child under 21 years of age of a citizen of the United States, or the parent of such a citizen if the citizen is 21 years of age or older, and with respect to whom an application for adjustment to lawful permanent residence is pending;

such status not having changed.''.

(3) CONFORMING AMENDMENT.—Section 244A(f)(1) of the Immigration and Nationality Act is amended by inserting ''and shall not be considered to be a 'qualified alien' within the meaning of section 1101(a)(10) of the Social Security Act'' immediately before the semicolon.

(b) STATE AND LOCAL PROGRAMS.—A State or political subdivision therein may provide that an alien is not eligible for any program of assistance based on need that is furnished by such State or political subdivision unless such alien is a ''qualified alien'' within the meaning of section 1101(a)(10) of the Social Security Act (as added by subsection (a)(2) of this section).

(c) EFFECTIVE DATE.—

(1) The amendments made by subsection (a) are effective with respect to benefits payable on the basis of any application filed after the date of enactment of this Act.

(2) Subsection (b) is effective upon the date of enactment of this Act.

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

(a) DEEMING OF SPONSOR'S INCOME AND RESOURCES TO AN ALIEN UNDER THE SUPPLEMENTAL SECURITY INCOME, AID TO FAMILIES WITH DEPENDENT CHILDREN, AND FOOD STAMP PROGRAMS.—

(1) LENGTH OF DEEMING PERIOD.—

(A) MAKING THE SSI 5-YEAR PERIOD PERMANENT.—Subsection (b) of section 7 of the Unemployment Compensation Amendments of 1993 (Public Law 103–152) is repealed.

(B) INCREASING THE AFDC PERIOD FROM 3 TO 5 YEARS.—Section 415 of the Social Security Act is amended by striking ''three years'' each place such phrase appears and inserting ''5 years''.

(C) INCREASING THE FOOD STAMP PERIOD FROM 3 TO 5 YEARS.—Section 5(i) of the Food Stamp Act of 1977 is amended by striking ''three years'' each place such phase appears and inserting ''5 years''.

(2) INAPPLICABILITY IN THE CASE OF ANY ALIEN WHOSE SPONSOR RECEIVES SSI OR AFDC BENEFITS.—

(A) SSI.—Section 1621(f) of the Social Security Act is amended by adding at the end the following new paragraph:

''(3) The provisions of this section shall not apply to any alien for any month for which such alien's sponsor receives a benefit under this title (which includes, for purposes of this paragraph, the program of federally administered State supplementary payments made pursuant to section 1616(a) of this Act or section 212(b) of Public Law 93–66) or the program of aid to families with dependent children authorized by part A of title IV of this Act.''.

(B) AFDC.—Section 415(f) of the Social Security Act is amended—

(i) by redesignating paragraphs (1) through (5) as subparagraphs (A) through (E), respectively;

(ii) by striking ''(f)'' and inserting ''(f)(1)''; and

(iii) by adding at the end the following new paragraph:

''(2) The provisions of this section shall not apply to any alien for any month for which such alien's sponsor receives a benefit under the program authorized by this part, or the program of supplemental security income authorized by title XVI of this Act (which includes, for purposes of this paragraph, the program of federally administered State supplementary payments made pursuant to section 1616(a) of this Act or section 212(b) of Public Law 93–66).''.

(C) FOOD STAMPS.—Section 5(i)(2)(E) of the Food Stamp Act of 1977 is amended—

(i) by striking ''(E)'' and inserting ''(E)(i)''; and

(ii) by adding at the end the following:

''(ii) The provisions of this subsection shall not apply to any alien for any month for which such alien's sponsor receives a benefit under the program of aid to families with dependent children authorized by part A of title IV of the Social Security Act or the program of supplemental security income authorized by title XVI of such Act (which includes, for purposes of this paragraph, the program of federally administered State supplementary payments made

pursuant to section 1616(a) of such Act or section 212(b) of Public Law 93–66).''.

(3) INEQUITABLE CIRCUMSTANCES.—

(A) SSI.—Section 1621 of the Social Security Act is amended by adding at the end the following new subsection:

''(g) The Secretary may, pursuant to regulations promulgated after consultation with the Secretary of Agriculture, alter or suspend the application of this section in any case in which the Secretary determines that such application would be inequitable under the circumstances.''

(B) AFDC.—Section 415 of the Social Security Act is amended by adding at the end the following new subsection:

''(g) The Secretary may, pursuant to regulations promulgated after consultation with the Secretary of Agriculture, alter or suspend the application of this section in any case in which the Secretary determines that such application would be inequitable under the circumstances.''

(C) FOOD STAMPS.—Section 5(i)(2) of the Food Stamp Act of 1977 is amended by adding at the end the following new subparagraph:

''(F) The Secretary may, pursuant to regulations promulgated after consultation with the Secretary of Health and Human Services, alter or suspend the application of

this section in any case in which the Secretary determines that such application would be inequitable under the circumstances.''

(4) FOOD STAMPS EXEMPTION FOR BLIND OR DISABLED ALIENS.—Section 5(i)(2)(E) of the Food Stamp Act of 1977 (as previously amended by subsection (a)(2)(C)) is further amended by adding at the end the following:

''(iii) The provisions of this subsection shall not apply with respect to any individual for any month for which such individual receives a benefit under the program of supplemental security income authorized by title XVI of the Social Security Act by reason of blindness (as determined under section 1614(a)(2) of such Act) or disability (as determined under section 1614(a)(3) of such Act), provided that such blindness or disability commenced after the date of such individual's admission into the United States for permanent residence.''.

(5) INCREASE IN FOOD STAMP RESOURCE LIMITATION.—Section 5(i)(2)(B)(ii) of the Food Stamp Act of 1977 is amended by striking ''$1,500'' and inserting ''$2,000''.

(b) DISQUALIFICATION OF CERTAIN SPONSORED ALIENS AFTER THE 60TH MONTH AFTER ENTRY INTO

THE UNITED STATES UNDER THE SUPPLEMENTAL SECURITY INCOME, AID TO FAMILIES WITH DEPENDENT CHILDREN, AND FOOD STAMP PROGRAMS.—

(1) IN GENERAL.—

(A) SSI.—Section 1611(e) of the Social Security Act is amended by inserting between paragraphs (3) and (5) a new paragraph (4) as follows:

''(4)(A) No individual (other than an individual described in section 1621(f)(1)) who is an alien shall be an eligible individual or eligible spouse for purposes of this title with respect to any month beginning after the 60th month after such individual's entry into the United States if the adjusted gross income (as defined in section 62 of the Internal Revenue Code of 1986) of any person who (as a sponsor of such individual's entry into the United States) executed an affidavit of support with respect to such individual plus the adjusted gross income of such person's spouse and dependent children (if any) for the most recently completed year for which—

''(i)(I) a return has been filed in connection with the taxes imposed by subtitle A of the Internal Revenue Code of 1986 by or on behalf

of such person (and such person's spouse and dependent children, if any), or

''(II) no such return is required by such Code to be so filed, and

''(ii) the Secretary has published the United States median income for all families pursuant to subparagraph (B)(i)(I),

exceeds the applicable measure of United States median income for all families (determined in accordance with subparagraph (B)(i)(II)) for such year.

''(B)(i) The Secretary shall publish twice yearly in the Federal Register a notice—

''(I) setting out the United States median income for all families for not fewer than five of the years immediately preceding the year in which such notice is published, and

''(II) identifying the months for which each such figure shall be deemed to be the applicable measure for the purpose of making the determination required by subparagraph (A).

''(ii) The United States median income for all families for any year published by the Secretary pursuant to clause (i) shall be the amount reported for such year by the Census Bureau pursuant to its Current Population Survey, except that if such

amount has not been so reported for such year at the time such notice is published, then the measure of the United States median income for all families for such year shall be derived by increasing the amount reported by the Census Bureau for the immediately preceding year by a percentage equal to the percentage (rounded to the nearest one-tenth of one percent), if any, by which the Consumer Price Index (as prepared by the Department of Labor) for such year has increased over such immediately preceding year.''.

(B) AFDC.—Section 402(a) of the Social Security Act is amended by—

(i) striking ''and'' at the end of paragraph (44);

(ii) striking the period at the end of paragraph (45) and inserting ''; and''; and

(iii) adding at the end a new paragraph as follows:

''(46) provide that an individual who is an alien may not be considered a dependent child, a caretaker relative whose needs are to be taken into account in making the determination under paragraph (7), or any other person whose needs should be taken into account in making such a determination

with respect to the child or relative, with respect to any month beginning after the 60th month after such individual's entry into the United States if the adjusted gross income (as defined in section 62 of the Internal Revenue Code of 1986) of any person who (as a sponsor of such individual's entry into the United States) executed an affidavit of support with respect to such individual plus the adjusted gross income of such person's spouse and dependent children (if any) for the most recently completed year for which—

''(A)(i) a return has been filed in connection with the taxes imposed by subtitle A of the Internal Revenue Code of 1986 by or on behalf of such person (and such person's spouse and dependent children, if any), or

''(ii) no such return is required by such Code to be so filed, and

''(B) the United States median income for all families has been published, exceeds the applicable measure of United States median income for all families for such year. For purposes of the preceding sentence, the requirement for the publication of the United States median income for all families for any year

shall be satisfied by the publication of such data for such year pursuant to section 1611(e)(4)(B)(i)(I), and the 'applicable measure of United States median income for all families' for any year shall be the measure applicable for such year pursuant to section 1611(e)(4)(B)(i)(II).''.

(C) FOOD STAMPS.—Section 6 of the Food Stamp Act of 1977 is amended by adding at the end a new subsection as follows:

''(i) No alien who is a member of a household otherwise eligible to participate in the food stamp program under this section shall be eligible to participate in such program as a member of that or any other household with respect to any month beginning after the 60th month after such alien's entry into the United States if the adjusted gross income (as defined in section 62 of the Internal Revenue Code of 1986) of any person who (as a sponsor of such alien's entry into the United States) executed an affidavit of support with respect to such alien plus the adjusted gross income of such person's spouse and dependent children (if any) for the most recently completed year for which—

''(1)(A) a return has been filed in connection with the taxes imposed by subtitle A of the Internal

Revenue Code of 1986 by or on behalf of such person (and such person's spouse and dependent children, if any), or

''(B) no such return is required by such Code to be so filed, and

''(2) the United States median income for all families has been published,

exceeds the applicable measure of United States median income for all families for such year. For purposes of the preceding sentence, the requirement for the publication of the United States median income for all families for any year shall be satisfied by the publication of such data for such year pursuant to section 1611(e)(4)(B)(i)(I) of the Social Security Act, and the 'applicable measure of United States median income for all families' for any year shall be the measure applicable for such year pursuant to section 1611(e)(4)(B)(i)(II) of such Act.''.

(2) CONFORMING AMENDMENTS.—

(A) COOPERATION REQUIREMENT.—

(i) SSI.—Section 1621(d)(1) of the Social Security Act is amended in the first sentence by—

(I) striking ''during the period of 5 years after entry into the United States,''; and

(II) inserting ''or section 1611(e)(4)'' after ''this section''.

(ii) AFDC.—The second sentence of section 415(c)(1) of the Social Security Act (as previously amended by subsection (a)(1)(B) of this section) is further amended by—

(I) striking ''during the period of 5 years after his or her entry into the United States''; and

(II) inserting ''or section 402(a)(46)'' after ''this section''.

(iii) FOOD STAMPS.—The first sentence of section 5(i)(2)(C)(i) of the Food Stamp Act of 1977 (as previously amended by subsection (a)(1)(C) of this section) is further amended by—

(I) striking ''during the period of 5 years after entry into the United States,''; and

(II) inserting ''or section 6(i)'' after ''this section''.

(B) LIABILITY FOR OVERPAYMENTS.—

(i) SSI.—Section 1621(e) of the Social Security Act is amended by—

(I) striking ''during the period of 5 years after such alien's entry into the United States,'';

(II) inserting ''or section 1611(e)(4)'' after ''this section''; and

(III) adding at the end the following sentence: ''If an individual who is an alien subject to this subsection is naturalized as a citizen of the United States, such naturalization shall have no effect upon the continued application of this subsection to such individual or to such individual's sponsor.''.

(ii) AFDC.—Section 415(d) of the Social Security Act (as previously amended by subsection (a)(1)(B)) is further amended by—

(I) striking ''during the period of 5 years after such alien's entry into the United States,'';

(II) inserting ''or section 402(a)(46)'' after ''this section''; and

(III) adding at the end the following sentence: ''If an individual who

is an alien subject to this subsection is naturalized as a citizen of the United States, such naturalization shall have no effect upon the continued application of this subsection to such individual or to such individual's sponsor.''.

(iii) FOOD STAMPS.—Section 5(i)(2)(D) of the Food Stamp Act of 1977 (as previously amended by subsection (a)(1)(C)) is further amended by—

(I) striking ''during the period of 5 years after such alien's entry into the United States,'';

(II) inserting ''or section 6(i)'' after ''this section''; and

(III) adding at the end the following sentence: ''If an individual who is an alien subject to this subparagraph is naturalized as a citizen of the United States, such naturalization shall have no effect upon the continued application of this subparagraph to such individual or to such individual's sponsor.''.

(3) DISCLOSURE OF TAX RETURN INFORMATION.—Section 6103(l)(7)(B) of the Internal Revenue Code of 1986 is amended by designating the existing matter as clause (i) and adding at the end the following:

''(ii) The Secretary shall disclose, upon request, return information with respect to adjusted gross income (as defined in section 62) from returns filed by, or with respect to, any individual (and such individual's spouse and dependent children, if any) who (as a sponsor of an alien's entry into the United States) executed an affidavit of support with respect to such alien and whose income is considered in connection with determining such alien's eligibility for a program described in clause (i), (iii), or (vi) of subparagraph (D) to any Federal, State, or local agency administering such program, but only for the purpose of, and to the extent necessary, in determining the eligibility of such alien for benefits under such program.

''(iii) Information regarding any determination made pursuant to section 402(a)(46) of 415 of the Social Security Act (relating to the aid to families with dependent children program), section 1611(e)(4) or 1621 of such Act (relating to the supplemental security income program), or section 5(i) or 6(i) of the Food Stamp Act of 1977 (relating to the program of assistance under that Act) in

connection with determining an alien's eligibility for benefits under any such program shall not be considered to be return information subject to the limitations on disclosure or redisclosure imposed by this section.''.

(c) STATE AND LOCAL PROGRAMS.—A State or political subdivision therein may provide that an alien is not eligible for any program of assistance based on need that is furnished by such State or political subdivision for any month if such alien has been determined to be ineligible for such month for benefits under—

(A) the program of aid to families with dependent children authorized by part A of title IV of the Social Security Act, as a result of the application of section 402(a)(46) or 415 of such Act;

(B) the program of supplemental security income authorized by title XVI of the Social Security Act, as a result of the application of section 1611(e)(4) or 1621 of such Act; or

(C) the Food Stamp Act of 1977, as a result of the application of section 5(i) or 6(i) of such Act.

(d) EFFECTIVE DATE.—

(1) Except as otherwise provided in paragraph (2), the amendments made by subsections (a) and (b) are effective with respect to benefits under the program of aid to families with dependent children

authorized by part A of title IV of the Social Security Act, the program of supplemental security income authorized by title XVI of the Social Security Act, and the program authorized by the Food Stamp Act of 1977, payable for months beginning after September 30, 1994, on the basis of—

(A) an application filed after such date, or

(B) an application filed on or before such date by or on behalf of an individual subject to the provisions of section 1621(a) or section 415(a) of the Social Security Act or section 5(i)(1) of the Food Stamp Act of 1977 (as the case may be) on such date.

(2) The amendments made by clauses (i)(III), (ii)(III), and (iii)(III) of subsection (b)(2)(B) are effective upon the date of enactment of this Act.

(3) Subsection (c) is effective on October 1, 1994.

SEC. 904. FAMILY DAY CARE HOMES.

(a) Section 17(c) of the National School Lunch Act (42 U.S.C. 1766(c)) is amended—

(1) in paragraph (1), by inserting ''except as provided in paragraphs (4) and (5) of this subsection,'' after ''For purposes of this section,'';

(2) in paragraph (2), by inserting ''except as provided in paragraphs (4) and (5) of this subsection,'' after ''For purposes of this section,'';

(3) in paragraph (3), by inserting ''except as provided in paragraphs (4) and (5) of this subsection,'' after ''For purposes of this section,'';

(4) by redesignating paragraph (4) as paragraph (6); and

(5) by inserting after paragraph (3) the following new paragraphs:

''(4) For purposes of this section, the level one reimbursement factor for family or group day care homes shall be $1.5050 for lunches or suppers, $.8275 for breakfasts, and $.4475 for supplements. The reimbursement factor under this paragraph shall be adjusted on July 1, 1996, to reflect changes in the Consumer Price Index for food away from home for the most recent 24-month period for which data are available, and on July 1 of each year, starting July 1, 1997, to reflect changes in the Consumer Price Index for food away from home for the most recent 12-month period for which data are available. The reimbursement factor under this paragraph shall be rounded to the nearest one-fourth cent.

"(5) For purposes of this section, the level two reimbursement factor for family or group day care homes shall be $1.2675 for lunches or suppers, $.5375 for breakfasts, and $.25 for supplements. The reimbursement factor under this paragraph shall be adjusted on July 1, 1996, to reflect changes in the Consumer Price Index for food away from home for the most recent 24-month period for which data are available, and on July 1 of each year, starting July 1, 1997, to reflect changes in the Consumer Price Index for food away from home for the most recent 12-month period for which data are available. The reimbursement factor under this paragraph shall be rounded to the nearest one-fourth cent.".

(b) Section 17(f)(3) of the National School Lunch Act (42 U.S.C. 1766(f)(3)) is amended—

(1) by adding after subparagraph (C) the following new subparagraph:

"(D) The Secretary shall make payments, totalling not more than $2,000,000 in fiscal year 1995 and $5,000,000 in fiscal year 1996, to provide grants to States for the purpose of providing assistance, including grants to family or group day care home sponsoring organizations and other appropriate organizations; for

securing and providing training, materials, automated data processing assistance, and other assistance for the staff of such sponsoring organizations; and for providing training and other assistance to family or group day care homes in order to assist in the implementation of the requirements contained in this subsection. Of the amount of funds made available to each State under this subparagraph, an amount not to exceed 30 percent may be retained by the State to carry out the purposes of this subparagraph;'';

(2) in subparagraph (A), by deleting '', except that reimbursement shall not be provided'' and all that follows through ''nearest one-fourth cent.'' and inserting in lieu thereof ''as set forth in subparagraphs (B) and (C).'';

(3) by redesignating subparagraphs (B), (C), and (D) (as added by paragraph (1)) as subparagraphs (D), (E), and (L) respectively;

(4) by inserting after subparagraph (A) the following new subparagraphs:

''(B) Sponsoring organizations of family or group day care homes located in low-income areas shall be reimbursed for meals or supple-

ments served to children in those homes at the level one reimbursement rates established in subsection (c)(4) of this section.

''(C) Sponsoring organizations of family or group day care homes, except family or group day care homes covered under subparagraph (B) of this subsection, shall be reimbursed for meals or supplements served to children in those homes, at the election of the family or group day care home, either—

''(i) at the level two reimbursement rates established in subsection (c)(5) of this section; or

''(ii)(I) for meals and supplements served to children from households that meet the income eligibility guidelines for free or reduced price meals and supplements set forth in section 9(b) of this Act, at the level one reimbursement rates established in subsection (c)(4) of this section; and

''(II) for meals and supplements served to children from families who do not meet the requirements of paragraph (C)(ii)(I) of this subsection, at the level

two reimbursement rates established in subsection (c)(5); or

''(iii) for meals and supplements served to children in family or group day care homes in which the family or group day care home provider meets the income eligibility guidelines for free or reduced price meals and supplements set forth in section 9(b) of this Act, at the level one reimbursement rates established in section (c)(4) of this section.'';

(5) by adding at the end of subparagraph (D) (as redesignated by paragraph (3)) the following: ''In addition, family or group day care home sponsoring organizations shall receive for their administrative expenses an additional $10 per month for each home located in a low-income area.''; and

(6) by adding after subparagraph (E) (as redesignated by paragraph (3)) the following new subparagraphs:

''(F) Notwithstanding subparagraph (C), reimbursement shall not be provided for meals or supplements served to the children of a person acting as a family or group day care home provider unless such children meet the income

eligibility guidelines for free or reduced price meals under section 9(b) of this Act. Where so qualifying, the family or group day care home sponsoring organization shall be reimbursed for those meals and supplements at the level one rates established in subsection (c)(4).

''(G) For family or group day care home providers who elect to use the procedures under paragraph (3)(C)(ii) of this subsection, the Secretary shall implement streamlined and simplified counting and claiming procedures, provided that such procedures do not compromise program accountability.

''(H) Sponsoring organizations of family or group day care homes (other than those located in low-income areas) may receive the level one reimbursement rates for meals and supplements established in subsection (c)(4) of this section for those children with a parent participating in the programs established under part F or G of title IV of the Social Security Act, the at-risk child care program under title IV of such Act, or a Federal or a State child care program with an income eligibility limit that does not exceed the income eligibility guidelines for free or re-

duced price meals and supplements set forth in section 9(b) of this Act.

''(I) For purposes of this section, 'low-income areas' is defined to mean 'areas in which poor economic conditions exist' as defined in section 13(a)(1)(C) of this Act.

''(J) For purposes of this section, determinations made by the State agency which establish that a family or a group day care home is located in a 'low income area' shall be in effect for 3 years, unless the State agency determines that the area in which the home is located is no longer a 'low income area'.

''(K) The Secretary shall make payments, totalling not more than $5,000,000 in each of fiscal years 1997, 1998, 1999, and 2000 to provide grants to States for the purpose of providing assistance, including grants to family or group day care home sponsoring organizations, to assist family or group day care homes in low-income areas to become licensed or approved for the program under this section. Of the amount of funds available to each State under this subparagraph, an amount not to exceed 30 percent may be retained by the State to carry out the

purposes of this subparagraph. Any payments received under this subparagraph shall be in addition to payments which States receive under subsection (b) of this section.''.

(c) EFFECTIVE DATES.—

(1) Except as provided in paragraph (2), the amendments made by subsections (a) and (b) shall take effect on July 1, 1996.

(2) The amendment made by subsection (b)(1) shall take effect on the date of enactment of this Act.

SEC. 905. STATE RETENTION OF AMOUNTS RECOVERED.

Section 16(a) of the Food Stamp Act of 1977 (7 U.S.C. 2025(a)) is amended by striking ''1995'' both places it appears in the proviso of the first sentence and inserting in both places in lieu thereof ''2004''.

SEC. 906. COMMODITY PROGRAM INCOME INELIGIBILITY.

Notwithstanding any other provision of law, a person with annual off-farm adjusted gross income in excess of $100,000, as determined by the Secretary of Agriculture, shall not be eligible to receive from the Commodity Credit Corporation income support and price support through loans, purchases, payments, and other operations. The Secretary of Agriculture shall issue regulations defining the term ''person'' which shall conform, to the extent prac-

ticable, to the regulations issued in accordance with section 1001 of the Food Security Act of 1985, as amended.

SEC. 907. AMENDMENTS RELATED TO SUPERFUND TAX EXTENSION.

(a) EXTENSION OF TERMINATION DATE.—Paragraph (1) of section 59A(e) of the Internal Revenue Code of 1986 (26 U.S.C. 59A(e)(1)) is amended by striking ''January 1, 1996'' and inserting ''February 1, 1998''.

(b) ADJUSTMENTS TO AMOUNTS COLLECTED.—Paragraph (3) of section 4611(e) of the Internal Revenue Code of 1986 (26 U.S.C. 4611(e)(3)) is amended—

(1) by striking ''December 31, 1995'' and inserting ''September 30, 1998'';

(2) by striking ''$11,970,000,000'' each time it appears and inserting ''$15,500,000,000''; and

(3) by striking ''January 1, 1996'' and inserting ''October 1, 1998''.

(c) EFFECTIVE DATE.—The amendments made by subsections (a) and (b) shall apply to amounts collected and amounts credited after the date of the enactment of this Act.

SEC. 908. FEDERAL RAILROAD ADMINISTRATION USER FEES.

Section 216 of the Federal Railroad Safety Act of 1970 (45 U.S.C. 447) is amended—

(1) by striking subsection (a)(3) and inserting the following:

''(3) Fees established under this section shall be assessed to railroads subject to this chapter and shall cover all costs incurred by the Federal Railroad Administration in administering this chapter, and those laws transferred to the jurisdiction of the Secretary of Transportation by subsections (e)(1), (2), and (6)(A) of section 1655 of title 49, other than activities described in section 431(a)(2) of this title.'';

(2) by inserting before the period in subsection (c) '', and those laws transferred to the jurisdiction of the Secretary of Transportation by subsections (e)(1), (2), and (6)(A) of section 1655 of title 49''; and

(3) by striking subsections (e) and (f).

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

(a) MODIFIED RESIDENCY REQUIREMENT.—Subparagraph (E) of section 32(c)(3) (defining qualifying child) of the Internal Revenue Code of 1986 is amended by adding at the end the following sentence: ''The preceding sentence does not apply during any period during which the taxpayer is stationed outside the United States while serving on extended active duty (as defined in sec-

tion 1034(h)(3)) with the Armed Forces of the United States.''

(b) REPORTING MILITARY EARNED INCOME.—Subsection (a) of section 6051 (relating to receipts for employees) of the Internal Revenue Code of 1986 is amended by striking ''and'' at the end of paragraph (8), by striking the period at the end of paragraph (9) and inserting in lieu thereof '', and'', and by inserting after paragraph (9) the following paragraph:

''(10) in the case of an employee who is a member of the Armed Forces of the United States, the total amount of earned income (as defined in section 32(c)(2)).''.

(c) ADVANCE PAYMENT OF EARNED INCOME TAX CREDIT.—Paragraph (1) of section 3507(c) (defining earned income advance amount) of the Internal Revenue Code of 1986 is amended by adding at the end the following sentence: ''For purposes of subparagraph (A) in the case of an employee who is a member of the Armed Forces of the United States, the employee's earned income (as defined in section 32(c)(2)) shall be taken into account rather than the employee's wages.''.

(d) EFFECTIVE DATES.—The amendments made by this section shall apply to taxable years beginning and remuneration paid after December 31, 1994.

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

(a) IN GENERAL.—Section 32(c)(1) (defining eligible individual) of the Internal Revenue Code of 1986 is amended by adding at the end the following new subparagraph:

''(E) EXCEPTION FOR NONRESIDENT ALIENS.—The term 'eligible individual' does not include a nonresident alien unless an election under section 6013(g) (relating to treating a nonresident alien individual as a resident of the United States) or section 6013(h) (relating to the year in which a nonresident alien becomes a resident of the United States) is in effect for the taxable year with respect to the nonresident alien.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 1994.

SEC. 911. EXTENSION OF CERTAIN CUSTOMS FEES.

Subsection (j)(3) of section 13031 of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, (19 U.S.C. 58c), is amended to read as follows:

''(3) Fees may not be charged under subsection (a) of this section after September 30, 2004.''.

TITLE X—EFFECTIVE DATES

SEC. 1001. EFFECTIVE DATES.

(a) IN GENERAL.—Except as otherwise provided and subject to subsection (b), the amendments and repeals made by this Act, other than title VI, shall become effective with respect to periods beginning on or after October 1, 1995.

(b) The Secretary of Health and Human Services may, upon the request of a State, delay the effective date prescribed by subsection (a) with respect to such State upon a showing of circumstances beyond the State's control, but such extension may not extend beyond October 1, 1996.

(c) Notwithstanding any other provision of law, no State shall be found to have failed to comply with any requirement imposed on such State's programs by or pursuant to the amendments made by titles I and II of this Act by reason of its failure to have such program (or requirements) in effect Statewide if such program is in effect Statewide not later than 2 years after the effective date specified in subsection (a), or 2 years after such later date as is approved by the Secretary pursuant to subsection (b).

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