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WORK, OPPORTUNITY, AND RESPONSIBILITY FOR KIDS ACT OF 2002

JULY 25, 2002.—Ordered to be printed

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

R E P O R T

[To accompany H.R. 4737]

[Including cost estimate of the Congressional Budget Office]

The Committee on Finance, to which was referred the bill (H.R. 4737) to reauthorize and improve the program of block grants to States for temporary assistance for needy families, improve access to quality child care, and for other purposes, reports favorably thereon with an amendment and refers the bill to the full Senate with a recommendation that the bill do pass.

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I. BACKGROUND

Federal welfare policy dates back to the 1930's when the Aid to Dependent Children (ADC)—later Aid to Families with Dependent Children (AFDC)—was created as part of the Social Security Act of

1935. ADC was a relatively small-scale element in President Roosevelt's New Deal policies to provide a social safety net for America's disadvantaged, but it was a true national effort to assist children in poverty. The original intent was to provide a national program of so-called "mothers' pensions," which a few States had already begun to provide. These programs offered a small monthly benefit to single mothers raising children and ADC provided federal matching funds for all States to do so, with substantial State discretion about the policies for providing aid.

As time passed, the societal expectations for mothers to work outside the home shifted. Initially, ADC was meant to allow a single mother with children, typically a widow, not to have to work outside the home. As more married mothers participated in the workforce while rearing children, this aspect of ADC—by then known as AFDC—had less support. In addition, by the 1960s the proportion of single mothers who had never married and were receiving AFDC had grown—and support for public assistance for widowed mothers was greater than support for aid to never-married mothers. Finally, the Civil Rights Movement led to a growing concern that State flexibility in setting AFDC rules was being used—often in the South, but not only there—to discriminate against African-American families. This led to a stronger Federal role in determining program rules.

The interaction of these trends—growing workforce participation among all mothers, an increase in the proportion of never-married mothers among those receiving AFDC, and more Federal intervention to assure even-handed treatment—led to numerous attempts to "reform" welfare, such as President Nixon's Family Assistance Program, proposed originally in 1969 and debated in Congress for some years thereafter. Some efforts were to require work from welfare recipients; others to further increase the Federal role. The conflicting pressures led to a stalemate.

It was not until the Family Support Act of 1988 that comprehensive legislation to reform AFDC was enacted. Under the Family Support Act, States were required to have some welfare recipients participating in job training programs and funds for child care were provided to help look after their children while they did so. Yet after 1988, AFDC caseloads actually increased—perhaps in part because of the troubled economy of the early 1990s—and there was continued interest in a further reform of welfare. Some influential governors sought waivers of AFDC rules to test out innovative strategies and soon others followed suit. By 1992, Bill Clinton was running for President on a campaign platform that called for "ending welfare as we know it." The stage was set for the most sweeping and intense debate on Federal welfare policy yet.

President Clinton first offered a welfare reform bill in 1994. It retained AFDC, but imposed a limit on how long a recipient could receive aid without working. In 1995, members of Congress, particularly conservatives, proposed ending AFDC and replacing it with a new block grant as well as establishing an overall five-year time limit on assistance. The discussion was heated. For more than 2 years Congress engaged in a far-reaching discussion of how best to aid low-income families and move families from welfare to work. The final version of the bill passed the Senate 78 to 21, with support from members of both parties.

The 1996 welfare reform law, the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), was a landmark, a fundamental shift in welfare policy. PRWORA, signed into law by President Clinton on August 22, 1996, generally applies to fiscal years 1997 through 2002. Therefore, the Congress is required to act by the beginning of fiscal year 2003, or October 1, 2002, to reauthorize the bulk of PRWORA. It is for this reason that the Finance Committee considered welfare policy and reported out a reauthorization bill.

PRWORA ended the AFDC program, the Job Opportunities and Basic Skills (JOBS) training program, and the Emergency Assistance program and replaced them with a new Temporary Assistance for Needy Families (TANF) program. Unlike AFDC, TANF is a block grant, with States receiving a fixed sum each year to provide cash aid to low-income families with children as well as welfare-to-work services and activities to prevent welfare dependency, such as discouraging births to unmarried teenagers. In addition, cash assistance from TANF is generally limited to five years, while under AFDC there was no such limit on assistance. States are given great flexibility to design welfare-to-work programs under TANF and are required to reach specified work participation rates among their recipients of cash aid.

The TANF program has brought substantial change to welfare policy. With the new flexibility of TANF, States were able to create their own programs for moving families from welfare to work. Many have shifted to a “work first” philosophy, which involves an emphasis on quick employment of welfare recipients and applicants for assistance. Some have expanded supports for low-income working families, such as child care, to better enable these families to maintain employment and prevent them from needing to turn to cash assistance. PRWORA increased funding for the Child Care and Development Block Grant (CCDBG) and provided transitional Medicaid coverage to help welfare families make the move to employment.

The results under PRWORA have been striking. From 1996 to 2000, the TANF cash assistance caseload fell by 50 percent, from 4.55 million families to 2.26 million families. While the strong economy of the late 1990s certainly helped, previous eras of economic growth have not seen similar declines in welfare caseloads. At the same time, the poverty rate for children under 6 has declined from 22.7 percent in 1996 to 16.9 percent in 2000, a decline of more than 25 percent. This is the lowest rate of poverty among young children since 1974. (It should be noted that studies of welfare “leavers” confirm what these percentages suggest—that substantial numbers of welfare recipients have left the rolls for employment but some are not earning enough to leave poverty.)

These positive trends mean that a central question for reauthorization is how to continue making progress—how to build on the successful aspects of PRWORA and how to address those areas where improvements can be made. The change from AFDC to TANF is no longer so controversial.

The Finance Committee conducted a thorough review of PRWORA and its effects. In 2001, the Committee began a series of bipartisan “forums” to generate dialogue between staff of Committee members and important outside experts, such as representa-

tives of State organizations. This year, the Committee has held 3 full committee hearings and 2 subcommittee hearings to take testimony on how PRWORA has been implemented to date and how best to improve it during the reauthorization process.

The first full committee hearing, on March 12, was “Welfare Reform: What Have We Learned?” It heard testimony assessing the changes PRWORA has brought. Witnesses included:

- HHS Secretary Tommy Thompson;
- Robin Arnold-Williams, executive director, Utah Department of Human Services; and
- Rodney Carroll, president and CEO, Welfare-to-Work Partnership.

The second full committee hearing, on April 10, was “Issues in TANF Reauthorization: Requiring and Supporting Work.” It heard testimony concerning welfare to work strategies. Witnesses included:

- Governors John Engler (R-MI) and Howard Dean (D-VT);
- Lawrence Mead, professor, New York University; and
- Cynthia Fagnoni, Director of Education, Workforce Development, and Welfare Reform, General Accounting Office.

The third and final full committee hearing, on May 16, was “Issues in TANF Reauthorization: Building Stronger Families.” It heard testimony concerning family policy, and how stronger families could reduce welfare dependency. Witnesses included:

- HHS Assistant Secretary Wade Horn;
- Dr. Isabel Sawhill, president, National Campaign to Prevent Teen Pregnancy; and
- Kate Kahan, director, Working for Equality and Economic Liberation.

In addition, the Finance Social Security and Family Policy Subcommittee, chaired by Senator Breaux, had 2 welfare reauthorization hearings. The first, on March 19, concerned child care, and was held jointly with the Health, Education, Labor, and Pensions Subcommittee on Children and Families. The second, on April 25 concerned hard to employ families on TANF and strategies to aid them.

Members of the Finance Committee introduced legislation related to reauthorization of PRWORA. Senator Rockefeller introduced the most comprehensive welfare reauthorization bill by a member of the Committee, the Personal Responsibility and Work Opportunity Reconciliation Act Amendments of 2002 (S. 2052) on March 21. Many of the reauthorization proposals offered by the Bush Administration are incorporated in the Working Toward Independence Act (S. 2648), introduced on June 19, which has been co-sponsored by five members of the Finance Committee. Several other members of the Committee, including Senators Snowe, Bingaman, Kerry, Breaux, and Lincoln, also sponsored bills addressing issues related to welfare reauthorization, including child care and child support legislation.

While the Committee was conducting hearings and members were developing bills, a group of Finance Committee members developed a “bipartisan consensus” framework for a potential compromise across party lines and among alternative proposals. Members of the group were Senators Breaux, Rockefeller, Hatch, Jeffords, Snowe, and Lincoln. Their proposals, summarized in a letter

to Chairman Baucus and Ranking Member Grassley, provided the basis for several key provisions in the Committee bill. They include ideas drawn from the Administration proposal as well as from individual measures introduced by members of the group and other Senators.

The Committee bill takes as its starting point proposals made by the President. It increases the work participation requirements States must achieve from 50 percent to 70 percent by FY 2007. It also eliminates the current "caseload reduction credit" States can use to meet the rates through simply assisting fewer families and replaces it with an employment credit, to reward States with effective programs to move welfare recipients into employment. (The employment credit provisions in the Committee bill owe much to a version developed by Senator Lincoln). The Committee also increases the number of hours required per week in priority activities from 20 to 24, as does the Administration plan. As Secretary Thompson said when he testified on March 12, the goal is to "maximize self-sufficiency through work."

The Committee bill also includes an important "universal engagement" requirement, also based on an Administration proposal and suggestions from Senator Hatch. Particularly now that aid is time-limited, it is important that families receiving assistance be engaged in activities to move towards self-sufficiency. The Committee bill requires States to have plans for each welfare family with an adult, a map to guide them off the rolls and towards work and self-sufficiency. The Committee bill seeks to move state TANF programs in the direction of that of Utah, as described by Robin Arnold-Williams at the March 12 hearing, of "moving families off of welfare and into work through an individualized case assessment, diversion assistance, employment and training, and ongoing case management." The Committee bill also funds an effort to develop state-specific indicators of child well-being, to build upon the Administration's interest in increasing the focus on child well-being in TANF programs.

The Committee bill includes grants to experiment with approaches to encouraging healthy marriages, another Administration priority. It provides \$200 million per year for demonstration grants for activities like voluntary counseling of unwed expectant parents on relationship skills. A rigorous evaluation is included to help better understand if Federal funding of these activities can improve family formation, family stability, and child well-being in the long run. As Assistant Secretary Horn testified at the May 16 hearing, the goal is to "increase the number of children who grow up in healthy marriages, and decrease the number of children who grow up in unhappy marriages."

Finally, the Committee bill includes important reforms of the rules governing the distribution of child support collections, based upon proposals from the Administration and Senator Snowe. These reforms both simplify program administration and result in more collections going to custodial parents. As Vicki Turetsky, a Senior Staff Attorney at the Center for Law and Social Policy, noted at the May 16 hearing, "Research indicates that single parents who receive regular child support payments are likely to find work more quickly and to hold jobs longer than those who do not receive child

support. When families receive regular support, they are less likely to return to welfare.”

However, the Committee bill reflects 2 concerns with the Administration’s approach and with the House-passed measure, the original H.R. 4737, which includes much of the Administration’s plan. First, these similar proposals both unduly limit state flexibility in the operation of a TANF program. For example, the current list of “priority” activities for work participation purposes is actually narrowed under the Administration proposal and House-passed measure. Given the success of States under welfare reform to date, it makes more sense to the Committee to allow States additional options, not to reduce them. As Governor Dean of Vermont testified at the April 10 hearing, “The Administration’s proposed work requirements will significantly erode the primary TANF purpose of increasing States’ flexibility to operate a program designed to meet the four TANF purposes.” Instead, the Committee bill permits States more flexibility, such as the ability to design longer training programs for a subset of their recipients. This flexibility better allows States to individualize the strategies they design for each family under the universal engagement requirement.

Second, both the Administration proposal and House-passed measure have too few resources to support the low-income working poor, particularly in the area of child care. The Administration, for example, proposed no new funding for the Child Care and Development Block Grant (CCDBG). Given the role that child care subsidies can play in preventing families from needing to go on welfare—by enabling single mothers to work—this struck the Committee as a huge error. The Committee bill increases CCDBG funding by \$5.5 billion over the next five years. As Mark Greenberg, a Senior Staff Attorney at the Center for Law and Social Policy testified at the March 19 subcommittee hearing, “[I]t will be impossible for States to make significant progress, or even maintain current levels of assistance to families, if [TANF] reauthorization does not provide adequate child care funding.”

All in all, the Committee bill reflects a balanced approach, with provisions drawn from the Administration and from members of both parties in the Senate. It works with the States, offering a challenge to them to improve their performance but also providing them with new options and additional resources to help meet the challenge. It will continue the success of welfare reform and provide greater assistance to low-income families as they move to self-sufficiency.

II. DESCRIPTION OF THE BILL

The legislation reported by the Finance Committee consists of the following provisions:

Section 1—Findings

PRESENT LAW

The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996 (P.L. 104–193), made a series of findings related to marriage, responsible parenthood, trends in welfare receipt and the relationship between welfare receipt and non-mar-

ital parenthood, and trends in, and negative consequences of, non-marital and teen births.

EXPLANATION OF PROVISION

The bill makes several findings: PRWORA was a fundamental change. Cash caseloads are down by about 50 percent, and about two-thirds of former recipients have left for work. More than one-half of TANF spending now goes for work supports and efforts to prevent welfare dependency, not traditional cash aid. More investments in quality child care will allow parents to enter and remain in the workforce. Although employment has increased, many families struggle in low-wage jobs and have difficulty obtaining promised work supports. Although child poverty rates are improving, they remain high compared to those of other developed nations and more must be done to lower U.S. child poverty. Many TANF parents face multiple barriers to employment and need a range of services. States should have self-sufficient plans for each family receiving TANF and the plans should consider the children's well-being. Children deserve supportive homes, preferably with 2 parents, and discrimination against 2-parent families in welfare programs should end. Welfare reform has been successful because it is a flexible partnership with the States. States have had to assume new responsibilities and need to upgrade skills of workers. Studies indicate disparate racial treatment.

REASONS FOR CHANGE

The new findings represent observations on implementation of welfare reform to date and priorities to address in moving ahead.

TITLE I—FUNDING

Section 101—Reauthorization of State family assistance grants

PRESENT LAW

The law provided \$16.5 billion annually for family assistance grants to the States for FY1997–FY2002. Basic grants were computed from Federal expenditures for TANF's predecessor programs during FY1992 through FY1995. The law also provided supplemental grants for 17 States with low historic Federal grants per poor person and/or high population growth. These grants were originally for FY1998–FY2001 and then extended through September 30, 2002 at FY2001 funding level of \$319 million by P.L. 107–147. Supplemental grants grew each year (except for FY2002), from \$79 million in FY1998 to \$319 million in FY2001. The FY2002 TANF funding total for basic and supplemental grants is about \$16.8 billion.

EXPLANATION OF PROVISION

The bill extends TANF funding through FY2007 and provides \$16.5 billion annually for basic grants to the States. It also extends and expands TANF supplemental grants so as to qualify 24 States (an increase of seven States) at a total cost of \$441 million per year. The new supplemental grants are folded into the main TANF block grant, not continued as separate funding. The result is to appropriate a total of \$16.9 billion annually for augmented basic

grants. States currently receiving a supplemental grant would receive at least their current amount of funding. States with per capita incomes for calendar years 1998, 1999, and 2000 at least 10 percent below the national average would receive a 5 percent increase in TANF funding; States with per capita incomes at least 20 percent below the national average would receive a 10 percent increase in TANF funding. Appropriated by section 101 is \$17.044 billion for FY2003, consisting of augmented basic grants, \$16.929 billion; family assistance grants to territories (see section 108), \$78 million; and research (see sections 703–707), \$37 million. For FY2004–FY2007, the funding is \$17.042 billion per year because research funding for those years is \$35 million. (In addition, the bill creates TANF grants for healthy marriage promotion; business link partnerships, implementation of universal engagement requirement, second chance homes, and transportation grants.)

REASONS FOR CHANGE

While cash assistance caseloads are lower than in 1996, the flexible nature of TANF means that States can use the funds for a variety of work supports and prevention activities which continue to be priorities. So the Committee bill continues basic TANF funding to States at its current level. The TANF supplemental grants are an important step to addressing disparities in State TANF allocations. The evolution of TANF into work supports and prevention activities means that the base TANF allocations—derived from prior spending for cash assistance—are less meaningful and the Committee expands the supplemental grants to continue to address these disparities without reducing funding for any State. States with low per capita incomes have a higher proportion of low-income working families and less fiscal capacity to support them. It consolidates supplemental grants with the base TANF grants to reflect their importance and to streamline and simplify administration of the supplemental.

Section 102—Contingency fund

PRESENT LAW

PRWORA provided capped matching grants (\$2 billion) in a “contingency fund” to increase TANF funding for States in case of recession. These grants were originally for FY1997–FY2001 and extended through September 30, 2002 by P.L. 107–147. States must match the contingency grants at their Medicaid matching rate (FY2003 State matching rates range from 23.4 percent to 50 percent). To qualify for contingency dollars, States must spend under the TANF program a sum of their own dollars equal to their pre-TANF spending and must have been “needy” in the most recent 3-month period. To qualify as needy the State’s total unemployment rate (seasonally adjusted) must be at least 6.5 percent and up 10 percent from the corresponding rate in at least one of the 2 preceding years or its food stamp average monthly caseload must be up 10 percent, compared to what enrollment would have been in the corresponding period of FY1994 or FY1995, as determined by the Secretary of Agriculture, if changes made in the 1996 welfare law to food stamp rules and alien eligibility had been in effect throughout FY1994 and FY1995.

EXPLANATION OF PROVISION

The bill reauthorizes the contingency fund with several changes. It reduces the State maintenance-of-effort (MOE) requirement for the fund from 100 percent of historic spending levels to the standard TANF MOE requirement (75 percent in general but 80 percent if the State fails work participation standards). In order to be eligible for contingency funds, a State must have expended 70 percent of total TANF grants (other than welfare-to-work grants) received by it. The bill bases a needy State's contingency grant on the estimated benefit cost of the TANF caseload increase, measured from either of the 2 fiscal years immediately preceding the year in which it qualifies as needy. For contingency grants, it reduces the maximum State matching rate from 50 percent to 40 percent, but provides reimbursement for only the portion of the State's caseload increase that exceeds 4 percent (thus, for 96 percent of the increase), and it limits a State's total contingency grant to 10 percent of its annual family assistance grant.

The bill also revises "needy" State unemployment and food stamp triggers. To qualify as needy, 1 of the following criteria must be met: (a) a State's total unemployment rate must rise by the lesser of 1.5 percentage points or 50 percent; or its average insured unemployment rate must rise by 1 percentage point, compared with the corresponding 3-month period in either of the 2 most recent preceding fiscal years; (b) the monthly average number of food stamp households (as of the last day of each month) must rise 10 percent above the number in the corresponding 3-month period in either of the 2 most recent preceding fiscal years; or (c) the monthly average number of families receiving assistance under the TANF program or under a State-funded program must rise 10 percent above the number in the 3-month corresponding period in either of the 2 most recent preceding fiscal years. In the 2 latter cases, the Secretaries of Agriculture and HHS, respectively, must determine that the increased caseload was caused, in large measure, by economic conditions, not by governmental policy changes. The bill reserves \$25 million for contingency grants to Indian tribes (see section 601).

REASONS FOR CHANGE

The TANF contingency fund represents an important tool in assisting States suffering through severe economic distress. However, based on the experience since 1996, the design of the fund, particularly the triggers and payment mechanism have been demonstrated to be ineffective. The Committee bill updates the fund's design to better enable it to serve its intended function.

Section 103—Child care

PRESENT LAW

The law entitles States to a basic mandatory block grant ("guaranteed") for child care, based on FY1992–FY1995 expenditures in welfare-related child care. Additional mandatory funds above this amount are provided to States on a matching basis. PRWORA provides these entitlement (mandatory) funds for FY1997 through FY2002, and requires that they be spent under the rules of the Child Care and Development Block Grant (CCDBG). Mandatory

child care funds provided for FY2002 totaled \$2.717 billion. Under current law, Puerto Rico is not entitled to any mandatory child care funding.

In addition to these mandatory funds provided under PRWORA for child care, States may spend their TANF family assistance grants for child care. No provision in TANF requires child care providers funded directly within TANF to be in compliance with any designated health and safety requirements. However, the law also allows States to transfer TANF funds to the CCDBG, and such funds must be spent in accordance with CCDBG rules. CCDBG requires that child care providers comply with applicable State and local health and safety requirements, which must include prevention and control of infectious diseases (including immunizations), building and premises safety, and minimum health and safety training appropriate to the provider setting.

EXPLANATION OF PROVISION

The bill provides mandatory child care funding at the following levels: \$3.717 billion in each of FY2003–FY2005; and \$3.967 billion in each of FY2006 and FY2007. The increases up to the \$3.717 billion level in each of the 5 fiscal years is applied to the “guaranteed” portion of mandatory funding (requiring no match and allocated to States according to the same proportion of guaranteed funds received in FY2002); the increase beyond that (i.e., the additional \$250 million in each of FY2006 and FY2007) requires a State match and is allocated based on States’ relative share of children under age 13. All increases above the FY2002 mandatory funding level are to supplement and no supplant State funding for child care. Of the new funding that requires no match, \$10 million is to be reserved for Puerto Rico in each of FY2003–FY2007.

In addition, States are required to certify in their State TANF plans that procedures are in effect to ensure that any child care provider delivering child care services funded by TANF complies with the health and safety requirements applicable to the CCDBG.

REASONS FOR CHANGE

The Committee bill increases work requirements. To meet these higher requirements without reducing the child care resources available to assist low-income working families, the Committee increases funding for CCDBG. In addition, the Committee increases CCDBG funding above what is the estimated cost of the higher work requirements to address the need for child care subsidies among low-income working families who are not on TANF. Given the current difficult situation of State budgets, the higher funding levels are mostly provided without a required State match. This also ensures that all States, including relatively poor ones, will be able to use the funds. (There is a requirement that these funds supplement, not supplant, current State spending for child care.) In addition, the Committee bill provides an additional \$10 million per year in CCDBG funding for Puerto Rico to improve child care assistance and aid welfare reform efforts there. The Committee bill also applies CCDBG rules to child care directly funded by TANF to help ensure children are safe in all child care settings.

Section 104—State option to assist legal immigrant families

PRESENT LAW

Most legal permanent residents (LPRs) who came to the United States after the enactment of PRWORA (August 22, 1996) are ineligible for Federally funded TANF for the first 5 years after their entry into the United States, with special immigrant cases excepted in the law. The States have the option of providing TANF to all LPRs after 5 years in the United States. After LPRs have worked 40 quarters or become U.S. citizens they are otherwise eligible. When an LPR seeks to receive TANF, the eligibility determination process deems the income of the person who sponsored the immigrant petition to be available to the LPR until the LPR becomes a citizen or has earned 40 quarters of work history.

EXPLANATION OF PROVISION

The bill would give States the option to use TANF funds to assist all LPRs, including those who have arrived on or after August 22, 1996. It requires States taking this option to deem immigrants' income to include income of sponsors for purposes of determining eligibility for only 3 years after entry, essentially making the deeming rules for the post-PRWORA immigrants comparable those for pre-PRWORA immigrants. These deeming rules would not apply to minor alien children of sponsored immigrants, indigents, battered spouses, and battered children.

REASONS FOR CHANGE

Under TANF, States receive a fixed sum each year. The Committee bill increases State flexibility by providing States the option to use the funds to assist legal immigrants who have come to the United States since 1996. Such immigrants pay taxes and came to the United States legally. States do not receive additional funding but are allowed to use current funding to assist these immigrant families, if they choose to do so. The Committee bill does require that the income of an immigrant's sponsor be "deemed" to the immigrant for 3 years, to help enforce sponsor responsibility.

Section 105—Use of funds

PRESENT LAW

The law permits TANF funds to be used "in any manner reasonably calculated" to promote any of the program's goals. States also may use TANF funds to continue other activities that they were authorized to undertake in individual State plans under TANF-predecessor programs. No more than 15 percent of funds can be used for administrative purposes (but this limit does not apply to spending for information technology and computerization needed for required tracking or monitoring). Funds may not be used to finance the construction or purchase of a building or to provide medical services.

TANF funds may be carried over from fiscal year to fiscal year for "assistance," defined in regulations as benefits designed to meet a family's ongoing basic needs, plus supportive services for families who are not employed. Funds used for "nonassistance" must be obligated by the end of the fiscal year for which they are awarded

and spent by the end of the next year. States may transfer up to 30 percent of TANF funds to CCDBG and Social Services Block Grant (SSBG). Within the 30 percent cap, funds may serve as State match for Job Access/Reverse Commute grants.

EXPLANATION OF PROVISION

The bill permits carryover of TANF funds for any benefit or service, including nonassistance, without fiscal year spending limit. It also permits transfer of TANF funds to Job Access/Reverse Commute projects. It clarifies that the general 15 percent cap on administrative expenditures applies to the full TANF allocation, no matter how much funding is transferred. It explicitly permits States to use TANF grants for a 2- or 4-year degree post-secondary educational program, subject to the overall time limit, and for supplemental housing benefits for families with earnings. The bill specifies that enrollment in the post-secondary degree program must be required by the person's Individual Responsibility Plan (IRP) and that participants must engage in a combination of educational and other activities for an average of at least 24 hours weekly during the first 24 months and thereafter must work at least 15 hours weekly or engage in a combination of educational and other activities for at least 30 hours. The State may give "work" credit for study time, at the rate of at least 1 hour, and not more than 2 hours, for each hour of class time. TANF funds could be used to provide support services other than tuition for students. The bill allows use of TANF funds to provide supplemental housing benefits (defined as payments made to, or on behalf of, a person to reduce or reimburse his/her costs for housing), and to pay minor rehabilitation costs, as defined by the State, for housing owned or rented by TANF-eligible persons. Supplemental housing benefits could not supplant existing State spending on housing-related programs, and the bill specifies that these benefits are not to be considered assistance. (See section 106 for bill's new definition of assistance.)

REASONS FOR CHANGE

As TANF has shifted to providing more work supports, States have found that current distinctions between "assistance" and "nonassistance" have made the provision of aid to low-income working families more complicated. The Committee bill provides States additional flexibility in the use of funds carried over from one fiscal year to the next to better aid low-income working families.

In addition, under an amendment offered by Senator Snowe, the Committee bill allows States the option to create post-secondary education programs for TANF recipients, but caps the number of participants in such a program who can be counted towards meeting the work participation requirements at 10 percent. In doing so, the Committee is using a Maine "Parents as Scholars" program as a model. A recent study found that participants in this program earned a median wage of \$11.71 per hour afterwards, substantially higher than the average wage of most recent welfare leavers. The bill permits States to allow a subset of recipients to benefit from such a post-secondary strategy while maintaining an overall work orientation. Finally, the Committee bill allows States to provide supplemental housing benefits to low-income families with earn-

ings as “nonassistance” to give States another tool in supporting these families in employment. This provision is drawn from S. 2116, introduced by Senator Kerry.

Section 106—Definition of assistance

PRESENT LAW

Parents and other caretakers who receive assistance are subject to work requirements and time limits, and they are required to assign child support payments to the States. (In addition, States are subject to detailed reporting requirements about recipients of assistance, including their financial and demographic characteristics and their work activities.) The law does not define “assistance.” Regulations define it as ongoing aid to meet basic needs, plus support services such as child care and transportation subsidies for unemployed recipients. Assistance does not include short-term benefits.

EXPLANATION OF PROVISION

The bill establishes a definition of “assistance” different from that adopted by regulation. The new definition is payment, by cash, voucher, or other means, to a person or family for the purpose of meeting a subsistence need (including food, clothing, shelter, and related items). It explicitly excludes all costs of transportation, child care, and (as defined in Section 105) supplemental housing benefits. At the request of the Agriculture Committee, the bill includes a provision to ensure that States can continue to use the June 1, 2002 TANF assistance definition in exercising their option to use TANF vehicle asset rules in the food stamp program when TANF rules are more liberal.

REASONS FOR CHANGE

As TANF has provided more work support aid to low-income working families, the distinction between “assistance” and “non-assistance” has become more important. The Committee bill allows States to treat additional forms of work support, short of traditional cash aid, as “nonassistance.” This provides additional flexibility in designing work support programs. It also, to some extent, codifies current regulations.

Section 107—Maintenance of effort

PRESENT LAW

To receive a full TANF grant, State spending under all State programs in the previous year on behalf of TANF-eligible families (defined to include those ineligible because of the 5-year time limit or the Federal ban on benefits to new immigrants) must equal at least 75 percent of the State’s historic level (sum spent in FY 1994 on AFDC and related programs). If a State fails work participation requirements, the required spending level rises to 80 percent. State expenditures that qualify for maintenance-of-effort credit are cash aid, child care, educational activities designed to increase self-sufficiency, job training, and work (but not generally available to non-TANF families), administrative costs (15 percent limit), child support collection passed through to a TANF recipient family without

benefit reduction, and any other use of funds reasonably calculated to accomplish a TANF purpose.

EXPLANATION OF PROVISION

The bill extends the maintenance-of-effort requirement for five years, through FY2007. It allows a State to count as a qualifying MOE expenditure amounts of child support arrearages distributed to former TANF families.

REASONS FOR CHANGE

The Committee bill continues the import MOE requirement but adds 1 additional allowable spending activity, related to the distribution of child support collections to families.

Section 108—Funding for families assisted by a territory program

PRESENT LAW

The combined annual Federal funding for public assistance programs for Puerto Rico, Guam, the Virgin Islands, and American Samoa is capped at a maximum dollar amount. The cap, which totals \$116.5 million, covers the combined Federal TANF family assistance grants (\$77.9 million annually) plus funds available for adult assistance, child protection, and Section 1108(b) matching grants (\$38.6 million annually). Funds above the TANF family assistance grant level are available on a 75 percent matching basis for adult public assistance, TANF, or Title IV–E programs (foster care, adoption assistance, and independent living).

EXPLANATION OF PROVISION

The bill increases the total annual cap on Federal funding for public assistance programs for the territories from \$116.5 million to \$119.6 million. New caps, compared with current ones: Puerto Rico, \$109,936,375 (\$107,255,000); Guam \$4,803,150 (\$4,686,000); Virgin Islands, \$3,642,850 (\$3,554,000); and American Samoa, \$1,250,000 (\$1,000,000). The bill also extends appropriations for 1108(b) matching grants through FY2007. (For new child care funding for Puerto Rico, see section 103).

REASONS FOR CHANGE

The Committee provides an increase in funding for the territories to assist their implementation of welfare reform.

Section 109—Repeal of Federal loan fund for State welfare programs

PRESENT LAW

The law provided an interest-bearing loan fund for State TANF programs, capped at \$1.7 billion.

EXPLANATION OF PROVISION

The bill repeals the loan fund.

REASONS FOR CHANGE

The loan fund has not been used and States in economic distress can avail themselves of the improved Contingency Fund (see Section 102).

Section 110—Social Services Block Grant (SSBG)

PRESENT LAW

Under a provision of the law making appropriations for the Department of Health and Human Services (P.L. 107–116), States maintained the authority to transfer up to 10 percent of their annual TANF allotments to SSBG in FY2002. This superceded the provision of the Transportation Equity Act (P.L. 105–178), which had scheduled the transfer authority to be reduced to 4.25 percent beginning in FY2001.

The SSBG was permanently authorized at a level of \$1.7 billion beginning in FY2001. Although actual appropriations for the SSBG have in some years exceeded the authorized level, \$1.7 billion were appropriated in FY2002.

EXPLANATION OF PROVISION

The bill permanently restores States' authority to transfer up to 10 percent of their annual TANF allotments to the SSBG, beginning in FY2003.

The bill funds SSBG at a level of \$1.952 billion for FY2005, an increase of \$252 million above the FY2002 level. (Separately, as recently approved by the Committee, H.R. 7, the CARE Act, funds SSBG at \$1.975 billion for FY2003 and \$2.8 billion for FY2004.

REASONS FOR CHANGE

The Committee adopted an amendment offered by Senator Rockefeller to restore the 10 percent transfer authority and increase the funding for SSBG in FY2005. This increases State flexibility and resources available for assisting low-income families. (The Committee recently addressed funding for SSBG in FY2003–2004 as part of H.R. 7, the CARE Act.)

Section 111—Technical corrections

EXPLANATION OF PROVISIONS

Because it was ruled to be unconstitutional, the bill strikes a provision that allowed a TANF program to treat interstate immigrants under rules of their former State. Other changes correct punctuation and spelling.

TITLE II—WORK

Section 201—Universal engagement

PRESENT LAW

State TANF plans must require that a parent or caretaker engage in work (as defined by the State) after, at most, 24 months of assistance. (This requirement is not enforced by a specific penalty.) States must make an initial assessment of the skills, prior work experience, and employability of each recipient 18 years or

older or those who have not completed high school within 30 days. States may, but need not, establish an individual responsibility plan (IRP) for each TANF recipient in consultation with the recipient. The State may reduce the benefit payable to a family that includes a person who fails without good cause to comply with a responsibility plan signed by the recipient.

EXPLANATION OF PROVISION

The bill requires States to screen and assess the education, skills, prior work experience, work readiness, and barriers to employment of adult or minor head of household receiving assistance who has reached age 18 or has not completed high school or obtained a certificate of high school equivalency, and is not attending secondary school. States also must assess the well-being of children in the family and services for which families are eligible. The bill requires an IRP for each parent/minor head of household described above and requires recipient parents or caretakers to participate with the State in this process. The IRP must detail required work activities and needed work supports, address the issue of child well-being and, if appropriate, adolescent well-being. IRPs also must include a section making available to the family information concerning work supports for which they may be eligible. Recipient parents or minor heads of household are required to participate in activities in accordance with IRP, and States are required to monitor their participation and review their progress. Before imposing a sanction, States must review the person's IRP.

Beginning in FY2004, new families with adults receiving assistance must have an IRP within 60 days of enrollment, and IRPs for current recipients must be completed by September 30, 2004. The bill also requires the HHS Secretary to develop and disseminate model screening tools to assist States in identifying barriers to employment or program compliance. These tools are to be developed in consultation with individuals and groups with expertise in circumstances such as physical or mental impairments, including mental illness, substance abuse, learning disability, limited English proficiency, or the need to care for a child with a disability. To help States implement the new universal engagement rules, \$120 million is provided to States over 4 years (FY2003–FY2006) for: training to improve caseworkers' ability to identify barriers to work and indicators of child well-being, communication of information concerning program requirements to recipients of (and applicants for) assistance, coordination of support programs for low-income families, conduct of outreach to promote enrollment among eligible families, and advisory panels, charged with reviewing policies and procedures for helping persons with work barriers. Nothing in this section shall be construed as conveying a private right or cause of action against the State or as limiting claims that may be available under other Federal or State laws.

The bill requires HHS to consult with the National Governors Association, American Public Human Services Association, and National Conference of State Legislators in development of these implementation efforts, including the development of regulations and in the provision of technical assistance. It also requires the General Accounting Office (GAO) to assess implementation of these provi-

sions and to submit a report by September 30, 2005 to the Senate Finance and House Ways and Means Committees.

REASONS FOR CHANGE

In a proposal based on the administration's plan, the Committee bill requires States to develop IRPs for each family with an adult recipient or minor head of household. These plans are to provide a map guiding the recipient toward self-sufficiency. There are several required aspects of the IRP to ensure appropriate assessment of a family's need, barriers to employment, participation in required activities, and connection to appropriate other sources of aid. This provision is central to the Committee's bill and the goal of "universal engagement" of welfare recipients in activities to promote self-sufficiency. To assist States in implementing the new requirement, funding is provided for training of staff and other related expenses. This will help improve the ability of welfare agencies to identify barriers to employment so that IRPs can be designed to appropriately address the needs of a family.

Section 202—Work participation requirements

Work participation rates

PRESENT LAW

Fifty percent of all families with an adult recipient (including 90 percent of 2-parent families other than those with a disabled parent) must engage in listed work activities for specified minimum hours (see below). (Participation rates began at 25 percent for FY 1997 and reached the 50 percent peak in FY2002. For 2-parent families they began at 75 percent and rose to 90 percent in FY1999.) States may exempt single parents caring for a child under 1 year old and exclude them from calculation of participation rates. For first failure to meet the participation rate, the penalty is 5 percent of the State's basic grant (penalty may be reduced for degree of failure). The State must replace penalty funds with its own. For successive failures, the penalty rate rises.

EXPLANATION OF PROVISION

The bill eliminates the separate 2-percent participation rate. It increases the work participation rate by 5 percentage points yearly until FY2007, as follows: 55 percent in FY2004, 60 percent in FY2005, 65 percent in FY2006, and 70 percent in FY2007. The current penalties are maintained.

REASONS FOR CHANGE

The Committee bill increases work participation requirements to move toward universal engagement policies under which States actively engage all welfare recipients in moving toward self-sufficiency. The bill ends the separate 2-parent rate, which appears to have discourage some States from working with 2-parent families in TANF.

Employment credit

PRESENT LAW

A caseload reduction credit reduces a State's required participation rate by 1 percentage point for each percent decline (not attributable to eligibility and other rule changes) in the caseload from its FY1995 level.

EXPLANATION OF PROVISION

The bill eliminates the caseload reduction credit and substitutes an employment credit. (For FY2003, States will have the option to delay the new work participation standards and work hour requirements and have their work participation targets calculated on the basis of both the current caseload reduction credit and the new employment credit (one-half credit rate for each).) The employment credit reduces the required participation rate for recipients who leave the rolls and are employed. The percentage point reduction is calculated by dividing (a) twice the unduplicated number of families who ceased receiving TANF for at least 2 months in the preceding year (and did not receive aid from a separate State-funded program during those 2 months) and were employed in the next quarter by (b) the average monthly number of families with an adult cash recipient in the preceding year. The bill also gives States extra credit (as 1.5 families) for a family that leaves and has earnings equal to at least 33 percent of the average wage in the State. It also gives States the option to receive credit for those whom it "divert" from joining TANF rolls with a short-term non-recurring benefit and who are employed in the next quarter after diversion, earning at least \$1,000.

In calculating work participation rates, the bill allows partial credit for recipients who work part-time, so long as they work at least 50 percent of the time required of them, allows States to count as "engaged in work" persons receiving "substantial" child care or transportation assistance, as defined by the Secretary of HHS in consultation with directors of State TANF programs (specifying for each type of assistance a dollar threshold or a length of time over which the assistance is received), and removes from work participation calculations TANF recipients who become eligible for SSI during the year.

Required work participation rates cannot be reduced by the employment credit (and by counting persons who receive substantial child care or transportation assistance as participants) below these levels: 20 percent in FY2004; 30 percent in FY2005; 40 percent in FY2006, and 50 percent in FY2007. However, these caps do not apply to States that have met 2 of the triggers for access to the TANF contingency fund (see section 102).

REASONS FOR CHANGE

The current caseload reduction credit contains a flawed incentive, under which a State may receive credit toward the work participation requirements for families who leave assistance but do not become employed. The Committee bill substitutes an employment credit, limiting the credit States receive for those families who leave assistance and are employed. The extra credit for families

who leave assistance and find higher-paying employment is intended to reward States making effective use of the new training and education options provided elsewhere in the bill. Research suggests that those recipients starting in higher-paying jobs are less likely to return to welfare in the long run. The Committee bill also provides States with “partial credit” for families with substantial activity but not enough to meet the overall requirement so as to better value all work effort. The Committee bill also refines the measurement of work participation rates by excluding certain families, such as those found eligible for disability benefits, from the calculation of the rates.

Work hours

PRESENT LAW

Adult recipients generally must work in a countable activity for an average of 30 hours weekly (20 hours if the single caretaker of a child under age 6; at least 35 hours if a 2-parent family). Parents with a 30-hour requirement must spend 20 hours in priority activities (see below). Teen parents without high school diplomas meet work obligation by education directly related to work for 20 hours weekly or by satisfactory school attendance. (Except for teen parents, single parents with a child under 6, and participants in a tribal program with different hour requirements, families must work an average of at least 30 hours weekly to be counted as working.)

EXPLANATION OF PROVISION

The bill ends the separate rule for 2-parent families. It maintains the general requirement for 30 hours of weekly work participation by most adults, but increases from 20 hours to 24 hours the share of time that must be spent in priority activities. It retains the provision deeming single parents of children under 6 to meet the work requirement by engaging 20 hours weekly in a priority activity.

REASONS FOR CHANGE

The Committee bill increases the weekly work requirement for “priority” activities. This sends a signal to States to improve performance and maintain a focus on work. The overall requirement is maintained at 30 hours, allowing States the flexibility to set the overall hours requirements at 30 or 35 or 40 hours, allowing States the flexibility to set the overall hours requirements at 30 or 35 or 40 hours as they best see fit and to maximize the effective use of limited resources.

Priority activities, other countable activities

PRESENT LAW

The law lists nine priority activities that can be counted toward the first 20 hours of the general work requirement:

- Unsubsidized job;
- Subsidized private or public job;
- Work experience;
- On-the-job training;
- Job search (generally limited to 6 weeks per year);

- Community service;
 - Vocational educational training (12 month lifetime limit);
- and
- Providing care for child or community service participant.

Three other activities are countable for the other 10 hours required of adult recipients: job skills training related to work and (for high school dropouts only) education directly related to work and attendance at secondary school. Teen parents are deemed engaged in work by satisfactory school attendance or by participation in education directly related to work for at least 20 hours weekly. Together with these teens, persons participating in vocational educational training can account for only 30 percent of all persons credited with work.

EXPLANATION OF PROVISION

The bill increases priority work activity hours to 24 per week and expands the list of priority activities by:

- Vocational educational training, with a 24 month limit (not 12 months); and
- Job search, with an 8 week limit (not 6 weeks).

Time-limited additions to the list of priority activities (for the 24-hour weekly work requirement) are:

- Rehabilitative services, provided they are required by the recipient's IRP. As examples, the bill lists adult basic education, limited English proficiency program, or in the case of an individual determined by a qualified medical, mental health, or social services professional as having a physical or mental disability, substance abuse problem or other problem requiring rehabilitative services, substance abuse treatment, mental health treatment, or other such services (countable for 3 months within 24 months; or—if a longer time is required in the person's IRP—for up to 6 months, combined with work or job readiness in final 3 months).

Additions to the list of other activities (for the remaining 6 hours) are:

- Rehabilitative services (as described above) until successful completion.

Under the bill, vocational educational training can account for no more than 30 percent of persons credited with work (teen parents deemed to be engaged in work are removed from the cap).

The bill provides that if a State has set up a 2- to 4-year degree postsecondary program described in Section 404(1) (see section 105 above), it may count participants in such programs as engaged in work for the month, up to a limit of 10 percent of the average monthly number of recipient families during the fiscal year or the immediately preceding fiscal year. This 10 percent is not included in calculations of the 30 percent vocational educational training cap.

REASONS FOR CHANGE

Job search is a key element in "work first" employment-focused strategies. The Committee bill increases the time period such activities count toward the work participation rates to permit States to require participants to look for work full-time until an IRP must be finalized for a family. This will allow States to focus IRP devel-

opment on those families in need of more intensive services. In addition, the Committee bill allows States to count additional full-time vocational training towards the work requirements to give States flexibility in designing longer-term programs for a subset of recipients, if they wish to do so. The Committee bill also removes teen parents completing school from the 30 percent cap on vocational educational training since this is a different type of activity. Finally, the Committee bill permits full-time rehabilitative services to count toward the work participation rates for 3 months, to better enable States to individualize self-sufficiency strategies for TANF families, subject to certain specified conditions. The services can count for an additional 3 months when combined with work or work readiness activities, and included in the IRP.

Work exemptions

PRESENT LAW

A State may exempt from work a single parent caring for a child under age 1, and for a maximum of 12 months, the State may disregard the exempted parent in calculating the State's work participation rate.

EXPLANATION OF PROVISION

The Committee bill allows—but does not require—a State to exempt from work the full-time caregiver of a family member who is disabled and to exclude this family in calculating the State's work participation rate. The number of families excluded from the work participation rate calculations cannot exceed 10 percent of the average monthly number of families receiving TANF during the fiscal year or the immediately preceding fiscal year. There must be no other able-bodied adults in the family and the exempted adult must be the primary caregiver of a child or other family member with a physical or mental disability or chronic illness. The recipient's IRP must specify the need to provide care.

REASONS FOR CHANGE

The Committee adopted an amendment offered by Senator Conrad to give States flexibility in addressing the needs of recipients with disabled family members in need of full-time care. Requiring such recipients to work could, in some circumstances, severely disrupt current caregiving arrangements and result in more costly new arrangements being required, which may not even be available.

TITLE III—FAMILY PROMOTION AND SUPPORT

Section 301—Healthy marriage promotion grants

PRESENT LAW

States are eligible to receive a share of a \$100 million per year bonus fund (for FY 1999–FY 2002) if they demonstrate a reduction in the non-marital birth ratio while also reducing abortions. A maximum of five States may be awarded this “illegitimacy” reduction bonus in any year. If fewer than five States qualify, the bonus to them is increased to \$25 million each.

EXPLANATION OF PROVISION

The bill repeals “illegitimacy” reduction bonus funding. It is replaced by a new Healthy Marriage Promotion grant program to support demonstration projects to promote stronger families, with a focus on the promotion of healthy marriages. The bill provides \$200 million per year for FY2003–FY2007. The grants would be available to States, tribes, and non-profit organizations for a specified list of activities. A 25 percent match would be required with “in-kind” contributions allowable toward the match. The following activities may be awarded grants:

- Public advertising campaigns on the value of marriage and the skills needed to increase marital stability and health;
- Voluntary marriage education and marriage skills programs for non-married pregnant women and non-married expectant fathers;
- Voluntary pre-marital education and marriage skills training for engaged couples and for couples interested in marriage;
- Voluntary marriage enhancement and marriage skills training programs for married couples;
- Marriage mentoring programs that use married couples as role models and mentors in at-risk communities;
- Teen pregnancy prevention programs;
- Broad-based income support and supplementation strategies that provide increased assistance to low-income working parents, such as housing, transportation, transitional benefits, and are not limited to one or to two parent families; and
- Development and dissemination of best practices for addressing domestic and sexual violence as a barrier to economic security, including caseworker training, technical assistance, and voluntary services for victims.

HHS is required to make public the criteria for awarding grants and the application of all grant proposals funded. All organizations receiving funding must consult with national, State, local or tribal organizations with demonstrated expertise aiding victims of domestic violence. They must also agree to participate in the evaluation of the program.

The bill requires the National Academy of Sciences to conduct, or contract for, a comprehensive evaluation of a representative sample of programs funded. The bill reserves \$5 million per year from the grant program to support this evaluation, which shall include measures of family structure, conflict, and child well-being. A report describing initial evaluation findings is required from the National Academy of Sciences on or before September 30, 2006.

The bill requires an initial report describing the programs funded by the Secretary of HHS on or before September 30, 2005. Final reports from both HHS and the National Academy of Sciences are due on or before September 30, 2008.

In addition, the General Accounting Office is required to submit a report to the Chairman and Ranking Members of the Senate Finance and House Ways and Means Committees describing the process HHS used to distribute the funds, the activities supported by the funds, and the results of the programs that were supported. This report is due on or before September 30, 2006.

REASONS FOR CHANGE

The Committee has been advised that there appears to be little connection between State activity to reduce out-of-wedlock child-bearing and States which have been awarded bonuses. In light of this, the Committee bill includes a new grant program, funded in part by the elimination of the bonus, to promote healthy marriages, based upon a proposal made by the administration. The funds can be used to support a variety of counseling programs and certain other activities likely to support stronger relationships. The Committee bill allows the funds to be used for a broad-based income supplementation strategy so that a replication of the Minnesota Family Investment Program (MFIP) may be attempted. MFIP is the only large-scale welfare reform found to have a pro-marriage effect, yet the House bill would not fund a replication to test whether its income supplementation strategy is effective in other States. It is important to the Committee that these counseling activities be voluntary and conducted by organizations which have consulted with experts in the area of domestic violence. A comprehensive evaluation is required so that the relative effectiveness of these activities will be better understood in future welfare policy discussion.

Section 302—Abstinence education

PRESENT LAW

PRWORA provided \$250 million in Federal funds for abstinence education within the Maternal and Child Health Block Grant (\$50 million per year for 5 years, FY1998–FY2002). Funds must be requested by States when they solicit Maternal and Child Health (MCH) block grant funds (Title V—Section 510 of the Social Security Act), and must be used exclusively for the teaching of abstinence. To receive Federal funding, a State must match every \$4 in Federal funds with \$3 in State funds.

EXPLANATION OF PROVISION

The bill reauthorizes the abstinence education program exactly as under current law, including the \$50 million per year funding level, for FY2003–FY2007.

In addition, another \$50 million each year for FY2003–FY2007 is provided for grants to implement “abstinence first” teen pregnancy prevention strategies (also under the Maternal and Child Health Block Grant). The HHS Secretary is authorized to award grants to States and Indian tribes to implement teen pregnancy prevention strategies that (1) are abstinence-first, a strategy that strongly emphasizes abstinence as the best and only certain way to avoid pregnancy and sexually transmitted infections and that discuss the scientifically proven effectiveness, benefits, and limitations of contraception technologies in a manner that is medically accurate, (2) replicate or substantially incorporate the elements of 1 or more teen pregnancy prevention programs that have been proven (on the basis of rigorous scientific research), such as service learning activities and certain youth development programs, (3) delay or decrease sexual intercourse or sexual activity and increase contraceptive use among sexually active teens or reduce teen pregnancy without in-

creasing risky behavior, and (4) incorporate outreach or media programs.

The bill requires the Secretary of HHS to reserve up to \$5 million over FY2003–FY2007 for the purposes of conducting by contract an independent comparative evaluation of the abstinence education and abstinence-first programs and to report to Congress on the results of the evaluation no later than 5 years after enactment of this provision. The bill also requires the Secretary of HHS to reserve an amount equal to \$750,000 each year for awarding grants to Indian tribes.

REASONS FOR CHANGE

Current “abstinence-only” funding is continued. In addition, under an amendment offered by the Chairman, a separate funding stream to support “abstinence-first” teen pregnancy programs is created. Such programs promote abstinence but also provide more comprehensive and science-based pregnancy and disease prevention information. This will offer States more flexibility in the methods they employ to meet the national goal of teen pregnancy reduction (see Section 701) and increase the amount of medically accurate information used in teen pregnancy prevention programs.

Section 303—Teen pregnancy prevention resource center

PRESENT LAW

No provision.

EXPLANATION OF PROVISION

The bill requires the Secretary of HHS to make a \$5 million grant for each year FY2003–FY2007 to a nationally recognized, nonpartisan, nonprofit organization (that meets stipulated requirements) to establish and operate a national teen pregnancy prevention resource center. The purposes of the resource center are to provide information and technical assistance to States, Indian tribes, local communities, and other public or private organizations seeking to reduce rates of teen pregnancy; and assist such entities to work through all forms of media to communicate effective messages about preventing teen pregnancy, including messages that focus on abstinence, responsible behavior, family communication, relationships, and values. The resource center must carry out the purposes through the following activities;

- Synthesizing and disseminating research and information regarding effective and promising practices to prevent teen pregnancy;
- Developing and providing information on how to design and implement effective programs to prevent teen pregnancy.
- Helping States, local communities, and other organizations increase their knowledge of existing resources that can be used to advance teen pregnancy prevention efforts;
- Linking organizations working to reduce teen pregnancy with experts and peer groups, including the creation of technical assistance networks;
- Providing consultation and resources on how to reduce teen pregnancy through a broad array of strategies, including enlisting the help of parents and other adults, community or

faith-based groups, the entertainment and news media, business, and other teens; and

- Working directly with individuals and organizations in the entertainment industry to provide consultation and serve as a resource of factual information on issues related to teen pregnancy prevention.

The Secretary is required to make the grant to a nationally recognized, nonpartisan, nonprofit organization that has (1) at least 5 years of experience in working with diverse sectors of society to reduce teen pregnancy; (2) a demonstrated ability to work with and provide assistance to a broad range of individuals and entities, including teens, parents, the entertainment and news media, State, tribal, and local organizations, networks of teen pregnancy prevention practitioners, businesses, faith and community leaders, and researchers; (3) a research focus and is capable of performing scientific analysis and evaluation; (4) comprehensive knowledge and data about teen pregnancy prevention strategies; and (5) experiences in operating a resource center that carries out activities similar to the activities mentioned above (in bulleted form).

The bill requires the organization operating the resource center to collaborate with other nonprofit organizations that have expertise and interest in teen pregnancy prevention.

REASONS FOR CHANGE

A national teen pregnancy prevention resource center will provide a useful intermediary to work with many elements of society to discourage teen pregnancies. It will help achieve the national goal of reducing teen pregnancy (see section 701).

Section 304—Responsible fatherhood

PRESENT LAW

PRWORA required States to have laws under which the State has the authority to issue an order or request that a court or administrative process issue an order that requires non-custodial parents who were unable to pay their child support obligation for a child receiving TANF benefits to participate in TANF work activities.

In addition, PRWORA authorized grants to States to establish and operate access and visitation programs. These programs are to facilitate non-custodial parents access/visitation to their children. An annual entitlement of \$10 million is available to States for these grants. Eligible activities include but are not limited to mediation, counseling, education, development of parenting plans, visitation enforcement, and development of guidelines for visitation and alternative custody arrangements. States may use the grants to create their own programs or to fund programs operated by courts, local public agencies, or nonprofit organizations. The allotment formula is based on the ratio of the number of children in the State living with only 1 biological parent in relation to the total number of such children in all States.

EXPLANATION OF PROVISION

The bill creates a grant program to support expansion or replication of court-supervised or Child Support Enforcement-adminis-

tered employment programs for low-income non-custodial parents to assist them in meeting their child support obligations. The bill authorizes the Secretary of HHS and the Secretary of Labor to jointly award \$25 million per year in grant funds for FY2004–2007 to eligible States for the purpose of establishing, in coordination with counties and other local governments, supervised employment programs for non-custodial parents (including ex-offenders) who have a history of nonpayment or irregular payment of child support obligations, and who are determined by the court or Child Support Enforcement (CSE) agency to be in need of employment services in order to meet child support obligations. A 25 percent non-Federal match would be required with “in-kind” contributions allowable toward the match.

An eligible State that receives a non-custodial parent employment grant may contract with a public, private, faith-based or community-based organization to administer (in conjunction with the court or CSE agency) the supervised employment program. A supervised employment program must include the following goals: to assist specified non-custodial parents to establish a pattern of regular child support payments by helping them obtain and maintain unsubsidized employment; to increase the dollar amount and total number of child support orders with collections; and to help specified non-custodial parents improve relationships with their children.

The following types of services may be provided under a supervised employment program: job development; supervised job search; job placement; case management; court and child support liaison services; educational assessment; educational referrals; vocational assessment; counseling on responsible fatherhood and effective parenting; support funds for services such as transportation or short-term training; referral for support services; employment retention services; outreach to community agencies that provide bonding programs; and domestic violence services and health services.

The bill requires the Secretaries to determine the amount of each grant to be awarded taking into account the number of counties participating in an eligible State and the population of the non-custodial parents to be served by the employment programs in the State. The Secretaries are required to give priority to States with programs designed to target non-custodial parents whose income does not exceed 150 percent of the poverty line. The bill prohibits supervised employment programs from allowing a non-custodial parent who is placed in the program to graduate from the program and avoid penalties for failure to pay a child support obligation until the non-custodial parent completes at least 6 months of continuous, timely payment of his or her child support obligations.

The bill also creates a grant program to conduct policy reviews and demonstration projects to coordinate services for low-income non-custodial parents. The bill authorizes \$25 million for each of FY2004–FY2007 for States to conduct these policy reviews and demonstration projects.

The HHS Secretary shall make grants to States to conduct policy reviews and develop recommendations with the goals of (1) obtaining and retaining employment for low-income non-custodial parents, increasing child support payments, and increasing the involvement of low-income non-custodial parents with their children;

and (2) coordinating services for low-income non-custodial parents among the different systems or programs in which such parents are involved, including the criminal justice system, the TANF program, the Child Support Enforcement program, and job training or employment programs.

In addition, the HHS Secretary shall make grants to States to conduct a demonstration project for the purpose of (1) testing innovative policies and to better coordinate policies and services for low-income non-custodial parents to accomplish the goals noted above, or (2) to implement recommendations that were based on a policy review funded under this section.

The bill provides that demonstration funds may be used to provide a wide variety of services to low-income non-custodial parents, including providing economic incentives (with or without penalty) to increase the employment of such parents or to increase the amount of child support paid by such parents.

REASONS FOR CHANGE

The Committee bill includes 2 provisions to assist low-income non-custodial parents better meet child support obligations, both based upon provisions in S. 2524, introduced by Senators Bayh and Carper. Non-custodial parents who meet child support obligations can reduce the need for custodial parents to use government assistance programs and are more likely to have positive relationships with their children.

Section 305—Second chance homes

PRESENT LAW

Teen parents must live in adult-supervised settings to be eligible for TANF, and a group home for unwed teen mothers—a “second chance” home—qualifies as such a setting. Second chance homes generally offer access to child care, education, job training, counseling, and advice on parenting and life skills, provided teen parents abide by rules concerning behavior and continue their education or seek employment.

EXPLANATION OF PROVISION

The bill authorizes the Secretary of HHS to award \$33 million per year for FY2004–FY2007 for competitive grants to States, local governments, Indian tribes, or public or private nonprofit agencies, organizations or institutions, including nonprofit Indian organizations to establish, expand, or enhance a second chance home. The bill defines a second chance home as a community-based, adult-supervised group home that provides young mothers and their children with a supportive and supervised living arrangement in which such mothers are required to learn parenting skills, including child development, family budgeting, health and nutrition, and other skills to promote their long-term economic independence and the well-being of their children.

The bill limits services provided by the grant funds to mothers who are not more than 23 years old and their children. Eligible entities would be required to contribute a 20 percent non-Federal match, which could include “in-kind” contributions. Second chance home grants would be awarded for period of 5 years. The bill re-

quires the Secretary to give priority to an eligible entity that submits an application (1) proposing to establish a new second chance home, especially in a rural area or tribal community; (2) proposing to collaborate with a nonprofit entity in establishing, expanding, or enhancing a second chance home; or (3) demonstrating that the entity will use TANF funds to support a portion of the operating cost of the applicable second chance home.

The bill requires the Secretary to enter into a contract with a public or private entity to evaluate the second chance homes supported by grants funded under this section. The entity conducting the evaluation must submit to the Congress an interim report due not later than 2 years after the date on which the entity signs the contract to conduct the evaluation, and it must submit a final report not later than 5 years after the date on which it signs the contract. The bill requires the Secretary to reserve \$1 million for FY2004 for the evaluation. The bill allows the Secretary to use up to \$500,000 to enter into contract with a public or private entity that will provide technical assistance to the entities that receive grant funds.

REASONS FOR CHANGE

The Committee bill authorizes a grant program to create or expand “second chance” homes since they may reduce the number of second out-of-wedlock births to teen mothers by removing them from inappropriate homes and providing structure for the mothers to engage in positive activities to move toward self-sufficiency.

TITLE IV—HEALTH COVERAGE

Section 401—5-year extension and simplification of the transitional medical assistance program (TMA)

PRESENT LAW

The laws require States to make transitional (extended) benefits available to families who lose Medicaid eligibility because of increased hours of employment, increased earnings, or loss of a time-limited earned income disregard for at least 6, and up to 12, months. To be eligible for transitional medical assistance (TMA), a family must have received Medicaid in at least 3 of the 6 months immediately preceding the month in which eligibility is lost. Families who meet reporting requirements and whose average gross monthly earnings are below 185 percent of the Federal poverty guideline (less work-needed child care costs) are eligible for the additional 6 months of transitional benefits coverage (for a total of 12 months of coverage). During the second 6 months, States may impose a premium, limit the scope of benefits, and/or use an alternative delivery system. The law does not require States to collect data on monthly enrollment or monthly participation in TMA. Authorization for TMA expires on September 30, 2002.

The law also permanently extends coverage of transitional Medicaid benefits for 4 months to families who lost eligibility for Medicaid due to increased child or spousal support payments.

EXPLANATION OF PROVISION

The bill extends TMA for 5 years. It permits States to provide continuous eligibility for TMA for 12 months by removing the reporting requirements for families, and to extend benefits for another year (a total 24 months) to families with average gross monthly earnings (less work-needed child care) below 185 percent of the Federal poverty guideline after the first 12 months of TMA coverage. The bill also permits States to drop the requirement that families must have received Medicaid for 3 of the preceding 6 months in order to be eligible for TMA. For States who extend Medicaid eligibility to families with average gross monthly earnings (less work-needed child care) of up to 185 percent of the Federal poverty guideline, the bill allows such States the option of providing TMA, as this extended Medicaid eligibility would fulfill the Federal requirement to provide TMA. It requires States to provide notice to families whose eligibility for TANF is terminated with notice of their eligibility for medical assistance, or if the State determines a member of the family is not eligible, a 1-page letter describing how they may qualify and apply for medical assistance (including an explanation that the family does not have to receive TANF or Federally-subsidized foster care or adoption assistance to qualify) along with information on how to apply for the State Children's Health Insurance Program (SCHIP). The bill also requires States to extend use of outstationed workers (who accept applications for Medicaid at locations other than TANF offices) to also accept applications for Medicaid under section 1931 of the Social Security Act. It also requires States to collect information on average monthly enrollment and average monthly participation rates for adults and children in TMA, and requires the CMS Administrator for TMA to coordinate with the Assistant Secretary for the Administration of Children and Families to develop guidance for States on best practices to guarantee access to TMA. The requirements to collect TMA information and coordinate guidance for the States take effect 6 months after enactment of the bill. The Bill allows States such time as needed to approve amendments to their Medicaid State plan required by the State legislations for compliance with TMA provisions.

REASONS FOR CHANGE

The Committee bill includes provisions based on S. 1269, introduced by Senator Breaux, to continue transitional Medicaid for five years and to make administrative simplifications in how it is administered. Health coverage can be an important support for low-income working families and families leaving welfare for employment should not become uninsured as a result, since this both puts child well-being at risk and reduces the efficacy of work promotion strategies.

Section 402—Optional coverage of legal immigrants under the Medicaid program and title XXI

PRESENT LAW

“Qualified aliens” who entered the United States after the enactment of PRWORA (August 22, 1996) are not eligible to receive Fed-

erally funded Medicaid or SCHIP benefits for 5 years. Qualified aliens who entered the United States prior to the enactment of PRWORA are eligible for Federally funded Medicaid at State option, as are qualified aliens arriving after August 22, 1996 who have been present in the United States for more than 5 years.

A person who executed an affidavit of support for an alien under section 213A of the Immigration and Nationality Act (INA) is liable to reimburse the Federal or State government for public benefits received by the sponsored alien until the alien naturalizes or has accumulated 40 quarters of work. Section 213A was enacted as part of PRWORA on August 22, 1996.

EXPLANATION OF PROVISION

The bill lifts the 5-year waiting period and allows States to elect to provide medical assistance through Medicaid or SCHIP programs for certain populations. Covered persons could include lawfully residing individuals who are pregnant women (including the 60 day-period after delivery), or children as defined by the State for Medicaid and SCHIP purposes. If the benefit is provided under the Medicaid program, the alien's sponsor is not liable to reimburse the Federal or State government for these benefits. This provision takes effect on October 1, 2002.

REASONS FOR CHANGE

The Committee bill includes this provision as the result of an amendment offered by Senator Graham. It increases State flexibility by allowing States the option to include post-1996 legal immigrant children and pregnant women in Medicaid and SCHIP without the 5-year waiting period.

Section 403—Clarification of authority of States and local authorities to provide health care to immigrants

PRESENT LAW

States may only provide public benefits to aliens who are "qualified aliens," nonimmigrants under the INA, or are paroled into the United States for less than 1 year. States may provide the following types of public benefits to any alien: (1) health care for emergency medical conditions excluding transplants; (2) short-term, non-cash, in-kind emergency disaster assistance; (3) public health assistance for immunizations against and treatment of communicable diseases; and (4) programs, services, or assistance specified by the Attorney General.

EXPLANATION OF PROVISION

The bill removes from the list of allowable State and local public benefits for all aliens emergency medical care and immunizations and treatment of communicable diseases, but changes the definition of State and local public benefits so that any health benefits provided by State and local governments with funds from the State or local government are not considered public benefits.

REASONS FOR CHANGE

The Committee adopted an amendment offered by Senator Bingaman to clarify this authority.

Section 404—Clarification of no verification requirement for non-profit charitable organizations

EXPLANATION OF PROVISION

The Committee bill includes a clarification of the statutory language allowing non-profit charitable organizations to not perform immigration status verification in certain circumstances.

TITLE V—CHILD SUPPORT AND CHILD WELFARE

Section 501—Distribution of child support collected by States

Assignment rule

PRESENT LAW

Federal law requires that as a condition of receiving TANF funds, the parent or caretaker relative must assign her or his rights to child support to the State. The assignment covers any child support that accrues (or had already accrued before the family enrolled in TANF) before the date the family leaves the TANF program. The assignment must not exceed the total amount of assistance paid to the family. Any child support assignment to the State in effect on September 30, 1997 (or at State option, an earlier date not before August 22, 1996) must remain assigned after such date.

EXPLANATION OF PROVISION

The bill limits the child support assignment to the period in which the family receives TANF benefits. Any child support assignment to the State in effect on September 30, 1997 (or at State option, an earlier date not before August 22, 1996) may, at State option, remain assigned after such date.

REASONS FOR CHANGE

All of the provisions in this section are based upon S. 918, introduced by Senator Snowe and long co-sponsored by Senator Kohl. They permit States to follow the lead of Wisconsin, which has pioneered distribution reform. The Committee bill simplifies the rules for assigning child support to increase the funds provided to custodial parents and to ease administration of the program for States.

Families receiving TANF

PRESENT LAW

While the family receives TANF benefits, the State is permitted to retain any current child support payments and any assigned arrearages it collects up to the cumulative amount of TANF benefits that have been paid to the family. In other words, the State can decide how much, if any, of the State share of the child support payment collected on behalf of TANF families to send to the family.

However, the State is required to pay the Federal government the Federal share of the child support collected.

EXPLANATION OF PROVISION

The bill maintains current law on assignment rules for families on TANF. However, if a State has a Section 1115 waiver (that became effective on or before October 1, 1997) that allows for pass through of child support payments, the State may “pass through” those payments in accordance with its waiver.

For families receiving TANF benefits (for not more than 5 years after enactment of this bill), the bill requires the Federal government to share in the cost of child support collections passed through to TANF families by the State and disregarded by the State in determining the family’s TANF benefit, up to \$400 per month in the case of a family with less than 2 children, and up to \$600 per month in the case of a family with 2 or more children.

REASONS FOR CHANGE

The Committee bill provides incentives to States to “pass through” child support collections to families on assistance. Early research (from Wisconsin) suggests that this increases child support payments. Under PRWORA, States are, in effect, discouraged from adopting “pass through” policies, because of the non-participation of the Federal government in the financing of costs. The Committee bill requires the Federal government to participate when States choose to “pass through” funds.

Families who formerly received TANF

PRESENT LAW

Current child support payments must be paid to the family if the family is no longer on TANF. Since October 1, 1997, child support arrearages that accrue after the family leaves TANF also are required to be paid to the family before any monies may be retained by the State. Since October 1, 2000, child support arrearages that accrued before the family began receiving TANF also are required to be distributed to the family first. However, if child support arrearages are collected through the Federal income tax refund offset program, the family does not have first claim on the arrearage payments. Such arrearage payments are retained by the State and the Federal government.

EXPLANATION OF PROVISION

The bill simplifies child support distribution rules to give States the option of providing families that have left TANF the full amount of the child support collected on their behalf (i.e., both current child support and child support arrearages). The Federal government would share with the States the costs of paying child support arrearages to the family first.

REASONS FOR CHANGE

PRWORA generally applied a “family first” rule for the distribution of child support collections for families formerly on welfare to better help these families establish themselves financially after

leaving welfare. The Committee bill allows States to conform the distribution of funds collected through the interception of tax refunds to this general rule. This would simplify collection rules and increase funds available to custodial parents.

Financing options

PRESENT LAW

No provision.

EXPLANATION OF PROVISION

Under the bill, to the extent that the arrearage amount payable to a former TANF family in any given month exceeds the amount that would have been payable to the family under current law, the State may elect to use TANF funds to provide the amount to the family or the State can elect to have the amount paid to the family considered an expenditure for MOE purposes. The State can elect 1 of the 2 options, but not both. Also, the bill amends the Child Support Enforcement State Plan to include an election by the State to include whether it is using the new option to pass through all arrearage payments to former TANF families without paying the Federal government its share of such collections or maintain the old distribution method.

REASONS FOR CHANGE

States which provide more child support collections to families reduce the amount they can keep themselves. In some States, these funds are an important source of financing the operations of the child support enforcement program. The Committee bill offers options to States to recoup forgone child support collection revenue.

Ban on recovery of Medicaid costs for certain births

PRESENT LAW

No provision.

EXPLANATION OF PROVISION

The bill prohibits States, effective October 1, 2004, from using the Child Support Enforcement program to collect monthly from noncustodial parents in an attempt to recoup birthing costs paid by the Medicaid program.

REASONS FOR CHANGE

The Committee bill prohibits States from attempting to recover Medicaid costs associated with a child's birth through child support enforcement. This practice can result in substantial initial child support obligations, discouraging noncustodial parents from cooperating in the collection of on-going support payments.

Effective date

PRESENT LAW

Not applicable.

EXPLANATION OF CHANGE

The amendments made by this section of the bill would take effect on October 1, 2006, and shall apply to payments under parts A and D of title IV of the Social Security Act for calendar quarters beginning on or after such date. States may elect to have the amendments take effect earlier—at any date that is after enactment and before October 1, 2006.

REASON FOR CHANGE

The Committee bill provides States a number of years to consider the new options and to adapt automated systems used in child support enforcement to reflect those they choose to exercise.

Section 502—Mandatory review and adjustment of child support orders for families receiving TANF

PRESENT LAW

Federal law requires that the State have procedures under which every 3 years the State review and adjust (if appropriate) child support orders at the request of either parent, and that in the case of TANF families, the State review and adjust (if appropriate) child support orders at the request of the State CSE agency or of either parent.

EXPLANATION OF PROVISION

The bill requires States to review and adjust (if appropriate) child support orders in TANF cases every 3 years and at the request of either parent. This provision would take effect on October 1, 2004.

REASONS FOR CHANGE

The Committee bill requires regular review and adjustment of child support orders in TANF cases so that they more correctly reflect the financial circumstances of noncustodial parents.

Section 503—Decrease in amount of child support arrearage triggering passport denial

PRESENT LAW

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

EXPLANATION OF PROVISION

The bill authorizes the denial, revocation, or restriction of passports to noncustodial parents whose child support arrearages exceed \$2,500, rather than \$5,000 as under current law.

REASONS FOR CHANGE

The ability to deny a passport has been found to be an effective tool in collecting unpaid child support obligations in some cases. The Committee bill allows it to be used in more cases.

Section 504—Use of tax refund intercept program to collect past-due child support on behalf of children who are not minors

PRESENT LAW

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

EXPLANATION OF PROVISION

The bill permits the Federal income tax refund offset program to be used to collect arrearages on behalf of non-welfare children who are no longer minors.

REASONS FOR CHANGE

The income tax refund offset program has been an effective way to collect past-due child support in some cases. The Committee bill allows it to be used in more cases.

Section 505—Financing review and administrative funding

PRESENT LAW

No provision.

EXPLANATION OF PROVISION

The bill provides States with \$50 million in FY2003 for any of the following: (1) review policies on collecting fees; (2) review the new distribution options and, if a State elects such options, to prepare for implementation of the options; (3) update automated systems for policy changes; (4) improve customer service; (5) examine causes and solutions of undistributed collections; (6) examine the buildup of arrears and approaches to arrears management; (7) examine approaches to improving interstate collections; (8) developing approaches to improving percentage of cases with orders; and (9) reviewing the review and adjustment policies for families on TANF. A State's allotment would be based on its share of the national Child Support Enforcement caseload. Every State would receive at least \$750,000.

REASONS FOR CHANGE

The Committee bill includes numerous changes and new options for State child support programs. In light of current State fiscal constraints, the bill provides 1-time funding for States to imple-

ment changes and to generally improve child support program performance.

Section 506—Adoption of uniform State laws

PRESENT LAW

PRWORA required that on and after January 1, 1998, each State must have in effect the Uniform Interstate Family Support Act (UFISA), as approved by the American Bar Association on February 9, 1993, and as in effect on August 22, 1996, including any amendments officially adopted as of such date by the National Conference of Commissioners on Uniform State Laws.

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

EXPLANATION OF PROVISION

The bill requires that on and after October 1, 2004, each State must have in effect the Uniform Interstate Family Support Act, as in effect on January 2, 2002.

In addition, the bill clarifies current law by stipulating that a court of a State that has established a child support order has continuing, exclusive jurisdiction to modify its order if the order is the controlling order and the State is the child's State or the residence of any individual contestant; or if the State is not the residence of the child or an individual contestant, the contestant's consent in a record or in open court that the court may continue to exercise jurisdiction to modify its order. It also modifies the current rules regarding the enforcement of modified orders, and makes some other technical changes.

REASONS FOR CHANGE

Since PRWORA, the American Bar Association has updated the Uniform Interstate Family Support Act, and the Committee bill requires States to update their laws accordingly, including in the area of "full faith and credit."

Section 507—Tribal child support enforcement programs

PRESENT LAW

The Administration for Children and Families (ACF) issued an interim final rule on August 21, 2000 to implement direct funding to Indian tribes and tribal organizations under Section 455(f) of the Social Security Act. The interim final rule enables tribes and tribal

organizations currently operating a comprehensive tribal CSE program directly or through agreement, resolution, or contract, to apply for and receive tribal CSE funding. While this interim final rule makes certain tribes and tribal organizations immediately eligible for direct funding upon approval of their applications by the HHS Secretary, the proposed rule, upon publication in final form, would apply to a wider range of tribes and tribal organizations, i.e., tribes and tribal organizations that do not already operate comprehensive CSE programs and need program development funding for start-up CSE programs.

EXPLANATION OF PROVISION

The bill requires HHS to promulgate final regulations concerning tribal child support program within 1 year of enactment.

REASONS FOR CHANGE

The Committee bill requires HHS to move forward on the rule so that tribal child support programs can be further developed, which is an important step in furthering tribal sovereignty.

Section 508—Report on undistributed child support payments

PRESENT LAW

No provision.

EXPLANATION OF PROVISION

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

REASONS FOR CHANGE

The Committee bill requires a report to determine whether substantial amounts of child support collections are not being distributed to custodial parents and, if so, what can be done to change this situation to get the funds to custodial parents. Child support collections should be distributed.

Section 509—Use of new hire information to assist in administration of unemployment compensation programs

PRESENT LAW

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

Directory of New Hires to the National Directory of New Hires. Information in the State Directory of New Hires is used by State Employment Security Agencies (the agency that operates the State unemployment compensation program) to match against unemployment compensation records to determine whether people drawing unemployment compensation benefits are actually working. (States currently have access to the new hire information for their own State.)

EXPLANATION OF PROVISION

The bill authorizes State Employment Security Agencies to request and receive information from the National Directory of New Hires (which includes information from all of the State directories as well as Federal employers) to match against unemployment compensation records to determine whether people drawing unemployment compensation benefits are actually working. This provisions would take effect on October 1, 2002.

REASONS FOR CHANGE

The Committee bill permits unemployment agencies to use the National Directory of New Hires to detect cases of fraud and abuse in the unemployment system. This has the effect of permitting States to check if unemployment compensation recipients are working in other States, not just their own, and has the potential to be an important program integrity tool.

Section 510—Annual report on performance of State child support programs

PRESENT LAW

Federal law requires States to make annual reports to the HHS Secretary on the Child Support Enforcement program, including such information as may be necessary to measure State compliance with Federal requirements for expedited procedures, using such standards and procedures as are required by the Secretary, under which the State Child Support Enforcement agency will determine the extent to which the program is operated in compliance with Child Support Enforcement law.

EXPLANATION OF PROVISION

Beginning on January 1, 2003, the bill requires Secretary of HHS to submit to the House Committee on Ways and Means and the Senate Committee on Finance an annual report on the performance of State child support enforcement programs.

REASONS FOR CHANGE

The Committee bill reinstates the requirement that HHS provide an annual report to Congress with information on the performance of child support programs, which would help inform oversight of child support programs and the new child support provisions of this bill.

Section 511—Extension of authority to approve demonstration projects

PRESENT LAW

The HHS Secretary may allow States to conduct demonstration projects that are likely to promote the objectives of the child welfare programs authorized under title IV–B and title IV–E. Not more than 10 demonstration projects may be approved in each fiscal year; authority to approve the demonstration projects is granted for FY1998 through FY2002.

EXPLANATION OF PROVISION

The bill extends the authority to grant these demonstration projects through FY2007.

REASONS FOR CHANGE

The Committee bill continues demonstration authority for child welfare programs to support innovation. The current demonstration projects include an interesting and useful variety of efforts.

Section 512—Prohibition of limit on the number of demonstration projects or waivers that may be granted to a single State

PRESENT LAW

The Secretary may waive requirements under title IV–B and title IV–E to allow a State to effectively carry out an approved demonstration project (except that specified child protection and data collection requirements may not be waived). There is no current statutory provision related to the number of demonstration projects a single State may be approved to operate nor the number of waivers that may be granted to a single State. However, HHS has expressed a “preference” for projects “that are submitted by States that have not previously been approved for a child welfare demonstration project.” (See ACYF–CB–IM–2000–01 from Children’s Bureau, dated February 4, 2000.)

EXPLANATION OF PROVISION

The bill prohibits the HHS Secretary from limiting the number of demonstration projects or waivers that may be granted to a single State.

REASONS FOR CHANGE

States interested in testing and evaluating innovative child welfare approaches should not be limited in how many experiments they can attempt.

TITLE VI—TRIBAL ISSUES

Section 601—Tribal TANF programs

PRESENT LAW

The law earmarks some TANF funds (subtracted from the TANF grant of the State containing the tribes’ service area) for direct administration by applicant Indian tribes and Alaska Native organizations. The amount equals Federal AFDC payments to the State

for FY1994 attributable to Indian families in the tribes' service areas. Annual Federal funding for 36 TANF tribal assistance programs covering about 24,000 families now totals \$97.5 million. State funds contributed toward an approved tribal plan may be counted toward the TANF maintenance-of-effort spending requirement, but some tribes receive no State funds. The Secretary, with participation of tribes, establishes work participation rules, time limits for benefits, and penalties for these programs. In applying TANF's 60-month limit on the use of Federal funds for ongoing assistance to an adult, the law requires disregard of months of assistance provided to adults living in Indian country or an Alaskan Native village in which at least 50 percent of the adults are unemployed. In general, tribal programs in Alaska must be comparable to those operated by the State of Alaska. Some tribes, those that operated their own JOBS work/training programs before TANF, also receive an annual appropriation of \$7.6 million for work and training (renamed Native Employment Works). In addition, \$28.6 million in welfare-to-work grants was awarded for FY1998 and FY1999 by the Labor Department to Indian and Native tribal governments.

EXPLANATION OF PROVISION

The bill extends for 5 years (through FY2007) the earmarking of TANF funds (subtracted from State basic TANF grants) for direct administration by Indian tribes and Alaska Native organizations with approved tribal family assistance plans. The bill creates a Tribal TANF Improvement Fund, consolidates job training into a Tribal Employment Services Program, makes tribes eligible for TANF contingency funds, and makes other changes.

Tribal TANF Improvement Fund.—Appropriated for this new fund is \$75 million over 4 years, FY2003 through FY2006, to support 3 kinds of grants:

- Tribal capacity grants for tribal human services infrastructure (\$35 million). The Secretary of HHS shall award grants, following priorities given in the bill, to Indian tribes for improving human services program infrastructure (defined as including management information systems, management information systems-related training, equipping offices and renovating, but not constructing, buildings).
- Tribal development grants to provide technical assistance in improving reservation economies (\$35 million). The Secretary of HHS shall, through the Commissioner of the Administration for Native Americans, make grants to nonprofit organizations, Indian tribes, and tribal organizations to enable grantees to provide technical assistance to tribes and tribal organizations in these areas—development and improvement of uniform commercial codes; creation or expansion of small business or micro-enterprise programs; development and improvement of tort liability codes; creation or expansion of tribal marketing efforts; creation or expansion of for-profit collaborative; business networks; development of innovative uses of telecommunications to assist with distance learning to telecommuting; and the development of economic opportunities and job creation in high joblessness areas of Alaska;
- Technical assistance, including peer-learning and feasibility studies (\$5 million). The Secretary of HHS shall make grants to In-

dian tribes for technical assistance in applying for or carrying out a grant under the tribal TANF improvement fund, in applying for or carrying out a tribal family assistance plan, or related to best practices for State and tribal coordination on the transfer of the administration of social services programs to Indian tribes. (\$2.5 million of the technical assistance awards shall be used to support peer-learning programs among tribal administrators, and \$1 million for feasibility studies of tribes' capacity to operate tribal family assistance plans.)

Tribal Employment Services Program.—Appropriated for the new consolidated tribal job training program is \$185 million (\$37 million per year for 5 years. FY2003–FY2007). It replaces Native Employment Works and Welfare-to-Work grants provided to tribes. The bill specifies that this new program must be administered in a manner consistent with the principles of the Indian Self-Determination and Education Assistance Act and the government-to-government relationship between the Federal Government and Indian tribal governments. Eligible participants in tribal employment programs are: Indians or Alaska Natives (a) receiving or eligible to receive cash benefits for themselves or their families from State TANF programs, tribal family assistance programs, or the General Assistance program of the Bureau of Indian Affairs; (b) transitioning from cash assistance to employment, (c) with a history of long term dependence (24 months, not necessarily consecutive on cash assistance from the above programs; (d) who are non-custodial parents or a minor child receiving or eligible to receive cash aid or who have an obligation to support the child; or (e) who are members of families at risk of becoming dependent on cash benefits or who have lost eligibility because of a time limit. The Secretary of Labor shall make grants for direct services under the tribal employment services program to Indian tribes, tribal organizations, and Alaska Native organizations on the basis of a formula that the Secretary is to adopt after consultation with the Indian groups (and, at the option of the Secretary, with an advisory committee whose members are nominated by Indian tribes and tribal organizations). Funds are to be available for obligation for 2 fiscal years after the year of award.

Funds may be used to provide any services useful in preparing beneficiaries to enter or reenter the workforce, to hold a job, or to advance in the job. Permitted services include: assessment education, job readiness and placement, occupational training (including on-the-job training), work experience, wage subsidies; job retention; job creation specifically for eligible beneficiaries, case management, counseling, supportive services (including, but not limited to child care, transportation, mental health and substance abuse treatment and prevention service important to employability), and counseling and other services to promote marriage, discourage teen pregnancies, assist in formation and stabilization of 2-parent families and address situations involving domestic violence. Income or services received from the employment services program must be disregarded by any means-tested program for which Federal law establishes eligibility rules. The bill provides that 1.5 percent of employment services program funds (\$555,000 yearly) are to be reserved for program support and awarded through grants or contracts to enhance the capacity of the Indian groups to deliver em-

ployment services and to test or demonstrate new or improved methods of providing the services.

Under the bill, normal TANF time limit and work rules do not apply to the tribal employment services program, and expenditures by that program are not considered TANF expenditures. States, Indian tribes, or tribal organizations may exclude persons who participate in a direct employment services program from the calculation of work participation rates. The Secretary of Labor may issue regulations for the conduct of direct services and program support under the employment program, developed after consultation with Indian tribes, tribal organizations, and Alaska Native organizations. The Secretary must provide for an orderly closeout of activities under the current work program (NEW). In doing so, he shall allow NEW grantees to provide services under that program through June 30, 2003, and to spend funds on administrative activities related to the closeout for up to 6 months after that date.

Contingency funding.—The bill reserves \$25 million of the \$2 billion contingency fund (see Section 102) for grants to Indian tribes “that are operating in situations of increased economic hardship.” The Secretary of HHS, in consultation with Indian tribes that have approved tribal family assistance plans, shall determine the criteria for access to contingency grants and the extent to which Indian tribes who receive contingency grants must provide matching funds.

Time limits and other provisions.—For purposes of the 5-year time limit on provision of Federally funded TANF benefits, the bill requires the disregard of months of ongoing cash aid received by an adult while living in Indian country or an Alaskan Native village in which 20 percent of adult TANF recipients are jobless. The bill gives States authority to modify work activities for recipients in regular TANF State programs who live in these areas of “high joblessness.” The bill requires State TANF plans to certify that they will consult with Indian tribes located within the State to ensure equitable access to benefits for any tribal member who is not eligible for assistance under a tribal plan. The bill requires HHS to convene an advisory committee on the status of non-reservation Indians and requires the HHS Office of Faith-Based and Community Initiatives to convene an advisory committee of Indians expert in social services and the spiritual aspects of traditional Indian cultures. It also requires the General Accounting Office (GAO) to study the demographics of Indians not residing on reservations, with information about their economic and health status and their access to public benefits, and to report findings to Congress by June 30, 2003. If an Indian tribe elects to incorporate services under TANF into a plan under Section 6 of the Indian Employment, Training, and Related Services Demonstration Act, the program conducted with grants made from the tribal TANF improvement fund shall be considered to be subject to Section 5 of that act and to the single plan, single budget requirements, and single report format required under that act.

REASONS FOR CHANGE

PRWORA permitted, for the first time, Indian tribes to receive direct Federal funding to operate welfare programs. The Committee bill continues that authority and creates a Tribal TANF Improve-

ment Fund to better enable more tribes to take up the option to operate TANF programs. States have previously received Federal funds for information technology, in particular, to assist in administering social service programs. The Committee bill provides modest funding to assist tribes in the same way. The Tribal TANF Improvement Fund is intended to encourage more tribes to exercise their option to operate TANF programs, as well as the new option to operate child welfare programs, and to improve the administration of tribal TANF programs already operating. The Committee bill also continues funding for tribal job training programs in a simplified fashion, with an expanded funding level to support additional services for Indians. The bill includes language clarifying that the provisions of P.L. 102-477, related to the ability of tribes to consolidate fundings streams apply to TANF. These consolidation provisions have been helpful to tribes in operating programs. In addition, to provide some parity with State TANF programs, the Committee bill reserves a small portion of the TANF Contingency Fund for payments to tribal programs. The Committee bill also allows States greater flexibility to design welfare programs in Indian areas of high joblessness; a flexibility tribal TANF programs already have to adapt to the unique difficulties of operating welfare to work programs in area with few employment opportunities. Finally, the Committee bill revises the joblessness threshold for disregarding months of assistance for time limit purposes to better reflect the hardship faced on many Indian reservations. In light of different legal circumstances in Alaska, certain exceptions to these policies are made for that State, and the requirement that only a specific list of entities be eligible to operate programs there is continued. At least 10 percent of the tribal development grants are reserved for Alaska-specific activities, but this does not make Alaska Native entities ineligible for the other tribal development grant activities. Much of this section is drawn from S. 2484, introduced by the Chairman. The provisions related to Alaska are based upon recommendations from Senator Murkowski.

Section 602—Authority of Indian tribes to receive Federal funds for foster care and adoption assistance

PRESENT LAW

Title IV-E foster care and adoption assistance programs may be operated by States. Indian tribes are not authorized to operate these Federal programs. A State's IV-E plan must be in effect in all its political subdivisions and standards established by the plan for approving foster care homes must be "reasonably" in accord with recommended standards of national organizations concerned with foster placement.

States receive Federal reimbursement for foster care maintenance and adoption assistance payments made on behalf of eligible children at the applicable Federal matching rate (i.e., the Federal medical assistance percentage); this matching rate is based on the State's per capita income and ranges from 50 percent to 83 percent. Specified State administrative costs related to serving Federally eligible foster care children or adoptees are generally matched at 50 percent, while Federal matching of certain training costs is set at

75 percent. States must meet the remaining cost of serving Federally eligible children with non-Federal (i.e., State or local funds).

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

The Indian Self-Determination and Education Assistance Act (25 U.S.C. 450b) defines "Indian Tribe" as "any Indian tribe, band, nation, or other organized group or community, including any Alaska Native Village or regional or village corporation * * * which is recognized as eligible for the special programs and services provided by the United States to Indians because of their Status as Indians." With regard to the State of Alaska this definition includes each of the more than 200 Federally recognized Alaska Native villages separately. However, for the purposes of TANF, Section 419(4) of the Social Security Act includes a special rule defining Indian tribes in Alaska as the Metlakatla Indian Community of the Annette Islands Reserve and 12 Alaska Native regional nonprofit corporations (listed in the statute). With limited exceptions, this TANF definition does not include Federally recognized Alaska Native political entities; instead it includes Alaska Native regional nonprofit corporations.¹ These regional corporations cover the entire State of Alaska and their shareholders are members of the Federally recognized Alaska Native villages; however, the regional corporations are not political governmental entities.

The Indian Self-Determination and Education Assistance Act defines "tribal organization" as the "recognized governing body of any Indian tribe * * *" and this definition further provides that in cases where a contract or grant is let to an organization to perform services benefiting more than 1 Indian tribe, the approval of each Indian tribe is a prerequisite to the making of the contract or grant.

EXPLANATION OF PROVISION

Beginning in FY2004, the bill allows an Indian tribe, tribal organization or intertribal consortium to operate title IV-E foster care and adoption assistance programs under the same provisions as those applying to States (with certain specified exceptions). Tribal plans will be allowed to define service areas where a plan is in effect and (except for tribal programs in the State of Alaska) to grant approval of foster homes based on tribal standards that ensure the safety of, and accountability for, children placed in foster care. The HHS Secretary, upon request of an Indian tribe, tribal organization(s) or consortia of tribes will be able to modify any title IV-E requirement if he determines the modification would "advance the best interests and safety of the children" served by the tribal plan.

To establish the applicable Federal reimbursement rate for eligible foster care maintenance and adoption assistance payments made under a tribal plan, the HHS Secretary will be required to determine a tribe's Federal medical assistance percentage based on

¹ The Metlakatla Indian Community of the Annette Islands Reserve and the Central Council of the Tlingit and Haida are Federally recognized Native entities that are included in the TANF definition.

the per capita income of the service population defined in the tribal IV–E plan. (In making this determination, the HHS Secretary must also consider any other information that an Indian tribe or tribal organization considers relevant to the calculation of per capita income and which the tribe or tribal organization considers relevant to the calculation of per capita income and which the tribe or tribal organization chooses to submit to the Secretary). The HHS Secretary will be required to establish (in regulation) the Federal reimbursement rates for eligible tribal plan administrative costs (including training, data collection and other specified expenses), except that he may not establish any reimbursement rate lower than a corresponding reimbursement rate for State title IV–E administrative expenditures. An Indian tribe or tribal organization may use Federal or State funds to meet the non-Federal share of operating a tribal IV–E plan.

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

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

The HHS Secretary, “in full consultation with Indian tribes and tribal organizations,” is required to issue regulations to carry out provisions related to the tribal IV–E plan within 1 year after enactment.

For this section, “Indian tribe and tribal organization” is defined as is currently provided in the Indian Self-Determination and Education Assistance Act except that for the State of Alaska, the term “Indian tribe” is defined by currently title IV–A (section 419(4)) provisions.

REASONS FOR CHANGE

PRWORA allowed tribes the option to receive direct Federal funding to operate welfare programs. The Committee bill continues this improved recognition of tribal sovereignty by allowing tribes to opt to receive direct Federal reimbursement for foster care and adoption assistance. It is also likely to result in more federal assistance to improve the lives of American Indian children who have suffered abuse or neglect. It incorporates provisions from S. 550, introduced by Senators Daschle and McCain. In Alaska, the new option is limited to the TANF list of eligible entities.

TITLE VII—INNOVATION, FLEXIBILITY, AND
ACCOUNTABILITY

Section 701—Data collection; performance measures

Data collection

PRESENT LAW

States are required to collect monthly, and report quarterly to HHS, disaggregated case record information (but may use sample case record information for this purpose) about recipient families. Required family information includes: (1) county of residence, (2) whether a member receives disability benefits, (3) members' ages, (4) family size and the relation of each member to the family head, (5) employment status and earnings of employed adults, (6) adults' present and past marital status, (7) race and educational level of each adult and child, (8) whether the family received subsidized housing, Medicaid, food stamps, or subsidized child care (and, if the latter 2, the amount received), and the number of months of assistance received, (9) the number of hours per week, if any, that adults participated in specified activities (education, subsidized private jobs, unsubsidized employment, public sector jobs, work experience, community service, job search, job skills training, on-the job training, vocational education), (10) information needed to calculate work requirement participation rates, (11) type and amount of TANF assistance received, including the amount of and reason for any reduction of assistance, (12) unearned income received, (13) citizenship of family members, (14) number of families and persons receiving aid under TANF (including the number of 2-parent and 1-parent families), (15) the total dollar value of assistance given, (16) the number of families and persons aided by welfare-to-work grants (and the number whose participation ended during a month), (17) the number of noncustodial parents who participated in work activities, and (18) for each teenager, whether he/she is the parent of a child in the family. From a sample of closed cases, the quarterly report is to give the number of case closures because of employment, marriage, time limits, sanctions, or State policy. States also are required to report quarterly on the use of Federal TANF funds and State expenditures on programs for needy families.

Annual reports to Congress by the Secretary of HHS must describe whether States are meeting: (1) work requirement participation rates, (2) the objectives of increasing employment, earnings of needy families, and child support collections, and (3) the objectives of decreasing out-of-wedlock pregnancies and child poverty. They also must describe (1) the demographic and financial characteristics of families applying for assistance, families receiving assistance, and families becoming ineligible for assistance, (2) the characteristics of each State program, and (3) trends in employment and earnings of needy families with minor children living at home.

EXPLANATION OF PROVISION

The bill deletes the requirement to report on the education level of each child. It adds a requirement to report on whether an "individual responsibility plan" has been established for each family.

Under the bill, States also are required to make public all the financial, program, and recipient data submitted to HHS when the data is transmitted quarterly, including posting the information on the State agency's website.

The bill further adds requirements that (1) States' quarterly reports include information on the demographics and caseload characteristics of Indians served by State programs; (2) the Secretary's annual reports include State-specific information on the demographics and caseload characteristics of Indians served by each State program; and (3) the Secretary's annual report include information regarding any complaints received (by the Federal Government or States) concerning fair and equitable treatment related to civil rights or labor laws.

REASONS FOR CHANGE

The Committee bill includes a requirement for States to provide data demonstrating progress towards achieving universal engagement by keeping track of how many recipients have IRPs. It also promotes transparency by requiring States to make data public when transmitted to HHS, so that it is available without having to wait for HHS reports.

Performance measures

PRESENT LAW

For the purpose of the TANF High Performance Bonus, the Secretary of HHS developed a formula to measure State performance. For FY1999 through FY2001, bonuses were awarded based on job entry and retention rates, quarterly earnings, and earnings gain. Data on these measures was submitted by each State that wanted to compete for a High Performance Bonus. Beginning with FY2002, bonuses are awarded based on these employment-related measures, as well as measures relating to the share of children in married couple families, participation in other low-income assistance programs, and child care affordability.

EXPLANATION OF PROVISION

The TANF High Performance Bonus is repealed and replaced with new "Business Link Partnership Grants" (see section 704). Also repealed are (1) the related requirements for the Secretary to rank States in order of their success in placing TANF recipients in to long-term private sector jobs, reducing the overall welfare caseload, and diverting individuals from applying for/receiving TANF aid, and (2) the related requirement to annually rank States as to the proportion of out-of-wedlock births in their TANF populations.

HHS is required (beginning on January 1, 2003) to annually report data (covering the preceding 2 years) for each State on its performance in assisting TANF recipients in becoming self-sufficient through earnings from employment. The data must include job entry and retention rates and quarterly earnings and earnings gains. In addition, a national goal of reducing teen pregnancies by one-third (by 2008) is established. HHS is required to issue annual assessments of progress toward this goal, including State-level data on teen pregnancies and each State's progress toward achieving the goal.

REASONS FOR CHANGE

The TANF High Performance Bonus has provided useful information concerning State success at moving welfare recipients into employment and how well the former recipients retain jobs. The Committee bill requires HHS to calculate this data on an annual basis for all States, to provide national information on program performance. The Committee bill also sets a national goal of reducing teen pregnancy, and requires HHS to report on the progress each State is making toward this goal. Births to teenagers, unwed teenagers in particular, are an important warning sign of future welfare dependency.

Section 702—State plan

PRESENT LAW

Basic State plan requirements.—To receive TANF block grant funds, the Secretary of HHS must certify a State has submitted a State plan. Each State must outline, in a 27-month plan, how it “intends” to: (1) conduct a program providing “assistance” to needy families with (or expecting) children and providing parents with work and support services, (2) require caretaker recipients to engage in work activities after 24 months of aid, or sooner if judged work-ready, (3) ensure that parents/caretakers engage in work activities, (4) take steps to restrict use and disclosure of information about recipients, (5) establish goals and take action to prevent/reduce the incidence of out-of-wedlock pregnancies, and (6) conduct a program providing education and training relating to statutory rape so that teenage pregnancy programs may be expanded to include men.

Special State plan provisions.—In addition, the State plan must: (1) indicate the extent to which the State intends to treat families moving into the State differently from others, (2) indicate the extent to which the State intends to aid legal immigrants, (3) set forth objective criteria for benefit delivery and for fair and equitable treatment, and (4) provide that, unless the Governor opts out by notice to HHS, the State will require a parent who has received TANF for 2 months and is not work-exempt to participate in community service employment. In the plan the State must certify that it will operate a child support enforcement program and a foster care and adoption assistance program and provide equitable access to Indians ineligible for aid under a tribal plan. It must certify that it has established standards against program fraud and abuse and specify which State agency or agencies will administer and supervise TANF. It also must include assurances that local government and private sector organizations have been consulted regarding the plan so that services are provided in a manner appropriate to local populations and that local governments and private organizations have had at least 45 days to submit comments on the plan and the design of such services. In addition, the State may opt to certify that it has established and is enforcing procedures to screen and identify recipients with a history of domestic violence, to refer them to services, and to waive program rules for some of them. Finally, State plan amendments must be submitted to HHS within 30 days and made available publicly.

EXPLANATION OF PROVISION

Basic State plan requirements.—Under the bill, each State must outline, in a 24-month plan, how it “shall”: (1) conduct a program providing “cash assistance” to needy families with (or expecting) children and providing parents with work and support services, (2) require parents/caretakers receiving assistance to engage in work/work-readiness activities designed to move families into self-sufficiency (these activities are to be defined by States and may include efforts to eliminate barriers to work such as substance abuse, adult literacy, domestic violence, and housing), (3) ensure that parents/caretakers engage in work activities (including those covered by “individual responsibility plans”), (4) take steps to restrict use and disclosure of information about recipients, (5) establish a process for providing recipients with “individual responsibility plans,” (6) ensure that adequate training and resources are made available to State administering agencies, and (7) ensure that equitable access to benefits and services are provided to Indians.

Special State plan provisions.—In addition, the bill replaces the requirement that State plans report on the treatment of families moving into the State with a requirement that State plan include, for both its TANF and MOE programs: (1) the name of the program, (2) the goals of the program, (3) a description of the benefits and services provided by the program, (4) a description of the principal eligibility rules and populations served, and (5) for programs providing “assistance,” descriptions of applicable work-related requirements, the process of providing recipients with “individual responsibility plans” and how the State engages each family in the process, time limit policies, sanction policies and procedures. The bill also adds to the requirement that State plans set forth objective criteria for benefit delivery and fair and equitable treatment a further directive that they include information regarding any complaints received by the State concerning fair and equitable treatment. The bill further requires that, where States provide sub-State areas with significant policy-making authority, State plans include a summary of policies for each sub-State area.

Additional State plan provisions.—The bill adds State-plan-related provisions that (1) require certification that, if a State provides transportation aid under its TANF program, State and local transportation agencies and planning bodies have been consulted, (2) require certification that, if a State provides housing assistance under its TANF program, State and local housing agencies and authorities have been consulted and that the consultations have addressed potential cooperation between the TANF agency and the State and local housing agencies, (3) require the Secretary of HHS to develop a standard State plan form by February 1, 2003, and mandate that States submit a “complete” State plan using the standard plan form beginning October 1, 2003, (4) require States to make State plans and plan amendments publicly available (including on websites), to allow for public comment periods on plans/amendments, and to make comments received publicly available (including on websites), and (4) stipulates that nothing in the State plan requirements is to be construed as establishing an individual or private cause of action against a State based solely on a State’s

failure to submit a plan or amendment in accordance with requirements or a State's failure to comply with the contents of its plan.

Housing data.—The bill requires the Secretaries of HHS and HUD to jointly make available, to each State, State-level data from the 2000 Census concerning the housing problems of families receiving TANF assistance. The data are to be available October 1, 2003 (or as soon thereafter as is practicable) and updated biennially to the extent data are available.

REASONS FOR CHANGE

The Committee bill includes several changes to State plan requirements to provide additional information about State programs and to increase transparency of State considerations of plans. A number of the changes are based on proposals from Senator Bingaman. The intent is to generate informed policy discussions at the State level.

Section 703—Research

PRESENT LAW

The Secretary of HHS is required to conduct research on effects, costs, and benefits of State programs. The law also provides that the Secretary may help States develop and evaluate innovative approaches to establishing TANF recipients and shall evaluate them. PRWORA directly appropriated \$15 million yearly (through FY2002)—half for general/basic TANF research and novel approaches cited above, and half for State-initiated TANF studies and completing pre-TANF waiver projects. In addition, under PRWORA, the Census Bureau was provided \$10 million annually (through FY2002) to continue information collection for panels of the Survey of Income and Program Participation (SIPP) to provide information on the status of low-income people during the course of welfare reform.

EXPLANATION OF PROVISION

The bill requires the Secretary of HHS (in consultation with the Federal Interagency Forum on Child and Family Statistics) to develop comprehensive indicators of child well-being—measures relating to their education, social and emotional development, and health and safety, as well as their family's well-being—and, using these indicators, assess child well-being in each State. It stipulates that the data collected for this assessment be statistically representative at the State and national levels, consistent across States, collected annually for at least five years before the assessment, expressed in terms of rates or percentages where applicable, measured with reliability, current, and over-sampled with respect to low-income children and families. It further directs that the Secretary establish an advisory panel to make recommendations regarding the appropriate measures and statistical tools necessary to make the assessment of child well-being. The panel is composed of members appointed by the Secretary, the Chairs and Ranking Members of the Senate Finance Committee and the House Ways and Means Committee, the Chair of the National Governors Association, the President of the National Conference of State Legislatures, and the Director of the National Academy of Sciences. Fund-

ing for the child well-being assessment initiative is provided as a reservation of TANF funds—\$15 million annually through FY2007.

The bill also requires the Secretary of HHS to conduct 3 additional research initiatives: (1) longitudinal studies of TANF applicants and recipients in at least 5, and not more than 10 States or sub-State areas to determine the factors that contribute to positive employment and family outcomes (gathering information on family demographics, income, benefit receipt, reasons for leaving/returning to assistance programs, work status, sanction and time limit status, recipient views, and other measures of family well-being); (2) a random assignment study comparing the effects of full-family sanctions, partial sanctions, and other policies for increasing engagement in work activities; and (3) a study of a representative sample of teen parents who are TANF recipients to determine whether federal and State data on their number is accurate, what assessment procedures are used with these recipients that would detect an educational barrier, and service and eligibility requirements for these recipients.

To fund the research initiatives mandated by current law (currently funded at \$15 million a year) and the 3 new initiatives included in the bill (see above), the bill reserves TANF funding of \$20 million annually (through FY2007). A separate direct appropriation (as under current law) is not made. Funding for the Census Bureau's SIPP research (\$10 million a year under current law) is not extended.

The bill further requires the Secretary to conduct research on tribal family assistance programs and efforts to reduce poverty among Indians—with priority given to grant applications to conduct research in cooperation with tribal governments or tribally controlled colleges or universities. FY2003 TANF funds of \$2 million are reserved for this research.

REASONS FOR CHANGE

The Committee bill requires HHS to develop State-specific statistical indicators of child well-being so that, in the future, welfare policy can better track the outcomes for children, as well as the employment of current and former recipients. In the end, the real goal of welfare reform is to improve the lives and prospects of children in poverty. The Committee bill also requires certain other studies to address topics of interest to the Committee.

Section 704—Innovative business link partnership grants for employers and non-profit organizations

PRESENT LAW

The PRWORA appropriated an annual average of \$200 million (a total of \$1 billion over 5 years, FY1999–FY2003) for bonuses to “high performing” States, defined as those whose performance score in achieving TANF goals at least equals a threshold set for that year by the Secretary. State performance is measured by a formula developed by the Secretary in consultation with the National Governors Association and the American Public Human Services Association (see section 701, Performance Measures).

EXPLANATION OF PROVISION

The bill repeals the current High Performance Bonus, replacing it with a competitive grant program called Business Link Partnership for Employers and Nonprofit Organizations. The program is appropriated \$200 million a year (through FY2007). Grants (for 3–5 years) are to be awarded jointly by the Departments of Labor and HHS to nonprofit groups, local workforce investment boards, States, localities, tribes, and, for certain grants, employers, to fund new or expanded programs:

(1) to promote business linkages that improve wages of eligible individuals by improving job skills in partnership with employers and providing supports and services at or near work sites;

(2) to provide “transitional jobs”—for eligible individuals (and a limited number of other low-income individuals) who have been unemployed because of limited skills, experience, or other barriers to employment—that combine subsidized, time-limited, wage-paying supported work in the public or nonprofit sectors with skill development and activities to remove barriers to employment; and

(3) to develop “capitalization” procedures for the delivery of self-sustaining social services.

Eligible individuals include parents who are currently receiving or who have previously received TANF, individuals at risk of receiving TANF, individuals with disabilities, and noncustodial parents who are unemployed or having difficulty in meeting child support obligations. The maximum grant award is \$10 million for (1) and (2); \$3 million of the total funding is reserved for reports summarizing program outcomes and lessons learned and 1.5 percent of each year’s funding is reserved for an evaluation of the programs; at least 40 percent of each year’s funding is to be used for business linkage programs; and at least 40 percent of each year’s funding is to be used for transitional jobs programs. Participants in business linkage or transitional jobs programs are to be considered as satisfying TANF work requirements and benefits or services provided to them are not to be considered “assistance.”

REASONS FOR CHANGE

The current High Performance Bonus has helped to develop measures of employment success, which the Committee bill institutionalizes elsewhere (see section 701). The Committee bill discontinues the bonus funds to target funding on innovative strategies to promote employment, wage-growth, and self-sufficiency for TANF families (and certain other low-income individuals), particularly those with the most severe barriers to employment, through supported work, linkages with employers, and capitalization strategies. A capitalization strategy involves an up-front grant used to develop a program which generates its own source of on-going revenue while assisting low-income families, such as those operated by Goodwill. These provisions are based upon proposals offered by Senators Bingaman, Rockefeller, and Breaux.

Section 705—Grants to improve access to transportation

PRESENT LAW

No provision.

EXPLANATION OF PROVISION

The bill authorizes a competitive grant program to promote improving access to dependable, affordable automobiles by low-income families with children eligible for TANF benefits or services. Grant awards may be used to assist families with automobile ownership, and maintenance of (or insurance for) automobiles, and the Secretary of HHS is required to evaluate the programs funded by the grants. Eligible grant applicants are States, Indian tribes, localities, and nonprofit organizations. The bill authorizes \$15 million a year (FY2004–2007).

Separately, the bill gives States the option to make costs related to the purchase or maintenance of an automobile a permitted withdrawal under provisions governing Individual Development Accounts.

REASONS FOR CHANGE

The role of transportation in allowing low-income families to work and maintain employment has become increasingly clear since 1996. However, in rural areas access to public transit programs is limited. The Committee bill authorizes funding for demonstration programs to test innovative approaches to assisting families with transportation needs related to automobiles. This provision is based upon recommendations from Senator Jeffords.

Section 706—At-home infant care

PRESENT LAW

No provision.

EXPLANATION OF PROVISION

The bill provides funding for demonstration grants to at least 5 and up to 10 States (including Indian tribes) to conduct “at-home infant care” programs providing child care benefits to families caring for their children (under age 2) at home. Participation is limited to families with income below limits under the Child Care and Development Block Grant and parents who meet State requirements for a recent work history. Benefits cannot exceed the applicable payment rate for infant care under the State’s Child Care and Development Block Grant program. Benefits are not to be considered “assistance” under TANF programs, and they are not to be treated as earned income for other low-income assistance programs. An evaluation is required to assess State implementation experiences, the characteristics of families seeking to participate and participating in the programs, the length of participation (and reasons for ceasing to participate), the prior and subsequent employment of participants (and the effect of the program on employment), the costs and benefits of this approach, and the effectiveness of State/tribal efforts to improve the quality of infant care during the demonstration grant period. The bill provides \$30 million per year for

FY2003–FY2007, including \$750,000 a year reserved for evaluation activities.

REASONS FOR CHANGE

The Committee bill provides funding for demonstration programs to replicate and evaluate programs currently operating in Montana and Minnesota for at-home infant care. With infant care often prohibitively expensive, or of limited availability in rural areas, these programs can provide an alternative form of care, which may be more cost effective and provide richer developmental environments for infants.

Section 707—Grants to conduct demonstration projects on housing with services for families with multiple barriers to work

PRESENT LAW

No provision.

EXPLANATION OF PROVISION

The bill authorizes competitive grants to be jointly awarded by the Secretaries of HHS and HUD. The grants are to be awarded to states and nonprofit organizations for the conduct and evaluation of demonstration projects providing housing together with services that promote employment of parents/caretakers (including, to a limited degree, noncustodial parents) who are eligible for TANF benefits or services and have multiple barriers to work. Benefits or services provided are not to be considered TANF “assistance.” The Secretaries are required to publish an evaluation of the demonstrations. The bill authorizes appropriations of \$50 million (for FY2004).

REASONS FOR CHANGE

The Committee bill authorizes grants for innovative programs combining housing with employment services for families with barriers to employment. This could help model future collaborations between housing and welfare to work programs. It is based on a proposal by Senator Kerry.

Section 708—Transitional compliance for teen parents

PRESENT LAW

States are prohibited from providing TANF-funded assistance to unwed parents under age 18 and their children unless they live in the home of an adult relative or another adult-supervised arrangement (such as a “second-chance” home).

EXPLANATION OF PROVISION

The bill allows States the option to provide TANF-funded assistance to teen parents for up to 60 days while aiding the parent in coming into compliance with the requirement that teen parents live in adult-supervised settings. In addition, transitional living youth projects, funded under the Runaway and Homeless Youth program, are added as an acceptable form of adult-supervised residential setting.

REASONS FOR CHANGE

The Committee bill allows States flexibility to assist unwed teen parents for a limited period of time before requiring compliance with the requirement they live with adults.

Section 709—TANF programs mandatory partners with 1-stop employment training centers; State opt-out

PRESENT LAW

The Workforce Investment Act (WIA) requires each local Workforce Investment Board to develop a “1-stop” system to provide employment services. Some programs are required to be partners in the 1-stop system. TANF is an optional partner. Partners must enter into written agreements with local boards regarding services to be provided, funding, and methods of referring individuals among the partners.

EXPLANATION OF PROVISION

The bill requires that TANF programs be partners in the WIA 1-stop system unless the State opts out of the requirement.

REASONS FOR CHANGE

The Committee bill requires greater collaboration between TANF and job training agencies, unless a State decides not to do so.

Section 710—Advanced planning document process for information management systems procurement approval

PRESENT LAW

No provision.

EXPLANATION OF PROVISION

The bill requires that, within 1 year of enactment, the Secretaries of HHS, Agriculture, Labor, and Education, and the Director of the Office of Management and Budget, along with the heads of any other Federal agencies responsible for administering Federally funded social services programs, jointly review and submit to Congress a report with recommendations for improving Federal laws, regulations, and guidelines applicable to approval of “human service information systems.” The review and report are to be done in consultation with representatives of the National Governors Association, the American Public Human Services Association, and the National Conference of State Legislatures. The report is to review the Advanced Planning Documents (APD) process, consider the merits of developing a single Federal approval process for multi-program information system procurement and administration, include recommendations for improving current Federal cost allocation requirements, and consider the merits of allowing State procurement standards that meet or exceed Federal standards to be sufficient for purposes of Federal approval.

REASONS FOR CHANGE

The process for procuring automated systems with Federal funds for State social service programs is complicated. The Committee

bill requires the administration, in consultation with representatives of State organizations, to review the current system and provide recommendations for improvement. Information technology is increasingly important in the administration of social service programs and this provision is intended to generate discussion about how best to assist States in the purchasing of these systems.

Section 711—Waivers

PRESENT LAW

Before the enactment of PRWORA, States applied for and received waivers of Federal requirements of the Aid to Families with Dependent Children (AFDC) program. TANF permitted waivers in effect on date of enactment of TANF to continue until their scheduled expiration, unless the State chooses to end them early. This permitted a State to continue its waiver policies even if they were inconsistent with TANF requirements until the expiration of the waiver. No extensions of pre-1996 waivers are permitted.

EXPLANATION OF PROVISION

The bill permits States with waivers set to expire on or after October 1, 2002, to continue operating under them through the end of FY2007, so long as they comply with the TANF “universal engagement” requirement (as described in section 201). Unless the Secretary determines that approval would be inconsistent with the purposes of TANF, the bill also allows additional States to obtain waivers if their request is similar or identical to the terms of a waiver that is being extended under authority provided in the bill—provided that the State agrees to conduct an evaluation.

REASONS FOR CHANGE

The Committee bill permits waivers expiring in FY2003 and beyond to continue, provided a State complies with the universal engagement provision. If a State is meeting that requirement, it should not have to alter previously designed welfare-to-work programs. In addition, under an amendment offered by Senator Bingaman, other States may adopt programs eligible to be continued under the waiver provisions. This provides additional flexibility to States and permits strategies found successful in 1 State to be tested in another State, to help determine if further replication would improve welfare to work policies.

Section 712—Antidiscrimination

PRESENT LAW

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

cedure to resolve complaints of displacement of permanent employees.

Under separate provisions of law, any program or activities provided under TANF must comply with the Age Discrimination Act of 1975; Section 504 of the Rehabilitation Act of 1973; the Americans with Disabilities Act of 1990; and Title VI of the Civil Rights Act of 1964.

EXPLANATION OF PROVISION

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

The Committee bill also requires States to have a grievance procedure to resolve complaints of displacement, including the opportunity for a hearing, and sets time standards for the process. It provides that the remedies for a violation of the non-displacement requirements include termination or suspension of payments, prohibition of the placement of the participant, reinstatement of the employee, or other relief to make the aggrieved employee whole. The provisions do not preempt or supersede any local law providing greater protection from displacement. In addition, no funds provided under TANF are to be used to assist, promote, or deter organizing for purposes of collective bargaining.

The bill applies workplace protection laws, including but not limited to, the Fair Labor Standards Act, the Occupational Safety and Health Act, Title VII of the Civil Rights Act, and the Americans with Disabilities Act to recipients of TANF assistance engaged in work activities in the same manner as they apply to other workers.

The bill further requires the General Accounting Office to: (1) conduct a study to determine the extent of State compliance with current provisions of law requiring States to comply with provisions of the Age Discrimination Act, Section 504 of the Rehabilitation Act, the Americans with Disabilities Act, and Title VI of the Civil Rights Act; and (2) make recommendations for improving compliance.

Additionally, for purposes of benefits or services provided with TANF or MOE funds, the bill bars States from applying an eligibility requirement on 2-parent families that they do not apply to 1-parent families.

REASONS FOR CHANGE

In light of the higher work participation requirements, the Committee bill includes provisions strengthening prohibitions against welfare recipients displacing regular employees. In addition, the Committee bill includes provisions providing workplace protections to those welfare recipients engaged in work activities. The Committee bill also prohibits States from imposing tougher eligibility

requirements on two-parent families since this can result in negative signals being sent about families with both parents present. AFDC may have unintentionally encouraged single parent families and this legacy must be overcome.

TITLE VIII—OTHER PROVISIONS

Section 801—Review of State agency blindness and disability determinations

PRESENT LAW

State agencies are required to conduct blindness and disability determinations to establish an individual's eligibility for: (1) Title II (Federal Old-Age, Survivors, and Disability Insurance (OASDI) benefits); and (2) Title XVI (Supplemental Security Income (SSI)). Disability determinations are made in accordance with disability criteria defined in statute as well as standards promulgated under regulations or other guidance.

Under current law, the Commissioner of Social Security is required to review the State agencies' Title II initial blindness and disability determinations in advance of awarding payment to individuals determined eligible. This requirement for review is met when: (1) at least 50 percent of all such determinations have been reviewed, or (2) other such determinations have been reviewed as necessary to ensure a high level of accuracy.

EXPLANATION OF PROVISIONS

After a 1-year phase-in, the bill aligns initial review requirements for Title XVI with those currently required under Title II. As under Title II, the Commissioner of Social Security is required to review initial Title XVI SSI blindness and disability determinations made by State agencies in advance of awarding payments. For FY2003, the SSI review is required for 25 percent of all State-determined allowances. In FY2004 and thereafter, review is required for at least 50 percent of State-determined allowances. To the extent feasible, the bill requires the Commissioner to select for review those State agency determinations that are most likely to be incorrect.

REASONS FOR CHANGE

The Committee bill includes a requirement that determinations in the SSI program be reviewed to improve program integrity.

Section 802—Extension of customs user fees

EXPLANATION OF PROVISIONS

The Committee bill extends customs user fees by 17 months.

TITLE IX—EFFECTIVE DATE

PRESENT LAW

Not applicable.

EXPLANATION OF PROVISION

Unless provided otherwise, the bill's provisions take effect on October 1, 2002. The bill provides for a delayed effective date for those provisions where State law is needed to meet new State plan requirements under either Title IV–A or Title IV–D.

III. REGULATORY IMPACT STATEMENT AND RELATED MATTERS

A. REGULATORY IMPACT

In accordance with paragraph 11(b) of rule XXVI of the Standing Rules of the Senate, the Committee makes the following statement concerning the regulatory impact of the Work, Opportunity, and Responsibility for Kids Act of 2002.

IMPACT ON INDIVIDUALS AND BUSINESSES

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

IMPACT ON PERSONAL PRIVACY AND PAPERWORK

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

B. UNFUNDED MANDATES STATEMENT

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

The act would extend funding for a number of state programs, most notably TANF, and it also would establish new grants that target a variety of worker and family programs. The act also would place new requirements and limitations on state programs as conditions for receiving federal assistance. A limit on amounts that states could retain for state child support enforcement programs could be an intergovernmental mandate as defined in the Unfunded Mandates Reform Act. Similarly, a limit on using the child support enforcement system to recoup the costs of certain births paid for by Medicaid could also be an intergovernmental mandate.

CBO believes that H.R. 4737 probably would impose intergovernmental mandates, as defined in UMRA, on states because it is likely that not all states could offset the costs of the act's changes to the child support enforcement program. The costs of the mandates would depend on the degree to which states would be able to alter their responsibilities within the child support enforcement program and to compensate for the loss of receipts as a result of the act. In total, states would face losses ranging from \$73 million in 2007 to \$90 million in 2011. To the extent that states are able to alter their programmatic responsibilities and offset some of these costs, the

aggregate amounts may be lower than the threshold established in UMRA (\$65 million in 2007, as adjusted for inflation).

Mandates

Generally, conditions of federal assistance are not considered intergovernmental mandates as defined in UMRA. However, UMRA makes special provisions for identifying intergovernmental mandates in large entitlement grant programs (those that provide more than \$500 million annually to state, local, or tribal governments), including TANF, Medicaid, and child support enforcement. Specifically, if a legislative proposal would increase the stringency of conditions of assistance, or cap or decrease the amount of federal funding for the program, such a change would be considered an intergovernmental mandate only if the state, local, or tribal government lacks authority to amend its financial or programmatic responsibilities to continue providing required services. The TANF and Medicaid programs allow states significant flexibility to alter their programs and accommodate new requirements. However, the rules for implementing the child support enforcement system do not afford states as much flexibility.

Child support enforcement

H.R. 4737 would reduce the amounts that states may retain from child support collections in order to reimburse themselves for public assistance spending, in particular for TANF and Medicaid. As a result, states would lose a total of about \$60 million in 2007 and about \$320 million over the 2007–2011 period. The act also would prohibit states from using the child support enforcement systems to collect costs associated with the birth of a child that are paid for by Medicaid after October 1, 2004. This provision would result in a loss of receipts to states of over \$30 million beginning in 2005 and about \$240 million over the 2005–2011 period. (States also would be required to conduct mandatory reviews of child support cases every three years, but this requirement is expected to result in net savings to states of about \$50 million in the child support program and \$44 million in Medicaid over the same period.)

TANF and Medicaid

The TANF program affords states broad flexibility to determine eligibility for benefits and to structure the programs offered as part of the state's family assistance program. Changes to the program as embodied in H.R. 4737 could alter the way in which states administer the program and provide benefits, and such changes could increase costs to states. States would continue to be able to make changes, however; for example by adjusting eligibility criteria or the structure of programs; to avoid or offset such costs. Because the TANF program affords states such broad flexibility, new requirements would not be considered intergovernmental mandates as defined by UMRA. Similarly, a large component of the Medicaid program includes optional services that states may alter to accommodate new requirements and additional costs in that program.

*Other impacts**Benefits*

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

TANF

The act would reauthorize family assistance grants through 2007 and increase grants for states that received supplemental grants in the past or have low per capita incomes. It also would alter the Contingency Fund program and increase the likelihood that states would qualify for funding. States would receive additional funds for TANF programs over the 2003–2012 period, including \$11.3 billion for childcare, \$4.4 billion for supplemental grants, and \$0.8 billion from the contingency fund.

The act would broaden the uses of TANF funds to include assistance, benefits, and services for legal immigrants, some of the costs associated with post-secondary education programs, and supplemental housing benefits. Over the 2003–2007 period, it would authorize the appropriation of \$15 million annually for grants to improve access to transportation and would authorize the appropriation of \$50 million in 2004 for housing assistance grants to states and nonprofit organizations. It also would directly appropriate \$30 million annually for at-home infant care programs. It would allow states to use unspent funds from prior years to pay for services in addition to benefits. Finally, the act would increase the limit of TANF funds that may be specifically used for SSBG purposes from 4.25 percent to 10 percent, and it would increase the appropriation for SSBG from \$1.7 billion to \$1.952 billion in fiscal year 2005.

Family promotion and support

H.R. 4737 would extend and expand a number of existing grant programs and also would establish new grants for a variety of purposes, including programs for reducing illegitimacy and teenage pregnancy, promoting marriage, expanding abstinence education, increasing employment among noncustodial parents, and improving group homes for young mothers and their children.

Child support

In addition to the changes in collections and mandatory reviews discussed above under the “Mandates” section, the act would appropriate \$50 million in 2003 for grants to states for a variety of child support collection activities. It also would give states the option of passing on the federal portion of child support collections to families that no longer receive TANF or that have received TANF for less than five years. Currently, some states use their own funds to pass on amounts to these families that total both the federal and state portions. This option would allow those states to use federal funds to pay for the portion of passthrough that is attributable to the federal share, thus resulting in savings to states. States may also request the Secretary of Treasury to withhold past-due child support for children who are not minors from the income tax refunds of noncustodial parents.

Tribal issues

The act would alter time limits for individuals who live in Indian country or a Native Alaskan village where joblessness is above 20 percent, allowing more individuals to receive benefits for a greater period of time.

The act also would authorize direct agreements between tribal entities and the federal government regarding foster care services. Such agreements would allow tribes and states that have agreements with the tribes to receive higher matching rates for foster care services. CBO estimates that tribal entities and states would receive about \$12 million in 2004 and \$398 million over the 2004–2012 period as a result of this provision, but they also would have to use about \$200 million of their own funds over the same period in order to receive those federal dollars.

H.R. 4737 would replace work activity grants to tribes (\$7.6 million annually) with grants to tribes, tribal organizations, and native Alaskan organizations for employment services, and CBO estimates that tribes would receive about \$330 million over the 2003–2012 period for those grants. The act also would appropriate \$75 million for Tribal Capacity and Tribal Development grants to improve the infrastructure of human service programs and to foster business and economic development. Finally, the act would establish a contingency fund for grants to Indian tribes that experience economic hardship. CBO estimates that tribes would receive \$2 million in 2003 and \$47 million over the 2003–2012 period for those grants.

Other costs and additional requirements

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

Medicaid

The act would extend a requirement that states provide Transitional Medical Assistance for five more years. The act also would allow states to eliminate an income reporting requirement for families receiving TMA, ease the criteria for qualifying for TMA, and continue providing TMA for up to one year. These provisions would increase state spending for Medicaid by \$120 million in 2003 and by about \$1.8 billion over the 2003–2012 period. The act also would give states the option of providing Medicaid and SCHIP coverage to pregnant women and children who are legal immigrants that entered the United States after August 22, 1996. As a result of this option, CBO estimates that state spending for Medicaid would increase by \$27 million in 2003 and by about \$2 billion over the 2003–2012 period. State spending for SCHIP would increase by \$2 million in 2003 and \$20 million over the 2003–2012 period.

Other provisions

The act would require state family assistance plans to be made available for public comment and submitted earlier than currently required. It also would require state TANF programs to participate in one-stop employment and assistance centers, and states would be required to establish and maintain grievance procedures to ad-

dress allegations of worker displacement as a result of TANF work activities.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

Title VIII of the act would extend the government's authority to collect certain customs user fees from its current expiration date of September 30, 2003, until February 28, 2005. This extension would impose a private-sector mandate as defined in UMRA. CBO cannot determine whether the direct cost of this mandate would exceed the annual threshold specified in UMRA (\$115 million in 2002, adjusted annually for inflation) because UMRA does not clearly specify how to determine the direct cost associated with extending an existing mandate that has not yet expired.

Under one interpretation, UMRA requires the direct cost to be measured relative to a case that assumes that the current mandate will not exist beyond its current expiration date. Under that interpretation, CBO estimates that the direct cost of the mandate would be about \$1.3 billion in 2004 and \$650 million in 2005. Both of those amounts would exceed the threshold for private-sector mandates specified in UMRA. Under the other interpretation, UMRA requires the direct cost to be measured relative to the current mandate. Under that interpretation, the direct cost would be zero.

IV. BUDGET EFFECTS

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, July 18, 2002.

Hon. MAX BAUCUS,
Chairman, Committee on Finance,
U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 4737, the Work, Opportunity, and Responsibility for Kids Act of 2002.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Sheila Dacey.

Sincerely,

BARRY B. ANDERSON
(For Dan L. Crippen, Director).

Enclosure.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

H.R. 4737—Work, Opportunity, and Responsibility for Kids Act of 2002

Summary: H.R. 4737 would:

- Reauthorize the Temporary Assistance for Needy Families (TANF) program at current funding levels. It would increase funding for some grants and establish several new grants, but also would eliminate funding for other related grants;
- Increase funding for child care programs by \$1 billion or more annually;
- Extend by five years the requirement that state Medicaid programs provide transitional medical assistance (TMA) to certain Medicaid beneficiaries and allow states to provide cov-

erage under Medicaid and the State Children's Health Insurance Program (SCHIP) to certain pregnant women and children who are legal immigrants;

- Make several changes to the child support enforcement program, including allowing the distribution to families of more collections from child support payments;
- Increase funding for tribal welfare and employment services programs;
- Require the Social Security Administration (SSA) to change its system of reviewing awards to certain disabled adults in the supplemental Security Income (SSI) program; and
- Extend customs user fees through February 28, 2005.

CBO estimates that enacting H.R. 4737 as approved by the Senate Finance Committee would increase mandatory spending by \$1.2 billion in 2003 and by \$23.2 billion over the 2003–2012 period. It also would reduce revenues by \$119 million over the 2004–2012 period. Because the act would affect direct spending revenues, pay-as-you-go procedures would apply. The act would authorize the appropriation of \$15 million in 2003 and \$457 million over the 2003–2007 period for new grant programs to aid noncustodial parents, teen mothers and low-income families lacking adequate transportation or housing. CBO estimates that appropriation of the authorized levels would result in \$2 million in outlays in 2003 and \$457 million over the 2003–2012 period.

CBO believes that H.R. 4737 probably would impose intergovernmental mandates, as defined in the Unfunded Mandates Reform Act (UMRA), on states because it is likely that not all states could offset the costs of the act's changes to the child support enforcement program. The costs of the mandates would depend on the degree to which states would be able to alter their responsibilities within the child support enforcement program and to compensate for the loss of receipts as a result of the act. In total, states would face losses ranging from \$73 million in 2007 to \$90 million in 2011. To the extent that states are able to alter their programmatic responsibilities and offset some of these costs, the aggregate amounts may be lower than the threshold established in UMRA (\$65 million 2007, as adjusted for inflation).

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

By extending the government's authority to collect certain customs user fees, the act would impose a private-sector mandate as defined in UMRA. CBO cannot determine whether the direct cost of the mandate would exceed the annual threshold for private-sector mandates (\$115 million in 2002, adjusted annually for inflation) because UMRA does not clearly specify how to determine the direct cost associated with extending an existing mandate that has not yet expired. Depending on how it is measured, the direct cost to the private sector could exceed the threshold.

Estimated cost to the Federal Government: The estimated budgetary impact of H.R. 4737 is shown in Table 1. The costs of this

legislation fall within budget functions 500 (education, training, employment, and social services), 550 (health), 600 (income security), and 750 (administration of justice).

TABLE 1.—ESTIMATED COSTS OF H.R. 4737, THE WORK OPPORTUNITY, AND RESPONSIBILITY FOR KIDS ACT OF 2002, BY TITLE

	By fiscal year, in millions of dollars—											
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2003–12	
CHANGES IN DIRECT SPENDING												
Title I Funding:												
Estimated budget authority	1,522	1,520	1,770	1,767	1,767	1,766	1,766	1,767	1,767	1,768	17,181	
Estimated outlays	940	1,234	1,670	1,616	1,779	1,946	1,996	1,873	1,842	1,781	16,678	
Title II: Work:												
Budget authority	120	0	0	0	0	0	0	0	0	0	120	
Estimated outlays	6	24	30	30	24	6	0	0	0	0	120	
Title III: Family Promotion and Support:												
Estimated budget authority	155	156	156	156	156	57	57	56	56	56	1,061	
Estimated outlays	27	85	171	197	184	71	53	75	65	56	984	
Title IV: Health Coverage:												
Estimated budget authority	190	485	585	675	765	585	315	320	340	380	4,640	
Estimated outlays	186	473	584	666	754	588	345	325	345	385	4,650	
Title V: Child Support and Child Welfare:												
Estimated budget authority	131	101	188	224	309	322	340	354	369	383	2,720	
Estimated outlays	60	113	208	246	333	306	339	359	373	385	2,720	
Title VI: Tribal Issues:												
Estimated budget authority	129	44	54	64	75	87	89	92	94	97	829	
Estimated outlays	13	64	80	80	84	87	89	91	94	96	778	
Title VII: Innovation, Flexibility and Accountability:												
Estimated budget authority	242	38	38	38	40	40	40	39	39	39	593	
Estimated outlays	16	138	164	128	7	-27	5	39	39	39	548	
Title VIII: Other Provisions:												
Estimated budget authority	-6	-1,301	-705	-82	-109	-144	-176	-211	-253	-280	-3,267	
Estimated outlays	-6	-1,301	-705	-82	-109	-144	-176	-211	-253	-280	-3,267	
Interactions:												
Estimated budget authority	0	0	0	0	0	0	0	0	0	0	0	
Estimated outlays	0	0	-181	-71	53	133	66	0	0	0	0	
Total changes in direct spending:												
Estimated budget authority	2,484	1,043	2,087	2,842	3,004	2,713	2,432	2,417	2,412	2,444	23,877	
Estimated outlays	1,242	829	2,022	2,810	3,109	2,965	2,716	2,551	2,505	2,462	23,211	
CHANGES IN REVENUES												
Estimated revenues	0	-1	-3	-7	-13	-16	-18	-20	-20	-21	-119	
CHANGES IN SPENDING SUBJECT TO APPROPRIATION												
Authorization level	15	148	98	98	98	0	0	0	0	0	457	
Estimated outlays	2	40	83	139	110	61	22	0	0	0	457	

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

BASIS OF ESTIMATE

Direct spending and revenues

CBO estimates that enacting H.R. 4737 would increase direct spending by \$23.2 billion and reduce revenue by \$119 million over the 2003–2012 period, for a net reduction in projected surpluses of about \$23.3 billion over the next 10 years.

Title I: Funding

H.R. 4737 would reauthorize basic TANF grants through 2007 at the current level of funding of \$16.6 billion. The act would not alter current requirements on states to spend a certain percentage of their historic spending level (80 percent, or 75 percent if the state meets the work participation requirements) and to limit assistance paid with federal funds to five years. It would alter the funding of

some grants related to TANF and make several other changes to program rules and reporting requirements. CBO estimates title I would increase direct spending by \$940 million in 2003 and \$16.7 billion over the 2003–2012 period (see Table 2).

State family assistance grant

Section 101 would extend the state family assistance grant through 2007 at the current funding level of \$16.6 billion. CBO already assumes funding at that level in its baseline in accordance with rules for constructing baseline projections, as set forth in section 257 of the Balanced Budget and Emergency Deficit Control Act of 1985 (Deficit Control Act). Therefore, CBO estimates the provision would have no effect on direct spending over the 2003–2012 period, relative to the current-law baseline.

Supplemental grants

Section 101 also would provide additional funding totaling \$441 million annually to certain states. It would extend the supplemental grants for population increases through 2007 at the 2002 funding level of \$319 million and incorporate them into the state family assistance grants. Current law specifies that supplemental grants should not be assumed to continue in baseline projections after 2002, overriding the continuation rules specified in section 257 of the Deficit Control Act. Seventeen states that had lower-than-average TANF grants per poor person or had rapidly increasing populations would be eligible for supplemental grants. In addition, 17 states (10 of the states that now get a supplemental grant and seven additional states) would qualify for an increase in their state family assistance grant based on their low per-capita-income levels. Those increases would total \$122 million a year.

TABLE 2.—ESTIMATED COSTS OF TITLE I: FUNDING

	By fiscal year, in millions of dollars—											
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013–12	
CHANGES IN DIRECT SPENDING												
Extend and increase supplemental grants:												
Estimated budget authority	441	441	441	441	441	441	441	441	441	441	441	4,410
Estimated outlays	176	265	397	485	507	540	573	496	496	452	4388	
Food stamp effect of supplemental grants:												
Estimated budget authority	-2	-3	-5	-6	-6	-7	-7	-6	-6	-5	-53	
Estimated outlays	-2	-3	-5	-6	-6	-7	-7	-6	-6	-5	-53	
Expand contingency fund:												
Estimated budget authority	80	80	80	80	80	80	80	80	80	80	800	
Estimated outlays	32	48	72	88	92	98	104	90	90	82	796	
Food stamp effect of contingency fund:												
Estimated budget authority	0	-1	-1	-1	-1	-1	-1	-1	-1	-1	-9	
Estimated outlays	0	-1	-1	-1	-1	-1	-1	-1	-1	-1	-9	
Increase child care funding:												
Estimated budget authority	1,000	1,000	1,000	1,250	1,250	1,250	1,250	1,250	1,250	1,250	11,750	
Estimated outlays	750	910	970	1,178	1,228	1,243	1,248	1,250	1,250	1,250	11,276	
TANF effect of new child care spending:												
Budget authority	0	0	0	0	0	0	0	0	0	0	0	
Estimated outlays	-198	-132	-33	0	37	159	116	41	10	0	0	
Increase territory ceilings:												
Estimated budget authority	3	3	3	3	3	3	3	3	3	3	31	
Estimated outlays	1	2	3	4	3	3	3	3	3	3	28	
Increase SSBG funding in 2005:												
Budget authority	0	0	252	0	0	0	0	0	0	0	252	
Estimated outlays	0	0	214	30	8	0	0	0	0	0	252	

TABLE 2.—ESTIMATED COSTS OF TITLE I: FUNDING—Continued

	By fiscal year, in millions of dollars—										
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013–12
TANF effect of new SSBG funding:											
Budget authority	0	0	0	0	0	0	0	0	0	0	0
Estimated outlays	0	0	-35	10	7	9	9	0	0	0	0
Increase transfer authority to SSBG:											
Budget authority	0	0	0	0	0	0	0	0	0	0	0
Estimated outlays	181	145	89	-172	-96	-98	-49	0	0	0	0
Total changes in Title I:											
Estimated budget authority	1,522	1,520	1,770	1,767	1,767	1,766	1,766	1,767	1,767	1,768	17,181
Estimated outlays	940	1,234	1,670	1,616	1,779	1,946	1,996	1,873	1,842	1,781	16,678

Notes:
 Components may not sum to totals because of rounding.
 SSBG=Social Services Block Grant.

In all, 24 states would receive one or both of the increases to their basic grant amount and payments would total \$441 million annually. Because many states have unspent balances from prior-year TANF grants, CBO assumes that many states would not spend the new funds quickly. CBO estimates that states would spend \$176 million in 2003 and \$4.4 billion over the 2003–2012 period. CBO expects some of the additional funding provided would be used to increase benefits to families that also receive food stamps. Additional TANF income would reduce Food Stamp benefits, lowering spending in the Food Stamp program by \$53 million over the 2003–2012 period.

Contingency fund

Section 102 would significantly alter the Contingency Fund for State Welfare Programs. Under current law, the contingency fund provides additional federal funds to states with high and increasing unemployment rates or significant growth in Food Stamp participation. States are required to maintain state spending at 100 percent of their 1994 levels and to match federal payments. CBO estimates that states will draw federal funds totaling between \$1 million and \$4 million annually under current law. A major factor restraining spending in the current program is the requirement to maintain a high level of state spending. Most states currently spend well below their historic levels.

Section 102 would change the eligibility conditions, grant determination, and state spending requirements of the contingency fund. A state would need to experience high growth in its unemployment rate, Food Stamp participation, or TANF caseload to qualify for funds. The amount of funding a state would receive would be based on the state's caseload increase over the level in the two years prior to its qualification and its Medicaid matching rate. A state with high unspent TANF balances from prior years would not be eligible for payments from the contingency fund. Unlike the current contingency fund, a state would not need to maintain a high level of historic spending or put up any matching funds in order to receive a contingency fund grant.

Based on CBO's projections of unemployment, Food Stamp participation, TANF caseloads and state TANF spending, CBO estimates that states would qualify for an additional \$80 million annually from the fund. CBO estimates states would spend \$32 million in 2003 and \$796 million over the 2003–2012 period. CBO expects

some of the additional funding provided would be used to increase benefits to families that also receive food stamps. Additional TANF income would reduce Food Stamp benefits, lowering spending in the Food Stamp program by \$9 million over the 2003–2012 period.

Child care

The child care entitlement to states program provides funding to states for child care subsidies to low-income families and for other activities. Section 103 would amend the program by appropriating a total of \$19.1 billion over the 2003–2007 period. It would appropriate \$3.717 billion in years 2003 through 2005 and \$3.967 billion in 2006 and 2007. That is a total of \$5.5 billion over the amounts assumed in baseline for the 2003–2007 period. CBO assumes funding would continue at the 2007 level in its baseline in accordance with the rules set forth in the Deficit Control Act. Based on recent spending patterns, CBO estimates that outlays would increase by \$750 million in 2003 and by \$11.3 billion over the 10-year period.

Under current law, the total mandatory child care appropriation is distributed by two separate formulas. First, a fixed amount based on historical spending—\$1.235 billion in 2002—is allocated to states and this amount requires no match. H.R. 4737 would increase this funding by \$1.0 billion annually for the next five years. Second, the remaining funds—\$1.482 billion in 2002—are distributed under a formula based on states' relative share of children under age 13, but states are required to supply matching funds to access these grants. The act would increase this component of child care funding by \$250 million in both 2006 and 2007.

CBO expects the additional child care funding would induce some states to reduce the amount of TANF spending on child care (either directly or through transfers to the Child Care and Development Fund) and result in a temporary slowing of TANF spending. CBO estimates TANF spending would slow by nearly \$200 million in 2003, but since states would find alternative ways to spend any funds no longer transferred, there would be no net impact on TANF spending over the 2003–2012 period.

Territories

Section 108 would increase the amount of funding available to Puerto Rico, Guam, the Virgin Islands, and American Samoa by \$3 million per year. Based on historic rates of spending, CBO estimates those territories would spend \$1 million in 2003 and \$28 million over the 2003–2012 period.

Social Services block grants (SSBG)

Section 110 would increase the funding level for SSBG in 2005 and raise the percentage of the TANF grant that states could transfer to SSBG.

SSBG is permanently authorized at \$1.7 billion annually. Section 110 would increase funding for one year only to \$1.952 billion in 2005. CBO estimates, based on current rates of spending, that states would spend \$214 million in 2005 and \$252 million over the 2005–2012 period. Section 110 also would allow states to maintain the authority to transfer up to 10 percent of TANF funds to SSBG. That authority is scheduled to fall to 4.25 percent in 2003 and

after. In recent years, states have transferred about \$1 billion annually.

Those provisions would affect TANF spending in two ways. First, the additional SSBG spending would tend to reduce the need for TANF transfer to SSBG and slow TANF spending by an estimated \$35 million in 2005. Second, maintaining the transfer authority at the higher level would make it easier for states to spend their TANF grants and would tend to accelerate spending relative to current law. (Based on recent state transfers, CBO expects that states would transfer an additional \$600 million under the provision, but because some of this money would have been spent within the TANF program anyway, only \$181 million of additional spending would occur in 2003.) The net effect of the provisions would be to increase TANF spending in 2003 through 2005 and reduce spending in later years. Overall, the provision would have no net impact over the 2003–2012 period.

Title II: Work

Title II would establish a new grant program for states and revise requirements on states related to the participation in work and training of families receiving assistance. CBO estimates that enacting title II would increase direct spending by \$120 million over the 2003–2012 period.

Implementation grants

Section 201 would make grants to states to train caseworkers, improve coordination of support programs, conduct outreach, and establish advisory panels to improve states' policies and procedures for assisting individuals with barriers to work. The act would provide \$120 million to the Secretary of Health and Human Services (the Secretary) to award over the 2003–2006 period. Because it would take states some time to plan how they would spend the funds, CBO assumes the money would be spent slowly. CBO estimates states would spend \$6 million in 2003 and \$120 million over the 2003–2012 period (see Table 1).

Work participation requirements

Section 202 would require states to have an increasing percentage of TANF recipients participate in work activities while receiving cash assistance. It would maintain current penalties for the failure to meet those requirements. Those penalties can total up to 5 percent of the TANF block grant amount for the first failure to meet work requirements and increase with each subsequent failure. CBO expects most states would meet the requirements with little additional effort and no state would be subject to financial penalty for failing to meet the new requirements.

Section 202 would require states to engage an increasing share of families receiving TANF in activities for 30 hours a week with at least 24 of those hours (up from 20 hours under existing law) in a limited set of activities. The required participation rate would rise by 5 percentage points a year from 50 percent in 2003 to 70 percent in 2007. The act also would eliminate a requirement in current law that sets even higher participation rates for two-parent families and would allow partial credit for recipients who participate for at least 15 hours against the participation standard.

The act would expand the types of activities that would count toward meeting the work participation requirements and the allowed exclusions from the calculation of the work participation rate. It also would give states the option of including additional families receiving child care and transportation or nonrecurring benefits in the calculation.

Another provision of H.R. 4737 could have a significant impact on the work requirements that states actually would face. Under current law, certain states have waivers that allow them to use different rules to determine whether they meet the work participation requirement. Section 711 would allow certain states to continue to operate under their waivers and allow other states to adopt the provisions of those waivers as long as they are consistent with the purposes of the TANF program. Provisions of those waivers would allow states to expand the types of activities, reduce the required hours of participation, and expand the number of families exempted from the work participation standards.

Finally, section 202 would reduce the required participation rate of a state based on the number of families in the state who leave assistance for work. That replaces a provision in current law that bases such reductions on TANF caseload declines since 1995. The caseload reduction credit has reduced significantly the required participation rate in all states and reduced it to zero in more than 30 states. The new employment credit also would result in significant reductions in the required participation rates for some states. The new credit is capped and cannot reduce the standard by more than 20 percentage points by 2007. However, the cap does not apply to states that meet at least two criteria for being a needy state for purposes of the contingency program (described under title I).

Title III: Family Promotion and Support

Title III would eliminate one grant program related to out-of-wedlock birth rates and replace it with another directed at promoting marriage. It would reauthorize an existing abstinence education program and establish two new programs aimed at pregnancy prevention. CBO estimates that title III would increase direct spending by \$27 million in 2003 and \$984 million over the 2003–2012 period (see Table 3).

Healthy marriage promotion grants

Section 301 would eliminate an out-of-wedlock birth grant program, but would create a new grant program to promote healthy marriages. CBO projects funding for out-of-wedlock birth grants at \$100 million annually in accordance with the Deficit Control Act. We estimate that eliminating this program would reduce outlays by \$900 million over the 2004–2012 period. The impact of the reduction in funding on outlays is delayed (no effect in 2003) because the grants are awarded in the last days of a fiscal year. CBO expects the reduced funding would cause states to decrease benefits to families that also receive food stamps. The reduced TANF income would increase Food Stamp benefits, increasing spending in the Food Stamp program by \$11 million over the 2003–2012 period.

Section 301 also would establish a new competitive grant to states, Indian tribes, and non-profit entities for developing and im-

plementing programs to promote stronger families, with an emphasis on promoting healthy marriages. The act would appropriate \$200 million annually for grants that could be used for a variety of activities including public advertising campaigns, education programs on topics related to marriage, teen pregnancy prevention programs, income support programs, and development of best practices for addressing domestic violence. The grants could be used to cover up to 75 percent of the cost of the new programs. CBO expects grants would be spent slowly in the first few years because the Department of Health and Human Services (HHS) would need to set up a system for awarding grants and states would need to set up programs to use the funds. CBO projects that the grants would continue in baseline after 2007, in accordance with the Deficit Control Act. We estimate states would spend \$11 million in 2003 and \$1.8 billion over the 2003–2012 period.

TABLE 3.—ESTIMATED COSTS OF TITLE III: FAMILY PROMOTION AND SUPPORT

	By fiscal year, in millions of dollars—										
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2003–12
CHANGES IN DIRECT SPENDING											
Repeal out-of wedlock grant:											
Estimated budget authority	-100	-100	-100	-100	-100	-100	-100	-100	-100	-100	-100
Estimated outlays	0	-42	-57	-94	-103	-169	-135	-100	-100	-100	-900
Food Stamp effect of repeal of grant:											
Estimated budget authority	0	1	1	1	1	2	2	1	1	1	11
Estimated outlays	0	1	1	1	1	2	2	1	1	1	11
Establish health marriage grants:											
Estimated budget authority	200	200	200	200	200	200	200	200	200	200	2,000
Estimated outlays	11	88	182	239	231	212	200	200	200	200	1,763
Continue abstinence education:											
Budget authority	0	0	0	0	0	-50	-50	-50	-50	-50	-250
Estimated outlays	0	0	0	0	0	-14	-34	-41	-46	-50	-185
Establish abstinence first grants:											
Estimated budget authority	50	50	50	50	50	0	0	0	0	0	250
Estimated outlays	15	35	40	45	50	35	15	10	5	0	250
Fund teen pregnancy prevention:											
Estimated budget authority	5	5	5	5	5	5	5	5	5	5	50
Estimated outlays	1	3	5	6	5	5	5	5	5	5	45
Total changes in title III:											
Estimated budget authority	155	156	156	156	156	57	57	56	56	56	1,061
Estimated outlays	27	85	171	197	184	71	53	75	65	56	984

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

Abstinence education

Section 302 would provide funding totaling \$250 million for the abstinence education program, administered by the Health Resources and Services Administration (HRSA), through 2007. CBO estimates that outlays would total \$185 million over the 2003–2007 period (with the remainder of the \$250 million to be spent after 2007). However, CBO already assumes mandatory appropriations for this program in its baseline, based on the provisions in the Deficit Control Act for projecting direct spending for expiring programs. Therefore, CBO estimates that the provision would have no direct spending effects through 2007, relative to the current-law baseline.

CBO estimates that outlays in 2007 would not exceed the \$50 million threshold, and therefore, we would *not* assume budget authority to continue in this program beyond the authorization ending in 2007. As a result, CBO estimates that implementing this

provision would decrease outlays by \$185 million from 2008–2012, relative to the current-law baseline.

H.R. 4737 also would make an additional \$250 million in grants available to scientifically proven interventions that emphasize abstinence, but could include other strategies for prevention of teen pregnancy. The act also would require the Secretary to use some of the money to do an evaluation comparing the efficiency of abstinence-only and abstinence-first programs. CBO estimates that spending for this provision would be similar to the current abstinence education program. We estimate outlays for this provision of \$15 million in 2003, \$185 million over the 2003–2007 period, and \$250 million over the 2003–2012 period.

Teen Pregnancy Prevention Research Center

Section 303 would create a grant available to a nationally recognized, nonpartisan, nonprofit organization for the purpose of establishing and operating a resource center for issues of teen pregnancy prevention. The act would appropriate \$5 million each year over the 2003–2007 period and CBO projects these grants would continue in baseline beyond 2007, as they are part of the overall TANF program. CBO estimates that \$1 million would be spent in 2003 and \$45 million over the 2003–2012 period.

Title IV: Health Coverage

Title IV would make several changes to Medicaid and the State Children’s Health Insurance Program. The act would extend by five years the requirement that state Medicaid programs provide transitional medical assistance to certain Medicaid beneficiaries (usually former welfare recipients) who otherwise would be ineligible because they have returned to work and have increased earnings. Title IV also would allow states to simplify aspects of TMA administration. Finally, it would give states the option of extending coverage under Medicaid and SCHIP to certain pregnant women and children who are legal immigrants.

Overall, CBO estimates that enacting title IV would increase direct spending by \$186 million in 2003 and by \$4.7 billion over the 2003–2012 period (see Table 4).

TABLE 4.—ESTIMATED COSTS OF TITLE IV: HEALTH COVERAGE

	By fiscal year, in millions of dollars—											
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2003–12	
CHANGES IN DIRECT SPENDING												
Extension of Transitional Medical Assistance (TMA)												
Medicaid:												
Estimated budget authority	130	320	345	390	425	280	10	10	0	0	1,910	
Estimated outlays	130	320	345	390	425	280	10	10	0	0	1,910	
State Children’s Health Insurance Coverage:												
Budget authority	0	0	0	0	0	0	0	0	0	0	0	
Estimated outlays	-8	-18	-4	-14	-16	-11	47	0	0	0	-24	
Optional TMA Simplifications												
Medicaid:												
Estimated budget authority	30	75	110	125	130	55	5	0	0	0	530	
Estimated outlays	30	75	110	125	130	55	5	0	0	0	530	

TABLE 4.—ESTIMATED COSTS OF TITLE IV: HEALTH COVERAGE—Continued

	By fiscal year, in millions of dollars—											
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2003–12	
State Children's Health Insurance												
Coverage:												
Budget authority	0	0	0	0	0	0	0	0	0	0	0	0
Estimated outlays	-1	-4	-2	-5	-5	-2	12	0	0	0	0	-7
Optional Coverage of Certain Legal Immigrants												
Medicaid:												
Estimated budget authority	30	90	130	160	210	250	300	310	340	380	2,200	2,200
Estimated outlays	30	90	130	160	210	250	300	310	340	380	2,200	2,200
State Children's Health Insurance												
Coverage:												
Budget authority	0	0	0	0	0	0	0	0	0	0	0	0
Estimated outlays	5	10	5	10	10	15	-30	5	5	5	5	40
Total changes in Title IV:												
Estimated budget au- thority	190	485	585	675	765	585	315	320	340	380	4,640	4,640
Estimated outlays	186	473	584	666	754	588	345	325	345	385	4,650	4,650

Extension of transitional medical assistance

State Medicaid programs are required to temporarily provide Medicaid coverage, known as TMA, for certain individuals and their dependents who would otherwise become ineligible because their earnings have increased above the state's eligibility limits under section 1931 of the Social Security Act. (Section 1931 is an eligibility category for families established under the 1996 welfare reform bill.) Many of these individuals are former welfare recipients who have returned to work. TMA recipients are guaranteed to remain eligible for Medicaid for six months; after that, they may remain eligible for another six months if they report their income periodically and have incomes below 185 percent of the poverty level.

States are currently required to provide TMA to individuals who lose their eligibility under section 1931 prior to September 30, 2002. Section 401 of H.R. 4737 would extend the requirement through September 30, 2007. CBO estimates that this extension would increase federal Medicaid spending by \$130 million in 2003 and about \$1.9 billion over the 2003–2012 period. We estimate that federal SCHIP spending would decrease by \$8 million in 2003 and by \$24 million over the 2003–2012 period.

Number of beneficiaries.—Many families move on and off the Medicaid and TANF rolls as their family and employment circumstances change. Under current law, CBO anticipates that each year about 1.4 million families enrolled under section 1931 will lose their Medicaid eligibility over the 2003–2007 period. Many of those families will lose TANF benefits at the same time. Based in part on experience with welfare case closures, CBO projects that slightly more than one million families will leave the TANF rolls annually in those years. Loss of Medicaid eligibility will occur in most of those cases because TANF and Medicaid eligibility limits are similar in many states. The remaining families losing coverage under section 1931 will be Medicaid recipients who were not enrolled in TANF.

Based on research on families leaving welfare, CBO anticipates that about 500,000 families annually would meet the basic requirements for TMA between 2003 and 2007. Recent TANF data on the number of recipients in each family suggest that there are about 500,000 adults and 900,000 children in those families. (Virtually all families that receive TANF and have an adult recipient are single-parent families.)

From this eligible population, CBO estimates that under H.R. 4737 about 290,000 additional adults and 360,000 additional children would enroll in TMA each year. Those estimates account for individuals who would remain enrolled in Medicaid under other eligibility categories after losing their section 1931 eligibility (and thus not receive TMA). CBO assumes only moderate participation in TMA, based on studies of families leaving welfare. Although children in families that lose their section 1931 eligibility typically remain eligible for Medicaid under other eligibility rules, studies suggest that many children drop off the rolls once their parents lose eligibility. Therefore, by extending TMA, the act would keep a significant share of those children enrolled in Medicaid.

CBO anticipates that the act's effect on Medicaid enrollment would be much smaller when measured on a full-year-equivalent basis. Under current law, families losing their eligibility under section 1931 would receive four months of eligibility—even without TMA—under a separate provision of Medicaid law. The act would therefore provide most families with another eight months of eligibility instead of 12. Even then, research on TMA recipients indicates that many people do not remain eligible for a full 12 months because they fail to report their incomes on a periodic basis.

After accounting for these factors, CBO estimates that the act would increase Medicaid enrollment on a full-year-equivalent basis by about 115,000 in 2003, between 260,000 and 280,000 in 2004 through 2007, 170,000 in 2008, and smaller amounts in 2009 and 2010. The act's effects would extend beyond 2007 because families who qualify for TMA at any point in that year would be entitled to as many as 12 months of additional eligibility, even if that period of eligibility runs beyond 2007. (Families living in states that provide more than 12 months of TMA through a waiver could remain eligible into 2009 or 2010.)

Per capita costs.—CBO estimates that the federal share of costs per full-year-equivalent enrollee would be about \$1,350 for an adult and \$975 for a child in 2003, rising to about \$1,750 and \$1,275, respectively, by 2007. Those figures are lower than CBO's baseline figures for adults and children (by about 30 percent and 10 percent, respectively) because of a number of adjustments. First, CBO excluded pregnancy-related costs for adults. Pregnant women are typically eligible for Medicaid at higher income levels than under section 1931, so they would be unlikely to receive TMA. Second, we assume that adults and children in families receiving TMA would be somewhat healthier than other Medicaid recipients and thus have lower costs, on average. Finally, we assume that some TMA recipients would receive a more limited set of benefits than Medicaid usually provides since states do not have to provide nonacute-care services to TMA recipients in their second six-month period of eligibility.

Effects on SCHIP.—CBO anticipates that under current law about 10 percent of the families leaving welfare because of higher earnings would have incomes high enough to make their children ineligible for Medicaid, but some children in these families would enroll in SCHIP instead. The act's extension of TMA would make those children newly eligible for Medicaid, and therefore ineligible for SCHIP. Since children who are eligible for Medicaid cannot receive SCHIP, the act would lead to savings in SCHIP.

CBO estimates that the act would reduce federal SCHIP outlays by a total of \$71 million between 2003 and 2008. Because states generally have three years to spend their SCHIP allotments, those savings would free up funds that could be spent on benefits in later years, and CBO estimates that spending would increase by \$47 million in 2009.

Optional TMA simplifications

Section 401 of H.R. 4737 also would allow states to waive or relax various requirements that currently apply to TMA. In particular, the act would allow states to expand TMA eligibility to individuals who have not been eligible for Medicaid under section 1931 for at least three of the previous six months (a requirement under current law), provide up to 12 additional months of TMA eligibility, and eliminate some or all of the requirements for TMA recipients to report their incomes periodically. States with Medicaid eligibility for adults and children set at 185 percent of the poverty level or higher also would no longer be required to provide TMA.

CBO anticipates that those provisions would boost federal Medicaid spending by \$30 million in 2003 and by \$530 million over the 2003–2012 period. Most of those costs would stem from the elimination of the income-reporting requirements. States already have the flexibility under section 1931 to effectively waive the three-out-of-six months requirements or provide more than 12 months of TMA by disregarding some or all of an individual's income when determining eligibility. Finally, only two small states cover adults and children up to 185 percent of the poverty level. Ending TMA in those states would reduce enrollment for beneficiaries with income above the limit in the six months after leaving Medicaid. However, savings would be limited because the states are small.

CBO also estimates that the effect of those provisions would have a slight impact on SCHIP, decreasing outlays by \$7 million over the 2003–2012 period; By relaxing TMA rules, the act would make some children newly eligible for Medicaid, and therefore ineligible for SCHIP.

Optional coverage of certain legal immigrants

The 1996 welfare reform law restricted the eligibility of certain legal immigrants for Medicaid and SCHIP. Under the law, legal immigrants entering the United States after August 22, 1996, are generally ineligible during their first five years in the country. After that, states have the option of providing Medicaid and SCHIP coverage. However, most immigrants will likely remain ineligible because the law requires that states include the income and resources of an immigrant's sponsor when determining eligibility, a procedure known as deeming. Deeming is required until the immigrant has naturalized or accumulated a significant work history.

Despite these restrictions, legal immigrants can still receive emergency care services under Medicaid.

Section 402 of H.R. 4737 would give states the option of providing coverage under Medicaid to two groups of legal immigrants—pregnant women and children—entering the United States after August 22, 1996. The act would allow states to cover one or both of these groups. States that provide Medicaid coverage also would have the option of providing SCHIP coverage. Immigrants who receive Medicaid or SCHIP under the act would be exempt from the five-year ban or eligibility and deeming.

CBO estimates that this provision would increase federal Medicaid outlays by \$30 million in 2003 and \$2.2 billion over the 2003–2012 period. SCHIP outlays would rise by \$5 million in 2003 and \$40 million over the 2003–2012 period. The following discussion details these effects.

Number of beneficiaries.—CBO relied on data provided by the Immigration and Naturalization Service on the number of legal immigrants admitted to the United States each year and historical data on the number of immigrants enrolled in Medicaid to estimate the provision's cost. Our estimate reflects the fact that immigrants admitted as refugees are eligible under current law, and assumes that participation rates in Medicaid would be lower than they were prior to enactment of welfare reform in 1996. (A number of studies have indicated that Medicaid participation rates by immigrants have fallen since 1996.) CBO also anticipates that many immigrants would ultimately gain Medicaid eligibility under current law by becoming naturalized citizens.

Although H.R. 4737 only would affect the Medicaid eligibility of legal immigrants, CBO expects the act would slightly increase Medicaid participation by the U.S.-born children of immigrant parents. As U.S. citizens, these children are not directly affected by the 1996 restrictions, but studies have suggested that their participation in Medicaid has fallen, probably because of confusion by their parents about eligibility rules. Once all these factors are taken into account, CBO estimates that Medicaid enrollment in 2003 would rise by about 155,000 children and 60,000 pregnant women on a full-year-equivalent basis, if all states provided Medicaid coverage under the act. The additional enrollment would reach 170,000 children and 110,000 pregnant women by 2012. About 90 percent of newly enrolled children would be legal immigrants.

Per capita costs.—CBO estimates that federal Medicaid costs per full-year-equivalent enrollee in 2003 would be about \$500 for an immigrant child, \$800 for a citizen child, and \$1,200 for a pregnant woman. Those figures are well below CBO's baseline figures of about \$1,100 per child and \$3,400 for a pregnant woman for several reasons. Studies indicate that immigrant children enrolled in Medicaid use significantly fewer services than Medicaid children generally. Furthermore, spending on emergency services for immigrants are covered under current law, which we anticipate would reduce per capita costs for immigrant children by about a third and exclude labor and delivery costs for pregnant women. Finally, CBO assumes that the average federal match rate for immigrants would be lower than the national average of 57 percent because a disproportionate number of immigrants live in states with lower

match rates. By 2012, we expect that per capita costs would rise to about \$900 for an immigrant child, \$1,500 for a citizen child, and \$2,200 for a pregnant woman.

State participation.—CBO anticipates that under the act states with 25 percent of potential Medicaid costs would choose to cover children and pregnant women who are legal immigrants in 2003. After 2007, we expect that proportion to reach 90 percent.

CBO believes that many states would opt to cover legal immigrant children and pregnant women for two reasons. First, most states have extended optional Medicaid coverage to other groups of immigrants. Every state but Wyoming provides coverage to legal immigrants who entered the United States prior to the enactment of welfare reform, and 42 states provide coverage to legal immigrants who entered after enactment (subject to the five-year ban and deeming). Second, about 20 states—including many states with large immigrant populations, such as California and New York—currently provide Medicaid-like coverage to immigrant children and pregnant women using state funds. These states would save money under the act by using federal Medicaid funds to replace state funds.

Effects on SCHIP.—CBO estimates that federal SCHIP spending under H.R. 4737 would increase by \$5 million in 2003 and by \$40 million over the 2003–2012 period. CBO anticipates that fewer states, representing 75 percent of potential costs, would opt to provide SCHIP coverage under the act than those opting to expand Medicaid coverage. Many states have already committed available SCHIP funds to covering non-immigrant children and would not be able to expand under the act. Because total funding for the SCHIP program is capped, SCHIP spending would be shifted from later years to earlier years, and would result in a decrease in spending in 2009.

Title V: Child Support and Child Welfare

H.R. 4737 would change many aspects of the operation and financing of the child support program. It would allow (and in one case, require) states to share more child support collections with current and former recipients of TANF, thereby reducing the amount the federal and state governments would recoup from previous TANF benefit payments. The federal government's share of child support collections is 55 percent, on average. The act also would provide a one-time grant to states to improve various state processes. It would require states to periodically update child support orders and expand the use of certain enforcement tools. Finally, H.R. 4737 would extend and expand a program of child welfare demonstrations. Overall, CBO estimates that enacting title V would increase direct spending by \$60 million in 2003 and \$2.7 billion over the 2003–2012 period. We also estimate that this title would reduce revenues by \$119 million over the 2003–2012 period (see Table 5).

Distribute more support to current TANF recipients

When a family applies for TANF, it assigns any rights the family has to child support collections to the state. While the family receives assistance, the state uses any collections it receives to reimburse itself and the federal government for TANF payments. These

reimbursements to the federal government are recorded as offsetting receipts (a credit against direct spending). States may choose to give some of the child support collected to families, but states must finance those payments out of their share of collections.

Section 501 would allow states to increase the amount of child support they pay to families receiving assistance and would not require the state to pay the federal government share of the increased payments. The state could not count the child support as income in determining the families' benefits under the TANF program.

TABLE 5.—ESTIMATED COSTS OF TITLE V: CHILD SUPPORT AND CHILD WELFARE

	By fiscal year, in millions of dollars—										
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2003–12
CHANGES IN DIRECT SPENDING											
Distribute more support to current TANF families:											
Child support collections:											
Estimated budget authority	72	82	97	113	130	134	139	144	149	154	1,214
Estimated outlays	72	82	97	113	130	134	139	144	149	154	1,214
Food stamps:											
Estimated budget authority	-2	-5	-11	-17	-23	-24	-25	-26	-27	-27	-187
Estimated outlays	-2	-5	-11	-17	-23	-24	-25	-26	-27	-27	-187
TANF:											
Budget authority	0	0	0	0	0	0	0	0	0	0	0
Estimated outlays	-38	-23	-1	11	14	13	13	5	4	2	0
Subtotal:											
Estimated budget authority	70	77	86	96	107	110	114	118	122	127	1,027
Estimated outlays ..	32	54	85	107	121	123	127	123	126	129	1,027
Distribute more past-due support to current and former TANF families:											
Child support collections: ¹											
Estimated budget authority	18	37	77	120	210	219	227	236	245	255	1,643
Estimated outlays	18	37	77	120	210	219	227	236	245	255	1,643
Food stamps:											
Estimated budget authority	-1	-1	-3	-4	-6	-6	-6	-6	-6	-6	-46
Estimated outlays	-1	-1	-3	-4	-6	-6	-6	-6	-6	-6	-46
TANF:											
Budget authority	0	0	0	0	0	0	0	0	0	0	0
Estimated outlays	4	7	12	11	10	-29	-14	0	0	0	0
Subtotal:											
Estimated budget authority	17	36	74	116	204	213	221	230	239	248	1,597
Estimated outlays ..	21	43	86	127	214	184	207	230	239	248	1,597
Ban on recovery of Medicaid costs for certain births:											
Estimated budget authority	0	0	41	43	44	46	48	50	52	54	378
Estimated outlays	0	0	41	43	44	46	48	50	52	54	378
Mandatory 3-year update of child support orders:											
Administrative costs:											
Estimated budget authority	0	2	14	14	12	12	12	13	13	13	105
Estimated outlays	0	2	14	14	12	12	12	13	13	13	105
Child support collections:											
Estimated budget authority	0	0	-6	-14	-20	-21	-19	-20	-20	-20	-140

TABLE 5.—ESTIMATED COSTS OF TITLE V: CHILD SUPPORT AND CHILD WELFARE—Continued

	By fiscal year, in millions of dollars—										
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2003-12
Estimated outlays	0	0	-6	-14	-20	-21	-19	-20	-20	-20	-140
Food stamps:											
Estimated budget authority	0	0	-1	-2	-3	-3	-3	-3	-3	-4	-22
Estimated outlays	0	0	-1	-2	-3	-3	-3	-3	-3	-4	-22
Medicaid:											
Estimated budget authority	0	0	-3	-8	-13	-13	-10	-10	-10	-10	-77
Estimated outlays	0	0	-3	-8	-13	-13	-10	-10	-10	-10	-77
Subtotal:											
Estimated budget authority	0	2	4	-10	-24	-25	-20	-20	-20	-21	-134
Estimated outlays ..	0	2	4	-10	-24	-25	-20	-20	-20	-21	-134
Reduced threshold for passport denial:											
Estimated budget authority	-1	-2	-2	-2	-2	-2	-2	-2	-2	-2	-19
Estimated outlays	-1	-2	-2	-2	-2	-2	-2	-2	-2	-2	-19
Financing review and administrative funding:											
Budget authority	50	0	0	0	0	0	0	0	0	0	50
Estimated outlays	13	28	9	0	0	0	0	0	0	0	50
Use of new hire information for unemployment compensation:											
Estimated budget authority	-5	-12	-15	-19	-20	-20	-21	-22	-22	-23	-179
Estimated outlays	-5	-12	-15	-19	-20	-20	-21	-22	-22	-23	-179
Total direct spending changes in title V:											
Estimated budget authority	131	101	188	224	309	322	340	354	369	383	2,720
Estimated outlays	60	113	208	246	333	306	339	359	373	385	2,720
CHANGES IN REVENUES											
Use of new hire directory for Unemployment Compensation Program:											
Estimated revenues	0	-1	-3	-7	-13	-16	-18	-20	-20	-21	-119
Breakdown of the effect on child support receipts of changes in distribution rules affecting past-due support:											
Assignment rules	3	7	14	21	73	75	78	81	84	86	522
Federal tax refund offset	12	25	53	83	115	121	126	132	139	145	951
Distribution order	7	15	30	47	64	66	69	71	74	76	518
Additional support to families	1	2	4	6	9	9	9	10	10	10	70
Interactions	-5	-11	-23	-37	-51	-53	-55	-58	-60	-63	-418
Total	18	37	77	120	210	219	227	236	245	255	1,643

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

In recent years, states with about 60 percent of child support collections shared some of those collections with families receiving TANF. CBO expects states will continue to share at least that amount and the federal government would share that cost. In addition, based on conversations with state child support officials and other policy experts, CBO expects that states with about two-thirds of collections would choose to institute a policy of sharing the first \$50 collected, or, if they already have such a policy, to increase the amount of child support they share with families on assistance. CBO anticipates that those increases would be instituted slowly and would not be fully effective until 2007. Based on administrative data for child support and information supplied by state officials, CBO expect that states would increase payments to families

by \$100 million to a total of \$235 million in 2007, when we assume the provision would be fully phased in. CBO estimates that federal offsetting receipts would fall by \$72 million in 2003, \$130 million in 2007, and \$1.2 billion over the 2003–2012 period.

Because additional child support income would reduce Food Stamp benefits, CBO estimates savings in the Food Stamp program totaling \$2 million in 2003, \$23 million in 2007, and \$187 million over the 2003–2012 period. In addition, the provision would have a small effect on the rate of TANF spending. States can count payment of child support to families out of their share of collection toward the TANF maintenance of effort (MOE) requirement (the requirement that states maintain funding at their 1994 level), if such payments are not counted as income in determining the TANF benefit. States that would spend less of their own funds because of the federal contribution would have less to count toward their MOE requirement. States that increased payments to families could count more toward the requirement. CBO estimates that the net effect would be smaller state contributions to child support payments, resulting in a deceleration in their use of federal TANF funds. CBO estimates that the provision would decrease estimated TANF outlays by \$38 million in 2003 but have no effect over the 2003–2012 period.

Distribute more past-due support to current and former TANF recipients

Section 501 also would require states to share more child support with families through a change in assignments rules and allow states to share more support with families through several other optional rule changes. Implementing those policies would reduce federal offsetting receipts by \$18 million in 2003 and \$1.6 billion over the 2003–2012 period. It also would lower Food Stamp outlays by \$46 million over the 2003–2012 period and accelerate TANF spending by \$43 million over the 2003–2007 period, but have no effect over the 10-year period.

Change in assignment rules.—Under current law, families assign to the state the right to any child support due before and during the period the families received assistance. The act would eliminate the requirement that families assign support due in the period before the families received assistance. H.R. 4737 would require states to implement the new policy by October 1, 2006, but would give states the option of implementing the policy sooner. CBO estimates that states with 5 percent of child support collections would adopt the new policy in 2003, states with another 25 percent of collections would adopt it by 2006, and the remainder would institute the policy in 2007.

Based on data from state child support officials, CBO expects the change in assignments rules would affect 5 percent of child support collections on behalf of current and former recipients of TANF assistance, when the policy is fully implemented. Based on CBO projections of those collections, families would receive an additional \$6 million in 2003 and \$950 million over the 2003–2012 period. CBO estimates that federal offsetting receipts would fall by \$3 million in 2003 and \$522 million over the 2003–2012 period.

Option to treat tax offset like other collections and change distribution order.—When a family ceases to receive public assistance,

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

Section 501 would give states the option to change the order of the distribution rules so that more money is paid to families first. Under current law, with two exceptions, the state pays the family all past-due support that was owed to the family before reimbursing itself for TANF benefits paid. The first exception is if the support is collected through the federal tax refund offset program. The second exception is past-due support that was owed, but not paid, during the time the family was on assistance, to the extent that the support owed exceeded the TANF benefits paid. H.R. 4737 would give states the option to remove those two exceptions so that all past-due support owed to the family would be paid to the family before the government reimburses itself for any previous benefit payments. Based on conversations with state child support officials and policy experts, CBO estimates that states with 5 percent of child support collections would adopt the new policy in 2003 and states with another 35 percent of collections would adopt it by 2007.

Under the federal tax refund offset program, the Internal Revenue Service intercepts tax refunds going to noncustodial parents who owe past-due child support, and pays them to custodial parents as child support. CBO projects that the government will collect \$1 billion from tax offsets on behalf of current and former welfare recipients in 2003 and that those collections will grow at about 5 percent a year. Based on data provided by federal and state child support officials, CBO estimates that two-thirds of those collections are on behalf of former recipients of assistance and that two-thirds of those collections would go to families instead of the government, under the legislation. In states opting for the policy, families would receive an additional \$20 million in 2003, rising to \$200 million in 2007, and \$1.7 billion over the 2003–2012 period. CBO estimates that federal offsetting receipts would fall by \$12 million in 2003, \$115 million in 2007, and \$951 million over the 2003–2012 period.

Section 501 also would give families more child support collections through changing the order in which they are distributed. Under current law, if a family has past-due child support from the period the family was on assistance that exceeds the total benefits paid to the family, then the family only receives those collections after the state has been fully reimbursed for welfare benefits paid. Based on a 1999 report to the Congress by HHS, CBO estimates that giving those collections to families first would result in a 20 percent decline in the amount of collections the state retains on behalf of former recipients in states opting for the policy. CBO estimates that families would receive an additional \$15 million in 2003, rising to \$120 million by 2007, and \$950 million over the 2003–2012 period, as a result of this change. CBO estimates that

federal offsetting receipts would fall by \$7 million in 2003, \$64 million in 2007, and \$518 million over the 2003–2012 period.

Option to share any additional child support with families.—Finally, H.R. 4737 would allow states to share any amount of additional support with families that they choose out of the amounts that had been assigned to states for the period the families were on assistance. CBO assumes states with collections totaling \$130 million over the 2003–2012 period. CBO estimates that federal offsetting receipts would fall by \$1 million in 2003, \$9 million in 2007, and \$70 million over the 2003–2012 period.

Interactions.—Several of the provisions giving more past-due support to families would interact, so the total amount going to families and total cost to the federal government are lower than the sum of the effects for all provisions. For example, collections from amounts assigned from the period before a family went on assistance may be collected after the family leaves assistance through the federal tax refund offset. Those interactions would reduce the amounts newly going to families by \$10 million in 2003, \$93 million in 2007, and \$759 million over the 2003–2012 period. The interactions would reduce the loss of federal offsetting receipts by \$5 million in 2003, \$51 million in 2007, and \$418 million over the 2003–2012 period.

Food Stamp benefits.—The new collections paid to former TANF recipients would affect spending in the Food Stamp program. CBO expects that one-third of the former TANF recipients with increased child support income would participate in the Food Stamp program, and that benefits would be reduced by 30 cents for every extra dollar of income. Increased income from the tax refund offset, which is paid as a lump sum, would not count as income for determining Food Stamp benefits. For purposes of calculating such benefits, incomes of former TANF recipients would increase by \$7 million in 2003 and \$470 million over the 2003–2012 period. Food Stamp savings would be about \$1 million in 2003 and \$46 million over the 2003–2012 period.

Temporary assistance for needy families

H.R. 4737 would allow states to count increased state spending stemming from the new distribution policy towards their MOE requirement in the TANF program. Many states have unspent balances of federal TANF funds from prior years. Those states could reduce the amount of state money they spend on TANF by the amount that they pay to families under the new policy. To maintain TANF spending levels, those states then could accelerate spending of federal dollars. CBO estimates TANF spending would accelerate by \$4 million in 2003 and \$43 million over the 2003–2007 period, but reduced spending in later years would result in no net effect on TANF spending over the 2003–2012 period.

Ban on recovery of medicaid birth costs

Effective in 2005, section 501 would prohibit states from using their child support programs to recoup costs for the birth of a child that were paid by Medicaid. Based on administrative data and data from state officials, CBO estimates that states now collect about \$60 million annually from noncustodial parents to reimburse Medicaid. CBO expects those collections will grow at about 4 percent

a year, based on the projected increase in wages. The federal government's share of Medicaid collections is 57 percent on average. As a result, CBO estimates the cost to the federal government would be \$41 million in 2005 and \$378 million over the 2005–2012 period.

Mandatory 3-year update of child support orders

Section 502 would require states to adjust child support orders of families on TANF every three years. States could use one of three methods to adjust orders: full review and adjustment, cost-of-living adjustment (COLA), or automated adjustment. Under current law, nearly half of states perform periodic adjustments. Most perform a full review and the remainder apply a COLA. No state currently makes automated adjustments. The provision would take effect on October 1, 2004, and CBO estimates that the net impact of this provision would be direct spending savings of \$134 million over the 2003–2012 period.

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

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

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

In addition, CBO expects some children would receive health insurance coverage from the noncustodial parent as a result of the new reviews. CBO estimates 40 percent of orders with a monetary adjustment also would be adjusted to include a requirement that the noncustodial parent provide health insurance for their child and that insurance would be provided in about half of those cases. After the first few years, we assume newly provided medical insurance would decline by half, because many families would have already had such insurance recently added to their order.

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

Summary.—Under either method of adjustment, CBO expects any increased collections for a family would continue for up to

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

Overall, CBO expects the federal share of child support administrative costs to rise by \$2 million in 2004 and \$105 million over the 2004–2012 period. Federal collections would increase by \$6 million in 2005 and \$140 million over the 2005–2012 period. Finally Food Stamp and Medicaid savings would total \$22 million and \$77 million respectively over the 2005–2012 period.

Denial of passports

Under current law, the State Department denies a request for a passport for a noncustodial parent if he or she owes more than \$5,000 in past-due child support. Effective upon enactment, section 503 would lower that threshold and deny a passport to a noncustodial parent owing \$2,500 or more. Generally, when a noncustodial parent seeks to restore eligibility for a passport, he or she will arrange to pay the past-due amount down to the threshold level.

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

CBO assumes that 20 percent of noncustodial parents who have a passport request denied would make a payment to get their passport rather than just doing without one. (In a study by the State Department, for 85 percent of applications that were denied because of child support arrears, passports were not issued within the next three months.) A noncustodial parent owing more than \$5,000 would have to pay an additional \$2,500 to receive a passport. On average, a noncustodial parent owing between \$2,500 and \$5,000 would have to pay \$1,250 to receive a passport. As a result, CBO estimates the policy would result in new payments of child support of about \$8 million annually. About one-third of those payments would be on behalf of current and former welfare families and would be retained by the government as reimbursement for welfare benefits. The federal share of such collections would be about \$2 million a year and \$19 million over the 2003–2012 period.

Financing review and administrative funding

Section 505 would establish a one-time grant to states totaling \$50 million for 2003. The Secretary would allocate the money based on each state's number of child support cases. States could use the funds to review policies on fees and distribution, to update automated systems, to study undistributed collections or management of arrears, to develop approaches to improve interstate collections or establish of support orders, or to review state policies regarding periodic updates of child support orders. CBO estimates spending

would total \$13 million in 2003 and \$50 million over the 2003–2005 period.

Use of new hire information

Section 509 would allow states, beginning in fiscal year 2003, to access information in the national database of new hires to help detect fraud in the unemployment compensation system. Currently, most states may access the information that they send to the national registry. However, without access to the national information, a state may not receive important data regarding recent hires by national corporations that may report in other states. Only a few states have examined potential savings that could be realized if they had access to the national data, and their estimates are small—less than 0.1 percent of total outlays. Nevertheless, states generally believe that access to the national data would be a valuable tool in detecting fraud earlier, as the information on new hires is more current than that contained in quarterly wage reports on which many states now rely.

Based on information provided by the National Association of State Workforce Agencies, CBO estimates that about 40 percent of the states would make use of the national information in the year that it became available, and that another 40 percent would take advantage of the national information within the next few years. CBO estimates that this proposal would result in a reduction in spending for unemployment compensation of \$5 million in 2003 and \$179 million over the 2003–2012 period. CBO assumes this reduction in spending would lead states to reduce their unemployment taxes. CBO estimates that such revenues would fall by an insignificant amount in 2003 and \$119 million over the 2003–2012 period. Because state spending and tax collection for unemployment compensation are reflected on the federal budget, enactment of this section would result in a net deficit reduction of \$60 million over the 10-year period.

Child welfare demonstrations

Sections 511 and 512 would extend and expand a program of demonstration projects related to child welfare programs. Currently, 18 states are using waivers to test the efficiency of innovations in child welfare, such as subsidized guardianship, managed care, and substance abuse treatment. The demonstration projects are required to be cost-neutral to the federal government. However, it is possible that the demonstrations would lead to increased costs to the federal government because of measurement or methodological errors in the cost-neutrality calculation. CBO cannot estimate the likely level of such costs, but based on experience with the demonstrations, expects the federal budgetary impact would not be significant.

Title VI: Tribal Issues

Title VI would extend funding for tribal TANF programs, establish a grant to help tribes improve infrastructure and economic development, increase funding for tribal programs that provide employment services, and expand the ability of tribes to participate in the federally funded foster care program. CBO estimates that en-

acting title VI would increase direct spending by \$13 million in 2003 and \$778 million over the 2003–2012 period (see Table 6).

Tribal TANF programs

Tribes may administer their own TANF programs, rather than participating in the state-run program. As of September 30, 2001, the Secretary had approved 34 tribal TANF plans. Funds for tribal TANF programs are reserved from the state family assistance grant in the state where the tribe is located. Section 601 would reauthorize tribal TANF programs at current levels. CBO already assumes funding at that level in its baseline in accordance with the Deficit Control Act, as they are part of the overall TANF program. Therefore, CBO estimates the provision would have no effect on direct spending over the 2003–2012 period.

TABLE 6.—ESTIMATED COSTS OF TITLE VI: TRIBAL ISSUES

	By fiscal year, in millions of dollars—										
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2003–12
CHANGES IN DIRECT SPENDING											
Tribal TANF improvement fund:											
Budget authority	75	0	0	0	0	0	0	0	0	0	75
Estimated outlays	8	25	24	12	5	1	0	0	0	0	75
Tribal contingency fund:											
Estimated budget authority	25	0	0	0	0	5	5	5	5	5	50
Estimated outlays	2	3	5	6	6	5	5	5	5	5	47
Establish tribal employment services grants:											
Estimated budget authority	37	37	37	37	37	37	37	37	37	37	370
Estimated outlays	4	30	35	37	37	37	37	37	37	37	328
Eliminate tribal work program funding:											
Estimated budget authority	-8	-8	-8	-8	-8	-8	-8	-8	-8	-8	76
Estimated outlays	-1	-6	-8	-8	-8	-8	-8	-8	-8	-8	-70
Expand participation of tribes in IV-E foster care:											
Estimated budget authority	0	15	25	35	46	53	55	59	60	63	410
Estimated outlays	3	12	23	33	44	52	55	57	60	62	398
Total changes in Title VI:											
Estimated budget authority	129	44	54	64	75	87	89	92	92	97	829
Estimated outlays	13	64	80	80	84	87	89	91	94	96	778

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

Tribal TANF improvement fund

Section 601 would provide \$75 million for grants as follows: it would allocate \$35 million for a program of grants to improve tribal human services infrastructure, \$35 million for grants to provide technical assistance to tribes and tribal organizations on issues of economic development, and \$5 million for the Secretary to provide technical assistance to tribes. Based on spending in similar program, CBO estimates that spending would total \$8 million in 2003 and \$75 million over the 2003–2008 period.

Tribal contingency fund

Section 601 also would establish a contingency fund of up to \$25 million over the 2003–2007 period for grants to Indian tribes experiencing increased economic hardship. The criteria for access to the

fund would be established by the Secretary in consultation with Indian tribes. CBO assumes that these grants would continue in baseline projections beyond 2007, as they are part of the overall TANF program, and we estimate that the Secretary would make \$5 million available each year for such grants. Spending would total \$2 million in 2003 and \$47 million over the 2003–2012 period. (Title I appropriates the funds for the tribal contingency fund, but we show the costs in this title.)

Tribal employment services

Section 601 also would repeal an existing program of grants to Indian tribes to conduct work programs and replace it with an expanded program. Current law funds grants to Indian tribes to conduct work programs at \$7.6 million annually and allocates grants based on tribes' participation in the former Job Opportunities and Basic Skills Training Program. This act would establish a new Tribal Employment Services program funded at \$37 million each year 2003–2007, and CBO assumes the grants would continue in baseline after 2007, as they are part of the overall TANF program. The grants to Indian tribes, tribal organizations, and Alaska Native organizations would support comprehensive services to enable beneficiaries to support themselves through employment. Based on historic rates of spending, CBO estimates that spending would total \$4 million in 2003 and \$328 million over the 2003–2012 period.

Tribal foster care and adoption assistance

Section 602 would permit tribal entities to participate in foster care and adoption assistance programs authorized under title IV–E of the Social Security Act, effective as of October 1, 2003. Based on information from the Indian Child Welfare Assistance, CBO estimates that this provision could allow coverage of between 2,000 and 3,000 children per year. In addition, some states with tribal agreements could receive slightly higher match rates for children that they currently over under such agreements. CBO estimates that this section would increase costs by \$12 million in 2004 and by \$398 million over the 2004–2012 period.

Title VII: Innovation, Flexibility, and Accountability

Title VII would expand funding for research, replace a bonus to reward high-performing states with a program of grants to improve employment outcomes in partnership with employers, and establish a program of at-home infant care. The new grant programs would be authorized through 2007, but CBO assumes they would continue in baseline after 2007 as they are part of the overall TANF program. CBO estimates that enacting title VII would increase direct spending by \$16 million in 2003 and \$548 million over the 2003–2012 period (see Table 7).

Child well-being indicators

Section 703 would direct the Secretary to develop comprehensive indicators to assess child well-being in each state through grants, contracts or interagency agreements. It would establish an advisory panel to help in the development and would provide \$15 million an-

nually. CBO estimates the provision would increase spending by \$2 million in 2003 and \$135 million over the 2003–2012 period.

TABLE 7.—ESTIMATED COSTS OF TITLE VII: INNOVATION, FLEXIBILITY, AND ACCOUNTABILITY

	By fiscal year, in million of dollars—										
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2003–12
CHANGES IN DIRECT SPENDING											
Establish program to develop child well-being indicators:											
Estimated budget authority	15	15	15	15	15	15	15	15	15	15	150
Estimated outlays	2	9	16	17	16	15	15	15	15	15	135
Increase TANF research funding:											
Estimated budget authority	7	5	5	5	5	5	5	5	5	5	150
Estimated outlays	0	3	6	5	5	5	5	5	5	5	44
Eliminate census grant:											
Estimated budget authority	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-100
Estimated outlays	-9	-10	-10	-10	-10	-10	-10	-10	-10	-10	-99
Establish innovative business link grants:											
Estimated budget authority	200	200	200	200	200	200	200	200	200	200	2,000
Estimated outlays	20	120	216	230	218	202	200	200	200	220	1,806
Repeal high-performance bonus:											
Estimated budget authority	0	-200	-200	-200	-200	-200	-200	-200	-200	-200	1,800
Estimated outlays	0	0	-94	-147	-255	-269	-235	-200	-200	-200	-1,600
Food stamp effect of bonus repeal:											
Estimated budget authority	0	0	1	2	3	3	3	2	2	2	18
Estimated outlays	0	0	1	2	3	3	3	2	2	2	18
Establish at-home infant care grants:											
Estimated budget authority	30	30	30	30	30	30	30	30	30	30	300
Estimated outlays	3	18	32	35	33	30	30	30	30	30	271
Food Stamp effect of at-home infant care grants:											
Estimated budget authority	0	-2	-3	-4	-3	-3	-3	-3	-3	-3	-27
Estimated outlays	0	-2	-3	-4	-3	-3	-3	-3	-3	-3	-27
Total changes in title VII:											
Estimated budget authority	242	38	38	38	38	40	40	40	39	39	593
Estimated outlays	16	138	164	128	7	-27	5	39	39	39	548

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

TANF research

Section 703 also would increase the current funding for TANF-related studies from \$15 million to \$20 million annually and add several new areas of study. The new studies would include a longitudinal study of the factors that contribute to positive employment and family outcomes, a study on the effect of sanctions, and a study of teen parent recipients. In addition, it would add \$2 million in 2003 only for the study of tribal welfare programs and poverty among Indians. CBO estimates research spending would increase by an insignificant amount in 2003, \$3 million in 2004, and \$44 million over the 2003–2012 period.

This section would not extend the current \$10 million in annual funding for studies conducted by the Census Bureau. Currently, CBO assumes funding would continue at that level in its baseline projection (as part of the TANF program), in accordance with the Deficit Control Act. Based on historic rates of spending, CBO estimates that eliminating the studies would save \$9 million in 2003 and \$99 million over the 2003–2012 period.

The funds for child well-being indicators and research are appropriate in title I, but because they are reserved for this purpose, the costs are shown as part of title VII.

Innovative business-link partnership grants

Section 704 would establish a grant program for innovative business-link partnerships. The Secretaries of the Departments of Health and Human Services and Labor would jointly award grants to states, localities, Indian tribes, nonprofit organizations, and local workforce investment boards to promote business linkages and to provide for transitional jobs programs. These programs would be designed to increase wages of low-income individuals by working with employers to upgrade the skills of these workers. A transitional jobs program would combine subsidized employment with skill development activities for individuals with limited skills, experience, or other barriers to employment. The grants would be funded at \$200 million annually. CBO expects spending of the grants would initially be slow, but would speed up to match rates of spending in similar programs. CBO estimates that spending would be \$20 million in 2003 and \$1.8 billion over the 2003–2012 period.

Bonuses for high-performing states

Section 705 would eliminate funding for a bonus to high-performing states in 2004 and later. The bonus in current law rewards states for moving TANF recipients into jobs, providing support for low-income working families, and increasing the percentage of children who reside in married-couple families. Current law provides \$1 billion for such bonuses, averaging \$200 million annually, over the 1999–2003 period. CBO assumes in its baseline projections that funding will continue at \$200 million annually in accordance with the Deficit Control Act. Because the bonuses are usually granted in the following fiscal year and many states have prior-year balances of TANF funds that they can use to replace any grant reductions, CBO estimates that TANF spending would not be affected in 2004 and would fall by only \$94 million in 2005. We estimate cumulative savings over the 2005–2012 period of \$1.6 billion. CBO expects the reduced funding would cause states to decrease benefits to families that also receive food stamps. The reduced TANF income would increase Food Stamp benefits, increasing spending in the Food Stamp program by \$18 million over the 2005–2012 period.

At-home infant care

Section 706 would fund demonstration projects for at-home infant care at \$30 million annually. The Secretary would award grants to between five and 10 states to carry out demonstration projects at-home infant care benefits to low-income families. (A participating family could receive a payment up to the state-established payment for providers of infant care.) H.R. 4737 specifies that the payments would count as earned income to the family in several means-tested programs, including the Food Stamp program. Based on data on state reimbursement levels and participation in the Food Stamp program among families with children, CBO estimates grants would result in Food Stamp savings of about \$3 million annually.

Title VIII: Other Provisions

Title VIII would require SSA to change its system of reviewing awards to certain disabled adults in the SSI program and extend customs user fees through February 2005. In total, it would result

in federal savings of \$6 million in 2003 and \$3.3 billion over the 2003–2012 period (See Table 8).

Review of state agency blindness and disability determinations

Section 801 would require the Social Security Administration to conduct reviews of initial decisions to award SSI benefits to certain disabled adults. The legislation mandates that the agency review at least 25 percent of all favorable adult disability determinations made by state-level Disability Determination Service (DDS) offices in 2003. Under the legislation, the agency would have to review at least half of the adult disability awards made by DDS offices in 2004 and beyond.

CBO anticipates state DDS offices will approve between 350,000 and 400,000 adult disability applications for SSI benefits annually between 2003 and 2012. Based on recent data for comparable reviews in the Social Security Disability Insurance program, CBO projects that by 2012, nearly 20,000 DDS awards will have been ultimately overturned, resulting in lower outlays for SSI and Medicaid (in most states SSI eligibility automatically confers entitlements to Medicaid benefits). CBO estimates that section 801 would reduce SSI benefits by \$2 million and Medicaid outlays by \$4 million in 2003. Over the 2003–2012 period, CBO estimates this provision would lower SSI outlays by \$407 million and Medicaid spending by \$936 million.

TABLE 8.—ESTIMATED COSTS OF TITLE VIII: OTHER PROVISIONS

	By fiscal year, in millions of dollars—										
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2003–12
CHANGES IN DIRECT SPENDING											
Review of disability determinations:											
Supplemental security income:											
Estimated budget authority	–2	–10	–21	–28	–34	–46	–54	–63	–77	–72	–407
Estimated outlays	–2	–10	–21	–28	–34	–46	–54	–63	–77	–72	–407
Medicaid:											
Estimated budget authority	–4	–17	–34	–54	–75	–98	–122	–148	–176	–208	–936
Estimated outlays	–4	–17	–34	–54	–75	–98	–122	–148	–176	–208	–936
Subtotal:											
Estimated budget authority:	–6	–27	–55	–82	–109	–144	–176	–211	–253	–280	–1,343
Estimated outlays	–6	–27	–55	–82	–109	–144	–176	–211	–253	–280	–1,343
Customs user fees:											
Estimated budget authority	0	–1,274	–650	0	0	0	0	0	0	0	–1,924
Estimated outlays	0	–1,274	–650	0	0	0	0	0	0	0	–1,924
Total changes in title VIII:											
Estimated budget authority	–6	–1,301	–705	–82	–109	–144	–176	–211	–253	–280	–3,267
Estimated outlays	–6	–1,301	–705	–82	–109	–144	–176	–211	–253	–280	–3,267

Customs user fees

Under current law, customs user fees expire after September 30, 2003. This legislation would extend these fees through February 28, 2005. CBO estimates that this provision would increase offsetting receipts (a credit against direct spending) by about \$1.9 billion over the 2004–2005 period.

Interactions

CBO estimates that several provisions in H.R. 4737 would accelerate the rate of spending of prior-year balances in the TANF pro-

gram. Provisions that would increase the transfer authority to SSBG, increase payments of child support to families, eliminate the out-of-wedlock grant, and eliminate the high-performance bonus (discussed in titles I, III, V, and VII) would induce states to spend uncommitted TANF funds from prior years sooner than under current law. However, those combined effects would exceed the amount of uncommitted TANF funds. Consequently, the budgetary effect of all the provisions enacted together would be smaller than the sum of the estimated effects for the individual provisions. CBO estimates that those interactions would lower TANF spending over the 2005–2006 period by \$252 million over the 2007–2009 period. Thus, there would be no net impact on TANF spending over the 10-year period as a whole.

Spending subject to appropriation

H.R. 4737 would establish several new grant programs that would require annual appropriations. Assuming appropriation of the authorized amounts, CBO estimates implementing the legislation would cost \$2 million in 2003, \$374 million over the 2003–2012 period (see Table 9). For this estimate, CBO assumes that H.R. 4737 will be enacted by September 30, 2002. Estimated outlays are based on historical spending patterns for similar programs.

Noncustodial parent employment grant

Section 304 would authorize the appropriation of \$25 million each year for fiscal years 2004 through 2007 for the Departments of Health and Human Services and Labor to award grants to eligible states for the purpose of establishing a supervised employment program for noncustodial parents with a history of nonpayment of child support obligations. Grants only could be awarded to eligible states that contribute one dollar for every four dollars of federal funds provided. CBO estimates that implementing this provision would cost \$8 million in 2004 and \$100 million over the 2004–2009 period, assuming the appropriation of the authorized amounts.

Grants to coordinate services for low-income, noncustodial parents

Section 304 also would authorize the appropriation of \$25 million each year for fiscal years 2004 through 2007 for grants to states to conduct policy reviews and develop recommendations to improve the delivery and coordination of services to low-income, noncustodial parents. CBO estimates that implementing this provision would cost \$8 million in 2004 and \$100 million over the 2004–2009 period, assuming the appropriation of the authorized amounts.

Second-chance homes

Section 305 would authorize the appropriation of \$33 million each year for fiscal years 2004 through 2007 for the Secretary to award grants to eligible entities to promote second-chance homes. A second-chance home is a community-based, adult-supervised group home that provides support for young mothers and their children. Mothers are required to learn parenting skills and other skills to promote their long-term economic independence and the well-being of their children. The grant would be only awarded to those entities that agree to contribute at least one dollar for every

five dollars of the federal funds provided. The grant would be awarded for a period of five years. The Secretary would reserve \$1 million for fiscal year 2004 to carry out an evaluation and could use up to \$500,000 to provide technical assistance. CBO estimates that implementing this provision would cost \$10 million if 2004 and \$132 million over the 2004–2009 period, assuming the appropriation of the authorized amounts.

TABLE 9.—AUTHORIZATIONS OF APPROPRIATIONS FOR H.R. 4737, THE WORK, OPPORTUNITY, AND RESPONSIBILITY FOR KIDS ACT OF 2002

	By fiscal year, in millions of dollars—										
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2003–12
CHANGES IN SPENDING SUBJECT TO APPROPRIATION											
Noncustodial parent employment grant program:											
Authorization level	0	25	25	25	25	0	0	0	0	0	100
Estimated outlays	0	8	18	28	26	15	5	0	0	0	100
Grant to coordinate services for low-income non-custodial parents:											
Authorization level	0	25	25	25	25	0	0	0	0	0	100
Estimated outlays	0	8	18	28	26	15	5	0	0	0	100
Second-chance homes:											
Authorization level	0	33	33	33	33	0	0	0	0	0	132
Estimated outlays	0	10	23	36	35	20	8	0	0	0	132
Grants to improve access to transportation:											
Authorization level	15	15	15	15	15	0	0	0	0	0	75
Estimated outlays	2	9	16	17	16	11	4	0	0	0	75
Grants to conduct housing demonstration projects:											
Authorization level	0	50	0	0	0	0	0	0	0	0	50
Estimated outlays	0	5	8	30	7	0	0	0	0	0	50
Total changes:											
Authorization level	15	148	98	98	98	0	0	0	0	0	457
Estimated outlays	2	40	83	139	110	61	22	0	0	0	457

Grants to provide transportation

Section 705 would authorize the appropriation of \$15 million each year for fiscal years 2003 through 2007 for a program of grants to states, Indian tribes, localities, and nonprofit organizations to assist low-income families with children in buying automobiles. The program is designed to facilitate continuing work by providing earners in low-income families with more reliable transportation. CBO estimates that implementing this program would cost \$2 million in 2003 and \$75 million over the 2003–2009 period assuming the appropriation of the authorized amounts.

Grants to conduct housing demonstration projects

Section 707 would authorize the appropriation of \$50 million in 2004 for grants to study different methods of combining housing assistance with other support and services. The demonstrations would be focused on services to promote the employment of parents and caretaker relatives who receive TANF services and who have multiple barriers to work, including lack of adequate housing. CBO estimates that implementing this provision would cost \$5 million in 2004 and \$50 million over the 2004–2007 period, assuming the appropriation of the authorized amount.

Pay-as-you-go considerations: The Balance Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for leg-

isolation affecting direct spending or receipts. The net change in outlays and governmental receipts that are subject to pay-as-you-go procedures are shown in the following table. For the purposes of enforcing pay-as-you-go procedures, only the effects through fiscal year 2006 are counted.

	By fiscal year, in millions of dollars—										
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Changes in outlays	0	1,242	829	2,022	2,810	3,109	2,965	2,716	2,551	2,505	2,646
Changes in receipts	0	0	-1	-3	-7	-13	-16	-18	-20	-20	-21

Previous CBO estimates: On May 16, 2002, the House of Representatives passed H.R. 4737, which incorporated the provisions of four separate bills as well as additional amendments and provisions. CBO prepared cost estimates for those four bills:

- H.R. 4585, as ordered reported by the HOuse Committee on Energy And Connerce on April 24, 2002 (CBO estimate transmitted on May 2, 2002);
- H.R. 4092, as ordered reported by the House Committee on Education and the Workforce on May 2, 2002 (CBO estimates transmitted on May 9, 2002);
- H.R. 4584, as ordered reported by the House Committee on Energy and Commerce on April 24, 2002 (CBO estimate transmitted on May 10, 2002); and
- H.R. 4090, as ordered reported by the House Committee on Ways and Means on May 2, 2002 (CBO estimate transmitted on May 13, 2002).

H.R. 4737 as approved by the Senate Committee on Finance would increase budget authority by about \$11 billion over the 2003–2007 period compared to about \$2 billion in the House-passed version of the legislation. (CBO prepared detailed estimates of the provisions of the House-passed act only for the 2003–2007 period.) The Senate Finance Committee’s version would reduce revenues by \$24 million, in contrast to the version that passed the House which would increase revenues by \$1.3 billion over the 2003–2007 period. The Finance Committee version of H.R. 4737 would increase authorizations of appropriations by \$457 million above the current baseline over the 2003–2007 period, whereas the House-passed version would raise such authorizations by \$2.5 billion.

The areas of the legislation where the direct spending effects differ the most are TANF grants, child care funding, transitional medical assistance, child support enforcement, Medicaid eligibility for certain immigrants, Medicaid administrative expenses, and customs user fees. For activities subject to annual appropriations, the largest difference is in child care funding. Table 10 summarizes the major differences between the two versions of the legislation.

TABLE 10.—MAJOR DIFFERENCES IN THE MANDATORY BUDGET AUTHORITY OF H.R. 4737

	Over the 2003–2007 period, in billions of dollars—	
	Finance Committee version	House-passed version ¹
TANF and related grants	4.4	1.4
Mandatory child care funding ²	5.5	1.0
Transitional medical assistance	2.1	0.4
Customs user fees	-1.9	0

TABLE 10.—MAJOR DIFFERENCES IN THE MANDATORY BUDGET AUTHORITY OF H.R. 4737—
Continued

	Over the 2003–2007 period, in billions of dollars—	
	Finance Committee version	House-passed version ¹
Child support enforcement	1.0	0.1
Medicaid for immigrants	0.6	0
Medicaid administrative expenses	0	–0.4

¹ House-passed version of H.R. 4737 also would increase revenues by \$1.3 billion.

² The House-passed version of H.R. 4737 authorized on additional \$2.0 billion in discretionary funds.

Estimate prepared by: Federal costs: Sheila Dacey—TANF and Child Support, Christina Sadoti—Unemployment Compensation and Child Welfare, Donna Wong—Child Care, Geoffrey Gerhardt—Supplemental Security Income, Jeanne De Sa and Eric Rollins—Medicaid and SCHIP, Alexis Ahlstrom—Abstinence Education, Mark Grabowicz—Customs User Fees, Ken Johnson—Census Bureau, Alison Rebeck—Discretionary grants; impact on state, local, and tribal governments: Leo Lex; impact on the private sector: Kate Bloniarz.

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

V. VOTES

On June 26, 2002, a substitute for H.R. 4737, entitled, “The Work, Opportunity and Responsibility for Kids (WORK) Act of 2002,” was ordered favorably reported by rollcall vote, 13 ayes, 8 nays. A quorum was present.

Ayes: Baucus, Rockefeller, Breaux, Conrad, Graham, Jeffords, Bingaman, Kerry (proxy), Torricelli (proxy), Lincoln, Hatch, Murkowski (proxy), and Snowe.

Nays: Daschle (proxy), Grassley, Nickles (proxy), Gramm (proxy), Lott (proxy), Thompson (proxy), Kyl, Thomas (proxy).

The following amendments were offered:

Amendment #11 (Graham #3) concerning Medicaid/SCHIP eligibility of legal immigrants, Agreed to by rollcall vote, 12 ayes, 9 nays.

Ayes: Rockefeller, Daschle (proxy), Breaux, Conrad, Graham, Jeffords, Bingaman, Kerry, Torricelli (proxy), Lincoln, Murkowski, Snowe.

Nays: Baucus, Grassley, Hatch, Nickles, Gramm (proxy), Lott, Thompson (proxy), Kyl, Thomas (proxy).

Amendment #26 (Snowe #1) concerning post-secondary education as a work activity, approved by voice vote.

Amendment #4 (Rockefeller #2) concerning funding for SSBG, approved by unanimous voice vote.

Amendment #13 (Conrad #1) concerning exemptions for recipients providing full-time care to disabled family members, approved by unanimous voice vote.

Amendment #27 (Kyl #1) concerning reimbursement of health care expenditures related to undocumented and legal immigrants, Failed by rollcall vote, 8 ayes, 12 nays.

Ayes: Daschle (proxy), Graham, Jeffords, Bingaman, Kerry (proxy), Torricelli (proxy), Snowe, Kyl.

Nays: Baucus, Rockefeller, Breaux, Conrad, Lincoln, Grassley, Hatch, Murkowski (proxy), Nickles (proxy), Lott (proxy), Thompson (proxy), Thomas (proxy).

Present: Gramm (proxy).

Amendment #17 (Bingaman #3) concerning TANF waivers, accepted without objection.

Amendment #22 (Bingaman #8), concerning State and local reimbursement of health care expenditures related to immigrants, Approved by rollcall vote, 13 ayes, 8 nays.

Ayes: Rockefeller, Daschle (proxy), Breaux, Conrad, Graham, Jeffords, Bingaman, Kerry (proxy), Torricelli (proxy), Lincoln, Murkowski, Snowe, Kyl (proxy).

Nays: Baucus, Grassley, Hatch, Nickles (proxy), Gramm (proxy), Lott (proxy), Thompson (proxy), Thomas (proxy).

Amendment #2 (Baucus #2) concerning abstinence education funding, approved by voice vote.

VII. CHANGES IN EXISTING LAW

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

SOCIAL SECURITY ACT

* * * * *

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

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

* * * * *

ELIGIBLE STATES; STATE PLAN

SEC. 402. (a) IN GENERAL.—As used in this part, the term “eligible State” means, with respect to a fiscal year, a State that during the [27-month] 24-month period ending with the close of the 1st quarter of the fiscal year, has submitted to the Secretary a plan that the Secretary has found includes the following:

(1) OUTLINE OF FAMILY ASSISTANCE PROGRAM.—

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

(i) Conduct a program, designed to serve all political subdivisions in the State (not necessarily in a uniform manner), that provides cash assistance to needy families with (or expecting) children and provides parents with job preparation, work and support services to enable them to leave the program and become self-sufficient.

[(ii) Require a parent or caretaker receiving assistance under the program to engage in work (as defined by the State) once the State determines the parent or

caretaker is ready to engage in work, or once the parent or caretaker has received assistance under the program for 24 months (whether or not consecutive), whichever is earlier, consistent with section 407(e)(2).】

(ii) Require a parent or caretaker receiving assistance under the program to engage in work or work readiness activities designed to move families receiving assistance into self-sufficiency, consistent with section 407(e)(2). Such activities may be determined by the State, and shall include, as appropriate, efforts eliminating barriers to work such as physical or mental disabilities, substance abuse, adult illiteracy, domestic violence, and lack of affordable housing.

(iii) Ensure that parents and caretakers receiving assistance under the program engage in work activities in accordance with section 407 and individual responsibility plans developed pursuant to section 408(b).

(iv) Establish the process for providing recipients with individual responsibility plans consistent with section 408(b), including a description of the screening and assessment procedures the State employs.

(v) Ensure that training and resources are made available to the State agency administering the program so that each family receiving assistance under the program receives the support for which the families are eligible, including training related to civil rights and anti-discrimination laws.

(vi) Ensure the availability of a stable and professional workforce in the administration of the State program funded under this part.

(vii) Ensure equitable access to benefits and services provided under the program for each member of an Indian tribe or tribal organization, who is domiciled in the State and is not eligible for assistance under a tribal family assistance plan approved under section 421.

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

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

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

(B) SPECIAL PROVISIONS.—

【(i) The document shall indicate whether the State intends to treat families moving into the State from

another State differently than other families under the program, and if so, how the State intends to treat such families under the program.】

(i) *With respect to each program that will be funded under this part, or with qualified State expenditures claimed by the State to meet the requirements of section 409(a)(7), over the 24-month period for which the plan is being submitted—*

(I) *the name of the program;*

(II) *the goals of the program;*

(III) *a description of the benefits and services provided in the program;*

(IV) *a description of principal eligibility rules (financial and nonfinancial) and populations served under the program; and*

(V) *if the program provides assistance—*

(aa) *a description of applicable work-related requirements and the State's definition of each work activity in section 407(d);*

(bb) *a description of time limit policies (if applicable), including the length of time allowed, the policies concerning exemptions and extensions, and the policies concerning aid after the time limit; and*

(cc) *a description of sanction policies and procedures (if applicable), including the duration of the sanctions, policies concerning good cause for failure to comply, and procedures to assist families with barriers in complying with requirements.*

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

(iii) The document shall set forth objective criteria for the delivery of benefits and the determination of eligibility and for fair and equitable treatment, including an explanation of how the State will provide opportunities for recipients who have been adversely affected to be heard in a State administrative or appeal process, *and information regarding any complaints received by the State concerning fair and equitable treatment related to civil rights or labor laws and a description of the procedures used by the State to respond to such complaints.*

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

imum hours per week and tasks to be determined by the State.

“(v) In the case of a State that provides sub-State areas with significant policy-making authority, the document shall include a summary of policies for each sub-State area with such authority.”

* * * * *

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

(5) CERTIFICATION THAT THE STATE WILL PROVIDE INDIANS WITH EQUITABLE ACCESS TO ASSISTANCE.—

(A) IN GENERAL.—A certification by the chief executive officer of the State that, during the fiscal year, the State will—

(i) subject to subparagraph (B), consult with Indian tribes located within the State regarding the State plan in an effort to ensure equitable access to benefits or services provided under the plan for any member of such a tribe who is not eligible for assistance under a tribal family assistance plan approved under section 412; and

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

(B) EXCEPTION.—Clause (i) of subparagraph (A) shall not apply to the State of Alaska.

(6) CERTIFICATION OF STANDARDS AND PROCEDURES TO ENSURE AGAINST PROGRAM FRAUD AND ABUSE.—A certification by the chief executive officer of the State that the State has established and is enforcing standards and procedures to ensure against program fraud and abuse, including standards and procedures concerning nepotism, conflicts of interest among individuals responsible for the administration and supervision of the State program, kickbacks, and the sue of political patronage.

(7) OPTIONAL CERTIFICATION OF STANDARDS AND PROCEDURES TO ENSURE THAT THE STATE WILL SCREEN FOR AND IDENTIFY DOMESTIC VIOLENCE.—

(A) IN GENERAL.—At the option of the State, a certification by the chief executive officer of the State that the State has established and is enforcing standards and procedures to—

(i) screen and identify individuals receiving assistance under this part with a history of domestic vio-

lence while maintaining the confidentiality of such individuals;

(ii) refer such individuals to counseling and supportive services; and

(iii) waive, pursuant to a determination of good cause, other program requirements such as time limits (for so long as necessary) for individuals receiving assistance, residency requirements, child support co-operation requirements, and family cap provisions, in cases where compliance with such requirements would make it more difficult for individuals receiving assistance under this part to escape domestic violence or unfairly penalize such individuals who are or have been victimized by such violence, or individuals who are at risk of further domestic violence.

(B) DOMESTIC VIOLENCE DEFINED.—For purposes of this paragraph, the term “domestic violence” has the same meaning as the term “battered or subjected to extreme cruelty”, as defined in section 408(a)(7)(C)(iii).

(8) CERTIFICATION OF PROCEDURES TO ENSURE THAT CHILD CARE PROVIDERS COMPLY WITH APPLICABLE STATE OR LOCAL HEALTH AND SAFETY STANDARDS.—*A certification by the chief executive officer of the State that procedures are in effect to ensure that any child care provider in the State that provides services for which assistance is provided under the State program funded under this part complies with all applicable State or local health and safety requirements as described in section 658E(c)(2)(F) of the Child Care and Development Block Grant Act of 1990 (other than a relative excluded from the definition of “child care provider” in section 98.41(e) of title 45 of the Code of Federal Regulations (as in effect on June 1, 2002)).*

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

(10) CERTIFICATION OF CONSULTATION ON PROVISION OF HOUSING AID.—*In the case of a State that provides housing aid under the State program, a certification by the chief executive officer of the State that State housing agencies and authorities have been consulted in the development of the plan and that such consultations have addressed potential cooperation between agencies administering the State program funded under this part and housing agencies and groups in meeting the housing needs of families receiving assistance under the State program funded under this part and assisting such families in achieving self-sufficiency.*

(11) CERTIFICATION OF EQUAL TREATMENT OF 2-PARENT FAMILIES.—*The chief executive officer of the State shall submit to the Secretary a certification that in conducting the State program funded under this part, the State does not have rules or procedures that discriminate against 2-parent families.*

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

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

(c) **STANDARD FORMAT.**—

(1) **STANDARD STATE PLAN FORMAT.**—*The Secretary shall, after notice and public comment, develop a proposed Standard State Plan Form to be used by States to submit the plan required under this section. Such form shall be finalized by the Secretary for use by the State not later than February 1, 2003.*

(2) **REQUIREMENT FOR COMPLETED PLAN USING STANDARD STATE PLAN FORMAT BY FISCAL YEAR 2004.**—*Notwithstanding any other provision of law, each State shall submit a complete State plan, using the Standard State Plan Form developed under paragraph (1), not later than October 1, 2003.*

(d) **HOUSING DATA.**—

(1) **IN GENERAL.**—*Effective October 1, 2003 (or as soon thereafter as is practicable), the Secretary and the Secretary of Housing and Urban Development jointly shall make available to each State State-level data from the 2000 decennial census concerning the housing problems of families receiving assistance under the State program funded under this part.*

(2) **UPDATE.**—*The Secretary and the the Secretary of Housing and Urban Development biennially shall make available to each State updated data regarding such problems, to the extent such data is available.*

(e) **PUBLIC AVAILABILITY.**—

(1) **NOTICE AND COMMENT.**—*Prior to submitting a State plan or an amendment of such plan based on a change in policy to the Secretary under this section, the State shall—*

(A) *make the proposed State plan or amendment available to the public through an appropriate State maintained Internet website and through other means as the State determines appropriate;*

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

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

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

(f) **NO CAUSE OF ACTION.**—*Nothing in this section shall be construed as establishing a cause of action against a State based solely on a State's failure to submit a State plan or an amendment to such plan in accordance with the requirements of this section or on a State's failure to comply with the contents of the State plan.*

SEC. 403. (a) **GRANTS.**—

(1) **FAMILY ASSISTANCE GRANT.**—

(A) IN GENERAL.—Each eligible State shall be entitled to receive from the Secretary, for each of fiscal year ~~1996, 1997, 1998, 1999, 2000, 2001, and 2002~~ *2003 through 2007*, a grant in an amount equal to the State family assistance grant.

(B) STATE FAMILY ASSISTANCE GRANT DEFINED.—~~As used~~ *Subject to subparagraph (E), as used in this part*, the term “State family assistance grant” means the greatest of—

* * * * *

(E) INCREASE OF GRANT FOR CERTAIN STATES.—

(i) IN GENERAL.—*With respect to a State family assistance grant made for each of fiscal years 2003 through 2007, in the case of a State that meets the criteria described in clause (ii) or (iii) (or both), the amount of the State family assistance grant determined under this paragraph for that State for each such fiscal year shall be increased by the applicable amount described in clause (iv).*

(ii) RECEIPT OF SUPPLEMENTAL GRANT FOR FISCAL YEAR 2002.—*For purposes of clause (i), the criteria described in this clause is that the State received a supplemental grant under paragraph (3) for fiscal year 2002 (as in effect with respect to such fiscal year).*

(iii) STATE PER CAPITA INCOME BELOW THE NATIONAL AVERAGE.—*For purposes of clause (i), the criteria described in this clause is that, with respect to a State, the average State per capita income for calendar years 1998, 1999, and 2000, as published by the Department of Commerce in the May 2002 Survey of Current Business—*

(I) exceeds 80 percent, but does not exceed 90 percent of the average per capita income determined for all States for such calendar years; or

(II) does not exceed 80 percent of the average per capita income determined for all States for such calendar years.

(iv) APPLICABLE AMOUNT.—*For purposes of clause (i), the applicable amount described in this clause is the following:*

(I) STATE WITH A SUPPLEMENTAL GRANT IN FISCAL YEAR 2002.—In the case of a State that meets the criteria described in clause (ii), the amount paid to the State under paragraph (3) for fiscal year 2002 (as in effect with respect to such fiscal year).

(II) STATE WITH PER CAPITA INCOME BELOW NATIONAL AVERAGE.—In the case of a State that meets the criteria described in—

(aa) clause (iii)(I), the amount equal to 5 percent of the State family assistance grant determined for the State for fiscal year 2003 (without regard to this subparagraph, in the case of a State that meets the criteria in clause (ii)); or

(bb) clause (iii)(II), the amount equal to 10 percent of the State family assistance grant determined for the State for fiscal year 2003 (as so determined).

(III) STATE DESCRIBED IN CLAUSES (II) AND (III).—In the case of a State that meets the criteria described in clauses (ii) and (iii), the amount equal to the sum of the amounts determined under subclauses (I) and (II) with respect to the State.

(v) DEFINITION OF STATE.—In this subparagraph, the term “State” means each of the 50 States and the District of Columbia.

[(E)] (F) APPROPRIATION.—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated [for fiscal years 1996, 1997, 1998, 1999, 2000, 2001, and 2002 such sums as are necessary for grants under this paragraph] for State family assistance grants under this paragraph—

- (i) for fiscal year 2003, \$17,044,348,000; and
- (ii) for each of fiscal years 2004 through 2007, \$17,042,348,000.

* * * * *

[(2) BONUS TO REWARD DECREASE IN ILLEGITIMACY RATIO.—

[(A) IN GENERAL.—Each eligible State shall be entitled to receive from the Secretary a grant for each bonus year.

[(B) AMOUNT OF GRANT.—

[(i) IN GENERAL.—If, for a bonus year, none of the eligible States is Guam, the Virgin Islands, or American Samoa, then the amount of the grant shall be—
 [(I) \$20,000,000 if there are 5 eligible States; or
 [(II) \$25,000,000 if there are fewer than 5 eligible States.

[(ii) AMOUNT IF CERTAIN TERRITORIES ARE ELIGIBLE.—If, for a bonus year, Guam, the Virgin Islands, or American Samoa is an eligible State, then the amount of the grant shall be—

[(I) in the case of such a territory, 25 percent of the mandatory ceiling amount (as defined in section 1108(c)(4)) with respect to the territory; and

[(II) in the case of a State that is not such a territory—

[(aa) if there are 5 eligible States other than such territories, \$20,000,000, minus 1/5 of the total amount of the grants payable under this paragraph to such territories for the bonus year; or

[(bb) if there are fewer than 5 such eligible States, \$25,000,000, or such lesser amount as may be necessary to ensure that the total amount of grants payable under this paragraph for the bonus year does not exceed \$100,000,000.]

“(2) HEALTHY MARRIAGE PROMOTION GRANTS.—

“(A) AUTHORITY.—

“(i) *IN GENERAL.*—The Secretary shall award grants to States, Indian tribes, and nonprofit entities for not more than 75 percent of the cost of developing and implementing demonstration projects to promote stronger families, with an emphasis on the promotion of healthy marriages, through the testing and evaluation of a wide variety of approaches to strengthening families.

“(ii) *MATCHING FUNDS.*—A State, Indian tribe, or nonprofit entity awarded a grant under this paragraph shall provide non-Federal contributions toward the costs of programs or activities supported with funds provided under the grant in an amount equal to not less than 25 percent of the Federal funds provided under the grant. Such contributions may be provided in cash or in kind, fairly valued, including plant, equipment, or services.

“(B) *HEALTHY MARRIAGE PROMOTION ACTIVITIES.*—Funds provided under a grant awarded under this paragraph shall be used to support any of the following programs or activities:

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

“(ii) *Voluntary marriage education and marriage skills programs for nonmarried pregnant women and nonmarried expectant fathers.*

“(iii) *Voluntary premarital education and marriage skills training for engaged couples and for couples interested in marriage.*

“(iv) *Voluntary marriage enhancement and marriage skills training programs for married couples.*

“(v) *Marriage mentoring programs that use married couples as role models and mentors in at-risk communities.*

“(vi) *Teen pregnancy prevention programs.*

“(vii) *Broad-based income support and supplementation strategies, such as the strategies implemented under the demonstration project authorized under section 22 of the Food Stamp Act of 1977 (7 U.S.C. 2031), that provide increased assistance to low-income working families, such as housing, transportation, and transitional benefits, and that do not exclude families from participation based on the number of parents in the household.*

“(viii) *Development and dissemination of best practices for addressing domestic and sexual violence as a barrier to economic security, including caseworker training, technical assistance, and voluntary services for victims.*

“(C) *SELECTION OF GRANTEES.*—

“(i) *REQUIREMENT.*—The Secretary may not award a grant under this paragraph unless the State, Indian tribe, or nonprofit entity receiving the grant—

“(I) consults with national, State, local, or tribal organizations with demonstrated expertise in working with survivors of domestic violence; and

“(II) agrees to participate in the evaluation conducted under subparagraph (D).

“(ii) PUBLIC COMMENT AND AVAILABILITY.—

“(I) SELECTION CRITERIA.—The Secretary shall promulgate regulations detailing the criteria for awarding grants under this paragraph and shall make such regulations available for a period of public comment.

“(II) FUNDED APPLICATIONS.—The Secretary shall make all grant applications funded under this paragraph available to the public.

“(D) EVALUATION.—

(i) IN GENERAL.—The Director of the National Academy of Sciences shall conduct, directly or through contracts, a rigorous comprehensive evaluation of a representative sample of the programs and activities described in subparagraph (B) and carried out with funds provided under a grant made under this paragraph. The Director shall seek public input on both the methods and measures to be used in the evaluation.

(ii) REQUIRED INFORMATION.—The evaluation conducted under this subparagraph shall, with respect to each program and activity described in subparagraph (B), include measures of family structure, levels of family conflict and violence, and child well-being (including measures of health status, educational performance, food security, and family income).

(iii) FUNDING.—\$5,000,000 of the amount appropriated under subparagraph (F) for each fiscal year shall be reserved for carrying out the evaluation required under this subparagraph.

(E) REPORTS.—

(i) INITIAL REPORT ON GRANTS.—Not later than September 30, 2005, the Secretary shall submit an initial report to Congress describing the programs and activities funded under grants made under this paragraph.

(ii) INITIAL EVALUATION FINDINGS.—Not later than September 30, 2006, the Director of the National Academy of Sciences shall submit a report to Congress describing the initial findings of the evaluation conducted under subparagraph (D).

(iii) FINAL REPORTS.—Not later than September 30, 2008, the Secretary and the Director of the National Academy of Sciences shall each submit final reports on the grants made under this paragraph and the evaluation conducted under subparagraph (D), respectively.

(iv) GAO.—Not later than September 30, 2006, the Comptroller General of the United States shall submit a report to the Chairman and Ranking Member of the Committee on Ways and Means of the House of Representatives and the Chairman and Ranking Member of the Committee on Finance of the Senate describing—

(I) the process the Secretary used to award grants under this paragraph;

(II) the programs and activities supported by such funds; and

(III) the results of such programs and activities.

(F) APPROPRIATION.—Out of any money in the Treasury of the United States not otherwise appropriated, there is appropriated for each of fiscal years 2003 through 2007, \$200,000,000 for grants under this paragraph.

* * * * *

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

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

[(B) AMOUNT OF GRANT.—

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

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

[(C) FORMULA FOR MEASURING STATE PERFORMANCE.—

Not later than 1 year after the date of the enactment of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, the Secretary, in consultation with the National Governors' Association and the American Public Welfare Association, shall develop a formula for measuring State performance in operating the State program funded under this part so as to achieve the goals set forth in section 401(a).

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

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

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

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

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

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

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

[(ii) HIGH PERFORMING STATE.—The term “high performing State” means, with respect to a bonus year, an eligible State whose score assigned pursuant to subparagraph (D)(i) for the fiscal year immediately

preceding the bonus year equals or exceeds the performance threshold prescribed under subparagraph (D)(ii) for such preceding fiscal year.

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

(4) INNOVATIVE BUSINESS LINK PARTNERSHIP GRANTS.—

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

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

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

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

(B) DEFINITION OF ELIGIBLE APPLICANT.—

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

(ii) GRANTS TO PROMOTE BUSINESS LINKAGES.—

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

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

(C) REQUIREMENTS.—

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

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

(II) *ensure that—*

(aa) *all of the funds made available under this paragraph (other than funds reserved for use by the Secretaries under subparagraph*

(J) shall be used for activities described in subparagraph (E);

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

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

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

(D) DETERMINATION OF GRANT AMOUNT.—

(i) IN GENERAL.—Subject to clause (ii), in determining the amount of a grant to be awarded under this paragraph for a project proposed by an eligible applicant, the Secretaries shall provide the eligible applicant with an amount sufficient to ensure that the project has a reasonable opportunity to be successful, taking into account—

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

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

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

(IV) the poverty rate for such area; and

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

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

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

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

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

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

(i) PROMOTE BUSINESS LINKAGES.—

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

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

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

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

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

(IV) *USE OF FUNDS.*—

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

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

(ii) *PROVIDE FOR TRANSITIONAL JOBS PROGRAMS.*—

(I) *IN GENERAL.*—To provide for wage-paying transitional jobs programs which combine time-limited employment in the public or nonprofit private sector that is subsidized with public funds with skill development and activities to remove

barriers to employment, pursuant to an individualized plan (or, in the case of an eligible individual described in subparagraph (F)(i), an individual responsibility plan developed for an individual under section 408(b)). Such programs also shall provide job development and placement assistance to individual participants to help them move from subsidized employment in transitional jobs into unsubsidized employment, as well as retention services after the transition to unsubsidized employment.

(II) *ELIGIBLE PARTICIPANTS.*—The Secretary shall ensure that individuals who participate in transitional jobs programs funded under a grant made under this paragraph shall be individuals who have been unemployed because of limited skills, experience, or other barriers to employment, and who are eligible individuals (as defined in subparagraph (F)), provided that so long as a program is designed to, and principally serves, eligible individuals (as so defined), a limited number of individuals who are unemployed because of limited skills, experience, or other barriers to employment, and who have an income below 100 percent of the Federal poverty line but who do not satisfy the definition of eligible individual (as so defined) may be served in the program to the extent the Secretaries determine that the inclusion of such individuals in the program is appropriate.

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

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

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

(cc) Transitional jobs shall be limited to not less than 6 months and not more than 24

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

(dd) Program operators shall provide case management services and ensure access to appropriate education, training, and other services, including job accommodation, work supports, and supported employment, as appropriate and consistent with an individual plan that is based on the individual's strengths, resources, priorities, concerns, abilities, capabilities, career interests, and informed choice and that is developed with each participant. The goal of each participant's plan shall focus on preparation for unsubsidized jobs in demand in the local economy which offer the potential for advancement and growth. Services shall also include job placement assistance and retention services, which may include coaching and work place supports, for 12 months after entry into unsubsidized placement. Participants shall also receive support services such as subsidized child care and transportation, on the same basis as those services are made available to recipients of assistance under the State program funded under this part who are engaged in work-related activities.

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

entities providing, or arranging for the provision of, such other supports.

(ff) Not more than 20 percent of the placements for a grantee shall be with a private for-profit company, except that such 20 percent limit may be waived by the Secretary for programs in rural areas when the grantee can demonstrate insufficient public and non-profit worksites. When a placement is made at a private for-profit company, the company shall pay 50 percent of program costs (including wages) for each participant, and the company shall agree, in writing, to hire each participant into an unsubsidized position at the completion of the agreed upon subsidized placement, or sooner, provided that the participant's job performance has been satisfactory. Not more than 5 percent of the workforce of a private for-profit company may be composed of transitional jobs participants.

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

(iii) CAPITALIZATION.—To develop capitalization procedures for the delivery of self-sustainable social services.

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

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

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

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

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

(iv) an individual with a disability; or

(v) a noncustodial parent who is unemployed, or is having difficulty in paying child support obligations,

including such a parent who is a former criminal offender.

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

(H) *ASSESSMENTS AND REPORTS BY GRANTEES.*—

(i) *IN GENERAL.*—An eligible applicant that receives a grant under this paragraph shall assess and report on the outcomes of programs funded under the grant, including the identity of each program operator, demographic information about each participant, including education level, literacy level, prior work experience and identified barriers to employment, the nature of education, training, or other services received by the participant, the reason for the participant's leaving the program, and outcomes related to the placement of the participant in an unsubsidized job, including 1-year employment retention, wage at placement, benefits, and earnings progression, as specified by the Secretaries.

(ii) *ASSISTANCE.*—The Secretaries shall—

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

(II) encourage States to provide such assistance.

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

(i) *WORK PARTICIPATION REQUIREMENTS.*—With respect to any month in which a recipient of assistance under a State or tribal program funded under this part who satisfactorily participates in a business linkage or transitional jobs program described in subparagraph (E) that is paid for with funds made available under a grant made under this paragraph, such participation shall be considered to satisfy the work participation requirements of section 407 and be included for purposes of determining monthly participation rates under subsection (b)(1)(B)(i) of that section.

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

(J) *ASSESSMENTS BY THE SECRETARIES.*—

(i) *RESERVATION OF FUNDS.*—Of the amount appropriated under subparagraph (L) for each of fiscal years 2003 and 2004, \$3,000,000 of such amount for each such fiscal year is reserved for use by the Secretaries to prepare an interim and final report summarizing and synthesizing outcomes and lessons learned from the programs funded through grants awarded under this paragraph.

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

(I) *the interim report not later than 4 years after the date of enactment of the Work, Opportunity, and Responsibility for Kids Act of 2002; and*

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

(K) *EVALUATIONS.*—

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

(ii) *REQUIREMENTS.*—*The Secretaries—*

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

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

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

(aa) *Placements in unsubsidized employment.*

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

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

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

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

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

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

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

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

(j) *Average expenditures per participant.*

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

(I) *INTERIM REPORT.—An interim report not later than 4 years after the date of enactment of the Work, Opportunity, and Responsibility for Kids Act of 2002.*

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

(L) *APPROPRIATION.—*

(i) *IN GENERAL.—Out of any money in the Treasury of the United States not otherwise appropriated, there is appropriated for grants under this section, \$200,000,000 for each of fiscal years 2003 through 2007.*

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

* * * * *

(6) *GRANTS TO ASSIST WITH IMPLEMENTATION OF UNIVERSAL ENGAGEMENT REQUIREMENTS.—*

(A) *IN GENERAL.—Each eligible State shall be entitled to receive from the Secretary, for each of fiscal years 2003 through 2006, a grant under this paragraph to carry out any or all of the following activities:*

(i) *To provide training for supervisory and non-supervisory staff of the State or local agency with responsibility for the administration of the State program funded under this part, including (but not limited to) training that is designed to improve the ability of such staff to identify barriers to employment and indicators of child well-being, and to improve the understanding of such staff of program requirements and services funded under this part and of nondiscrimination and employment laws for families receiving assistance under the State program.*

(ii) *To improve the communication of information concerning program requirements to recipients of, and applicants for, assistance, including services related to communicating such information to families with a primary language other than English.*

(iii) *To improve the quality of the agency workforce.*

(iv) *To improve the coordination of support programs for low-income families.*

(v) *To conduct outreach to promote the enrollment of eligible families in such programs.*

(vi) *To establish advisory review panels to advise States with respect to improving the State's policies and procedures for assisting individuals under the State program funded under this part who have barriers to work in accordance with the requirements of subparagraph (C).*

(B) *AMOUNT OF GRANT.*—Of the amount appropriated under subparagraph (E) for a fiscal year, the Secretary shall pay each State an amount equal to the same proportion of such amount as the proportion of the number of families receiving assistance under the State program funded under this part to all such families for all States.

(C) *REQUIREMENTS FOR ADVISORY REVIEW PANELS.*—A State that uses funds provided under a grant made under this paragraph to establish an advisory review panel shall establish such panels consistent with the following:

(i) *MEMBERSHIP.*—

(I) *IN GENERAL.*—The advisory review panel shall consist of the following:

(aa) At least 1 member shall be a representative of the State or local agency responsible for administering the State program funded under this part.

(bb) At least 1 member shall be an employer.

(cc) At least 1 member shall be a representative of other State or local agencies with expertise in providing services to individuals with disabilities or other barriers to work, such as vocational rehabilitation agencies, the State workforce investment board established under section 111 of the Workforce Investment Act of 1998 (29 U.S.C. 2821), or mental health agencies.

(dd) At least 1 member shall be a parent with a barrier to work who is receiving, or who has ceased receiving, cash assistance or support services under the State program funded under this part.

(ee) At least 1 member shall be an individual or representative of an entity with expertise in designing and implementing policies and programs to successfully serve individuals with barriers to work.

(ff) At least 1 member shall be a representative of an organization that represent recipients of assistance under the State program funded under this part or individuals with barriers to employment.

(gg) At least 1 member shall be a representative of non-supervisory employees of the State or local agency with responsibility for the administration of the State program funded under this part.

(II) *CHAIR.*—

(aa) *IN GENERAL.*—Subject to item (bb), the chair of the advisory review panel shall be appointed by the chief executive officer of the State.

(bb) *LIMITATION.*—The chair shall not be a State employee.

(III) *COORDINATION WITH EXISTING PANELS.*—A State shall coordinate the establishment of an advisory review panel with other advisory panels established as of October 1, 2002, that serve recipients of assistance under the State program funded under this part.

(ii) *DUTIES AND USE OF FUNDS.*—

(I) *IN GENERAL.*—In seeking to improve a State's policies and procedures for assisting individuals with barriers to work, an advisory review panel established with funds paid under a grant made under this paragraph may hold meetings, hire support staff, and enter into contracts for independent evaluations.

(II) *SITE VISITS; PUBLIC HEARINGS.*—To the extent it determines appropriate, an advisory review panel established under this paragraph may—

(aa) conduct site visits to State or local agencies responsible for administering the State program funded under this part; and

(bb) hold public hearings.

(III) *EXPENSES.*—At the option of the State, an advisory review panel established under this paragraph may reimburse a panel member who is a recipient, or a former recipient, of assistance under the State program funded under this part for reasonable travel expenses associated with the member's participation on the panel.

(IV) *RULE OF CONSTRUCTION.*—

(aa) *IN GENERAL.*—Nothing in this paragraph shall be construed as authorizing an advisory review panel established under this paragraph to resolve complaints filed by individuals or entities related to possible violations of laws protecting civil rights, to review specific individual's claims against the State agency responsible for administering the State program funded under this part, or to become involved in advising the State as to the specific provisions that should be included in a specific individual's individual responsibility plan under section 408(b).

(bb) *RECIPIENT PARTICIPATION.*—Nothing in item (aa) shall prevent an individual who is a recipient, or a former recipient of assistance under the State program funded under this part from providing the advisory review panel with information that could help inform the panel's deliberations regarding improvements that may be needed in the State's policies and procedures to better meet the needs of individuals and families with barriers to employment.

(iii) *REPORTS.*—An advisory review panel established under this paragraph shall submit to the Secretary at

least 1 report that identifies areas in the State where improvement is needed with respect to the State's policies and procedures for assisting individuals under the State program funded under this part who have barriers to work.

(D) *INAPPLICABILITY OF SECTION 404.*—A grant made under this paragraph shall not be considered a grant made under this section for purposes of section 404.

(E) *APPROPRIATIONS.*—Out of any money in the Treasury of the United States not otherwise appropriated, there is appropriated to carry out this paragraph, \$120,000,000 for the period of fiscal years 2003 through 2006.

(7) *GRANTS TO PROMOTE SECOND CHANCE HOMES.*—

(A) *AUTHORITY TO AWARD GRANTS.*—

(i) *IN GENERAL.*—The Secretary may award grants to eligible entities to enable such eligible entities to carry out the activities described in subparagraph (D).

(ii) *PROCESS.*—The Secretary shall award grants under this paragraph on a competitive basis, after reviewing all applications submitted under subparagraph (C).

(B) *ELIGIBLE ENTITIES.*—

(i) *IN GENERAL.*—To be eligible to receive a grant under this paragraph, an entity shall be—

(I) a State;

(II) a unit of local government;

(III) an Indian tribe; or

(IV) a public or private nonprofit agency, organization, or institution, or other nonprofit entity, including a nonprofit urban Indian organization or an Indian group or community that is not an Indian tribe.

(ii) *DEFINITION OF STATE.*—In this paragraph, the term “State” means each of the 50 States, the District of Columbia, the Commonwealth of Puerto Rico, Guam, American Samoa, the United States Virgin Islands, and the Commonwealth of the Northern Mariana Islands.

(C) *APPLICATION.*—

(i) *IN GENERAL.*—An eligible entity that desires a grant under this paragraph shall submit an application to the Secretary at such time, in such manner, and containing such information as the Secretary shall reasonably require.

(ii) *PRIORITY.*—In awarding grants under this paragraph, the Secretary shall give priority to an eligible entity that submits an application—

(I) proposing to establish a new second chance home, especially in a rural area or tribal community;

(II) proposing to collaborate with a nonprofit entity in establishing, expanding, or enhancing a second chance home; or

(III) demonstrating that the eligible entity will use funds provided under a grant made under this

section (other than under this paragraph) to support a portion of the operating costs of the applicable second chance home.

(D) USE OF FUNDS.—

(i) **IN GENERAL.**—An eligible entity that receives a grant under this paragraph shall use such grant funds to establish, expand, or enhance a second chance home.

(ii) **DEFINITION OF SECOND CHANCE HOME.**—In this paragraph, the term “second chance home” means a community-based, adult-supervised group home that provides young mothers and their children with a supportive and supervised living arrangement in which such mothers are required to learn parenting skills, including child development, family budgeting, health and nutrition, and other skills to promote their long-term economic independence and the well-being of their children.

(iii) **REQUIREMENT.**—A second chance home that receives grant funds under this paragraph shall provide services to mothers who are not more than 23 years of age and their children.

(E) MATCHING FUNDS.—The Secretary shall not award a grant to an eligible entity under this paragraph unless the eligible entity agrees that, with respect to the costs to be incurred in carrying out the activities for which the grant was awarded, the eligible entity will make available non-Federal contributions in an amount equal to not less than 20 percent of the Federal funds provided under the grant. Such contributions may be provided in cash or in kind, fairly valued, including plant, equipment, or services.

(F) DURATION.—A grant shall be awarded under this paragraph for a period of 5 years.

(G) CONTRACT FOR EVALUATION.—

(i) **IN GENERAL.**—The Secretary shall enter into a contract with a public or private entity for the evaluation of the second chance homes that are supported by grants awarded under this paragraph.

(ii) **INFORMATION.**—The evaluation shall include the collection of information about the relevant characteristics of individuals who benefit from second chance homes such as those that are supported by grant funds under this paragraph and what services provided by such second chance homes are most beneficial to such individuals.

(iii) **REPORT.—**

(I) IN GENERAL.—The entity conducting the evaluation under this subparagraph shall submit to Congress an interim report and a final report in accordance with subclause (II) containing the results of the evaluation.

(II) DATE.—

(aa) INTERIM REPORT.—The interim report shall be submitted not later than 2 years after the date on which the entity enters into a contract.

(bb) *FINAL REPORT.*—The final report shall be submitted not later than 5 years after the date on which the entity enters into a contract.

(iv) *RESERVATION OF FUNDS.*—From amounts appropriated in accordance with subparagraph (I) for fiscal year 2004, the Secretary shall reserve \$1,000,000 to carry out the evaluation required under this subparagraph.

(H) *TECHNICAL ASSISTANCE.*—

(i) *IN GENERAL.*—From amounts appropriated under subparagraph (I)(i), the Secretary may use an amount not to exceed \$500,000 to enter into a contract, with a public or private entity, for the provision of technical assistance to eligible entities receiving grant funds under this paragraph.

(ii) *CONFERENCES.*—The technical assistance provided under this subparagraph may include conferences for the purpose of disseminating information concerning best practices for second chance homes.

(I) *AUTHORIZATION OF APPROPRIATIONS.*—

(i) *IN GENERAL.*—There is authorized to be appropriated to carry out this paragraph, \$33,000,000 for each of fiscal years 2004 through 2007.

(ii) *AVAILABILITY.*—Any amounts appropriated under the authority of clause (i) shall remain available until expended.

(8) *GRANT TO IMPROVE ACCESS TO TRANSPORTATION.*—

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

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

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

(B) *DEFINITIONS.*—In this paragraph:

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

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

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

(C) *AUTHORITY TO AWARD GRANTS.*—The Secretary may award grants to States, Indian tribes, counties, localities, and nonprofit entities to promote improving access to de-

pendable, affordable automobiles by low-income families with children.

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

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

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

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

(E) *USE OF FUNDS.*—

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

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

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

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

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

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

(J) *AUTHORIZATION OF APPROPRIATIONS.*—There is authorized to be appropriated to the Secretary to make grants under this paragraph, \$15,000,000 for each of fiscal years 2003 through 2007.

(b) *CONTINGENCY FUND.*—

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

【(2) *DEPOSITS INTO FUND.*—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated for fiscal years 1997, 1998, 1999, 2000, and 2001

such sums as are necessary for payment to the Fund in a total amount not to exceed \$2,000,000,000, reduced by the sum of the dollar amounts specified in paragraph (6)(C)(ii). (6)(C)(ii)", effective November 19, 1997.

[(3) GRANTS.—

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

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

[(C) LIMITATIONS.—

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

[(ii) PAYMENTS TO ALL STATES.—The total amount paid to all States under subparagraph (A) during fiscal years 1997 through 2001 shall not exceed the total amount appropriated pursuant to paragraph (2).]

(1) CONTINGENCY FUND GRANTS.—

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

(B) MONTHLY CONTINGENCY FUND GRANT AMOUNT.—*For each eligible month in which a State is a needy State, the State shall receive a contingency fund grant equal to the higher of \$0 and the applicable percentage (as defined in subparagraph (E)(i)) of the product of—*

(i) the applicable benefit level (as defined in subparagraph (E)(ii)); and

(ii) the adjusted increase in the number of families receiving assistance under the State program funded under this part and all programs funded with qualified State expenditures (as defined in subparagraph (E)(iii)).

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

(D) PAYMENTS TO INDIAN TRIBES.—

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

(ii) *DETERMINATION OF CRITERIA FOR TRIBAL ACCESS.*—

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

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

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

(E) *DEFINITIONS.*—In this paragraph:

(i) *APPLICABLE PERCENTAGE.*—The term “applicable percentage” means the higher of—

(I) 60 percent; and

(II) the Federal medical assistance percentage for the State (as defined in section 1905(b)).

(ii) *APPLICABLE BENEFIT LEVEL.*—

(I) *IN GENERAL.*—Subject to subclause (II), the term “applicable benefit level” means the amount equal to the maximum cash assistance grant for a family consisting of 3 individuals under the State program funded under this part.

(II) *RULE FOR STATES WITH MORE THAN 1 MAXIMUM LEVEL.*—In the case of a State that has more than 1 maximum cash assistance grant level for families consisting of 3 individuals, the basic assistance cost shall be the amount equal to the maximum cash assistance grant level applicable to the largest number of families consisting of 3 individuals receiving assistance under the State program funded under this part and all programs funded with qualified State expenditures (as defined in section 409(a)(7)(B)(i)).

(iii) *ADJUSTED INCREASE IN THE NUMBER OF FAMILIES RECEIVING ASSISTANCE UNDER THE STATE PROGRAM FUNDED UNDER THIS PART AND ALL PROGRAMS FUNDED WITH QUALIFIED STATE EXPENDITURES.*—The term “adjusted increase in the number of families receiving assistance under the State program funded under this part and all programs funded with qualified State expenditures” means the increase in—

(I) the unduplicated number of families receiving assistance under the State program funded under this part and all programs funded with qualified State expenditures (as defined in section 409(a)(7)(B)(i)) in the most recent month for which data from the State are available; as compared to

(II) the product of—

(aa) the lower of the average monthly number of families receiving such assistance in either of the 2 completed fiscal years immediately preceding the fiscal year in which the State initially qualifies as a needy State; and
(bb) 1.04.

(F) APPROPRIATION.—Out of any money in the Treasury of the United States not otherwise appropriated, there is appropriated for the period of fiscal years 2003 through 2007, such sums as are necessary for making contingency fund grants under this subsection in a total amount not to exceed \$2,000,000,000.

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

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

(A) IN GENERAL.—For purposes of paragraph (1), a State will be initially determined to be a needy State for a month if the State satisfies any of the following:

(i) The—

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

(II) average insured unemployment rate for the most recent 3 months for which data are available has increased by 1 percentage point over the corresponding 3-month period in either of the 2 most recent preceding fiscal years.

(ii) As determined by the Secretary of Agriculture, the monthly average number of households (as of the last day of each month) that participated in the food stamp program in the State in the then most recently concluded 3-month period for which data are available exceeds by at least 10 percent the monthly average number of households (as of the last day of each month) in the State that participated in the food stamp program in the corresponding 3-month period in either of the 2 most recent preceding fiscal years, but only if the Secretary of Agriculture makes a determination that the State’s increased caseload was due, in large measure, to economic conditions rather than changes in Federal or State policies related to the food stamp program.

(iii) As determined by the Secretary, the monthly average of the unduplicated number of families that received assistance under the State program funded under this part and all programs funded with qualified State expenditures (as defined in section

409(a)(7)(B)(i) in the most recently concluded 3-month period for which data are available from the State increased by at least 10 percent over the number of such families that received such benefits in the corresponding 3-month period in either of the 2 most recent preceding fiscal years, but only if the Secretary makes a determination that the State's increased caseload was due, in large measure, to economic conditions rather than State policy changes.

(B) DURATION.—

(i) IN GENERAL.—A State that qualifies as a needy State—

(I) under subparagraph (A)(i), shall be considered a needy State until either the State's (seasonally adjusted) total unemployment rate or (seasonally adjusted) insured unemployment rate, whichever rate was used to meet the definition as a needy State under that subparagraph for the most recently concluded 3-month period for which data are available, falls below the level attained in the 3-month period that was used to first determine that the State qualified as a needy State under that subparagraph;

(II) under subparagraph (A)(ii), shall be considered a needy State until the average monthly number of households participating in the food stamp program for the most recently concluded 3-month period for which data are available nationally falls below the food stamp base period level; and

(III) under subparagraph (A)(iii), shall be considered a needy State until the unduplicated number of families receiving assistance under the State program funded under this part and all programs funded with qualified State expenditures (as defined in section 409(a)(7)(B)(i)) for the most recently concluded 3-month period for which data are available falls below the TANF base period level.

(ii) SEASONAL VARIATIONS.—

(I) IN GENERAL.—Subject to subclause (II), notwithstanding subclauses (II) and (III) of clause (i), a State shall be considered a needy State—

(aa) under subparagraph (A)(ii), if with respect to the State, the monthly average number of households participating in the food stamp program for the most recent 3-month period for which data are available nationally falls below the food stamp base period level and the Secretary determines that this is due to expected seasonal variations in food stamp receipt in the State; and

(bb) under subparagraph (A)(iii), if, with respect to a State, the monthly average of the number of unduplicated families receiving assistance under the State program funded

under this part and all programs funded with qualified State expenditures (as defined in section 409(a)(7)(B)(i)) for the most recently concluded 3-month period for which data are available nationally falls below the TANF base period level and the Secretary determines that this is due to expected seasonal variations in assistance receipt in the State.

(II) *LIMITATIONS.—A State shall not be considered a needy State pursuant to—*

(aa) item (aa) of subclause (I), unless the Secretary of Agriculture determines that the number of households receiving food stamps remained at elevated levels largely due to economic factors; and

(bb) item (bb) of subclause (II), unless the Secretary determines that the unduplicated number of families receiving assistance under the State program funded under this part and all programs funded with qualified State expenditures (as defined in section 409(a)(7)(B)(i)) remained at elevated levels largely due to economic factors.

(iii) FOOD STAMP BASE PERIOD LEVEL.—In this subparagraph, the term “food stamp base period level” means the monthly average number of households participating in the food stamp program that corresponds to the most recent 3-month period for which data are available at the time when the State first was determined to be a needy State under this paragraph.

(iv) TANF BASE PERIOD LEVEL.—In this subparagraph, the term “TANF base period level” means the monthly average of the unduplicated number of families receiving assistance under the State program funded under this part and all programs funded with qualified State expenditures (as defined in section 409(a)(7)(B)(i)) that corresponds to the most recent 3 months for which data are available at the time when the State first was determined to be a needy State under this paragraph.

(4) *EXCEPTIONS.—*

(A) UNEXPENDED BALANCES.—

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

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

(I) the total amount of grants made to the State (regardless of the fiscal year in which such funds

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

(II) the total amount of grants made to the State under subsection (a) (other than welfare-to-work grants made under paragraph (5) of that subsection prior to fiscal year 2000) but not yet expended as of the end of such preceding fiscal year, plus the difference between—

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

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

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

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

[(A) the average rate of—

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

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

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

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

[(ii) the monthly average number of individuals (as of the last day of each month) in the State that would have participated in the food stamp program in the corresponding 3-month period in fiscal year 1995 if the amendments made by titles IV and VIII of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 had been in effect throughout fiscal year 1995.

[(6) ANNUAL RECONCILIATION.—

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

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

[(ii) the product of—

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

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

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

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

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

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

[(II) historic State expenditures (as defined in section 409(a)(7)(B)(iii)), excluding any amount expended by the State for child care under subsection (g) or (i) of section 402 (as in effect during fiscal year 1994) for fiscal year 1995.

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

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

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

[(C) ADJUSTMENT OF STATE REMITTANCES.—

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

* * * * *

USE OF GRANTS

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

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

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

(3) *to fund payment of an amount pursuant to clause (i) or (ii) of section 457(a)(2)(B), but only to the extent that the State properly elects under section 457(a)(6) to use the grant to fund the payment.*

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

(1) LIMITATION.—A State to which a grant is made under section 403 shall not expend more than 15 percent of the grant (*determined without regard to any amounts transferred under subsection (d)*) for administrative purposes.

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

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

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

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

(A) Title XX of this Act.

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

(C) *An access to jobs project or a reverse commute project under a grant made under section 3037 of the Transportation Equity Act for the 21st Century (49 U.S.C. 5309 note).*

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

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

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

(2) *Limitation on amount transferable to title xx programs.—A State may use not more than 10 percent of the amount of any grant made to the State under section 403(a) for a fiscal year to carry out State programs pursuant to title XX.*

(3) APPLICABLE RULES.—

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

(B) EXCEPTION RELATING TO TITLE XX PROGRAMS.—All amounts paid to a State under this part that are used to

carry out State programs pursuant to title XX shall be used only for programs and services to children or their families whose income is less than 200 percent of the income official poverty line (as defined by the Office of Management and Budget, and revised annually in accordance with section 673(2) of the Omnibus Budget Reconciliation Act of 1981) applicable to a family of the size involved.

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

(e) *AUTHORITY TO CARRY OVER CERTAIN AMOUNTS FOR BENEFITS OR SERVICES OR FOR FUTURE CONTINGENCIES.*—A State or tribe may use a grant made to the State or tribe under this part for any fiscal year to provide, without fiscal year limitation, any benefit or service that may be provided under the State or tribal program funded under this part.

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

(g) **IMPLEMENTATION OF ELECTRONIC BENEFIT TRANSFER SYSTEM.**—A State to which a grant is made under section 403 is encouraged to implement an electronic benefit transfer system for providing assistance under the State program funded under this part, and may use the grant for such purpose.

(h) **USE OF FUNDS FOR INDIVIDUAL DEVELOPMENT ACCOUNTS.**—

(1) **IN GENERAL.**—A State to which a grant is made under section 403 may use the grant to carry out a program to fund individual development accounts (as defined in paragraph (2)) established by individuals eligible for assistance under the State program funded under this part.

(2) **INDIVIDUAL DEVELOPMENTAL ACCOUNTS.**—

(A) **ESTABLISHMENT.**—Under a State program carried out under paragraph (1), an individual development account may be established by or on behalf of an individual eligible for assistance under the State program operated under this part for the purpose of enabling the individual to accumulate funds for a qualified purpose described in subparagraph (B).

(B) **QUALIFIED PURPOSE.**—A qualified purpose described in this subparagraph is 1 or more of the following, as provided by the qualified entity providing assistance to the individual under this subsection:

(i) **POSTSECONDARY EDUCATIONAL EXPENSES.**—Postsecondary educational expenses paid from an individual development account directly to an eligible educational institution.

(ii) **FIRST HOME PURCHASE.**—Qualified acquisition costs with respect to a qualified principal residence for a qualified first-time homebuyer, if paid from an indi-

vidual development account directly to the persons to whom the amounts are due.

(iii) BUSINESS CAPITALIZATION.—Amounts paid from an individual development account directly to a business capitalization account which is established in a federally insured financial institution and is restricted to use solely for qualified business capitalization expenses.

(vi) AUTOMOBILE PURCHASE OR MAINTENANCE.—At the option of the State, costs with respect to the purchase or maintenance of an automobile.

(C) CONTRIBUTIONS TO BE FROM EARNED INCOME.—An individual may only contribute to an individual development account such amounts as are derived from earned income, as defined in section 911(d)(2) of the Internal Revenue Code of 1986.

(D) WITHDRAWAL OF FUNDS.—The Secretary shall establish such regulations as may be necessary to ensure that funds held in an individual development account are not withdrawn except for 1 or more of the qualified purposes described in subparagraph (B).

(3) REQUIREMENTS.—

(A) IN GENERAL.—An individual development account established under this subsection shall be [a trust created or organized in the United States and] funded through periodic contributions by the establishing individual and matched by or through a qualified entity for a qualified purpose (as described in paragraphs (2)(B)).

* * * * *

(l) AUTHORITY TO ESTABLISH POSTSECONDARY EDUCATION PROGRAM.—

(1) IN GENERAL.—Subject to paragraph (2), a State to which a grant is made under section 403 may use the grant to establish a program under which an eligible participant (as defined in paragraph (3)) may be provided assistance and other benefits as determined by the State, including support services described in paragraph (5).

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

(3) DEFINITION OF ELIGIBLE PARTICIPANT.—

(A) IN GENERAL.—In this subsection, the term “eligible participant” means an individual eligible for assistance, benefits, or services under the State program funded under this part and satisfies the following requirements:

(i) The individual is enrolled in a postsecondary 2- or 4-year degree program.

(ii) Enrollment in the postsecondary program is a requirement of the individual’s individual responsibility plan under section 408(b).

(iii) During the first 24 months that the individual participates in the postsecondary program, the individual engages in a combination of educational activities in connection with a course of study, training,

study time, employment, or work experience for an average of not less than 24 hours (20 hours, in the case of an individual described in section 407(c)(2)(B)) per week.

(iv) After the first 24 months of the individual's participation in the postsecondary program, the individual—

(I) works not less than an average of 15 hours per week (in addition to school and study time, and with priority for hours engaged in work related to the individual's course of study); or

(II) engages in a combination of educational activities in connection with a course of study, training, study time, employment, or work experience for an average of not less than 30 hours (20 hours, in the case of an individual described in section 407(c)(2)(B)) per week.

(v) During the period the individual participates in the postsecondary program, the individual maintains satisfactory academic progress, as defined by the institution operating the undergraduate postsecondary program in which the individual is enrolled.

(B) DETERMINATION OF HOURS.—For purposes of determining hours per week under clause (ii) or (iii) of subparagraph (A), a State may not count study time of less than 1 hour for every hour of class time or more than 2 hours for every hour of class time.

(4) REQUIRED TIME PERIODS FOR COMPLETION OF DEGREE.—

(A) IN GENERAL.—Subject to subparagraph (B), an individual participating in a program established under this subsection shall be required to complete the requirements of a degree program within the normal timeframe for full time students seeking the particular degree.

(B) EXCEPTION.—For good cause, the State may allow an individual to complete their degree requirements within a period not to exceed 1½ times the normal timeframe established under subparagraph (A) (unless further modification is required by the Americans with Disabilities Act of 1990 (42 U.S.C. 12101 et seq.), or section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794)) and may modify the requirements applicable to an individual participating in the program. For purposes of the preceding sentence, good cause includes the case of an individual with 1 or more significant barriers to normal participation, as determined by the State, such as the need to care for a family member with special needs.

(5) SUPPORT SERVICES DESCRIBED.—For purposes of paragraph (1), the support services described in this paragraph include any or all of the following during the period the eligible participant is in the program established under this subsection:

(A) Child care.

(B) Transportation services.

(C) Payment for books and supplies.

(D) *Other services provided under policies determined by the State to ensure coordination and lack of duplication with other programs available to provide support services.*

(m) *USE OF FUNDS FOR SUPPLEMENTAL HOUSING BENEFITS.—*

(1) *IN GENERAL.—A State to which a grant is made under section 403 may use the grant to provide supplemental housing benefits (as defined in paragraph (4)) in order to carry out the purposes specified in section 401(a).*

(2) *NOT CONSIDERED ASSISTANCE.—Supplemental housing benefits (as so defined) shall not for any purpose, be considered assistance under the State program funded under this part.*

(3) *LIMITATION ON USE OF FUNDS.—A State may not use any part of the funds made available under a grant made under section 403 to supplant existing State expenditures on housing-related programs. Notwithstanding the preceding sentence, a State may use such funds to supplement such State expenditures.*

(4) *DEFINITION OF SUPPLEMENTAL HOUSING BENEFITS.—In this subsection, the term “supplemental housing benefits” means payments made to, or on behalf of, an individual with significant annual earnings (as defined by the State) to reduce or reimburse the costs incurred by the individual for housing accommodations.*

(n) *STATE AUTHORITY TO DEFINE MINOR HOUSING REHABILITATION COSTS.—A State to which a grant is made under section 403 may use the grant to provide grants, loans, or to otherwise pay the costs of minor rehabilitation of housing owned or rented by individuals eligible for assistance under the State program funded under this part, consistent with a definition of minor housing rehabilitation adopted by the State and incorporated into the State plan required under section 402(a).*

ADMINISTRATIVE PROVISIONS

SEC. 405. (a) *QUARTERLY.—The Secretary shall pay each grant payable to a State under [section 403] sections 403 and 412(a)(2)(C) in quarterly installments, subject to this section.*

* * * * *

[FEDERAL LOANS FOR STATE WELFARE PROGRAMS

[SEC. 406. (a) *LOAN AUTHORITY.—*

[(1) *IN GENERAL.—The Secretary shall make loans to any loan-eligible State, for a period to maturity of not more than 3 years.*

[(2) *LOAN-ELIGIBLE STATE.—As used in paragraph (1), the term “loan-eligible State” means a State against which a penalty has not been imposed under section 409(a)(1).*

[(b) *RATE OF INTEREST.—The Secretary shall charge and collect interest on any loan made under this Section at a rate equal to the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the period to maturity of the loan.*

[(c) *USE OF LOAN.—A State shall use a loan made to the State under this section only for any purpose for which grant amounts*

received by the State under section 403(a) may be used, including—

- [(1) welfare anti-fraud activities, and
- [(2) the provision of assistance under the State program to Indian families that have moved from the service area of an Indian tribe with a tribal family assistance plan approved under section 412.

[(d) LIMITATION ON TOTAL AMOUNT OF LOANS TO A STATE.—The cumulative dollar amount of all loans made to a State under this section during fiscal years 1997 through 2002 shall not exceed 10 percent of the State family assistance grant.

[(e) LIMITATION ON TOTAL AMOUNT OF OUTSTANDING LOANS.—The total dollar amount of loans outstanding under this section may not exceed \$1,700,000,000.

[(f) APPROPRIATION.—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated such sums as may be necessary for the cost of loans under this section.]

MANDATORY WORK REQUIREMENTS

SEC. 407. (a) PARTICIPATION RATE REQUIREMENTS.—

(1) [ALL FAMILIES] *IN GENERAL*.—A State to which a grant is made under section 403 for a fiscal year shall achieve the minimum participation rate specified in the following table for the fiscal year with respect to all families receiving assistance under the State program funded under this part (*including, at the option of the State, a family that includes an adult who is receiving substantial child care or transportation assistance (as defined by the Secretary, in consultation with directors of State programs funded under this part, which definition shall specify for each type of assistance a threshold which is a dollar value or a length of time over which the assistance is received, and take into account large one-time transition payments) except any family taken into account under paragraph (2)(B)(i)(I)*):

If the fiscal year is:	The minimum participation rate is:
1997	25
1998	30
1999	35
2000	40
2001	45
2002 [or thereafter] or 2003	50[.]
2004	55
2005	60
2006	65
2007 or thereafter	70.

[(2) 2-PARENT FAMILIES.—A State to which a grant is made under section 403 for a fiscal year shall achieve the minimum participation rate specified in the following table for the fiscal year with respect to 2-parent families receiving assistance under the State program funded under this part:

If the fiscal year is:	The minimum participation rate is:
[1997	75
[1998	75
[1999 or thereafter	90.]

(2) *EMPLOYMENT CREDIT*.—

(A) *IN GENERAL.*—In consultation with the States, and subject to subparagraph (C), the Secretary shall prescribe regulations for reducing the minimum participation rate otherwise applicable to a State under this subsection for a fiscal year by the number of percentage points in the employment credit for the State for the fiscal year, as determined by the Secretary—

(i) using information in the National Directory of New Hires; and

(ii) with respect to a recipient of assistance under the State program funded under this part who is placed with an employer whose hiring information is not reported to the National Directory of New Hires, using quarterly wage information submitted by the State to the Secretary not later than such date as the Secretary shall prescribe in regulations.

(B) *CALCULATION OF CREDIT.*—

(i) *IN GENERAL.*—The employment credit for a State for a fiscal year is an amount equal to—

(I)(aa) twice the unduplicated number of families that include an adult recipient of assistance under the State program funded under this part, that ceased to receive such assistance for at least a 2-month period during the applicable period (as defined in clause (iii)), that did not receive assistance under a separate State-funded program during such 2-month period, that were employed during the calendar quarter immediately succeeding the quarter in which the assistance under the State program funded under this part ceased, and that are not otherwise included in the determination of a credit against the minimum participation rate otherwise applicable to a State under this subsection for a fiscal year, plus;

(bb) at State option, the number of families that received a nonrecurring short-term benefit under the State program funded under this part during the applicable period (as so defined), that were employed during the calendar quarter immediately succeeding the quarter in which the nonrecurring short-term benefit was so received, and that earned at least \$1000 during the applicable period (as so defined); divided by

(II) the average monthly number of families that include an adult who received assistance under the State program funded under this part during the applicable period (as so defined), plus, if the State elected the option under subclause (I)(bb), the number of families that received a nonrecurring short-term benefit under the State program funded under this part during the applicable period (as so defined).

(ii) *SPECIAL RULE FOR FORMER RECIPIENTS WITH HIGHER EARNINGS.*—In calculating the employment credit for a State for a fiscal year, a family that, with

respect to the quarter in which the family's earnings was examined during the preceding fiscal year, earned at least 33 percent of the average quarterly earnings in the State (determined on the basis of State unemployment data) shall be considered to be 1.5 families.

(iii) *DEFINITION OF APPLICABLE PERIOD.*—For purposes of this subparagraph, the term “applicable period” means the most recent 4 quarters for which data are available to the Secretary providing information on the work status of—

(I) individuals in the quarter after the individuals ceased receiving assistance under the State program funded under this part; and

(II) at State option, individuals in the quarter after the individuals received a short-term, non recurring benefit.

(C) *LIMITATION.*—

(i) *IN GENERAL.*—Except with respect to a State described in clause (ii), the minimum participation rate applicable to families receiving assistance under the State program funded under this part shall not have the effect of being reduced through the application of the employment credit determined under subparagraph (B)(i)(I)(aa) or the inclusion, at State option, of individuals who receive substantial child care or transportation assistance in the determination of the minimum participation rate under paragraph (1), below—

(I) 20 percent, in the case of fiscal year 2004;

(II) 30 percent, in the case of fiscal year 2005;

(III) 40 percent, in the case of fiscal year 2006;

or

(IV) 50 percent, in the case of fiscal year 2007.

(ii) *STATE DESCRIBED.*—Clause (i) shall not apply to a State that meets at least 2 of the criteria for being considered a needy State under section 403(b)(3)(A).

(D) *QUARTERLY REPORTS.*—Not later than 6 months after the end of a fiscal year quarter, the Secretary shall issue a report to Congress and each State for the preceding quarter that includes information regarding the performance of each State on the factors used to determine the employment credit for a State under this paragraph during that quarter, including any option selected by the State.

(b) *CALCULATION OF PARTICIPATION RATES.*—

(1) *ALL FAMILIES.*—

(A) *AVERAGE MONTHLY RATE.*—For purposes of subsection (a)(1), the participation rate for all families of a State for a fiscal year is the average of the participation rates for all families of the State for each month in the fiscal year.

(B) *MONTHLY PARTICIPATION RATES.*—The participation rate of a State for all families of the State for a month, expressed as a percentage, is—

(i) the number of families receiving assistance under the State program funded under this part that include

an adult or a minor head of household who is engaged in work for the month; divided by

(ii) the amount by which—

(I) the number of families receiving such assistance during the month that include an adult or a minor child head of household receiving such assistance *who has not become eligible for supplemental security income benefits under title XVI during the fiscal year*; exceeds

(II) the number of families receiving such assistance that are subject in such month to a penalty described in subsection (e)(1) but have not been subject to such penalty for more than 3 months within the preceding 12-month period (whether or not consecutive), *and that do not include an adult or minor child head of household who has become eligible for supplemental security income benefits under title XVI during the fiscal year.*

[(2) 2-PARENT FAMILIES.—

[(A) AVERAGE MONTHLY RATE.—For purposes of subsection (a)(2), the participation rate for 2-parent families of a State for a fiscal year is the average of the participation rates for 2-parent families of the State for each month in the fiscal year.

[(B) MONTHLY PARTICIPATION RATES.—The participation rate of a State for 2-parent families of the State for a month shall be calculated by use of the formula set forth in paragraph (1)(B), except that in the formula the term “number of 2-parent families” shall be substituted for the term “number of families” each place such latter term appears.

[(C) FAMILY WITH A DISABLED PARENT NOT TREATED AS A 2-PARENT FAMILY.—A family that includes a disabled parent shall not be considered a 2-parent family for purposes of subsections (a) and (b) of this section.

[(3) PRO RATA REDUCTION OF PARTICIPATION RATE DUE TO CASELOAD REDUCTIONS NOT REQUIRED BY FEDERAL LAW AND NOT RESULTING FROM CHANGES IN STATE ELIGIBILITY CRITERIA.—

[(A) IN GENERAL.—The Secretary shall prescribe regulations for reducing the minimum participation rate otherwise required by this section for a fiscal year by the number of percentage points equal to the number of percentage points (if any) by which—

[(i) the average monthly number of families receiving assistance during the immediately preceding fiscal year under the State program funded under this part is less than

[(ii) the average monthly number of families that received aid under the State plan approved under part A (as in effect on September 30, 1995) during fiscal year 1995.

[(The minimum participation rate shall not be reduced to the extent that the Secretary determines that the reduc-

tion in the number of families receiving such assistance is required by Federal law.

[(B) ELIGIBILITY CHANGES NOT COUNTED.—The regulations required by subparagraph (A) shall not take into account families that are diverted from a State program funded under this part as a result of differences in eligibility criteria under a State program funded under this part and eligibility criteria under the State program operated under the State plan approved under part (A) (as such plan and such part were in effect on September 30, 1995). Such regulations shall place the burden on the Secretary to prove that such families were diverted as a direct result of differences in such eligibility criteria.]

[(4)] (2) STATE OPTION TO INCLUDE INDIVIDUALS RECEIVING ASSISTANCE UNDER A TRIBAL FAMILY ASSISTANCE PLAN OR TRIBAL WORK PROGRAM.—For purposes of **[paragraph (1)(B) and (2)(B)]** *paragraph (1)(B)*, a State may, at its option, include families in the State that are receiving assistance under a tribal family assistance plan approved under section 412 or under a tribal work program to which funds are provided under this part.

[(5)] (3) STATE OPTION FOR PARTICIPATION REQUIREMENT EXEMPTIONS.—For any fiscal year, a State may, at its option, not require an individual who is single custodial parent caring for a child who has not attained 12 months of age to engage in work, and may disregard such an individual in determining the participation **[rates]** *rate* under subsection (a) for not more than 12 months.

(c) **ENGAGED IN WORK.—**

(1) **[GENERAL RULES.—**

[(A) ALL FAMILIES.—For purposes] *GENERAL RULE.—*For purposes of subsection (b)(1)(B)(i), a recipient is engaged in work for a month in a fiscal year if the recipient is participating in work activities for at least the minimum average number of hours per week specified in the following table during the month, not fewer than **[20 hours]** *24 hours* per week of which are attributable to an activity described in paragraph (1), (2), (3), (4), (5), (6), (7), (8), **[or (12)]** *(12), or (13)(A)* of subsection (d), subject to this subsection:

If the month is in fiscal year:	The minimum average number of hours per week is:
1997	20
1998	20
1999	25
2000 or thereafter	30.

[(B) 2-PARENT FAMILIES.—For purposes of subsection (b)(2)(B), an individual is engaged in work for a month in a fiscal year if—

[(i) the individual and the other parent in the family are participating in work activities for a total of at least 35 hours per week during the month, not fewer than 30 hours per week of which are attributable to an activity described in paragraph (1), (2), (3), (4), (5), (6), (7), (8), or (12) of subsection (d), subject to this subsection; and]

For purposes of subsection (b)(1)(B)(i), a family that does not include a recipient who is participating in work activities for an average of 30 hours per week during a month but includes a recipient who is participating in activities described in paragraph (1), (2), (3), (4), (5), (6), (7), (8), (12), or 13(A) of subsection (d) during the month for an average of at least 50 percent of the minimum average number of hours per week specified for the month in the table set forth in this paragraph shall be counted as a percentage of a family that includes an adult or minor child head of household who is engaged in work for the month, which percentage shall be the number of hours for which the recipient participated in such activities during the month divided by the number of hours of such participation required of the recipient under this section for the month.

(2) LIMITATIONS AND SPECIAL RULES.—

(A) NUMBER OF WEEKS FOR WHICH JOB SEARCH COUNTS AS WORK.—

(i) LIMITATION.—Notwithstanding paragraph (1) of this subsection, an individual shall not be considered to be engaged in work by virtue of participation in an activity described in subsection (d)(6) of a State program funded under this part, after the individual has participated in such an activity for **[6 weeks]** 8 weeks (or, if the unemployment rate of the State is at least 50 percent greater than the unemployment rate of the United States or the State is a needy State within the meaning of section **[403(b)(6)]** 403(b), 12 weeks), or if the participation is for a week that immediately follows 4 consecutive weeks of such participation].

(ii) LIMITED AUTHORITY TO COUNT LESS THAN FULL WEEK OF PARTICIPATION.—For purposes of clause (i) of this subparagraph, on not more than 1 occasion per individual, the State shall consider participation of the individual in an activity described in subsection (d)(6) for 3 or 4 days during a week as a week of participation in the activity by the individual.

(B) SINGLE PARENT OR RELATIVE WITH CHILD UNDER AGE 6 DEEMED TO BE MEETING WORK PARTICIPATION REQUIREMENTS IF PARENT OR RELATIVE IS ENGAGED IN WORK FOR 20 HOURS PER WEEK.—For purposes of determining monthly participation rates under subsection (b)(1)(B)(i), a recipient who is the only parent or caretaker relative in the family of a child who has not attained 6 years of age is deemed to be engaged in work for a month if the recipient is engaged in work for an average of at least 20 hours per week during the month.

(C) SINGLE TEEN HEAD OF HOUSEHOLD OR MARRIED TEEN WHO MAINTAINS SATISFACTORY SCHOOL ATTENDANCE DEEMED TO BE MEETING WORK PARTICIPATION REQUIREMENTS.—For purposes of determining monthly participation rates under subsection (b)(1)(B)(i), a recipient who is married or a head of household and has not attained 20 years of age is deemed to be engaged in work for a month in a fiscal year if the recipient—

(i) maintains satisfactory attendance at secondary school or the equivalent during the month; or

(ii) participates in education directly related to employment *including vocational education and training* for an average of at least 20 hours per week during the month.

(D) LIMITATION ON NUMBER OF PERSONS WHO MAY BE TREATED AS ENGAGED IN WORK BY REASON OF PARTICIPATION IN *CERTAIN [EDUCATIONAL ACTIVITIES] VOCATIONAL EDUCATION ACTIVITIES*.—For purposes of determining monthly participation rates under [paragraphs (1)(B)(i) and (2)(B) of subsection (b)] *subsection (b)(1)(B)(i)*, not more than 30 percent of the number of individuals in all families [and in 2-parent families, respectively,] in a State who are treated as engaged in work for a month may consist of individuals who are determined to be engaged in work for the month by reason of participation in vocational [educational training, or (if the month is in fiscal year 2000 or thereafter) deemed to be engaged in work for the month by reason of subparagraph (C) of this paragraph] *education and training (determined without regard to any individual described in subparagraphs (C) and (E))*.

(E) STATE OPTION TO TREAT PARTICIPANTS IN POSTSECONDARY EDUCATION PROGRAM AS ENGAGED IN WORK.—

(i) *IN GENERAL*.—Subject to clause (ii), in the case of a State that elects to establish a postsecondary education program under section 404(l), the State may include, for purposes of determining monthly participation rates under subsection (b)(1)(B)(i), all families that include an individual participating in the program during the month as being engaged in work for the month, so long as each such individual is in compliance with the requirements of that program.

(ii) *LIMITATION*.—With respect to a month, the number of families treated as being engaged in work under clause (i) may not exceed the amount equal to 10 percent of the average monthly number of families to which assistance is provided under the State program funded under this part during the fiscal year or the immediately preceding fiscal year (but not both), as the State may elect.

(F) STATE OPTION TO EXEMPT FULL TIME CAREGIVER OF A FAMILY MEMBER WITH A DISABILITY FROM WORK REQUIREMENTS.—

(i) *IN GENERAL*.—Subject to clause (ii), a State may exempt an adult recipient from the requirement to engage in work in accordance with this section and may exclude the family of the recipient from the determination required under subsection (b)(1)(B)(ii) if—

(I) there are no other adults in the family who are able-bodied;

(II) the recipient is the primary caregiver for a child with a physical or mental disability or chronic illness (as defined by the State), or for another family member with a physical or mental disability or chronic illness (as so defined);

(III) the State or locality administering the State program funded under this part determines that the demands of caregiving do not allow the recipient to obtain or retain employment of at least 30 hours per week; and

(IV) the need to provide caregiving is specified in the recipient's individual responsibility plan established under section 408(b) and reviewed not less than annually.

(ii) *LIMITATION.*—The average monthly number of families excluded under clause (i) from the determination required under subsection (b)(1)(B)(ii) shall not exceed 10 percent of the average monthly number of families to which assistance is provided under the State program funded under this part during the fiscal year or the immediately preceding fiscal year (but not both), as the State may elect.

(iii) *RULES OF CONSTRUCTION.*—

(I) *SOME WORK ACTIVITY.*—Nothing in this subparagraph shall be construed as prohibiting a State from determining that, taking into consideration the needs of the child or other family member with a physical or mental disability or chronic illness, the adult recipient caregiver can engage in some work activity, or another activity that may lead to work, on a basis that is less than 30 hours a week. A State may exclude the family of such a recipient from the determination required under subsection (b)(1)(B)(ii) if the individual meets the requirements specified in subclauses (I) through (IV) of clause (i), but subject to the limitation under clause (ii).

(II) *AUTHORITY TO EXEMPT OTHER RECIPIENT CAREGIVERS.*—Nothing in this subparagraph shall be construed as prohibiting a State from exempting from the work requirements under this section an adult recipient who is a caregiver of a child or other family member with a physical or mental disability or chronic illness but who does not meet the requirements specified in subclauses (I) through (IV) of clause (i), except that the State may not exclude the family of such a recipient from the determination required under subsection (b)(1)(B)(ii).

(G) *OPTIONAL MODIFICATION OF WORK REQUIREMENTS FOR RECIPIENTS RESIDING IN AREAS OF INDIAN COUNTRY OR AN ALASKAN NATIVE VILLAGE WITH HIGH JOBLESSNESS.*—Notwithstanding paragraph (1), if a State has included in the State plan a description of the State's policies in areas of Indian country or an Alaskan Native village described in section 408(a)(7)(D), the State may define the activities described in subsection (d) that a recipient who resides in such an area and who is participating in activities in accordance with an individual responsibility plan under section 408(b) may engage in for purposes of satisfying work

requirements under the State program and for purposes of determining monthly participating rates under subsection (b).

(d) WORK ACTIVITIES DEFINED.—As used in this section, the term “work activities” means—

- (1) unsubsidized employment;
- (2) subsidized private sector employment;
- (3) subsidized public sector employment;
- (4) work experience (including work associated with the refurbishing of publicly assisted housing) if sufficient private sector employment is not available;
- (5) on-the-job training;
- (6) job search and job readiness assistance;
- (7) community service programs;
- [(8) vocational educational training (not to exceed 12 months with respect to any individual);] (8) *vocational education and training and post-secondary education that is a requirement of the individual’s responsibility plan under section 408(b) (not to exceed 24 months with respect to any individual, or such long period as the State may allow for an individual who is treated as being engaged in work through participation in a program that meets the requirements of section 404(l)).*
- (9) job skills training directly related to employment;
- (10) education directly related to employment, in the case of certificate of high school equivalency;
- (11) satisfactory attendance at secondary school or in a course of study leading to a certificate of general equivalence, in the case of a recipient who has not completed secondary school or received such a certificate; [and]
- (12) the provision of child care services to an individual who is participating in a community service program[.]; and
- (13)(A) *rehabilitative services, such as adult basic education, participation in a program designed to increase proficiency in the English language, or, in the case of an individual determined by a qualified medical, mental health, or social services professional as having a physical or mental disability, substance abuse problem, or other problem that requires rehabilitative services, substance abuse treatment, mental health treatment, or other rehabilitative services, provided that the provision of such services is a requirement of the individual’s individual responsibility plan under section 408(b) (not to exceed 3 months out of any 24-month period, or, if such services for a longer period of time is a requirement of the individual’s plan under section 408(b), up to 6 months, but only if, during the last 3 months of such 6 months, such services are combined with work or job-readiness activities); and*
(B) for purposes of counting toward the minimum average number of hours per week specified in the table set forth in subsection (c)(1), services described in subparagraph (A), the provision of which is a requirement of the individual’s individual responsibility plan under section 408(b), until an individual successfully completes such services (and without regard to the time limits for the receipt of such services for purposes of subparagraph (A)).

* * * * *

(2) EXCEPTION.—Notwithstanding paragraph (1), a State may not reduce or terminate assistance under the State program funded under this part based on a refusal of an individual to engage in work required in accordance with this section if the individual is a single custodial parent caring for a child who has not attained 6 years of age, and the individual proves that the individual has a demonstrated inability (as determined by the State) to obtain needed child care, for 1 or more of the following reasons:

(A) Unavailability of appropriate child care within a reasonable distance from the individual's home or work site.

(B) Unavailability or unsuitability of informal child care by a relative or under other arrangements.

(C) Unavailability of appropriate and affordable formal child care arrangements.

[(f) NONDISPLACEMENT IN WORK ACTIVITIES.—

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

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

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

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

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

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

(f) NONDISPLACEMENT.—

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

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

(3) NO SUPPLANTING OF OTHER HIRES.—A work activity engaged in under a program operated with funds provided under this part shall be in addition to any activity that otherwise

would be available and shall not supplant the hiring of an employed worker not funded under such program.

(4) ENFORCING ANTIDISPLACEMENT PROTECTIONS.—

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

(B) REMEDIES.—Remedies for a violation of the requirements of paragraph (1), (2), or (3) shall include termination or suspension of payments, prohibition of the placement of the participant, reinstatement of an employee, and other relief to make an aggrieved employee whole.

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

(D) NONPREEMPTION OF STATE LAW.—The provisions of this paragraph shall not be construed to preempt any provision of State law that affords greater protections to employees or to other participants engaged in work activities under a program funded under this part than is afforded by the provisions of this paragraph.

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

* * * * *

PROHIBITIONS; REQUIREMENTS

SEC. 408. (a) IN GENERAL.—

(1) No assistance for families without a minor child.—A State to which a grant is made under section 403 shall not use any part of the grant to provide assistance to a family unless the family includes a minor child who resides with the family (consistent with paragraph (10)) or a pregnant individual.

(2) Reduction or elimination of assistance for non-cooperation in establishing paternity or obtaining child support.—If the agency responsible for administering the State plan approved under part D determines that an individual is not cooperating with the State in establishing paternity or in establishing, modifying, or enforcing a support order with respect to a child of the individual, and the individual does not qualify for any good cause or other exception established by the State pursuant to section 454(29), then the State—

(A) shall deduct from the assistance that would otherwise be provided to the family of the individual under the State program funded under this part an amount equal to not less than 25 percent of the amount of such assistance; and

(B) may deny the family any assistance under the State program.

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

[(A) GENERAL.—A State to which a grant is made under section 403 shall require, as a condition of providing assistance to a family under the state program funded under this part, that a member of the family assign to the State any rights, the family member may have (on behalf of the family member or of any other person for whom the family member has applied for or is receiving such assistance) to support from any other person, not exceeding the total amount of assistance so provided to the family, which accrue (or have accrued) before the date the family ceases to receive assistance under the program, which assignment, on and after such date, shall not apply with respect to any support (other than support collected pursuant to section 464) which accrued before the family received such assistance and which the State has not collected by—

[(i)(I) September 30, 2000, if the assignment is executed on or after October 1, 1997, and before October 1, 2000; or

[(II) the date the family ceases to receive assistance under the program, if the assignment is executed on or after October 1, 2000; or

[(ii) If the State elects to distribute collections under section 457(a)(6), the date the family ceases to receive assistance under the program, if the assignment is executed on or after October 1, 1998.

[(B) LIMITATION.—A State to which a grant is made under section 403 shall not require, as a condition of providing assistance to any family under the State program funded under this part, that a member of the family assign to the State any rights to support described in subparagraph (A) which accrue after the date the family ceases to receive assistance under the program.]

(3) NO ASSISTANCE FOR FAMILIES NOT ASSIGNING CERTAIN SUPPORT RIGHTS TO THE STATE.—A State to which a grant is made under section 403 shall require, as a condition of paying assistance to a family under the State program funded under this part, that a member of the family assign to the State any right the family member may have (on behalf of the family member or of any other person for whom the family member has applied for or is receiving such assistance) to support from any other person, not exceeding the total amount of assistance so paid to the family, which accrues during the period that the family receives assistance under the program.

* * * * *

(5) NO ASSISTANCE FOR TEENAGE PARENTS NOT LIVING IN ADULT SUPERVISED SETTINGS.—

(A) IN GENERAL.—

(i) REQUIREMENT.—Except as provided in [subparagraphs (B) and (C)], a State to which a grant is made under section 403 shall not use any part of the grant to provide assistance to an individual described in the minor child referred to in clause (ii) of this subparagraph if the individual and the minor child referred to in clause (ii)(II) [do not reside in a] *do not reside*—

(I) *in a place of residence maintained by a parent, legal guardian, or other adult relative of the individual as such parent’s, guardian’s, or adult relative’s own home[.]; or*

(II) *in a transitional living youth project funded under a grant made under section 321 of the Runaway and Homeless Youth Act (42 U.S.C. 5714–1).*

(ii) INDIVIDUAL DESCRIBED.—For purposes of clause (i), an individual described in this clause is an individual who—

(I) has not attained 18 years of age; and

(II) is not married, and has a minor child in his or her care.

(B) EXCEPTION.—

(i) PROVISION OF, OR [ASSISTANCE] AID in locating, adult-supervised living arrangement.—* * *

* * * * *

“(C) AUTHORITY TO PROVIDE TEMPORARY ASSISTANCE.—A State may use any part of a grant made under section 403 to provide assistance to an individual described in clause (ii) of subparagraph (A) who would otherwise be prohibited from receiving such assistance under clause (i) of that subparagraph, subparagraph (B), or under section 408(a)(4) for not more than 60 days in order to assist the individual in meeting the requirement of clause (i) of subparagraph (A), subparagraph (B), or under section 408(a)(4) for receipt of such assistance.”

(6) NO MEDICAL SERVICES.—

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

(B) EXCEPTION FOR PREPREGNANCY FAMILY PLANNING SERVICES.—As used in subparagraph (A), the term “medical services” does not include prepregnancy family planning services.

(7) NO ASSISTANCE FOR MORE THAN 5 YEARS.—

* * * * *

(D) DISREGARD OF MONTHS OF ASSISTANCE RECEIVED [BY ADULT WHILE LIVING IN INDIAN COUNTRY OR AN ALASKAN NATIVE VILLAGE WITH 50 PERCENT UNEMPLOYMENT] IN AREAS OF INDIAN COUNTRY OR AN ALASKAN NATIVE VILLAGE WITH HIGH JOBLESSNESS.—

* * * * *

(i) IN GENERAL.—[In] Subject to clauses (ii) and (iii), in determining the number of months for which an

adult has received assistance under a State or tribal program funded under this part, the State or tribe shall disregard any month during which the adult lived in Indian country or an Alaskan Native village if the most reliable data available with respect to the month (or a period including the month) indicate that at least **50 percent of the adults living in Indian country or in the village were not employed.** *20 percent of the adults who were living in Indian country were jobless.*

(ii) *ALASKAN NATIVE VILLAGE.*—*With respect to an Alaskan Native village, this subparagraph shall be applied—*

(I) *in clause (i), by substituting “50 percent of the adults living in the village were not employed” for “20 percent of the adults who were living in Indian country were jobless;” and*

(II) *without regard to clause (iii).*

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

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

* * * * *

(12) *BAN ON IMPOSITION OF STRICTER ELIGIBILITY CRITERIA FOR 2-PARENT FAMILIES.*—*In determining the eligibility of a 2-percent family for any benefit or service funded under this part or funded with non-Federal funds counting toward the State’s qualified State expenditures under section 409(a)(7), the State shall not impose a requirement that does not apply in determining the eligibility of a 1-percent family for such assistance.*

[(b)] *INDIVIDUAL RESPONSIBILITY PLANS.*—

[(1)] *ASSESSMENT.*—*The State agency responsible for administering the State program funded under this part shall make an initial assessment of the skills, prior work experience, and employability of each recipient of assistance under the program who—*

[(A)] *has attained 18 years of age; or*

[(B)] *has not completed high school or obtained a certificate of high school equivalency, and is not attending secondary school.*

[(2)] *CONTENTS OF PLANS.*—

(A) *IN GENERAL.*—*On the basis of the assessment made under subsection (a) with respect to an individual, the State agency, in consultation with the individual, may develop an individual responsibility plan for the individual, which—*

[(i)] *sets forth an employment goal for the individual and a plan for moving the individual immediately into private sector employment;*

[(ii)] *sets forth the obligations of the individual, which may include a requirement that the individual*

attend school, maintain certain grades and attendance, keep school age children of the individual in school, immunize children, attend parenting and money management classes, or do other things that will help the individual become and remain employed in the private sector;

[(iii) to the greatest extent possible is designed to move the individual into whatever private sector employment the individual is capable of handling as quickly as possible, and to increase the responsibility and amount of work the individual is to handle over time;

[(iv) describes the services the State will provide the individual so that the individual will be able to obtain and keep employment in the private sector, and describe the job counseling and other services that will be provided by the State; and

[(v) may require the individual to undergo appropriate substance abuse treatment.

[(B) TIMING.—The State agency may comply with paragraph (1) with respect to an individual—

[(i) within 90 days (or, at the option of the State, 180 days) after the effective date of this part, in the case of an individual who, as of such effective date, is a recipient of aid under the State plan approved under part A (as in effect immediately before such effective date); or

[(ii) within 30 days (or, at the option of the State, 90 days) after the individual is determined to be eligible for such assistance, in the case of any other individual.

[(3) PENALTY FOR NONCOMPLIANCE BY INDIVIDUAL.—In addition to any other penalties required under the State program funded under this part, the State may reduce, by such amount as the State considers appropriate, the amount of assistance otherwise payable under the State program to a family that includes an individual who fails without good cause to comply with a responsibility plan signed by the individual.

[(4) STATE DISCRETION.—The exercise of the authority of this subsection shall be within the sole discretion of the State.]

(b) *INDIVIDUAL RESPONSIBILITY PLANS.*—

(1) *ASSESSMENT.*—*The State agency responsible for administering the State program funded under this part shall make an initial screening and assessment of the following for each family with an adult or minor child head of household receiving assistance:*

(A) *The education obtained, skills, prior work experience, work readiness, and barriers to work of each adult or minor child head of household recipient of assistance in the family who has attained age 18 or who has not completed high school or obtained a certificate of high school equivalency, and is not attending secondary school.*

(B) *The work support, work readiness, and family support services for which families receiving assistance are eligible.*

(C) *The well-being of the children in the family and, where appropriate, activities or resources to improve the well-being of the children.*

(2) *CONTENTS OF PLANS.—*

(A) *IN GENERAL.—On the basis of the screening and assessment required under paragraph (1) for a family with an adult or minor child head of household receiving assistance under the State program funded under this part, the State agency, in consultation with the family, shall develop an individual responsibility plan that—*

(i) establishes for each adult and minor child head of household recipient a self-sufficiency plan that specifies activities described in the State plan submitted pursuant to section 402, including work activities specified in section 407(d), as appropriate, that are designed to assist the family in achieving their maximum degree of self-sufficiency, and that provides for the ongoing participation of the adult or minor child head of household recipient in the activities;

(ii) sets forth the obligations of the adult or minor child head of household recipient which may include registering for work and commencing a search for employment for a specified number of hours each week;

(iii) requires, at a minimum, each such recipient to participate in activities in accordance with the individual responsibility plan;

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

(v) establishes for the family a plan that addresses the issue of child well-being and, when appropriate, adolescent well-being, and that may include services such as domestic violence counseling, mental health referrals, and parenting courses; and

(vi) includes a section designed to assist the family by informing the family of the work support assistance for which the family may be eligible, including (but not limited to)—

(I) the food stamp program established under the Food Stamp Act of 1977 (7 U.S.C. 2011 et seq.);

(II) the medicaid program funded under title XIX;

(III) the State children's health insurance program funded under title XXI;

(IV) child care funded under the Child Care Development Block Grant Act of 1990 (42 U.S.C. 9858 et seq.);

(V) the earned income tax credit under section 32 of the Internal Revenue Code of 1986;

(VI) the low-income home energy assistance program established under the Low-Income Home Energy Assistance Act of 1981 (42 U.S.C. 8621 et seq.);

(VII) the special supplemental nutrition program for women, infants, and children established under

section 17 of the Child Nutrition Act of 1966 (42 U.S.C. 1786);

(VIII) programs conducted under the Workforce Investment Act of 1998 (29 U.S.C. 2801 et seq.); and

(IX) low-income housing assistance programs.

(3) REVIEW.—

(A) REGULAR REVIEW.—The State agency shall—

(i) monitor the participation of each adult recipient in the activities specified in the individual responsibility plan, and regularly review the progress of the family toward self-sufficiency; and

(ii) upon such a review, revise the plan and activities required under the plan as the State deems appropriate in consultation with the family.

(B) PRIOR TO THE IMPOSITION OF A SANCTION.—The State agency shall—

(i) review the individual responsibility plan prior to imposing a sanction against the adult recipient or the family for failure to comply with a requirement of the plan or the State program funded under this part; and

(ii) make a good faith effort (as defined by the State) to consult with the family as part of such review.

(4) TIMING.—With respect to a family, the State shall comply with this subsection—

(A) in the case of a family that, as of October 1, 2003, is not receiving assistance from the State program funded under this part, not later than 60 days after the family first receives assistance on the basis of the most recent application for the assistance; and

(B) in the case of a family that, as of such date, is receiving the assistance, not later than September 30, 2004.

(5) RULE OF INTERPRETATION.—Nothing in this subsection shall preclude a State from requiring participation in work and any other activities the State deems appropriate for helping families achieve self-sufficiency and improving child well-being.

* * * * *

[e] * * *

(e) ELIGIBILITY OF CERTAIN ALIENS.—Except as provided in subsection (f), at State option, a State may provide assistance, benefits, or services to a qualified alien (as defined in subsections (b) and (c) of section 431 of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (8 U.S.C. 1641)) under the State program funded under this part in the same manner and to the same extent as a citizen of the United States would be provided such assistance, benefits, or services.

(f) SPECIAL RULES RELATING TO THE TREATMENT OF **[NON-213A] SPONSORED ALIENS.**—**[The following rules shall apply if a State elects to take the income or resources of any sponsor of a non-213A alien into account in determining whether the alien is eligible for assistance under the State program funded under this part, or in determining the amount or types of such assistance to be provided to the alien:]** *The following rules shall apply in determining whether an alien sponsored under section 213A of the Immigration and Nationality Act (and, at the option of the State, a non-213A alien)*

is eligible for cash assistance under the State program funded under this part, or in determining the amount of such assistance to be provided to a sponsored alien:

(1) **DEEMING OF SPONSOR'S INCOME AND RESOURCES.**—For a period of 3 years after a **[non-213A]** *sponsored* alien enters the United States:

(A) **INCOME DEEMING RULE.**—The income of any sponsor of the alien and of any spouse of the sponsor is deemed to be income of the alien, to the extent that the total amount of the income exceeds the sum of—

(B) **RESOURCE DEEMING RULE.**—The resources of a sponsor of the alien and of any spouse of the sponsor are deemed to be resources of the alien to the extent that the aggregate value of the resources exceeds \$1,500 (*or, a greater amount as determined by the State*).

(C) **SPONSORS OF MULTIPLE **[NON-213A]** SPONSORED ALIENS.**—If a person is a sponsor of 2 or more non-213A aliens who are living in the same home, the income and resources of the sponsor and any spouse of the sponsor that would be deemed income and resources of any such alien under subparagraph (A) shall be divided into a number of equal shares equal to the number of such aliens, and the State shall deem the income and resources of each such alien to include 1 such share.

* * * * *

(4) **NON-213A ALIEN DEFINED.**—An alien is a non-213A alien for purposes of this subsection if the affidavit of support or similar agreement with respect to the alien that was executed by the sponsor of the alien's entry into the United States was executed other than pursuant to section 213A of the Immigration and Nationality Act.

[(5) INAPPLICABILITY TO ALIEN MINOR SPONSORED BY A PARENT.—This subsection shall not apply to an alien who is a minor child if the sponsor of the alien or any spouse of the sponsor is a parent of the alien.]

(5) **EXCEPTIONS.**—*This subsection shall not apply to an alien who is—*

(A) *a minor child if the sponsor of the alien or any spouse of the sponsor is a parent of the alien child; or*

(B) *described in subsection (e) or (f) of section 421 of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (8 U.S.C. 1631).*

(6) **INAPPLICABILITY TO CERTAIN CATEGORIES OF ALIENS.**—This subsection shall not apply to an alien who is—

(A) admitted to the United States as a refugee under section 207 of the Immigration and Nationality Act;

(B) paroled into the United States under section 212(d)(5) of such Act for a period of at least 1 year; or

(C) granted political asylum by the Attorney General under section 208 of such Act.

(7) **INAPPLICABILITY TO FAMILY MEMBERS WHO ARE NOT SPONSORED ALIENS.**—*Income and resources of a sponsor which are deemed under this subsection to be the income and resources of any alien individual in a family shall not be considered in determining the need of other family members except to the extent*

such income or resources are actually available to such other family members.

(8) *RULE OF CONSTRUCTION.—For purposes of section 421 of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (8 U.S.C. 1631), the State program funded under this part is not a Federal means-tested public benefits program.*

(g) *STATE REQUIRED TO PROVIDE CERTAIN INFORMATION.—Each State to which a grant is made under section 403 shall, at least 4 times annually and upon request of the Immigration and Naturalization Service, furnish the Immigration and Naturalization Service with the name and address of, and other identifying information on, any individual who the State knows is not lawfully present in the United States.*

(h) *MANDATORY PARTNERS WITH ONE-STOP EMPLOYMENT TRAINING CENTERS UNLESS STATE OPT-OUT.—For purposes of section 121(b) of the Workforce Investment Act of 1998, a State program funded under this part shall be considered a program referred to in paragraph (1)(B) of such section, unless, after the date of enactment of this subsection, the Governor of the State notifies the Secretary of Health and Human Services and the Secretary of Labor in writing of the decision of the Governor not to make the State program a mandatory partner.*

(i) *APPLICATION OF WORKPLACE LAWS.—*

(1) *IN GENERAL.—Notwithstanding any other provision of law, workplace laws, including (but not limited to) the Fair Labor Standards Act of 1938 (29 U.S.C. 201 et seq.), the Occupational Safety and Health Act of 1970 (29 U.S.C. 651 et seq.), title VII of the Civil Rights Act of 1964 (42 U.S.C. 2000e et seq.), the Americans with Disabilities Act of 1990 (42 U.S.C. 12101 et seq.), and title IX of the Education Amendments of 1972 (20 U.S.C. 1681 et seq.) shall apply to an individual who is a recipient of assistance under the State program funded under this part in the same manner as such laws apply to other workers. The fact that such an individual is participating in, or seeking to participate in work activities under the State program funded under this part in satisfaction of the work activity requirements of the program, shall not deprive the individual of the protection of any Federal, State, or local workplace law.*

(2) *NEUTRALITY.—No funds provided under this part shall be used to assist, promote, or deter organizing for the purpose of collective bargaining.*

PENALTIES

SEC. 409. (a) *IN GENERAL.—Subject to this section:*

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

(A) *GENERAL PENALTY.—If an audit conducted under chapter 75 of title 31, United States Code, finds that an amount paid to a State under section 403 for a fiscal year has been used in violation of this part, the Secretary shall reduce the grant payable to the State under section 403(a)(1) for the immediately succeeding fiscal year quarter by the amount so used.*

* * * * *

【(6) FAILURE TO TIMELY REPAY A FEDERAL LOAN FUND FOR STATE WELFARE PROGRAMS.—If the Secretary determines that a State has failed to repay any amount borrowed from the Federal Loan Fund for State Welfare Programs established under section 406 within the period of maturity applicable to the loan, plus any interest owed on the loan, the Secretary shall reduce the grant payable to the State under section 403(a)(1) for the immediately succeeding fiscal year quarter (without regard to this section) by the outstanding loan amount, plus the interest owed on the outstanding amount. The Secretary shall not forgive any outstanding loan amount or interest owed on the outstanding amount.】

(6) PENALTY FOR IMPOSITION OF STRICTER ELIGIBILITY CRITERIA FOR 2-PARENT FAMILIES.—

(A) IN GENERAL.—*If the Secretary determines that a State to which a grant is made under section 403 for a fiscal year has violated section 408(a)(12) during the fiscal year, the Secretary shall reduce the grant payable to the State under section 403(a)(1) for the immediately succeeding fiscal year by an amount up to 5 percent of the State family assistance grant.*

(B) PENALTY BASED ON SEVERITY OF FAILURE.—*The Secretary shall impose reductions under subparagraph (A) with respect to a fiscal year based on the degree of non-compliance.*

(7) FAILURE OF ANY STATE TO MAINTAIN CERTAIN LEVEL OF HISTORIC EFFORT.—

(A) IN GENERAL.—The Secretary shall reduce the grant payable to the State under section 403(a)(1) for 【fiscal year 1998, 1999, 2000, 2001, 2002, or 2003】 *fiscal year 2003, 2004, 2005, 2006, 2007 or 2008* by the amount (if any) by which qualified State expenditures for the then immediately preceding fiscal year are less than the applicable percentage of historic State expenditures with respect to such preceding fiscal year.

(B) DEFINITIONS.—As used in this paragraph:

(i) QUALIFIED STATE EXPENDITURES.—

(I) IN GENERAL.—The term “qualified State expenditures means, with respect to a State and a fiscal year, the total expenditures by the State during the fiscal year, under all State programs, for any of the following with respect to eligible families:

(aa) Cash assistance, including any amount collected by the State as support pursuant to a plan approved under part D, on behalf of a family receiving assistance under the State program funded under this part, that is distributed to the family under section 【457(a)(1)(B)】 *457(a)(1)* and disregarded in determining the eligibility of the family for, and the amount of, such assistance.

* * * * *

(V) PORTIONS OF CERTAIN CHILD SUPPORT PAYMENTS COLLECTED ON BEHALF OF AND DISTRIB-

UTED TO FAMILIES NO LONGER RECEIVING ASSISTANCE.—Any amount paid by a State pursuant to section 457(a)(2)(B), but only to the extent that the State properly elects under section 457(a)(6) to have the payment considered a qualified State expenditure.

(ii) APPLICABLE PERCENTAGE.—The term “applicable percentage” means **for fiscal years 1997 through 2002,** 80 percent (or, if the State meets the requirements of section 407(a) for the *preceding* fiscal year (or *fails to meet such requirements but meets at least 1 of the criteria for being considered a needy State under section 403(b)(3)(A)*), 75 percent).

* * * * *

(9) FAILURE TO COMPLY WITH 5-YEAR LIMIT ON ASSISTANCE.—If the Secretary determines that a State has not complied with section 408(a)(7) during a fiscal year, the Secretary shall reduce the grant payable to the State under section 403(a)(1) for the immediately succeeding fiscal year by an amount equal to 5 percent of the State family assistance grant.

[(10) FAILURE OF STATE RECEIVING AMOUNTS FROM CONTINGENCY FUND TO MAINTAIN 100 PERCENT OF HISTORIC EFFORT.—If, at the end of any fiscal year during which amounts from the Contingency Fund for State Welfare Programs have been paid to a State, the Secretary finds that the qualified State expenditures (as defined in paragraph (7)(B)(i) (other than the expenditures described in subclause (I)(bb) of that paragraph)) under the State program funded under this part for the fiscal year are less than 100 percent of historic State expenditures (as defined in paragraph (7)(B)(iii) of this subsection), excluding any amount expended by the State for child care under subsection (g) or (i) of section 402 (as in effect during fiscal year 1994) for fiscal year 1994, the Secretary shall reduce the grant payable to the State under section 403(a)(1) for the immediately succeeding fiscal year by the total of the amounts so paid to the State that the State has not remitted under section 403(b)(6).**]**

[(11) (10) FAILURE TO MAINTAIN ASSISTANCE TO ADULT SINGLE CUSTODIAL PARENT WHO CANNOT OBTAIN CHILD CARE FOR CHILD UNDER AGE 6.—

(A) IN GENERAL.—If the Secretary determines that a State to which a grant is made under section 403 for a fiscal year has violated section 407(e)(2) during the fiscal year, the Secretary shall reduce the grant payable to the State under section 403(a)(1) for the immediately succeeding fiscal year by an amount equal to not more than 5 percent of the State family assistance grant.

(B) PENALTY BASED ON SEVERITY OF FAILURE.—The Secretary shall impose reductions under subparagraph (A) with respect to a fiscal year based on the degree of non-compliance.

[(12) (11) REQUIREMENT TO EXPEND ADDITIONAL STATE FUNDS TO REPLACE GRANT REDUCTIONS; PENALTY FOR FAILURE TO DO SO.—If the grant payable to a State under section 403(a)(1) for a fiscal year is reduced by reason of this subsection, the State shall, during the immediately succeeding fis-

cal year, expend under the State program funded under this part an amount equal to the total amount of such reductions. If the State fails during such succeeding fiscal year to make the expenditure required by the preceding sentence from its own funds, the Secretary may reduce the grant payable to the State under section 403(a)(1) for the fiscal year that follows such succeeding fiscal year by an amount equal to the sum of—

- (A) not more than 2 percent of the State family assistance grant; and
- (B) the amount of the expenditure required by the preceding sentence.

[(13)] (12) PENALTY FOR FAILURE OF STATE TO MAINTAIN HISTORIC EFFORT DURING YEAR IN WHICH WELFARE-TO-WORK GRANT IS RECEIVED.—If a grant is made to a State under section 403(a)(5)(A) for a fiscal year and paragraph (7) of this subsection requires the grant payable to the State under section 403(a)(1) to be reduced for the immediately succeeding fiscal year, then the Secretary shall reduce the grant payable to the State under section 403(a)(1) for such succeeding fiscal year by the amount of the grant made to the State under section 403(a)(5)(A) for the fiscal year.

[(14)] (13) PENALTY FOR FAILURE TO REDUCE ASSISTANCE FOR RECIPIENTS REFUSING WITHOUT GOOD CAUSE TO WORK.—

* * * * *

(c) CORRECTIVE COMPLIANCE PLAN.—

(1) IN GENERAL.—

* * * * *

(2) EFFECT OF CORRECTING OR DISCONTINUING VIOLATION.—

The Secretary may not impose any penalty under subsection (a) with respect to any violation covered by a State corrective compliance plan accepted by the Secretary if the State correct or discontinues, as appropriate the violation pursuant to the plan.

* * * * *

SEC. 411. (a) QUARTERLY REPORTS BY STATES.—

(1) GENERAL REPORTING REQUIREMENT.—

(A) CONTENTS OF REPORT.—Each eligible State shall collect on a monthly basis, and report to the Secretary on a quarterly basis, the following disaggregated case record information on the families receiving assistance (*including any family with respect to whom the State has exercised its option under section 407(a)(1) or 407(a)(2)(B)(i)(I)(bb)*) under the State program funded under this part (except for information relating to activities carried out under section 403(a)(5):

- (i) The county of residence of the family.
- (ii) Whether a child receiving such assistance or an adult in the family is receiving—
 - (I) Federal disability insurance benefits;
 - (II) benefits based on Federal disability status;
 - (III) aid under a State plan approved under title XIV (as in effect without regard to the amendment

made by section 301 of the Social Security Amendments of 1972)【】;

(IV) aid or assistance under a State plan approved under title XVI (as in effect without regard to such amendment) by reason of being permanently and totally disabled; or

* * * * *

(vii) The race and educational level of each adult in the family.

(viii) The race 【and educational level】 of each child in the family.

* * * * *

(xviii) Whether an individual responsibility plan is established for each family in accordance with section 408(b).

* * * * *

(7) REPORT ON INDIANS SERVED BY THE STATE PROGRAM.—The report required by paragraph (1) for a fiscal quarter shall include information on the demographics and caseload characteristics of Indians served by the State program during the quarter.

(8) PUBLIC AVAILABILITY OF REPORT.—The State shall make publicly available at the time of submission of each report required under paragraph (1) for a fiscal quarter a copy of the report for that fiscal quarter, including by posting of the copy on the Internet website for the State agency administering the State program funded under this part.

【(7)】 (9) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to define the data elements with respect to which reports are required by this subsection, and shall consult with the Secretary of Labor in defining the data elements with respect to programs operated with funds provided under sections 403(a)(5).

(b) ANNUAL REPORTS TO THE CONGRESS BY THE SECRETARY.—
* * *

* * * * *

(3) the characteristics of each State program funded under this part; 【and】

(4) the trends in employment and earnings of needy families with minor children living at home【.】;

(5) information regarding any complaints received by the Federal Government or States concerning fair and equitable treatment related to civil rights or labor laws, including the number and status of such complaints, and in the case of States, that is State specific; and

(6) State specific information on the demographics and caseload characteristics of Indians served by each State program funded under this part.

* * * * *

DIRECT FUNDING AND ADMINISTRATION BY INDIAN TRIBES

SEC. 412. (a) GRANTS FOR INDIAN TRIBES.—

(1) TRIBAL FAMILY ASSISTANCE GRANT.—

(A) IN GENERAL.—For each of fiscal years **1997, 1998, 1999, 2000, 2001, and 2002** *2003 through 2007*, the Secretary shall pay to each Indian tribe that has an approved tribal family assistance plan a tribal family assistance grant for the fiscal year in an amount equal to the amount determined under subparagraph (B), which shall be reduced for a fiscal year, on a pro rata basis for each quarter, in the case of a tribal family assistance plan approved during a fiscal year for which the plan is to be in effect, and shall reduce the grant payable under section 403(a)(1) to any State in which lies the service area or areas of the Indian tribe by that portion of the amount so determined that is attributable to expenditures by the State.

* * * * *

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

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

[(B) ELIGIBLE INDIAN TRIBE.—For purposes of subparagraph (A), the term “eligible Indian tribe” means an Indian tribe or Alaska Native organization that conducted a job opportunities and basic skills training program in fiscal year 1995 under section 482(i) (as in effect during fiscal year 1995).

[(C) USE OF GRANT.—Each Indian tribe to which a grant is made under this paragraph shall use the grant for the purpose of operating a program to make work activities available to such population and such service areas or areas as the tribe specifies.

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

(2) TRIBAL TANF IMPROVEMENT GRANTS.—

(A) TRIBAL CAPACITY GRANTS.—

(i) IN GENERAL.—*Of the amount appropriated under subparagraph (D) for the period of fiscal years 2003 through 2006, \$35,000,000 shall be used by the Secretary to award grants for tribal human services program infrastructure improvement (as defined in clause (v)) to—*

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

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

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

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

(I) *First, for grants to Indian tribes that have applied for approval of a tribal family assistance plan, that have not operated such a plan as of the date of enactment of the Work, Opportunity, and Responsibility for Kids Act of 2002 that will have such plan approved, and that include in the plan submission provisions for tribal human services program infrastructure improvement (as so defined) and related management information systems training.*

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

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

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

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

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

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

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

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

(B) *TRIBAL DEVELOPMENT GRANTS.*—

(i) *IN GENERAL.*—Of the amount appropriated under subparagraph (D) for the period of fiscal years 2003 through 2006, \$35,000,000 shall be used by the Secretary to award, through the Commissioner of the Administration for Native Americans, grants to nonprofit organizations, Indian tribes, and tribal organizations to enable such organizations and tribes to provide technical assistance to Indian tribes and tribal organizations in any or all of the following areas:

(I) The development and improvement of uniform commercial codes.

(II) The creation or expansion of small business or microenterprise programs.

(III) The development and improvement of tort liability codes.

(IV) The creation or expansion of tribal marketing efforts.

(V) The creation or expansion of for-profit collaborative business networks.

(VI) The development of innovative uses of telecommunications to assist with distance learning or telecommuting.

(VII) The development of economic opportunities and job creation in areas of high joblessness in Alaska (as defined in section 408(a)(7)(D)(ii)).

(ii) *REQUIREMENTS.*—

(I) *IN GENERAL.*—At least an amount equal to 10 percent of the total amount of grants awarded under this subparagraph shall be awarded to carry out clause (i)(VII).

(II) *CONSULTATION.*—In awarding grants under this subparagraph the Secretary shall consult with other Federal agencies with expertise in the areas described in clause (i).

(iii) *APPLICATION.*—A nonprofit organization, Indian tribe, or tribal organization desiring a grant under this subparagraph shall submit an application to the Secretary at such time, in such manner, and containing such information as the Secretary may require.

(C) *TECHNICAL ASSISTANCE.*—

(i) *IN GENERAL.*—Of the amount appropriated under subparagraph (D) for the period of fiscal years 2003 through 2006, \$5,000,000 shall be used by the Secretary for making grants, or entering into contracts, to provide technical assistance to Indian tribes—

(I) in applying for or carrying out a grant made under this paragraph;

(II) in applying for or carrying out a tribal family assistance plan under this section; or

(III) related to best practices and approaches for State and tribal coordination on the transfer of the administration of social services programs to Indian tribes.

(ii) RESERVATION OF FUNDS.—Not less than—

(I) \$2,500,000 of the amount described in clause (i) shall be used by the Secretary to support, through grants or contracts, peer-learning programs among tribal administrators; and

(II) \$1,000,000 of such amount shall be used by the Secretary for making grants to Indian tribes to conduct feasibility studies of the capacity of Indian tribes to operate tribal family assistance plans under this part.

(D) APPROPRIATION.—Out of any money in the Treasury of the United States not otherwise appropriated, there is appropriated \$75,000,000 for the period of fiscal years 2003 through 2006 to carry out this paragraph. Amounts appropriated under this subparagraph shall remain available until expended.

* * * * *

(4) GRANTS FOR TRIBAL EMPLOYMENT SERVICES PROGRAMS.—

(A) PURPOSE.—The purpose of this paragraph is to support comprehensive services to enable eligible beneficiaries to support themselves through employment without requiring cash benefits from public assistance programs for themselves or their families.

(B) STATEMENT OF POLICY.—The programs funded under grants made under this paragraph shall be administered in a manner consistent with the principles of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450 et seq.) and the government-to-government relationship between the Federal Government and Indian tribal governments.

(C) DEFINITIONS.—In this paragraph:

(i) ALASKA NATIVE ORGANIZATION.—The term “Alaska Native organization” has the meaning given the term “Indian tribe” with respect to the State of Alaska in section 419(4)(B).

(ii) DEPARTMENT.—Unless otherwise specified, the term “Department” means the Department of Labor.

(iii) ELIGIBLE BENEFICIARY.— The term “eligible beneficiary” means—

(I) an individual who is an Indian or Alaska Native receiving or eligible to receive cash benefits for the individual or the individual’s family under the State program funded under this part, a tribal family assistance program under this section, or the General Assistance program;

(II) an individual who is an Indian or Alaska Native transitioning from receipt of cash benefits under any such programs to employment;

(III) an individual who is an Indian or Alaska Native with a history of long-term dependence (as defined in clause (v)) on cash benefits under any such programs or under the aid for families with dependent children program under this part (as in effect before August 22, 1996);

(IV) an individual who is an Indian or Alaska Native who is a non-custodial parent of a minor child receiving, eligible to receive, or with a history of receiving cash benefits under any such programs, or an individual who has an obligation to provide support for such children; or

(V) an individual who is an Indian or Alaska Native and is a member of a family who is at risk of becoming dependent on cash benefits under any such programs or who has exhausted eligibility for such benefits because of the application of time limits on benefits.

(iv) *GENERAL ASSISTANCE*.—The term “General Assistance” means the General Assistance program supported through the Bureau of Indian Affairs in the Department of the Interior.

(v) *LONG-TERM DEPENDENCE*.—The term “long-term dependence” means receipt of cash benefits under a program referred to in clause (iii)(III) for at least 24 months, which need not be consecutive.

(vi) *SECRETARY*.—Unless otherwise specified, the term “Secretary” means the Secretary of Labor.

(D) AUTHORITY TO MAKE GRANTS.—

(i) *DIRECT SERVICES*.—The Secretary shall make grants to Indian tribes, tribal organizations, and Alaska Native organizations on the basis of a formula determined in accordance with subparagraph (H)(ii) to carry out the activities described in subparagraph (E).

(ii) *PROGRAM SUPPORT*.—The Secretary shall, through grants or contracts with entities, or inter-agency agreements, carry out the activities described in subparagraph (F).

(iii) *APPROPRIATION*.—

(I) *IN GENERAL*.—Out of any money in the Treasury of the United States not otherwise appropriated, there is appropriated \$37,000,000 for each of fiscal years 2003 through 2007 to carry out this paragraph.

(II) *RESERVATION OF FUNDS FOR PROGRAM SUPPORT*.—The Secretary may reserve an amount equal to not more than 1.5 percent of the amount appropriated under subclause (I) for a fiscal year to make grants or enter into contracts under clause (ii).

(E) DIRECT SERVICE ACTIVITIES.—

(i) *IN GENERAL.*—A recipient of a grant made under subparagraph (D)(i) shall use the funds provided under the grant to support any services which may be useful in preparing eligible beneficiaries to enter or re-enter the workforce, to retain employment or to advance to positions which may enable the eligible beneficiary and the beneficiary's family to become economically self-sufficient.

(ii) *SERVICES PERMITTED.*—Services provided with funds made available under a grant made under subparagraph (D)(i) may include—

- (I) assessment;
- (II) education;
- (III) job readiness and placement;
- (IV) occupational training (including on-the-job training);
- (V) work experience;
- (VI) wage subsidies;
- (VII) job retention;
- (VIII) job creation specifically for eligible beneficiaries;
- (IX) case management;
- (X) counseling;
- (XI) supportive services, including (but not limited to) child care, transportation, mental health and substance abuse treatment, and prevention services important to employability; and
- (XII) counseling and other services to promote marriage, discourage teen pregnancies, assist in the formation and stabilization of 2-parent families, and address situations involving domestic violence.

(iii) *RETENTION OF ELIGIBILITY FOR OTHER SERVICES.*—An eligible beneficiary who receives services through funds provided under a grant made under subparagraph (D)(i) shall not be precluded from receiving other services from any State, local, or tribal government agency, or any other entity.

(iv) *DISREGARD.*—Income or services received by an eligible beneficiary under this paragraph shall be disregarded for purposes of determining eligibility for benefits under any means-tested program for which the eligibility requirements are established under Federal law.

(F) *PROGRAM SUPPORT ACTIVITIES.*—

(i) *IN GENERAL.*—In order to improve the effectiveness of services provided by Indian tribes, tribal organizations, and Alaska Native organizations under grants made under this paragraph, the Secretary shall support, through grants, contracts, or interagency agreements, activities that—

- (I) enhance the capacity of Indian tribes, tribal organizations, and Alaska Native organizations under this section to deliver the services authorized under subparagraph (E); and

(II) test or demonstrate new or improved methods of providing such services.

(ii) PREFERENCE.—In awarding grants or contracts under subparagraph (D)(ii) to carry out this subparagraph, the Secretary shall implement a preference policy consistent with the terms of section 7(b) of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450e(b)).

(G) ADDITIONAL REQUIREMENTS.—

(i) DIRECT SERVICE ACTIVITIES.—

(I) AUTHORITY TO CONSOLIDATE FUNDS.—An Indian tribe, tribal organization, or Alaska Native organization receiving a grant under subparagraph (D)(i) may consolidate funds received under the grant with assistance received from other programs in accordance with the provisions of the Indian Employment, Training and Related Services Demonstration Act of 1992 (25 U.S.C. 3401 et seq.) or the provisions of the Tribal Self-Governance Act of 1994 (25 U.S.C. 458aa et seq.).

(II) OPTION TO EXCLUDE PARTICIPANTS FROM DETERMINATION OF WORK PARTICIPATION RATES.—A State, Indian tribe, or tribal organization may exclude individuals participating in a direct services program funded under a grant made under subparagraph (D)(i) for a month from the calculation of the work participation rate for the State or tribe for such month.

(ii) APPLICABLE RULES.—Any amount paid to an Indian tribe, tribal organization, or Alaska Native organization under this part that is used to carry out the activities described in subparagraph (E) or (F) shall not be subject to the requirements of this part, but shall be subject to the requirements specified in the regulations required under subparagraph (H)(iii), and the expenditure of any amount so used shall not be considered to be an expenditure under this part.

(iii) AVAILABILITY OF FUNDS.—Funds provided to a recipient of a grant or contract under subparagraph (D)(ii) shall remain available for obligation for 2 succeeding fiscal years after the fiscal year in which the grant is made or the contract is entered into.

(H) PROGRAM ADMINISTRATION.—

(i) DESIGNATION OF OFFICE WITH PRIMARY RESPONSIBILITY.—The Secretary shall designate a single organizational unit within the Department that shall have as its primary responsibility the administration of the activities authorized under this paragraph and of any related Indian programs administered by the Department.

(ii) CONSULTATION.—

(I) IN GENERAL.—The Secretary shall consult with Indian tribes and tribal organizations eligible to administer activities authorized under this paragraph that are located throughout the United

States on all aspects of the operation and administration of such activities, including the promulgation of regulations, the design of a formula for the allocation of funds among Indian tribes and tribal organizations, and the implementation of program support activities described in subparagraph (F).

(II) ADVISORY COMMITTEE.—The Secretary may utilize a broadly based advisory committee whose members are nominated by Indian tribes and tribal organizations eligible to administer activities authorized under this paragraph as part of the consultation required under subclause (I), except that the consultation process shall not be limited to discussions with such committee.

(iii) REGULATIONS.—The Secretary may issue regulations for the conduct of activities under this paragraph. All requirements imposed by such regulations, including reporting requirements, shall take into full consideration tribal circumstances and conditions.

(5) APPLICATION OF INDIAN EMPLOYMENT, TRAINING, AND RELATED SERVICES DEMONSTRATION ACT OF 1992.—Notwithstanding any other provision of law, if an Indian tribe elects to incorporate the services it provides under this part into a plan under section 6 of the Indian Employment, Training, and Related Services Demonstration Act of 1992 (25 U.S.C. 3405), the programs authorized to be conducted with grants made under this part shall be—

(A) considered to be programs subject to section 5 of the Indian Employment, Training, and Related Services Demonstration Act of 1992 (25 U.S.C. 3404); and

(B) subject to the single plan and single budget requirements of section 6 of that Act (25 U.S.C. 3405) and the single report format required under section 11 of that Act (25 U.S.C. 3410).

(b) 3-YEAR TRIBAL FAMILY ASSISTANCE PLAN.—

(1) IN GENERAL.—Any Indian tribe that desires to receive a tribal family assistance grant shall submit to the Secretary a 3-year tribal family assistance plan that—

(A) outlines the Indian tribe's approach to providing welfare-related services for the 3-year period, consistent with this section;

(E) identifies the employment opportunities in or near the service area or areas of the Indian tribe and the manner in which the Indian tribe will cooperate and participate in enhancing such opportunities for recipients of assistance under the plan consistent with any applicable State standards; [and]

(F) applies the fiscal accountability provisions of section 5(f)(1) of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450c(f)(1)), relating to the submission of a single-agency audit report required by chapter 75 of title 31, United States Code[.];

(G) describes how the Indian tribe will ensure equitable access to benefits and services provided under the plan for

each member of the population to be served by the plan; and

(H) provides that the Indian tribe will consult with each State in which a service area of the plan is located at the operation of the plan and the provision of assistance or services to families under the plan.

* * * * *

(e) ACCOUNTABILITY.—Nothing in this section shall be construed to limit the ability of the Secretary to maintain program funding accountability consistent with—

- (1) generally accepted accounting principles; and
- (2) the requirements of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450 et seq.).

[(f) ELIGIBILITY FOR FEDERAL LOANS.—Section 406 shall apply to an Indian tribe with an approved tribal assistance plan in the same manner as such section applies to a State, except that section 406(c) shall be applied by substituting “section 412(a)” for “section 403(a)”.]

[(g) (f) PENALTIES.—

- (1) Subsections (a)(1), (a)(6), (b), and (c) of section 409, shall apply to an Indian tribe with an approved tribal assistance plan in the same manner as such subsections apply to a State.
- (2) Section 409(a)(3) shall apply to an Indian tribe with an approved tribal assistance plan by substituting “meet minimum work participation requirements established under section 412(c)” for “comply with section 407(a)”.

[(h) (g) DATA COLLECTION AND REPORTING.—Section 411 shall apply to an Indian tribe with an approved tribal family assistance plan.

[(i) (h) SPECIAL RULE FOR INDIAN TRIBES IN ALASKA.—

- (1) IN GENERAL.—Notwithstanding any other provision of this section, and except as provided in paragraph (2), an Indian tribe in the State of Alaska that receives a tribal family assistance grant under this section shall use the grant to operate a program in accordance with requirements comparable to the requirements applicable to the program of the State of Alaska funded under this part. Comparability of programs shall be established on the basis of program criteria developed by the Secretary in consultation with the State of Alaska and such Indian tribes.
- (2) WAIVER.—An Indian tribe described in paragraph (1) may apply to the appropriate State authority to receive a waiver of the requirement of paragraph (1).

RESEARCH, EVALUATIONS, AND NATIONAL STUDIES

SEC. 413. (a) RESEARCH.—* * *

* * * * *

[(d) ANNUAL RANKING OF STATES AND REVIEW OF MOST AND LEAST SUCCESSFUL WORK PROGRAM.—

- [(1) ANNUAL RANKING OF STATES.—The Secretary shall rank annually the States to which grants are paid under section 403 in the order of their success in placing recipients of assistance under the State program funded under this part into long-term private sector jobs, reducing the overall welfare caseload, and,

when a practicable method for calculating this information becomes available, diverting individuals from formally applying to the State program and receiving assistance. In ranking States under this subsection, the Secretary shall take into account the average number of minor children living at home in families in the State that have incomes below the poverty line and the amount of funding provided each State for such families.

[(2) ANNUAL REVIEW OF MOST AND LEAST SUCCESSFUL WORK PROGRAMS.—The Secretary shall review the programs of the 3 States most recently ranked highest under paragraph (1) and the 3 States most recently ranked lowest under paragraph (1) that provide parents with work experience, assistance in finding employment, and other work preparation activities and support services to enable the families of such parents to leave the program and become self-sufficient.]

(d) ANNUAL PERFORMANCE MEASURES OF SUCCESS IN MOVING RECIPIENTS FROM WELFARE TO WORK.—Beginning on January 1, 2003, and annually thereafter, the Secretary shall issue the following data regarding the performance of each State program funded under this part for the 2 preceding fiscal years with respect to helping recipients of assistance under such State programs in becoming self-sufficient through earnings from employment:

(1) Job entry and retention rates for such recipients and former recipients.

(2) Quarterly earnings and earnings gain for such recipients and former recipients.

[(e) ANNUAL RANKING OF STATES AND REVIEW OF ISSUES RELATING TO OUT-OF-WEDLOCK BIRTHS.—

[(1) IN GENERAL.—The Secretary shall annually rank States to which grants are made under section 403 based on the following ranking factors:

[(A) ABSOLUTE OUT-OF-WEDLOCK RATIOS.—The ratio represented by—

[(i) the total number of out-of-wedlock births in families receiving assistance under the State program under this part in the State for the most recent year for which information is available; over

[(ii) the total number of births in families receiving assistance under the State program under this part in the State for the year.

[(B) NET CHANGES IN THE OUT-OF-WEDLOCK RATIO.—The difference between the ratio described in subparagraph (A) with respect to a State for the most recent year for which such information is available and the ratio with respect to the State for the immediately preceding year.

[(2) ANNUAL REVIEW.—The Secretary shall review the programs of the 5 States most recently ranked highest under paragraph (1) and the 5 States most recently ranked the lowest under paragraph (1).]

(e) NATIONAL GOAL TO REDUCE TEEN PREGNANCY—

(1) ESTABLISHMENT OF NATIONAL GOAL.—There is hereby established a national goal of reduction teen pregnancy by $\frac{1}{3}$ by December 31, 2007.

(2) *ANNUAL ASSESSMENT OF PROGRESS.*—Beginning on January 1, 2003, and annually thereafter, the Secretary shall issue an annual assessment of the progress toward achieving the national goal established under paragraph (1), that includes State-level data on teen pregnancies and an assessment of the progress of each State in achieving such goal.

* * * * *

(h) **FUNDING OF STUDIES AND DEMONSTRATIONS.**—

(1) **IN GENERAL.**—**【**Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated \$15,000,000 for each of fiscal years 1997 through 2002**】** *Of the amount appropriated under section 403(a)(1)(F) for each of fiscal year 2003 through 2007, \$20,000,000 shall be reserved for the purpose for paying—*

(A) the cost of conducting the research described in subsection (a);

(B) the cost of developing and evaluating innovative approaches for reducing welfare dependency and increasing the well-being of minor children under subsection (b);

(C) the Federal share of any State-initiated study approved under subsection (f); and

【(D) an amount determined by the Secretary to be necessary to operate and evaluate demonstration projects, relating to this part, that are in effect or approved under section 1115 as of August 22, 1996, and are continued after such date.**】**

(D) the cost of conducting the studies described in paragraphs (4) through (6).

(2) **ALLOCATION.**—Of the amount appropriated under paragraph (1) for a fiscal year—

【(A) 50 percent shall be allocated for the purposes described in subparagraphs (A) and (B) of paragraph (1), and

【(B) 50 percent shall be allocated for the purposes described in subparagraphs (C) and (D) of paragraph (1).**】**

(A) not less than 25 percent shall be allocated to carry out the purpose described in paragraph (1)(A);

(B) not less than 25 percent shall be allocated to carry out the purpose described in paragraph (1)(B);

(C) not less than 25 percent shall be allocated to carry out the purpose described in paragraph (1)(C); and

(D) not less than 25 percent shall be allocated to carry out the purpose described in paragraph (1)(D);

* * * * *

(4) **LONGITUDINAL STUDIES OF APPLICANTS AND RECIPIENTS TO DETERMINE THE FACTORS THAT CONTRIBUTE TO POSITIVE EMPLOYMENT AND FAMILY OUTCOMES.**—

(A) **IN GENERAL.**—*The Secretary, directly or through grants, contracts, or interagency agreements, shall conduct longitudinal studies in at least 5 and not more than 10 States (or sub-State areas, provided that none of such areas are located in the same State) of a representative sample of families that receive, and applicants for, assistance in a State program funded under this part or under a program*

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

(B) GENERAL REQUIREMENTS.—The studies conducted under this paragraph shall follow families that leave assistance, those that receive assistance throughout the study period, and those diverted from assistance programs. The studies shall gather information on—

(i) family and adult demographics (including race, ethnicity, household composition, marital status, primary language, barriers to employment, educational status of adults, prior work history, and prior history of welfare receipt);

(ii) family income (including earnings, unemployment compensation, and child support);

(iii) benefit receipt (including benefits under the food stamp program, the medicaid program under title XIX, the State children's health insurance program under title XXI, child care assistance, supplemental security income benefits under title XVI, earned income tax credits, and housing assistance);

(iv) reasons for leaving or returning to assistance programs;

(v) work participation status and activities, including the scope and duration of work activities;

(vi) sanction status (including reasons for sanction);

(vii) time limit status (including months remaining on Federal and State time limits);

(viii) recipient views on program participation; and

(ix) other measures of family well-being over the period studied.

(C) COMPARABILITY.—The Secretary shall ensure to the extent possible that the studies conducted under this paragraph produce comparable results and information.

(D) GEOGRAPHIC DIVERSITY.—The studies conducted under this paragraph shall be conducted in States or sub-State areas that have significant areas of low population density and in States or sub-State areas with areas of high population density.

(E) REPORTS.—The Secretary shall publish—

(i) not later than December 31, 2005, interim findings from at least 12 months of longitudinal data collected under studies conducted under this paragraph; and

(ii) not later than December 31, 2006, findings from at least 24 months of longitudinal data collected under studies conducted under this paragraph.

(5) STUDY OF EFFECTS OF SANCTIONS.—

(A) IN GENERAL.—The Secretary, directly or through grants, contracts, or interagency agreements, shall conduct a random assignment study comparing the effects of full-family sanctions, partial sanctions, and other policies for increasing engagement in work activities required under the State programs funded under this part.

(B) REQUIRED INFORMATION.—The study conducted under this paragraph shall include information with re-

spect to participants in the study on demographic characteristics, work participation rates, employment and earnings, duration and amount of payments of assistance under the State program funded under this part, factors affecting program compliance, incidences of hardship, family income, and the well-being of children.

(C) REPORT.—Not later than December 31, 2006, the Secretary shall submit to Congress the results of the study conducted under this paragraph.

(6) STUDY OF TEEN PARENT RECIPIENTS.—

(A) IN GENERAL.—The Secretary, directly or through grants, contracts, or interagency agreements, shall conduct a study of a representative sample of teen parents who are recipients of assistance under State programs funded under this part to determine—

(i) whether Federal and State data on the number of such recipients is accurate, including an examination of the extent to which such recipients are members of a family that is not reflected in the data;

(ii) what assessment procedures are utilized with such recipients and whether such procedures would detect a housing or an educational barrier, such as a learning disability; and

(iii) the services and eligibility requirements for such recipients.

(B) REPORT.—Not later than December 31, 2006, the Secretary shall submit to Congress the results of the study conducted under this paragraph.

* * * * *

(j) EVALUATION OF WELFARE-TO-WORK PROGRAMS.—

(1) EVALUATION.—The Secretary, in consultation with the Secretary of Labor and the Secretary of Housing and Urban Development—

* * * * *

(2) REPORTS TO THE CONGRESS.—

(A) IN GENERAL.—Subject to subparagraphs (B) and (C), the Secretary, in consultation with the Secretary of Labor and the Secretary of Housing and Urban Development, shall submit to the Congress reports on the project funded under [section] sections 403(a)(5) and 412(a)(3) and on the evaluations of the projects.

(B) INTERIM REPORT.—Not later than January 1, 1999, the Secretary shall submit an interim report on the matter described in subparagraph (A).

(C) FINAL REPORT.—Not later than January 1, 2001, (or at a later date, if the Secretary informs the Committees of the Congress with jurisdiction over the subject matter of the report) the Secretary shall submit a final report on the matter described in subparagraph (A).

(k) TEEN PREGNANCY PREVENTION RESOURCE CENTER.—

(1) AUTHORITY.—

(A) IN GENERAL.—The Secretary shall make a grant to a nationally recognized, nonpartisan, nonprofit organization that meets the requirements described in subparagraph (B)

to establish and operate a national teen pregnancy prevention resource center (in this subsection referred to as the "Resource Center") to carry out the purposes and activities described in paragraph (2).

(B) *REQUIREMENTS.*—The requirements described in this subparagraph are the following:

(i) The organization has at least 5 years of experience in working with diverse sectors of society to reduce teen pregnancy.

(ii) The organization has a demonstrated ability to work with and provide assistance to a broad range of individuals and entities, including teens, parents, the entertainment and news media, State, tribal, and local organizations, networks of teen pregnancy prevention practitioners, businesses, faith and community leaders, and researchers.

(iii) The organization is research-based and has capabilities in scientific analysis and evaluation.

(iv) The organization has comprehensive knowledge and data about teen pregnancy prevention strategies.

(v) The organization has experiences operating a resource center that carries out activities similar to the activities described in paragraph (2)(B).

(2) *PURPOSES AND ACTIVITIES.*—

(A) *PURPOSES.*—The purposes of the Resource Center are to—

(i) provide information and technical assistance to States, Indian tribes, local communities, and other public or private organizations seeking to reduce rates of teen pregnancy; and

(ii) assist such entities in their efforts to work through all forms of media to communicate effective messages about preventing teen pregnancy, including messages that focus on abstinence, responsible behavior, family communication, relationships, and values.

(B) *ACTIVITIES.*—The Resource Center shall carry out the purposes described in subparagraph (A) through the following activities:

(i) Synthesizing and disseminating research and information regarding effective and promising practices to prevent teen pregnancy.

(ii) Developing and providing information on how to design and implement effective programs to prevent teen pregnancy.

(iii) Helping States, local communities, and other organizations increase their knowledge of existing resources that can be used to advance teen pregnancy prevention efforts.

(iv) Linking organizations working to reduce teen pregnancy with experts and peer groups, including the creation of technical assistance networks.

(v) Providing consultation and resources on how to reduce teen pregnancy through a broad array of strategies, including enlisting the help of various sectors of society such as parents, other adults (such as coaches

and mentors), community or faith-based groups, the entertainment and news media, business, and other teens.

(vi) Working directly with individuals and organizations in the entertainment industry to provide consultation and serve as a source of factual information on issues related to teen pregnancy prevention.

(3) *COLLABORATION WITH OTHER ORGANIZATIONS.*—The organization operating the Resource Center shall collaborate with other nonprofit organizations that have expertise and interest in teen pregnancy prevention.

(4) *APPROPRIATIONS.*—Out of any money in the Treasury of the United States not otherwise appropriated, there is appropriated to carry out this subsection, \$5,000,000 for each of fiscal years 2003 through 2007.

(l) *INDICATORS OF CHILD WELL-BEING.*—

(1) *IN GENERAL.*—The Secretary, through grants, contracts, or interagency agreements shall develop comprehensive indicators to assess child well-being in each State.

(2) *REQUIREMENTS.*—

(A) *IN GENERAL.*—The indicators developed under paragraph (1) shall include measures related to the following:

(i) Education.

(ii) Social and emotional development.

(iii) Health and safety.

(iv) Family well-being, such as family structure, income, employment, child care arrangements, and family relationships.

(B) *OTHER REQUIREMENTS.*—The data collected with respect to the indicators developed under paragraph (1) shall be—

(i) statistically representative at the State level;

(ii) consistent across States;

(iii) collected on an annual basis for at least the 5 years preceding the year of collection;

(iv) expressed in terms of rates or percentages;

(v) statistically representative at the national level;

(vi) measured with reliability;

(vii) current; and

(viii) over-sampled, with respect to low-income children and families.

(C) *CONSULTATION.*—In developing the indicators required under paragraph (1) and the means to collect the data required with respect to the indicators, the Secretary shall consult and collaborate with the Federal Interagency Forum on Child and Family Statistics.

(3) *ADVISORY PANEL.*—

(A) *ESTABLISHMENT.*—The Secretary shall establish an advisory panel to make recommendations regarding the appropriate measures and statistical tools necessary for making the assessment required under paragraph (1) based on the indicators developed under that paragraph and the data collected with respect to the indicators.

(B) *MEMBERSHIP.*—

(i) *IN GENERAL.*—The advisory panel established under subparagraph (A) shall consist of the following:

(I) One member appointed by the Secretary of Health and Human Services.

(II) One member appointed by the Chairman of the Committee on Ways and Means of the House of Representatives.

(III) One member appointed by the Ranking Member of the Committee on Ways and Means of the House of Representatives.

(IV) One member appointed by the Chairman of the Committee on Finance of the Senate.

(V) One member appointed by the Ranking Member of the Committee on Finance of the Senate.

(VI) One member appointed by the Chairman of the National Governors Association, or the Chairman's designee.

(VII) One member appointed by the President of the National Conference of State Legislatures or the President's designee.

(VIII) One member appointed by the Director of the National Academy of Sciences, or the Director's designee.

(ii) *DEADLINE.*—The members of the advisory panel shall be appointed not later than 2 months after the date of enactment of the Work, Opportunity, and Responsibility for Kids Act of 2002.

(C) *MEETINGS.*—The advisory panel established under subparagraph (A) shall meet—

(i) at least 3 times during the first year after the date of enactment of the Work, Opportunity, and Responsibility for Kids Act of 2002; and

(ii) annually thereafter for the 3 succeeding years.

(4) *FUNDING.*—Of the amount appropriated under section 403(a)(1)(F) for each of fiscal years 2003 through 2007, \$15,000,000 shall be reserved for the purpose of carrying out this subsection.

(m) *TRIBAL WELFARE PROGRAMS AND EFFORTS TO REDUCE POVERTY AMONG INDIANS.*—

(1) *IN GENERAL.*—The Secretary, directly or through grants, contracts, or interagency agreements, shall conduct research to improve the effectiveness of tribal family assistance programs conducted under section 412 and other tribal welfare programs and on efforts to reduce poverty among Indians.

(2) *PRIORITY FOR CERTAIN APPLICATIONS.*—With respect to applications for grants under paragraph (1), the Secretary shall give priority to applications to conduct research in cooperation with tribal governments or tribally controlled colleges or universities.

(3) *FUNDING.*—Of the amount appropriated under section 403(a)(1)(F) for fiscal year 2003, \$2,000,000 shall be reserved for the purpose of carrying out this subsection.

(n) *DEMONSTRATION PROJECTS FOR AT HOME INFANT CARE.*—

(1) *AUTHORITY TO AWARD GRANTS.*—

(A) *IN GENERAL.*—The Secretary shall award grants to not less than 5 and not more than 10 States to enable such States to carry out demonstration projects to provide at-home infant care benefits to eligible low-income families.

(B) *INDIAN TRIBES.*—An Indian tribe may submit an application for a grant under this subsection. If awarded a grant, the Indian tribe shall conduct a demonstration project to provide at-home infant care benefits to eligible low-income families in the same manner, and to the same extent as a State, except that the Secretary may modify the requirements of this subsection as appropriate with respect to the Indian tribe. For purposes of subparagraph (A), any grant awarded to an Indian tribe shall not count toward the number of grants awarded to States.

(2) *FAMILY ELIGIBILITY.*—

(A) *IN GENERAL.*—To be eligible to participate in a program of at-home infant care under a demonstration project established under paragraph (1), a family shall—

(i) have an income that does not exceed the limits specified in section 658P(3)(B) of the Child Care and Development Block Grant Act of 1990 (42 U.S.C. 9858n(3)(B));

(ii) include a child under the age of 2;

(iii) include a parent (as defined in section 658P(8) of the Child Care and Development Block Grant Act of 1990 (42 U.S.C. 9858n(8))), who meets the State's requirements for having had a recent work history prior to application for at-home infant care benefits; and

(iv) meet such other eligibility requirements as the State may establish.

(B) *2-PARENT FAMILIES.*—A State selected to participate in a demonstration project of at-home infant care under this section shall permit 2-parent families to participate in the project but may not limit participation in the project to such families.

(3) *AMOUNT OF ASSISTANCE.*—The amount of at-home infant care benefits provided to an eligible family under this subsection for a month of benefit receipt shall not exceed the payment rate applicable to eligible child care providers for infant care under the State's payment rate schedule, according to the provisions of section 658E(c)(4)(A) of the Child Care and Development Block Grant Act of 1990 (42 U.S.C. 9858c(c)(4)(A)).

(4) *SUBMISSION OF APPLICATIONS.*—An eligible low-income parent may submit an application for at-home infant care benefits under a demonstration project established under this subsection at any time prior to the date on which the child attains age 2.

(5) *REQUIRED CERTIFICATIONS.*—A State selected to participate in a demonstration project of at-home infant care under this section shall provide certifications to the Secretary that—

(A) during the period of the demonstration project, the State shall not reduce expenditures for child care services below the levels in effect in the fiscal year preceding the fiscal year in which the State begins to participate in the project;

(B) *the State, in operating the demonstration project, shall not give priority or preference to parents seeking to participate in the program of At-Home Infant Care over other eligible parents on a waiting list for child care assistance in the State;*

(C) *the State shall—*

(i) *provide parents applying to receive at-home infant care benefits with information on the range of options for child care available to the parents;*

(ii) *ensure that approved applicants for at-home infant care are permitted to choose between receipt of at-home infant care benefits and receipt of a certificate that may be used with an eligible child care provider for child care needed for employment; and*

(iii) *provide that a family receiving an at-home infant care benefit may exchange the benefit for a child care voucher for employment at any time during the family's participation in the program;*

(D) *the State shall develop or update and implement a plan to improve the quality of infant care, and shall use up to 10 percent of the funds received under the demonstration project for efforts to improve the quality of infant care in the State;*

(E) *the State shall ensure that voluntary employment services are offered to program participants after the completion of participation in the program to assist the participants in returning to unsubsidized employment; and*

(F) *the State shall cooperate with information collection and evaluation activity conducted by the Secretary.*

(6) **TANF ASSISTANCE.**—*The receipt of an at-home infant care benefit funded under this subsection shall not be considered assistance under the State program funded under this part for any purpose.*

(7) **BENEFIT NOT TREATED AS INCOME.**—*Notwithstanding any other provision of law, the value of an at-home infant care benefit funded under this subsection shall not be treated as income for purposes of any Federal or federally-assisted program that bases eligibility, or the amount of benefits or services provided, on need.*

(8) **APPLICATION FOR PARTICIPATION AND SELECTION OF STATES.**—

(A) **APPLICATIONS.**—*Not later than 90 days after the date of enactment of the Work, Opportunity, and Responsibility for Kids Act of 2002, the Secretary shall publish a notice of opportunity to participate, specifying the contents of an application for participation in the At-Home Infant Care demonstration project funded under this subsection. The notice shall include a timeframe for States to submit an application to participate, and shall provide that all such applications are to be submitted not later than 270 days after such date of enactment.*

(B) **SELECTION.**—

(i) **IN GENERAL.**—*The Secretary shall review the applications and select the participating States not later than 1 year after such date of enactment.*

(ii) *CRITERIA.*—*In selecting States to participate in the demonstration project funded under this subsection, the Secretary shall—*

(I) seek to ensure geographic diversity; and

(II) give priority to States—

(aa) whose applications demonstrate a strong commitment to improving the quality of infant care and the choice available to parents of infants;

(bb) with experience relevant to the operation of at-home infant care programs; and

(cc) in which there are demonstrable shortages of infant care.

(9) *EVALUATION AND REPORT TO CONGRESS.*—

(A) IN GENERAL.—*The Secretary shall conduct an evaluation of the demonstration projects conducted under this subsection and submit a report to Congress on such evaluation not later than 4 years after the date of enactment of the Work, Opportunity, and Responsibility for Kids Act of 2002.*

(B) REQUIREMENTS.—*The evaluation required under this paragraph shall expressly address the following:*

(i) Implementation experiences of the States participating in the project in developing and operating programs of at-home infant care, including design issues and issues in coordinating at-home infant care benefits with benefits provided or funded under the Child Care and Development Block Grant in the State.

(ii) The characteristics of families seeking to participate and participating in the programs of at-home infant care funded under this subsection.

(iii) The length of participation by families in such programs and the reasons for the families ceasing to participate in the programs.

(iv) The prior and subsequent employment of participating families and the effect of program participation on subsequent employment participation of the families.

(v) The costs and benefits of the programs of at-home infant care.

(vi) The effectiveness of State or tribal efforts to improve the quality of infant care during the period in which the demonstration project is conducted in the State.

(C) RESERVATION OF FUNDS.—*Of the amount appropriated under paragraph (10) for a fiscal year, \$750,000 shall be reserved with respect to each such fiscal year for purposes of conducting the evaluation required under this paragraph.*

(10) *APPROPRIATIONS.*—*Out of any money in the Treasury of the United States not otherwise appropriated, there is appropriated to carry out this subsection, \$30,000,000 for each of fiscal years 2003 through 2007.*

(o) *INTERAGENCY DEMONSTRATION ON HOUSING WITH SERVICES.*—

(1) *IN GENERAL.*—The Secretary and the Secretary of Housing and Urban Development (in this subsection referred to as the “Secretaries”) jointly shall award grants for the conduct and evaluation of demonstrations of different models to provide housing with services to promote the employment of individuals who have multiple barriers to work, including lack of adequate housing, and who are—

(A) parents or caretaker relatives who are eligible for a benefit or service under the State program funded under this part; or

(B) non-custodial parents of children who are eligible for a benefit or service under such State program.

(2) *REQUIREMENTS.*—

(A) *ELIGIBLE RECIPIENTS.*—Grants shall be awarded under this subsection on a competitive basis to States and organizations which have exempt status under section 501(c)(3) of the Internal Revenue Code of 1986, including community and faith-based organizations.

(B) *LOCATION.*—In awarding such grants, the Secretaries shall ensure that demonstrations are conducted in metropolitan and nonmetropolitan areas.

(C) *USE OF FUNDS.*—

(i) *IN GENERAL.*—Funds provided under a grant awarded under this subsection shall be used for the cost of implementation and evaluation of the demonstrations conducted with such funds.

(ii) *LIMITATION ON BENEFITS OR SERVICES TO NON-CUSTODIAL PARENTS.*—Not more than 10 percent of the total amount of grant funds awarded to a State or organization under this subsection may be used to provide benefits or services to noncustodial parents.

(D) *NOT CONSIDERED ASSISTANCE.*—A benefit or service provided with funds made available under a grant awarded under this subsection shall not for any purpose, be considered assistance under the State program funded under this part.

(E) *DURATION; AVAILABILITY OF FUNDS.*—Funds provided under a grant awarded under this subsection shall remain available for a period of 3 years after the date on which the grant is made.

(3) *EVALUATION.*—Not later than December 31, 2006, the Secretaries shall publish an evaluation of the demonstrations conducted under grants made under this subsection.

(4) *AUTHORIZATION OF APPROPRIATIONS.*—There is authorized to be appropriated to make grants under this subsection, \$50,000,000 for fiscal year 2004.

* * * * *

WAIVERS

SEC. 415. (a) CONTINUATION OF WAIVERS.—

(1) WAIVERS IN EFFECT ON DATE OF ENACTMENT OF WELFARE REFORM.—

* * * * *

(b) STATE OPTION TO TERMINATE WAIVER.—

(1) IN GENERAL.—A State may terminate a waiver described in subsection (a), *extended under subsection (e), or approved under subsection (f)* before the expiration of the waiver.

* * * * *

(d) CONTINUATION OF INDIVIDUAL WAIVERS.—A State may elect to continue 1 or more individual waivers described in subsection (a).

(e) CONTINUATION OF WAIVERS APPROVED OR SUBMITTED BEFORE DATE OF ENACTMENT OF WELFARE REFORM.—

(1) IN GENERAL.—*Notwithstanding subsection (a) but subject to paragraph (2), with respect to any State that is operating under a waiver described in that subsection which would otherwise expire on a date that occurs during the period that begins on October 1, 2002, and ends on September 30, 2007, the State may elect to continue to operate under that waiver, on the same terms and conditions as applied to the waiver on the day before such date, through September 30, 2007.*

(2) NO EFFECT ON APPLICATION OF UNIVERSAL ENGAGEMENT AND INDIVIDUAL RESPONSIBILITY PLAN REQUIREMENTS.—*Notwithstanding paragraph (1), the continuation of a waiver under paragraph (1) shall not affect the applicability of section 408(b) (as amended by the Work, Opportunity, and Responsibility for Kids Act of 2002) to the State.*

(f) REQUIREMENT TO APPROVE WAIVERS TO DUPLICATE INNOVATIVE PROGRAMS.—

(1) IN GENERAL.—*Notwithstanding any other provision of law, if a State submits an application for a waiver of 1 or more requirements of this part that contains terms that are similar or identical to the terms of a waiver eligible to be continued under subsection (e), and the application satisfies the requirements of paragraph (2), the Secretary—*

(A) *shall approve the application for a period of at least 2 years, but not more than 4 years, unless the Secretary determines that approval would be inconsistent with the purposes of this part set forth in section 401;*

(B) *at the end of the waiver period, shall review documentation of the effectiveness of the waiver provided by the State; and*

(C) *if such documentation adequately demonstrates that the program as implemented under the waiver has been effective, may renew the waiver for such period as the Secretary determines appropriate, but not later than September 30, 2007.*

(2) APPLICATION REQUIREMENTS.—*An application for a waiver described in paragraph (1) shall—*

(A) *describe relevant State caseload characteristics and labor market conditions;*

(B) *specify how the waiver is likely to result in improved employment outcomes, improved child well-being, or both;*

(C) *describe the State's proposed approach for evaluation of the program under the waiver; and*

(D) include an agreement to conduct an independent evaluation of the waiver and to submit the results of the evaluation to the Secretary.

* * * * *

FUNDING FOR CHILD CARE

SEC. 418. (a) GENERAL CHILD CARE ENTITLEMENT.—

(1) GENERAL ENTITLEMENT.—Subject to the amount appropriated under paragraph (3) *and paragraph (6)*, each State shall, for the purpose of providing child care assistance, be entitled to payments under a grant under this subsection for a fiscal year in an amount equal to the greater of—

* * * * *

(3) APPROPRIATION.—For grants under this section, there are appropriated—

- (A) \$1,967,000,000 for fiscal year 1997;
- (B) \$2,067,000,000 for fiscal year 1998;
- (C) \$2,167,000,000 for fiscal year 1999
- (D) \$2,367,000,000 for fiscal year 2000
- (E) \$2,567,000,000 for fiscal year 2001 **[and]**
- (F) \$2,717,000,000 for **[fiscal year 2002.]** *each of fiscal years 2002 through 2005; and*
- (G) \$2,967,000,000 for *each of fiscal years 2006 and 2007.*

[(4) INDIAN TRIBES.—The Secretary shall reserve not less than 1 percent, and not more than 2 percent, of the aggregate amount appropriated to carry out this section in each fiscal year for payments to Indian tribes and tribal organizations.]

(4) AMOUNTS RESERVED.—

(A) INDIAN TRIBES.—*The Secretary shall reserve 2 percent of the aggregate amount appropriated to carry out this section under paragraphs (3) and (5) for each fiscal year for payments to Indian tribes and tribal organizations for each such fiscal year for the purpose of providing child care assistance.*

(B) PUERTO RICO.—*The Secretary shall reserve \$10,000,000 of the amount appropriated under paragraph (5) for each fiscal year for payments to the Commonwealth of Puerto Rico for each such fiscal year for the purpose of providing child care assistance.*

(C) USE OF FUNDS; APPLICATION OF CHILD CARE AND DEVELOPMENT BLOCK GRANT ACT.—*Subsections (b) and (c) apply to amounts received under this paragraph in the same manner as such subsections apply to amounts received by a State under this section.*

(D) NO MATCHING REQUIREMENT.—*No matching requirement shall apply to amounts paid under this paragraph for a fiscal year.*

(5) ADDITIONAL GENERAL ENTITLEMENT GRANTS.—

(A) APPROPRIATION.—*For additional grants under paragraph (1), there is appropriated \$1,000,000,000 for each of fiscal years 2003 through 2007. Amounts appropriated under this subparagraph for a fiscal year shall be in addi-*

tion to amounts appropriated under paragraph (3) for such fiscal year.

(B) *ADDITIONAL GRANT.*—In addition to the grant paid to a State under paragraph (1) for each of fiscal years 2003 through 2007, of the amount available for additional grants under subparagraph (A) for a fiscal year, the Secretary shall pay the State an amount equal to the same proportion of such amount as the proportion of the State’s grant under paragraph (1) to the amount appropriated under paragraph (3) for such fiscal year.

(6) *REQUIREMENT FOR GRANT INCREASE.*—Notwithstanding paragraph (1), (2), or (5), the aggregate amount paid to a State under this section for each of fiscal years 2003 through 2007 may not exceed the aggregate amount paid to the State under this section for fiscal year 2002 unless the State ensures that the level of State expenditures for child care for such fiscal year is not less than the level of State expenditures for child care that were matched under a grant made to the State under paragraph (2) or that the State expended to meet its maintenance of effort obligation under paragraph (2) for fiscal year 2002.

[(5)] (7) *DATA USED TO DETERMINE STATE AND FEDERAL SHARES OF EXPENDITURES.*—In making the determinations concerning expenditures required under paragraphs (1) and (2)(C), the Secretary shall use information that was reported by the State on ACF Form 231 and available as of the applicable dates specified in clauses (i)(I), (ii), and (iii)(III) of section 403(a)(1)(D).

* * * * *

DEFINITIONS

SEC. 419. As used in this part:

(1) *ADULT.*—The term “adult” means an individual who is not a minor child.

* * * * *

(6) *ASSISTANCE.*—

(A) *IN GENERAL.*—The term “assistance” means payment, by cash, voucher, or other means, to or for an individual or family for the purpose of meeting a subsistence need of the individual or family (including food, clothing, shelter, and related items, but not including costs of transportation, child care, or supplemental housing benefits (as defined in section 404(m)(4)).

(B) *EXCEPTION.*—The term “assistance” does not include a payment described in subparagraph (A) to or for an individual or family on a short-term, nonrecurring basis (as defined by the State in accordance with regulations prescribed by the Secretary) or any other benefit or service excluded from the definition of assistance under section 260.31 of title 45 of the Code of Federal Regulations (as in effect on June 1, 2002).

PART D—CHILD SUPPORT AND ESTABLISHMENT OF PATERNITY

* * * * *

FEDERAL PARENT LOCATOR SERVICE

SEC. 453. (a)(1) * * *

(2) For the purpose of establishing percentage or establishing, setting the amount of, modifying, or enforcing child support obligations, the Federal Parent Locator Service shall obtain and transmit to any authorized person specified in subsection (c)—

* * * * *

(i) NATIONAL DIRECTORY OF NEW HIRES.—

* * * * *

(4) LIST OF MULTISTATE EMPLOYERS.—The Secretary shall maintain within the National Directory of New Hires a list of multistate employers that report information regarding newly hired employees pursuant to section 453A(b)(1)(B), and the State which each such employer has designated to receive such information.

(5) *CALCULATION OF EMPLOYMENT CREDIT FOR PURPOSES OF DETERMINING STATE WORK PARTICIPATION RATES UNDER TANF.—The Secretary may use the information in the National Directory of New Hires for purposes of calculating State employment credits pursuant to section 407(a)(2).*

(j) INFORMATION COMPARISONS AND OTHER DISCLOSURES.—

* * * * *

(7) *INFORMATION COMPARISONS AND DISCLOSURE TO ASSIST IN ADMINISTRATION OF UNEMPLOYMENT COMPENSATION PROGRAMS.—*

(A) *IN GENERAL.—If a State agency responsible for the administration of an unemployment compensation program under Federal or State law transmits to the Secretary the name and social security account number of an individual, the Secretary shall, if the information in the National Directory of New Hires indicates that the individual may be employed, disclose to the State agency the name, address, and employer identification number of any putative employer of the individual, subject to this paragraph.*

(B) *CONDITION ON DISCLOSURE.—The Secretary shall make a disclosure under subparagraph (A) only to the extent that the Secretary determines that the disclosure would not interfere with the effective operation of the program under this part.*

(C) *USE OF INFORMATION.—A State agency may use information provided under this paragraph only for purposes of administering a program referred to in subparagraph (A).*

* * * * *

STATE PLAN FOR CHILD AND SPOUSAL SUPPORT

SEC. 454. A State plan for child and spousal support must—

* * * * *

(32)(A) provide that any request for services under this part by a foreign reciprocating country or a foreign country with which the State has an arrangement described in section 459A(d) shall be treated as a request by a State;

(B) provide, at State option, notwithstanding paragraph (4) or any other provision of this part, for services under the plan for enforcement of a spousal support order not described in paragraph (4)(B) entered by such a country (or subdivision); and

(C) provide that no applications will be required from, and no costs will be assessed for such services against, the foreign reciprocating country or foreign obligee (but costs may at State option be assessed against the obligor); **[and]**

(33) provide that a State that receives funding pursuant to section 428 and that has within its borders Indian country (as defined in section 1151 of title 18, United States Code) may enter into cooperative agreements with an Indian tribe or tribal organization (as defined in subsections (e) and (l) of section 4 of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450b)), if the Indian tribe or tribal organization demonstrates that such tribe or organization has an established tribal court system or a Court of Indian Offenses with the authority to establish paternity, establish, modify, or enforce support orders or, and to enter support orders in accordance with child support guidelines established or adopted by such tribe or organization, under which the State and tribe or organization, under which the State and tribe or organization shall provide for the cooperative delivery of child support enforcement services in Indian country and for the forwarding of all collections pursuant to the functions performed by the tribe or organization to the State agency, or conversely, by the State agency to the tribe or organization, which shall distribute such collections in accordance with such agreement**[.]**;

(34) include an election by the State to apply section 457(a)(2)(B) of this Act or former section 457(a)(2)(B) of this Act or former section 457(a)(2)(B) of this Act (as in effect for the State immediately before the date this paragraph first applies to the State) to the distribution of the amounts which are the subject of such sections, and for so long as the State elects to so apply such former section, the amendments made by subsection (e) of section 501 of the Work, Opportunity, and Responsibility for Kids Act of 2002 shall not apply with respect to the State, notwithstanding subsection (f)(1) of such section 501; and

(35) provide that the State shall not use the State program operated under this part to collect any amount owed to the State by reason of costs incurred under the State plan approved under title XIX for the birth of a child for whom support rights have been assigned pursuant to section 408(a)(3), 471(a)(17), or 1912.

* * * * *

DISTRIBUTION OF COLLECTED SUPPORT

SEC. 457. **[(a) IN GENERAL.—**Subject to subsections (e) and (f), an amount collected on behalf of a family as support by a State pursuant to a plan approved under this part shall be distributed as follows:

[(1) FAMILIES RECEIVING ASSISTANCE.—In the case of a family receiving assistance from the State, the State shall—

[(A) pay to the Federal Government the Federal share of the amount so collected; and

[(B) retain, or distribute to the family, the State share of the amount so collected.

[In no event shall the total of the amounts paid to the Federal Government and retained by the State exceed the total of the amounts that have been paid to the family as assistance by the State.

[(2) FAMILIES THAT FORMERLY RECEIVED ASSISTANCE.—In the case of a family that formerly received assistance from the State:

[(A) CURRENT SUPPORT PAYMENTS.—To the extent that the amount so collected does not exceed the amount required to be paid to the family for the month in which collected, the State shall distribute the amount so collected to the family.

[(B) PAYMENTS OF ARREARAGES.—To the extent that the amount so collected exceeds the amount required to be paid to the family for the month in which collected, the State shall distribute the amount so collected as follows:

[(i) DISTRIBUTION OF ARREARAGES THAT ACCRUED AFTER THE FAMILY CEASED TO RECEIVE ASSISTANCE.—

[(I) PRE-OCTOBER 1997.—Except as provided in subclause (II), the provisions of this section as in effect and applied on the day before the date of the enactment of section 302 of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (other than subsection (b)(1) (as so in effect)) shall apply with respect to the distribution of support arrearages that—

[(aa) accrued after the family ceased to receive assistance, and

[(bb) are collected before October 1, 1997.

[(II) POST-SEPTEMBER 1997.—With respect to the amount so collected on or after October 1, 1997 (or before such date, at the option of the State)—

[(aa) IN GENERAL.—The State shall first distribute the amount so collected (other than any amount described in clause (iv)) to the family to the extent necessary to satisfy any support arrearages with respect to the family that accrued after the family ceased to receive assistance from the State.

[(bb) REIMBURSEMENT OF GOVERNMENTS FOR ASSISTANCE PROVIDED TO THE FAMILY.—

After the application of division (aa) and clause (ii)(II)(aa) with respect to the amount so collected, the State shall retain the State share of the amount so collected, and pay to the Federal Government the Federal share as defined in subsection (c)(2) of the amount so collected, but only to the extent necessary to reimburse amounts paid to the family as assistance by the State.

[(cc) DISTRIBUTION OF THE REMAINDER TO THE FAMILY.—To the extent that neither division (aa) nor division (bb) applies to the amount so collected, the State shall distribute the amount to the family.

[(ii) DISTRIBUTION OF ARREARAGES THAT ACCRUED BEFORE THE FAMILY RECEIVED ASSISTANCE.—

[(I) PRE-OCTOBER 2000.—Except as provided in subclause (II), the provisions of this section as in effect and applied on the day before the date of enactment of section 302 of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (other than subsection (b)(1) (as so in effect)) shall apply with respect to the distribution of support arrearages that—

[(aa) accrued before the family received assistance, and

[(bb) are collected before October 1, 2000.

[(II) POST-SEPTEMBER 2000.—Unless, based on the report required by paragraph (5), the Congress determines otherwise, with respect to the amount so collected on or after October 1, 2000 (or before such date, at the option of the State)—

[(aa) IN GENERAL.—The State shall first distribute the amount so collected (other than any amount described in clause (iv)) to the family to the extent necessary to satisfy any support arrearages with respect to the family that accrued before the family received assistance from the State.

[(bb) REIMBURSEMENT OF GOVERNMENTS FOR ASSISTANCE PROVIDED TO THE FAMILY.—After the application of clause (i)(II)(aa) and division (aa) with respect to the amount so collected, the State shall retain the State share of the amount so collected, and pay to the Federal Government the Federal share (as defined in subsection (c)(2)) of the amount so collected, but only to the extent necessary to reimburse amounts paid to the family as assistance by the State.

[(cc) DISTRIBUTION OF THE REMAINDER TO THE FAMILY.—To the extent that neither division (aa) nor division (bb) applies to the amount so collected, the State shall distribute the amount to the family.

[(iii) DISTRIBUTION OF ARREARAGES THAT ACCRUED WHILE THE FAMILY RECEIVED ASSISTANCE.—In the case of a family described in this subparagraph, the provisions of paragraph (1) shall apply with respect to the distribution of support arrearages that accrued while the family received assistance.

[(iv) AMOUNTS COLLECTED PURSUANT TO SECTION 464.—Notwithstanding any other provision of this section, any amount of support collected pursuant to sec-

tion 464 shall be retained by the State to the extent past-due support has been assigned to the State as a condition of receiving assistance from the State, up to the amount necessary to reimburse the State for amounts paid to the family as assistance by the State. The State shall pay to the Federal Government the Federal share of the amounts so retained. To the extent the amount collected pursuant to section 464 exceeds the amount so retained, the State shall distribute the excess to the family.

[(v) ORDERING RULES FOR DISTRIBUTIONS.—For purposes of this subparagraph, unless an earlier effective date is required by this section, effective October 1, 2000, the State shall treat any support arrearages collected, except for amounts collected pursuant to section 464, as accruing in the following order:

[(I) To the period after the family ceased to receive assistance.

[(II) To the period before the family received assistance.

[(III) To the period while the family was receiving assistance.

[(3) FAMILIES THAT NEVER RECEIVED ASSISTANCE.—In the case of any other family, the State shall distribute the amount so collected to the family.

[(4) FAMILIES UNDER CERTAIN AGREEMENTS.—In the case of an amount collected for a family in accordance with a cooperative agreement under section 454(33), distribute the amount so collected pursuant to the terms of the agreement.

[(5) STUDY AND REPORT.—Not later than October 1, 1999, the Secretary shall report to the Congress the Secretary's findings with respect to—

[(A) whether the distribution of post-assistance arrearages to families has been effective in moving people off of welfare and keeping them off of welfare;

[(B) whether early implementation of a pre-assistance arrearage program by some States has been effective in moving people off of welfare and keeping them off of welfare;

[(C) what the overall impact has been of the amendments made by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 with respect to child support enforcement in moving people off of welfare and keeping them off of welfare; and

[(D) based on the information and data the Secretary has obtained, what changes, if any, should be made in the policies related to the distribution of child support arrearages.

[(6) STATE OPTION FOR APPLICABILITY.—Notwithstanding any other provision of this subsection, a State may elect to apply the rules described in clauses (i)(II), (ii)(II), and (v) of paragraph (2)(B) to support arrearages collected on and after October 1, 1998, and, if the State makes such an election, shall apply the provisions of this section, as in effect and applied on the day before the date of enactment of section 302 of the Per-

sonal Responsibility and Work Opportunity Reconciliation Act of 1996 (Public Law 104–193, 110 Stat. 2200), other than subsection (b)(1) (as so in effect), to amounts collected before October 1, 1998.】

(a) *IN GENERAL.*—Subject to subsections (e) and (f), the amounts collected on behalf of a family as support by a State pursuant to a plan approved under this part shall be distributed as follows:

(1) *FAMILIES RECEIVING ASSISTANCE.*—In the case of a family receiving assistance from the State, the State shall—

(A) pay to the Federal Government the Federal share of the amount collected, subject to paragraph (3)(A);

(B) retain, or pay to the family, the State share of the amount collected, subject to paragraph (3)(B); and

(C) pay to the family any remaining amount.

(2) *FAMILIES THAT FORMERLY RECEIVED ASSISTANCE.*—In the case of a family that formerly received assistance from the State:

(A) *CURRENT SUPPORT.*—To the extent that the amount collected does not exceed the current support amount, the State shall pay the amount to the family.

(B) *ARREARAGES.*—Except as otherwise provided in an election made under section 454(34), to the extent that the amount collected exceeds the current support amount, the State—

(i) shall first pay to the family the excess amount, to the extent necessary to satisfy support arrearages not assigned pursuant to section 408(a)(3);

(ii) if the amount collected exceeds the amount required to be paid to the family under clause (i), shall—

(I) pay to the Federal Government, the Federal share of the excess amount described in this clause, subject to paragraph (3)(A); and

(II) retain, or pay to the family, the State share of the excess amount described in this clause, subject to paragraph (3)(B); and

(iii) shall pay to the family any remaining amount.

(3) *LIMITATIONS.*—

(A) *FEDERAL REIMBURSEMENTS.*—The total of the amounts paid by the State to the Federal Government under paragraphs (1) and (2) of this subsection with respect to a family shall not exceed the Federal share of the amount assigned with respect to the family pursuant to section 408(a)(3).

(B) *STATE REIMBURSEMENTS.*—The total of the amounts retained by the State under paragraphs (1) and (2) of this subsection with respect to a family shall not exceed the State share of the amount assigned with respect to the family pursuant to section 408(a)(3).

(4) *FAMILIES THAT NEVER RECEIVED ASSISTANCE.*—In the case of any other family, the State shall pay the amount collected to the family.

(5) *FAMILIES UNDER CERTAIN AGREEMENTS.*—Notwithstanding paragraphs (1) through (3), in the case of an amount collected for a family in accordance with a cooperative agree-

ment under section 454(33), the State shall distribute the amount collected pursuant to the terms of the agreement.

(6) *STATE FINANCING OPTIONS.*—To the extent that the State's share of the amount payable to a family pursuant to paragraph (2)(B) of this subsection exceeds the amount that the State estimates (under procedures approved by the Secretary) would have been payable to the family pursuant to former section 457(a)(2)(B) (as in effect for the State immediately before the date this subsection first applies to the State) if such former section had remained in effect, the State may elect to use the grant made to the State under section 403(a) to pay the amount, or to have the payment considered a qualified State expenditure for purposes of section 409(a)(7)(B)(i), but not both.

(7) *STATE OPTION TO PASS THROUGH ADDITIONAL SUPPORT WITH FEDERAL COST-SHARING.*—

(A) *IN GENERAL.*—Notwithstanding paragraph (2), a State shall not be required to pay to the Federal Government the Federal share of an amount collected on behalf of a family that formerly received assistance under the State program funded under part A, to the extent that the State pays the amount to the family.

(B) *RECIPIENTS OF TANF FOR LESS THAN 5 YEARS.*—

(i) *IN GENERAL.*—Notwithstanding paragraph (1), a State shall not be required to pay to the Federal Government the Federal share of an amount collected on behalf of a family that is a recipient of assistance under the State program funded under part A and, if the family includes an adult, that has received the assistance for not more than 5 years after the date of enactment of this paragraph, to the extent that—

(I) the State pays the amount to the family; and

(II) subject to clause (ii), the amount is disregarded in determining the amount and type of the assistance provided to the family.

(ii) *LIMITATION.*—Of the amount disregarded as described in clause (i)(II), the maximum amount that may be taken into account for purposes of clause (i) shall not exceed \$400 per month, except that, in the case of a family that includes 2 or more children, the State may elect to increase the maximum amount to not more than \$600 per month.

(8) *STATES WITH DEMONSTRATION WAIVERS.*—Notwithstanding the preceding paragraphs, a State with a waiver under section 1115, effective on or before October 1, 1997, the terms of which allow pass-through of child support payments, may pass through payments in accordance with such terms with respect to families subject to the waiver.

(b) *CONTINUATION OF ASSIGNMENTS.*—Any rights to support obligations, assigned to a State as a condition of receiving assistance from the State under part A and in effect on September 30, 1997 (or such earlier date, on or after August 22, 1996, as the state may choose), [shall] may remain assigned after such date.

(c) *DEFINITIONS.*—As used in subsection (a):

(1) ASSISTANCE.—The term “assistance from the State” means—

* * * * *

(5) CURRENT SUPPORT AMOUNT.—The term “current support amount” means, with respect to amounts collected as support on behalf of a family, the amount designated as the monthly support obligation of the noncustodial parent in the order requiring the support.

PAYMENTS TO STATES

SEC. 455. (a)(1) From the sums appropriated therefor, the Secretary shall pay to each State for each quarter an amount—

* * * * *

(f) The Secretary may make direct payments under this part to an Indian tribe or tribal organization that demonstrates to the satisfaction of the Secretary that it has the capacity to operate a child support enforcement program meeting the objectives of this part, including establishment of paternity, establishment, modification, and enforcement of support orders, and location of absent parents. The Secretary shall promulgate regulations establishing the requirements which must be met by an Indian tribe or tribal organization to be eligible for a grant under this subsection.

(g)(1) *In addition to any other payments made to a State under this part, the Secretary shall pay each State an amount determined in accordance with paragraph (2) for fiscal year 2003 to carry out any of the following activities:*

(A) *To review State policies on collecting fees under the State program operated under the State plan approved under this part.*

(B) *To review the distribution options provided under section 457(a) (as amended by section 501(b)(1)(A) of the Work, Opportunity, and Responsibility for Kids Act of 2002), and, if a State elects such options, to prepare for the implementation of the options.*

(C) *To update automated systems to conform with requirements of the State program operated under the State plan approved under this part, including as amended by the Work, Opportunity, and Responsibility for Kids Act of 2002.*

(D) *To improve customer service under such State program.*

(E) *To examine the causes of, and propose solutions for, undistributed collections under such State program.*

(F) *To examine the buildup of arrears and approaches to arrears management under such State program.*

(G) *To develop approaches to improving interstate collections of child support obligations.*

(H) *To develop approaches to improving the percentage of cases under such State program with an established order for child support.*

(I) *To review the review and adjustment policies under such program and the State program funded under part A for families receiving assistance or services under the State program funded under part A.*

(2)(A) *Subject to subparagraph (B), the Secretary shall determine the amount of each payment to a State under this subsection for fis-*

cal year 2003 based on the proportion of cases under the State program operated under the State plan approved under this part for the most recent fiscal year for which data is available, as compared to all such cases in all States for that fiscal year.

(B) No State shall receive a payment under this subsection for fiscal year 2003 that is less than \$750,000.

(3) Out of any money in the Treasury of the United States not otherwise appropriated, there is appropriated for fiscal year 2003, \$50,000,000 for making payments to States under this subsection.

* * * * *

COLLECTION OF PAST-DUE SUPPORT FROM FEDERAL TAX REFUNDS

SEC. 464. (a)(1) * * *

* * * * *

(2)(A) Upon receiving notice from a State agency administering a plan approved under this part that a named individual owes past-due support [(as that term is defined for purposes of this paragraph under section (c))] which such State has agreed to collect under section 454(4)(A)(ii), and that the State agency has sent notice to such individual in accordance with paragraph (3)(A), the Secretary of the Treasury shall determine whether any amounts, as refunds of Federal taxes paid, are payable to such individual (regardless of whether such individual filed a tax return as a married or unmarried individual). If the Secretary of the Treasury finds that any such amount is payable, he shall withhold from such refunds an amount equal to such past-due support, and shall concurrently send notice to such individual that the withholding has been made, including in or with such notice a notification to any other person who may have filed a joint return with such individual of the steps which such other person may take in order to secure his or her proper share of the refund. The Secretary of the Treasury shall pay the amount withheld to the State agency, and the State shall pay the Secretary of Treasury any fee imposed by the Secretary of the Treasury to cover the costs of the withholding and any required notification. The State agency shall, subject to paragraph (3)(B), distribute such amount to or on behalf of the child to whom the support was owned in accordance with section 457. This subsection may be executed by the Secretary of the Department of the Treasury or his designee.

* * * * *

(c)[(1) Except as provided in paragraph (2), as used in] *In this part the term “past-due support” means the amount of a delinquency, determined under a court order, or an order of an administrative process established under State law, for support and maintenance of a child (whether or not a minor), or of a child (whether or not a minor) and the parent with whom the child is living.*

[(2) For purposes of subsection (a)(2), the term “past-due support” means only past-due support owed to or on behalf of a qualified child (or a qualified child and the parent with whom the child is living if the same support order includes support for the child and the parent).

[(3) For purposes of paragraph (2), the term “qualified child” means a child—

[(A) who is a minor; or
 [(B)(i) who, while a minor, was determined to be disabled
 under title II or XVI; and
 [(ii) for whom an order of support is in force.]

* * * * *

REQUIREMENT OF STATUTORILY PRESCRIBED PROCEDURES TO
 IMPROVE EFFECTIVENESS OF CHILD SUPPORT ENFORCEMENT

SEC. 466. (a) * * *

* * * * *

(10) REVIEW AND ADJUSTMENT OF SUPPORT ORDERS UPON RE-
 QUEST.—

(A) 3-YEAR CYCLE.—

(i) IN GENERAL.—Procedures under which every 3
 years (or such shorter cycle as the State may deter-
 mine), upon the request of either [parent, or,] *parent*
 or if there is an assignment under part A, [upon the
 request of the State agency under the State plan or of
 either parent,] the State shall with respect to a sup-
 port order being enforced under this part, taking into
 account the best interests of the child involved—

* * * * *

(f) UNIFORM INTERSTATE FAMILY SUPPORT ACT.—In order to sat-
 isfy section 454(2)(A), on and after [January 1, 1998] *October 1,*
2004, each State must have in effect the Uniform Interstate Family
 Support Act, as approved by the American Bar Association on Feb-
 ruary 9, 1993, and as in effect on [August 22, 1996,] *January 1,*
2002, including any amendments officially adopted as of such date
 by the National Conference of Commissioners on Uniform State
 Laws.

* * * * *

NONCUSTODIAL PARENT EMPLOYMENT GRANT PROGRAM

SEC. 469C. (a) DEFINITIONS.—*In this section:*

(1) ELIGIBLE STATE.—*The term “eligible State” means a State
 that has obtained a commitment from at least 1 county within
 the State to establish a supervised employment program to pro-
 vide noncustodial parents described in subsection (b) with an
 option to participate in that program prior to a court entering
 a finding that the noncustodial parent is in contempt of court
 for failure to pay a child support obligation.*

(2) SUPERVISED EMPLOYMENT PROGRAM.—*The term “super-
 vised employment program” means an employment program su-
 pervised by a court or administered by the State agency respon-
 sible for administering the State plan under section 454.*

(b) AUTHORITY TO AWARD GRANTS.—*Subject to the availability of
 appropriations, the Secretary and the Secretary of Labor (in this
 subsection referred to as the “Secretaries”) jointly shall award
 grants to eligible States for the purpose of establishing, in coordina-
 tion with counties and other local governments, supervised employ-
 ment programs for noncustodial parents who are determined by a
 court or the State agency responsible for administering the State*

plan under section 454 to have a history of nonpayment or irregular payment of child support obligations and are determined to be in need of employment services in order to pay such child support obligations. A noncustodial parent described in the preceding sentence who is an ex-offender shall be eligible to participate in a program established with a grant made under this subsection.

(c) *ADMINISTRATION.*—An eligible State that receives a grant under this section may contract with a public, private, faith-based or community-based organization to administer (in conjunction with the court of jurisdiction or State agency responsible for administering the State plan under section 454) the supervised employment program.

(d) *PROGRAM GOALS AND REQUIREMENT.*—

(1) *GOALS.*—The goals of a supervised employment program established with funds made available under a grant made under this section shall include the following:

(A) To assist noncustodial parents described in subsection (b) establish a pattern of regular child support payments by obtaining and maintaining employment.

(B) To increase the dollar amount and total number of child support orders with collections.

(C) To help noncustodial parents described in subsection (b) improve relationships with their children.

(2) *REQUIREMENT.*—A supervised employment program established with funds made available under a grant made under this section shall not permit a noncustodial parent placed in the program to graduate from the program and avoid penalties for failure to pay a child support obligation until the noncustodial parent completes at least 6 months of continuous, timely payment of the parent's child support obligations.

(e) *USE OF FUNDS.*—Services provided under a supervised employment program established with funds made available under a grant made under this section may include the following:

(1) Job development.

(2) Supervised job search.

(3) Job placement.

(4) Case management.

(5) Court and child support liaison services.

(6) Educational assessment.

(7) Educational referrals.

(8) Vocational assessment.

(9) Counseling on responsible fatherhood and effective parenting.

(10) Support funds for services such as transportation or short-term training.

(11) Referral for support services.

(12) Employment retention services.

(13) Outreach to community agencies that provide bonding programs.

(14) Domestic violence services and health services.

(f) *AMOUNT OF GRANTS.*—

(1) *IN GENERAL.*—The Secretaries shall determine the amount of each grant to be awarded under this section, taking into account the number of counties participating in an eligible State

and the population of the noncustodial parents to be served by the employment programs in that State.

(2) *PRIORITY FOR CERTAIN PROGRAMS.*—In awarding grants under this section, the Secretaries shall give priority to eligible States with programs that are designed to target noncustodial parents whose income does not exceed 150 percent of the poverty line (as defined in section 673(2) of the Community Services Block Grant Act (42 U.S.C. 9902(2)), including any revision required by such section applicable to a family of the size involved).

(3) *MATCHING REQUIREMENT.*—

(A) *IN GENERAL.*—The Secretaries may not award a grant to an eligible State under this section unless the eligible State agrees that, with respect to the costs to be incurred by the eligible State in supporting the supervised employment program established with funds provided under the grant, the State will make available non-Federal contributions in an amount equal to 25 percent of the amount of Federal funds paid to the State under such grant.

(B) *NON-FEDERAL CONTRIBUTIONS.*—In this paragraph, the term “non-Federal contributions” includes contributions by the State and by public and private entities that may be in cash or in kind, but does not include any amounts provided by the Federal Government, or services assisted or subsidized to any significant extent by the Federal Government or any amount expended by a State before October 1, 2002.

(g) *APPLICATION.*—In order to receive a grant under this section, an eligible State shall submit an application to the Secretaries, at such time and in such manner as the Secretaries may require, and that includes the following:

(1) Evidence of an agreement between the State and 1 or more counties to establish a supervised employment program that meets the requirements of this section.

(2) The number of potential noncustodial parents to be served by the program.

(3) The purposes specific to that State’s program.

(4) The income of the target population.

(5) The amount of proposed grant funds to be awarded.

(6) A certification that the State matching requirements of subsection (f)(3) will be satisfied if the grant is awarded to that State.

(7) Such other information as the Secretaries deem appropriate.

(h) *AUTHORIZATION OF APPROPRIATIONS.*—There is authorized to be appropriated for making grants under this section, \$25,000,000 for each of fiscal years 2004 through 2007.

GRANTS TO CONDUCT POLICY REVIEWS AND DEMONSTRATION PROJECTS TO COORDINATE SERVICES FOR LOW-INCOME, NONCUSTODIAL PARENTS

SEC. 469D. (a) POLICY REVIEWS.—Subject to the availability of appropriations, the Secretary shall make grants to States desiring to conduct policy reviews and develop recommendations with the goals of—

(1) obtaining and retaining employment, increasing child support payments, and increasing the healthy involvement of low-income, noncustodial parents with their children; and

(2) coordinating services for low-income, noncustodial parents among the different systems or programs in which such parents are involved, including the criminal justice system, the State program funded under part A, the State program funded under this part, and job training or employment programs.

(b) DEMONSTRATION PROJECTS.—

(1) IN GENERAL.—The Secretary shall make grants to States desiring to conduct a demonstration project for the purpose of—

(A) testing innovative policies and to better coordinate policies and services for low-income, noncustodial parents to accomplish the goals described in subsection (a); or

(B) if the State conducted a policy review with a grant made under subsection (a) and desires to implement the recommendations of that review, implementing such recommendations.

(2) USE OF FUNDS.—Funds made available under a grant made under this subsection may be used to provide a wide variety of services to, and to implement policies regarding, low-income, noncustodial parents, including providing economic incentives (with or without penalty) to increase the employment of such parents or to increase the amount of child support paid by such parents.

(c) APPLICATION.—A State desiring to receive a grant to conduct a policy review under subsection (a) or a grant to conduct a demonstration project under subsection (b) shall submit an application to the Secretary at such time, in such manner, and containing such information as the Secretary may require.

(d) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated for making grants under this section, \$25,000,000 for each of fiscal years 2004 through 2007.

PART E—FEDERAL PAYMENTS FOR FOSTER CARE AND ADOPTION ASSISTANCE

PURPOSE: APPROPRIATION

SEC. 470. * * *

* * * * *

FOSTER CARE MAINTENANCE PAYMENTS PROGRAM

SEC. 472. * * *

* * * * *

(2) such child's placement and care are the responsibility of (A) the State agency administering the State plan approved under section 471, [or (B)] any other public agency with whom the State agency administering or supervising the administration of the State plan approved under section 471 has made an agreement which is still in effect[;], or (C) an Indian tribe or tribal organization (as defined in section 479B(e)) or an intertribal consortium if the Indian tribe, tribal organization, or consortium is not operating a program pursuant to section 479B and (i) has a cooperative agreement with a State pursu-

ant to section 479B(c) or (ii) submits to the Secretary a description of the arrangements (jointly developed or developed in consultation with the State) made by the Indian tribe, tribal organization, or consortium for the payment of funds and the provision of the child welfare services and protections required by this title.

* * * * *

PROGRAMS OPERATED BY INDIAN TRIBAL ORGANIZATIONS

SEC. 479B. (a) APPLICATION.—Except as provided in subsection (b), this part shall apply to an Indian tribe or tribal organization that elects to operate a program under this part in the same manner as this part applies to a State.

(b) MODIFICATION OF PLAN REQUIREMENTS.—

(1) SERVICE AREA; STANDARDS.—

(A) IN GENERAL.—Subject to subparagraph (B), in the case of an Indian tribe or tribal organization submitting a plan for approval under section 471, the plan shall—

(i) in lieu of the requirement of section 471(a)(3), identify the service area or areas and population to be served by the Indian tribe or tribal organization; and

(ii) in lieu of the requirement of section 471(a)(10), provide for the approval of foster homes pursuant to tribal standards and in a manner that ensures the safety of, and accountability for, children placed in foster care.

(B) SPECIAL RULE.—With respect to an Indian tribe located in the State of Alaska—

(i) clause (ii) of subparagraph (A) shall not apply; and

(ii) the requirement of section 471(a)(10) shall apply to a plan submitted by such tribe.

(2) DETERMINATION OF FEDERAL SHARE.—

(A) PER CAPITA INCOME.—

(i) IN GENERAL.—For purposes of determining the Federal medical assistance percentage applicable to an Indian tribe or tribal organization under paragraphs (1) and (2) of section 474(a), the calculation of an Indian tribe's or tribal organization's per capita income shall be based upon the service population of the Indian tribe or tribal organization as defined in its plan in accordance with paragraph (1)(A).

(ii) CONSIDERATION OF OTHER INFORMATION.—An Indian tribe or tribal organization may submit to the Secretary such information as the Indian tribe or tribal organization considers relevant to the calculation of the per capita income of the Indian tribe or tribal organization, and the Secretary shall consider such information before making the calculation.

(B) ADMINISTRATIVE EXPENDITURES.—The Secretary shall, by regulation, determine the proportions to be paid to Indian tribes and tribal organizations pursuant to section 474(a)(3), except that in no case shall an Indian tribe or

tribal organization receive a lesser proportion than the corresponding amount specified for a State in that section.

(C) SOURCES OF NON-FEDERAL SHARE.—An Indian tribe or tribal organization may use Federal or State funds to match payments for which the Indian tribe or tribal organization is eligible under section 474.

(3) MODIFICATION OF OTHER REQUIREMENTS.—Upon the request of an Indian tribe, tribal organization, or a consortia of tribes or tribal organizations, the Secretary may modify any requirement under this part if, after consulting with the Indian tribe, tribal organization, or consortia of tribes or tribal organizations, the Secretary determines that modification of the requirement would advance the best interests and the safety of children served by the Indian tribe, tribal organization, or consortia of tribes or tribal organizations.

(4) CONSORTIUM.—The participating Indian tribes or tribal organizations of an intertribal consortium may develop and submit a single plan under section 471 that meets the requirements of this section.

(c) COOPERATIVE AGREEMENTS.—An Indian tribe, tribal organization, or intertribal consortium and a State may enter into a cooperative agreement for the administration or payment of funds pursuant to this part. In any case where an Indian tribe, tribal organization, or intertribal consortium and a State enter into a cooperative agreement that incorporates any of the provisions of this section, those provisions shall be valid and enforceable. Any such cooperative agreement that is in effect as of the date of enactment of this section, shall remain in full force and effect subject to the right of either party to the agreement to revoke or modify the agreement pursuant to the terms of the agreement.

(d) REGULATIONS.—Not later than 1 year after the date of enactment of this section, the Secretary shall, in full consultation with Indian tribes and tribal organizations, promulgate regulations to carry out this section.

(e) DEFINITIONS OF INDIAN TRIBE; TRIBAL ORGANIZATIONS.—In this section, the terms “Indian tribe” and “tribal organization” have the meanings given those terms in subsections (e) and (l) of section 4 of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450b), respectively, except that, with respect to the State of Alaska, the term “Indian tribe” has the meaning given that term in section 419(4)(B).

TITLE V—MATERNAL AND CHILD HEALTH SERVICES
BLOCK GRANT

* * * * *

【SEPARATE PROGRAM FOR】 ABSTINENCE EDUCATION

SEC. 510. * * *

* * * * *

(d) For the purpose of allotments under subsection (a), there is appropriated, out of any money in the Treasury not otherwise appropriated, an additional \$50,000,000 for each of the fiscal years 1998 through 【2002】 2007. The appropriation under the preceding sentence for a fiscal year is made on October 1 of the fiscal year.

GRANTS TO IMPLEMENT ABSTINENCE FIRST TEEN PREGNANCY
PREVENTION STRATEGIES

SEC. 511. (a) AUTHORITY.—

(1) *IN GENERAL.*—The Secretary shall award grants to States and Indian tribes to implement teen pregnancy prevention strategies that—

(A) are abstinence-first (as defined in paragraph (3)(A);

(B) replicate or substantially incorporate the elements of 1 or more teen pregnancy prevention programs, including certain youth development programs and service learning programs, that have been proven effective (on the basis of rigorous scientific research (as defined in paragraph (3)(D));

(C) delay or decrease sexual intercourse or sexual activity and increase contraceptive use among sexually active teens or reduce teenage pregnancies without increasing risky behavior; and

(D) incorporate outreach or media programs.

(2) *DESIGN AND IMPLEMENTATION FLEXIBILITY.*—States and Indian tribes shall have flexibility to determine how to design and implement teen pregnancy prevention strategies under paragraph (1).

(3) *DEFINITIONS.*—In this section:

(A) *ABSTINENCE-FIRST.*—The term “abstinence-first” means a strategy that strongly emphasizes abstinence as the best and only certain way to avoid pregnancy and sexually transmitted infections and that discusses the scientifically proven effectiveness, benefits, and limitations of contraception technologies and other prevention approaches in a manner that is medically accurate (as defined in subparagraph (C)).

(B) *INDIAN TRIBE.*—The term “Indian tribe” has the meaning given that term in section 419(4).

(C) *MEDICALLY ACCURATE.*—The term “medically accurate” means information that is—

(i) supported by research recognized as accurate and objective by leading medical, psychological, psychiatric, or public health organizations and agencies; and

(ii) where relevant, is published in a peer-reviewed journal (as defined by the American Medical Association).

(D) *RIGOROUS SCIENTIFIC RESEARCH.*—The term “rigorous scientific research” means research that typically uses randomized control trials and other similar strong experimental designs.

(b) *APPLICATION OF OTHER REQUIREMENTS.*—With respect to a grant made under this section—

(1) sections 503, 507, and 508 apply to the grant to the same extent and in the same manner as such sections apply to allotments under section 502(c); and

(2) sections 505 and 506 apply to the grant to the extent determined by the Secretary to be appropriate.

(c) *COMPARATIVE EVALUATION OF EDUCATION APPROACHES.*—

(1) *IN GENERAL.*—The Secretary shall, in consultation with an advisory panel of researchers identified by the Board on Children, Youth, and Families of the National Academy of Sciences, conduct an experimental, independent evaluation, directly or through contract or interagency agreement, that assesses the relative efficacy of the 2 approaches to abstinence education established under section 510 and this section.

(2) *DESIGN.*—The evaluation conducted under paragraph (1) shall be designed to—

(A) enable a comparison of the efficacy of a program that precludes education about contraception with a similar program that includes education about contraception and means of preventing the transmission of HIV and sexually-transmitted diseases; and

(B) measure key outcomes, including behaviors that put teens at risk for unintended pregnancy and childbearing and for HIV and other sexually transmitted diseases, such as sexual activity, contraceptive use, condom use and patterns of sexual relationships.

(3) *REPORT.*—Not later than 5 years after the date of enactment of this section, the Secretary shall submit a report to Congress that contains the results of the evaluation conducted under paragraph (1).

(d) *APPROPRIATIONS.*—

(1) *IN GENERAL.*—Out of any money in the Treasury not otherwise appropriated, there is appropriated to the Secretary for the purpose of making grants under this section, \$50,000,000 for each of fiscal years 2003 through 2007.

(2) *RESERVATION OF FUNDS.*—Of the amount appropriated under paragraph (1) for a fiscal year, the Secretary shall reserve—

(A) an amount equal to 1.5 percent of such amount for each such fiscal year for the purpose of awarding grants to Indian tribes under this section in such manner, and subject to such requirements as the Secretary, in consultation with such tribes, determines appropriate; and

(B) up to \$5,000,000 of such amount for each such fiscal year for the purpose of conducting the evaluation required under subsection (c).

TITLE XI—GENERAL PROVISIONS, PEER REVIEW, AND ADMINISTRATIVE SIMPLIFICATION

* * * * *

PART A—GENERAL PROVISIONS

* * * * *

ADDITIONAL GRANTS TO PUERTO RICO, THE VIRGIN ISLANDS, GUAM, AND AMERICAN SAMOA; LIMITATION ON TOTAL PAYMENTS

SEC. 1108. (a) LIMITATION ON TOTAL PAYMENTS TO EACH TERRITORY.—

(1) *IN GENERAL.*—Notwithstanding any other provision of this Act, (except for paragraph (2) of this subsection), the total amount certified by the Secretary of Health and Human Serv-

ices under titles I, X, XIV, and XVI, under parts A and E of title IV, and under subsection (b) of this section, for payment to any territory for a fiscal year shall not exceed the ceiling amount for the territory for the fiscal year.

(2) CERTAIN PAYMENTS DISREGARDED.—Paragraph (1) of this subsection shall be applied without regard to any payment made under section 403(a)(2), 403(a)(4), 403(a)(5), **406**, or 413(f) *413f, or 418(a)(4)(B)*.

(b) ENTITLEMENT TO MATCHING GRANT.—

(1) IN GENERAL.—Each territory shall be entitled to receive from the Secretary for each fiscal year a grant in an amount equal to 75 percent of the amount (if any) by which—

(A) the total expenditures of the territory during the fiscal year under the territory programs funded under parts A and E of title IV, including any amount paid to the State under part A of title IV that is transferred in accordance with section 404(d) and expended under the program to which transferred; exceeds

(B) the sum of—

(i) the amount of the family assistance grant payable to the territory without regard to section 409; and

(ii) the total amount expended by the territory during fiscal year 1995 pursuant to parts A and F of title IV (as so in effect), other than for child care.

(2) APPROPRIATION.—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated for **fiscal years 1997 through 2002** *each of fiscal years 2003 through 2007*, such sums as are necessary for grants under this paragraph.

(c) DEFINITIONS.—As used in this section:

(1) TERRITORY.—The term “territory” means Puerto Rico, the Virgin Islands, Guam, and American Samoa.

(2) CEILING AMOUNT.—The term “ceiling amount” means, with respect to a territory and a fiscal year, the mandatory ceiling amount with respect to the territory, reduced for the fiscal year in accordance with subsection (e), and reduced by the amount of any penalty imposed on the territory under any provision of law specified in subsection (a) during the fiscal year.

(3) FAMILY ASSISTANCE GRANT.—The term “family assistance grant” has the meaning given such term by section 403(a)(1)(B).

(4) MANDATORY CEILING AMOUNT.—The term “mandatory ceiling amount” means—

(A) **107,255,000** *109,936,375* with respect to Puerto Rico;

(B) **4,686,000** *4,803,150* with respect to Guam;

(C) **3,554,000** *3,642,850* with respect to the Virgin Islands; and

(D) **1,000,000** *1,250,000* with respect to American Samoa.

* * * * *

DEMONSTRATION PROJECTS

SEC. 1130. (a) AUTHORITY TO APPROVE DEMONSTRATION PROJECTS.—

(1) IN GENERAL.—The Secretary may authorize States to conduct demonstration projects pursuant to this section which the Secretary finds are likely to promote the objectives of part B or E of title IV.

(2) LIMITATION.—The Secretary may authorize not more than 10 demonstration projects under paragraph (1) in each of fiscal years 1998 through **[2002]** 2007.

* * * * *

(g) COST NEUTRALITY.—The Secretary may not authorize a State to conduct a demonstration project under this section unless the Secretary determines that the total amount of Federal funds that will be expended under (or by reason of) the project over its approved term (or such portion thereof or other period as the Secretary may find appropriate) will not exceed the amount of such funds that would be expended by the State under the State plans approved under parts B and E of title IV if the project were not conducted.

(h) NO LIMIT ON NUMBER OF WAIVERS GRANTED TO, OR DEMONSTRATION PROJECTS THAT MAY BE CONDUCTED BY, A SINGLE STATE.—The Secretary shall not impose any limit on the number of waivers that may be granted to a State, or the number of demonstration projects that a State may be authorized to conduct, under this section.

TITLE XVI—GRANTS TO STATES FOR AID TO THE AGED,
BLIND, OR DISABLED

* * * * *

ADMINISTRATION

SEC. 1633. (a) Subject to subsection (b), the Commissioner of Social Security may make such administrative and other arrangements (including arrangements for the determination of blindness and disability under section 1614(a)(2) and (3) in the same manner and subject to the same conditions as provided with respect to disability determinations under section 221) as may be necessary or appropriate to carry out the Commissioner's functions under this title.

* * * * *

(d) The Commissioner of Social Security shall establish by regulation criteria for time limits and other criteria related to individuals' plans for achieving self-support, that take into account—

(1) the length of time that the individual will need to achieve the individual's employment goal (within such reasonable period as the Commissioner of Social Security may establish); and

(2) other factors determined by the Commissioner of Social Security to be appropriate.

(e)(1) The Commissioner of Social Security shall review determinations, made by State agencies pursuant to subsection (a) in connection with applications for benefits under this title on the

basis of blindness or disability, that individuals who have attained 18 years of age are blind or disabled as of a specified onset date. The Commissioner of Social Security shall review such a determination before any action is taken to implement the determination.

(2)(A) In carrying out paragraph (1), the Commissioner of Social Security shall review—

(i) at least 25 percent of all determinations referred to in paragraph (1) that are made in fiscal year 2003; and

(ii) at least 50 percent of all such determinations that are made in fiscal year 2004 or thereafter.

(B) In carrying out subparagraph (A), the Commissioner of Social Security shall, to the extent feasible, select for review the determinations which the Commissioner of Social Security identifies as being the most likely to be incorrect.

TITLE XIX—GRANTS TO STATES FOR MEDICAL ASSISTANCE PROGRAMS

* * * * *

STATE PLANS FOR MEDICAL ASSISTANCE

SEC. 1902. (a) A State plan for medical assistance must—

(1) provide that it shall be in effect in all political subdivisions of the State, and, if administered by them, be mandatory upon them;

* * * * *

(55) provide for receipt and initial processing of applications of individuals for medical assistance under subsection (a)(10)(A)(i)(IV), (a)(10)(A)(i)(VI), (a)(10)(A)(i)(VII), or (a)(10)(A)(ii)(IX) and under section 1931—

* * * * *

(e)(1)(A) Notwithstanding any other provision of this title, effective January 1, 1974, subject to subparagraph (B) each State plan approved under this title must provide that each family which was receiving aid pursuant to a plan of the State approved under part A of title IV in at least 3 of the 6 months immediately preceding the month in which such family became ineligible for such aid because of increased hours of, or increased income from, employment, shall, while a member of such family is employed, remain eligible for assistance under the plan approved under this title (as though the family was receiving aid under the plan approved under part A of title IV) for 4 calendar months beginning with the month in which such family became ineligible for aid under the plan approved under part A of title IV because of income and resources or hours of work limitations contained in such plan.

(B) Subparagraph (A) shall not apply with respect to families that cease to be eligible for aid under Part A of title IV during the period beginning on April 1, 1990, and ending on September 30, [2002] 2007. During such period, for provisions relating to extension of eligibility for medical assistance for certain families who have received aid pursuant to a State plan approved under part A of title IV and have earned income, see section 1925.

* * * * *

PAYMENT TO STATES

SEC. 1903. * * *

* * * * *

(v)(1) Notwithstanding the preceding provisions of this section, except as provided in **[paragraph (2)]** *paragraphs (2) and (4)*, no payment may be made to a State under this section for medical assistance furnished to an alien who is not lawfully admitted for permanent residence or otherwise permanently residing in the United States under color of law.

* * * * *

(3) For purposes of this subsection, the term “emergency medical condition” means a medical condition (including emergency labor and delivery) manifesting itself by acute symptoms of sufficient severity (including severe pain) such that the absence of immediate medical attention could reasonably be expected to result in—

(A) placing the patient’s health in serious jeopardy,

(B) serious impairment to bodily functions, or

(C) serious dysfunction of any bodily organ or part.

(4)(A) *A State may elect (in a plan amendment under this title) to provide medical assistance under this title (including under a waiver authorized by the Secretary), notwithstanding sections 401(a), 402(b), 403, and 421 of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, for aliens who are lawfully residing in the United States (including battered aliens described in section 431(c) of such Act) and who are otherwise eligible for such assistance, within any of the following eligibility categories:*

(i) *PREGNANT WOMEN.—Women during pregnancy (and during the 60-day period beginning on the last day of the pregnancy).*

(ii) *CHILDREN.—Children (as defined under such plan), including optional targeted low-income children described in section 1905(u)(2)(B).*

(B) *In the case of a State that has elected to provide medical assistance to a category of aliens under subparagraph (A), no debt shall accrue under an affidavit of support against any sponsor of such an alien on the basis of provision of assistance to such category and the cost of such assistance shall not be considered as an unreimbursed cost.*

* * * * *

EXTENSION OF ELIGIBILITY FOR MEDICAL ASSISTANCE

SEC. 1925. (a) INITIAL 6-MONTH EXTENSION.—

(1) **REQUIREMENT.**—Notwithstanding any other provision of this title, *but subject to subsection (h)*, each State plan approved under this title must provide that each family which was receiving aid pursuant to a plan of the State approved under part A of title IV in at least 3 of the 6 months immediately preceding the month in which such family becomes ineligible for such aid, because of hours of, or income from, employment of the caretaker relative (as defined in subsection (e)) or because of section 402(a)(8)(B)(ii)(II) (providing for a time-limited earned income disregard), shall, subject to paragraph (3) and without any reapplication for benefits under the plan,

remain eligible for assistance under the plan approved under this title during the immediately succeeding 6-month period in accordance with this subsection. *A State may, at its option, also apply the previous sentence in the case of a family that was receiving such aid for fewer than 3 months, or that had applied for and was eligible for such aid for fewer than 3 months, during the 6 immediately preceding months described in such sentence.*

(2) NOTICE OF BENEFITS.—Each State, in the notice of termination of aid under part A of title IV sent to a family meeting the requirements of paragraph (1)—

(A) shall notify the family of its right to extended medical assistance under this subsection and include in the notice a description of the reporting requirement of subsection (b)(2)(B)(i) and of the circumstances (described in paragraph (3)) under which such extension may be terminated; and

(B) shall include a card or other evidence of the family's entitlement to assistance under this title for the period provided in this subsection.

Each State shall provide, to families whose aid under part A or E of title IV has terminated but whose eligibility for medical assistance under this title continues, written notice of their ongoing eligibility for such medical assistance. If a State makes a determination that any member of a family whose aid under part A or E of title IV is being terminated is also no longer eligible for medical assistance under this title, the notice of such determination shall be supplemented by a 1-page notification form describing the different ways in which individuals and families may qualify for such medical assistance and explaining that individuals and families do not have to be receiving aid under part A or E of title IV in order to qualify for such medical assistance. Such notice shall further be supplemented by information on how to apply for child health assistance under the State children's health insurance program under title XXI and how to apply for medical assistance under this title.

* * * * *

(b) ADDITIONAL 6-MONTH EXTENSION.—

(1) REQUIREMENT.—Notwithstanding any other provision of this title, *but subject to subsection (h)*, each State plan approved under this title shall provide that the State shall offer to each family, which has received assistance during the entire 6-month period under subsection (a) and which, *at the option of a State*, meets the requirement of paragraph (2)(B)(i), in the last month of the period the option of extending coverage under this subsection for the succeeding 6-month period, subject to paragraph (3).

(2) NOTICE AND REPORTING REQUIREMENTS.—

(A) NOTICES.—*Subject to subparagraph (C):*

* * * * *

(B) REPORTING REQUIREMENTS.—*Subject to subparagraph (C):*

* * * * *

(3) TERMINATION OF EXTENSION.—

(A) IN GENERAL.—Subject to subparagraphs (B) and (C), extension of assistance during the 6-month period described in paragraph (1) to a family shall terminate (during the period) as follows:

* * * * *

(iii) QUARTERLY INCOME REPORTING AND TEST.—The extension under this subsection shall terminate at the close of the 1st or 4th month of the 6-month period if *the State has not waived under paragraph (2)(C) the reporting requirement with respect to such month under paragraph (2)(B) and if—*

* * * * *

(5) PREMIUM.—

(A) PERMITTED.—Notwithstanding any other provision of this title, *but subject to subsection (h)* (including section 1916), a State may impose a premium for a family for additional extended coverage under this subsection for a premium payment period (as defined in subparagraph (D)(i)), but only if the family's average gross monthly earnings (less the average monthly cost for such child care as is necessary for the employment of the caretaker relative) for the premium base period exceed 100 percent of the official poverty line (as defined by the Office of Management and Budget, and revised annually in accordance with section 673(2) of the Omnibus Budget Reconciliation Act of 1981²¹⁶) applicable to a family of the size involved.

* * * * *

(c) STATE OPTION OF UP TO 12 MONTHS OF ADDITIONAL ELIGIBILITY.—

(1) IN GENERAL.—*Notwithstanding any other provision of this title, each State plan approved under this title may provide, at the option of the State, that the State shall offer to each family which received assistance during the entire 6-month period under subsection (b) and which meets the applicable requirement of paragraph (2), in the last month of the period the option of extending coverage under this subsection for the succeeding period not to exceed 12 months.*

(2) INCOME RESTRICTION.—*The option under paragraph (1) shall not be made available to a family for a succeeding period unless the State determines that the family's average gross monthly earnings (less such costs for such child care as is necessary for the employment of the caretaker relative) as of the end of the 6-month period under subsection (b) does not exceed 185 percent of the official poverty line (as defined by the Office of Management and Budget, and revised annually in accordance with section 673(2) of the Omnibus Budget Reconciliation Act of 1981) applicable to a family of the size involved.*

(3) APPLICATION OF EXTENSION RULES.—*The provisions of paragraphs (2), (3), (4), and (5) of subsection (b) shall apply to the extension provided under this subsection in the same manner as they apply to the extension provided under subsection (b)(1), except that for purposes of this subsection—*

(A) any reference to a 6-month period under subsection (b)(1) is deemed a reference to the extension period provided under paragraph (1) and any deadlines for any notices or reporting and the premium payment periods shall be modified to correspond to the appropriate calendar quarters of coverage provided under this subsection; and

(B) any reference to a provision of subsection (a) or (b) is deemed a reference to the corresponding provision of subsection (b) or of this subsection, respectively.”

[(c)] (d) APPLICABILITY IN STATES AND TERRITORIES.—

(1) STATES OPERATING UNDER DEMONSTRATION PROJECTS.—In the case of any State which is providing medical assistance to its residents under a waiver granted under section 1115(a), the Secretary shall require the State to meet the requirements of this section in the same manner as the State would be required to meet such requirement if the State had in effect a plan approved under this title.

(2) INAPPLICABILITY IN COMMONWEALTHS AND TERRITORIES.—The provisions of this section shall only apply to the 50 States and the District of Columbia.

[(d)] (e) GENERAL DISQUALIFICATION FOR FRAUD.—

(1) INELIGIBILITY FOR AID.—This section shall not apply to an individual who is a member of a family which has received aid under part A of title IV if the State makes a finding that, at any time during this last 6 months in which the family was receiving such aid before otherwise being provided extended eligibility under this section, the individual was ineligible for such aid because of fraud.

(2) GENERAL DISQUALIFICATIONS.—For additional provisions relating to fraud and program abuse, see sections 1128, 1128A, and 1128B.

[(e)] (f) CARETAKER RELATIVE DEFINED.—In this section, the term “caretaker relative” has the meaning of such term as used in part A of title IV.

(g) ADDITIONAL PROVISIONS.—

(1) COLLECTION AND REPORTING OF PARTICIPATION INFORMATION.—Each State shall—

(A) collect and submit to the Secretary, in a format specified by the Secretary, information on average monthly enrollment and average monthly participation rates for adults and children under this section; and

(B) make such information publicly available.

Such information shall be submitted under subparagraph (A) at the same time and frequency in which other enrollment information under this title is submitted to the Secretary. Using such information, the Secretary shall submit to Congress annual reports concerning such rates.

(2) COORDINATION WITH ADMINISTRATION FOR CHILDREN AND FAMILIES.—The Administrator of the Centers for Medicare & Medicaid Services, in carrying out this section, shall work with the Assistant Secretary for the Administration for Children and Families to develop guidance or other technical assistance for States regarding best practices in guaranteeing access to transitional medical assistance under this section.

(h) PROVISIONS OPTIONAL FOR STATES THAT EXTEND COVERAGE TO CHILDREN AND PARENTS THROUGH 185 PERCENT OF POVERTY.—A State may meet (but is not required to meet) the requirements of subsections (a) and (b) if it provides for medical assistance under section 1931 to families (including both children and caretaker relatives) the average gross monthly earning of which (less such costs for such child care as is necessary for the employment of a caretaker relative) is at or below a level that is at least 185 percent of the official poverty line (as defined by the Office of Management and Budget, and revised annually in accordance with section 673(2) of the Omnibus Budget Reconciliation Act of 1981) applicable to a family of the size involved.

[(f)] (i) SUNSET.—This section shall not apply with respect to families that cease to be eligible for aid under part A of title IV after September 30, [2002] 2007.

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TITLE XX—BLOCK GRANTS TO STATES FOR SOCIAL SERVICES

* * * * *

ALLOTMENTS

SEC. 2003. (a) * * *

* * * * *

(c) The amount specified for purposes of subsections (a) and (b) shall be—

- (1) \$2,400,000,000 for the fiscal year 1982;
- (2) \$2,450,000,000 for the fiscal year 1983;
- (3) \$2,700,000,000 for the fiscal years 1984, 1985, 1986, 1987, and 1989;
- (4) \$2,750,000,000 for the fiscal year 1988;
- (5) \$2,800,000,000 for each of the fiscal years 1990 through 1995;
- (6) \$2,381,000,000 for the fiscal year 1996;
- (7) \$2,380,000,000 for the fiscal year 1997;
- (8) \$2,299,000,000 for the fiscal year 1998;
- (9) \$2,380,000,000 for the fiscal year 1999;
- (10) \$2,380,000,000 for the fiscal year 2000; and
- (11) \$1,700,000,000 for the fiscal year 2001 and each fiscal year thereafter, *except that, with respect to fiscal year 2005, the amount shall be \$1,952,000,000.*

TITLE XXI—STATE CHILDREN'S HEALTH INSURANCE PROGRAM

* * * * *

STRATEGIC OBJECTIVES AND PERFORMANCE GOALS; PLAN ADMINISTRATION

SEC. 2107. (a) STRATEGIC OBJECTIVES AND PERFORMANCE GOALS.—

* * * * *

(e) APPLICATION OF CERTAIN GENERAL PROVISIONS.—The following sections of this Act shall apply to States under this title in the same manner as they apply to a State under title IXI:

(1) TITLE XIX PROVISIONS.—

(A) Section 1902(a)(4)(C) (relating to conflict of interest standards).

* * * * *

(E) Section 1903(v)(4) (relating to optional coverage of categories of lawful resident alien pregnant women and children), but only with respect to an eligibility category under this title, if the same eligibility category has been elected under such section for purposes of title XIX.

PERSONAL RESPONSIBILITY AND WORK OPPORTUNITY
RECONCILIATION ACT OF 1996

* * * * *

**TITLE IV—RESTRICTING WELFARE AND
PUBLIC BENEFITS FOR ALIENS**

* * * * *

Subtitle A—Eligibility for Federal Benefits

* * * * *

**SEC. 403. FIVE-YEAR LIMITED ELIGIBILITY OF QUALIFIED ALIENS FOR
FEDERAL MEANS-TESTED PUBLIC BENEFIT.**

* * * * *

(c) APPLICATION OF TERM FEDERAL MEANS-TESTED PUBLIC BENEFIT.—

(1) The limitation under subsection (a) shall not apply to assistance or benefits under paragraph (2).

(2) Assistance and benefits under this paragraph are as follows:

* * * * *

(M) At State option, assistance, benefits, or services under a State program funded under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.).

* * * * *

**Subtitle B—Eligibility for State and Local
Public Benefits Programs**

**SEC. 411. ALIENS WHO ARE NOT QUALIFIED ALIENS OR NON-IMMI-
GRANTS INELIGIBLE FOR STATE AND LOCAL PUBLIC BENEFITS.**

(a) IN GENERAL.—Notwithstanding any other provision of law and accept as provided in subsections (b) and (d), an alien who is not—

(1) a qualified alien (as defined in section 431),

(2) a nonimmigrant under the Immigration and Nationality Act, or

(3) an alien who is paroled into the United States under section 212(d)(5) of such Act for less than one year, is not eligible for any State or local public benefit (as defined in subsection (c)).

(b) EXCEPTIONS.—Subsection (a) shall not apply with respect to the following State or local public benefits:

【(1) Assistance for health care items and services that are necessary for the treatment of an emergency medical condition (as defined in section 1903(v)(3) of the Social Security Act) of the alien involved and are not related to an organ transplant procedure.】

【(2)】 (1) Short-term, non-cash, in-kind emergency disaster relief.

【(3) Public health assistance for immunizations with respect to immunizable diseases and for testing and treatment of symptoms of communicable diseases whether or not such symptoms are caused by a communicable disease.】

【(4)】 (2) Programs, services, or assistance (such as soup kitchens, crisis counseling and intervention, and short-term shelter) specified by the Attorney General, in the Attorney General's sole and unreviewable discretion after consultation with appropriate Federal agencies and departments, which (A) deliver in-kind services at the community level, including through public or private nonprofit agencies; (B) do not condition the provision of assistance, the amount of assistance provided, or the cost of assistance provided on the individual recipient's income or resources; and (C) are necessary for the protection of life or safety.

(c) STATE OR LOCAL PUBLIC BENEFIT DEFINED.—

(1) Except as provided in paragraphs 【(2) and (3)】 (2), (3), and (4), for purposes of this subtitle the term “State or local public benefit” means—

(A) any grant, contract, loan, professional license, or commercial license provided by an agency of a State or local government or by appropriated funds of a State or local government; and

(B) any retirement, welfare, 【health,】 disability, public or assisted housing, postsecondary education, food assistance, unemployment benefit, or any other similar benefit for which payments or assistance are provided to an individual, household, or family eligibility unit by an agency of a State or local government or by appropriated funds of a State or local government.

(2) Such term shall not apply—

(A) to any contract, professional license, or commercial license for a nonimmigrant whose visa for entry is related to such employment in the United States; or

(B) with respect to benefits for an alien who as a work authorized nonimmigrant or as an alien lawfully admitted for permanent residence under the Immigration and Nationality Act qualified for such benefits and for whom the United States under reciprocal treaty agreements is re-

quired to pay benefits, as determined by the Secretary of State, after consultation with the Attorney General.

(3) Such term does not include any Federal public benefit under section 4001(c).

(4) *Such term does not include any health benefit for which payments or assistance are provided to an individual, household, or family eligibility unit by an agency of a State or local government or by appropriated funds of a State or local government.*

(d) STATE AUTHORITY TO PROVIDE FOR ELIGIBILITY OF ILLEGAL AND OTHER ALIENS FOR STATE AND LOCAL PUBLIC BENEFITS.—A State may provide that an alien who is not lawfully present in the United States or who otherwise is not a qualified alien (as defined in subsections (b) and (c) of section 431) is eligible for any State or local public benefit for which such alien would otherwise be ineligible under subsection (a) only through the enactment of a State law after the date of the enactment of this Act which affirmatively provides for such eligibility.

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Subtitle C—Attribution of Income and Affidavits of Support

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SEC. 423. REQUIREMENTS FOR SPONSORS AFFIDAVIT OF SUPPORT.

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(d) BENEFITS NOT SUBJECT TO REIMBURSEMENT.— Requirements for reimbursement by a sponsor for benefits provided to a sponsored alien pursuant to an affidavit of support under section 213A of the Immigration and Nationality Act shall not apply with respect to the following:

(1) Medical assistance described in section 401(b)(1)(A) or assistance described in section 411(b)(1).

* * * * *

(12) *Assistance, benefits, or services under part A of title IV of the Social Security Act except for cash assistance provided to a sponsored alien who is subject to deeming pursuant to section 408(f) of that Act.*

Subtitle D—General Provisions

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SEC. 432. VERIFICATION OF ELIGIBILITY FOR FEDERAL PUBLIC BENEFITS.

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(d) NO VERIFICATION REQUIREMENT FOR NONPROFIT CHARITABLE ORGANIZATIONS.—**[Subject to subsection (a) of this section, a]** A nonprofit charitable organization, in providing any Federal public benefit (as defined in section 1611(c) of this title) or any State or local public benefit (as defined in section 1621(c) of this title or under section 1137 of the Social Security Act (42 U.S.C. 1320b-7)),

[is not] shall not be required under this chapter to determine, verify, or otherwise require proof of eligibility of any applicant for such benefits.

FOOD STAMP OF ACT OF 1977

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SEC. 5. ELIGIBLE HOUSEHOLDS.

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(g) ALLOWABLE FINANCIAL RESOURCES WHICH ELIGIBLE HOUSEHOLD MAY OWN.—

* * * * *

(2) INCLUDED ASSETS.—

* * * * *

(D) ALTERNATIVE VEHICLE ALLOWANCE.—**[If the vehicle allowance]**

(i) IN GENERAL.—*If the vehicle allowance standards that a State agency uses to determine eligibility for assistance under the State program funded under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.) would result in a lower attribution of resources to certain households than under subparagraph (B)(iv), in lieu of applying subparagraph (B)(iv), the State agency may elect to apply the State vehicle allowance standards to all households that would incur a lower attribution of resources under the State vehicle allowance standards.*

(ii) DEFINITION OF ASSISTANCE.—*In clause (i), the term “assistance” shall have the meaning given such term in section 260.31 of title 45 of the Code of Federal Regulations, as in effect on June 1, 2002.*

CONSOLIDATED OMNIBUS BUDGET RECONCILIATION ACT OF 1985

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SEC. 13031. * * *

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(j) EFFECTIVE DATES.—

(1) Except as otherwise provided in this subsection, the provisions of this section, and the amendments and repeals made by this section, shall apply with respect to customs services rendered after the date that is 90 days after April 7, 1986.

(2) Fees may be charged under subsection (a)(5) of this section only with respect to customs services rendered in regard to arriving passengers using transportation for which documents or tickets were issued after the date that is 90 days after April 7, 1986.

(3) Fees may not be charged under subsection (a) of this section after **[September 30, 2003]** *February 28, 2005.*

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UNITED STATES CODE

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**TITLE 28—JUDICIARY AND JUDICIAL
PROCEDURE**

PART V—PROCEDURE

CHAPTER 115—EVIDENCE; DOCUMENTARY

SEC. 1738B. FULL FAITH AND CREDIT FOR CHILD SUPPORT ORDERS.

* * * * *

[(d) CONTINUING JURISDICTION.—A court of a State that has made a child support order consistently with this section has continuing, exclusive jurisdiction over the order if the State is the child's State or the residence of any individual contestant unless the court of another State, acting in accordance with subsections (e) and (f), has made a modification of the order.]

(d) CONTINUING EXCLUSIVE JURISDICTION.—

(1) IN GENERAL.—Subject to paragraph (2), a court of a State that has made a child support order consistently with this section has continuing, exclusive jurisdiction to modify its order if the order is the controlling order and—

(A) the State is the child's State or the residence of any individual contestant; or

(B) if the State is not the residence of the child or an individual contestant, the contestants consent in a record or in open court that the court may continue to exercise jurisdiction to modify its order.

(2) REQUIREMENT.—A court may not exercise its continuing, exclusive jurisdiction to modify the order if the court of another State, acting in accordance with subsections (e) and (f), has made a modification of the order.

(e) AUTHORITY TO MODIFY ORDERS.—A court of a State may modify a child support order issued by a court of another State if—

(1) the court has jurisdiction to make such a child support order pursuant to subsection (i); and

(2) (A) the court of the other State no longer has continuing, exclusive jurisdiction of the child support order [because that state no longer is the child's State or the residence of any individual contestant] pursuant to paragraph (1) or (2) of subsection (d); or

(B) each individual contestant has filed written consent with the State of continuing, exclusive jurisdiction for a court of another State with jurisdiction over at least 1 of the individual contestants or that is located in the child's State to modify the order and assume continuing, exclusive jurisdiction over the order.

(f) [RECOGNITION OF] DETERMINATION OF CONTROLLING CHILD SUPPORT ORDERS.—If 1 or more child support orders have been issued with regard to an obligor and a child, a court [shall apply the following rules in determining which order to recognize for pur-

poses of continuing, exclusive jurisdiction and enforcement:] *having personal jurisdiction over both individual contestants shall apply the following rules and by order shall determine which order controls:*

(1) If only 1 court has issued a child support order, the order of that court [must be] *controls and must be so* recognized.

(2) If 2 or more courts have issued child support orders for the same obligor and child, and only 1 of the courts would have continuing, exclusive jurisdiction under this section, the order of that court [must be recognized] *controls*.

(3) If 2 or more courts have issued child support orders for the same obligor and child, and more than 1 of the courts would have continuing, exclusive jurisdiction under this section, an order issued by a court in the current home State of the child [must be recognized] *controls*, but if an order has not been issued in the current home state of the child, the order most recently issued [must be recognized] *controls*.

(4) If 2 or more courts have issued child support orders for the same obligor and child, and none of the courts would have continuing, exclusive jurisdiction under this section, a court having jurisdiction over the parties shall issue a child support order, which [must be recognized] *controls*.

[(5) The court that has issued an order recognized under this subsection is the court having continuing, exclusive jurisdiction under subsection (d).]

[(g) ENFORCEMENT OF MODIFIED ORDERS.—A court of a State that no longer has continuing, exclusive jurisdiction of a child support order may enforce the order with respect to nonmodifiable obligations and unsatisfied obligations that accrued before the date on which a modification of the order is made under subsections (e) and (f).]

(g) *ENFORCEMENT OF MODIFIED ORDERS.—If a child support order issued by a court of a State is modified by a court of another State which properly assumed jurisdiction, the issuing court—*

(1) *may enforce its order that was modified only as to arrears and interest accruing before the modification;*

(2) *may provide appropriate relief for violations of its order which occurred before the effective date of the modification; and*

(3) *shall recognize the modifying order of the other State for the purpose of enforcement.”;*

(h) CHOICE OF LAW.—

(1) IN GENERAL.—in a proceeding to establish, modify, or enforce a child support order, the forum State’s law shall apply except as provided in paragraphs (2) [and (3)], (3), and (4).

(2) LAW OF STATE OF ISSUANCE OF ORDER.—In interpreting a child support order including the duration of current payments and other obligations of support *the computation and payment of arrearages, and the accrual of interest on the arrearages*, a court shall apply the law of the State of the court that issued the order.

(3) PERIOD OF LIMITATION.—In an action to enforce arrears under a child support order, a court shall apply the statute of limitation of the forum State or the State of the court that issued the order, whichever statute provides the longer period of limitation.

“(4) PROSPECTIVE APPLICATION.—After a court determines which is the controlling order and issues an order consolidating arrearages, if any, a court shall prospectively apply the law of the State issuing the controlling order, including that State’s law with respect to interest on arrearages, current and future support, and consolidated arrearages.

(i) REGISTRATION FOR MODIFICATION.—If there is no individual contestant or child residing in the issuing State *and subsection (d)(2) does not apply*, the party or support enforcement agency seeking to modify, or to modify and enforce, a child support order issued in another State shall register that order in a State with jurisdiction over the nonmovant for the purpose of modification.

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