PERSONAL RESPONSIBILITY

AND WORK OPPORTUNITY

RECONCILIATION ACT

OF 1996

H.R. 3734

PUBLIC LAW 104-193

104TH CONGRESS

Volumes 1 to 19

BILLS, REPORTS,

DEBATES, AND ACT

Social Security Administration
PREFACE

This 19-volume compilation contains historical documents pertaining to P.L. 104-193, the "Personal Responsibility and Work Opportunity Act of 1996." The books contain congressional debates, a chronological compilation of documents pertinent to the legislative history of the public law and relevant reference materials.

Pertinent documents include:

- Differing versions of key bills
- Committee reports
- Excerpts from the Congressional Record
- The Public Law

This history is prepared by the Office of the Deputy Commissioner for Legislation and Congressional Affairs and is designed to serve as a helpful resource tool for those charged with interpreting laws administered by the Social Security Administration.
I. House Action in 1995

A. Statement by Representative Newt Gingrich, Speaker of the House, on the "Contract With America."


C. H.R. 999, "Welfare Reform Consolidation Act of 1995" introduced February 21, 1995 as reported March 10, 1995 by the Committee on Economic and Educational Opportunities (excerpts)


E. H.R. 1135, "Food Stamp Reform and Commodity Distribution Act of 1995" as reported by the House Committee on Agriculture March 14, 1995 (excerpts)

F. H.R. 1214, "Personal Responsibility Act of 1995," introduced March 13, 1995 (excerpts). This bill was developed by the three committees with primary jurisdiction (Committees on Ways and Means, Agriculture, and Economic and Educational Opportunities). In addition, the Committee on Commerce worked with Ways and Means staff to draft language for H.R. 1214 as it related to provisions within the Commerce Committee's jurisdiction including ineligibility of illegal aliens for certain public benefits, SSI cash benefits, and SSI service benefits. H.R. 1214 was considered as the base text for floor consideration of welfare reform legislation.


H. H.R. 1267, "Individual Responsibility Act of 1995" introduced March 21, 1995 (excerpts). This bill was offered as a Democratic substitute for H.R. 4/H.R. 1214 that maintained several key Republican welfare reform provisions while also keeping the Federal entitlement for cash benefits, school lunches and other social programs. It failed to pass the House on March 23, 1995 by a vote of 205-228.

I. H.Res. 117, Resolution providing for the consideration of the bill (H.R. 4) to restore the American family, reduce illegitimacy, control welfare spending, and reduce welfare dependence as adopted March 22, 1995. The resolution provided that debate must be confined to H.R. 4 and the text of H.R. 1214.


J. H.Res. 119, Resolution providing for further consideration of the bill (H.R. 4) to restore the American family, reduce illegitimacy, control welfare spending, and reduce welfare dependence. This resolution made in order H.R. 1214 as original text for amendment to H.R. 4.


1. March 21, 1995
2. March 22, 1995
4. March 24, 1995

L. H.R. 4 as passed the House--March 24, 1995 (excerpts)

II. Senate Action in 1995

A. H.R. 4, "Work Opportunity Act of 1995" as Reported by the Senate Committee on Finance--June 9, 1995 (excerpts)


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B. S. 1120, "Work Opportunity Act of 1995" (excerpts)--introduced August 3, 1995

C. Amendment No. 2280 to H.R. 4 Congressional Record--August 5, 1995

Volume V

D. Senate debate on proposed Amendment No. 2280 to H.R. 4, Congressional Record

Volume VI

E. H.R. 4 as passed the Senate, September 19, 1995 (excerpts)

III. Conference Action on H.R. 4

A. House Debated the Senate-Passed version, disagreed with Senate Amendments, and Appointed Conferees--September 29, 1995


B. Senate Appointed Conferees--October 17, 1995


D. H.Res. 319


E. House Agreed to Conference Report by a vote of 245-178--Congressional Record--December 21, 1995

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F. Senate Debate on Conference Report

1. Congressional Record--December 21, 1995
2. Agreed to Conference Report by a vote of 52-47--Congressional Record--December 22, 1995
IV. Vetoed by President Clinton—January 9, 1996—President Clinton’s Statement on the veto

V. House Action on Other Bills in the 104th Congress First Session (1995) that Included Welfare Reform provisions

A. H.R. 2491, "Seven-Year Balanced Budget Reconciliation Act of 1995"—as introduced October 17, 1995 (excerpts)

2. H.Res. 245, Providing for Consideration of H.R. 2491—October 26, 1995


C. H.R. 2530, "Common Sense Balanced Budget Act of 1995"—as introduced October 25, 1995 (excerpts). This bill was offered by a group of conservative Democrats (Blue Dogs) as an alternative to H.R. 2491. It failed to pass the House on October 28, 1995 by a vote of 72-356.

1. H.Res. 321, Directing the Committee on Rules to report a resolution providing for the consideration of H.R. 2530—as introduced December 21, 1995
2. H.Res. 333, Providing for the consideration of H.R. 2530—as introduced January 4, 1996
D. House debate on H.R. 2491, H.R. 2517, and H.R. 2530, Congressional Record

1. October 24, 1995
2. October 25, 1995
3. October 26, 1995--H.R. 2491 passed the House by a vote of 227-203.

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VI. Senate Action on Other Bills in the 104th Congress First Session (1995) that Included Welfare Reform provisions

A. H.R. 2491, "Seven-Year Balanced Budget Reconciliation Act of 1995"--as passed the House October 26, 1995 and received in the Senate (excerpts).

B. S. 1357, "Balanced Budget Reconciliation Act of 1995"--as introduced October 23, 1995 (excerpts)

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C. Senate debate on S. 1357, substituting the text of S. 1357, as amended into H.R. 2491. Passed the Senate on October 27, 1995 by a vote of 52-47, Congressional Record

1. October 25, 1995
2. October 26, 1995
3. October 27, 1995

D. Text of Senate-passed measure printed in Congressional Record October 30, 1995 (excerpts)

VII. Conference Agreement on H.R. 2491, "Balanced Budget Act of 1995"--Enrolled bill for presentation to the President November 28, 1995 (excerpts)

VIII. President's Veto Message--December 6, 1995
IX. House Action in 1996


1. H.Res. 482, to provide for the consideration of H.R. 3734--as passed the House--July 18, 1996

Volume XI

B. H.R. 3829, "Welfare Reform Reconciliation Act of 1996" as introduced July 17, 1996 (excerpts). The text of this bill was incorporated as a substitute amendment to H.R. 3734.

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C. H.R. 3832, "Bipartisan Welfare Reform Act of 1996) as introduced July 17, 1996 (excerpts). This bill was offered as a substitute amendment to H.R. 3734 but failed to pass the House on July 18, 1996 by a vote of 168-228. H.R. 3832 was similar to H.R. 3266 introduced earlier in 1996.

D. House Debate on H.R. 3734, H.R. 3829, and H.R. 3832, Congressional Record

1. July 17, 1996

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X. Senate Action in 1996

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B. Senate Debate on S. 1956, Congressional Record

1. July 18, 1996
2. July 19, 1996

C. Senate-Passed H.R. 3734 (excerpts)

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XI. 1996 Conference Action

A. House Conferees Appointed--Congressional Record July 24, 1996

B. Conferees agreed--July 30, 1996

2. Joint Statement of Conferees (excerpts)

C. House considered and agreed to Conference Report--Congressional Record--July 31, 1996

D. Senate considered and agreed to Conference Report--Congressional Record--August 1, 1996

XII. Public Law

A. Public Law 104-193 (excerpts)--August 22, 1996
B. President Clinton's Signing Statement--August 22, 1996
C. Remarks by President Clinton at Signing Ceremony--August 22, 1996
Appendices

A. Legislative Bulletins *(SSA/ODCLCA)*

1. Legislative Bulletin 104-1, House Committee on Ways and Means Markup of Welfare Reform Proposal--March 7, 1995


7. Legislative Bulletin 104-8, Senate Judiciary Immigration Subcommittee Reports S. 269--June 27, 1995


C. Other House Bills

1. H.R. 2903, "Balanced Budget Act of 1995 for Economic Growth and Fairness"--as introduced January 26, 1996 (excerpts). This was the text of President Clinton's balanced-budget plan. It included some provisions of interest, but did not include major welfare reform provisions.

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3. H.R. 3266, "Bipartisan Welfare Reform Act of 1996"--as introduced on April 17, 1996 (excerpts). Companion bill to S. 1867. These bills are a compromise between H.R. 4, which was vetoed, and proposals presented in a bipartisan plan by the National Governors Association in early 1996.

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D. Ways and Means Committee Print 104-15 "Summary of Welfare Reforms Made by Public Law 104-193"--November 6, 1996 (text only)

E. Administration Welfare Reform Bill--103rd Congress (1994-1995)

H.R. 4605, "Work Responsibility Act of 1994"--as introduced June 21, 1994 (excerpts). This bill and the Senate companion bill (S. 2224) were the Administration's Welfare Reform proposals in the 103rd Congress.
AN ACT

To provide for reconciliation pursuant to section 105 of the concurrent resolution on the budget for fiscal year 1996.

1 Be it enacted by the Senate and House of Representa-
2 tives of the United States of America in Congress assembled,
3 SECTION 1. SHORT TITLE.
4 This Act may be cited as the “Seven-Year Balanced
5 Budget Reconciliation Act of 1995”.
6 SEC. 2. TABLE OF TITLES.
7 This Act is organized into titles as follows:
TITLE I—COMMITTEE ON AGRICULTURE

SEC. 1001. SHORT TITLE AND TABLE OF CONTENTS.

(a) SHORT TITLE.—This title may be cited as the "Agricultural Reconciliation Act of 1995".

(b) TABLE OF CONTENTS.—The table of contents of this title is as follows:

TITLE I—COMMITTEE ON AGRICULTURE

Sec. 1001. Short title and table of contents.

Subtitle A—Freedom to Farm

Sec. 1101. Short title.
Sec. 1102. Seven-year contracts to improve farming certainty and flexibility.
Sec. 1103. Availability of nonrecourse marketing assistance loans for wheat, feed grains, cotton, rice, and oilseeds.
Sec. 1105. Suspension of certain provisions regarding program crops.

Subtitle B—Dairy

CHAPTER 1—AUTHORIZATION OF MARKET TRANSITION PAYMENTS IN LIEU OF MILK PRICE SUPPORT PROGRAM

Sec. 1201. Seven-year market transition contracts for milk producers.
(b) CLERICAL AMENDMENT.—The table of sections for chapter 77 is amended by adding at the end the following new item:

"Sec. 7524. Cooperative agreements with State tax authorities."

**TITLE XV—PRESERVING, PROTECTING, AND STRENGTHENING MEDICARE**

H.R. 2425 as passed the House of Representatives is hereby enacted into law.

**TITLE XVI—TRANSFORMATION OF THE MEDICAID PROGRAM**

**SEC. 16000. SHORT TITLE.**

This title may be cited as the "Medicaid Transformation Act of 1995".

**SEC. 16001. TRANSFORMATION OF MEDICAID PROGRAM.**

The Social Security Act is amended by adding at the end the following new title:

"TITLE XXI—MediGrant Program for Low-Income Individuals and Families"

**"TABLE OF CONTENTS OF TITLE**

"Sec. 2100. Purpose; MediGrant plans.

"PART A—OBJECTIVES, GOALS, AND PERFORMANCE UNDER STATE PLANS

"Sec. 2101. Description of strategic objectives and performance goals.
"Sec. 2102. Annual reports.
"Sec. 2103. Periodic, independent evaluations.
"Sec. 2104. Description of process for MediGrant plan development.
"Sec. 2105. Consultation in MediGrant plan development.
"Sec. 2106. MediGrant Task Force.

"PART B—ELIGIBILITY, BENEFITS, AND SET-ASIDES

HR 2491 RDS
"Sec. 2111. General description of eligibility and benefits.
"Sec. 2112. Set-asides of funds for population groups.
"Sec. 2113. Premiums and cost-sharing.
"Sec. 2114. Description of process for developing capitation payment rates.
"Sec. 2115. Preventing spousal impoverishment.
"Sec. 2116. Construction.
"Sec. 2117. Limitations on causes of action.

"PART C—PAYMENTS TO STATES
"Sec. 2121. Allotment of funds among States.
"Sec. 2122. Payments to States.
"Sec. 2123. Limitation on use of funds; disallowance.

"PART D—PROGRAM INTEGRITY AND QUALITY
"Sec. 2131. Use of audits to achieve fiscal integrity.
"Sec. 2132. Fraud prevention program.
"Sec. 2133. Information concerning sanctions taken by State licensing authorities against health care practitioners and providers.
"Sec. 2134. State MediGrant fraud control units.
"Sec. 2135. Recoveries from third parties and others.
"Sec. 2136. Assignment of rights of payment.
"Sec. 2137. Quality assurance standards for nursing facilities.
"Sec. 2138. Other provisions promoting program integrity.

"PART E—ESTABLISHMENT AND AMENDMENT OF STATE MEDIKITANT PLANS
"Sec. 2151. Submittal and approval of MediGrant plans.
"Sec. 2152. Submittal and approval of plan amendments.
"Sec. 2153. Process for State withdrawal from program.
"Sec. 2154. Sanctions for substantial noncompliance.
"Sec. 2155. Secretarial authority.

"PART F—GENERAL PROVISIONS
"Sec. 2171. Definitions.
"Sec. 2172. Treatment of territories.
"Sec. 2173. Description of treatment of Indian Health Service facilities.
"Sec. 2174. Application of certain general provisions.
"Sec. 2175. MediGrant master drug rebate agreements.

1 "SEC. 2100. PURPOSE; STATE MEDIKITANT PLANS.
2 "(a) PURPOSE.—The purpose of this title is to provide block grants to States to enable them to provide medical assistance to low-income individuals and families in a more effective, efficient, and responsive manner.
3 "(b) STATE PLAN REQUIRED.—A State is not eligible for payment under section 2122 of this title unless the
State has submitted to the Secretary under part E a plan (in this title referred to as a 'MediGrant plan') that—

"(1) sets forth how the State intends to use the funds provided under this title to provide medical assistance to needy individuals and families consistent with the provisions of this title, and

"(2) is approved under such part.

"(c) CONTINUED APPROVAL.—An approved MediGrant plan shall continue in effect unless and until—

"(1) the State amends the plan under section 2152,

"(2) the State terminates participation under this title under section 2153, or

"(3) the Secretary finds substantial noncompliance of the plan with the requirements of this title under section 2154.

"(d) STATE ENTITLEMENT.—This title constitutes budget authority in advance of appropriations Acts, and represents the obligation of the Federal Government to provide for the payment to States of amounts provided under part C.
"PART A—OBJECTIVES, GOALS, AND PERFORMANCE UNDER STATE PLANS

"SEC. 2101. DESCRIPTION OF STRATEGIC OBJECTIVES AND PERFORMANCE GOALS.

"(a) DESCRIPTION.—A MediGrant plan shall include a description of the strategic objectives and performance goals the State has established for providing health care services to low-income populations under this title, including a general description of the manner in which the plan is designed to meet these objectives and goals.

"(b) CERTAIN OBJECTIVES AND GOALS REQUIRED.—A MediGrant plan shall include strategic objectives and performance goals relating to rates of childhood immunizations and reductions in infant mortality and morbidity.

"(c) CONSIDERATIONS.—In specifying these objectives and goals the State may consider factors such as the following:

"(1) The State’s priorities with respect to such areas as providing assistance to low-income populations.

"(2) The State’s priorities with respect to the general public health and the health status of individuals eligible for assistance under the MediGrant plan.
“(3) The State’s financial resources, the particular economic conditions in the State, and relative adequacy of the health care infrastructure in different regions of the State.

“(d) PERFORMANCE MEASURES.—To the extent practicable—

“(1) one or more performance goals shall be established by the State for each strategic objective identified in the MediGrant plan; and

“(2) the MediGrant plan shall describe, how program performance will be—

“(A) measured through objective, independently verifiable means, and

“(B) compared against performance goals, in order to determine the State’s performance under this title.

“(e) PERIOD COVERED.—

“(1) STRATEGIC OBJECTIVES.—The strategic objectives shall cover a period of not less than 5 years and shall be updated and revised at least every 3 years.

“(2) PERFORMANCE GOALS.—The performance goals shall be established for dates that are not more than 3 years apart.
"SEC. 2102. ANNUAL REPORTS.

(a) IN GENERAL.—In the case of a State with a MediGrant plan that is in effect for part or all of a fiscal year, no later than March 31 following such fiscal year (or March 31, 1998, in the case of fiscal year 1996) the State shall prepare and submit to the Secretary and the Congress a report on program activities and performance under this title for such fiscal year.

(b) CONTENTS.—Each annual report under this section for a fiscal year shall include the following:

(1) EXPENDITURE AND BENEFICIARY SUMMARY.—

(A) INITIAL SUMMARY.—For the report for fiscal year 1997 (and, if applicable, fiscal year 1996), a summary of all expenditures under the MediGrant plan during the fiscal year (and during any portions of fiscal year 1996 during which the MediGrant plan was in effect under this title) as follows:

(i) Aggregate medical assistance expenditures, disaggregated to the extent required to determine compliance with the set-aside requirements of subsections (a) through (c) section 2112 and to compute the case mix index under section 2121(d)(3).
"(ii) For each general category of eligible individuals (specified in subsection (c)(1), aggregate medical assistance expenditures and the total and average number of eligible individuals under the MediGrant plan.

"(iii) By each general category of eligible individuals, total expenditures for each of the categories of health care items and services (specified in subsection (c)(2)) which are covered under the MediGrant plan and provided on a fee-for-service basis.

"(iv) By each general category of eligible individuals, total expenditures for payments to capitated health care organizations (as defined in section 2114(c)(1)).

"(v) Total administrative expenditures.

"(B) SUBSEQUENT SUMMARIES.—For reports for each succeeding fiscal year, a summary of—

"(i) all expenditures under the MediGrant plan consistent with the report-
ing format specified by the MediGrant Task Force under section 2106(d)(1), and

"(ii) the total and average number of eligible individuals under the MediGrant plan for each general category of eligible individuals.

"(2) UTILIZATION SUMMARY.—

"(A) INITIAL SUMMARY.—For the report for fiscal year 1997 (and, if applicable, fiscal year 1996), summary statistics on the utilization of health care services under the MediGrant plan during the year (and during any portions of fiscal year 1996 during which the MediGrant plan was in effect under this title) as follows:

"(i) For each general category of eligible individuals and for each of the categories of health care items and services which are covered under the MediGrant plan and provided on a fee-for-service basis, the number and percentage of persons who received such a type of service or item during the period covered by the report.
“(ii) Summary of health care utilization data reported to the State by capitated health care organizations.

“(B) Subsequent Summaries.—For reports for each succeeding fiscal year, summary statistics on the utilization of health care services under the MediGrant plan consistent with the reporting format specified by the MediGrant Task Force under section 2106(d)(1).

“(3) Achievement of Performance Goals.—With respect to each performance goal established under section 2101 and applicable to the year involved—

“(A) a brief description of the goal;

“(B) data on the actual performance with respect to the goal;

“(C) a review of the extent to which the goal was achieved, based on such data; and

“(D) where a performance goal has not been met—

“(i) why the goal was not met, and

“(ii) actions to be taken in response to such performance (including adjust-
ments in performance goals or program activities for subsequent years).

"(4) PROGRAM EVALUATIONS.—A summary of the findings of evaluations under section 2103 completed during the fiscal year covered by the report.

"(5) FRAUD AND ABUSE AND QUALITY CONTROL ACTIVITIES.—A general description of the State's activities under part D to detect and deter fraud and abuse and to assure quality of services provided under the program.

"(6) PLAN ADMINISTRATION.—

"(A) A description of the administrative roles and responsibilities of entities in the State responsible for administration of this title.

"(B) Organizational charts for each entity in the State primarily responsible for activities under this title.

"(C) A brief description of each interstate compact (if any) the State has entered into with other States with respect to activities under this title.

"(D) General citations to the State statutes and administrative rules governing the State's activities under this title.
“(7) INPATIENT HOSPITAL PAYMENTS.—With respect to inpatient hospital services provided under the MediGrant plan on a fee-for-service basis, a description of the average amount paid per discharge in the fiscal year compared either to the average charge for such services or to the State’s estimate of the average amount paid per discharge by commercial health insurers in the State.

“(c) DEFINITIONS.—In this section:

“(1) Each of the following is a general category of eligible individuals:

“(A) Children.

“(B) Blind or disabled adults under 65 years of age.

“(C) Persons 65 years of age or older.

“(D) Other adults.

“(2) The health care items and services described in each subparagraph of section 2171(a)(1) shall be considered a separate category of health care items and services.

“SEC. 2103. PERIODIC, INDEPENDENT EVALUATIONS.

“(a) IN GENERAL.—During fiscal year 1998 and every third fiscal year thereafter, each State shall provide for an evaluation of the operation of its MediGrant plan under this title.
“(b) INDEPENDENT.—Each such evaluation with respect to an activity under the MediGrant plan shall be conducted by an entity that is neither responsible under State law for the submission of the State plan (or part thereof) nor responsible for administering (or supervising the administration of) the activity. If consistent with the previous sentence, such an entity may be a college or university, a State agency, a legislative branch agency in a State, or an independent contractor.

“(c) RESEARCH DESIGN.—Each such evaluation shall be conducted in accordance with a research design that is based on generally accepted models of survey design and sampling and statistical analysis.

“SEC. 2104. DESCRIPTION OF PROCESS FOR MEDIGRANT PLAN DEVELOPMENT.

“Each MediGrant plan shall include a description of the process under which the plan shall be developed and implemented in the State (consistent with section 2105).

“SEC. 2105. CONSULTATION IN MEDIGRANT PLAN DEVELOPMENT.

“(a) PUBLIC NOTICE PROCESS.—

“(1) IN GENERAL.—Before submitting a MediGrant plan or a plan amendment described in paragraph (3) to the Secretary under part E, a State shall provide—
"(A) public notice respecting the submittal of the proposed plan or amendment, including a general description of the plan or amendment;

"(B) a means for the public to inspect or obtain a copy (at reasonable charge) of the proposed plan or amendment; and

"(C) an opportunity for submittal and consideration of public comments on the proposed plan or amendment.

The previous sentence shall not apply to a revision of a MediGrant plan (or revision of an amendment to a plan) made by a State under section 2154(c)(1) or to a plan amendment withdrawal described in section 2152(c)(4).

"(2) CONTENTS OF NOTICE.—A notice under paragraph (1)(A) for a proposed plan or amendment shall include a description of—

"(A) the general purpose of the proposed plan or amendment (including applicable effective dates),

"(B) where the public may inspect the proposed plan or amendment,

"(C) how the public may obtain a copy of the proposed plan or amendment and the applicable charge (if any) for the copy, and
“(D) how the public may submit comments on the proposed plan or amendment, including any deadlines applicable to consideration of such comments.

“(3) AMENDMENTS DESCRIBED.—An amendment to a Medi Grant plan described in this paragraph is an amendment which makes a material and substantial change in eligibility under the Medi Grant plan or the benefits provided under the plan.

“(4) PUBLICATION.—Notices under this subsection may be published (as selected by the State) in one or more daily newspapers of general circulation in the State or in any publication used by the State to publish State statutes or rules.

“(5) COMPARABLE PROCESS.—A separate notice, or notices, shall not be required under this subsection for a State if notice of the Medi Grant plan or an amendment to the plan will be provided under a process specified in State law that is substantially equivalent to the notice process specified in this subsection.

“(b) ADVISORY COMMITTEE.—

“(1) IN GENERAL.—Each State with a Medi Grant plan shall establish and maintain an advisory committee.
(2) Consultation.—The State shall periodically consult with the advisory committee in the development, revision, and monitoring the performance of the MediGrant plan, including—

(A) the development of strategic objectives and performance goals under section 2101,

(B) the annual report under section 2102, and

(C) the research design under section 2103(c).

(3) Geographic Diversity.—The composition of the advisory committee shall be chosen in a manner that assures some representation on the advisory committee of the different general geographic regions of the State. Nothing in the previous sentence shall be construed as requiring proportional representation of geographic areas in a State.

(4) Construction.—Nothing in this title shall be construed as preventing a State from establishing more than one advisory committee, including specialized advisory committees that represent the interests of specific population groups, provider groups, or geographic areas.
"SEC. 2106. MEDIGRANT TASK FORCE.

(a) IN GENERAL.—The Secretary shall provide for the establishment of a MediGrant Task Force (in this section referred to as the 'Task Force').

(b) COMPOSITION.—The Task Force shall consist of 6 members appointed by the chair of the National Governors Association and 6 members appointed by the vice chair of the National Governors Association.

(c) ADVISORY GROUP FOR TASK FORCE.—The Secretary shall provide for the establishment of an advisory group to assist the Task Force in carrying out its duties under this section, consisting of one representative appointed by each of the following associations:

(1) National Committee for Quality Assurance.

(2) Joint Commission for the Accreditation of Healthcare Organizations.

(3) Group Health Association of America.

(4) American Managed Care and Review Association.

(5) Association of State and Territorial Health Officers.

(6) American Medical Association.

(7) American Hospital Association.

(8) American Dental Association.

(9) American College of Gerontology.
“(11) An association identified by the Secretary as representing the interests of disabled individuals.
“(12) An association identified by the Secretary as representing the interests of children.
“(13) An association identified by the Secretary as representing the interests of the elderly.
“(14) An association identified by the Secretary as representing the interests of mentally ill individuals.

Any reference in this subsection to a particular group shall be deemed a reference to any successor to such group.

“(d) Duties.—
“(1) FORMAT FOR EXPENDITURE AND UTILIZATION SUMMARIES.—The Task Force shall specify, by not later than December 31, 1996, the format of expenditure summaries and utilization summaries required under section 2102. Such format may provide for the reporting of different information from that required under section 2102(a), but shall include the reporting of at least the information described in section 2102(b)(1)(A)(i).
“(2) MODELS AND SUGGESTIONS.—The Task Force shall study and report to Congress and the
States, by not later than April 1, 1997, recommendations on the following:

"(A) Recommended models for strategic objectives and performance goals for consideration by States in the development of such objectives and goals under section 2102, including alternative models for each of the objectives and goals described in section 2101(b).

"(B) For each suggested model for a strategic objective or performance goal suggested methodologies for States to consider in measuring and verifying the objective or goal.

"(C) An assessment of the potential usefulness to States of quality assurance safeguards, utilization data sets, and accreditation programs that are used or under development in the private sector.

"(D) Recommended designs and evaluation methodologies for consideration by States in providing for independent evaluations under section 2103.

"(3) CONSTRUCTION.—Nothing in this subsection shall be construed as requiring a State to adopt any of the strategic objectives or performance goals suggested under paragraph (2).
“(e) ADMINISTRATIVE ASSISTANCE.—Administrative support for the Task Force shall be provided by the Agency for Health Care Policy and Research (or, in the absence of such Agency, the Secretary).

“PART B—ELIGIBILITY, BENEFITS, AND SET-ASIDES

“SEC. 2111. GENERAL DESCRIPTION OF ELIGIBILITY AND BENEFITS.

“(a) IN GENERAL.—Each MediGrant plan shall include a description (consistent with this title) of the following:

“(1) ELIGIBLE POPULATION.—The population eligible for medical assistance under the plan, including—

“(A) any limitations on categories of such individuals;

“(B) any limitations as to the duration of eligibility;

“(C) any eligibility standards relating to age, income (including any standards relating to spenddowns), residency, resources, disability status, immigration status, or employment status of individuals;

“(D) methods of establishing (and continuing) eligibility and enrollment (including the methodology for computing family income);
“(E) the eligibility standards in the plan that protect the income and resources of a married individual who is living in the community and whose spouse is residing in an institution in order to prevent the impoverishment of the community spouse; and

“(F) any other standards relating to eligibility for medical assistance under the plan.

“(2) SCOPE OF ASSISTANCE.—The amount, duration, and scope of health care services and items covered under the plan, including differences among different eligible population groups.

“(3) DELIVERY METHOD.—The State’s approach to delivery of medical assistance, including a general description of—

“(A) the use (or intended use) of vouchers, fee-for-service, or managed care arrangements (such as capitated health care plans, case management, and case coordination), and

“(B) utilization control systems.

“(4) FEE-FOR-SERVICE BENEFITS.—To the extent that medical assistance is furnished on a fee-for-service basis—
“(A) how the State determines the qualifications of health care providers eligible to provide such assistance, and
“(B) how the State determines rates of reimbursement for providing such assistance.
“(5) Cost-sharing.—Beneficiary cost-sharing (if any), including variations in such cost-sharing by population group or type of service and financial responsibilities of parents of recipients under 21 years of age and the spouses of recipients.
“(6) Utilization incentives.—Incentives or requirements (if any) to encourage the appropriate utilization of services.
“(7) Treatment of health centers.—
“(A) In general.—In the case of a State in which one or more health centers is located, the MediGrant plan shall include a description of—
“(i) what provision (if any) has been made for payment for items and services furnished by health centers, and
“(ii) the manner in which medical assistance for low-income eligible individuals who received health care services at health centers on or before the date of the enact-
ment of this title may be provided, as de-
determined by the State in consultation with
the health centers in the State.

"(B) HEALTH CENTER DEFINED.—For
purposes of subparagraph (A), the term 'health
center' means an entity that—

"(i) is receiving a grant under section
329, 330, 340, or 340A of the Public
Health Service Act; or

"(ii) based on the recommendation of
the Health Resources and Services Admin-
istration within the Public Health Service,
was determined by the Secretary to meet
the requirements to receive such a grant.

"(8) SUPPORT FOR CERTAIN HOSPITALS.—

"(A) IN GENERAL.—With respect to hos-
pitals described in subparagraph (B) located in
the State, the MediGrant plan shall includes a
description—

"(i) of the extent to which provisions
have been made for expenditures for items
and services furnished by such hospitals
and covered under the plan, and

"(ii) for individuals who (I) are en-
rrolled for benefits for covered services
under the MediGrant plan and (II) were previously receiving benefits for such services under the medicaid program by or through such hospitals, where or how they will receive benefits for such services under the MediGrant plan if the MediGrant plan does not permit such individuals to obtain benefits for those services by or through such hospitals.

"(B) HOSPITALS DESCRIBED.—For purposes of subparagraph (A), a hospital described in this subparagraph is a subsection (d) hospital (as defined in section 1886(d)(1)(B)) that is described in clauses (i) and (ii) of section 340B(a)(4)(L) of the Public Health Service Act.

“(b) IMMUNIZATIONS FOR CHILDREN.—The MediGrant plan shall provide medical assistance for immunizations for children eligible for any medical assistance under the MediGrant plan, in accordance with a schedule for immunizations established by the Health Department of the State in consultation with the individuals and entities in the State responsible for the administration of the plan.
“(c) Equal Payment Rates for Rural Providers.—A State with a MediGrant plan shall establish payment rates for all services of rural providers that are comparable to the payment rates established for like services of such type of providers not in rural areas; except that a State may provide for incentive payments to attract and retain providers to medically underserved areas.

“(d) Preexisting Condition Exclusions.—Notwithstanding any other provision of this title—

“(1) a MediGrant plan may not deny or exclude coverage of any item or service for an eligible individual for benefits under the MediGrant plan for such item or service on the basis of a preexisting condition; and

“(2) if a State contracts or makes other arrangements (through the eligible individual or through another entity) with a capitated health care organization, insurer, or other entity, for the provision of items or services to eligible individuals under the MediGrant plan and the State permits such organization, insurer, or other entity to exclude coverage of a covered item or service on the basis of a preexisting condition, the State shall provide, through its MediGrant plan, for such coverage (through direct payment or otherwise) for any such
1 covered item or service denied or excluded on the basis of a preexisting condition.
2
3 "(e) FAMILY RESPONSIBILITY.—A MediGrant plan may not require an adult child of moderate means (as determined by the Secretary) to contribute to the cost of covered nursing facility services and other long-term care services for the child's parent under the plan.

4 "SEC. 2112. SET-ASIDES OF FUNDS FOR POPULATION GROUPS.
5
6 "(a) FOR TARGETED LOW-INCOME FAMILIES.—
7 "(1) IN GENERAL.—Subject to subsection (e), a MediGrant plan shall provide that the amount of funds expended under the plan for medical assistance for targeted low-income families (as defined in paragraph (3)) for a fiscal year shall be not less than the minimum low-income-family percentage specified in paragraph (2) of the total funds expended under the plan for all medical assistance for the fiscal year.
8
9 "(2) MINIMUM LOW-INCOME-FAMILY PERCENTAGE.—The minimum low-income-family percentage specified in this paragraph for a State is equal to 85 percent of the average percentage of the expenditures under title XIX for medical assistance in the State during Federal fiscal years 1992 through 1994

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which were attributable to expenditures for medical assistance for mandated benefits (as defined in subsection (h)) furnished to individuals—

"(A) who (at the time of furnishing the assistance) were under 65 years of age,

"(B) whose coverage (at such time) under a State plan under title XIX was required under Federal law, and

"(C) whose eligibility for such coverage (at such time) was not on a basis directly related to disability status (including being blind).

"(3) TARGETED LOW-INCOME FAMILY DEFINED.—In this subsection, the term 'targeted low-income family' means a family (which may be an individual)—

"(A) which includes a child or a pregnant woman, and

"(B) the income of which does not exceed 185 percent of the poverty line applicable to a family of the size involved.

"(b) FOR LOW-INCOME ELDERLY.—

"(1) SET-ASIDES.—Subject to subsection (e)—

"(A) GENERAL SET-ASIDE.—A MediGrant plan shall provide that the amount of funds expended under the plan for medical assistance
for eligible low-income individuals 65 years of age or older for a fiscal year shall be not less than the minimum low-income-elderly percentage specified in paragraph (2)(A) of the total funds expended under the plan for all medical assistance for the fiscal year.

"(B) SET-ASIDE FOR MEDICARE PREMIUM ASSISTANCE.—A MediGrant plan shall provide that the amount of funds expended under the plan for medical assistance for medicare cost-sharing described in section 2171(c)(1) for a fiscal year shall be not less than the minimum medicare premium assistance percentage specified in paragraph (2)(B) of the total funds expended under the plan for all medical assistance for the fiscal year. The MediGrant plan shall provide priority for such making such assistance available for targeted low-income elderly individuals (as defined in paragraph (3)).

"(2) MINIMUM PERCENTAGES.—

"(A) FOR GENERAL SET-ASIDE.—The minimum low-income-elderly percentage specified in this subparagraph for a State is equal to 85 percent of the average percentage of the expenditures under title XIX for medical assist-
ance in the State during Federal fiscal years
1992 through 1994 which was attributable to
expenditures for medical assistance for man-
dated benefits furnished to individuals—

“(i) whose eligibility for such assist-
ance was based on their being 65 years of
age or older; and

“(ii)(I) whose coverage (at such time)
under a State plan under title XIX was re-
quired under Federal law, or (II) who (at
such time) were residents of a nursing fa-
cility.

“(B) FOR SET-ASIDE FOR MEDICARE PRE-
MIUM ASSISTANCE.—The minimum medicare
premium assistance percentage specified in this
subparagraph for a State is equal to 90 percent
of the average percentage of the expenditures
under title XIX for medical assistance in the
State during Federal fiscal years 1993 through
1995 which was attributable to expenditures for
medical assistance for medicare premiums de-
scribed in section 1905(p)(3)(A) for individuals
whose coverage (at such time) for such assist-
ance for such premiums under a State plan
under title XIX was required under Federal law.

"(3) **TARGETED LOW-INCOME ELDERLY INDIVIDUAL DEFINED.**—In this subsection, the term ‘targeted low-income elderly individual’ means an individual who is 65 years of age or older and whose income does not exceed 100 percent of the poverty line applicable to a family of the size involved.

"(c) **FOR LOW-INCOME DISABLED PERSONS.**—

"(1) **IN GENERAL.**—Subject to subsection (e), a MediGrant plan shall provide that the percentage of funds expended under the plan for medical assistance for eligible low-income individuals who are under 65 years of age and are eligible for such assistance on the basis of a disability (including being blind) for a fiscal year is not less than the minimum low-income-disabled percentage specified in paragraph (2) of the total funds expended under the plan for medical assistance for the fiscal year.

"(2) **MINIMUM LOW-INCOME-DISABLED PERCENTAGE.**—The minimum low-income-disabled percentage specified in this paragraph for a State is equal to 85 percent of the average percentage of the expenditures under title XIX for medical assistance in the State during Federal fiscal years 1992
through 1994 which was attributable to expenditures
for medical assistance for mandated benefits fur-
nished to individuals—

"(A) whose coverage (at such time) under
a State plan under title XIX was required
under Federal law, and

"(B) whose coverage (at such time) was on
a basis directly related to disability status (in-
cluding being blind).

"(d) USE OF RESIDUAL FUNDS.—

"(1) IN GENERAL.—Subject to limitations on
payment under section 2123, any funds not required
to be expended under the set-asides under the pre-
vious subsections may be expended under the
MediGrant plan for any of the following:

"(A) ADDITIONAL MEDICAL ASSISTANCE.—
Medical assistance for eligible low-income indi-
viduals (as defined in section 2171(b)), in addi-
tion to any medical assistance made available
under a previous subsection.

"(B) MEDICALLY-RELATED SERVICES.—
Payment for medically-related services (as de-

"(C) ADMINISTRATION.—Payment for the
administration of the MediGrant plan.
“(2) Medically-related services defined.—In this title, the term ‘medically-related services’ means services reasonably related to, or in direct support of, the State’s attainment of one or more of the strategic objectives and performance goals established under section 2101, but does not include items and services included on the list under section 2171(a)(1) (relating to the definition of medical assistance).

“(e) Exceptions to minimum set-asides.—

“(1) Alternative minimum set-asides.—

“(A) In general.—A State may provide in its MediGrant plan (through an amendment to the plan) for a lower dollar amount of expenditures than the minimum amounts specified in any (or all) of paragraphs (2) of subsections (a), (b), and (c) if State determines (and certifies to the Secretary) that—

“(i) the health care needs of the low-income populations described in paragraph (1) of the respective subsection who are eligible for medical assistance under the plan during the previous fiscal year (or medicare premium assistance needs described in subsection (b)(1)(B)) can be reasonably
met without the expenditure of the amounts otherwise required to be expended, and

"(ii) the performance goals established under section 2101 relating to the respective population can reasonably be met with such lower amount of funds expended.

"(B) PERIOD OF APPLICATION.—The determination and certification under subparagraph (A) shall be made for such period as a State may request, but may not be made for a period of more than 3 consecutive Federal fiscal years (beginning with the first fiscal year for which the lower amount is sought). A new determination and certification must be made under such paragraph for any subsequent period.

"(C) NO EXCEPTION PERMITTED BEFORE FISCAL YEAR 1998.—This paragraph may not apply with respect to a State for a fiscal year before fiscal year 1998.

"(2) INDEPENDENT CERTIFICATION OF COMPLIANCE WITH GOALS.—
“(A) IN GENERAL.—For purposes of section 2151(c), a MediGrant plan shall not be considered to be in substantial violation of the requirements of this section if the amount of actual State expenditures specified in any (or all) of paragraphs (1) of subsections (a), (b), and (c) is lower than the minimum amounts specified in any (or all) of paragraphs (2) of subsections (a), (b), and (c) if an independent actuary determines and certifies to the State that the MediGrant plan is reasonably designed to result in a level of expenditures which is consistent with the requirements of such subsections.

“(B) LIMIT ON VARIATION.—Subparagraph (A) shall not apply in the case of a MediGrant plan for which the actual State expenditures described in any (or all) of paragraphs (1) of subsections (a), (b), and (c) are less than 95 percent of the expenditures which would be made if the amount of State expenditures specified in any (or all) of such paragraphs was equal to the applicable minimum amount specified in any (or all) of paragraphs (2) of subsections (a), (b), and (c).
“(3) Treatment of States with No Optional Benefits.—In the case of a State for which all expenditures under title XIX for medical assistance in the State during Federal fiscal years 1992 through 1994 were expenditures for medical assistance for mandated benefits, ‘75 percent’ shall be substituted for ‘85 percent’ each place it appears in paragraphs (2) of subsections (a), (b), and (c).

“(f) Computations.—

“(1) Minimum Percentages.—States shall calculate the minimum percentages under subsections (a)(2), (b)(2), and (c)(2) in a reasonable manner consistent with reports submitted to the Secretary for the fiscal years involved.

“(2) Exclusion of Payments for Certain Aliens.—For purposes of this section, medical assistance attributable to the exception provided under section 1903(v)(2) shall not be considered to be expenditures for medical assistance.

“(g) Benefits Included for Purposes of Computing Set-Asides.—In this section, the term ‘mandated benefits’—

“(1) means medical assistance for items and services described in section 1905(a) to the extent
such assistance with respect to such items and services was required to be provided under title XIX,

"(2) includes medical assistance for medicare cost-sharing only to the extent such assistance was required to be provided under section 1902(a)(10)(E), and

"(3) does not include medical assistance attributable to disproportionate share payment adjustments described in section 1923.

"SEC. 2113. PREMIUMS AND COST-SHARING.

"(a) IN GENERAL.—Subject to subsection (b), if any charges are imposed under the MediGrant plan for cost-sharing (as defined in subsection (d)), such cost-sharing shall be pursuant to a public cost-sharing schedule.

"(b) LIMITATION ON PREMIUM AND CERTAIN COST-SHARING FOR LOW-INCOME FAMILIES INCLUDING CHILDREN OR PREGNANT WOMEN.—

"(1) IN GENERAL.—In the case of a family described in paragraph (2)—

"(A) the plan shall not impose any premium, and

"(B) the plan shall not (except as provided in subsection (c)(1)) impose any cost-sharing with respect to primary and preventive care services (as defined by the State) covered under
the MediGrant plan for children or pregnant
women unless such cost-sharing is nominal in
nature.

"(2) FAMILY DESCRIBED.—A family described
in this paragraph is a family (which may be an indi-
vidual) which—

"(A) includes a child or a pregnant
woman,

"(B) is made eligible for medical assistance
under the MediGrant plan, and

"(C) the income of which does not exceed
100 percent of the poverty line applicable to a
family of the size involved.

"(c) CERTAIN COST-SHARING PERMITTED.—Nothing
in this section shall be construed as preventing a
MediGrant plan (consistent with subsection (b))—

"(1) from imposing cost-sharing to discourage
the inappropriate use of emergency medical services
(delivered through a hospital emergency room, a
medical transportation provider, or otherwise);

"(2) from imposing premiums and cost-sharing
differentially in order to encourage the use of pri-
mary and preventive care and discourage unneces-
sary or less economical care;
“(3) from scaling cost-sharing in a manner that reflects economic factors, employment status, and family size;

“(4) from scaling cost-sharing based on the availability to the individual or family of other health insurance coverage; or

“(5) from scaling cost-sharing based on participation in employment training program, drug or alcohol abuse treatment, counseling programs, or other programs promoting personal responsibility.

“(d) COST-SHARING DEFINED.—In this section, the term ‘cost-sharing’ includes copayments, deductibles, coinsurance, and other charges for the provision of health care services.

“SEC. 2114. DESCRIPTION OF PROCESS FOR DEVELOPING CAPITATION PAYMENT RATES.

“(a) IN GENERAL.—If a State contracts (or intends to contract) with a capitated health care organization (as defined in subsection (c)(1)) under which the State makes a capitation payment (as defined in subsection (c)(2)) to the organization for providing or arranging for the provision of medical assistance under the MediGrant plan for a group of services (including at least inpatient hospital services and physicians’ services), the plan shall include a description of the following:
“(1) USE OF ACTUARIAL SCIENCE.—The extent and manner in which the State uses actuarial science—

“(A) to analyze and project health care expenditures and utilization for individuals enrolled (or to be enrolled) in such an organization under the MediGrant plan, and

“(B) to develop capitation payment rates, including a brief description of the general methodologies used by actuaries.

“(2) QUALIFICATIONS OF ORGANIZATIONS.—
The general qualifications (including any accreditation, State licensure or certification, or provider network standards) required by the State for participation of capitated health care organizations under the MediGrant plan.

“(3) DISSEMINATION PROCESS.—The process used by the State under subsection (b) and otherwise to disseminate, before entering into contracts with capitated health care organizations, actuarial information to such organizations on the historical fee-for-service costs (or, if not available, other recent financial data associated with providing covered services) and utilization associated with individuals described in paragraph (1)(A).
"(b) Public Notice and Comment.—Under the MediGrant plan the State shall provide a process for providing, before the beginning of each contract year—

"(1) public notice of—

"(A) the amounts of the capitation payments (if any) made under the plan for the contract year preceding the public notice, and

"(B)(i) the information described under subsection (a)(1) with respect to capitation payments for the contract year involved or (ii) the amounts of the capitation payments the State expects to make for the contract year involved, unless such information is designated as proprietary and not subject to public disclosure under State law; and

"(2) an opportunity for receiving public comment on the amounts and information for which notice is provided under paragraph (1).

"(c) Definitions.—In this title:

"(1) Capitated Health Care Organization.—The term ‘capitated health care organization’ means a health maintenance organization or any other entity (including a health insuring organization, managed care organization, prepaid health plan, integrated service network, or similar entity)
which under State law is permitted to accept capitation payments for providing (or arranging for the provision of) a group of items and services including at least inpatient hospital services and physicians' services.

"(2) CAPITATION PAYMENT.—The term 'capitation payment' means, with respect to payment, payment on a prepaid capitation basis or any other risk basis to an entity for the entity's provision (or arranging for the provision) of a group of items and services (including at least inpatient hospital services and physicians' services).

"SEC. 2115. PREVENTING SPOUSAL IMPOVERISHMENT.

"(a) SPECIAL TREATMENT FOR INSTITUTIONALIZED SPOUSES.—

"(1) SUPERSEDES OTHER PROVISIONS.—In determining the eligibility for medical assistance of an institutionalized spouse (as defined in subsection (h)(1)), the provisions of this section supersede any other provision of this title which is inconsistent with them.

"(2) DOES NOT AFFECT CERTAIN DETERMINATIONS.—Except as this section specifically provides, this section does not apply to—
“(A) the determination of what constitutes income or resources, or

“(B) the methodology and standards for determining and evaluating income and resources.

“(3) No application in commonwealths and territories.—This section shall only apply to a State that is one of the 50 States or the District of Columbia.

“(b) Rules for treatment of income.—

“(1) Separate treatment of income.—During any month in which an institutionalized spouse is in the institution, except as provided in paragraph (2), no income of the community spouse shall be deemed available to the institutionalized spouse.

“(2) Attribution of income.—In determining the income of an institutionalized spouse or community spouse for purposes of the post-eligibility income determination described in subsection (d), except as otherwise provided in this section and regardless of any State laws relating to community property or the division of marital property, the following rules apply:

“(A) Non-trust property.—Subject to subparagraphs (C) and (D), in the case of
come not from a trust, unless the instrument providing the income otherwise specifically pro-
vides—

“(i) if payment of income is made solely in the name of the institutionalized spouse or the community spouse, the in-
come shall be considered available only to that respective spouse;

“(ii) if payment of income is made in the names of the institutionalized spouse and the community spouse, one-half of the income shall be considered available to each of them; and

“(iii) if payment of income is made in the names of the institutionalized spouse or the community spouse, or both, and to another person or persons, the income shall be considered available to each spouse in proportion to the spouse’s interest (or, if payment is made with respect to both spouses and no such interest is specified, one-half of the joint interest shall be con-
sidered available to each spouse).

“(B) TRUST PROPERTY.—In the case of a trust—
“(i) except as provided in clause (ii),
income shall be attributed in accordance
with the provisions of this title, and
“(ii) income shall be considered avail-
able to each spouse as provided in the
trust, or, in the absence of a specific provi-
sion in the trust—
“(I) if payment of income is
made solely to the institutionalized
spouse or the community spouse, the
income shall be considered available
only to that respective spouse;
“(II) if payment of income is
made to both the institutionalized
spouse and the community spouse,
one-half of the income shall be consid-
ered available to each of them; and
“(III) if payment of income is
made to the institutionalized spouse
or the community spouse, or both,
and to another person or persons, the
income shall be considered available to
each spouse in proportion to the
spouse’s interest (or, if payment is
made with respect to both spouses
and no such interest is specified, one-half of the joint interest shall be considered available to each spouse).

"(C) PROPERTY WITH NO INSTRUMENT.—In the case of income not from a trust in which there is no instrument establishing ownership, subject to subparagraph (D), one-half of the income shall be considered to be available to the institutionalized spouse and one-half to the community spouse.

"(D) REBUTTING OWNERSHIP.—The rules of subparagraphs (A) and (C) are superseded to the extent that an institutionalized spouse can establish, by a preponderance of the evidence, that the ownership interests in income are other than as provided under such subparagraphs.

"(c) RULES FOR TREATMENT OF RESOURCES.—

"(1) COMPUTATION OF SPOUSAL SHARE AT TIME OF INSTITUTIONALIZATION.—

"(A) TOTAL JOINT RESOURCES.—There shall be computed (as of the beginning of the first continuous period of institutionalization of the institutionalized spouse)—

"(i) the total value of the resources to the extent either the institutionalized
spouse or the community spouse has an
ownership interest, and

"(ii) a spousal share which is equal to
½ of such total value.

"(B) ASSESSMENT.—At the request of an
institutionalized spouse or community spouse,
at the beginning of the first continuous period
of institutionalization of the institutionalized
spouse and upon the receipt of relevant docu-
mentation of resources, the State shall promptly
assess and document the total value described
in subparagraph (A)(i) and shall provide a copy
of such assessment and documentation to each
spouse and shall retain a copy of the assess-
ment for use under this section. If the request
is not part of an application for medical assist-
ance under this title, the State may, at its op-
tion as a condition of providing the assessment,
require payment of a fee not exceeding the rea-
sonable expenses of providing and documenting
the assessment. At the time of providing the
copy of the assessment, the State shall include
a notice indicating that the spouse will have a
right to a fair hearing under subsection (e)(2).
“(2) Attribution of Resources at Time of Initial Eligibility Determination.—In determining the resources of an institutionalized spouse at the time of application for medical assistance under this title, regardless of any State laws relating to community property or the division of marital property—

“(A) except as provided in subparagraph (B), all the resources held by either the institutionalized spouse, community spouse, or both, shall be considered to be available to the institutionalized spouse, and

“(B) resources shall be considered to be available to an institutionalized spouse, but only to the extent that the amount of such resources exceeds the amount computed under subsection (f)(2)(A) (as of the time of application for medical assistance).

“(3) Assignment of Support Rights.—The institutionalized spouse shall not be ineligible by reason of resources determined under paragraph (2) to be available for the cost of care where—

“(A) the institutionalized spouse has assigned to the State any rights to support from the community spouse;
“(B) the institutionalized spouse lacks the ability to execute an assignment due to physical or mental impairment but the State has the right to bring a support proceeding against a community spouse without such assignment; or

“(C) the State determines that denial of eligibility would work an undue hardship.

“(4) SEPARATE TREATMENT OF RESOURCES AFTER ELIGIBILITY FOR MEDICAL ASSISTANCE ESTABLISHED.—During the continuous period in which an institutionalized spouse is in an institution and after the month in which an institutionalized spouse is determined to be eligible for medical assistance under this title, no resources of the community spouse shall be deemed available to the institutionalized spouse.

“(5) RESOURCES DEFINED.—In this section, the term ‘resources’ does not include—

“(A) resources excluded under subsection (a) or (d) of section 1613, and

“(B) resources that would be excluded under section 1613(a)(2)(A) but for the limitation on total value described in such section.

“(d) PROTECTING INCOME FOR COMMUNITY SPOUSE.—
“(1) ALLOWANCES TO BE OFFSET FROM INCOME OF INSTITUTIONALIZED SPOUSE.—After an institutionalized spouse is determined or redetermined to be eligible for medical assistance, in determining the amount of the spouse’s income that is to be applied monthly to payment for the costs of care in the institution, there shall be deducted from the spouse’s monthly income the following amounts in the following order:

“(A) A personal needs allowance (described in paragraph (6)(A)), in an amount not less than the amount specified in paragraph (6)(C).

“(B) A community spouse monthly income allowance (as defined in paragraph (2)), but only to the extent income of the institutionalized spouse is made available to (or for the benefit of) the community spouse.

“(C) A family allowance, for each family member, equal to at least 1/3 of the amount by which the amount described in paragraph (3)(A)(i) exceeds the amount of the monthly income of that family member.

“(D) Amounts for incurred expenses for medical or remedial care for the institutionalized spouse (as provided under paragraph (7)).
In subparagraph (C), the term ‘family member’ only includes minor or dependent children, dependent parents, or dependent siblings of the institutionalized or community spouse who are residing with the community spouse.

"(2) Community spouse monthly income allowance defined.—In this section (except as provided in paragraph (5)), the ‘community spouse monthly income allowance’ for a community spouse is an amount by which—

"(A) except as provided in subsection (e), the minimum monthly maintenance needs allowance (established under and in accordance with paragraph (3)) for the spouse, exceeds

"(B) the amount of monthly income otherwise available to the community spouse (determined without regard to such an allowance).

"(3) Establishment of minimum monthly maintenance needs allowance.—

"(A) In general.—Each State shall establish a minimum monthly maintenance needs allowance for each community spouse which, subject to subparagraph (B), is equal to or exceeds—
“(i) 150 percent of \(\frac{1}{12}\) of the income official poverty line (defined by the Office of Management and Budget and revised annually in accordance with section 673(2)) for a family unit of 2 members; plus

“(ii) an excess shelter allowance (as defined in paragraph (4)).

A revision of the official poverty line referred to in clause (i) shall apply to medical assistance furnished during and after the second calendar quarter that begins after the date of publication of the revision.

“(B) CAP ON MINIMUM MONTHLY MAINTENANCE NEEDS ALLOWANCE.—The minimum monthly maintenance needs allowance established under subparagraph (A) may not exceed $1,500 (subject to adjustment under subsections (e) and (g)).

“(4) EXCESS SHELTER ALLOWANCE DEFINED.—In paragraph (3)(A)(ii), the term ‘excess shelter allowance’ means, for a community spouse, the amount by which the sum of—

“(A) the spouse’s expenses for rent or mortgage payment (including principal and in-
terest), taxes and insurance and, in the case of
a condominium or cooperative, required mainte-
nance charge, for the community spouse’s prin-
cipal residence, and

"(B) the standard utility allowance (used
by the State under section 5(e) of the Food
Stamp Act of 1977) or, if the State does not
use such an allowance, the spouse’s actual util-
ity expenses,

exceeds 30 percent of the amount described in para-
graph (3)(A)(i), except that, in the case of a con-
dominium or cooperative, for which a maintenance
charge is included under subparagraph (A), any al-
lowance under subparagraph (B) shall be reduced to
the extent the maintenance charge includes utility
expenses.

"(5) COURT ORDERED SUPPORT.—If a court
has entered an order against an institutionalized
spouse for monthly income for the support of the
community spouse, the community spouse monthly
income allowance for the spouse shall be not less
than the amount of the monthly income so ordered.

"(6) PERSONAL NEEDS ALLOWANCE.—

"(A) IN GENERAL.—The State MediGrant
plan must provide that, in the case of an insti-
tutionalized individual or couple described in subparagraph (B), in determining the amount of the individual’s or couple’s income to be applied monthly to payment for the cost of care in an institution, there shall be deducted from the monthly income (in addition to other allowances otherwise provided under the plan) a monthly personal needs allowance—

“(i) which is reasonable in amount for clothing and other personal needs of the individual (or couple) while in an institution, and

“(ii) which is not less (and may be greater) than the minimum monthly personal needs allowance described in subparagraph (C).

“(B) INSTITUTIONALIZED INDIVIDUAL OR COUPLE DEFINED.—In this paragraph, the term ‘institutionalized individual or couple’ means an individual or married couple—

“(i) who is an inpatient (or who are inpatients) in a medical institution or nursing facility for which payments are made under this title throughout a month,
“(ii) who is or are determined to be eligible for medical assistance under the State MediGrant plan.

“(C) MINIMUM ALLOWANCE.—The minimum monthly personal needs allowance described in this subparagraph is $40 for an institutionalized individual and $80 for an institutionalized couple (if both are aged, blind, or disabled, and their incomes are considered available to each other in determining eligibility).

“(7) TREATMENT OF INCURRED EXPENSES.—
With respect to the post-eligibility treatment of income under this section, there shall be taken into account amounts for incurred expenses for medical or remedial care that are not subject to payment by a third party, including—

“(A) medicare and other health insurance premiums, deductibles, or coinsurance, and

“(B) necessary medical or remedial care recognized under State law but not covered under the State MediGrant plan under this title, subject to reasonable limits the State may establish on the amount of these expenses.

“(e) NOTICE AND HEARING.—

“(1) NOTICE.—Upon—
“(A) a determination of eligibility for medical assistance of an institutionalized spouse, or
“(B) a request by either the institutionalized spouse, or the community spouse, or a representative acting on behalf of either spouse,
each State shall notify both spouses (in the case described in subparagraph (A)) or the spouse making the request (in the case described in subparagraph (B)) of the amount of the community spouse monthly income allowance (described in subsection (d)(1)(B)), of the amount of any family allowances (described in subsection (d)(1)(C)), of the method for computing the amount of the community spouse resources allowance permitted under subsection (f), and of the spouse’s right to a hearing under the MediGrant plan respecting ownership or availability of income or resources, and the determination of the community spouse monthly income or resource allowance.

“(2) RESULTS OF HEARING.—
“(A) REVISION OF MINIMUM MONTHLY MAINTENANCE NEEDS ALLOWANCE.—If either such spouse establishes in a hearing under this subsection that the community spouse needs income, above the level otherwise provided by the
minimum monthly maintenance needs allowance, due to exceptional circumstances resulting in significant financial duress, there shall be substituted, for the minimum monthly maintenance needs allowance in subsection (d)(2)(A), an amount adequate to provide such additional income as is necessary.

"(B) Revision of Community Spouse Resource Allowance.—If either such spouse establishes in such a hearing that the community spouse resource allowance (in relation to the amount of income generated by such an allowance) is inadequate to raise the community spouse's income to the minimum monthly maintenance needs allowance, there shall be substituted, for the community spouse resource allowance under subsection (f)(2), an amount adequate to provide such a minimum monthly maintenance needs allowance.

“(f) Permitting Transfer of Resources to Community Spouse.—

“(1) In General.—An institutionalized spouse may, without regard to any other provision of the MediGrant plan to contrary, transfer an amount equal to the community spouse resource allowance
(as defined in paragraph (2)), but only to the extent
the resources of the institutionalized spouse are
transferred to (or for the sole benefit of) the com-
munity spouse. The transfer under the preceding
sentence shall be made as soon as practicable after
the date of the initial determination of eligibility,
taking into account such time as may be necessary
to obtain a court order under paragraph (3).

"(2) COMMUNITY SPOUSE RESOURCE ALLOW-
ANCE DEFINED.—In paragraph (1), the 'community
spouse resource allowance' for a community spouse
is an amount (if any) by which—

"(A) the greatest of—

"(i) $12,000 (subject to adjustment
under subsection (g)), or, if greater (but
not to exceed the amount specified in
clause (ii)(II)) an amount specified under
the State plan,

"(ii) the lesser of (I) the spousal
share computed under subsection (c)(1), or
(II) $60,000 (subject to adjustment under
subsection (g)),

"(iii) the amount established under
subsection (e)(2); or
“(iv) the amount transferred under a court order under paragraph (3);

exceeds

“(B) the amount of the resources otherwise available to the community spouse (determined without regard to such an allowance).

“(g) INDEXING DOLLAR AMOUNTS.—For services furnished during a calendar year after 1989, the dollar amounts specified in subsections (d)(3)(C), (f)(2)(A)(i), and (f)(2)(A)(ii)(II) shall be increased by the same percentage as the percentage increase in the consumer price index for all urban consumers (all items; U.S. city average) between September 1988 and the September before the calendar year involved.

“(h) DEFINITIONS.—In this section:

“(1) The term ‘institutionalized spouse’ means an individual—

“(A)(i) who is in a medical institution or nursing facility, or

“(ii) at the option of the State (I) who would be eligible under the MediGrant plan under this title if they were in a medical institution, (II) with respect to whom there has been a determination that but for the provision of home or community-based services they
would require the level of care provided in a hospital, nursing facility or intermediate care facility for the mentally retarded the cost of which could be reimbursed under the plan, and (III) who will receive home or community-based services pursuant the plan, and

"(B) is married to a spouse who is not in a medical institution or nursing facility;

but does not include any such individual who is not likely to meet the requirements of subparagraph (A) for at least 30 consecutive days.

"(2) The term 'community spouse' means the spouse of an institutionalized spouse.

"SEC. 2116. CONSTRUCTION.

“(a) No Federal Entitlement.—Nothing in this title (including section 2112) shall be construed as creating an entitlement under Federal law in any individual or category of individuals for medical assistance under a MediGrant plan.

“(b) State Flexibility in Benefits, Provider Payments, Geographical Coverage Area, and Selection of Providers.—Nothing in this title (other than section 2111(b)) shall be construed as requiring a State—
"(1) to provide medical assistance for any particular items or services;

"(2) subject to section 2111(c), to provide for any payments with respect to any specific health care providers or any level of payments for any services;

"(3) to provide for the same medical assistance in all geographical areas or political subdivisions of the State;

"(4) to provide that the medical assistance made available to any individual eligible for medical assistance must not be less in amount, duration, or scope than the medical assistance made available to any other such individual; or

"(5) to provide that any individual eligible for medical assistance with respect to an item or service may choose to obtain such assistance from any institution, agency, or person qualified to provide the item or service.

"(c) State Flexibility with Respect to Managed Care.—Nothing in this title shall be construed—

"(1) to limit a State's ability to contract with, on a capitated basis or otherwise, health care plans or individual health care providers for the provision or arrangement of medical assistance;
“(2) to limit a State’s ability to contract with health care plans or other entities for case management services or for coordination of medical assistance; or

“(3) to restrict a State from establishing capitation rates on the basis of competition among health care plans or negotiations between the State and one or more health care plans.

“SEC. 2117. LIMITATIONS ON CAUSES OF ACTION.

“(a) In General.—Notwithstanding any other provision of this Act (including section 1130A), no person (including an applicant, beneficiary, provider, or health plan) shall have a cause of action under Federal law against a State in relation to a State’s compliance (or failure to comply) with the provisions of this title or of a MediGrant plan.

“(b) No Effect on State Law.—Nothing in subsection (a) may be construed as affecting any actions brought under State law.

“PART C—PAYMENTS TO STATES

“SEC. 2121. ALLOTMENT OF FUNDS AMONG STATES.

“(a) ALLOTMENTS.—

“(1) Computation.—The Secretary shall provide for the computation of State obligation and out-
lay allotments in accordance with this section for each fiscal year beginning with fiscal year 1996.

"(2) LIMITATION ON OBLIGATIONS.—

"(A) IN GENERAL.—Subject to subparagraph (B), the Secretary shall not enter into obligations with any State under this title for a fiscal year in excess of the obligation allotment for that State for the fiscal year under paragraph (4). The sum of such obligation allotments for all States in any fiscal year (excluding amounts carried over under subparagraph (B) and excluding changes in allotments effected under paragraph (4)(D)) shall not exceed the aggregate limit on new obligation authority specified in paragraph (3) for that fiscal year.

"(B) ADJUSTMENTS.—

“(i) CARRYOVER OF ALLOTMENT PERMITTED.—If the amount of obligations entered into under this part with a State for quarters in a fiscal year is less than the amount of the obligation allotment under this section to the State for the fiscal year, the amount of the difference shall be added to the amount of the State obligation allot-
ment otherwise provided under this section for the succeeding fiscal year.

“(ii) REDUCTION FOR POST-ENACTMENT NEW OBLIGATIONS UNDER TITLE XIX IN FISCAL YEAR 1996.—The amount of the obligation allotment otherwise provided under this section for fiscal year 1996 for a State shall be reduced by the amount of the obligations entered into with respect to the State under section 1903(a) after the date of the enactment of this Act.

“(3) AGGREGATE LIMIT ON NEW OBLIGATION AUTHORITY.—

“(A) IN GENERAL.—For purposes of this subsection, subject to subparagraph (C), the ‘aggregate limit on new obligation authority’, for a fiscal year, is the pool amount under subsection (b) for the fiscal year, divided by the payout adjustment factor (described in subparagraph (B)) for the fiscal year.

“(B) PAYOUT ADJUSTMENT FACTOR.—For purposes of this subsection, the ‘payout adjustment factor’—

“(i) for fiscal year 1996 is .950,

“(ii) for fiscal year 1997 is .986, and
“(iii) for a subsequent fiscal year is 0.998.

“(C) TRANSITIONAL ADJUSTMENT FOR PRE-ENACTMENT-OBLIGATION OUTLAYS.—In order to account for pre-enactment-obligation outlays described in paragraph (4)(C)(iv), in determining the aggregate limit on new obligation authority under subparagraph (A) for fiscal year 1996, the pool amount for such fiscal year is equal to—

“(i) the pool amount for such year, reduced by

“(ii) $24.624 billion.

“(4) OBLIGATION ALLOTMENTS.—

“(A) GENERAL RULE FOR 50 STATES AND THE DISTRICT OF COLUMBIA.—Except as provided in this paragraph, the ‘obligation allotment’ for any of the 50 States or the District of Columbia for a fiscal year (beginning with fiscal year 1997) is an amount that bears the same ratio to the outlay allotment under subsection (c)(2) for such State or District (not taking into account any adjustment due to an election under paragraph (4)) for the fiscal year as the ratio of—
“(i) the aggregate limit on new obligation authority (less the total of the obligation allotments under subparagraph (B)) for the fiscal year, to

“(ii) the pool amount (less the sum of the outlay allotments for the territories) for such fiscal year.

“(B) TERRITORIES.—The obligation allotment for each of the Commonwealths and territories for a fiscal year is the outlay allotment for such Commonwealth or territory (as determined under subsection (c)(5)) for the fiscal year divided by the payout adjustment factor for the fiscal year (as defined in paragraph (3)(B)).

“(C) TRANSITIONAL RULE FOR FISCAL YEAR 1996.—

“(i) IN GENERAL.—The obligation amount for fiscal year 1996 for any State (including the District, a Commonwealth, or territory) is determined according to the formula: \( A = (B-C)/D \), where—

“(I) ‘A’ is the obligation amount for such State;
“(II) ‘B’ is the outlay allotment of such State for fiscal year 1996, as determined under subsection (e);

“(III) ‘C’ is the amount of the pre-enactment-obligation outlays (as established for such State under clause (ii)); and

“(IV) ‘D’ is the payout adjustment factor for such fiscal year (as defined in paragraph (3)(B)).

“(ii) PRE-ENACTMENT-OBLIGATION OUTLAY AMOUNTS.—Within 30 days after the date of the enactment of this title, the Secretary shall estimate (based on the best data available) and publish in the Federal Register the amount of the pre-enactment-obligation outlays (as defined in clause (iv)) for each State (including the District, Commonwealths, and territories). The total of such amounts shall equal the dollar amount specified in paragraph (3)(C)(ii).

“(iii) AGREEMENT.—The submission of a MediGrant plan by a State under this title is deemed to constitute the State’s acceptance of the obligation allotment limita-
(iv) **PRE-ENACTMENT-OBLIGATION OUTLAYS DEFINED.**—In this subsection, the term ‘pre-enactment-obligation outlays’ means, for a State, the outlays of the Federal Government that result from obligations that have been incurred under title XIX with respect to the State before the date of the enactment of this title, but for which payments to States have not been made as of such date of enactment.

(D) **ADJUSTMENT TO REFLECT ADOPTION OF ALTERNATIVE GROWTH FORMULA.**—Any State that has elected an alternative growth formula under subsection (c)(4) which increases or decreases the dollar amount of an outlay allotment for a fiscal year is deemed to have increased or decreased, respectively, its obligation amount for such fiscal year by the amount of such increase or decrease.

(b) **POOL OF AVAILABLE FUNDS.**—

(1) **IN GENERAL.**—For purposes of this section, the ‘pool amount’ under this subsection for—
"(A) fiscal year 1996 is $95,662,990,500;
(B) fiscal year 1997 is $102,748,012,797;
(C) fiscal year 1998 is $107,268,354,400;
(D) fiscal year 1999 is $111,826,877,512;
(E) fiscal year 2000 is $116,472,575,350;
(F) fiscal year 2001 is $121,311,325,403;
(G) fiscal year 2002 is $126,351,055,338;

and

(H) each subsequent fiscal year is the pool amount under this paragraph for the previous fiscal year increased by the lesser of 4.1546 percent or the annual percentage increase in the consumer price index for all urban consumers (U.S. city average) for the 12-month period ending in June before the beginning of that subsequent fiscal year.

"(2) NATIONAL MEDIGRANT GROWTH PERCENTAGE.—For purposes of this section for a fiscal year (beginning with fiscal year 1997), the ‘national MediGrant growth percentage’ is the percentage by which—

(A) the pool amount under paragraph (1) for the fiscal year, exceeds
"(B) such pool amount for the previous fiscal year.

"(c) STATE OUTLAY ALLOTMENTS.—

"(1) FISCAL YEAR 1996.—

"(A) IN GENERAL.—For each of the 50 States and the District of Columbia, the amount of the State outlay allotment under this subsection for fiscal year 1996 is, subject to paragraph (4), equal to—

"(i) the total amount of Federal expenditures made to the State under title XIX for the 4 quarters in fiscal year 1994, increased by

"(ii) the percentage by which (I) $95,529,490,500 (which represents the total amount of outlay allotments for such States and District for fiscal year 1996), exceeds (II) $83,213,431,458 (which represents Federal medicaid expenditures for such States and District for fiscal year 1994).

"(B) COMPUTATION OF EXPENDITURES.—The amount of Federal expenditures described in subparagraph (A)(i) shall be computed, using
data reported on the HCFA Form 64 as of September 1, 1995, based on—

“(i) the amount reported on line 11,
or

“(ii) on the amount reported on line 6 multiplied by the ratio of (I) the sum of the amounts so reported on line 11 of such Form for fiscal year 1994 for the 50 States and the District of Columbia, to (II) the sum of the amounts so reported on line 6 of such Form for fiscal year 1994 for such States and District, whichever is greater.

“(C) LIMITATION ON ADJUSTMENT.—The amount computed under subparagraph (B) shall not be subject to adjustment (based on any subsequent disallowances or otherwise).

“(2) COMPUTATION OF STATE OUTLAY ALLOTMENTS.—

“(A) IN GENERAL.—Subject to the succeeding provisions of this subsection, the amount of the State outlay allotment under this subsection for one of the 50 States and the District of Columbia for a fiscal year (beginning
with fiscal year 1997) is equal to the product of—

“(i) the needs-based amount determined under subparagraph (B) for the State for the fiscal year, and

“(ii) the scalar factor described in subparagraph (C) for the fiscal year.

“(B) NEEDS-BASED AMOUNT.—The needs-based amount under this subparagraph for a State for a fiscal year is equal to the product of—

“(i) the State’s aggregate expenditure need for the fiscal year (as determined under subsection (d)), and

“(ii) the State’s old Federal medical assistance percentage (as defined in section 2122(d)) for the previous fiscal year (or, in the case of fiscal year 1997, the Federal medical assistance percentage determined under section 1905(b) for fiscal year 1996).

“(C) SCALAR FACTOR.—The scalar factor under this subparagraph for a fiscal year is such proportion so that, when it is applied under subparagraph (A)(ii) for the fiscal year
(taking into account the floors and ceilings under paragraph (3)), the total of the outlay allotments under this subsection for all the 50 States and the District of Columbia for the fiscal year (not taking into account any increase in an outlay allotment for a fiscal year attributable to the election of an alternative growth formula under paragraph (4)) is equal to the amount by which (i) the pool amount for the fiscal year (as determined under subsection (b)), exceeds (ii) the sum of the outlay allotments provided under paragraph (5) for the Commonwealths and territories for the fiscal year.

"(3) FLOORS AND CEILINGS.—

"(A) FLOORS.—In no case shall the amount of the State outlay allotment under paragraph (2) for a fiscal year be less than the following:

"(i) FLOOR BASED ON PREVIOUS YEAR'S OUTLAY ALLOTMENT.—Subject to clause (ii)—

"(I) FISCAL YEAR 1997.—For fiscal year 1997, 103.5 percent of the amount of the State outlay allotment
under this subsection for fiscal year 1996.

"(II) Fiscal Year 1998.—For fiscal year 1998, 103 percent of the amount of the State outlay allotment under this subsection for fiscal year 1997.

"(III) Fiscal Year 1999.—For fiscal year 1999, 102.5 percent of the amount of the State outlay allotment under this subsection for fiscal year 1998.

"(IV) Subsequent Fiscal Years.—For a fiscal year after 1999, 102 percent of the amount of the State outlay allotment under this subsection for the previous fiscal year.

"(ii) Floor Based on Outlay Allotment Growth Rate in First Year.—Beginning with fiscal year 1998, in the case of a State for which the outlay allotment under this subsection for fiscal year 1997 exceeded its outlay allotment under this subsection for the previous fiscal year by—
“(I) more than 120 percent of the national MediGrant growth percentage for fiscal year 1997, 104 percent of the amount of the State outlay allotment under this subsection for the previous fiscal year; or

“(II) less than 120 percent (but more than 75 percent) of the national MediGrant growth percentage for fiscal year 1997, 103 percent of the amount of the State outlay allotment under this subsection for the previous fiscal year.

“(B) Ceilings.—

“(i) In general.—In no case shall the amount of the State outlay allotment under paragraph (2) for a fiscal year be greater than the product of—

“(I) the State outlay allotment under this subsection for the State for the preceding fiscal year, and

“(II) the factor specified in clause (ii) (or, if applicable, in clause (iii)) for the fiscal year.
"(ii) FACTOR DESCRIBED.—The factor described in this clause for—

"(I) fiscal year 1997 is 1.09, and

"(II) each subsequent fiscal year is 1.0533.

"(iii) SPECIAL RULE.—For a fiscal year after fiscal year 1997, in the case of a State (among the 50 States and the District of Columbia) that is one of the 10 States with the lowest Federal MediGrant spending per resident-in-poverty rates (as determined under clause (iv)) for the fiscal year, the factor that shall be applied under clause (i)(II) shall be the following:

"(I) For each of fiscal years 1998 and 1999, 1.06.

"(II) For fiscal year 2000, 1.060657.

"(III) For fiscal year 2001, 1.061488.

"(IV) For any subsequent fiscal year, 1.062319.

"(iv) DETERMINATION OF FEDERAL MEDIGRANT SPENDING PER RESIDENT-IN-POVERTY RATE.—For purposes of clause
(iii), the 'Federal MediGrant spending per resident-in-poverty rate' for a State for a fiscal year is equal to—

"(I) the State's outlay allotment under this subsection for the previous fiscal year (determined without regard to paragraph (4)), divided by

"(II) the average annual number of residents of the State in poverty (as defined in subsection (d)(2)) with respect to the fiscal year.

"(4) ELECTION OF ALTERNATIVE GROWTH FORMULA.—

"(A) ELECTION.—In order to reduce variations in increases in outlay allotments over time, any of the 50 States or the District of Columbia may elect (by notice provided to the Secretary by not later than April 1, 1996) to adopt an alternative growth rate formula under this paragraph for the determination of the State's outlay allotment in fiscal year 1996 and for the increase in the amount of such allotment in subsequent fiscal years.

"(B) FORMULA.—The alternative growth formula under this paragraph may be any for-
mula under which a portion of the State outlay allotment for fiscal year 1996 under paragraph (1) is deferred and applied to increase the amount of its outlay allotment for one or more subsequent fiscal years, so long as the total amount of such increases for all such subsequent fiscal years does not exceed the amount of the outlay allotment deferred from fiscal year 1996.

"(5) COMMONWEALTHS AND TERRITORIES.—
The outlay allotment for each of the Commonwealths and territories for a fiscal year is the maximum amount that could have been certified under section 1108(c) with respect to the Commonwealth or territory for the fiscal year with respect to title XIX, if the national MediGrant growth percentage (as determined under subsection (b)(2)) for the fiscal year had been substituted (beginning with fiscal year 1997) for the percentage increase referred to in section 1108(c)(1)(B).

"(d) STATE AGGREGATE EXPENDITURE NEED DETERMINED.—

"(1) IN GENERAL.—For purposes of subsection (c), the ‘State aggregate expenditure need’ for a
State for a fiscal year is equal to the product of the following 4 factors:

"(A) Residents in poverty.—The average annual number of residents in poverty of the State with respect to the fiscal year (as determined under paragraph (2)).

"(B) Case mix index.—The average of the case mix indexes for the State (as determined under paragraph (3)) for the 3 most recent fiscal years for which data are available, but in no case less than .9 or greater than 1.15.

"(C) Input cost index.—The average of the input cost indexes for the State (as determined under paragraph (4)) for the 3 most recent fiscal years for which data are available.

"(D) National average spending per resident in poverty.—The national average spending per resident in poverty (as determined under paragraph (5)).

"(2) Residents in poverty.—In this section—

"(A) In general.—The term 'average annual number of residents in poverty' means, with respect to a State and a fiscal year, the average annual number of residents in poverty
(as defined in subparagraph (B)) in the State
(based on data made generally available by the
Bureau of the Census from the Current Popu-
lation Survey) for the most recent 3-calendar-
year period (ending before the fiscal year) for
which such data are available.

"(B) RESIDENT IN POVERTY DEFINED.—
The term 'resident in poverty' means an indi-
vidual whose family income does not exceed the
poverty threshold (as such terms are defined by
the Office of Management and Budget and are
generally interpreted and applied by the Bureau
of the Census for the year involved).

"(3) CASE MIX INDEX.—

"(A) IN GENERAL.—In this subsection, the
'case mix index' for a State for a fiscal year is
equal to—

"(i) the sum of—

"(I) the projected per recipient
expenditures with respect to elderly
individuals in the State for the fiscal
year (determined under subparagraph
(B)),

"(II) the projected per recipient
expenditures with respect to the blind
and disabled individuals in the State for the fiscal year (determined under subparagraph (C)), and

“(III) the projected per recipient expenditures with respect to other individuals in the State (determined under subparagraph (D));

divided by—

“(ii) the national average spending per recipient determined under subparagraph (E) for the fiscal year involved.

“(B) PROJECTED PER RECIPIENT EXPENDITURES FOR THE ELDERLY.—For purposes of subparagraph (A)(I)(i), the ‘projected per recipient expenditures with respect to elderly individuals’ in a State for a fiscal year is equal to the product of—

“(i) the national average per recipient expenditures under this title in the 50 States and the District of Columbia for the most recent fiscal year for which data are available for individuals who are 65 years of age or older, and

“(ii) the proportion, of all individuals who received medical assistance under this
title in the State in the most recent fiscal
year referred to in clause (i), that were in-
dividuals described in such clause.

"(C) PROJECTED PER RECIPIENT EXPEND-
ITURES FOR THE BLIND AND DISABLED.—For
purposes of subparagraph (A)(i)(II), the 'pro-
jected per recipient expenditures with respect to
blind and disabled individuals' in a State for a
fiscal year is equal to the product of—

"(i) the national average per recipient
expenditures under this title in the 50
States and the District of Columbia for the
most recent fiscal year for which data are
available for individuals who are eligible
for medical assistance because they are
blind or disabled and under 65 years of
age, and

"(ii) the proportion, of all individuals
who received medical assistance under this
title in the State in the most recent fiscal
year referred to in clause (i), that were in-
dividuals described in such clause.

"(D) PROJECTED PER RECIPIENT EX-
PENDITURES FOR OTHER INDIVIDUALS.—For
purposes of subparagraph (A)(i)(III), the 'pro-
jected per recipient expenditures with respect to other individuals' in a State for a fiscal year is equal to the product of—

"(i) the national average per recipient expenditures under this title in the 50 States and the District of Columbia for the most recent fiscal year for which data are available for individuals who are not described in subparagraph (B)(i) or (C)(i), and

"(ii) the proportion, of all individuals who received medical assistance under this title in the State in the most recent fiscal year referred to in clause (i), that were individuals described in such clause.

"(E) NATIONAL AVERAGE SPENDING PER RECIPIENT.—For purposes of this paragraph, the 'national average expenditures per recipient' for a fiscal year is equal to the sum of—

"(i) the product of (I) the national average described in subparagraph (B)(i), and (II) the proportion, of all individuals who received medical assistance under this title in any of the 50 States or the District of Columbia in the fiscal year referred to
in such subparagraph, who are described
in such subparagraph;

"(ii) the product of (I) the national
average described in subparagraph (C)(i),
and (II) the proportion, of all individuals
who received medical assistance under this
title in any of the 50 States or the District
of Columbia in the fiscal year referred to
in such subparagraph, who are described
in such subparagraph; and

"(iii) the product of (I) the national
average described in subparagraph (D)(i),
and (II) the proportion, of all individuals
who received medical assistance under this
title in any of the 50 States or the District
of Columbia in the fiscal year referred to
in such subparagraph, who are described
in such subparagraph.

"(F) DETERMINATION OF NATIONAL AVER-
AGES AND PROPORTIONS.—

"(i) IN GENERAL.—The national aver-
ages per recipient and the proportions re-
ferred to in clauses (i) and (ii), respec-
tively, of subparagraphs (B), (C), and (D)
and subparagraph (E) shall be determined
by the Secretary using the most recent data available.

"(ii) USE OF MEDICAID DATA.—If for a fiscal year there is inadequate data to compute such averages and proportions based on expenditures and numbers of individuals receiving medical assistance under this title, the Secretary may compute such averages based on expenditures and numbers of such individuals under title XIX for the most recent fiscal year for which data are available and, for this purpose—

"(I) any reference in subparagraph (B)(i) to 'individuals 65 years of age or older' is deemed a reference to 'individuals whose eligibility for medical assistance is based on being 65 years of age or older',

"(II) the reference in subparagraph (C)(i) to 'and under 65 years of age' shall be considered to be deleted, and

"(III) individuals whose basis for eligibility for medical assistance was
reported as unknown shall not be counted as individuals under subpara-

graph (D)(i).

"(4) INPUT COST INDEX.—

"(A) IN GENERAL.—In this section, the 'input cost index' for a State for a fiscal year is the sum of—

"(i) 0.15, and

"(ii) 0.85 multiplied by the ratio of (I) the annual average wages for hospital employees in the State for the fiscal year (as determined under subparagraph (B)), to (II) the annual average wages for hospital employees in the 50 States and the District of Columbia for such year (as determined under such subparagraph).

"(B) DETERMINATION OF ANNUAL AVERAGE WAGES OF HOSPITAL EMPLOYEES.—The Secretary shall provide for the determination of annual average wages for hospital employees in a State and, collectively, in the 50 States and the District of Columbia for a fiscal year based on the area wage index applicable to hospitals under 1886(d)(2)(E) (or, if such index no longer exists, a comparable index of hospital
wages) for discharges occurring during the fiscal year involved.

"(5) NATIONAL AVERAGE SPENDING PER RESIDENT IN POVERTY.—For purposes of this subsection, the 'national average spending per resident in poverty'—

"(A) for fiscal year 1997 is equal to—

"(i) the sum (for each of the 50 States and the District of Columbia) of the total of the Federal and State expenditures under title XIX for calendar quarters in fiscal year 1994, increased by the percentage specified in subsection (c)(1)(A)(ii), divided by

"(ii) the sum of the number of residents in poverty (as defined in paragraph (2)(A)) for all of the 50 States and the District of Columbia for fiscal year 1994;

"(B) for a succeeding fiscal year is equal to the national average spending per resident in poverty under this paragraph for the preceding fiscal year increased by the national MediGrant growth percentage (as defined in subsection (b)(2)) for the fiscal year involved.
“(e) PUBLICATION OF OBLIGATION AND OUTLAY ALLOTMENTS.—

“(1) NOTICE OF PRELIMINARY ALLOTMENTS.—Not later than April 1 before the beginning of each fiscal year (beginning with fiscal year 1997), the Secretary shall initially compute, after consultation with the Comptroller General, and publish in the Federal Register notice of the proposed obligation and outlay allotments for each State under this section (not taking into account subsection (a)(2)(B)) for the fiscal year. The Secretary shall include in the notice a description of the methodology and data used in deriving such allotments for the year.

“(2) REVIEW BY GAO.—The Comptroller General shall submit to Congress by not later than May 15 of each such fiscal year, a report analyzing such allotments and the extent to which they comply with the precise requirements of this section.

“(3) NOTICE OF FINAL ALLOTMENTS.—Not later than July 1 before the beginning of each such fiscal year, the Secretary, taking into consideration the analysis contained in the report of the Comptroller General under paragraph (2), shall compute and publish in the Federal Register notice of the final allotments under this section (both taking into ac-
count and not taking into account subsection (a)(2)(B)) for the fiscal year. The Secretary shall include in the notice a description of any changes in such allotments from the initial allotments published under paragraph (1) for the fiscal year and the reasons for such changes. Once published under this paragraph, the Secretary is not authorized to change such allotments.

"(4) GAO REPORT ON FINAL ALLOTMENTS.— The Comptroller General shall submit to Congress by not later than August 1 of each such fiscal year, a report analyzing the final allotments under paragraph (3) and the extent to which they comply with the precise requirements of this section.

"(f) SUPPLEMENTAL ALLOTMENT FOR EMERGENCY HEALTH CARE SERVICES TO CERTAIN ALIENS.—

"(1) IN GENERAL.—Notwithstanding the previous provisions of this section, the amount of the State outlay allotment for a fiscal year for each supplemental allotment eligible State shall be increased by the amount of the supplemental outlay allotment provided under paragraph (2) for the State for that year. The amount of such increased allotment may only be used for the purpose of providing medical assistance for care and services for aliens described in
paragraph (1) of section 2123(e) and for which the exception described in paragraph (2) of such section applies. Section 2122(f)(3) shall apply to such assistance in the same manner as it applies to medical assistance described in such section.

“(2) Supplemental Outlay Allotment.—

“(A) In general.—For purposes of paragraph (1), the amount of the supplemental outlay allotment for a supplemental allotment eligible State for a fiscal year is equal to the supplemental allotment ratio (as defined in subparagraph (C)) multiplied by the supplemental pool amount (specified in subparagraph (D)) for the fiscal year.

“(B) Supplemental Allotment Eligible State.—In this subsection, the term ‘supplemental allotment eligible State’ means one of the 12 States with the highest number of undocumented aliens of all the States.

“(C) Supplemental Allotment Ratio.—In this paragraph, the ‘supplemental allotment ratio’ for a State is the ratio of—

“(i) the number of undocumented aliens for the State, to
“(ii) the sum of such numbers for all supplemental allotment eligible States.

“(D) SUPPLEMENTAL POOL AMOUNT.—In this paragraph, the ‘supplemental pool amount’—

“(i) for each of fiscal years 1996 through 2002, is an amount so that, if the amount were increased for each such fiscal year beginning with fiscal year 1996 by the national MediGrant growth percentage for the year involved, the total of such amounts for all such fiscal years would be $3 billion; and

“(ii) for a subsequent year is the supplemental pool amount for the previous fiscal year increased by the national MediGrant growth percentage for such subsequent year.

“(E) DETERMINATION OF NUMBER.—The number of undocumented aliens in a State under this paragraph shall be determined based on estimates of the resident illegal alien population residing in each State prepared by the Statistics Division of the Immigration and Naturalization Service as of October 1992 (or as of
such later date if such date is at least 1 year
before the beginning of the fiscal year involved).

“(3) TREATMENT FOR OBLIGATION PURPOSES.—For purposes of computing obligation allot-
ments under subsection (a)—

“(A) the amount of the supplemental pool
amount for a fiscal year shall be added to the
pool amount under subsection (b) for that fiscal
year, and

“(B) the amount supplemental allotment
to a State provided under paragraph (1) shall
be added to the outlay allotment of the State
for that fiscal year.

“(4) SEQUENCE OF OBLIGATIONS.—For pur-
poses of carrying out this title, payments to a sup-
plemental allotment eligible State under section
2122 that are attributable to expenditures for medi-
cal assistance described in the second sentence of
paragraph (1) shall first be counted toward the sup-
plemental outlay allotment provided under this sub-
section, rather than toward the outlay allotment oth-
ernise provided under this section.

“(g) SPECIAL ADJUSTMENTS FOR FISCAL YEAR
1996.—Notwithstanding the previous provisions of this
section—
“(1) the State outlay allotment for Oregon for fiscal year 1996 is increased by $155,682,700, and
“(2) the State outlay allotment for Tennessee for fiscal year 1996 is increased by $195,468,000.

The increases provided under this subsection shall not apply to or affect the computation of State outlay allotments of any other States and shall not apply for any fiscal year other than fiscal year 1996.

“SEC. 2122. PAYMENTS TO STATES.

“(a) AMOUNT OF PAYMENT.—From the allotment of a State under section 2121 for a fiscal year, subject to the succeeding provisions of this title, the Secretary shall pay to each State which has a MediGrant plan approved under part E, for each quarter in the fiscal year—

“(1) an amount equal to the applicable Federal medical assistance percentage (as defined in subsection (c)) of the total amount expended during such quarter as medical assistance under the plan; plus

“(2) an amount equal to the applicable Federal medical assistance percentage of the total amount expended during such quarter for medically-related services (as defined in section 2112(e)(2)); plus

“(3) subject to section 2123(c)—
"(A) an amount equal to 90 percent of the amounts expended during such quarter for the design, development, and installation of information systems and for providing incentives to promote the enforcement of medical support orders, plus

"(B) an amount equal to 75 percent of the amounts expended during such quarter for medical personnel, administrative support of medical personnel, operation and maintenance of information systems, modification of information systems, quality assurance activities, utilization review, medical and peer review, anti-fraud activities, independent evaluations, coordination of benefits, and meeting reporting requirements under this title, plus

"(C) an amount equal to 50 percent of so much of the remainder of the amounts expended during such quarter as are expended by the State in the administration of the State plan.

"(b) PAYMENT PROCESS.—

"(1) QUARTERLY ESTIMATES.—Prior to the beginning of each quarter, the Secretary shall estimate the amount to which a State will be entitled under
subsection (a) for such quarter, such estimates to be
based on (A) a report filed by the State containing
its estimate of the total sum to be expended in such
quarter in accordance with the provisions of such
subsections, and stating the amount appropriated or
made available by the State and its political subdivi-
sions for such expenditures in such quarter, and if
such amount is less than the State's proportionate
share of the total sum of such estimated expendi-
tures, the source or sources from which the dif-
ference is expected to be derived, and (B) such other
investigation as the Secretary may find necessary.

"(2) PAYMENT.—

"(A) IN GENERAL.—The Secretary shall
then pay to the State, in such installments as
the Secretary may determine and in accordance
with section 6503(a) of title 31, United States
Code, the amount so estimated, reduced or in-
creased to the extent of any overpayment or
underpayment which the Secretary determines
was made under this section (or section 1903)
to such State for any prior quarter and with re-
spect to which adjustment has not already been
made under this subsection (or under section
1903(d)).
“(B) TREATMENT AS OVERPAYMENTS.—Expenditures for which payments were made to the State under subsection (a) shall be treated as an overpayment to the extent that the State or local agency administering such plan has been reimbursed for such expenditures by a third party pursuant to the provisions of its plan in compliance with section 2135.

“(C) RECOVERY OF OVERPAYMENTS.—For purposes of this subsection, when an overpayment is discovered, which was made by a State to a person or other entity, the State shall have a period of 60 days in which to recover or attempt to recover such overpayment before adjustment is made in the Federal payment to such State on account of such overpayment. Except as otherwise provided in subparagraph (D), the adjustment in the Federal payment shall be made at the end of the 60 days, whether or not recovery was made.

“(D) NO ADJUSTMENT FOR UNCOLLECTABLES.—In any case where the State is unable to recover a debt which represents an overpayment (or any portion thereof) made to a person or other entity on account of

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such debt having been discharged in bankruptcy or otherwise being uncollectable, no adjustment shall be made in the Federal payment to such State on account of such overpayment (or portion thereof).

"(3) Federal share of recoveries.—The pro rata share to which the United States is equitably entitled, as determined by the Secretary, of the net amount recovered during any quarter by the State or any political subdivision thereof with respect to medical assistance furnished under the State plan shall be considered an overpayment to be adjusted under this subsection.

"(4) Timing of obligation of funds.—Upon the making of any estimate by the Secretary under this subsection, any appropriations available for payments under this section shall be deemed obligated.

"(5) Disallowances.—In any case in which the Secretary estimates that there has been an overpayment under this section to a State on the basis of a claim by such State that has been disallowed by the Secretary under section 1116(d), and such State disputes such disallowance, the amount of the Federal payment in controversy shall, at the option of
the State, be retained by such State or recovered by
the Secretary pending a final determination with re-
spect to such payment amount. If such final deter-
mination is to the effect that any amount was prop-
erly disallowed, and the State chose to retain pay-
ment of the amount in controversy, the Secretary
shall offset, from any subsequent payments made to
such State under this title, an amount equal to the
proper amount of the disallowance plus interest on
such amount disallowed for the period beginning on
the date such amount was disallowed and ending on
the date of such final determination at a rate (deter-
mined by the Secretary) based on the average of the
bond equivalent of the weekly 90-day treasury bill
auction rates during such period.

"(c) APPLICABLE FEDERAL MEDICAL ASSISTANCE
PERCENTAGE DEFINED.—In this section, except as pro-
vided in subsection (f), the term 'applicable Federal medi-
cal assistance percentage' means, with respect to one of
the 50 States or the District of Columbia, at the State's
or District's option—

"(1) the old Federal medical assistance percent-
age (as determined in subsection (d)), or

"(2) the new Federal medical assistance per-
centage (as determined under subsection (e)) or, if
less, the old Federal medical assistance percentage plus 10 percentage points.

"(d) OLD FEDERAL MEDICAL ASSISTANCE PERCENTAGE.—

"(1) IN GENERAL.—Except as provided in paragraph (2) and subsection (f), the term 'old Federal medical assistance percentage' for any State is 100 percent less the State percentage; and the State percentage is that percentage which bears the same ratio to 45 percent as the square of the per capita income of such State bears to the square of the per capita income of the continental United States (including Alaska) and Hawaii.

"(2) LIMITATION ON RANGE.—In no case shall the old Federal medical assistance percentage be less than 50 percent or more than 83 percent.

"(3) PROMULGATION.—The old Federal medical assistance percentage for any State shall be determined and promulgated in accordance with the provisions of section 1101(a)(8)(B).

"(e) NEW FEDERAL MEDICAL ASSISTANCE PERCENTAGE DEFINED.—

"(1) IN GENERAL.—

"(A) TERM DEFINED.—Except as provided in paragraph (3) and subsection (f), the term
'new Federal medical assistance percentage'
means, for each of the 50 States and the District of Columbia, 100 percent reduced by the
product 0.39 and the ratio of—

"(i)(I) for each of the 50 States, the
total taxable resources (TTR) ratio of the
State specified in subparagraph (B), or

"(II) for the District of Columbia, the
per capita income ratio specified in sub-
paragraph (C),

to—

"(ii) the aggregate expenditure need
ratio of the State or District, as described
in subparagraph (D).

"(B) TOTAL TAXABLE RESOURCES (TTR)
RATIO.—For purposes of subparagraph
(A)(i)(I), the total taxable resources (TTR)
ratio for each of the 50 States is—

"(i) an amount equal to the most re-
cent 3-year average of the total taxable re-
sources (TTR) of the State, as determined
by the Secretary of the Treasury, divided
by
"(ii) an amount equal to the sum of the 3-year averages determined under clause (i) for each of the 50 States.

"(C) PER CAPITA INCOME RATIO.—For purposes of subparagraph (A)(i)(II), the per capita income ratio of the District of Columbia is—

"(i) an amount equal to the most recent 3-year average of the total personal income of the District of Columbia, as determined in accordance with the provisions of section 1101(a)(8)(B), divided by

"(ii) an amount equal to the total personal income of the continental United States (including Alaska) and Hawaii, as determined under section 1101(a)(8)(B).

"(D) AGGREGATE EXPENDITURE NEED RATIO.—For purposes of subparagraph (A), with respect to each of the 50 States and the District of Columbia for a fiscal year, the aggregate expenditure need ratio is—

"(i) the State aggregate expenditure need (as defined in section 2121(d)) for the State for the fiscal year, divided by
“(ii) the such of such State aggregate expenditure needs for the 50 States and the District of Columbia for the fiscal year.

“(2) LIMITATION ON RANGE.—Except as provided in subsection (f), the new Federal medical assistance percentage shall in no case be less than 40 percent or greater than 83 percent.

“(3) PROMULGATION.—The new Federal medical assistance percentage for any State shall be promulgated in a timely manner consistent with the promulgation of the old Federal medical assistance percentage under section 1101(a)(8)(B).

“(f) SPECIAL RULES.—For purposes of this title—

“(1) COMMONWEALTHS AND TERRITORIES.—In the case of Puerto Rico, the Virgin Islands, Guam, the Northern Mariana Islands, and American Samoa, the old and new Federal medical assistance percentages are 50 percent.

“(2) INDIAN HEALTH SERVICE FACILITIES.—

“(A) IN GENERAL.—The old and new Federal medical assistance percentages shall be 100 percent with respect to the amounts expended as medical assistance for services which are received through a facility described in subparagraphe (B) of an Indian tribe or tribal organiza-
tion or through an Indian Health Service facility whether operated by the Indian Health Service or by an Indian tribe or tribal organization (as defined in section 4 of the Indian Health Care Improvement Act).

"(B) FACILITY DESCRIBED.—For purposes of subparagraph (A), a facility described in this subparagraph is a facility of an Indian tribe if—

"(i) the facility is located in a State which, as of the date of the enactment of this title, was not operating its State plan under title XIX pursuant to a Statewide waiver approved under section 1115,

"(ii) the facility is not an Indian Health Service facility,

"(iii) the tribe owns at least 2 such facilities, and

"(iv) the tribe has at least 50,000 members (as of the date of the enactment of this title).

"(3) NO STATE MATCHING REQUIRED FOR CERTAIN EXPENDITURES.—In applying subsection (a)(1) with respect to medical assistance provided to unlawful aliens pursuant to the exception specified in sec-
tion 2123(e)(2), payment shall be made for the amount of such assistance without regard to any need for a State match.

"SEC. 2123. LIMITATION ON USE OF FUNDS; DISALLOWANCE.

"(a) IN GENERAL.—Funds provided to a State under this title shall only be used to carry out the purposes of this title.

"(b) DISALLOWANCES FOR EXCLUDED PROVIDERS.—

"(1) IN GENERAL.—Payment shall not be made to a State under this part for expenditures for items and services furnished—

"(A) by a provider who was excluded from participation under title V, XVIII, or XX or under this title pursuant to section 1128, 1128A, 1156, or 1842(j)(2), or

"(B) under the medical direction or on the prescription of a physician who was so excluded, if the provider of the services knew or had reason to know of the exclusion.

"(2) EXCEPTION FOR EMERGENCY SERVICES.—Paragraph (1) shall not apply to emergency items or services, not including hospital emergency room services.
"(c) LIMITATIONS.—

"(1) IN GENERAL.—No Federal financial assistance is available for expenditures under the MediGrant plan for—

"(A) medically-related services for a quarter to the extent such expenditures exceed 5 percent of the total expenditures under the plan for the quarter; or

"(B) total administrative expenses (other than expenses described in paragraph (2) during the first 8 quarters in which the plan is in effect under this title) for quarters in a fiscal year to the extent such expenditures exceed the sum of $20,000,000 plus 10 percent of the total expenditures under the plan for the year.

"(2) ADMINISTRATIVE EXPENSES NOT SUBJECT TO LIMITATION.—The administrative expenses referred to in this paragraph are expenditures under the MediGrant plan for the following activities:

"(A) Quality assurance.

"(B) The development and operation of the certification program for nursing facilities and intermediate care facilities for the mentally retarded under section 2137(a)(2).
“(C) Utilization review activities, including medical activities and activities of peer review organizations.

“(D) Inspection and oversight of providers and capitated health care organizations.

“(E) Anti-fraud activities.

“(F) Independent evaluations.

“(G) Activities required to meet reporting requirements under this title.

“(d) TREATMENT OF THIRD PARTY LIABILITY.—No payment shall be made to a State under this part for expenditures for medical assistance provided for an individual under its MediGrant plan to the extent that a private insurer (as defined by the Secretary by regulation and including a group health plan (as defined in section 607(1) of the Employee Retirement Income Security Act of 1974), a service benefit plan, and a health maintenance organization) would have been obligated to provide such assistance but for a provision of its insurance contract which has the effect of limiting or excluding such obligation because the individual is eligible for or is provided medical assistance under the plan.

“(e) LIMITATION ON PAYMENTS TO EMERGENCY SERVICES FOR NONLAWFUL ALIENS.—
“(1) IN GENERAL.—Notwithstanding the preceding provisions of this section, except as provided in paragraph (2), no payment may be made to a State under this part 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.

“(2) EXCEPTION FOR EMERGENCY SERVICES.—Payment may be made under this section for care and services that are furnished to an alien described in paragraph (1) only if—

“(A) such care and services are necessary for the treatment of an emergency medical condition of the alien,

“(B) such alien otherwise meets the eligibility requirements for medical assistance under the MediGrant plan (other than a requirement of the receipt of aid or assistance under title IV, supplemental security income benefits under title XVI, or a State supplementary payment), and

“(C) such care and services are not related to an organ transplant procedure.

“(3) EMERGENCY MEDICAL CONDITION DEFINED.—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.

"(f) LIMITATION ON PAYMENT FOR CERTAIN OUT-PATIENT PRESCRIPTION DRUGS.—

"(1) IN GENERAL.—No payment may be made to a State under this part for medical assistance for covered outpatient drugs (as defined in section 2175(i)(2)) of a manufacturer provided under the MediGrant plan unless the manufacturer (as defined in section 2175(i)(4)) of the drug—

"(A) has entered into a MediGrant master rebate agreement with the Secretary under section 2175; and

"(B) is complying with the provisions of section 8126 of title 38, United States Code, in-
cluding the requirement of entering into a mas-
ter agreement with the Secretary of Veterans
Affairs under such section.

"(2) CONSTRUCTION.—Nothing in this sub-
section shall be construed as requiring a State to
participate in the MediGrant master rebate agree-
ment under section 2175.

"(3) EFFECT OF SUBSEQUENT AMEND-
MENTS.—For purposes of paragraph (1)(B), in de-
termining whether a manufacturer is in compliance
with the requirements of section 8126 of title 38,
United States Code—

"(A) the Secretary shall not take into ac-
count any amendments to such section that are
enacted after the enactment of title VI of the
Veterans Health Care Act of 1992; and

"(B) a manufacturer is deemed to meet
such requirements if the manufacturer estab-
lishes to the satisfaction of the Secretary that
the manufacturer would comply (and has of-
fered to comply) with the provisions of section
8126 of title 38, United States Code (as in ef-
fekt immediately after the enactment of the
Veterans Health Care Act of 1992) and would
have entered into an agreement under such sec-
tion (as such section was in effect at such time), but for a legislative change in such section after the date of the enactment of the Veterans Health Care Act of 1992.

“(g) LIMITATION ON PAYMENT FOR ABORTIONS.—

“(1) IN GENERAL.—Payment shall not be made to a State under this part for any amount expended under the MediGrant plan to pay for any abortion or to assist in the purchase, in whole or in part, of health benefit coverage that includes coverage of abortion.

“(2) EXCEPTION.—Paragraph (1) shall not apply to an abortion—

“(A) if the pregnancy is the result of an act of rape or incest, or

“(B) in the case where a woman suffers from a physical disorder, illness, or injury that would, as certified by a physician, place the woman in danger of death unless an abortion is performed.

“(h) LIMITATION ON PAYMENT FOR ASSISTING DEATHS.—Payment shall not be made to a State under this part for amounts expended under the MediGrant plan to pay for, or to assist in the purchase, in whole or in part, of health benefit coverage that includes payment for
any drug, biological product, or service which was furn-
ished for the purpose of causing, or assisting in causing,
the death, suicide, euthanasia, or mercy killing of a per-
son.

"PART D—PROGRAM INTEGRITY AND QUALITY

"SEC. 2131. USE OF AUDITS TO ACHIEVE FISCAL INTEGRITY.

"(a) FINANCIAL AUDITS OF PROGRAM.—

"(1) IN GENERAL.—Each MediGrant plan shall
provide for an annual audit of the State’s expendi-
tures from amounts received under this title, in com-
pliance with chapter 75 of title 31, United States
Code.

"(2) VERIFICATION AUDITS.—If, after consulta-
tion with the State and the Comptroller General and
after a fair hearing, the Secretary determines that
a State’s audit under paragraph (1) was performed
in substantial violation of chapter 75 of title 31,
United States Code, the Secretary may—

"(A) require that the State provide for a
verification audit in compliance with such chap-
ter, or

"(B) conduct such a verification audit.

"(3) AVAILABILITY OF AUDIT REPORTS.—With-
in 30 days after completion of each audit or verifica-
tion audit under this subsection, the State shall—
“(A) provide the Secretary with a copy of the audit report, including the State's response to any recommendations of the auditor, and

“(B) make the audit report available for public inspection in the same manner as proposed MediGrant plan amendments are made available under section 2105.

“(b) FISCAL CONTROLS.—

“(1) IN GENERAL.—With respect to the accounting and expenditure of funds under this title, each State shall adopt and maintain such fiscal controls, accounting procedures, and data processing safeguards as the State deems reasonably necessary to assure the fiscal integrity of the State's activities under this title.

“(2) CONSISTENCY WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES.—Such controls and procedures shall be generally consistent with generally accepted accounting principles as recognized by the Governmental Accounting Standards Board or the Comptroller General.

“(c) AUDITS OF PROVIDERS.—Each MediGrant plan shall provide that the records of any entity providing items or services for which payment may be made under the plan
may be audited as necessary to ensure that proper pay-
ments are made under the plan.

"SEC. 2132. FRAUD PREVENTION PROGRAM.

"(a) ESTABLISHMENT.—Each MediGrant plan shall
provide for the establishment and maintenance of an effec-
tive program for the detection and prevention of fraud and
abuse by beneficiaries, providers, and others in connection
with the operation of the program.

"(b) PROGRAM REQUIREMENTS.—The program es-

tablished pursuant to subsection (a) shall include at least
the following requirements:

"(1) DISCLOSURE OF INFORMATION.—Any dis-
closing entity (as defined in section 1124(a)) receiv-
ing payments under the MediGrant plan shall com-
ply with the requirements of section 1124.

"(2) SUPPLY OF INFORMATION.—An entity
(other than an individual practitioner or a group of
practitioners) that furnishes, or arranges for the fur-
nishing of, an item or service under the MediGrant
plan shall supply upon request specifically addressed
to the entity by the Secretary or the State agency
the information described in section 1128(b)(9).

"(3) EXCLUSION.—

"(A) IN GENERAL.—The MediGrant plan
shall exclude any specified individual or entity
from participation in the plan for the period specified by the Secretary when required by the Secretary to do so pursuant to section 1128 or section 1128A, and provide that no payment may be made under the plan with respect to any item or service furnished by such individual or entity during such period.

"(B) AUTHORITY.—In addition to any other authority, a State may exclude any individual or entity for purposes of participating under the MediGrant plan for any reason for which the Secretary could exclude the individual or entity from participation in a program under title XVIII or under section 1128, 1128A, or 1866(b)(2).

"(4) NOTICE.—The MediGrant plan shall provide that whenever a provider of services or any other person is terminated, suspended, or otherwise sanctioned or prohibited from participating under the plan, the State agency responsible for administering the plan shall promptly notify the Secretary and, in the case of a physician, the State medical licensing board of such action.

"(5) ACCESS TO INFORMATION.—The MediGrant plan shall provide that the State will pro-
vide information and access to certain information respecting sanctions taken against health care practitioners and providers by State licensing authorities in accordance with section 2133.

"SEC. 2133. INFORMATION CONCERNING SANCTIONS TAKEN BY STATE LICENSING AUTHORITIES AGAINST HEALTH CARE PRACTITIONERS AND PROVIDERS.

"(a) INFORMATION REPORTING REQUIREMENT.—The requirement referred to in section 2132(b)(5) is that the State must provide for the following:

"(1) INFORMATION REPORTING SYSTEM.—The State must have in effect a system of reporting the following information with respect to formal proceedings (as defined by the Secretary in regulations) concluded against a health care practitioner or entity by any authority of the State (or of a political subdivision thereof) responsible for the licensing of health care practitioners (or any peer review organization or private accreditation entity reviewing the services provided by health care practitioners) or entities:

"(A) Any adverse action taken by such licensing authority as a result of the proceeding, including any revocation or suspension of a li-
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cense (and the length of any such suspension),
reprimand, censure, or probation.

“(B) Any dismissal or closure of the pro-
ceedings by reason of the practitioner or entity
surrendering the license or leaving the State or
jurisdiction.

“(C) Any other loss of the license of the
practitioner or entity, whether by operation of
law, voluntary surrender, or otherwise.

“(D) Any negative action or finding by
such authority, organization, or entity regard-
ing the practitioner or entity.

“(2) ACCESS TO DOCUMENTS.—The State must
provide the Secretary (or an entity designated by the
Secretary) with access to such documents of the au-
thority described in paragraph (1) as may be nec-
essary for the Secretary to determine the facts and
circumstances concerning the actions and determina-
tions described in such paragraph for the purpose
of carrying out this Act.

“(b) FORM OF INFORMATION.—The information de-
scribed in subsection (a)(1) shall be provided to the Sec-
retary (or to an appropriate private or public agency,
under suitable arrangements made by the Secretary with
respect to receipt, storage, protection of confidentiality,
and dissemination of information) in such a form and manner as the Secretary determines to be appropriate in order to provide for activities of the Secretary under this Act and in order to provide, directly or through suitable arrangements made by the Secretary, information—

“(1) to agencies administering Federal health care programs, including private entities administering such programs under contract,

“(2) to licensing authorities described in subsection (a)(1),

“(3) to State agencies administering or supervising the administration of State health care programs (as defined in section 1128(h)),

“(4) to utilization and quality control peer review organizations described in part B of title XI and to appropriate entities with contracts under section 1154(a)(4)(C) with respect to eligible organizations reviewed under the contracts,

“(5) to State MediGrant fraud control units (as defined in section 2134),

“(6) to hospitals and other health care entities (as defined in section 431 of the Health Care Quality Improvement Act of 1986), with respect to physicians or other licensed health care practitioners that have entered (or may be entering) into an employ-
ment or affiliation relationship with, or have applied
for clinical privileges or appointments to the medical
staff of, such hospitals or other health care entities
(and such information shall be deemed to be dis-
closed pursuant to section 427 of, and be subject to
the provisions of, that Act),
“(7) to the Attorney General and such other
law enforcement officials as the Secretary deems ap-
propriate, and
“(8) upon request, to the Comptroller General,
in order for such authorities to determine the fitness
of individuals to provide health care services, to pro-
tect the health and safety of individuals receiving
health care through such programs, and to protect
the fiscal integrity of such programs.
“(c) CONFIDENTIALITY OF INFORMATION PRO-
vided.—The Secretary shall provide for suitable safe-
guards for the confidentiality of the information furnished
under subsection (a). Nothing in this subsection shall pre-
vent the disclosure of such information by a party which
is otherwise authorized, under applicable State law, to
make such disclosure.
“(d) APPROPRIATE COORDINATION.—The Secretary
shall provide for the maximum appropriate coordination
in the implementation of subsection (a) of this section and

"SEC. 2134. STATE MEDIGRANT FRAUD CONTROL UNITS.

"(a) IN GENERAL.—Each MediGrant plan shall provide for a State MediGrant fraud control unit described in subsection (b) that effectively carries out the functions and requirements described in such subsection, unless the State demonstrates to the satisfaction of the Secretary that the effective operation of such a unit in the State would not be cost-effective because minimal fraud exists in connection with the provision of covered services to eligible individuals under the plan, and that beneficiaries under the plan will be protected from abuse and neglect in connection with the provision of medical assistance under the plan without the existence of such a unit.

"(b) UNITS DESCRIBED.—For purposes of this subsection, the term ‘State MediGrant fraud control unit’ means a single identifiable entity of the State government which meets the following requirements:

"(1) ORGANIZATION.—The entity—

“(A) is a unit of the office of the State Attorney General or of another department of State government which possesses statewide authority to prosecute individuals for criminal violations;
"(B) is in a State the constitution of which does not provide for the criminal prosecution of individuals by a statewide authority and has formal procedures that—

"(i) assure its referral of suspected criminal violations relating to the program under this title to the appropriate authority or authorities in the State for prosecution, and

"(ii) assure its assistance of, and coordination with, such authority or authorities in such prosecutions; or

"(C) has a formal working relationship with the office of the State Attorney General and has formal procedures (including procedures for its referral of suspected criminal violations to such office) which provide effective coordination of activities between the entity and such office with respect to the detection, investigation, and prosecution of suspected criminal violations relating to the program under this title.

"(2) INDEPENDENCE.—The entity is separate and distinct from any State agency that has prin-
principal responsibilities for administering or supervising the administration of the MediGrant plan.

"(3) FUNCTION.—The entity's function is conducting a statewide program for the investigation and prosecution of violations of all applicable State laws regarding any and all aspects of fraud in connection with any aspect of the provision of medical assistance and the activities of providers of such assistance under the MediGrant plan.

"(4) REVIEW OF COMPLAINTS.—The entity has procedures for reviewing complaints of the abuse and neglect of patients of health care facilities which receive payments under the MediGrant plan under this title, and, where appropriate, for acting upon such complaints under the criminal laws of the State or for referring them to other State agencies for action.

"(5) OVERPAYMENTS.—The entity provides for the collection, or referral for collection to a single State agency, of overpayments that are made under the MediGrant plan to health care providers and that are discovered by the entity in carrying out its activities.

"(6) PERSONNEL.—The entity employs such auditors, attorneys, investigators, and other nec-
necessary personnel and is organized in such a manner as is necessary to promote the effective and efficient conduct of the entity's activities.

"SEC. 2135. RECOVERIES FROM THIRD PARTIES AND OTHERS.

"(a) THIRD PARTY LIABILITY.—Each MediGrant plan shall provide for reasonable steps—

"(1) to ascertain the legal liability of third parties to pay for care and services available under the plan, including the collection of sufficient information to enable States to pursue claims against third parties; and

"(2) to seek reimbursement for medical assistance provided to the extent legal liability is established where the amount expected to be recovered exceeds the costs of the recovery.

"(b) BENEFICIARY PROTECTION.—

"(1) IN GENERAL.—Each MediGrant plan shall provide that in the case of a person furnishing services under the plan for which a third party may be liable for payment—

"(A) the person may not seek to collect from the individual (or financially responsible relative) payment of an amount for the service
more than could be collected under the plan in the absence of such third party liability, and

"(B) may not refuse to furnish services to such an individual because of a third party’s potential liability for payment for the service.

"(2) Penalty.—A MediGrant plan may provide for a reduction of any payment amount otherwise due with respect to a person who furnishes services under the plan in an amount equal to up to three times the amount of any payment sought to be collected by that person in violation of paragraph (1)(A).

"(c) General Liability.—The State shall prohibit any health insurer (including a group health plan as defined in section 607 of the Employee Retirement Income Security Act of 1974, a service benefit plan, or a health maintenance organization), in enrolling an individual or in making any payments for benefits to the individual or on the individual’s behalf, from taking into account that the individual is eligible for or is provided medical assistance under a MediGrant plan for any State.

"(d) Acquisition of Rights of Beneficiaries.—To the extent that payment has been made under a MediGrant plan in any case where a third party has a legal liability to make payment for such assistance, the
State shall have in effect laws under which, to the extent that payment has been made under the plan for health care items or services furnished to an individual, the State is considered to have acquired the rights of such individual to payment by any other party for such health care items or services.

"(e) ASSIGNMENT OF MEDICAL SUPPORT RIGHTS.— The MediGrant plan shall provide for mandatory assignment of rights of payment for medical support and other medical care owed to recipients in accordance with section 2136.

"(f) REQUIRED LAWS RELATING TO MEDICAL CHILD SUPPORT.—

"(1) IN GENERAL.—Each State with a MediGrant plan shall have in effect the following laws:

"(A) A law that prohibits an insurer from denying enrollment of a child under the health coverage of the child's parent on the ground that—

"(i) the child was born out of wedlock, 

"(ii) the child is not claimed as a dependent on the parent's Federal income tax return, or
"(iii) the child does not reside with
the parent or in the insurer's service area.

"(B) In any case in which a parent is re-
quired by a court or administrative order to
provide health coverage for a child and the par-
ent is eligible for family health coverage
through an insurer, a law that requires such in-
surer—

"(i) to permit such parent to enroll
under such family coverage any such child
who is otherwise eligible for such coverage
(without regard to any enrollment season
restrictions);

"(ii) if such a parent is enrolled but
fails to make application to obtain cov-
erage of such child, to enroll such child
under such family coverage upon applica-
tion by the child's other parent or by the
State agency administering the program
under this title or part D of title IV; and

"(iii) not to disenroll (or eliminate
coverage of) such a child unless the insurer
is provided satisfactory written evidence
that—
"(I) such court or administrative order is no longer in effect, or

"(II) the child is or will be enrolled in comparable health coverage through another insurer which will take effect not later than the effective date of such disenrollment.

"(C) In any case in which a parent is required by a court or administrative order to provide health coverage for a child and the parent is eligible for family health coverage through an employer doing business in the State, a law that requires such employer—

“(i) to permit such parent to enroll under such family coverage any such child who is otherwise eligible for such coverage (without regard to any enrollment season restrictions);

“(ii) if such a parent is enrolled but fails to make application to obtain coverage of such child, to enroll such child under such family coverage upon application by the child’s other parent or by the State agency administering the program under this title or part D of title IV; and
“(iii) not to disenroll (or eliminate coverage of) any such child unless—

“(I) the employer is provided satisfactory written evidence that such court or administrative order is no longer in effect, or the child is or will be enrolled in comparable health coverage which will take effect not later than the effective date of such disenrollment, or

“(II) the employer has eliminated family health coverage for all of its employees; and

“(iv) to withhold from such employee’s compensation the employee’s share (if any) of premiums for health coverage (except that the amount so withheld may not exceed the maximum amount permitted to be withheld under section 303(b) of the Consumer Credit Protection Act), and to pay such share of premiums to the insurer, except that the Secretary may provide by regulation for appropriate circumstances under which an employer may withhold
less than such employee's share of such premiums.

"(D) A law that prohibits an insurer from imposing requirements on a State agency, which has been assigned the rights of an individual eligible for medical assistance under this title and covered for health benefits from the insurer, that are different from requirements applicable to an agent or assignee of any other individual so covered.

"(E) A law that requires an insurer, in any case in which a child has health coverage through the insurer of a noncustodial parent—

"(i) to provide such information to the custodial parent as may be necessary for the child to obtain benefits through such coverage;

"(ii) to permit the custodial parent (or provider, with the custodial parent's approval) to submit claims for covered services without the approval of the noncustodial parent; and

"(iii) to make payment on claims submitted in accordance with clause (ii) di-
directly to such custodial parent, the provider, or the State agency.

“(F) A law that permits the State agency under this title to garnish the wages, salary, or other employment income of, and requires withholding amounts from State tax refunds to, any person who—

“(i) is required by court or administrative order to provide coverage of the costs of health services to a child who is eligible for medical assistance under this title,

“(ii) has received payment from a third party for the costs of such services to such child, but

“(iii) has not used such payments to reimburse, as appropriate, either the other parent or guardian of such child or the provider of such services,

to the extent necessary to reimburse the State agency for expenditures for such costs under its plan under this title, but any claims for current or past-due child support shall take priority over any such claims for the costs of such services.
“(2) DEFINITION.—For purposes of this sub-section, the term ‘insurer’ includes a group health plan, as defined in section 607(1) of the Employee Retirement Income Security Act of 1974, a health maintenance organization, and an entity offering a service benefit plan.

“(g) ESTATE RECOVERIES AND LIENS PERMITTED.—A State may take such actions as it considers appropriate to adjust or recover from the individual or the individual’s estate any amounts paid as medical assistance to or on behalf of the individual under the MediGrant plan, including through the imposition of liens against the property or estate of the individual.

“SEC. 2136. ASSIGNMENT OF RIGHTS OF PAYMENT.

“(a) IN GENERAL.—For the purpose of assisting in the collection of medical support payments and other payments for medical care owed to recipients of medical assistance under the MediGrant plan, each MediGrant plan shall—

“(1) provide that, as a condition of eligibility for medical assistance under the plan to an individual who has the legal capacity to execute an assignment for himself, the individual is required—

“(A) to assign the State any rights, of the individual or of any other person who is eligible
for medical assistance under the plan and on whose behalf the individual has the legal authority to execute an assignment of such rights, to support (specified as support for the purpose of medical care by a court or administrative order) and to payment for medical care from any third party,

"(B) to cooperate with the State (i) in establishing the paternity of such person (referred to in subparagraph (A)) if the person is a child born out of wedlock, and (ii) in obtaining support and payments (described in subparagraph (A)) for himself and for such person, unless (in either case) the individual is a pregnant woman or the individual is found to have good cause for refusing to cooperate as determined by the State, and

"(C) to cooperate with the State in identifying, and providing information to assist the State in pursuing, any third party who may be liable to pay for care and services available under the plan, unless such individual has good cause for refusing to cooperate as determined by the State; and
“(2) provide for entering into cooperative arrangements (including financial arrangements), with any appropriate agency of any State (including, with respect to the enforcement and collection of rights of payment for medical care by or through a parent, with a State’s agency established or designated under section 454(3)) and with appropriate courts and law enforcement officials, to assist the agency or agencies administering the plan with respect to—

“(A) the enforcement and collection of rights to support or payment assigned under this section, and

“(B) any other matters of common concern.

“(b) USE OF AMOUNTS COLLECTED.—Such part of any amount collected by the State under an assignment made under the provisions of this section shall be retained by the State as is necessary to reimburse it for medical assistance payments made on behalf of an individual with respect to whom such assignment was executed (with appropriate reimbursement of the Federal Government to the extent of its participation in the financing of such medical assistance), and the remainder of such amount collected shall be paid to such individual.
"SEC. 2137. QUALITY ASSURANCE STANDARDS FOR NURSING FACILITIES.

(a) STANDARDS FOR AND CERTIFICATION OF CERTAIN FACILITIES.—

"(1) STANDARDS FOR FACILITIES.—

"(A) IN GENERAL.—Each MediGrant plan shall provide for the establishment and maintenance of standards consistent with the contents described in subparagraph (B) for nursing facilities which furnish services under the plan. Such standards shall provide that nursing facilities must care for residents in such a manner and in such an environment as will promote maintenance or enhancement of the quality of life of each resident.

"(B) CONTENTS OF STANDARDS.—The standards established for facilities under this paragraph shall contain provisions relating to the following items:

"(i) The treatment of resident medical records.

"(ii) Policies, procedures, and bylaws for operation.

"(iii) Quality assurance systems.
“(iv) Resident assessment procedures, including care planning and outcome evaluation.

“(v) The assurance of a safe and adequate physical plant for the facility.

“(vi) Qualifications for staff sufficient to provide adequate care, as defined by the State.

“(vii) Utilization review.

“(viii) The protection and enforcement of resident rights described in paragraph (2)(A).

“(C) PROCESS FOR ESTABLISHMENT.—

The standards established by the State for facilities under this paragraph shall be promulgated either through the State’s legislative, regulatory, or other process, and may only take effect after the State has provided the public with notice and an opportunity for comment.

“(2) RESIDENTS’ RIGHTS.—

“(A) IN GENERAL.—The resident rights described in this paragraph are the rights of residents to the following:
“(i) To exercise the individual’s rights as a resident of the facility and as a citizen or resident of the United States.

“(ii) To receive notice of rights and services.

“(iii) To be protected against the misuse of resident funds.

“(iv) To be provided privacy and confidentiality.

“(v) To voice grievances.

“(vi) To examine the results of State certification program inspections.

“(vii) To refuse to perform services for the facility.

“(viii) To be provided privacy in communications and to receive mail.

“(ix) To have the facility provide immediate access to any resident by any representative of the certification program, the resident’s individual physician, the State long term care ombudsman, and any person the resident has designated as a visitor.

“(x) To retain and use personal property.
“(xi) To be free from abuse, including verbal, sexual, physical and mental abuse, corporal punishment, and involuntary seclusion and not to have any physical or chemical restraints imposed for purposes of discipline or convenience unless required to treat the resident’s medical symptoms.

“(xii) To be provided with prior written notice of a pending transfer or discharge.

“(xiii) To organize and participate in resident groups in the facility and to have family members meet in the facility with the families of other residents in the facility.

“(xiv) To participate in social, religious, and community activities that do not interfere with the rights of other residents in the facility.

“(xv) To choose a personal attending physician, to be fully informed in advance about care and treatment, and (except with respect to a resident adjudged incompetent) to participate in planning care and
treatment or changes in care and treatment.

“(xvi) To not have psychopharmacologic drugs administered except under the orders of a physician and as part of a plan designed to eliminate or modify the symptoms for which the drugs are prescribed.

“(B) RIGHTS OF INCOMPETENT RESIDENTS.—In the case of a resident adjudged incompetent under the laws of a State, the rights of the resident under the MediGrant plan shall devolve upon, and, to the extent judged necessary by a court of competent jurisdiction, be exercised by, the person appointed under State law to act on the resident’s behalf.

“(3) CERTIFICATION PROGRAM.—

“(A) IN GENERAL.—Each MediGrant plan shall provide for the establishment and operation of a program consistent with the requirements of subparagraph (B) for the certification of nursing facilities which meet the standards established under paragraph (1) and the decertification of facilities which fail to meet such standards.
“(B) REQUIREMENTS FOR PROGRAM.—In addition to any other requirements the State may impose, in establishing and operating the certification program under subparagraph (A), the State shall ensure the following:

“(i) The State shall ensure public access (as defined by the State) to the certification program's evaluations of participating facilities, including compliance records and enforcement actions and other reports by the State regarding the ownership, compliance histories, and services provided by certified facilities.

“(ii) Not less often than every 4 years, the State shall audit its expenditures under the program, through an entity designated by the State which is not affiliated with the program, as designated by the State.

“(b) INTERMEDIATE SANCTION AUTHORITY.—

“(1) AUTHORITY.—In addition to any other authority under State law, where a State determines that a nursing facility which is certified for participation under the MediGrant plan no longer substantially meets the requirements for such a facility
under this title and further determines that the facility’s deficiencies—

“(A) immediately jeopardize the health and safety of its residents, the State shall at least provide for the termination of the facility’s certification for participation under the plan, or

“(B) do not immediately jeopardize the health and safety of its residents, the State may, in lieu of providing for terminating the facility’s certification for participation under the plan, provide lesser sanctions including one that provides that no payment will be made under the plan with respect to any individual admitted to such facility after a date specified by the State.

“(2) NOTICE.—The State shall not make such a decision with respect to a facility until the facility has had a reasonable opportunity, following the initial determination that it no longer substantially meets the requirements for such a facility under the plan, to correct its deficiencies, and, following this period, has been given reasonable notice and opportunity for a hearing.

“(3) EFFECTIVENESS.—The State’s decision to deny payment may be made effective only after such
notice to the public and to the facility as may be provided for by the State, and its effectiveness shall terminate (A) when the State finds that the facility is in substantial compliance (or is making good faith efforts to achieve substantial compliance) with the requirements for such a facility under this title, or (B) in the case described in paragraph (1)(B), with the end of the eleventh month following the month such decision is made effective, whichever occurs first. If a facility to which clause (B) of the previous sentence applies still fails to substantially meet the provisions of the respective section on the date specified in such clause, the State shall terminate such facility's certification for participation under the MediGrant plan effective with the first day of the first month following the month specified in such clause.

"SEC. 2138. OTHER PROVISIONS PROMOTING PROGRAM INTEGRITY."  

"(a) PUBLIC ACCESS TO SURVEY RESULTS.—Each MediGrant plan shall provide that upon completion of a survey of any health care facility or organization by a State agency to carry out the plan, the agency shall make public in readily available form and place the pertinent
findings of the survey relating to the compliance of the
facility or organization with requirements of law.

"(b) RECORD KEEPING.—Each MediGrant plan shall
provide for agreements with persons or institutions providing services under the plan under which the person or institution agrees—

"(1) to keep such records (including ledgers, books, and original evidence of costs) as are necessary to fully disclose the extent of the services provided to individuals receiving assistance under the plan; and

"(2) to furnish the State agency with such information regarding any payments claimed by such person or institution for providing services under the plan, as the State agency may from time to time request.

"PART E—ESTABLISHMENT AND AMENDMENT OF MediGrant Plans

"SEC. 2151. SUBMITTAL AND APPROVAL OF MediGrant Plans.

"(a) SUBMITTAL.—As a condition of receiving funding under part C, each State shall submit to the Secretary a MediGrant plan that meets the applicable requirements of this title.
“(b) APPROVAL.—Except as the Secretary may provide under section 2154, a MediGrant plan submitted under subsection (a)—

“(1) shall be approved for purposes of this title, and

“(2) shall be effective beginning with a calendar quarter that is specified in the plan, but in no case earlier than the first calendar quarter that begins at least 60 days after the date the plan is submitted.

“(c) APPROVAL OF LEGISLATURE FOR SUBMITTAL.—In the case of a State which has a State allotment under section 2121(c)(1) for fiscal year 1996 of more than $10 billion, the State may not submit a MediGrant plan under this section unless the State legislature, by law, has specifically authorized such submittal.

“SEC. 2152. SUBMITTAL AND APPROVAL OF PLAN AMENDMENTS.

“(a) SUBMITTAL OF AMENDMENTS.—A State may amend, in whole or in part, its MediGrant plan at any time through transmittal of a plan amendment under this section.

“(b) APPROVAL.—Except as the Secretary may provide under section 2154, an amendment to a MediGrant plan submitted under subsection (a)—
“(1) shall be approved for purposes of this title, and
“(2) shall be effective as provided in subsection (c).
“(c) EFFECTIVE DATES FOR AMENDMENTS.—
“(1) IN GENERAL.—Subject to the succeeding provisions of this subsection, an amendment to MediGrant plan shall take effect on one or more effective dates specified in the amendment.
“(2) AMENDMENTS RELATING TO ELIGIBILITY OR BENEFITS.—Except as provided in paragraph (4)—
“(A) NOTICE REQUIREMENT.—Any plan amendment that eliminates or restricts eligibility or benefits under the plan may not take effect unless the State certifies that it has provided prior or contemporaneous public notice of the change, in a form and manner provided under applicable State law.
“(B) TIMELY TRANSMITTAL.—Any plan amendment that eliminates or restricts eligibility or benefits under the plan shall not be effective for longer than a 60 day period unless the amendment has been transmitted to the Secretary before the end of such period.
"(3) OTHER AMENDMENTS.—Subject to paragraph (4), any plan amendment that is not described in paragraph (2) becomes effective in a State fiscal year may not remain in effect after the end of such fiscal year (or, if later, the end of the 90-day period on which it becomes effective) unless the amendment has been transmitted to the Secretary.

"(4) EXCEPTION.—The requirements of paragraphs (2) and (3) shall not apply to a plan amendment that is submitted on a timely basis pursuant to a court order or an order of the Secretary.

"SEC. 2153. PROCESS FOR STATE WITHDRAWAL FROM PROGRAM.

"(a) IN GENERAL.—A State may rescind its MediGrant plan and discontinue participation in the program under this title at any time after providing—

"(1) the public with 90 days prior notice in a publication in one or more daily newspapers of general circulation in the State or in any publication used by the State to publish State statutes or rules, and

"(2) the Secretary with 90 days prior written notice.

"(b) EFFECTIVE DATE.—Such discontinuation shall not apply to payments under part C for expenditures made
for items and services furnished under the MediGrant plan before the effective date of the discontinuation.

"(c) PRORATION OF ALLOTMENTS.—In the case of any withdrawal under this section other than at the end of a Federal fiscal year, notwithstanding any provision of section 2121 to the contrary, the Secretary shall provide for such appropriate proration of the application of allotments under section 2121 as is appropriate.

"SEC. 2154. SANCTIONS FOR SUBSTANTIAL NONCOMPLIANCE.

"(a) PROMPT REVIEW OF PLAN SUBMITTALS.—The Secretary shall promptly review MediGrant plans and plan amendments submitted under this part to determine if they substantially comply with the requirements of this title.

"(b) DETERMINATIONS OF SUBSTANTIAL NONCOMPLIANCE.—

"(1) AT TIME OF PLAN OR AMENDMENT SUBMITTAL.—

"(A) IN GENERAL.—If the Secretary, during the 30-day period beginning on the date of submittal of a MediGrant plan or plan amendment—

"(i) determines that the plan or amendment substantially violates (within
the meaning of subsection (c)) a require-
ment of this title, and
“(ii) provides written notice of such
determination to the State,
the Secretary shall issue an order specifying
that the plan or amendment, insofar as it is in
substantial violation of such a requirement,
shall not be effective, except as provided in sub-
section (c), beginning at the end of a period of
not less than 30 days, or 120 days in the case
of the initial submission of the MediGrant plan)
specified in the order beginning on the date of
the notice of the determination.
“(B) EXTENSION OF TIME PERIODS.—The
time periods specified in subparagraph (A) may
be extended by written agreement of the Sec-
etary and the State involved.
“(2) VIOLATIONS IN ADMINISTRATION OF
PLAN.—
“(A) IN GENERAL.—If the Secretary deter-
mines, after reasonable notice and opportunity
for a hearing for the State, that in the adminis-
tration of a MediGrant plan there is a substan-
tial violation of a requirement of this title, the
Secretary shall provide the State with written
notice of the determination and with an order
to remedy such violation. Such an order shall
become effective prospectively, as specified in
the order, after the date of receipt of such writ-
ten notice. Such an order may include the with-
holding of funds, consistent with subsection (f),
for parts of the MediGrant plan affected by
such violation, until the Secretary is satisfied
that the violation has been corrected.

"(B) EFFECTIVENESS.—If the Secretary
issues an order under paragraph (1), the order
shall become effective, except as provided in
subsection (c), beginning at the end of a period
(of not less than 30 days) specified in the order
beginning on the date of the notice of the deter-
mination to the State.

"(C) TIMELINESS OF DETERMINATIONS
RELATING TO REPORT-BASED COMPLIANCE.—
The Secretary shall make determinations under
this paragraph respecting violations relating to
information contained in an annual report
under section 2102, an independent evaluation
under section 2103, or an audit report under
section 2131 not later than 30 days after the
date of transmittal of the report or evaluation
to the Secretary.

"(3) Consultation with State.—Before
making a determination adverse to a State under
this section, the Secretary shall (within any time pe-
riods provided under this section)—

"(A) reasonably consult with the State in-
volved,

"(B) offer the State a reasonable oppor-
tunity to clarify the submission and submit fur-
ther information to substantiate compliance
with the requirements of this title, and

"(C) reasonably consider any such elari-
fications and information submitted.

"(4) Justification of any inconsistencies
in determinations.—If the Secretary makes a de-
termination under this section that is, in whole or in
part, inconsistent with any previous determination
issued by the Secretary under this title, the Sec-
retary shall include in the determination a detailed
explanation and justification for any such difference.

"(5) Substantial violation defined.—For
purposes of this title, a MediGrant plan (or amend-
ment to such a plan) or the administration of the
MediGrant plan is considered to ‘substantially vio-
late' a requirement of this title if a provision of the
plan or amendment (or an omission from the plan
or amendment) or the administration of the plan—

"(A) is material and substantial in nature
and effect, and

"(B) is inconsistent with an express re-

requirement of this title.

A failure to meet a strategic objective or perform-
ance goal (as described in section 2101) shall not be
considered to substantially violate a requirement of
this title.

"(c) State Response to Orders.—

"(1) State Response by Revising Plan.—

"(A) In General.—Insofar as an order
under subsection (b)(1) relates to a substantial
violation by a MediGrant plan or plan amend-
ment, a State may respond (before the date the
order becomes effective) to such an order by
submitting a written revision of the plan or
plan amendment to substantially comply with
the requirements of this part.

"(B) Review of Revision.—In the case
of submission of such a revision, the Secretary
shall promptly review the submission and shall
withhold any action on the order during the period of such review.

"(C) SECRETARIAL RESPONSE.—The revision shall be considered to have corrected the deficiency (and the order rescinded insofar as it relates to such deficiency) unless the Secretary determines and notifies the State in writing, within 15 days after the date the Secretary receives the revision, that the plan or amendment, as proposed to be revised, still substantially violates a requirement of this title. In such case the State may respond by seeking reconsideration or a hearing under paragraph (2).

"(D) REVISION RETROACTIVE.—If the revision provides for substantial compliance, the revision may be treated, at the option of the State, as being effective either as of the effective date of the provision to which it relates or such later date as the State and Secretary may agree.

"(2) STATE RESPONSE BY SEEKING RECONSIDERATION OR AN ADMINISTRATIVE HEARING.—A State may respond to an order under subsection (b) by filing a request with the Secretary for—
“(A) a reconsideration of the determination, pursuant to subsection (d)(1), or

“(B) a review of the determination through an administrative hearing, pursuant to subsection (d)(2).

In such case, the order shall not take effect before the completion of the reconsideration or hearing.

“(3) STATE RESPONSE BY CORRECTIVE ACTION PLAN.—

“(A) IN GENERAL.—In the case of an order described in subsection (b)(2) that relates to a substantial violation in the administration of the MediGrant plan, a State may respond to such an order by submitting a corrective action plan with the Secretary to correct deficiencies in the administration of the plan which are the subject of the order.

“(B) REVIEW OF CORRECTIVE ACTION PLAN.—In such case, the Secretary shall withhold any action on the order for a period (not to exceed 30 days) during which the Secretary reviews the corrective action plan.

“(C) SECRETARIAL RESPONSE.—The corrective action plan shall be considered to have corrected the deficiency (and the order re-
scinded insofar as it relates to such deficiency) unless the Secretary determines and notifies the State in writing, within 15 days after the date the Secretary receives the corrective action plan, that the State's administration of the MediGrant plan, as proposed to be corrected in the plan, will still substantially violate a requirement of this title. In such case the State may respond by seeking reconsideration or a hearing under paragraph (2).

“(4) STATE RESPONSE BY WITHDRAWAL OF PLAN AMENDMENT; FAILURE TO RESPOND.—Insofar as an order relates to a substantial violation in a plan amendment submitted, a State may respond to such an order by withdrawing the plan amendment and the MediGrant plan shall be treated as though the amendment had not been made.

“(d) ADMINISTRATIVE REVIEW AND HEARING.—

“(1) RECONSIDERATION.—Within 30 days after the date of receipt of a request under subsection (b)(2)(A), the Secretary shall notify the State of the time and place at which a hearing will be held for the purpose of reconsidering the Secretary's determination. The hearing shall be held not less than 20 days nor more than 60 days after the date notice of
the hearing is furnished to the State, unless the Secretary and the State agree in writing to holding the hearing at another time. The Secretary shall affirm, modify, or reverse the original determination within 60 days of the conclusion of the hearing.

“(2) ADMINISTRATIVE HEARING.—Within 30 days after the date of receipt of a request under subsection (b)(2)(B), an administrative law judge shall schedule a hearing for the purpose of reviewing the Secretary's determination. The hearing shall be held not less than 20 days nor more than 60 days after the date notice of the hearing is furnished to the State, unless the Secretary and the State agree in writing to holding the hearing at another time. The administrative law judge shall affirm, modify, or reverse the determination within 60 days of the conclusion of the hearing.

“(e) JUDICIAL REVIEW.—

“(1) IN GENERAL.—A State which is dissatisfied with a final determination made by the Secretary under subsection (d)(1) or a final determination of an administrative law judge under subsection (d)(2) may, within 60 days after it has been notified of such determination, file with the United States court of appeals for the circuit in which the State
is located a petition for review of such determination. A copy of the petition shall be forthwith transmitted by the clerk of the court to the Secretary and, in the case of a determination under subsection (d)(2), to the administrative law judge involved. The Secretary (or judge involved) thereupon shall file in the court the record of the proceedings on which the final determination was based, as provided in section 2112 of title 28, United States Code.

"(2) STANDARD FOR REVIEW.—The findings of fact by the Secretary or administrative law judge, if supported by substantial evidence, shall be conclusive, but the court, for good cause shown, may remand the case to the Secretary or judge to take further evidence, and the Secretary or judge may thereupon make new or modified findings of fact and may modify a previous determination, and shall certify to the court the transcript and record of the further proceedings. Such new or modified findings of fact shall likewise be conclusive if supported by substantial evidence.

"(3) JURISDICTION OF APPELLATE COURT.—The court shall have jurisdiction to affirm the action of the Secretary or judge or to set it aside, in whole or in part. The judgment of the court shall be sub-
ject to review by the Supreme Court of the United States upon certiorari or certification as provided in section 1254 of title 28, United States Code.

"(f) WITHHOLDING OF FUNDS.—

"(1) IN GENERAL.—Any order under this section relating to the withholding of funds shall be effective not earlier than the effective date of the order and shall only relate to the portions of a MediGrant plan or administration thereof which substantially violate a requirement of this title. In the case of a failure to meet a set-aside requirement under section 2112, any withholding shall only apply to the extent of such failure.

"(2) SUSPENSION OF WITHHOLDING.—The Secretary may suspend withholding of funds under paragraph (1) during the period reconsideration or administrative and judicial review is pending under subsection (d) or (e).

"(3) RESTORATION OF FUNDS.—Any funds withheld under this subsection under an order shall be immediately restored to a State—

"(A) to the extent and at the time the order is—

"(i) modified or withdrawn by the Secretary upon reconsideration,
“(ii) modified or reversed by an administrative law judge, or
“(iii) set aside (in whole or in part) by an appellate court; or
“(B) when the Secretary determines that the deficiency which was the basis for the order is corrected;
“(C) when the Secretary determines that violation which was the basis for the order is resolved or the amendment which was the basis for the order is withdrawn; or
“(D) at any time upon the initiative of the Secretary.

"SEC. 2155. SECRETARIAL AUTHORITY.

“(a) NEGOTIATED AGREEMENT AND DISPUTE RESOLUTION.—
“(1) NEGOTIATIONS.—Nothing in this part shall be construed as preventing the Secretary and a State from at any time negotiating a satisfactory resolution to any dispute concerning the approval of a MediGrant plan (or amendments to a MediGrant plan) or the compliance of a MediGrant plan (including its administration) with requirements of this title.
“(2) COOPERATION.—The Secretary shall act in a cooperative manner with the States in carrying out this title. In the event of a dispute between a State and the Secretary, the Secretary shall, whenever practicable, engage in informal dispute resolution activities in lieu of formal enforcement or sanctions under section 2154.

“(b) LIMITATIONS ON DELEGATION OF DECISION-MAKING AUTHORITY.—The Secretary may not delegate (other than to the Administrator of the Health Care Financing Administration) the authority to make determinations or reconsiderations respecting the approval of MediGrant plans (or amendments to such plans) or the compliance of a MediGrant plan (including its administration) with requirements of this title. Such Administrator may not further delegate such authority to any individual, including any regional official of such Administration.

“(c) REQUIRING FORMAL RULEMAKING FOR CHANGES IN SECRETARIAL ADMINISTRATION.—The Secretary shall carry out the administration of the program under this title only through a prospective formal rule-making process, including issuing notices of proposed rule making, publishing proposed rules or modifications to rules in the Federal Register, and soliciting public comment.
"PART F—GENERAL PROVISIONS

"SEC. 2171. DEFINITIONS.

"(a) MEDICAL ASSISTANCE.—

"(1) IN GENERAL.—For purposes of this title, except as provided in paragraph (2), the term ‘medical assistance’ means payment of part or all the cost of any of the following for eligible low-income individuals (as defined in subsection (b)) as specified under the MediGrant plan:

"(A) Inpatient hospital services.

"(B) Outpatient hospital services.

"(C) Physician services.

"(D) Surgical services.

"(E) Clinic services and other ambulatory health care services.

"(F) Nursing facility services.

"(G) Intermediate care facility services for the mentally retarded.

"(H) Prescription drugs and biologicals.

"(I) Over-the-counter medications.

"(J) Laboratory and radiological services.

"(K) Family planning services and supplies.

"(L) Inpatient mental health services, including services furnished in a State-operated
mental hospital and including residential or other 24-hour therapeutically planned structured services in the case of a child.

"(M) Outpatient mental health services, including services furnished in a State-operated mental hospital and including community-based services in the case of a child.

"(N) Durable medical equipment and other medically-related or remedial devices (such as prosthetic devices, implants, eyeglasses, hearing aids, dental devices, and adaptive devices).

"(O) Disposable medical supplies.

"(P) Home and community-based health care services and related supportive services (such as home health nursing services, home health aide services, personal care, assistance with activities of daily living, chore services, day care services, respite care services, and training for family members).

"(Q) Community supported living arrangements.

"(R) Nursing care services (such as private duty nursing care, nurse midwife services, respiratory care services, pediatric nurse services,
and advanced practice nurse services) in a home, school, or other setting.

“(S) Dental services.

“(T) Inpatient substance abuse treatment services and residential substance abuse treatment services.

“(U) Outpatient substance abuse treatment services.

“(V) Case management services.

“(W) Care coordination services.

“(X) Physical therapy, occupational therapy, and services for individuals with speech, hearing, and language disorders.

“(Y) Hospice care.

“(Z) Any other medical, diagnostic, screening, preventive, restorative, remedial, therapeutic, or rehabilitative services (whether in a facility, home, school, or other setting) if recognized by State law and if the service is—

“(i) prescribed by or furnished by a physician or other licensed or registered practitioner within the scope of practice as defined by State law,
“(ii) performed under the general supervision or at the direction of a physician, or

“(iii) furnished by a health care facility that is operated by a State or local government or is licensed under State law and operating within the scope of the license.

“(AA) Premiums for private health care insurance coverage, including private long-term care insurance coverage.

“(BB) Medical transportation.

“(CC) Medicare cost-sharing (as defined in subsection (c)).

“(DD) Enabling services (such as transportation, translation, and outreach services) designed to increase the accessibility of primary and preventive health care services for eligible low-income individuals.

“(EE) Any other health care services or items specified by the Secretary.

“(2) EXCLUSION OF CERTAIN PAYMENTS.— Such term does not include the payment with respect to care or services for—
"(A) any individual who is an inmate of a public institution (except as a patient in a State psychiatric hospital); and

"(B) any individual who is not an eligible low-income individual.

"(b) ELIGIBLE LOW-INCOME INDIVIDUAL.—The term 'eligible low-income individual' means an individual who has been determined eligible by the State for medical assistance under the MediGrant plan and whose family income (as determined under the plan) does not exceed a percentage (specified in the MediGrant plan and not to exceed 300 percent) of the poverty line for a family of the size involved. In determining the amount of income under the previous sentence, a State may exclude costs incurred for medical care or other types of remedial care recognized by the State.

"(c) MEDICARE COST-SHARING.—For purposes of this title, the term 'medicare cost-sharing' means any of the following:

"(1)(A) Premiums under section 1839.

"(B) Premiums under section 1818 or 1818A.

"(2) Coinsurance under title XVIII (including coinsurance described in section 1813).
“(3) Deductibles established under title XVIII (including those described in section 1813 and section 1833(b)).

“(4) The difference between the amount that is paid under section 1833(a) and the amount that would be paid under such section if any reference to ‘80 percent’ therein were deemed a reference to ‘100 percent’.

“(5) Premiums for enrollment of an individual with an eligible organization under section 1876 or with a MedicarePlus organization under part C of title XVIII.

“(d) ADDITIONAL DEFINITIONS.—For purposes of this title:

“(1) CHILD.—The term ‘child’ means an individual under 19 years of age.

“(2) POVERTY LINE DEFINED.—The term ‘poverty line’ means 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).

“(3) PREGNANT WOMAN.—The term ‘pregnant woman’ includes a woman during the 60-day period beginning on the last day of the pregnancy.
"SEC. 2172. TREATMENT OF TERRITORIES.

Notwithstanding any other requirement of this title, the Secretary may waive or modify any requirement of this title with respect to the medical assistance program a State other than the 50 States and the District of Columbia, other than a waiver of—

"(1) the applicable Federal medical assistance percentage,

"(2) the limitation on total payments in a fiscal year to the amount of the allotment under section 2121(e), or

"(3) the requirement that payment may be made for medical assistance only with respect to amounts expended by the State for care and services described in paragraph (1) of section 2171(a) and medically-related services (as defined in section 2112(e)(2)).

"SEC. 2173. DESCRIPTION OF TREATMENT OF INDIAN HEALTH SERVICE FACILITIES.

In the case of a State in which one or more facilities of the Indian Health Service are located, the MediGrant plan shall include a description of—

"(1) what provision (if any) has been made for payment for items and services furnished by such facilities, and
"(2) the manner in which medical assistance for low-income eligible individuals who are Indians will be provided, as determined by the State in consultation with the appropriate Indian tribes and tribal organizations.

"SEC. 2174. APPLICATION OF CERTAIN GENERAL PROVISIONS.

The following sections in part A of title XI shall apply to States under this title in the same manner as they applied to a State under title XIX:

"(1) Section 1101(a)(1) (relating to definition of State).

"(2) Section 1116 (relating to administrative and judicial review), but only insofar as consistent with the provisions of part C.

"(3) Section 1124 (relating to disclosure of ownership and related information).

"(4) Section 1126 (relating to disclosure of information about certain convicted individuals).

"(5) Section 1128B(d) (relating to criminal penalties for certain additional charges).

"(6) Section 1132 (relating to periods within which claims must be filed).
"SEC. 2175. MEDIGRANT MASTER DRUG REBATE AGREEMENTS.

"(a) REQUIREMENT FOR MANUFACTURER TO ENTER INTO AGREEMENT.—

"(1) IN GENERAL.—Pursuant to section 2123(f), in order for payment to be made to a State under part C for medical assistance for covered outpatient drugs of a manufacturer, the manufacturer shall enter into and have in effect a MediGrant master rebate agreement described in subsection (b) with the Secretary on behalf of States electing to participate in the agreement.

"(2) STATE PARTICIPATION IN MASTER AGREEMENT OPTIONAL.—Nothing in this section shall be construed to—

"(A) require a State to participate in a MediGrant master rebate agreement under this section; or

"(B) prohibit a State from entering into an agreement with a manufacturer of covered outpatient drugs (under such terms as the State and manufacturer may agree upon) regarding the amount of payment for such drugs under the MediGrant plan.

"(3) COVERAGE OF DRUGS NOT COVERED UNDER REBATE AGREEMENTS.—Nothing in this sec-
tion shall be construed to prohibit a State in its discretion from providing coverage under its MediGrant plan of a covered outpatient drug for which no rebate agreement is in effect under this section.

"(4) **EFFECT ON EXISTING AGREEMENTS.**—If a State has a rebate agreement in effect with a manufacturer on the date of the enactment of this section which provides for a minimum aggregate rebate equal to or greater than the minimum aggregate rebate which would otherwise be paid under the MediGrant master agreement under this section, at the option of the State—

"(A) such agreement shall be considered to meet the requirements of the MediGrant master rebate agreement; and

"(B) the State shall be considered to have elected to participate in the MediGrant master rebate agreement.

"(b) **TERMS OF REBATE AGREEMENT.**—

"(1) **PERIODIC REBATES.**—The MediGrant master rebate agreement under this section shall require the manufacturer to provide, to the MediGrant plan of each State participating in the agreement, a rebate for a rebate period in an amount specified in subsection (c) for covered outpatient drugs of the
manufacturer dispensed after the effective date of the agreement, for which payment was made under the plan for such period. Such rebate shall be paid by the manufacturer not later than 30 days after the date of receipt of the information described in paragraph (2) for the period involved.

"(2) State provision of information.—

"(A) State responsibility.—Each State participating in the MediGrant master rebate agreement shall report to each manufacturer not later than 60 days after the end of each rebate period and in a form consistent with a standard reporting format established by the Secretary, information on the total number of units of each dosage form and strength and package size of each covered outpatient drug, for which payment was made under the MediGrant plan for the period, and shall promptly transmit a copy of such report to the Secretary.

"(B) Audits.—A manufacturer may audit the information provided (or required to be provided) under subparagraph (A). Adjustments to rebates shall be made to the extent that infor-
mation indicates that utilization was greater or less than the amount previously specified.

“(3) MANUFACTURER PROVISION OF PRICE INFORMATION.—

“(A) IN GENERAL.—Each manufacturer which is subject to the MediGrant master rebate agreement under this section shall report to the Secretary—

“(i) not later than 30 days after the last day of each rebate period under the agreement (beginning on or after January 1, 1991), on the average manufacturer price (as defined in subsection (i)(1)) and, for single source drugs and innovator multiple source drugs, the manufacturer’s best price (as defined in subsection (c)(1)(C)) for each covered outpatient drug for the rebate period under the agreement, and

“(ii) not later than 30 days after the date of entering into an agreement under this section, on the average manufacturer price (as defined in subsection (i)(1)) as of October 1, 1990, for each of the manufacturer’s covered outpatient drugs.
“(B) VERIFICATION SURVEYS OF AVERAGE MANUFACTURER PRICE.—The Secretary may survey wholesalers and manufacturers that directly distribute their covered outpatient drugs, when necessary, to verify manufacturer prices reported under subparagraph (A). The Secretary may impose a civil monetary penalty in an amount not to exceed $10,000 on a wholesaler, manufacturer, or direct seller, if the wholesaler, manufacturer, or direct seller of a covered outpatient drug refuses a request for information by the Secretary in connection with a survey under this subparagraph. The provisions of section 1128A (other than subsections (a) (with respect to amounts of penalties or additional assessments) and (b)) shall apply to a civil money penalty under this subparagraph in the same manner as such provisions apply to a penalty or proceeding under section 1128A(a).

“(C) PENALTIES.—

“(i) FAILURE TO PROVIDE TIMELY INFORMATION.—In the case of a manufacturer which is subject to the MediGrant master rebate agreement that fails to pro-
vide information required under subparagraph (A) on a timely basis, the amount of the penalty shall be $10,000 for each day in which such information has not been provided and such amount shall be paid to the Treasury. If such information is not reported within 90 days of the deadline imposed, the agreement shall be suspended for services furnished after the end of such 90-day period and until the date such information is reported (but in no case shall such suspension be for a period of less than 30 days).

"(ii) FALSE INFORMATION.—Any manufacturer which is subject to the MediGrant master rebate agreement, or a wholesaler or direct seller, that knowingly provides false information under subparagraph (A) or (B) is subject to a civil money penalty in an amount not to exceed $100,000 for each item of false information. Any such civil money penalty shall be in addition to other penalties as may be prescribed by law. The provisions of section 1128A (other than subsections (a) and
(b)) shall apply to a civil money penalty under this subparagraph in the same manner as such provisions apply to a penalty or proceeding under section 1128A(a).

"(D) CONFIDENTIALITY OF INFORMATION.—Notwithstanding any other provision of law, information disclosed by manufacturers or wholesalers under this paragraph or under an agreement with the Secretary of Veterans Affairs described in section 2123(f) is confidential and shall not be disclosed by the Secretary or the Secretary of Veterans Affairs or a State agency (or contractor therewith) in a form which discloses the identity of a specific manufacturer or wholesaler or the prices charged for drugs by such manufacturer or wholesaler, except—

"(i) as the Secretary determines to be necessary to carry out this section,

"(ii) to permit the Comptroller General to review the information provided, and

"(iii) to permit the Director of the Congressional Budget Office to review the information provided.
“(4) LENGTH OF AGREEMENT.—

“(A) IN GENERAL.—The MediGrant master rebate agreement under this section shall be effective for an initial period of not less than 1 year and shall be automatically renewed for a period of not less than one year unless terminated under subparagraph (B).

“(B) TERMINATION.—

“(i) BY THE SECRETARY.—The Secretary may provide for termination of the MediGrant master rebate agreement with respect to a manufacturer for violation of the requirements of the agreement or other good cause shown. Such termination shall not be effective earlier than 60 days after the date of notice of such termination. The Secretary shall provide, upon request, a manufacturer with a hearing concerning such a termination, but such hearing shall not delay the effective date of the termination. Failure of a State to provide any advance notice of such a termination as required by regulation shall not affect the State's right to terminate coverage of the
drugs affected by such termination as of the effective date of such termination.

"(ii) By a manufacturer.—A manufacturer may terminate its participation in the MediGrant master rebate agreement under this section for any reason. Any such termination shall not be effective until the calendar quarter beginning at least 60 days after the date the manufacturer provides notice to the Secretary.

"(iii) Effectiveness of termination.—Any termination under this subparagraph shall not affect rebates due under the agreement before the effective date of its termination.

"(iv) Notice to states.—In the case of a termination under this subparagraph, the Secretary shall provide notice of such termination to the States within not less than 30 days before the effective date of such termination.

"(v) Application to terminations of other agreements.—The provisions of this subparagraph shall apply to the terminations of master agreements described
in section 8126(a) of title 38, United States Code.

“(C) DELAY BEFORE REENTRY.—In the case of any rebate agreement with a manufacturer under this section which is terminated, another such agreement with the manufacturer (or a successor manufacturer) may not be entered into until a period of 1 calendar quarter has elapsed since the date of the termination, unless the Secretary finds good cause for an earlier reinstatement of such an agreement.

“(c) DETERMINATION OF AMOUNT OF REBATE.—

“(1) BASIC REBATE FOR SINGLE SOURCE DRUGS AND INNOVATOR MULTIPLE SOURCE DRUGS.—

“(A) IN GENERAL.—Except as provided in paragraph (2), the amount of the rebate specified in this subsection with respect to a State participating in the MediGrant master rebate agreement for a rebate period (as defined in subsection (i)(8)) with respect to each dosage form and strength of a single source drug or an innovator multiple source drug shall be equal to the product of—
“(i) the total number of units of each dosage form and strength paid for under the State plan in the rebate period (as reported by the State); and

“(ii) the greater of—

“(I) the difference between the average manufacturer price and the best price (as defined in subparagraph (C)) for the dosage form and strength of the drug, or

“(II) the minimum rebate percentage (specified in subparagraph (B)) of such average manufacturer price,

for the rebate period.

“(B) MINIMUM REBATE PERCENTAGE.—For purposes of subparagraph (A)(ii)(II), the ‘minimum rebate percentage’ is 15.1 percent.

“(C) BEST PRICE DEFINED.—For purposes of this section—

“(i) IN GENERAL.—The term ‘best price’ means, with respect to a single source drug or innovator multiple source drug of a manufacturer, the lowest price available from the manufacturer during the
rebate period to any wholesaler, retailer, provider, health maintenance organization, nonprofit entity, or governmental entity within the United States, excluding—

"(I) any prices charged on or after October 1, 1992, to the Indian Health Service, the Department of Veterans Affairs, a State home receiving funds under section 1741 of title 38, United States Code, the Department of Defense, the Public Health Service, or a covered entity described in section 340B(a)(4) of the Public Health Service Act;

"(II) any prices charged under the Federal Supply Schedule of the General Services Administration;

"(III) any prices used under a State pharmaceutical assistance program; and

"(IV) any depot prices and single award contract prices, as defined by the Secretary, of any agency of the Federal Government.
"(ii) SPECIAL RULES.—The term 'best price'—

"(I) shall be inclusive of cash discounts, free goods that are contingent on any purchase requirement, volume discounts, and rebates (other than rebates under this section);

"(II) shall be determined without regard to special packaging, labeling, or identifiers on the dosage form or product or package;

"(III) shall not take into account prices that are merely nominal in amount; and

"(IV) shall exclude rebates paid under this section or any other rebates paid to a State participating in the MediGrant master rebate agreement.

"(2) ADDITIONAL REBATE FOR SINGLE SOURCE AND INNOVATOR MULTIPLE SOURCE DRUGS.—

"(A) IN GENERAL.—The amount of the rebate specified in this subsection with respect to a State participating in the MediGrant master rebate agreement for a rebate period, with re-
spect to each dosage form and strength of a single source drug or an innovator multiple source drug, shall be increased by an amount equal to the product of—

"(i) the total number of units of such dosage form and strength dispensed after December 31, 1990, for which payment was made under the MediGrant plan for the rebate period; and

"(ii) the amount (if any) by which—

"(I) the average manufacturer price for the dosage form and strength of the drug for the period, exceeds

"(II) the average manufacturer price for such dosage form and strength for the calendar quarter beginning July 1, 1990 (without regard to whether or not the drug has been sold or transferred to an entity, including a division or subsidiary of the manufacturer, after the first day of such quarter), increased by the percentage by which the consumer price index for all urban consumers (United
States city average) for the month before the month in which the rebate period begins exceeds such index for September 1990.

"(B) Treatment of subsequently approved drugs.—In the case of a covered outpatient drug approved by the Food and Drug Administration after October 1, 1990, clause (ii)(II) of subparagraph (A) shall be applied by substituting ‘the first full calendar quarter after the day on which the drug was first marketed’ for ‘the calendar quarter beginning July 1, 1990’ and ‘the month prior to the first month of the first full calendar quarter after the day on which the drug was first marketed’ for ‘September 1990’.

"(3) Rebate for other drugs.—

"(A) In general.—The amount of the rebate paid to a State participating in the MediGrant master rebate agreement for a rebate period with respect to each dosage form and strength of covered outpatient drugs (other than single source drugs and innovator multiple source drugs) shall be equal to the product of—
“(i) the applicable percentage (as described in subparagraph (B)) of the average manufacturer price for the dosage form and strength for the rebate period, and

“(ii) the total number of units of such dosage form and strength dispensed after December 31, 1990, for which payment was made under the MediGrant plan for the rebate period.

“(B) APPLICABLE PERCENTAGE DEFINED.—For purposes of subparagraph (A)(i), the ‘applicable percentage’ is 11 percent.

“(4) LIMITATION ON AMOUNT OF REBATE TO AMOUNTS PAID FOR CERTAIN DRUGS.—Upon request of a manufacturer of a covered outpatient drug for which a majority of the estimated number of units of such dosage form and strength that are subject to rebates under this section were dispensed to inpatients of nursing facilities (including drugs which are exempt from the requirements of the MediGrant master rebate agreement under this section under subsection (h)(1)(B)), the Secretary shall limit the amount of the rebate under this subsection with respect to a dosage form and strength of the drug for
a rebate period to the amount paid under the MediGrant plan with respect to such dosage form and strength of the drug in the rebate period (without consideration of any dispensing fees paid).

“(d) LIMITATIONS ON COVERAGE OF DRUGS BY STATES PARTICIPATING IN MASTER AGREEMENT.—

“(1) PERMISSIBLE RESTRICTIONS.—A State participating in the MediGrant master rebate agreement under this section may—

“(A) subject to prior authorization under its MediGrant plan any covered outpatient drug so long as any such prior authorization program complies with the requirements of paragraph (5); and

“(B) exclude or otherwise restrict coverage under its plan of a covered outpatient drug if—

“(i) the prescribed use is not for a medically accepted indication (as defined in subsection (i)(5));

“(ii) the drug is contained in the list referred to in paragraph (2);

“(iii) the drug is subject to such restrictions pursuant to the MediGrant master rebate agreement or any agreement described in subsection (a)(4); or
“(iv) the State has excluded coverage
of the drug from its formulary established
in accordance with paragraph (4).

“(2) LIST OF DRUGS SUBJECT TO RESTRICTION.—The following drugs or classes of drugs, or
their medical uses, may be excluded from coverage
or otherwise restricted by a State participating in
the MediGrant master rebate agreement:

“(A) Agents when used for anorexia,
weight loss, or weight gain.

“(B) Agents when used to promote fertili-
ity.

“(C) Agents when used for cosmetic pur-
poses or hair growth.

“(D) Agents when used for the sympto-
matic relief of cough and colds.

“(E) Agents when used to promote smok-
ing cessation.

“(F) Prescription vitamins and mineral
products, except prenatal vitamins and fluoride
preparations.

“(G) Nonprescription drugs.

“(H) Covered outpatient drugs which the
manufacturer seeks to require as a condition of
sale that associated tests or monitoring services
be purchased exclusively from the manufacturer or its designee.

"(I) Barbiturates.

"(J) Benzodiazepines.

("(3) ADDITIONS TO DRUG LISTINGS.—The Secretary shall, by regulation, periodically update the list of drugs or classes of drugs described in paragraph (2), or their medical uses, which the Secretary has determined to be subject to clinical abuse or inappropriate use.

"(4) REQUIREMENTS FOR FORMULARIES.—A State participating in the MediGrant master rebate agreement may establish a formulary if the formulary meets the following requirements:

"(A) The formulary is developed by a committee consisting of physicians, pharmacists, and other appropriate individuals appointed by the Governor of the State.

"(B) Except as provided in subparagraph (C), the formulary includes the covered outpatient drugs of any manufacturer which has entered into and complies with the agreement under subsection (a) (other than any drug excluded from coverage or otherwise restricted under paragraph (2)).
“(C) A covered outpatient drug may be excluded with respect to the treatment of a specific disease or condition for an identified population (if any) only if, based on the drug’s labeling (or, in the case of a drug the prescribed use of which is not approved under the Federal Food, Drug, and Cosmetic Act but is a medically accepted indication, based on information from the appropriate compendia described in subsection (i)(5)), the excluded drug does not have a significant, clinically meaningful therapeutic advantage in terms of safety, effectiveness, or clinical outcome of such treatment for such population over other drugs included in the formulary and there is a written explanation (available to the public) of the basis for the exclusion.

“(D) The State plan permits coverage of a drug excluded from the formulary (other than any drug excluded from coverage or otherwise restricted under paragraph (2)) pursuant to a prior authorization program that is consistent with paragraph (5).

“(E) The formulary meets such other requirements as the Secretary may impose in
order to achieve program savings consistent with protecting the health of program beneficiaries.

A prior authorization program established by a State under paragraph (5) is not a formulary subject to the requirements of this paragraph.

"(5) REQUIREMENTS OF PRIOR AUTHORIZATION PROGRAMS.—The MediGrant plan of a State participating in the MediGrant master rebate agreement may require, as a condition of coverage or payment for a covered outpatient drug for which Federal financial participation is available in accordance with this section the approval of the drug before its dispensing for any medically accepted indication (as defined in subsection (i)(5)) only if the system providing for such approval—

"(A) provides response by telephone or other telecommunication device within 24 hours of a request for prior authorization; and

"(B) except with respect to the drugs on the list referred to in paragraph (2), provides for the dispensing of at least a 72-hour supply of a covered outpatient prescription drug in an emergency situation (as defined by the Secretary).
“(6) OTHER PERMISSIBLE RESTRICTIONS.—A State participating in the MediGrant master rebate agreement may impose limitations, with respect to all such drugs in a therapeutic class, on the minimum or maximum quantities per prescription or on the number of refills, if such limitations are necessary to discourage waste, and may address instances of fraud or abuse by individuals in any manner authorized under this Act.

“(e) DRUG USE REVIEW.—

“(1) IN GENERAL.—A State participating in the MediGrant master rebate agreement may provide for a drug use review program to educate physicians and pharmacists to identify and reduce the frequency of patterns of fraud, abuse, gross overuse, or inappropriate or medically unnecessary care, among physicians, pharmacists, and patients, or associated with specific drugs or groups of drugs, as well as potential and actual severe adverse reactions to drugs.

“(2) APPLICATION OF STATE STANDARDS.—A State with a drug use review program under this subsection shall establish and operate the program under such standards as it may establish.

“(f) ELECTRONIC CLAIMS MANAGEMENT.—In accordance with chapter 35 of title 44, United States Code
(relating to coordination of Federal information policy),
the Secretary shall encourage each State to establish, as
its principal means of processing claims for covered out-
patient drugs under its MediGrant plan, a point-of-sale
electronic claims management system, for the purpose of
performing on-line, real time eligibility verifications,
claims data capture, adjudication of claims, and assisting
pharmacists (and other authorized persons) in applying
for and receiving payment.

"(g) Annual Report.—

"(1) In general.—Not later than May 1 of
each year, the Secretary shall transmit to the Com-
mittee on Finance of the Senate, the Committee on
Commerce of the House of Representatives, and the
Committee on Aging of the Senate a report on the
operation of this section in the preceding fiscal year.

"(2) Details.—Each report shall include infor-
mation on—

"(A) ingredient costs paid under this title
for single source drugs, multiple source drugs,
and nonprescription covered outpatient drugs;

"(B) the total value of rebates received
and number of manufacturers providing such
rebates;
"(C) the effect of inflation on the value of rebates required under this section;

"(D) trends in prices paid under this title for covered outpatient drugs; and

"(E) Federal and State administrative costs associated with compliance with the provisions of this title.

"(h) EXEMPTION FOR CAPITATED HEALTH CARE ORGANIZATIONS, HOSPITALS, AND NURSING FACILITIES.—

"(1) IN GENERAL.—Except as provided in paragraph (2), the requirements of the MediGrant master rebate agreement under this section shall not apply with respect to covered outpatient drugs dispensed by or through—

"(A) a capitated health care organization (as defined in section 2114(c)(1)); or

"(B) a hospital or nursing facility that dispenses covered outpatient drugs using a drug formulary system and bills the State no more than the hospital’s purchasing costs for covered outpatient drugs.

"(2) CONSTRUCTION IN DETERMINING BEST PRICE.—Nothing in paragraph (1) shall be construed as excluding amounts paid by the entities de-
scribed in such paragraph for covered outpatient drugs from the determination of the best price (as defined in subsection (c)(1)(C)) for such drugs.

"(i) **Definitions.—In the section—**

"(1) **Average Manufacturer Price.—** The term ‘average manufacturer price’ means, with respect to a covered outpatient drug of a manufacturer for a rebate period, the average price paid to the manufacturer for the drug in the United States by wholesalers for drugs distributed to the retail pharmacy class of trade, after deducting customary prompt pay discounts.

"(2) **Covered Outpatient Drug.—** Subject to the exceptions in subparagraph (D), the term ‘covered outpatient drug’ means—

“(A) of those drugs which are treated as prescribed drugs for purposes of section 2171(a)(1)(H), a drug which may be dispensed only upon prescription (except as provided in paragraph (7)), and—

“(i) which is approved as a prescription drug under section 505 or 507 of the Federal Food, Drug, and Cosmetic Act;

“(ii)(I) which was commercially used or sold in the United States before the
date of the enactment of the Drug Amendments of 1962 or which is identical, similar, or related (within the meaning of section 310.6(b)(1) of title 21 of the Code of Federal Regulations) to such a drug, and (II) which has not been the subject of a final determination by the Secretary that it is a 'new drug' (within the meaning of section 201(p) of the Federal Food, Drug, and Cosmetic Act) or an action brought by the Secretary under section 301, 302(a), or 304(a) of such Act to enforce section 502(f) or 505(a) of such Act; or

"(iii)(I) which is described in section 107(c)(3) of the Drug Amendments of 1962 and for which the Secretary has determined there is a compelling justification for its medical need, or is identical, similar, or related (within the meaning of section 310.6(b)(1) of title 21 of the Code of Federal Regulations) to such a drug, and (II) for which the Secretary has not issued a notice of an opportunity for a hearing under section 505(e) of the Federal Food, Drug, and Cosmetic Act on a proposed
order of the Secretary to withdraw approval of an application for such drug under such section because the Secretary has determined that the drug is less than effective for some or all conditions of use prescribed, recommended, or suggested in its labeling;

“(B) a biological product, other than a vaccine which—

“(i) may only be dispensed upon prescription,

“(ii) is licensed under section 351 of the Public Health Service Act, and

“(iii) is produced at an establishment licensed under such section to produce such product;

“(C) insulin certified under section 506 of the Federal Food, Drug, and Cosmetic Act; and

“(D) a drug which may be sold without a prescription (commonly referred to as an ‘over-the-counter drug’), if the drug is prescribed by a physician (or other person authorized to prescribe under State law).

“(3) LIMITING DEFINITION.—The term ‘covered outpatient drug’ does not include any drug, biologi-
cal product, or insulin provided as part of, or as incident to and in the same setting as, any of the following (and for which payment may be made under a MediGrant plan as part of payment for the following and not as direct reimbursement for the drug):

"(A) Inpatient hospital services.

"(B) Hospice services.

"(C) Dental services, except that drugs for which the MediGrant plan authorizes direct reimbursement to the dispensing dentist are covered outpatient drugs.

"(D) Physicians' services.

"(E) Outpatient hospital services.

"(F) Nursing facility services and services provided by an intermediate care facility for the mentally retarded.

"(G) Other laboratory and x-ray services.

"(H) Renal dialysis services.

Such term also does not include any such drug or product for which a National Drug Code number is not required by the Food and Drug Administration or a drug or biological used for a medical indication which is not a medically accepted indication. Any drug, biological product, or insulin excluded from the definition of such term as a result of this paragraph
shall be treated as a covered outpatient drug for purposes of determining the best price (as defined in subsection (c)(1)(C)) for such drug, biological product, or insulin.

“(4) MANUFACTURER.—The term ‘manufacturer’ means, with respect to a covered outpatient drug, the entity holding legal title to or possession of the National Drug Code number for such drug.

“(5) MEDICALLY ACCEPTED INDICATION.—The term ‘medically accepted indication’ means any use for a covered outpatient drug which is approved under the Federal Food, Drug, and Cosmetic Act, or the use of which is supported by one or more citations included or approved for inclusion in any of the following compendia:

“(A) American Hospital Formulary Service Drug Information.

“(B) United States Pharmacopeia-Drug Information.

“(C) American Medical Association Drug Evaluations.

“(D) The peer-reviewed medical literature.

“(6) MULTIPLE SOURCE DRUG; INNOVATOR MULTIPLE SOURCE DRUG; NONINNOVATOR MULTIPLE SOURCE DRUG; SINGLE SOURCE DRUG.—
"(A) Defined.—

"(i) Multiple source drug.—The term 'multiple source drug' means, with respect to a rebate period, a covered outpatient drug (not including any drug described in paragraph (2)(D)) for which there are 2 or more drug products which—

"(I) are rated as therapeutically equivalent (under the Food and Drug Administration's most recent publication of 'Approved Drug Products with Therapeutic Equivalence Evaluations'),

"(II) except as provided in subparagraph (B), are pharmaceutically equivalent and bioequivalent, as defined in subparagraph (C) and as determined by the Food and Drug Administration, and

"(III) are sold or marketed in the State during the period.

"(ii) Innovator multiple source drug.—The term 'innovator multiple source drug' means a multiple source drug that was originally marketed under an
original new drug application or product licensing application approved by the Food and Drug Administration.

"(iii) NONINNOVATOR MULTIPLE SOURCE DRUG.—The term 'noninnovator multiple source drug' means a multiple source drug that is not an innovator multiple source drug.

"(iv) SINGLE SOURCE DRUG.—The term 'single source drug' means a covered outpatient drug which is produced or distributed under an original new drug application approved by the Food and Drug Administration, including a drug product marketed by any cross-licensed producers or distributors operating under the new drug application or product licensing application.

"(B) EXCEPTION.—Subparagraph (A)(i)(II) shall not apply if the Food and Drug Administration changes by regulation the requirement that, for purposes of the publication described in subparagraph (A)(i)(I), in order for drug products to be rated as therapeutically equivalent, they must be pharmaceutically
equivalent and bioequivalent, as defined in sub-
paragraph (C).

“(C) DEFINITIONS.—For purposes of this
paragraph—

“(i) drug products are pharmaceuti-
cally equivalent if the products contain
identical amounts of the same active drug
ingredient in the same dosage form and
meet compendial or other applicable stand-
ards of strength, quality, purity, and iden-
tity;

“(ii) drugs are bioequivalent if they do
not present a known or potential
bioequivalence problem, or, if they do
present such a problem, they are shown to
meet an appropriate standard of
bioequivalence; and

“(iii) a drug product is considered to
be sold or marketed in a State if it appears
in a published national listing of average
wholesale prices selected by the Secretary,
if the listed product is generally available
to the public through retail pharmacies in
that State.
“(7) NONPRESCRIPTION DRUGS.—If the MediGrant plan of a State participating in the MediGrant master rebate agreement under this section includes coverage of prescribed drugs as described in section 2171(a)(1)(H) and permits coverage of drugs which may be sold without a prescription (commonly referred to as ‘over-the-counter’ drugs), if they are prescribed by a physician (or other person authorized to prescribe under State law), such a drug shall be regarded as a covered outpatient drug for purposes of the State’s participation in the agreement.

“(8) REBATE PERIOD.—The term ‘rebate period’ means, with respect to an agreement under subsection (a), a calendar quarter or other period specified by the Secretary with respect to the payment of rebates under such agreement.”.

SEC. 16003. TERMINATION OF CURRENT PROGRAM AND TRANSITION.

(a) TERMINATION OF CURRENT PROGRAM; LIMITATION ON MEDICAID PAYMENTS IN FISCAL YEAR 1996.—Title XIX of the Social Security Act is amended—

(1) by redesignating section 1931 as section 1932; and
(2) by inserting after section 1930 the following new section:

"TERMINATION OF MEDICAID PROGRAM; LIMITATION ON NEW OBLIGATION AUTHORITY

"Sec. 1931. (a) ELIMINATION OF INDIVIDUAL ENTITLEMENT.—Effective on the date of the enactment of this section—

"(1) except as provided in subsection (b), the Federal Government has no obligation to provide payment with respect to items and services provided under this title, and

"(2) this title shall not be construed as providing for an entitlement, under Federal law in relation to the Federal Government, in an individual or person (including any provider) at the time of provision or receipt of services.

"(b) LIMITATION ON OBLIGATION AUTHORITY.—Notwithstanding any other provision of this title—

"(1) POST-ENACTMENT, PRE-MEDIGRANT.—Subject to paragraph (2), the Secretary is authorized to enter into obligations with any State under this title for expenses incurred after the date of the enactment of this Act and during fiscal year 1996, but not in excess of the obligation allotment for that State for fiscal year 1996 under section 2121(b)(4).
"(2) NONE AFTER MEDIGRANT.—The Secretary is not authorized to enter into any obligation with any State under this title for expenses incurred on or after the earlier of—

"(A) October 1, 1996; or

"(B) the first day of the first quarter on which the State plan under title XXI is first effective.

"(3) AGREEMENT.—A State's submission of claims for payment under section 1903 after the date of the enactment of this title with respect to which the limitation described in paragraph (1) applies is deemed to constitute the State's acceptance of the obligation limitation under such paragraph (including the formula for computing the amount of such obligation limitation).

"(c) REQUIREMENT FOR TIMELY SUBMITTAL OF CLAIMS.—No payment shall be made to a State under this title with respect to an obligation incurred before the date of the enactment of this section, unless the State has submitted to the Secretary, by not later than June 30, 1996, a claim for Federal financial participation for expenses paid by the State with respect to such obligations. Nothing in subsection (a) or (b) shall be construed as affecting the
obligation of the Federal Government to pay claims described in the previous sentence."

(b) Medicaid Transition.—

(1) Treatment of Certain Causes of Action.—No cause of action under title XIX of the Social Security Act which seeks to require a State to establish or maintain minimum payment rates under such title and which has not become final as of the date of the enactment of this Act shall be brought or continued.

(2) Treatment of Certain Disallowances.—Notwithstanding any provision of law, in the case where payment has been made under section 1903(a) of the Social Security Act to a State before October 1, 1995, and for which a disallowance has not been taken as of such date (or, if so taken, has not been completed by such date), the Secretary of Health and Human Services shall discontinue the disallowance proceeding and, if such disallowance has been taken as of the date of the enactment of this Act, any payment reductions effected shall be rescinded and the payments returned to the State.

(3) Extension of Moratorium.—Section 6408(a)(3) of the Omnibus Budget Reconciliation
Act of 1989, as amended by section 13642 of the Omnibus Budget Reconciliation Act of 1993, is amended by striking “December 31, 1995” and inserting “the first day of the first quarter on which the MediGrant plan for the State of Michigan is first effective under title XXI of such Act”.

(c) No Application of Prior Medicaid Judgments to MediGrant Program.—No judicial or administrative decision rendered regarding requirements imposed under title XIX of the Social Security Act with respect to a State shall have any application to the MediGrant plan of the State title XXI of such Act. A State may, pursuant to the previous sentence, seek the abrogation or modification of any such decision after the date of termination of the State plan under title XIX of such Act.

(d) Termination of Program for Distribution of Pediatric Vaccines

(1) In General.—Subject to paragraph (2), section 1928 of the Social Security Act (42 U.S.C. 1396s) is repealed, effective on the date of the enactment of this Act.

(2) Transition.—(A) Such repeal shall not affect the distribution of vaccines purchased and deliv-
ered to the States before the date of the enactment of this Act.

(B) No vaccine may be purchased after such date by the Federal Government or any State under any contract under section 1928(d) of the Social Security Act.

(e) Anti-Fraud Provisions.—

(1) In general.—Section 1128(h)(1) of the Social Security Act (42 U.S.C. 1320a–7(h)(1)) is amended by inserting “or a MediGrant plan under title XXI” after “title XIX”.

(2) Continued role of Inspector General.—The Inspector General in the Department of Health and Human Services shall have the same responsibilities and duties in relation to fraud and abuse and related matters under the MediGrant program under title XXI of the Social Security Act as such Inspector General has had in relation to the medicaid program under title XIX of such Act before the date of the enactment of this Act.

(f) Final Extension of Medicaid Waiver for Dayton Area Health Plan.—Section 2 of Public Law 102–276, as amended by section 13644 of the Omnibus Budget Reconciliation Act of 1993, is amended by striking “December 31, 1995” and inserting “the last day of the
last calendar quarter in which a State medicaid plan is
in effect in Ohio under title XIX of the Social Security
Act”.

**TITLE XVII—ABOLISHMENT OF DEPARTMENT OF COMMERCE**

**SEC. 17001. SHORT TITLE.**

This title may be cited as the “Department of Com-
merce Dismantling Act”.

**SEC. 17002. TABLE OF CONTENTS.**

The table of contents for this title is as follows:

**TITLE XVII—ABOLISHMENT OF DEPARTMENT OF COMMERCE**

Sec. 17001. Short title.
Sec. 17002. Table of contents.

Subtitle A—Abolishment of Department of Commerce

Sec. 17101. Abolishment of Department of Commerce.
Sec. 17102. Resolution and termination of Department functions.
Sec. 17103. Responsibilities of the Director of the Office of Management and
Budget.
Sec. 17104. Office of Programs Resolution.
Sec. 17105. Personnel.
Sec. 17106. Plans and reports.
Sec. 17107. GAO audit and access to records.
Sec. 17108. Conforming amendments.
Sec. 17109. Privatization framework.
Sec. 17110. Priority placement programs for Federal employees affected by a
reduction in force attributable to this title.
Sec. 17111. Funding reductions for transferred functions.
Sec. 17112. Definitions.

Subtitle B—Disposition of Various Programs, Functions, and Agencies of
Department of Commerce

Sec. 17201. Abolishment of Economic Development Administration and trans-
fer of functions.
Sec. 17202. Technology Administration.
Sec. 17203. Reorganization of the Bureau of the Census.
Sec. 17204. Bureau of Economic Analysis.
Sec. 17205. Terminated functions of NTIA.
Sec. 17206. National Oceanic and Atmospheric Administration.
Sec. 17207. National Institute for Science and Technology.
Sec. 17208. Miscellaneous terminations; moratorium on program activities.

HR 2491 RDS
TITLE XVIII—WELFARE REFORM


H.R. 4, as passed by the House of Representatives on March 24, 1995, is hereby enacted with the following amendments:

(1) In section 101, insert

"(a) IN GENERAL.—" before "Title IV of the Social Security Act".

(2) At the end of section 101, add the following:

(b) SUBMISSION OF STATE PLAN FOR FISCAL YEAR 1996 DEEMED ACCEPTANCE OF GRANT LIMITATIONS AND FORMULA.—The submission of a plan by a State under section 402(a) of the Social Security Act (as in effect pursuant to the amendment made by subsection (a) of this section) for fiscal year 1996 is deemed to constitute the State's acceptance of the grant limitations under section 403(a)(1)(A)(i) of such Act (as so in effect) for fiscal year 1996 (including the formula for computing the amount of the grant).

(3) Strike section 403(a)(1)(A) of the Social Security Act, as proposed to be added by section 101, and insert the following:
"(A) IN GENERAL.—Each eligible State shall be entitled to receive from the Secretary—

"(i) for fiscal year 1996, a grant in an amount equal to—

"(I) the State family assistance grant for fiscal year 1996; minus

"(II) the total amount of obligations to the State under part A of this title (as in effect before the effective date of this part) for fiscal year 1996, other than with respect to amounts expended for child care pursuant to subsection (g) or (i) of section 402 of this title (as so in effect); and

"(ii) for each of fiscal years 1997, 1998, 1999, and 2000, a grant in an amount equal to the State family assistance grant for the fiscal year.

(4) In section 201, insert

"(a) IN GENERAL.—" before “Part B of title IV of the Social Security Act”.

(5) At the end of section 201, add the following:

(b) SUBMISSION OF STATE PLAN FOR FISCAL YEAR 1996 DEEMED ACCEPTANCE OF GRANT LIMITATIONS
AND FORMULA.—The submission of a plan by a State under section 422(a) of the Social Security Act (as in effect pursuant to the amendment made by subsection (a) of this section) for fiscal year 1996 is deemed to constitute the State's acceptance of the grant limitations under section 423(a)(1)(A) of such Act (as so in effect) for fiscal year 1996 (including the formula for computing the amount of the grant).

(6) Strike section 423(a)(1) of the Social Security Act, as proposed to be added by section 201, and insert the following:

"(1) IN GENERAL.—Each eligible State shall be entitled to receive from the Secretary—

"(A) for fiscal year 1996, a grant in an amount equal to—

"(i) the State share of the child protection amount for fiscal year 1996; minus

"(ii) the total amount of obligations to the State under parts B and E of this title (as in effect before the effective date of this part) for fiscal year 1996; and

"(B) for each subsequent fiscal year specified in subsection (b)(1), a grant in an amount equal to the State share of the child protection amount for the fiscal year."
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(7) Strike section 301(b) and insert the following:

(b) AUTHORIZATION OF APPROPRIATIONS.—Section 658B of the Child Care and Development Block Grant Act of 1990 (42 U.S.C. 9858B) is amended to read as follows:

"SEC. 658B. AUTHORIZATION OF APPROPRIATIONS.

"There are authorized to be appropriated to carry out this subchapter $1,804,000,000 for fiscal year 1996 and $2,093,000,000 for each of the fiscal years 1997, 1998, 1999, 2000, 2001, and 2002."

(8) In the matter preceding paragraph (1) of section 3 of the Child Nutrition Act of 1966, as proposed to be amended by section 321, strike "The Secretary" and insert "(a) IN GENERAL.—The Secretary".

(9) At the end of section 3 of the Child Nutrition Act of 1966, as proposed to be amended by section 321, add the following:

"(b) ADDITIONAL REQUIREMENTS.—

"(1) RESTRICTION ON ALLOTMENTS.—

"(A) COMPUTATION.—The Secretary shall provide for the computation of State obligation allotments in accordance with this section for each of the fiscal years 1996 through 2000."
“(B) LIMITATION ON OBLIGATIONS.—The Secretary shall not enter into obligations with any State under this Act for a fiscal year in excess of the obligation allotment for that State for the fiscal year, as determined under subsection (a). The sum of such obligation allotments for all States in any fiscal year shall not exceed the amount appropriated to carry out this Act for that fiscal year.

“(2) AGREEMENT.—The submission of an application by a State under section 4 is deemed to constitute the State’s acceptance of the obligation allotment limitations under this section (including the formula for computing the amount of such obligation allotment).

(10) In the matter preceding paragraph (1) of section 3 of the National School Lunch Act, as proposed to be amended by section 341, strike “The Secretary” and insert “(a) IN GENERAL.—The Secretary”.

(11) At the end of section 3 of the National School Lunch Act, as proposed to be amended by section 341, add the following:

“(b) ADDITIONAL REQUIREMENTS.—

“(1) RESTRICTION ON ALLOTMENTS.—
"(A) COMPUTATION.—The Secretary shall provide for the computation of State obligation allotments in accordance with this section for each of the fiscal years 1996 through 2000.

"(B) LIMITATION ON OBLIGATIONS.—

"(i) IN GENERAL.—Subject to clause (ii), the Secretary shall not enter into obligations with any State under this Act for a fiscal year in excess of the obligation allotment for that State for the fiscal year, as determined under subsection (a). The sum of such obligation allotments for all States in any fiscal year shall not exceed the school-based nutrition amount for that fiscal year.

"(ii) REDUCTION FOR POST-ENACTMENT NEW OBLIGATIONS IN FISCAL YEAR 1996.—

"(I) IN GENERAL.—The amount of the obligation allotment otherwise provided under this section for fiscal year 1996 for a State under this Act (as in effect on and after the date of the enactment of the Personal Responsibility Act of 1995) shall be re-
duced by the amount of the obligations described in subclause (II) that are entered into under this Act or under the Child Nutrition Act of 1966 on or after October 1, 1995, but prior to the date of the enactment of the Personal Responsibility Act of 1995.

"(II) AMOUNT OF OBLIGATIONS DESCRIBED.—(aa) Except as provided in division (bb), the amount of the obligations described in this subclause are 100 percent of the amount of the obligations entered into under this Act and under the Child Nutrition Act of 1966 (except obligations entered into under section 17 of such Act).

"(bb) For purposes of obligations entered into under the summer food service program for children under section 13 of this Act, the child and adult care food program under section 17 of this Act, and the special milk program under section 3 of the Child Nutrition Act of 1966, the amount of the obligations described in this
subclause are 12.5 percent of the amount the obligations entered into under each such program.

"(2) AGREEMENT.—The submission of an application by a State under section 4 is deemed to constitute the State's acceptance of the obligation allotment limitations under this section (including the formula for computing the amount of such obligation allotment).

"(3) TERMINATION OF PROGRAMS; LIMITATION ON NEW OBLIGATION AUTHORITY.—

"(A) ELIMINATION OF INDIVIDUAL ENTITLEMENT.—Effective on the date of the enactment of the Personal Responsibility Act of 1995—

"(i) except as provided in subparagraph (B), the Federal Government has no obligation to provide payment with respect to items and services provided under this Act (as in effect on and after the date of the enactment of the Personal Responsibility Act of 1995); and

"(ii) this Act (as in effect on and after the date of the enactment of the Personal Responsibility Act of 1995) shall not
be construed as providing for an entitlement, under Federal law in relation to the Federal Government, in an individual or person at the time of provision or receipt of services.

"(B) LIMITATION ON OBLIGATION AUTHORITY.—Notwithstanding any other provision of this Act, the Secretary is authorized to enter into obligations with any State under this Act for expenses incurred after the date of the enactment of the Personal Responsibility Act and during fiscal year 1996, but not in excess of the obligation allotment for that State for fiscal year 1996, as determined under subsection (a).

TITLE XIX—CONTRACT WITH AMERICA-TAX RELIEF

SEC. 19001. ENACTMENT OF CONTRACT WITH AMERICA TAX RELIEF ACT OF 1995.

(a) IN GENERAL.—Title VI of H.R. 1215 of the 104th Congress, as passed by the House of Representatives, is hereby enacted with the following modifications to such title:

(1) Strike subtitle E (relating to social security earnings test) and redesignate subtitles F and G as subtitles E and F, respectively.
(2) Strike subsections (c)(2) and (d)(2) of section 6201.

(3) Strike the amendment contained in paragraph (2) of section 6301(d) and insert the following: "Subsection (h) of section 1 is amended by adding at the end the following new sentence: ‘For purposes of this subsection, taxable income shall be computed without regard to the deduction allowed by section 1202.’"

(4) Strike section 6321 (relating to depreciation adjustment for certain property placed in service after December 31, 1994).

(5) Strike part III of subtitle C (relating to alternative minimum tax relief).

(6) Strike subtitle F (as redesignated by paragraph (1)) and insert the following:

"Subtitle F—Tax Reduction Contingent on Deficit Reduction

"SEC. 6701. TAX REDUCTION CONTINGENT ON DEFICIT REDUCTION.

"This title, which is contained within the Act that—

"(1) carries out the concurrent resolution on the budget for fiscal year 1996 that provides that the budget of the United States will be in balance by fiscal year 2002; and
“(2) achieves a level of deficit reduction pursuant to the reconciliation instructions of that concurrent resolution that will result in a budget of the United States that will be in balance by fiscal year 2002; and

“(B) is certified pursuant to the requirements set forth in section 210 of that concurrent resolution, shall take effect as so provided by its effective date provisions.

“SEC. 6702. MONITORING.

“The Committees on the Budget of the House of Representatives and the Senate shall each monitor progress on achieving a balanced budget consistent with the most recently agreed to concurrent resolution on the budget for fiscal year 1996 or any subsequent fiscal year (and the reconciliation Act for that resolution) or the most recently agreed to concurrent resolution on the budget that would achieve a balanced budget by fiscal year 2002 (and the reconciliation Act for that resolution). After consultation with the Director of the Congressional Budget Office, each such committee shall submit a report of its findings to its House and the President on or before December 15, 1995, and annually thereafter. Each such report shall contain the following:
“(1) Estimates of the deficit levels (based on legislation enacted through the date of the report) for each fiscal year through fiscal year 2002.

“(2) An analysis of the variance (if any) between those estimated deficit levels and the levels set forth in the concurrent resolution on the budget for fiscal year 1996 or the most recently agreed to concurrent resolution on the budget that would achieve a balanced budget by fiscal year 2002.

“(3) Policy options to achieve the additional levels of deficit reduction necessary to balance the budget of the United States by fiscal year 2002.

“SEC. 6703. CONGRESSIONAL ACTION.

“Each House of Congress shall incorporate the policy options included in the report of its Committee on the Budget under section 6702(a)(3) (or other policy options) in developing a concurrent resolution on the budget for any fiscal year that achieves the additional levels of deficit reduction necessary to balance the budget of the United States by fiscal year 2002.

“SEC. 6704. PRESIDENTIAL ACTION.

“If the President submits a budget under section 1105(a) of title 31, United States Code, that does not provide for a balanced budget for the United States by fiscal year 2002, then the President shall include with that sub-
mission a complete budget that balances the budget by
that fiscal year.’’

(7) Conform the table of contents accordingly.

(b) TECHNICAL CORRECTION.—Effective with re-
spect to taxable years ending after December 31, 1994,
paragraph (1) of section 1201(b) of the Internal Revenue
Code of 1986, as added by such title VI, is amended to
read as follows:

“(1) IN GENERAL.—In the case of any taxable
year ending after December 31, 1994, and beginning
before January 1, 1996, in applying subsection (a),
net capital gain for such taxable year shall not ex-
ceed such net capital gain determined by taking into
account only gain or loss properly taken into account
for the portion of the taxable year after December
31, 1994.”

SEC. 19002. COMPLIANCE WITH CONCURRENT RESOLUTION
ON THE BUDGET.

(a) IN GENERAL.—For purposes of the Internal Rev-

ence Code of 1986, the taxpayer’s net modified chapter

liability for any taxable year shall be such liability deter-

mined without regard to this section—

(1) increased by 27 percent of the excess (if

any) of—
(A) the amount which would be the taxpayer's net modified chapter 1 liability for such year if such liability were determined without regard to the amendments made by subtitles A, B, C, and D of title VI of H.R. 1215 of the 104th Congress, as passed by the House of Representatives, over

(B) the taxpayer's net modified chapter 1 liability for such year determined without regard to this section, or

(2) reduced by 27 percent of the excess (if any) of the amount described in paragraph (1)(B) over the liability described in paragraph (1)(A).

(b) NET MODIFIED CHAPTER 1 LIABILITY.—For purposes of subsection (a), the term “net modified chapter 1 liability” means the liability for tax under chapter 1 of the Internal Revenue Code of 1986 determined—

(1) without regard to sections 1201 and 1202 of such Code, as amended by such title VI,

(2) without regard to the amendments made by sections 6103 and 6104 of such title VI,

(3) after the application of any credit against such tax other than the credits under sections 31, 33, and 34 of such Code, and
(4) before crediting any payment of estimated
tax for the taxable year.

(c) CAPITAL GAINS.—

(1) CAPITAL GAINS DEDUCTION FOR TAX-
payers other than corporations.—For pur-
poses of applying section 1202 of the Internal Reve-
 nue Code of 1986, as added by such title VI—

(A) in the case of taxable years ending be-
fore January 1, 1996, "42.5 percent" shall be
substituted for "50 percent" in subsection (a)
thereof, and

(B) in the case of taxable years ending
after December 31, 1995, "34.5 percent" shall
be substituted for "50 percent" in subsection
(a) thereof.

(2) ALTERNATIVE CAPITAL GAINS TAX FOR
CORPORATIONS.—

(A) For purposes of applying section 1201
of such Code, as amended by such title VI—

(i) in the case of taxable years ending
before January 1, 1996, "26.5 percent"
shall be substituted for "25 percent" in
subsection (a)(2) thereof, and

(ii) in the case of taxable years ending
after December 31, 1995, "31.9 percent"
shall be substituted for “25 percent” in subsection (a)(2) thereof.

(B) For purposes of applying section 852(b)(3)(D)(iii) of such Code, as amended by such title VI—

(i) in the case of taxable years ending before January 1, 1996, “73.5 percent” shall be substituted for “75 percent” in subsection (a)(2) thereof, and

(ii) in the case of taxable years ending after December 31, 1995, “68.1 percent” shall be substituted for “75 percent” in subsection (a)(2) thereof.

(3) INDEXING.—For purposes of applying section 1022 of such Code, as added by such title VI, only 69 percent of the applicable inflation adjustment under subsection (c)(2) of such section 1022 shall be taken into account.

(4) CONFORMING CHANGES.—Proper adjustments shall be made to the percentages and fractions in the following provisions to reflect the percentages in paragraphs (1) and (2):

(A) Sections 170(c), 1445(e), and 7518(g)(6)(A) of such Code.
(B) Section 607(h)(6)(A) of the Merchant Marine Act, 1936.

(d) AMERICAN DREAM SAVINGS ACCOUNTS.—For purposes of applying section 408A of such Code, as added by such title VI—

(1) only 69 percent of the income on the assets held in an American Dream Savings Account (which would otherwise be includible in gross income) shall be excludible from gross income,

(2) only 69 percent of any distribution attributable to amounts not previously included in gross income shall be entitled to the treatment described in subsection (d)(1) of such section 408A, and

(3) only 69 percent of any payment or distribution referred to in subsection (d)(3)(B) of such section 408A shall be entitled to the treatment described in such subsection.

(e) SPOUSAL INDIVIDUAL RETIREMENT ACCOUNTS.—For purposes of applying sections 219 and 408 of such Code—

(1) only 69 percent of the contributions to an individual retirement plan which are allowable as a deduction solely by reason of the amendments made by section 6104 of such title VI shall be allowed as a deduction, and
(2) only 69 percent of the income on the assets held in an individual retirement plan which are attributable to contributions permitted solely by reason of the amendments made by section 6104 of such title VI (which would otherwise be includible in gross income) shall be excludible from gross income.

(f) ALTERNATIVE MINIMUM TAX.—

(1) IN GENERAL.—In the case of taxable years beginning after December 31, 1994—

(A) in the case of a taxpayer other than a corporation, the tax imposed by section 55 of such Code shall be determined without regard to paragraph (1) of section 56(a) of such Code, and

(B) in the case of a corporation, the tentative minimum tax under section 55 of such Code shall be zero.

(2) DELAY IN BENEFIT OF REPEAL FOR TAXABLE YEARS 1995 AND 1996.—

(A) IN GENERAL.—Paragraph (1) shall not apply to any taxable year beginning before January 1, 1997, but there shall be allowed as a credit against the tax imposed by subtitle A of such Code for each taxable year referred to in
subparagraph (C) an amount equal to the credit determined under subparagraph (B).

(B) AMOUNT OF CREDIT.—The credit determined under this subparagraph for any taxable year to which this paragraph applies is an amount equal to \( \frac{1}{3} \) of the excess (if any) of—

(i) the aggregate tax paid under section 55 of such Code for taxable years beginning after December 31, 1994, and before January 1, 1997, over

(ii) the amount of tax which would have been imposed by such section 55 for such taxable years had paragraph (1) applied to such taxable years.

(C) YEARS CREDIT ALLOWED.—The taxable years referred to in this subparagraph are the first 3 taxable years of the taxpayer beginning after December 31, 1996.

(D) COORDINATION WITH OTHER PROVISIONS.—For purposes of the Internal Revenue Code of 1986, the credit allowed under paragraph (1) shall be treated as a credit allowed under subpart C of part IV of subchapter A of chapter 1 of such Code and as referred to in paragraph (2) of 1324(b) of title 31, United
States Code, immediately before the period at
the end thereof.

(g) **Comparable Treatment for Estate and
Gift Tax Changes.**—A rule similar to the rule of sub-
section (a) shall apply to any reduction in liability for tax
under subtitle B of such Code by reason of the amend-
ments made by section 6351 of such title VI.

**TITLE XX—BUDGET
ENFORCEMENT**

**SEC. 20001. SHORT TITLE; PURPOSE.**

(a) **SHORT TITLE.**—This title may be cited as the
“Seven-Year Balanced Budget Enforcement Act of 1995”.

(b) **PURPOSE.**—This title extends and reduces the
discretionary spending limits and extends the pay-as-you-
go requirements.

**SEC. 20002. DISCRETIONARY SPENDING LIMITS.**

(a) **LIMITS.**—Section 601(a)(2) of the Congressional
Budget Act of 1974 is amended by striking subparagraphs
(A), (B), (C), (D), and (F), by redesignating subpara-
graph (E) as subparagraph (A) and by striking “and” at
the end of that subparagraph, and by inserting after sub-
paragraph (A) the following new subparagraphs:

“(B) with respect to fiscal year 1996, for
the discretionary category: $485,074,000,000 in
new budget authority and $531,768,000,000 in
outlays;

“(C) with respect to fiscal year 1997, for
the discretionary category: $481,423,000,000 in
new budget authority and $519,288,000,000 in
outlays;

“(D) with respect to fiscal year 1998, for
the discretionary category: $489,233,000,000 in
new budget authority and $511,173,000,000 in
outlays;

“(E) with respect to fiscal year 1999, for
the discretionary category: $480,420,000,000 in
new budget authority and $508,695,000,000 in
outlays;

“(F) with respect to fiscal year 2000, for
the discretionary category: $487,347,000,000 in
new budget authority and $512,202,000,000 in
outlays;

“(G) with respect to fiscal year 2001, for
the discretionary category: $494,307,000,000 in
new budget authority and $514,109,000,000 in
outlays; and

“(H) with respect to fiscal year 2002, for
the discretionary category: $496,188,000,000 in
new budget authority and $512,426,000,000 in
outlays;“.

(b) COMMITTEE ALLOCATIONS AND ENFORCE-
MENT.—Section 602 of the Congressional Budget Act of
1974 is amended—

(1) in subsection (c), by striking “1995” and
inserting “2002” and by striking the last sentence;
and

(2) in subsection (d), by striking “1992 TO
1995” in the side heading and inserting “1996 TO
2002” and by striking “1992 through 1995” and in-
serting “1996 through 2002”.

c) TERM OF BUDGET RESOLUTIONS.—Section 606
of the Congressional Budget Act of 1974 is amended—

(1) in its section heading by striking “5-year”
and inserting “term of”;  

(2) in the sideheading of subsection (a), by
striking “5-YEAR” and inserting “TERM OF”; 

(3) in subsection (a), by striking “1992, 1993,
1994, or 1995” and inserting “1996 or any fiscal
year thereafter through 2002” and by inserting “at
least” before “each”; and

(4) in subsection (d)(1), by striking “1992,
1993, 1994, and 1995” and inserting “1996 or any
fiscal year thereafter through 2002”, and by striking “(i) and (ii)”.

(d) EFFECTIVE DATE.—Section 607 of the Congressional Budget Act of 1974 is amended by striking “1991 to 1998” and inserting “1996 to 2002”.

(e) SEQUESTRATION REGARDING VIOLENT CRIME REDUCTION TRUST FUND.—(1) Section 251A(b)(1) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended by striking subparagraphs (B), (C), and (D) and its last sentence and inserting the following:

“(B) For fiscal year 1996, $2,227,000,000.

“(C) For fiscal year 1997, $3,846,000,000.

“(D) For fiscal year 1998, $4,901,000,000.

“(E) For fiscal year 1999, $5,639,000,000.

“(F) For fiscal year 2000, $6,225,000,000.”.

(2) Section 310002 of the Violent Crime Control and Law Enforcement Act of 1994 (42 U.S.C. 14212) is repealed.

(f) CONFORMING AMENDMENT.—The item relating to section 606 in the table of contents set forth in section 1(b) of the Congressional Budget and Impoundment Con-
trol Act of 1974 is amended by striking "5-year" and inser-
ting "Term of".

SEC. 20003. GENERAL STATEMENT AND DEFINITIONS.
(a) GENERAL STATEMENT.—Section 250(b) of the
Balanced Budget and Emergency Deficit Control Act of
1985 is amended by striking the first two sentences and
inserting the following: "This part provides for the en-
forcement of deficit reduction by reducing and extending
the discretionary spending limits though fiscal year 2002
and permanently extending pay-as-you-go requirements."

(b) DEFINITIONS.—Section 250(c) of the Balanced
Budget and Emergency Deficit Control Act of 1985 is
amended—
(1) by striking paragraph (4) and inserting the
following:
"(4) The term 'category' means:
"(A) For fiscal years 1996 through 2000,
all discretionary appropriations except those
subject to section 251A; and
"(B) For fiscal year 2001 and any subse-
quent fiscal year, all discretionary appropria-
tions.";
(2) by striking paragraph (6) and inserting the
following:
“(6) The term ‘budgetary resources’ means new budget authority, unobligated balances, direct spending authority, and obligation limitations.”;

(3) in paragraph (9), by striking “1992” and inserting “1996”; and

(4) in paragraph (14), by striking “through fiscal year 1995”.

SEC. 20004. ENFORCING DISCRETIONARY SPENDING LIMITS.

Section 251 of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended—


(3) in subsection (b)(1), by striking “the following:” and all that follows through “The adjustments” and inserting “the following: the adjustments” and by striking subparagraphs (B) and (C);

2002” and by striking “through 1998” and inserting “through 2002”;

(5) in subsection (b)(2)(E), by striking clauses (i), (ii), and (iii) and by striking “(iv) if, for fiscal years 1994, 1995, 1996, 1997, and 1998” and inserting “If, for fiscal years 1996 through 2002”;

and

(6) in subsection (b)(2)(F), by striking everything after “the adjustment in outlays” and inserting “for a category for a fiscal year is the amount of the excess but not to exceed 0.5 percent of the adjusted discretionary spending limit on outlays for that fiscal year in fiscal year 1996 or any fiscal year thereafter through 2002.”.

SEC. 20005. ENFORCING PAY-AS-YOU-GO.

(a) EXTENSION.—(1) Section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended—

(A) in the side heading of subsection (a), by striking “FISCAL YEARS 1992–1998”; and

(B) in subsection (e), by striking “, for any fiscal year from 1991 through 1998,” and by striking “through 1995”.

(b) ROLLING PAY-AS-YOU-GO SCORECARD.—Section 252(d) of the Balanced Budget and Emergency Deficit
1 Control Act of 1985 is amended by striking “each fiscal year through fiscal year 1998” each place it appears and inserting “the current year (if applicable), the budget year, and each of the first 4 outyears”.

5 SEC. 20006. REPORTS AND ORDERS.

6 Section 254 of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended—

7 (1) in subsection (d)(2), by striking “1998” and inserting “2002”; and

8 (2)(A) in subsection (g)(2)(A), by striking “1998” and inserting “2002”; and

9 (B) in subsection (g)(3), by striking “in each outyear through 1998” and inserting “in each of the 4 ensuing outyears”.

15 SEC. 20007. TECHNICAL CORRECTION.

16 Section 258 of the Balanced Budget and Emergency Deficit Control Act of 1985, entitled “Modification of Presidential Order”, is repealed.

19 SEC. 20008. SPECIAL RULE ON INTERRELATIONSHIP BETWEEN CHANGES IN DISCRETIONARY SPENDING LIMITS AND PAY-AS-YOU-GO REQUIREMENTS.

22 (a)(1) Section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended by adding at the end the following new subsection:
“(f) Special Rule on Interrelationship Between Sections 251, 251A, and 252.—Whenever legislation is enacted during the 104th Congress that decreases the discretionary spending limits for budget authority and outlays for a fiscal year under section 601(a)(2) of the Congressional Budget Act of 1974 or in section 251A(b) of the Balanced Budget and Emergency Deficit Control Act of 1985, or both, then, for purposes of subsection (b), an amount equal to that decrease in the discretionary spending limit for outlays shall be treated as direct spending legislation decreasing the deficit for that fiscal year.”.

(2) Section 310(a) of the Congressional Budget Act of 1974 is amended by striking “or” at the end of paragraph (3), by redesignating paragraph (4) as paragraph (5) and by striking “and (3)” in such redesignated paragraph (5) and inserting “(3), and (4)”, and by inserting after paragraph (3) the following new paragraph:

“(4) carry out section 252(f) of the Balanced Budget and Emergency Deficit Control Act of 1985; or”.

(b) For purposes of section 252(f) of the Balanced Budget and Emergency Deficit Control Act of 1985 (as amended by subsection (a)(1))—

(1) reductions in the discretionary spending limit for outlays under section 601(a)(2) of the Con-
gressional Budget Act of 1974 for each of fiscal years 1999 through 2002 under section 20002 shall be measured as reductions from the discretionary spending limit for outlays for fiscal year 1998 as in effect immediately before the enactment of this Act; and

(2) reductions in the discretionary spending limit for outlays under section 251A(b) of the Balanced Budget and Emergency Deficit Control Act of 1985 for each of fiscal years 1996 through 2000 under section 20002 shall be measured as reductions in outlays for that fiscal year under section 251A(b) as in effect immediately before the enactment of this Act.

SEC. 20009. MEDICARE SAVINGS CANNOT BE USED TO PAY FOR TAX CUTS.

Any net savings in direct spending and receipts in the Medicare program for any fiscal year resulting from the enactment of this Act or H.R. 2425 (as applicable) shall not be counted for purposes of section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985.
SEC. 20010. EFFECTIVE DATE.

(a) Expiration.—Section 275(b) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended—

(1) by striking “Part C of this title, section” and inserting “Sections 251, 253, 258B, and”; and

(2) by striking “1995” and inserting “2002”.

(b) Expiration.—Section 14002(c)(3) of the Omnibus Budget Reconciliation Act of 1993 (2 U.S.C. 900 note) is repealed.

SEC. 20011. APPLICATION OF SECTION 251 ADJUSTMENTS.

Section 251(b)(2) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended by adding at the end the following new subparagraph:

“(H) Special allowance for welfare reform.—If, for any fiscal year, appropriations are enacted for accounts specified in clauses (i) and (ii), the adjustment shall be the sum of:

“(i) the excess of the appropriation for the fiscal year for the Child Care and Development Block Grant over $1,082,000,000, but not to exceed $722,000,000 in fiscal year 1996 or $1,011,000,000 in fiscal year 1997 through 2002; and

“(ii) the excess of the appropriation for the fiscal year for the Family Nutrition Block...
Grant Program over $3,470,000,000, but not to exceed $692,000,000 in fiscal year 1996,
$1,307,000,000 in fiscal year 1997,
$1,466,000,000 in fiscal year 1998,
$1,650,000,000 in fiscal year 1999,
$1,838,000,000 in fiscal year 2000,
$2,075,000,000 in fiscal year 2001, or
$2,324,000,000 in fiscal year 2002;
and the outlays flowing in all years from such excess appropriations (as reduced pursuant to the limitations in clauses (i) and (ii)).”.

SEC. 20012. SPECIAL RULES APPLICABLE TO DEPARTMENT OF DEFENSE SEQUESTRATION.

Section 255 of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended by striking subsection (h) (relating to optional exemption of military personnel) and adding at the end the following new subsection:

“(j) OPTIONAL EXEMPTION FOR MILITARY PERSONNEL.—

“(1) AUTHORITY FOR EXEMPTION.—The President may, with respect to any military personnel account, exempt that account from sequestration or provide for a lower uniform percentage reduction than would otherwise apply.
“(B) The President may not use the authority provided by subparagraph (A) unless he notifies the Congress of the manner in which such authority will be exercised on or before the initial snapshot date for the budget year.

“(2) AUTHORITY FOR MILITARY TECHNICIANS AND MEDICAL PERSONNEL.—

“(A) Whenever the President exempts a military personnel account from sequestration under paragraph (1) and after all other sequestrations to Department of Defense account have been made, the Secretary of Defense may transfer amounts to any appropriation for operation and maintenance for the current fiscal year from amounts available under any other appropriation to the Department of Defense, but—

“(i) amounts so transferred shall be available only for the pay of military technicians, the pay of medical personnel, and other expenses of medical programs (including CHAMPUS); and

“(ii) the total amount transferred to any operations and maintenance appropriation shall not exceed the amount sequestered from such appropriation.
"(C) The authority to make transfers pursuant to subparagraph (A) is in addition to any authority of the Secretary of Defense to make transfers of appropriated funds under any other provision of law.

"(D) The Secretary of Defense may carry out a transfer of funds under subparagraph (A) only after notifying the Committees on Appropriations of the Senate and House of Representatives of the proposed transfer and a period of 20 calendar days in session has elapsed after such notice is received."

SEC. 20013. TREATMENT OF DIRECT STUDENT LOANS.

Section 504 of the Federal Credit Reform Act of 1990 is amended by adding at the end the following new subsection:

"(h) TREATMENT OF DIRECT STUDENT LOANS.—The cost of a direct loan under the Federal direct student loan program shall be the net present value, at the time when the direct loan is disbursed, of the following cash flows for the estimated life of the loan:

"(1) Loan disbursements.

"(2) Repayments of principal.

"(3) Payments of interest and other payments by or to the Government over the life of the loan
after adjusting for estimated defaults, prepayments, fees, penalties, and other recoveries.

"(4) Direct expenses, including—

"(A) activities related to credit extension, loan origination, loan servicing, management of contractors, and payments to contractors, other government entities, and program participants;

"(B) collection of delinquent loans; and

"(C) writeoff and closeout of loans."

SEC. 20014. DEFINITION OF PROGRAMS, PROJECTS, AND ACTIVITIES FOR DEPARTMENT OF DEFENSE APPROPRIATIONS.

For purposes of the Balanced Budget and Emergency Deficit Control Act of 1985, the term program, project, and activity for appropriations contained in any Department of Defense appropriation Act shall be defined as the most specific level of budget items identified in the most recent Department of Defense appropriation Act, the accompanying House and Senate Committee reports, the conference report and accompanying joint explanatory statement of the managers of the committee of conference, the related classified annexes and reports, and the P–1 and R–1 budget justification documents as subsequently modified by congressional action: Provided, That the following exception to the above definition shall apply:
For the Military Personnel and the Operation and Maintenance accounts, the term “program, project, and activity” is defined as the appropriation accounts contained in the most recent Department of Defense appropriation Act: Provided further, That at the time the President submits his budget for any fiscal year, the Department of Defense shall transmit to the Committees on Appropriations and the Committees on Armed Services of the Senate and the House of Representatives a budget justification document to be known as the “O–1” which shall identify, at the budget activity, activity group, and sub-activity group level, the amounts requested by the President to be appropriated to the Department of Defense for operation and maintenance in any budget request, or amended budget request, for that fiscal year.

Passed the House of Representatives October 26, 1995.

Attest: ROBIN H. CARLE, Clerk.
II

Calendar No. 216

S. 1357

To provide for reconciliation pursuant to section 105 of the concurrent resolution on the budget for fiscal year 1996.

IN THE SENATE OF THE UNITED STATES

OCTOBER 23, 1995

Mr. DOMENICI, from the Committee on the Budget, reported the following original bill; which was read twice and placed on the calendar

A BILL

To provide for reconciliation pursuant to section 105 of the concurrent resolution on the budget for fiscal year 1996.

1 Be it enacted by the Senate and House of Representa-
2 tives of the United States of America in Congress assembled,
3 SECTION 1. SHORT TITLE.
4 This Act may be cited as the “Balanced Budget Rec-
5 onciliation Act of 1995”.
6 SEC. 2. TABLE OF TITLES.
7 The table of titles for this Act is as follows:

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1 TITLE I—COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY

4 SEC. 1001. SHORT TITLE; TABLE OF CONTENTS.

5 (a) SHORT TITLE.—This title may be cited as the

6 "Agricultural Reconciliation Act of 1995".

(b) TABLE OF CONTENTS.—The table of contents of

this title is as follows:

Sec. 1001. Short title; table of contents.

Subtitle A—Commodity Programs

Sec. 1101. Eligibility for enrollment in annual programs.
Sec. 1102. Rice program.
Sec. 1103. Cotton program.
Sec. 1104. Feed grain program.
Sec. 1105. Wheat program.
Sec. 1106. Milk program.
Sec. 1107. Oilseeds program.
Sec. 1108. Sugar program.
Sec. 1109. Acreage base and yield system.
Sec. 1110. Extension of related price support provisions.
Sec. 1111. Repeal of miscellaneous authorities.
Sec. 1112. Commodity Credit Corporation interest rate.
Sec. 1113. Peanut program.
Sec. 1114. Catastrophic crop insurance coverage.
Sec. 1115. Savings adjustment.
Sec. 1116. Sense of the Senate regarding tax provisions relating to ethanol.
Sec. 1117. Effective date.

Subtitle B—Conservation


Subtitle C—Agricultural Promotion and Export Programs

Sec. 1301. Market promotion program.
authorized only during fiscal years 1995 through 2005”.

TITLE VII—COMMITTEE ON FINANCE—SPENDING CONTROL PROVISIONS

SEC. 7000. REFERENCES; TABLE OF CONTENTS.

(a) AMENDMENTS TO SOCIAL SECURITY ACT.—Except as otherwise specifically provided, whenever in subtitles A through G of this title an amendment is expressed in terms of an amendment to or repeal of a section or other provision, the reference shall be considered to be made to that section or other provision of the Social Security Act.

1 (e) Table of Contents of Subtitles A through J.—The table of contents of subtitles A through J of this title is as follows:

Title VII—Committee on Finance—Spending Control Provisions

Sec. 7000. References; table of contents.

Subtitle A—Medicare

Chapter 1—Medicare Choice Plans

Subchapter A—Establishment of Medicare Choice Plans

Sec. 7001. Medicare choice plans.
Sec. 7002. Treatment of 1876 organizations.
Sec. 7003. Special rule for calculation of payment rates for 1996.

Subchapter B—Tax Provisions Relating to Medicare Choice Plans

Sec. 7006. Medicare Choice Accounts.
Sec. 7007. Certain rebates included in gross income.

Chapter 2—Provisions Relating to Part A

Subchapter A—General Provisions Relating to Part A

Sec. 7011. PPS hospital payment update.
Sec. 7012. PPS-exempt hospital payments.
Sec. 7013. Capital payments for PPS hospitals.
Sec. 7014. Disproportionate share hospital payments.
Sec. 7015. Indirect medical education payments.
Sec. 7016. Graduate medical education and disproportionate share payment adjustments for Medicare choice.
Sec. 7017. Payments for hospice services.
Sec. 7018. Extending Medicare coverage of, and application of hospital insurance tax to, all State and local government employees.

Subchapter B—Payments to Skilled Nursing Facilities

Sec. 7031. Payments for routine service costs.
Sec. 7032. Incentives for cost-effective management of covered non-routine services.
Sec. 7033. Payments for routine service costs.
Sec. 7034. Reductions in payment for capital-related costs.
Sec. 7035. Treatment of items and services paid for under Part B.
Sec. 7036. Medical review process.
Sec. 7037. Report by Prospective Payment Assessment Commission.
Sec. 7038. Effective date.

Chapter 3—Provisions Relating to Part B

Sec. 7041. Payments for physicians' services.
Sec. 7042. Elimination of formula-driven overpayments for certain outpatient hospital services.
Sec. 7043. Payment for clinical laboratory diagnostic services.
Sec. 7044. Durable medical equipment.
Sec. 7045. Updates for orthotics and prosthetics.
Sec. 7046. Payments for capital-related costs of outpatient hospital services.
Sec. 7047. Payments for non-capital costs of outpatient hospital services.
Sec. 7048. Updates for ambulatory surgical services.
Sec. 7049. Payment for ambulance services.
Sec. 7050. Physician supervision of nurse anesthetists.
Sec. 7051. Part B deductible.
Sec. 7052. Part B premium.
Sec. 7053. Increase in medicare part B premium for high income individuals.

CHAPTER 4—PROVISIONS RELATING TO PARTS A AND B

SUBCHAPTER A—GENERAL PROVISIONS RELATING TO PARTS A AND B

Sec. 7055. Secondary payor provisions.
Sec. 7056. Treatment of assisted suicide.
Sec. 7057. Administrative provisions.

SUBCHAPTER B—PAYMENTS FOR HOME HEALTH SERVICES

Sec. 7061. Payment for home health services.
Sec. 7062. Maintaining savings resulting from temporary freeze on payment increases for home health services.
Sec. 7063. Extension of waiver of presumption of lack of knowledge of exclusion from coverage for home health agencies.

CHAPTER 5—RURAL AREAS

Sec. 7071. Medicare-dependent, small, rural hospital payment extension.
Sec. 7072. Medicare rural hospital flexibility program.
Sec. 7073. Establishment of rural emergency access care hospitals.
Sec. 7074. Additional payments for physicians' services furnished in shortage areas.
Sec. 7075. Payments to physician assistants and nurse practitioners for services furnished in outpatient or home settings.
Sec. 7076. Demonstration projects to promote telemedicine.
Sec. 7077. PROPAC recommendations on urban medicare dependent hospitals.

CHAPTER 6—HEALTH CARE FRAUD AND ABUSE PREVENTION

Sec. 7100. Short title.

SUBCHAPTER A—FRAUD AND ABUSE CONTROL PROGRAM

Sec. 7101. Fraud and abuse control program.
Sec. 7102. Application of certain health anti-fraud and abuse sanctions to fraud and abuse against Federal health programs.
Sec. 7103. Health care fraud and abuse guidance.

SUBCHAPTER B—REVISIONS TO CURRENT SANCTIONS FOR FRAUD AND ABUSE

Sec. 7111. Mandatory exclusion from participation in medicare and State health care programs.
Sec. 7112. Establishment of minimum period of exclusion for certain individuals and entities subject to permissive exclusion from medicare and State health care programs.
Sec. 7113. Permissive exclusion of individuals with ownership or control interest in sanctioned entities.
Sec. 7114. Sanctions against practitioners and persons for failure to comply with statutory obligations.
Sec. 7115. Intermediate sanctions for medicare health maintenance organizations.
Sec. 7116. Clarification of and additions to exceptions to anti-kickback penalties.
Sec. 7117. Effective date.

SUBCHAPTER C—ADMINISTRATIVE AND MISCELLANEOUS PROVISIONS

Sec. 7121. Establishment of the health care fraud and abuse data collection program.

SUBCHAPTER D—CIVIL MONETARY PENALTIES

Sec. 7131. Social Security Act civil monetary penalties.

SUBCHAPTER E—AMENDMENTS TO CRIMINAL LAW

Sec. 7141. Health care fraud.
Sec. 7142. Forfeitures for Federal health care offenses.
Sec. 7143. Injunctive relief relating to Federal health care offenses.
Sec. 7144. Grand jury disclosure.
Sec. 7145. False statements.
Sec. 7146. Obstruction of criminal investigations of Federal health care offenses.
Sec. 7147. Theft or embezzlement.
Sec. 7148. Laundering of monetary instruments.
Sec. 7149. Authorized investigative demand procedures.

SUBCHAPTER F—STATE HEALTH CARE FRAUD CONTROL UNITS

Sec. 7151. State health care fraud control units.

CHAPTER 7—OTHER PROVISIONS FOR TRUST FUND SOLVENCY

SUBCHAPTER A—GENERAL PROVISIONS

Sec. 7171. Conforming age for eligibility under medicare to retirement age for social security benefits.
Sec. 7172. Nondischargeability of certain medicare debts.
Sec. 7173. Transfers of certain part B savings to hospital insurance trust fund.

SUBCHAPTER B—BUDGET EXPENDITURE LIMITING TOOL

Sec. 7175. Budget expenditure limiting tool.

Subtitle B—Transformation of the Medicaid Program

Sec. 7190. Short title.
Sec. 7191. Transformation of medicaid program.
Sec. 7192. Medicaid drug rebate program.
Sec. 7193. Waivers.
Sec. 7194. Children with special health care needs.
Sec. 7195. CBO reports.

Subtitle C—Block Grants for Temporary Assistance for Needy Families

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Sec. 7200. Short title.
Sec. 7201. Block grants to States.
Sec. 7202. Services provided by charitable, religious, or private organizations.
Sec. 7203. Limitations on use of funds for certain purposes.
Sec. 7204. Census data on grandparents as primary caregivers for their grandchildren.
Sec. 7205. Study of effect of welfare reform on grandparents as primary caregivers.
Sec. 7206. Development of prototype of counterfeit-resistant social security card required.
Sec. 7208. Modifications to the job opportunities for certain low-income individuals program.
Sec. 7209. Demonstration projects for school utilization.
Sec. 7210. Corrective compliance plan.
Sec. 7211. Parental responsibility contracts.
Sec. 7212. Expenditure of Federal funds in accordance with laws and procedures applicable to expenditure of State funds.
Sec. 7213. Conforming amendments to the Social Security Act.
Sec. 7214. Conforming amendments to the Food Stamp Act of 1977 and related provisions.
Sec. 7215. Conforming amendments to other laws.
Sec. 7216. Secretarial submission of legislative proposal for technical and conforming amendments.
Sec. 7217. Effective date; transition rule.

Subtitle D—Supplemental Security Income

CHAPTER 1—ELIGIBILITY RESTRICTIONS

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Sec. 7252. Denial of SSI benefits for 10 years to individuals found to have fraudulently misrepresented residence in order to obtain benefits simultaneously in 2 or more States.
Sec. 7253. Denial of SSI benefits for fugitive felons and probation and parole violators.
Sec. 7254. Effective dates; application to current recipients.

CHAPTER 2—BENEFITS FOR DISABLED CHILDREN

Sec. 7261. Definition and eligibility rules.
Sec. 7262. Eligibility redeterminations and continuing disability reviews.
Sec. 7263. Additional accountability requirements.

CHAPTER 3—STUDIES REGARDING SUPPLEMENTAL SECURITY INCOME PROGRAM

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Sec. 7273. Study of disability determination process.
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Sec. 7295. Eligibility for supplemental security income benefits based on social security retirement age.

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Sec. 7311. State case registry.
Sec. 7312. Collection and disbursement of support payments.
Sec. 7313. State directory of new hires.
Sec. 7314. Amendments concerning income withholding.
Sec. 7315. Locator information from interstate networks.
Sec. 7316. Expansion of the Federal parent locator service.
Sec. 7317. Collection and use of social security numbers for use in child support enforcement.

CHAPTER 3—STREAMLINING AND UNIFORMITY OF PROCEDURES

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Sec. 7322. Improvements to full faith and credit for child support orders.
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CHAPTER 4—Paternity Establishment

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Sec. 7481. Sense of the Senate regarding correction of cost of living adjustments.
1995, rather than the funds authorized by this subtitle.

(c) SUNSET.—The amendment made by section 7201(b) shall be effective only during the 5-year period beginning on October 1, 1995.

Subtitle D—Supplemental Security Income

CHAPTER 1—ELIGIBILITY RESTRICTIONS

SEC. 7251. DENIAL OF SUPPLEMENTAL SECURITY INCOME BENEFITS BY REASON OF DISABILITY TO DRUG ADDICTS AND ALCOHOLICS.

(a) IN GENERAL.—Section 1614(a)(3) (42 U.S.C. 1382c(a)(3)) is amended by adding at the end the following:

“(I) Notwithstanding subparagraph (A), an individual shall not be considered to be disabled for purposes of this title if alcoholism or drug addiction would (but for this subparagraph) be a contributing factor material to the Commissioner’s determination that the individual is disabled.”.

(b) REPRESENTATIVE PAYEE REQUIREMENTS.—

(1) Section 1631(a)(2)(A)(ii)(II) (42 U.S.C. 1383(a)(2)(A)(ii)(II)) is amended to read as follows:

“(II) In the case of an individual eligible for benefits under this title by reason of disability, if such individual...
also has an alcoholism or drug addiction condition (as determined by the Commissioner of Social Security), the payment of such benefits to a representative payee shall be deemed to serve the interest of the individual. In any case in which such payment is so deemed under this subclause to serve the interest of an individual, the Commissioner shall include, in the individual's notification of such eligibility, a notice that such alcoholism or drug addiction condition accompanies the disability upon which such eligibility is based and that the Commissioner is therefore required to pay the individual's benefits to a representative payee.”.

(2) Section 1631(a)(2)(B)(vii) (42 U.S.C. 1383(a)(2)(B)(vii)) is amended by striking “eligible for benefits” and all that follows through “is disabled” and inserting “described in subparagraph (A)(ii)(II)”.

(3) Section 1631(a)(2)(B)(ix)(II) (42 U.S.C. 1383(a)(2)(B)(ix)(II)) is amended by striking all that follows “15 years, or” and inserting “described in subparagraph (A)(ii)(II)”.

(4) Section 1631(a)(2)(D)(i)(II) (42 U.S.C. 1383(a)(2)(D)(i)(II)) is amended by striking “eligible for benefits” and all that follows through “is dis-
abled” and inserting “described in subparagraph (A)(ii)(II)”.

(c) TREATMENT SERVICES FOR INDIVIDUALS WITH A SUBSTANCE ABUSE CONDITION.—

(1) IN GENERAL.—Title XVI (42 U.S.C. 1381 et seq.) is amended by adding at the end the following new section:

"TREATMENT SERVICES FOR INDIVIDUALS WITH A SUBSTANCE ABUSE CONDITION

SEC. 1636. (a) In the case of any individual eligible for benefits under this title by reason of disability who is identified as having a substance abuse condition, the Commissioner of Social Security shall make provision for referral of such individual to the appropriate State agency administering the State plan for substance abuse treatment services approved under subpart II of part B of title XIX of the Public Health Service Act (42 U.S.C. 300x–21 et seq.).

(b) No individual described in subsection (a) shall be an eligible individual or eligible spouse for purposes of this title if such individual refuses without good cause to accept the referred services described under subsection (a).

(2) CONFORMING AMENDMENT.—Section 1614(a)(4) (42 U.S.C. 1382c(a)(4)) is amended by inserting after the second sentence the following new

...
sentence: “For purposes of the preceding sentence, any individual identified by the Commissioner as having a substance abuse condition shall seek and complete appropriate treatment as needed.”.

(d) CONFORMING AMENDMENTS.—

(1) Section 1611(e) (42 U.S.C. 1382(e)) is amended by striking paragraph (3).

(2) Section 1634 (42 U.S.C. 1383c) is amended by striking subsection (e).

(3) Section 201(c)(1) of the Social Security Independence and Program Improvements Act of 1994 (42 U.S.C. 425 note) is amended—

(A) by striking “—” and all that follows through “(A)” the 1st place it appears;

(B) by striking “and” the 3rd place it appears;

(C) by striking subparagraph (B);

(D) by striking “either subparagraph (A) or subparagraph (B)” and inserting “the preceding sentence”; and

(E) by striking “subparagraph (A) or (B)” and inserting “the preceding sentence”.

(e) SUPPLEMENTAL FUNDING FOR ALCOHOL AND SUBSTANCE ABUSE TREATMENT PROGRAMS.—
(1) IN GENERAL.—Out of any money in the Treasury not otherwise appropriated, there are hereby appropriated to supplement State and Tribal programs funded under section 1933 of the Public Health Service Act (42 U.S.C. 300x–33), $50,000,000 for each of the fiscal years 1997 and 1998.

(2) ADDITIONAL FUNDS.—Amounts appropriated under paragraph (1) shall be in addition to any funds otherwise appropriated for allotments under section 1933 of the Public Health Service Act (42 U.S.C. 300x–33) and shall be allocated pursuant to such section 1933.

(3) USE OF FUNDS.—A State or Tribal government receiving an allotment under this subsection shall consider as priorities, for purposes of expending funds allotted under this subsection, activities relating to the treatment of the abuse of alcohol and other drugs.
SEC. 7252. DENIAL OF SSI BENEFITS FOR 10 YEARS TO INDIVIDUALS FOUND TO HAVE FRAUDULENTLY MISREPRESENTED RESIDENCE IN ORDER TO OBTAIN BENEFITS SIMULTANEOUSLY IN 2 OR MORE STATES.

Section 1614(a) (42 U.S.C. 1382c(a)) is amended by adding at the end the following new paragraph:

"(5) An individual shall not be considered an eligible individual for purposes of this title during the 10-year period beginning on the date the individual is convicted in Federal or State court of having made a fraudulent statement or representation with respect to the place of residence of the individual in order to receive assistance simultaneously from 2 or more States under programs that are funded under part A of title IV, title XXI, or the Food Stamp Act of 1977, or benefits in 2 or more States under the supplemental security income program under title XVI.".

SEC. 7253. DENIAL OF SSI BENEFITS FOR FUGITIVE FELONS AND PROBATION AND PAROLE VIOLATORS.

(a) IN GENERAL.—Section 1611(e) (42 U.S.C. 1382(e)), as amended by section 7251(c)(1), is amended by inserting after paragraph (2) the following new paragraph:
"(3) A person shall not be an eligible individual or eligible spouse for purposes of this title with respect to any month if during such month the person is—

"(A) fleeing to avoid prosecution, or custody or confinement after conviction, under the laws of the place from which the person flees, for a crime, or an attempt to commit a crime, which is a felony under the laws of the place from which the person flees, or which, in the case of the State of New Jersey, is a high misdemeanor under the laws of such State; or

"(B) violating a condition of probation or parole imposed under Federal or State law.”.

(b) EXCHANGE OF INFORMATION WITH LAW ENFORCEMENT AGENCIES.—Section 1631(e) of title 42, subtitle C, chapter 13, subchapter X, section 1383(e), is amended by inserting after the words ‘‘(3)’’ the following new paragraph:

"(4) Notwithstanding any other provision of law, the Commissioner shall furnish any Federal, State, or local law enforcement officer, upon the request of the officer, with the current address, Social Security number, and photograph (if applicable) of any recipient of benefits under this title, if the officer furnishes the agency with the name of the recipient and notifies the agency that—

"(A) the recipient—
“(i) is fleeing to avoid prosecution, or custody or confinement after conviction, under the laws of the place from which the person flees, for a crime, or an attempt to commit a crime, which is a felony under the laws of the place from which the person flees, or which, in the case of the State of New Jersey, is a high misdemeanor under the laws of such State;

“(ii) is violating a condition of probation or parole imposed under Federal or State law; or

“(iii) has information that is necessary for the officer to conduct the officer’s official duties; and

“(B) the location or apprehension of the recipient is within the officer’s official duties.”.

SEC. 7254. EFFECTIVE DATES; APPLICATION TO CURRENT RECIPIENTS.

(a) Section 7251.—

(1) In general.—Except as provided in paragraphs (2) and (3), the amendments made by section 7251 shall apply to applicants for benefits for months beginning on or after the date of the enactment of this Act, without regard to whether regulations have been issued to implement such amendments.
(2) APPLICATION TO CURRENT RECIPIENTS.—

(A) APPLICATION AND NOTICE.—Notwithstanding any other provision of law, in the case of an individual who is receiving supplemental security income benefits under title XVI of the Social Security Act as of the date of the enactment of this Act and whose eligibility for such benefits would terminate by reason of the amendments made by section 7251, such amendments shall apply with respect to the benefits of such individual, including such individual’s treatment (if any) provided pursuant to such title as in effect on the day before the date of such enactment, for months beginning on or after January 1, 1997, and the Commissioner of Social Security shall so notify the individual not later than 90 days after the date of the enactment of this Act.

(B) REAPPLICATION.—

(i) IN GENERAL.—Not later than 120 days after the date of the enactment of this Act, each individual notified pursuant to subparagraph (A) who desires to reapply for benefits under title XVI of the Social Security Act, as amended by this
title, shall reapply to the Commissioner of Social Security.

(ii) **DETERMINATION OF ELIGIBILITY.**—Not later than 1 year after the date of the enactment of this Act, the Commissioner of Social Security shall determine the eligibility of each individual who reapply for benefits under clause (i) pursuant to the procedures of such title.

(3) **ADDITIONAL APPLICATION OF PAYEE REPRESENTATIVE REQUIREMENTS.**—The amendments made by section 7251(b) shall also apply—

(A) in the case of any individual who is receiving supplemental security income benefits under title XVI of the Social Security Act as of the date of the enactment of this Act, on and after the date of such individual's first continuing disability review occurring after such date of enactment, and

(B) in the case of any individual who receives supplemental security income benefits under title XVI of the Social Security Act and has attained age 65, in such manner as determined appropriate by the Commissioner of Social Security.
(b) OTHER AMENDMENTS.—The amendments made by sections 7252 and 7253 shall take effect on the date of the enactment of this Act.

CHAPTER 2—BENEFITS FOR DISABLED CHILDREN

SEC. 7261. DEFINITION AND ELIGIBILITY RULES.

(a) DEFINITION OF CHILDHOOD DISABILITY.—Section 1614(a)(3) (42 U.S.C. 1382c(a)(3)), as amended by section 7251(a), is amended—

(1) in subparagraph (A), by striking “An individual” and inserting “Except as provided in subparagraph (C), an individual”; 

(2) in subparagraph (A), by striking “(or, in the case of an individual under the age of 18, if he suffers from any medically determinable physical or mental impairment of comparable severity)”;

(3) by redesignating subparagraphs (C) through (I) as subparagraphs (D) through (J), respectively;

(4) by inserting after subparagraph (B) the following new subparagraph:

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

(5) in subparagraph (F), as redesignated by paragraph (3), by striking “(D)” and inserting “(E)”.

(b) CHANGES TO CHILDHOOD SSI REGULATIONS.—

(1) MODIFICATION TO MEDICAL CRITERIA FOR EVALUATION OF MENTAL AND EMOTIONAL DISORDERS.—The Commissioner of Social Security shall modify sections 112.00C.2. and 112.02B.2.c.(2) of appendix 1 to subpart P of part 404 of title 20, Code of Federal Regulations, to eliminate references to maladaptive behavior in the domain of personal/behavioral function.


(c) EFFECTIVE DATE; REGULATIONS; APPLICATION TO CURRENT RECIPIENTS.—

(1) IN GENERAL.—The amendments made by subsections (a) and (b) shall apply to applicants for benefits for months beginning on or after the date

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of the enactment of this Act, without regard to whether regulations have been issued to implement such amendments.

(2) REGULATIONS.—The Commissioner of Social Security shall issue such regulations as the Commissioner determines to be necessary to implement the amendments made by subsections (a) and (b) not later than 60 days after the date of the enactment of this Act.

(3) APPLICATION TO CURRENT RECIPIENTS.—

(A) ELIGIBILITY DETERMINATIONS.—Not later than 1 year after the date of the enactment of this Act, the Commissioner of Social Security shall redetermine the eligibility of any individual under age 18 who is receiving supplemental security income benefits based on a disability under title XVII of the Social Security Act as of the date of the enactment of this Act and whose eligibility for such benefits may terminate by reason of the amendments made by subsection (a) or (b). With respect to any redetermination under this subparagraph—

(i) section 1614(a)(4) of the Social Security Act (42 U.S.C. 1382c(a)(4)) shall not apply;
(ii) the Commissioner of Social Security shall apply the eligibility criteria for new applicants for benefits under title XVI of such Act;

(iii) the Commissioner shall give such redetermination priority over all continuing eligibility reviews and other reviews under such title; and

(iv) such redetermination shall be counted as a review or redetermination otherwise required to be made under section 208 of the Social Security Independence and Program Improvements Act of 1994 or any other provision of title XVI of the Social Security Act.

(B) GRANDFATHER PROVISION.—The amendments made by subsections (a) and (b), and the redetermination under subparagraph (A), shall only apply with respect to the benefits of an individual described in subparagraph (A) for months beginning on or after January 1, 1997.

(C) NOTICE.—Not later than 90 days after the date of the enactment of this Act, the Commissioner of Social Security shall notify an indi-
SEC. 7262. ELIGIBILITY REDETERMINATIONS AND CONTINUING DISABILITY REVIEWS.

(a) CONTINUING DISABILITY REVIEWS RELATING TO CERTAIN CHILDREN.—Section 1614(a)(3)(H) (42 U.S.C. 1382c(a)(3)(H)), as redesignated by section 7261(a)(3), is amended—

(1) by inserting “(i)” after “(H)”; and

(2) by adding at the end the following new clause:

“(ii)(I) Not less frequently than once every 3 years, the Commissioner shall review in accordance with paragraph (4) the continued eligibility for benefits under this title of each individual who has not attained 18 years of age and is eligible for such benefits by reason of an impairment (or combination of impairments) which may improve (or, which is unlikely to improve, at the option of the Commissioner).

“(II) A parent or guardian of a recipient whose case is reviewed under this clause shall present, at the time of review, evidence demonstrating that the recipient is, and has been, receiving treatment, to the extent considered medically necessary and available, of the condition
which was the basis for providing benefits under this title.”.

(b) **Disability Eligibility Redeterminations Required for SSI Recipients Who Attain 18 Years of Age.**—

(1) **In general.**—Section 1614(a)(3)(H) (42 U.S.C. 1382c(a)(3)(H)), as amended by subsection (a), is amended by adding at the end the following new clause:

“(iii) If an individual is eligible for benefits under this title by reason of disability for the month preceding the month in which the individual attains the age of 18 years, the Commissioner shall redetermine such eligibility—

“(I) during the 1-year period beginning on the individual’s 18th birthday; and

“(II) by applying the criteria used in determining the initial eligibility for applicants who have attained the age of 18 years.

With respect to a redetermination under this clause, paragraph (4) shall not apply and such redetermination shall be considered a substitute for a review or redetermination otherwise required under any other provision of this subparagraph during that 1-year period.”.

(2) **Conforming Repeal.**—Section 207 of the Social Security Independence and Program Improve-

(c) CONTINUING DISABILITY REVIEW REQUIRED FOR LOW BIRTH WEIGHT BABIES.—Section 1614(a)(3)(H) (42 U.S.C. 1382c(a)(3)(H)), as amended by subsections (a) and (b), is amended by adding at the end the following new clause:

“(iv)(I) Not later than 12 months after the birth of an individual, the Commissioner shall review in accordance with paragraph (4) the continuing eligibility for benefits under this title by reason of disability of such individual whose low birth weight is a contributing factor material to the Commissioner’s determination that the individual is disabled.

“(II) A review under subclause (I) shall be considered a substitute for a review otherwise required under any other provision of this subparagraph during that 12-month period.

“(III) A parent or guardian of a recipient whose case is reviewed under this clause shall present, at the time of review, evidence demonstrating that the recipient is, and has been, receiving treatment, to the extent considered medically necessary and available, of the condition which was the basis for providing benefits under this title.”.
(d) **Effective Date.**—The amendments made by this section shall apply to benefits for months beginning on or after the date of the enactment of this Act, without regard to whether regulations have been issued to implement such amendments.

**Sec. 7263. Additional Accountability Requirements.**

(a) **Tightening of Representative Payee Requirements.**—

1. (1) **Clarification of role.**—Section 1631(a)(2)(B)(ii) (42 U.S.C. 1383(a)(2)(B)(ii)) is amended by striking "and" at the end of subclause (II), by striking the period at the end of subclause (IV) and inserting "; and", and by adding after subclause (IV) the following new subclause:

"(V) advise such person through the notice of award of benefits, and at such other times as the Commissioner of Social Security deems appropriate, of specific examples of appropriate expenditures of benefits under this title and the proper role of a representative payee."

2. (2) **Documentation of expenditures required.**—

(A) **In general.**—Subparagraph (C)(i) of section 1631(a)(2) (42 U.S.C. 1383(a)(2)) is amended to read as follows:
"(C)(i) In any case where payment is made to a representative payee of an individual or spouse, the Commissioner of Social Security shall—

"(I) require such representative payee to document expenditures and keep contemporaneous records of transactions made using such payment; and

"(II) implement statistically valid procedures for reviewing a sample of such contemporaneous records in order to identify instances in which such representative payee is not properly using such payment."

(B) CONFORMING AMENDMENT WITH RESPECT TO PARENT PAYEES.—Clause (ii) of section 1631(a)(2)(C) (42 U.S.C. 1383(a)(2)(C)) is amended by striking "Clause (i)" and inserting "Subclauses (II) and (III) of clause (i)".

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to benefits paid after the date of the enactment of this Act.

(b) DEDICATED SAVINGS ACCOUNTS.—

(1) IN GENERAL.—Section 1631(a)(2)(B) (42 U.S.C. 1383(a)(2)(B)) is amended by adding at the end the following new clause:
“(xiv) Notwithstanding clause (x), the Commissioner of Social Security may, at the request of the representative payee, pay any lump sum payment for the benefit of a child into a dedicated savings account that could only be used to purchase for such child—

“(I) education and job skills training;
“(II) special equipment or housing modifications or both specifically related to, and required by the nature of, the child’s disability; and
“(III) appropriate therapy and rehabilitation.”.

(2) DISREGARD OF TRUST FUNDS.—Section 1613(a) (42 U.S.C. 1382b) is amended—

(A) by striking “and” at the end of paragraph (9),

(B) by striking the period at the end of paragraph (10) the first place it appears and inserting a semicolon,

(C) by redesignating paragraph (10) the second place it appears as paragraph (11) and striking the period at the end of such paragraph and inserting “; and”, and

(D) by inserting after paragraph (11), as so redesignated, the following new paragraph:
“(12) all amounts deposited in, or interest credited to, a dedicated savings account described in section 1631(a)(2)(B)(xiv).”.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to payments made after the date of the enactment of this Act.

CHAPTER 3—STUDIES REGARDING SUPPLEMENTAL SECURITY INCOME PROGRAM

SEC. 7271. ANNUAL REPORT ON THE SUPPLEMENTAL SECURITY INCOME PROGRAM.

Title XVI is amended by adding at the end the following new section:

"SEC. 1636. ANNUAL REPORT ON PROGRAM.

"(a) DESCRIPTION OF REPORT.—Not later than May 30 of each year, the Commissioner of Social Security shall prepare and deliver a report annually to the President and the Congress regarding the program under this title, including—

"(1) a comprehensive description of the program;

"(2) historical and current data on allowances and denials, including number of applications and allowance rates at initial determinations, reconsider-
ations, administrative law judge hearings, council of appeals hearings, and Federal court appeal hearings;

"(3) historical and current data on characteristics of recipients and program costs, by recipient group (aged, blind, work disabled adults, and children);

"(4) projections of future number of recipients and program costs, through at least 25 years;

"(5) number of redeterminations and continuing disability reviews, and the outcomes of such redeterminations and reviews;

"(6) data on the utilization of work incentives;

"(7) detailed information on administrative and other program operation costs;

"(8) summaries of relevant research undertaken by the Social Security Administration, or by other researchers;

"(9) State supplementation program operations;

"(10) a historical summary of statutory changes to this title; and

"(11) such other information as the Commissioner deems useful.

"(b) VIEWS OF MEMBERS OF THE SOCIAL SECURITY ADVISORY COUNCIL.—Each member of the Social Security Advisory Council shall be permitted to provide an indi-
vidual report, or a joint report if agreed, of views of the
program under this title, to be included in the annual re-
port under this section.”.

SEC. 7272. IMPROVEMENTS TO DISABILITY EVALUATION.

(a) REQUEST FOR COMMENTS.—

(1) IN GENERAL.—Not later than 60 days after
the date of the enactment of this Act, the Commiss-
ioner of Social Security shall issue a request for
comments in the Federal Register regarding im-
provements to the disability evaluation and deter-
mination procedures for individuals under age 18 to
ensure the comprehensive assessment of such indi-
viduals, including—

(A) additions to conditions which should be
presumptively disabling at birth or ages 0
through 3 years;

(B) specific changes in individual listings
in the Listing of Impairments set forth in ap-
pendix 1 of subpart P of part 404 of title 20,
Code of Federal Regulations;

(C) improvements in regulations regarding
determinations based on regulations providing
for medical and functional equivalence to such
Listing of Impairments, and consideration of
multiple impairments; and
(D) any other changes to the disability determination procedures.

(2) REVIEW AND REGULATORY ACTION.—The Commissioner of Social Security shall promptly review such comments and issue any regulations implementing any necessary changes not later than 18 months after the date of the enactment of this Act.

SEC. 7273. STUDY OF DISABILITY DETERMINATION PROCESS.

(a) IN GENERAL.—Not later than 90 days after the date of the enactment of this Act, and from funds otherwise appropriated, the Commissioner of Social Security shall make arrangements with the National Academy of Sciences, or other independent entity, to conduct a study of the disability determination process under titles II and XVI of the Social Security Act. This study shall be undertaken in consultation with professionals representing appropriate disciplines.

(b) STUDY COMPONENTS.—The study described in subsection (a) shall include—

(1) an initial phase examining the appropriateness of, and making recommendations regarding—

(A) the definitions of disability in effect on the date of the enactment of this Act and the
advantages and disadvantages of alternative definitions; and

(B) the operation of the disability determination process, including the appropriate method of performing comprehensive assessments of individuals under age 18 with physical and mental impairments;

(2) a second phase, which may be concurrent with the initial phase, examining the validity, reliability, and consistency with current scientific knowledge of the standards and individual listings in the Listing of Impairments set forth in appendix 1 of subpart P of part 404 of title 20, Code of Federal Regulations, and of related evaluation procedures as promulgated by the Commissioner of Social Security; and

(3) such other issues as the applicable entity considers appropriate.

(c) REPORTS AND REGULATIONS.—

(1) REPORTS.—The Commissioner of Social Security shall request the applicable entity, to submit an interim report and a final report of the findings and recommendations resulting from the study described in this section to the President and the Congress not later than 18 months and 24 months, re-
spectively, from the date of the contract for such study, and such additional reports as the Commissioner deems appropriate after consultation with the applicable entity.

(2) REGULATIONS.—The Commissioner of Social Security shall review both the interim and final reports, and shall issue regulations implementing any necessary changes following each report.

SEC. 7274. STUDY BY GENERAL ACCOUNTING OFFICE.

Not later than January 1, 1998, the Comptroller General of the United States shall study and report on the impact of the amendments made by, and the provisions of, this title on the supplemental security income program under title XVI of the Social Security Act.

CHAPTER 4—NATIONAL COMMISSION ON THE FUTURE OF DISABILITY

SEC. 7281. ESTABLISHMENT.

There is established a commission to be known as the National Commission on the Future of Disability (referred to in this subtitle as the "Commission"), the expenses of which shall be paid from funds otherwise appropriated for the Social Security Administration.

SEC. 7282. DUTIES OF THE COMMISSION.

(a) IN GENERAL.—The Commission shall develop and carry out a comprehensive study of all matters related
to the nature, purpose, and adequacy of all Federal pro-
grams serving individuals with disabilities. In particular,
the Commission shall study the disability insurance pro-
gram under title II of the Social Security Act and the sup-
plemental security income program under title XVI of
such Act.

(b) MATTERS STUDIED.—The Commission shall pre-
pare an inventory of Federal programs serving individuals
with disabilities, and shall examine—

(1) trends and projections regarding the size
and characteristics of the population of individuals
with disabilities, and the implications of such analy-
ses for program planning;

(2) the feasibility and design of performance
standards for the Nation’s disability programs;

(3) the adequacy of Federal efforts in rehabili-
tation research and training, and opportunities to
improve the lives of individuals with disabilities
through all manners of scientific and engineering re-
search; and

(4) the adequacy of policy research available to
the Federal Government, and what actions might be
undertaken to improve the quality and scope of such
research.
RECOMMENDATIONS.—The Commission shall submit to the appropriate committees of the Congress and to the President recommendations and, as appropriate, proposals for legislation, regarding—

(1) which (if any) Federal disability programs should be eliminated or augmented;

(2) what new Federal disability programs (if any) should be established;

(3) the suitability of the organization and location of disability programs within the Federal Government;

(4) other actions the Federal Government should take to prevent disabilities and disadvantages associated with disabilities; and

(5) such other matters as the Commission considers appropriate.

SEC. 7283. MEMBERSHIP.

(a) NUMBER AND APPOINTMENT.—

(1) IN GENERAL.—The Commission shall be composed of 15 members, of whom—

(A) five shall be appointed by the President, of whom not more than 3 shall be of the same major political party;

(B) three shall be appointed by the Majority Leader of the Senate;
(C) two shall be appointed by the Minority Leader of the Senate;

(D) three shall be appointed by the Speaker of the House of Representatives; and

(E) two shall be appointed by the Minority Leader of the House of Representatives.

(2) REPRESENTATION.—The Commission members shall be chosen based on their education, training, or experience. In appointing individuals as members of the Commission, the President and the Majority and Minority Leaders of the Senate and the Speaker and Minority Leader of the House of Representatives shall seek to ensure that the membership of the Commission reflects the diversity of individuals with disabilities in the United States.

(b) COMPTROLLER GENERAL.—The Comptroller General shall serve on the Commission as an ex officio member of the Commission to advise and oversee the methodology and approach of the study of the Commission.

(c) PROHIBITION AGAINST OFFICER OR EMPLOYEE.—No officer or employee of any government shall be appointed under subsection (a).

(d) DEADLINE FOR APPOINTMENT; TERM OF APPOINTMENT.—Members of the Commission shall be ap-
pointed not later than 60 days after the date of the enactment of this Act. The members shall serve on the Commission for the life of the Commission.

(e) MEETINGS.—The Commission shall locate its headquarters in the District of Columbia, and shall meet at the call of the Chairperson, but not less than 4 times each year during the life of the Commission.

(f) QUORUM.—Ten members of the Commission shall constitute a quorum, but a lesser number may hold hearings.

(g) CHAIRPERSON AND VICE CHAIRPERSON.—Not later than 15 days after the members of the Commission are appointed, such members shall designate a Chairperson and Vice Chairperson from among the members of the Commission.

(h) CONTINUATION OF MEMBERSHIP.—If a member of the Commission becomes an officer or employee of any government after appointment to the Commission, the individual may continue as a member until a successor member is appointed.

(i) VACANCIES.—A vacancy on the Commission shall be filled in the manner in which the original appointment was made not later than 30 days after the Commission is given notice of the vacancy.
(j) **COMPENSATION.**—Members of the Commission shall receive no additional pay, allowances, or benefits by reason of their service on the Commission.

(k) **TRAVEL EXPENSES.**—Each member of the Commission shall receive travel expenses, including per diem in lieu of subsistence, in accordance with sections 5702 and 5703 of title 5, United States Code.

**SEC. 7284. STAFF AND SUPPORT SERVICES.**

(a) **DIRECTOR.—**

(1) **APPOINTMENT.**—Upon consultation with the members of the Commission, the Chairperson shall appoint a Director of the Commission.

(2) **COMPENSATION.**—The Director shall be paid the rate of basic pay for level V of the Executive Schedule.

(b) **STAFF.**—With the approval of the Commission, the Director may appoint such personnel as the Director considers appropriate.

(c) **APPLICABILITY OF CIVIL SERVICE LAWS.**—The staff of the Commission shall be appointed without regard to the provisions of title 5, United States Code, governing appointments in the competitive service, and shall be paid without regard to the provisions of chapter 51 and subchapter III of chapter 53 of such title relating to classification and General Schedule pay rates.
(d) EXPERTS AND CONSULTANTS.—With the approval of the Commission, the Director may procure temporary and intermittent services under section 3109(b) of title 5, United States Code.

(e) STAFF OF FEDERAL AGENCIES.—Upon the request of the Commission, the head of any Federal agency may detail, on a reimbursable basis, any of the personnel of such agency to the Commission to assist in carrying out the duties of the Commission under this subtitle.

(f) OTHER RESOURCES.—The Commission shall have reasonable access to materials, resources, statistical data, and other information from the Library of Congress and agencies and elected representatives of the executive and legislative branches of the Federal Government. The Chairperson of the Commission shall make requests for such access in writing when necessary.

(g) PHYSICAL FACILITIES.—The Administrator of the General Services Administration shall locate suitable office space for the operation of the Commission. The facilities shall serve as the headquarters of the Commission and shall include all necessary equipment and incidentals required for proper functioning of the Commission.

SEC. 7285. POWERS OF COMMISSION.

(a) HEARINGS.—The Commission may conduct public hearings or forums at the discretion of the Commission,
at any time and place the Commission is able to secure
facilities and witnesses, for the purpose of carrying out
the duties of the Commission under this subtitle.

(b) **DELEGATION OF AUTHORITY.**—Any member or
agent of the Commission may, if authorized by the Com-
mission, take any action the Commission is authorized to
take by this section.

(c) **INFORMATION.**—The Commission may secure di-
rectly from any Federal agency information necessary to
enable the Commission to carry out its duties under this
subtitle. Upon request of the Chairperson or Vice Chair-
person of the Commission, the head of a Federal agency
shall furnish the information to the Commission to the ex-
tent permitted by law.

(d) **GIFTS, BEQUESTS, AND DEVISES.**—The Commiss-
ion may accept, use, and dispose of gifts, bequests, or
devises of services or property, both real and personal, for
the purpose of aiding or facilitating the work of the Com-
mission. Gifts, bequests, or devises of money and proceeds
from sales of other property received as gifts, bequests,
or devises shall be deposited in the Treasury and shall be
available for disbursement upon order of the Commission.

(e) **MAILS.**—The Commission may use the United
States mails in the same manner and under the same con-
ditions as other Federal agencies.
SEC. 7286. REPORTS.

(a) INTERIM REPORT.—Not later than 1 year prior to the date on which the Commission terminates pursuant to section 7287, the Commission shall submit an interim report to the President and to the Congress. The interim report shall contain a detailed statement of the findings and conclusions of the Commission, together with the Commission’s recommendations for legislative and administrative action, based on the activities of the Commission.

(b) FINAL REPORT.—Not later than the date on which the Commission terminates, the Commission shall submit to the Congress and to the President a final report containing—

(1) a detailed statement of final findings, conclusions, and recommendations; and

(2) an assessment of the extent to which recommendations of the Commission included in the interim report under subsection (a) have been implemented.

(c) PRINTING AND PUBLIC DISTRIBUTION.—Upon receipt of each report of the Commission under this section, the President shall—

(1) order the report to be printed; and

(2) make the report available to the public upon request.
SEC. 7287. TERMINATION.

The Commission shall terminate on the date that is 2 years after the date on which the members of the Commission have met and designated a Chairperson and Vice Chairperson.

CHAPTER 5—STATE SUPPLEMENTATION PROGRAMS

SEC. 7291. REPEAL OF MAINTENANCE OF EFFORT REQUIREMENTS APPLICABLE TO OPTIONAL STATE PROGRAMS FOR SUPPLEMENTATION OF SSI BENEFITS.

(a) IN GENERAL.—Section 1618 (42 U.S.C. 1382g) is repealed.

(b) EFFECTIVE DATE.—The repeal made by subsection (a) shall apply with respect to calendar quarters beginning after September 30, 1995.

CHAPTER 6—RETIREMENT AGE ELIGIBILITY

SEC. 7295. ELIGIBILITY FOR SUPPLEMENTAL SECURITY INCOME BENEFITS BASED ON SOCIAL SECURITY RETIREMENT AGE.

(a) IN GENERAL.—Section 1614(a)(1)(A) (42 U.S.C. 1382C(a)(1)(A)) is amended by striking "is 65 years of age or older," and inserting "has attained retirement age."
(b) Retirement Age Defined.—Section 1614 (42 U.S.C. 1382c) is amended by adding at the end the following new subsection:

"Retirement Age"

"(g) For purposes of this title, the term ‘retirement age’ has the meaning given such term by section 216(l)(1).”.

(c) Conforming Amendments.—Sections 1601, 1612(b)(4), 1615(a)(1), and 1620(b)(2) (42 U.S.C. 1381, 1382a(b)(4), 1382d(a)(1), and 1382i(b)(2)) are amended by striking “age 65” each place it appears and inserting “retirement age”.

(d) Effective Date.—The amendments made by this section shall apply to applicants for benefits for months beginning after September 30, 1995.

Subtitle E—Child Support

CHAPTER 1—Eligibility for Services; Distribution of Payments

SEC. 7301. STATE OBLIGATION TO PROVIDE CHILD SUPPORT ENFORCEMENT SERVICES.

(a) State Plan Requirements.—Section 454 (42 U.S.C. 654) is amended—

(1) by striking paragraph (4) and inserting the following new paragraph:

“(4) provide that the State will—
“(A) provide services relating to the establishment of paternity or the establishment, modification, or enforcement of child support obligations, as appropriate, under the plan with respect to—

“(i) each child for whom (I) assistance is provided under the State program funded under part A of this title, (II) benefits or services are provided under the State program funded under part E of this title, or (III) medical assistance is provided under the State plan approved under title XXI, unless the State agency administering the plan determines (in accordance with paragraph (29)) that it is against the best interests of the child to do so; and

“(ii) any other child, if an individual applies for such services with respect to the child; and

“(B) enforce any support obligation established with respect to—

“(i) a child with respect to whom the State provides services under the plan; or

“(ii) the custodial parent of such a child.”; and
(2) by striking paragraph (6) and inserting the following new subparagraph:

"(6) provide that—

"(A) services under the plan shall be made available to nonresidents on the same terms as to residents; and

"(B) application and collection fees are imposed and collected and costs in excess of such fees are collected in accordance with section 454C with respect to services under the plan for—

"(i) any individual not receiving assistance under any State program funded under part A; or

"(ii) any individual receiving such assistance but solely through a program funded under section 419);”.

(b) CONTINUATION OF SERVICES FOR FAMILIES CEASING TO RECEIVE ASSISTANCE UNDER THE STATE PROGRAM FUNDED UNDER PART A.—Section 454 (42 U.S.C. 654) is amended—

(1) by striking “and” at the end of paragraph (23);

(2) by striking the period at the end of paragraph (24) and inserting “; and”; and
(3) by adding after paragraph (24) the following new paragraph:

"(25) provide that when a family with respect to which services are provided under the plan ceases to receive assistance under the State program funded under part A, the State shall provide appropriate notice to the family and continue to provide such services, subject to the same conditions and on the same basis as in the case of individuals to whom services are furnished under this section, except that an application or other request to continue services shall not be required of such a family and certain fees shall be imposed with respect to such family under section 454C(a)(1).".

(c) CONFORMING AMENDMENTS.—

(1) Section 452(b) (42 U.S.C. 652(b)) is amended by striking "454(6)" and inserting "454(4)".

(2) Section 452(g)(2)(A) (42 U.S.C. 652(g)(2)(A)) is amended by striking "454(6)" each place it appears and inserting "454(4)(A)(ii)".

(3) Section 466(a)(3)(B) (42 U.S.C. 666(a)(3)(B)) is amended by striking "in the case of overdue support which a State has agreed to collect
under section 454(6)" and inserting "in any other case".

(4) Section 466(e) (42 U.S.C. 666(e)) is amended by striking "paragraph (4) or (6) of section 454" and inserting "section 454(4)".

SEC. 7302. DISTRIBUTION OF CHILD SUPPORT COLLECTIONS.

(a) In General.—Section 457 (42 U.S.C. 657) is amended to read as follows:

"SEC. 457. DISTRIBUTION OF COLLECTED SUPPORT.

"(a) In General.—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) retain, or distribute to the family, the State share of the amount so collected; and

"(B) pay to the Federal Government the Federal share of the amount so collected.

"(2) Families That Formerly Received Assistance.—In the case of a family that formerly received assistance from the State:

"(A) Current Support Payments.—The State shall, with regard to amounts collected
which represent amounts owed for the current
month, distribute the amounts so collected to
the family.

"(B) PAYMENT OF ARREARAGES.—The
State shall, with regard to amounts collected
which exceed amounts owed for the current
month, distribute the amounts so collected as
follows:

"(i) DISTRIBUTION TO THE FAMILY
TO SATISFY ARREARAGES THAT ACCRUED
AFTER THE FAMILY RECEIVED ASSIST-
ANCE.—The State shall distribute the
amount so collected to the family to the ex-
tent necessary to satisfy any support ar-
rearages with respect to the family that ac-
crued after the family stopped receiving as-
sistance from the State.

"(ii) DISTRIBUTION TO THE FAMILY
TO SATISFY ARREARAGES THAT ACCRUED
BEFORE OR WHILE THE FAMILY RECEIVED
ASSISTANCE TO THE EXTENT PAYMENTS
EXCEED ASSISTANCE RECEIVED.—In the
case of arrearages of support obligations
with respect to the family that were as-
signed to the State making or receiving the
collection, as a condition of receiving assistance from the State, and which accrued before or while the family received such assistance, the State may retain all or a part of the State share and if the State does so retain, shall retain and pay to the Federal Government the Federal share of amounts so collected, to the extent the amount so retained does not exceed the amount of assistance provided to the family by the State.

"(iii) DISTRIBUTION OF THE REMAIN-DER TO THE FAMILY.—To the extent that neither clause (i) nor clause (ii) applies to the amount so collected, the State shall distribute the amount to the family.

"(3) FAMILIES THAT NEVER RECEIVED ASSIST-ANCE.—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 a family receiving assistance from an Indian tribe, distribute the amount so collected pursuant to an agreement entered into pursuant to a State plan under section 454(32).
“(b) TRANSITION RULE.—Any rights to support obligations which were assigned to a State as a condition of receiving assistance from the State under part A before the effective date of the Balanced Budget Reconciliation Act of 1995 shall remain assigned after such date.

“(c) DEFINITIONS.—As used in subsection (a):

“(1) ASSISTANCE.—The term ‘assistance from the State’ means—

“(A) assistance under the State program funded under part A or under the State plan approved under part A of this title (as in effect before October 1, 1995); or

“(B) benefits under the State plan approved under part E of this title.

“(2) FEDERAL SHARE.—The term ‘Federal share’ means, with respect to an amount collected by the State to satisfy a support obligation owed to a family for a time period—

“(A) the greatest Federal medical assistance percentage in effect for the State for fiscal year 1995 or any succeeding fiscal year; or

“(B) if support is not owed to the family for any month for which the family received aid to families with dependent children under the State plan approved under part A of this title.
(as in effect before October 1, 1995), the Federal reimbursement percentage for the fiscal year in which the time period occurs.

"(3) FEDERAL MEDICAL ASSISTANCE PERCENTAGE.—The term ‘Federal medical assistance percentage’ means—

"(A) the Federal medical assistance percentage (as defined in section 2122(c)) in the case of any State for which subparagraph (B) does not apply; or

"(B) the Federal medical assistance percentage (as defined in section 1118), in the case of Puerto Rico, the Virgin Islands, Guam, and American Samoa.

"(4) FEDERAL REIMBURSEMENT PERCENTAGE.—The term ‘Federal reimbursement percentage’ means, with respect to a fiscal year—

"(A) the total amount paid to the State under section 403 for the fiscal year; divided by

"(B) the total amount expended by the State to carry out the State program under part A during the fiscal year.

"(5) STATE SHARE.—The term ‘State share’ means 100 percent minus the Federal share.”.
(b) CONFORMING AMENDMENT.—Section 464(a)(1) (42 U.S.C. 664(a)(1)) is amended by striking “section 457(b)(4) or (d)(3)” and inserting “section 457”.

(c) CLERICAL AMENDMENTS.—Section 454 (42 U.S.C. 654) is amended—

(1) in paragraph (11)—

(A) by striking “(11)” and inserting “(11)(A)”; and

(B) by inserting after the semicolon “and”;

and

(2) by redesignating paragraph (12) as sub-

paragraph (B) of paragraph (11).

(d) EFFECTIVE DATE.—

(1) GENERAL RULE.—Except as provided in paragraphs (2) and (3), the amendment made by subsection (a) shall become effective on October 1, 1999.

(2) EARLIER EFFECTIVE DATE FOR RULES RELATING TO DISTRIBUTION OF SUPPORT COLLECTED FOR FAMILIES RECEIVING ASSISTANCE.—Section 457(a)(1) of the Social Security Act, as added by the amendment made by subsection (a), shall become effective on October 1, 1995.

(3) SPECIAL RULE.—A State may elect to have the amendment made by subsection (a) become ef-
effective on a date earlier than October 1, 1999, which date shall coincide with the operation of the single statewide automated data processing and information retrieval system required by section 454A of the Social Security Act (as added by section 7344(a)(2)) and the State disbursement unit required by section 454B of the Social Security Act (as added by section 7312(b)), and the existence of State requirements for assignment of support as a condition of eligibility for assistance under part A of the Social Security Act (as added by subtitle C).

(4) CLERICAL AMENDMENTS.—The amendments made by subsection (b) shall become effective on October 1, 1995.

SEC. 7303. RIGHTS TO NOTIFICATION AND HEARINGS.

(a) IN GENERAL.—Section 454 (42 U.S.C. 654), as amended by section 7302(b), is amended by inserting after paragraph (11) the following new paragraph:

“(12) establish procedures to provide that—

“(A) individuals who are applying for or receiving services under this part, or are parties to cases in which services are being provided under this part—
“(i) receive notice of all proceedings in which support obligations might be estab-
lished or modified; and

“(ii) receive a copy of any order estab-
lishing or modifying a child support obliga-
tion, or (in the case of a petition for modi-
fication) a notice of determination that there should be no change in the amount of the child support award, within 14 days after issuance of such order or determina-
tion; and

“(B) individuals applying for or receiving services under this part have access to a fair hearing or other formal complaint procedure that meets standards established by the Sec-
retary and ensures prompt consideration and resolution of complaints (but the resort to such procedure shall not stay the enforcement of any support order);”.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall become effective on October 1, 1997.

SEC. 7304. PRIVACY SAFEGUARDS.

(a) STATE PLAN REQUIREMENT.—Section 454 (42 U.S.C. 654), as amended by section 7301(b), is amend-
(1) by striking "and" at the end of paragraph (24);
(2) by striking the period at the end of paragraph (25) and inserting "; and"; and
(3) by adding after paragraph (25) the following new paragraph:

"(26) will have in effect safeguards, applicable to all confidential information handled by the State agency, that are designed to protect the privacy rights of the parties, including—

"(A) safeguards against unauthorized use or disclosure of information relating to proceedings or actions to establish paternity, or to establish or enforce support;

"(B) prohibitions against the release of information on the whereabouts of 1 party to another party against whom a protective order with respect to the former party has been entered; and

"(C) prohibitions against the release of information on the whereabouts of 1 party to another party if the State has reason to believe that the release of the information may result in physical or emotional harm to the former party.".
(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall become effective on October 1, 1997.

CHAPTER 2—LOCATE AND CASE TRACKING

SEC. 7311. STATE CASE REGISTRY.

Section 454A, as added by section 7344(a)(2), is amended by adding at the end the following new subsections:

"(e) STATE CASE REGISTRY.—

"(1) CONTENTS.—The automated system required by this section shall include a registry (which shall be known as the ‘State case registry’) that contains records with respect to—

"(A) each case in which services are being provided by the State agency under the State plan approved under this part; and

"(B) each support order established or modified in the State on or after October 1, 1998.

"(2) LINKING OF LOCAL REGISTRIES.—The State case registry may be established by linking local case registries of support orders through an automated information network, subject to this section.
"(3) USE OF STANDARDIZED DATA ELEMENTS.—Such records shall use standardized data elements for both parents (such as names, social security numbers and other uniform identification numbers, dates of birth, and case identification numbers), and contain such other information (such as on-case status) as the Secretary may require.

"(4) PAYMENT RECORDS.—Each case record in the State case registry with respect to which services are being provided under the State plan approved under this part and with respect to which a support order has been established shall include a record of—

"(A) the amount of monthly (or other periodic) support owed under the order, and other amounts (including arrearages, interest or late payment penalties, and fees) due or overdue under the order;

"(B) any amount described in subparagraph (A) that has been collected;

"(C) the distribution of such collected amounts;

"(D) the birth date of any child for whom the order requires the provision of support; and
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"(E) the amount of any lien imposed with respect to the order pursuant to section 466(a)(4).

"(5) UPDATING AND MONITORING.—The State agency operating the automated system required by this section shall promptly establish and maintain, and regularly monitor, case records in the State case registry with respect to which services are being provided under the State plan approved under this part, on the basis of—

"(A) information on administrative actions and administrative and judicial proceedings and orders relating to paternity and support;

"(B) information obtained from comparison with Federal, State, or local sources of information;

"(C) information on support collections and distributions; and

"(D) any other relevant information.

"(f) INFORMATION COMPARISONS AND OTHER DISCLOSURES OF INFORMATION.—The State shall use the automated system required by this section to extract information from (at such times, and in such standardized format or formats, as may be required by the Secretary), to share and compare information with, and to receive infor-
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Information from other data bases and information comparison services, in order to obtain (or provide) information necessary to enable the State agency (or the Secretary or other State or Federal agencies) to carry out this part, subject to section 6103 of the Internal Revenue Code of 1986. Such information comparison activities shall include the following:

"(1) Federal Case Registry of Child Support Orders.—Furnishing to the Federal Case Registry of Child Support Orders established under section 453(h) (and update as necessary, with information including notice of expiration of orders) the minimum amount of information on child support cases recorded in the State case registry that is necessary to operate the registry (as specified by the Secretary in regulations).

"(2) Federal Parent Locator Service.—Exchanging information with the Federal Parent Locator Service for the purposes specified in section 453.

"(3) Temporary Family Assistance and Medicaid Agencies.—Exchanging information with State agencies (of the State and of other States) administering programs funded under part A, programs operated under State plans under title XXI,
and other programs designated by the Secretary, as necessary to perform State agency responsibilities under this part and under such programs.

“(4) INTRASTATE AND INTERSTATE INFORMATION COMPARISONS.—Exchanging information with other agencies of the State, agencies of other States, and interstate information networks, as necessary and appropriate to carry out (or assist other States to carry out) the purposes of this part.”.

SEC. 7312. COLLECTION AND DISBURSEMENT OF SUPPORT PAYMENTS.

(a) STATE PLAN REQUIREMENT.—Section 454 (42 U.S.C. 654), as amended by sections 7301(b) and 7304(a), is amended—

(1) by striking “and” at the end of paragraph (25);

(2) by striking the period at the end of paragraph (26) and inserting “; and”; and

(3) by adding after paragraph (26) the following new paragraph:

“(27) provide that, on and after October 1, 1998, the State agency will—

“(A) operate a State disbursement unit in accordance with section 454B; and
"(B) have sufficient State staff (consisting of State employees), and (at State option) private or governmental contractors reporting directly to the State agency, to—

"(i) provide automated monitoring and enforcement of support collections through the unit (including carrying out the automated data processing responsibilities described in section 454A(g)); and

"(ii) take the actions described in section 466(c)(1) in appropriate cases."

(b) ESTABLISHMENT OF STATE DISBURSEMENT UNIT.—Part D of title IV (42 U.S.C. 651—669), as amended by section 7344(a)(2), is amended by inserting after section 454A the following new section:

"SEC. 454B. COLLECTION AND DISBURSEMENT OF SUPPORT PAYMENTS.

"(a) STATE DISBURSEMENT UNIT.—

"(1) IN GENERAL.—In order for a State to meet the requirements of this section, the State agency must establish and operate a unit (which shall be known as the 'State disbursement unit') for the collection and disbursement of payments under support orders in all cases being enforced by the State pursuant to section 454(4)."
"(2) OPERATION.—The State disbursement unit shall be operated—

"(A) directly by the State agency (or 2 or more State agencies under a regional cooperative agreement), or (to the extent appropriate) by a contractor responsible directly to the State agency; and

"(B) in coordination with the automated system established by the State pursuant to section 454A.

"(3) LINKING OF LOCAL DISBURSEMENT UNITS.—The State disbursement unit may be established by linking local disbursement units through an automated information network, subject to this section. The Secretary must agree that the system will not cost more nor take more time to establish or operate than a centralized system. In addition, employers shall be given 1 location to which income withholding is sent.

"(b) REQUIRED PROCEDURES.—The State disbursement unit shall use automated procedures, electronic processes, and computer-driven technology to the maximum extent feasible, efficient, and economical, for the collection and disbursement of support payments, including procedures—
"(1) for receipt of payments from parents, employers, and other States, and for disbursements to custodial parents and other obligees, the State agency, and the agencies of other States;

"(2) for accurate identification of payments;

"(3) to ensure prompt disbursement of the custodial parent’s share of any payment; and

"(4) to furnish to any parent, upon request, timely information on the current status of support payments under an order requiring payments to be made by or to the parent.

"(c) TIMING OF DISBURSEMENTS.—

"(1) IN GENERAL.—Except as provided in paragraph (2), the State disbursement unit shall distribute all amounts payable under section 457(a) within 2 business days after receipt from the employer or other source of periodic income, if sufficient information identifying the payee is provided.

"(2) PERMISSIVE RETENTION OF ARREARAGES.—The State disbursement unit may delay the distribution of collections toward arrearages until the resolution of any timely appeal with respect to such arrearages.
“(d) BUSINESS DAY DEFINED.—As used in this section, the term ‘business day’ means a day on which State offices are open for regular business.”.

(c) USE OF AUTOMATED SYSTEM.—Section 454A, as added by section 7344(a)(2) and as amended by section 7311, is amended by adding at the end the following new subsection:

“(g) COLLECTION AND DISTRIBUTION OF SUPPORT PAYMENTS.—

“(1) IN GENERAL.—The State shall use the automated system required by this section, to the maximum extent feasible, to assist and facilitate the collection and disbursement of support payments through the State disbursement unit operated under section 454B, through the performance of functions, including, at a minimum—

“(A) transmission of orders and notices to employers (and other debtors) for the withholding of wages and other income—

“(i) within 2 business days after receipt from a court, another State, an employer, the Federal Parent Locator Service, or another source recognized by the State of notice of, and the income source subject to, such withholding; and
“(ii) using uniform formats prescribed by the Secretary;

“(B) ongoing monitoring to promptly identify failures to make timely payment of support;

and

“(C) automatic use of enforcement procedures (including procedures authorized pursuant to section 466(c)) where payments are not timely made.

“(2) BUSINESS DAY DEFINED.—As used in paragraph (1), the term ‘business day’ means a day on which State offices are open for regular business.”.

(d) EFFECTIVE DATE.—The amendments made by this section shall become effective on October 1, 1998.

SEC. 7313. STATE DIRECTORY OF NEW HIRES.

(a) STATE PLAN REQUIREMENT.—Section 454 (42 U.S.C. 654), as amended by sections 7301(b), 7304(a) and 7312(a), is amended—

(1) by striking “and” at the end of paragraph (26);

(2) by striking the period at the end of paragraph (27) and inserting “; and”;

(3) by adding after paragraph (27) the following new paragraph:
“(28) provide that, on and after October 1, 1997, the State will operate a State Directory of New Hires in accordance with section 453A.”.

(b) STATE DIRECTORY OF NEW HIRES.—Part D of title IV (42 U.S.C. 651–669) is amended by inserting after section 453 the following new section:

“SEC. 453A. STATE DIRECTORY OF NEW HIRES.

“(a) ESTABLISHMENT.—

“(1) IN GENERAL.—Not later than October 1, 1997, each State shall establish an automated directory (to be known as the ‘State Directory of New Hires’) which shall contain information supplied in accordance with subsection (b) by employers on each newly hired employee.

“(2) DEFINITIONS.—As used in this section:

“(A) EMPLOYEE.—The term ‘employee’—

“(i) means an individual who is an employee within the meaning of chapter 24 of the Internal Revenue Code of 1986; and

“(ii) does not include an employee of a Federal or State agency performing intelligence or counterintelligence functions, if the head of such agency has determined that reporting pursuant to paragraph (1) with respect to the employee could endan-
ger the safety of the employee or compromise an ongoing investigation or intelligence mission.

"(B) EMPLOYER.—The term 'employer' includes—

"(i) any governmental entity, and

"(ii) any labor organization.

"(C) LABOR ORGANIZATION.—The term 'labor organization' shall have the meaning given such term in section 2(5) of the National Labor Relations Act, and includes any entity (also known as a 'hiring hall') which is used by the organization and an employer to carry out requirements described in section 8(f)(3) of such Act of an agreement between the organization and the employer.

"(b) EMPLOYER INFORMATION.—

"(1) REPORTING REQUIREMENT.—

"(A) IN GENERAL.—Except as provided in subparagraphs (B) and (C), each employer shall furnish to the Directory of New Hires of the State in which a newly hired employee works, a report that contains the name, address, and social security number of the employee, and the name of, and identifying number assigned
under section 6109 of the Internal Revenue Code of 1986 to, the employer.

"(B) MULTISTATE EMPLOYERS.—An employer that has employees who are employed in 2 or more States and that transmits reports magnetically or electronically may comply with subparagraph (A) by designating 1 State in which such employer has employees to which it will transmit the report described in subparagraph (A), and transmitting such report to such State. Any employer that transmits reports pursuant to this subparagraph shall notify the Secretary in writing as to which State such employer designates for the purpose of sending reports.

"(C) FEDERAL GOVERNMENT EMPLOYERS.—Any department, agency, or instrumentality of the United States shall comply with subparagraph (A) by transmitting the report described in subparagraph (A) to the National Directory of New Hires established pursuant to section 453.

"(2) TIMING OF REPORT.—The report required by paragraph (1) with respect to an employee shall be made not later than the later of—
“(A) 30 days after the date the employer hires the employee; or

“(B) in the case of an employer that reports by magnetic or electronic means, the 1st business day of the week following the date on which the employee 1st receives wages or other compensation from the employer.

“(c) REPORTING FORMAT AND METHOD.—Each report required by subsection (b) shall be made on a W–4 form and may be transmitted by 1st class mail, magnetically, or electronically.

“(d) CIVIL MONEY PENALTIES ON NONCOMPLYING EMPLOYERS.—The State shall have the option to set a State civil money penalty which shall be less than—

“(1) $25; or

“(2) $500 if, under State law, the failure is the result of a conspiracy between the employer and the employee to not supply the required report or to supply a false or incomplete report.

“(e) ENTRY OF EMPLOYER INFORMATION.—Information shall be entered into the data base maintained by the State Directory of New Hires within 5 business days of receipt from an employer pursuant to subsection (b).

“(f) INFORMATION COMPARISONS.—
“(1) IN GENERAL.—Not later than October 1, 1998, an agency designated by the State shall, directly or by contract, conduct automated comparisons of the social security numbers reported by employers pursuant to subsection (b) and the social security numbers appearing in the records of the State case registry for cases being enforced under the State plan.

“(2) NOTICE OF MATCH.—When an information comparison conducted under paragraph (1) reveals a match with respect to the social security number of an individual required to provide support under a support order, the State Directory of New Hires shall provide the agency administering the State plan approved under this part of the appropriate State with the name, address, and social security number of the employee to whom the social security number is assigned, and the name of, and identifying number assigned under section 6109 of the Internal Revenue Code of 1986 to, the employer.

“(g) TRANSMISSION OF INFORMATION.—

“(1) TRANSMISSION OF WAGE WITHHOLDING NOTICES TO EMPLOYERS.—Within 2 business days after the date information regarding a newly hired employee is entered into the State Directory of New
Hires, the State agency enforcing the employee's child support obligation shall transmit a notice to the employer of the employee directing the employer to withhold from the wages of the employee an amount equal to the monthly (or other periodic) child support obligation of the employee, unless the employee's wages are not subject to withholding pursuant to section 466(b)(3).

"(2) Transmissions to the National Directory of New Hires.—

"(A) New hire information.—Within 2 business days after the date information regarding a newly hired employee is entered into the State Directory of New Hires, the State Directory of New Hires shall furnish the information to the National Directory of New Hires.

"(B) Wage and unemployment compensation information.—The State Directory of New Hires shall, on a quarterly basis, furnish to the National Directory of New Hires extracts of the reports required under section 303(a)(6) to be made to the Secretary of Labor concerning the wages and unemployment compensation paid to individuals, by such dates, in such format, and containing such information
as the Secretary of Health and Human Services shall specify in regulations.

"(3) BUSINESS DAY DEFINED.—As used in this subsection, the term ‘business day’ means a day on which State offices are open for regular business.

"(h) OTHER USES OF NEW HIRE INFORMATION.—

"(1) LOCATION OF CHILD SUPPORT OBLIGORS.—The agency administering the State plan approved under this part shall use information received pursuant to subsection (f)(2) to locate individuals for purposes of establishing paternity and establishing, modifying, and enforcing child support obligations.

"(2) VERIFICATION OF ELIGIBILITY FOR CERTAIN PROGRAMS.—A State agency responsible for administering a program specified in section 1137(b) shall have access to information reported by employers pursuant to subsection (b) of this section for purposes of verifying eligibility for the program.

"(3) ADMINISTRATION OF EMPLOYMENT SECURITY AND WORKERS’ COMPENSATION.—State agencies operating employment security and workers’ compensation programs shall have access to information reported by employers pursuant to subsection
(b) for the purposes of administering such pro-
grams.”.

(c) QUARTERLY WAGE REPORTING.—Section
1137(a)(3) (42 U.S.C. 1320b–7(a)(3)) is amended—

(1) by inserting “(including State and local gov-
ernmental entities)” after “employers”; and

(2) by inserting “, and except that no report
shall be filed with respect to an employee of a State
agency performing intelligence or counterintelligence
functions, if the head of such agency has determined
that filing such a report could endanger the safety
of the employee or compromise an ongoing investiga-
tion or intelligence mission” after “paragraph (2)”.

SEC. 7314. AMENDMENTS CONCERNING INCOME WITH-
HOLDING.

(a) MANDATORY INCOME WITHHOLDING.—

(1) IN GENERAL.—Section 466(a)(1) (42
U.S.C. 666(a)(1)) is amended to read as follows:

“(1)(A) Procedures described in subsection (b)
for the withholding from income of amounts payable
as support in cases subject to enforcement under the
State plan.

“(B) Procedures under which the wages of a
person with a support obligation imposed by a sup-
port order issued (or modified) in the State before
October 1, 1996, if not otherwise subject to withholding under subsection (b), shall become subject to withholding as provided in subsection (b) if arrearages occur, without the need for a judicial or administrative hearing.”.

(2) CONFORMING AMENDMENTS.—

(A) Section 466(b) (42 U.S.C. 666(b)) is amended in the matter preceding paragraph (1), by striking “subsection (a)(1)” and inserting “subsection (a)(1)(A)”.

(B) Section 466(b)(4) (42 U.S.C. 666(b)(4)) is amended to read as follows:

“(4)(A) Such withholding must be carried out in full compliance with all procedural due process requirements of the State, and the State must send notice to each absent parent to whom paragraph (1) applies—

“(i) that the withholding has commenced; and

“(ii) of the procedures to follow if the absent parent desires to contest such withholding on the grounds that the withholding or the amount withheld is improper due to a mistake of fact.
“(B) The notice under subparagraph (A) shall include the information provided to the employer under paragraph (6)(A).”.

(C) Section 466(b)(5) (42 U.S.C. 666(b)(5)) is amended by striking all that follows “administered by” and inserting “the State through the State disbursement unit established pursuant to section 454B, in accordance with the requirements of section 454B.”.

(D) Section 466(b)(6)(A) (42 U.S.C. 666(b)(6)(A)) is amended—

   (i) in clause (i), by striking “to the appropriate agency” and all that follows and inserting “to the State disbursement unit within 2 business days after the date the amount would (but for this subsection) have been paid or credited to the employee, for distribution in accordance with this part.”;

   (ii) in clause (ii), by inserting “be in a standard format prescribed by the Secretary, and” after “shall”; and

   (iii) by adding at the end the following new clause:
“(iii) As used in this subparagraph, the term ‘business day’ means a day on which State offices are open for regular business.”.

(E) Section 466(b)(6)(D) (42 U.S.C. 666(b)(6)(D)) is amended by striking “any employer” and all that follows and inserting “any employer who—

“(i) discharges from employment, refuses to employ, or takes disciplinary action against any absent parent subject to wage withholding required by this subsection because of the existence of such withholding and the obligations or additional obligations which it imposes upon the employer; or

“(ii) fails to withhold support from wages, or to pay such amounts to the State disbursement unit in accordance with this subsection.”.

(F) Section 466(b) (42 U.S.C. 666(b)) is amended by adding at the end the following new paragraph:

“(11) Procedures under which the agency administering the State plan approved under this part may execute a withholding order through electronic means and without advance notice to the obligor.”.
(b) CONFORMING AMENDMENT.—Section 466(c) (42 U.S.C. 666(c)) is repealed.

SEC. 7315. LOCATOR INFORMATION FROM INTERSTATE NETWORKS.

Section 466(a) (42 U.S.C. 666(a)) is amended by adding at the end the following new paragraph:

"(12) Procedures to ensure that all Federal and State agencies conducting activities under this part have access to any system used by the State to locate an individual for purposes relating to motor vehicles or law enforcement."

SEC. 7316. EXPANSION OF THE FEDERAL PARENT LOCATOR SERVICE.

(a) EXPANDED AUTHORITY TO LOCATE INDIVIDUALS AND ASSETS.—Section 453 (42 U.S.C. 653) is amended—

(1) in subsection (a), by striking all that follows "subsection (c)" and inserting ", for the purpose of establishing parentage, establishing, setting the amount of, modifying, or enforcing child support obligations, or enforcing child visitation orders—

"(1) information on, or facilitating the discovery of, the location of any individual—

"(A) who is under an obligation to pay child support or provide child visitation rights;"
“(B) against whom such an obligation is sought;

“(C) to whom such an obligation is owed, including the individual’s social security number (or numbers), most recent address, and the name, address, and employer identification number of the individual’s employer;

“(2) information on the individual’s wages (or other income) from, and benefits of, employment (including rights to or enrollment in group health care coverage); and

“(3) information on the type, status, location, and amount of any assets of, or debts owed by or to, any such individual.”; and

(2) in subsection (b), in the matter preceding paragraph (1), by striking “social security” and all that follows through “absent parent” and inserting “information described in subsection (a)”.

(b) AUTHORIZED PERSON FOR INFORMATION REGARDING VISITATION RIGHTS.—Section 453(c) (42 U.S.C. 653(c)) is amended—

(1) in paragraph (1), by striking “support” and inserting “support or to seek to enforce orders providing child visitation rights”;
(2) in paragraph (2), by striking ‘‘, or any agent of such court; and’’ and inserting ‘‘or to issue an order against a resident parent for visitation rights, or any agent of such court;’’;

(3) by striking the period at the end of paragraph (3) and inserting ‘‘; and’’; and

(4) by adding at the end the following new paragraph:

‘‘(4) the absent parent, only with regard to a court order against a resident parent for child visitation rights.’’.

(c) REIMBURSEMENT FOR INFORMATION FROM FEDERAL AGENCIES.—Section 453(e)(2) (42 U.S.C. 653(e)(2)) is amended in the 4th sentence by inserting ‘‘in an amount which the Secretary determines to be reasonable payment for the information exchange (which amount shall not include payment for the costs of obtaining, compiling, or maintaining the information)’’ before the period.

(d) REIMBURSEMENT FOR REPORTS BY STATE AGENCIES.—Section 453 (42 U.S.C. 653) is amended by adding at the end the following new subsection:

‘‘(g) The Secretary may reimburse Federal and State agencies for the costs incurred by such entities in furnishing information requested by the Secretary under this sec-
tion in an amount which the Secretary determines to be reasonable payment for the information exchange (which amount shall not include payment for the costs of obtaining, compiling, or maintaining the information).”.

(e) TECHNICAL AMENDMENTS.—

(1) Sections 452(a)(9), 453(a), 453(b), 463(a), 463(e), and 463(f) (42 U.S.C. 652(a)(9), 653(a), 653(b), 663(a), 663(e), and 663(f)) are each amended by inserting “Federal” before “Parent” each place such term appears.

(2) Section 453 (42 U.S.C. 653) is amended in the heading by adding “FEDERAL” before “PARENT”.

(f) NEW COMPONENTS.—Section 453 (42 U.S.C. 653), as amended by subsection (d) of this section, is amended by adding at the end the following new subsection:

“(h)(1) Not later than October 1, 1998, in order to assist States in administering programs under State plans approved under this part and programs funded under part A, and for the other purposes specified in this section, the Secretary shall establish and maintain in the Federal Parent Locator Service an automated registry (which shall be known as the ‘Federal Case Registry of Child Support Orders’), which shall contain abstracts of support orders and
other information described in paragraph (2) with respect to each case in each State case registry maintained pursuant to section 454A(e), as furnished (and regularly updated), pursuant to section 454A(f), by State agencies administering programs under this part.

"(2) The information referred to in paragraph (1) with respect to a case shall be such information as the Secretary may specify in regulations (including the names, social security numbers or other uniform identification numbers, and State case identification numbers) to identify the individuals who owe or are owed support (or with respect to or on behalf of whom support obligations are sought to be established), and the State or States which have the case.

"(i)(1) In order to assist States in administering programs under State plans approved under this part and programs funded under part A, and for the other purposes specified in this section, the Secretary shall, not later than October 1, 1996, establish and maintain in the Federal Parent Locator Service an automated directory to be known as the National Directory of New Hires, which shall contain the information supplied pursuant to section 453A(g)(2)."
“(2) Information shall be entered into the data base maintained by the National Directory of New Hires within 2 business days of receipt pursuant to section 453A(g)(2).

“(3) The Secretary of the Treasury shall have access to the information in the National Directory of New Hires for purposes of administering section 32 of the Internal Revenue Code of 1986, or the advance payment of the earned income tax credit under section 3507 of such Code, and verifying a claim with respect to employment in a tax return.

“(4) 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.

“(j)(1)(A) The Secretary shall transmit information on individuals and employers maintained under this section to the Social Security Administration to the extent necessary for verification in accordance with subparagraph (B).

“(B) The Social Security Administration shall verify the accuracy of, correct, or supply to the extent possible, and report to the Secretary, the following information supplied by the Secretary pursuant to subparagraph (A):
“(i) The name, social security number, and birth date of each such individual.

“(ii) The employer identification number of each such employer.

“(2) For the purpose of locating individuals in a paternity establishment case or a case involving the establishment, modification, or enforcement of a support order, the Secretary shall—

“(A) compare information in the National Directory of New Hires against information in the support case abstracts in the Federal Case Registry of Child Support Orders not less often than every 2 business days; and

“(B) within 2 such days after such a comparison reveals a match with respect to an individual, report the information to the State agency responsible for the case.

“(3) To the extent and with the frequency that the Secretary determines to be effective in assisting States to carry out their responsibilities under programs operated under this part and programs funded under part A, the Secretary shall—

“(A) compare the information in each component of the Federal Parent Locator Service maintained under this section against the information in
each other such component (other than the comparison required by paragraph (2)), and report instances in which such a comparison reveals a match with respect to an individual to State agencies operating such programs; and

"(B) disclose information in such registries to such State agencies.

"(4) The National Directory of New Hires shall provide the Commissioner of Social Security with all information in the National Directory, which shall be used to determine the accuracy of payments under the supplemental security income program under title XVI and in connection with benefits under title II.

"(5) The Secretary may provide access to information reported by employers pursuant to section 453A(b) for research purposes found by the Secretary to be likely to contribute to achieving the purposes of part A or this part, but without personal identifiers.

"(k)(1) The Secretary shall reimburse the Commissioner of Social Security, at a rate negotiated between the Secretary and the Commissioner, for the costs incurred by the Commissioner in performing the verification services described in subsection (j).

"(2) The Secretary shall reimburse costs incurred by State directories of new hires in furnishing information
as required by subsection (j)(3), at rates which the Secretary determines to be reasonable (which rates shall not include payment for the costs of obtaining, compiling, or maintaining such information).

"(3) A State or Federal agency that receives information from the Secretary pursuant to this section shall reimburse the Secretary for costs incurred by the Secretary in furnishing the information, at rates which the Secretary determines to be reasonable (which rates shall include payment for the costs of obtaining, verifying, maintaining, and comparing the information).

"(1) Information in the Federal Parent Locator Service, and information resulting from comparisons using such information, shall not be used or disclosed except as expressly provided in this section, subject to section 6103 of the Internal Revenue Code of 1986.

"(m) The Secretary shall establish and implement safeguards with respect to the entities established under this section designed to—

"(1) ensure the accuracy and completeness of information in the Federal Parent Locator Service; and

"(2) restrict access to confidential information in the Federal Parent Locator Service to authorized
persons, and restrict use of such information to authorized purposes.

"(n) Each department, agency, and instrumentality of the United States shall on a quarterly basis report to the Federal Parent Locator Service the name and social security number of each employee and the wages paid to the employee during the previous quarter, except that no report shall be filed with respect to an employee of a department, agency, or instrumentality performing intelligence or counterintelligence functions, if the head of such department, agency, or instrumentality has determined that filing such a report could endanger the safety of the employee or compromise an ongoing investigation or intelligence mission."

(f) CONFORMING AMENDMENTS.—

(1) To PART D OF TITLE IV OF THE SOCIAL SECURITY ACT.—Section 454(8)(B) (42 U.S.C. 654(8)(B)) is amended to read as follows:

"(B) the Federal Parent Locator Service established under section 453;".

(2) TO FEDERAL UNEMPLOYMENT TAX ACT.—

Section 3304(a)(16) of the Internal Revenue Code of 1986 is amended—

(A) by striking "Secretary of Health, Education, and Welfare" each place such term ap-
pears and inserting "Secretary of Health and Human Services";

(B) in subparagraph (B), by striking "such information" and all that follows and inserting "information furnished under subparagraph (A) or (B) is used only for the purposes authorized under such subparagraph;";

(C) by striking "and" at the end of subparagraph (A);

(D) by redesignating subparagraph (B) as subparagraph (C); and

(E) by inserting after subparagraph (A) the following new subparagraph:

"(B) wage and unemployment compensation information contained in the records of such agency shall be furnished to the Secretary of Health and Human Services (in accordance with regulations promulgated by such Secretary) as necessary for the purposes of the National Directory of New Hires established under section 453(i) of the Social Security Act, and".

(3) To STATE GRANT PROGRAM UNDER TITLE III OF THE SOCIAL SECURITY ACT.—Subsection (h) of section 303 (42 U.S.C. 503) is amended to read as follows:
“(h)(1) The State agency charged with the administration of the State law shall, on a reimbursable basis—

“(A) disclose quarterly, to the Secretary of Health and Human Services wage and claim information, as required pursuant to section 453(i)(1), contained in the records of such agency;

“(B) ensure that information provided pursuant to subparagraph (A) meets such standards relating to correctness and verification as the Secretary of Health and Human Services, with the concurrence of the Secretary of Labor, may find necessary; and

“(C) establish such safeguards as the Secretary of Labor determines are necessary to insure that information disclosed under subparagraph (A) is used only for purposes of section 453(i)(1) in carrying out the child support enforcement program under title IV.

“(2) Whenever the Secretary of Labor, after reasonable notice and opportunity for hearing to the State agency charged with the administration of the State law, finds that there is a failure to comply substantially with the requirements of paragraph (1), the Secretary of Labor shall notify such State agency that further payments will not be made to the State until the Secretary of Labor is satisfied that there is no longer any such failure. Until the
Secretary of Labor is so satisfied, the Secretary shall make no future certification to the Secretary of the Treasury with respect to the State.

"(3) For purposes of this subsection—

"(A) the term 'wage information' means information regarding wages paid to an individual, the social security account number of such individual, and the name, address, State, and the Federal employer identification number of the employer paying such wages to such individual; and

"(B) the term 'claim information' means information regarding whether an individual is receiving, has received, or has made application for, unemployment compensation, the amount of any such compensation being received (or to be received by such individual), and the individual's current (or most recent) home address."

SEC. 7317. COLLECTION AND USE OF SOCIAL SECURITY NUMBERS FOR USE IN CHILD SUPPORT ENFORCEMENT.

(a) STATE LAW REQUIREMENT.—Section 466(a) (42 U.S.C. 666(a)), as amended by section 7315, is amended by adding at the end the following new paragraph:

"(13) Procedures requiring that the social security number of—
“(A) any applicant for a professional license, commercial driver’s license, occupational license, or marriage license be recorded on the application;

“(B) any individual who is subject to a divorce decree, support order, or paternity determination or acknowledgment be placed in the records relating to the matter; and

“(C) any individual who has died be placed in the records relating to the death and be recorded on the death certificate.

For purposes of subparagraph (A), if a State allows the use of a number other than the social security number, the State shall so advise any applicants.”.

(b) CONFORMING AMENDMENTS.—Section 205(c)(2)(C) (42 U.S.C. 405(c)(2)(C)), as amended by section 321(a)(9) of the Social Security Independence and Program Improvements Act of 1994, is amended—

(1) in clause (i), by striking “may require” and inserting “shall require”;

(2) in clause (ii), by inserting after the 1st sentence the following: “In the administration of any law involving the issuance of a marriage certificate or license, each State shall require each party named in the certificate or license to furnish to the State
(or political subdivision thereof), or any State agency having administrative responsibility for the law involved, the social security number of the party.”;

(3) in clause (ii), by inserting “or marriage certificate” after “Such numbers shall not be recorded on the birth certificate”;

(4) in clause (vi), by striking “may” and inserting “shall”; and

(5) by adding at the end the following new clauses:

“(x) An agency of a State (or a political subdivision thereof) charged with the administration of any law concerning the issuance or renewal of a license, certificate, permit, or other authorization to engage in a profession, an occupation, or a commercial activity shall require all applicants for issuance or renewal of the license, certificate, permit, or other authorization to provide the applicant’s social security number to the agency for the purpose of administering such laws, and for the purpose of responding to requests for information from an agency operating pursuant to part D of title IV.
“(xi) All divorce decrees, support orders, and paternity determinations issued, and all paternity acknowledgments made, in each State shall include the social security number of each party to the decree, order, determination, or acknowledgement in the records relating to the matter, for the purpose of responding to requests for information from an agency operating pursuant to part D of title IV.”.

CHAPTER 3—STREAMLINING AND UNIFORMITY OF PROCEDURES

SEC. 7321. ADOPTION OF UNIFORM STATE LAWS.

Section 466 (42 U.S.C. 666) is amended by adding at the end the following new subsection:

“(f)(1) In order to satisfy section 454(20)(A) on or after January 1, 1997, each State must have in effect the Uniform Interstate Family Support Act, as approved by the National Conference of Commissioners on Uniform State Laws in August 1992 (with the modifications and additions specified in this subsection), and the procedures required to implement such Act.

“(2) The State law enacted pursuant to paragraph (1) may be applied to any case involving an order which
is established or modified in a State and which is sought
to be modified or enforced in another State.

“(3) The State law enacted pursuant to paragraph
(1) of this subsection shall contain the following provision
in lieu of section 611(a)(1) of the Uniform Interstate
Family Support Act:

"(1) the following requirements are met:

"'(i) the child, the individual obligee, and

the obligor—

"'(I) do not reside in the issuing
State; and

"'(II) either reside in this State or
are subject to the jurisdiction of this State
pursuant to section 201; and

"'(ii) in any case where another State is
exercising or seeks to exercise jurisdiction to
modify the order, the conditions of section 204
are met to the same extent as required for pro-
ceedings to establish orders; or'.

“(4) The State law enacted pursuant to paragraph
(1) shall provide that, in any proceeding subject to the
law, process may be served (and proved) upon persons in
the State by any means acceptable in any State which is
the initiating or responding State in the proceeding.”
CHAPTER 4—PATERNITY ESTABLISHMENT

SEC. 7331. STATE LAWS CONCERNING PATERNITY ESTABLISHMENT.

(a) STATE LAWS REQUIRED.—Section 466(a)(5) (42 U.S.C. 666(a)(5)) is amended to read as follows:

"(5)(A)(i) Procedures which permit the establishment of the paternity of a child at any time before the child attains 21 years of age.

"(ii) As of August 16, 1984, clause (i) shall also apply to a child for whom paternity has not been established or for whom a paternity action was brought but dismissed because a statute of limitations of less than 21 years was then in effect in the State.

"(B)(i) Procedures under which the State is required, in a contested paternity case, unless otherwise barred by State law, to require the child and all other parties (other than individuals found under section 454(29) to have good cause for refusing to cooperate) to submit to genetic tests upon the request of any such party if the request is supported by a sworn statement by the party—

"(I) alleging paternity, and setting forth facts establishing a reasonable possibility of the requisite sexual contact between the parties; or
“(II) denying paternity, and setting forth facts establishing a reasonable possibility of the nonexistence of sexual contact between the parties.

“(ii) Procedures which require the State agency in any case in which the agency orders genetic testing—

“(I) to pay costs of such tests, subject to recoupment (where the State so elects) from the alleged father if paternity is established; and

“(II) to obtain additional testing in any case where an original test result is contested, upon request and advance payment by the contestant.

“(C)(i) Procedures for a simple civil process for voluntarily acknowledging paternity under which the State must provide that, before a mother and a putative father can sign an acknowledgment of paternity, the mother and the putative father must be given notice, orally and in writing, of the alternatives to, the legal consequences of, and the rights (including, if 1 parent is a minor, any rights afforded due to minority status) and responsibilities that arise from, signing the acknowledgment.
"(ii) Such procedures must include a hospital-based program for the voluntary acknowledgment of paternity focusing on the period immediately before or after the birth of a child, subject to such good cause and other exceptions as the State shall establish and taking into account the best interests of the child.

"(iii)(I) Such procedures must require the State agency responsible for maintaining birth records to offer voluntary paternity establishment services.

"(II)(aa) The Secretary shall prescribe regulations governing voluntary paternity establishment services offered by hospitals and birth record agencies.

"(bb) The Secretary shall prescribe regulations specifying the types of other entities that may offer voluntary paternity establishment services, and governing the provision of such services, which shall include a requirement that such an entity must use the same notice provisions used by, use the same materials used by, provide the personnel providing such services with the same training provided by, and evaluate the provision of such services in the same manner as the provision of such services is
evaluated by, voluntary paternity establishment programs of hospitals and birth record agencies.

"(iv) Such procedures must require the State to develop and use an affidavit for the voluntary acknowledgment of paternity which includes the minimum requirements of the affidavit developed by the Secretary under section 452(a)(7) for the voluntary acknowledgment of paternity, and to give full faith and credit to such an affidavit signed in any other State according to its procedures.

"(D)(i) Procedures under which the name of the father shall be included on the record of birth of the child only—

"(I) if the father and mother have signed a voluntary acknowledgment of paternity; or

"(II) pursuant to an order issued in a judicial or administrative proceeding.

Nothing in this clause shall preclude a State agency from obtaining an admission of paternity from the father for submission in a judicial or administrative proceeding, or prohibit an order issued in a judicial or administrative proceeding which bases a legal finding of paternity on an admission of paternity by the father and any other additional showing required by State law.
“(ii) Procedures under which—

“(I) a voluntary acknowledgment of paternity is considered a legal finding of paternity, subject to the right of any signatory to rescind the acknowledgment within 60 days;

“(II) after the 60-day period referred to in subclause (I), a signed voluntary acknowledgment of paternity may be challenged in court only on the basis of fraud, duress, or material mistake of fact, with the burden of proof upon the challenger, and under which the legal responsibilities (including child support obligations) of any signatory arising from the acknowledgment may not be suspended during the challenge, except for good cause shown; and

“(III) judicial or administrative proceedings are not required or permitted to ratify an unchallenged acknowledgment of paternity.

“(E) Procedures under which judicial or administrative proceedings are not required or permitted to ratify an unchallenged acknowledgment of paternity.

“(F) Procedures—
“(i) requiring the admission into evidence, for purposes of establishing paternity, of the results of any genetic test that is—

“(I) of a type generally acknowledged as reliable by accreditation bodies designated by the Secretary; and

“(II) performed by a laboratory approved by such an accreditation body;

“(ii) requiring an objection to genetic testing results to be made in writing not later than a specified number of days before any hearing at which the results may be introduced into evidence (or, at State option, not later than a specified number of days after receipt of the results); and

“(iii) making the test results admissible as evidence of paternity without the need for foundation testimony or other proof of authenticity or accuracy, unless objection is made.

“(G) Procedures which create a rebuttable or, at the option of the State, conclusive presumption of paternity upon genetic testing results indicating a threshold probability that the alleged father is the father of the child.
"(H) Procedures requiring a default order to be entered in a paternity case upon a showing of service of process on the defendant and any additional showing required by State law.

"(I) Procedures providing that the parties to an action to establish paternity are not entitled to a trial by jury.

"(J) Procedures which require that a temporary order be issued, upon motion by a party, requiring the provision of child support pending an administrative or judicial determination of parentage, where there is clear and convincing evidence of paternity (on the basis of genetic tests or other evidence).

"(K) Procedures under which bills for pregnancy, childbirth, and genetic testing are admissible as evidence without requiring third-party foundation testimony, and shall constitute prima facie evidence of amounts incurred for such services or for testing on behalf of the child.

"(L) Procedures ensuring that the putative father has a reasonable opportunity to initiate a paternity action.

"(M) Procedures under which voluntary acknowledgments and adjudications of paternity by judicial or administrative processes are filed with the
State registry of birth records for comparison with information in the State case registry.”.

(b) NATIONAL PATERNITY ACKNOWLEDGMENT AFFIDAVIT.—Section 452(a)(7) (42 U.S.C. 652(a)(7)) is amended by inserting “and develop an affidavit to be used for the voluntary acknowledgment of paternity which shall include the social security number of each parent” before the semicolon.

(c) TECHNICAL AMENDMENT.—Section 468 (42 U.S.C. 668) is amended by striking “a simple civil process for voluntarily acknowledging paternity and”.

SEC. 7332. OUTREACH FOR VOLUNTARY PATERNITY ESTABLISHMENT.

Section 454(23) (42 U.S.C. 654(23)) is amended by inserting “and will publicize the availability and encourage the use of procedures for voluntary establishment of paternity and child support by means the State deems appropriate” before the semicolon.

SEC. 7333. COOPERATION BY APPLICANTS FOR AND RECIPIENTS OF TEMPORARY FAMILY ASSISTANCE.

Section 454 (42 U.S.C. 654), as amended by sections 7301(b), 7304(a), 7312(a), and 7313(a), is amended—

(1) by striking “and” at the end of paragraph (27);
(2) by striking the period at the end of paragraph (28) and inserting "; and"; and

(3) by inserting after paragraph (28) the following new paragraph:

"(29) provide that the State agency responsible for administering the State plan—

"(A) shall make the determination (and re-determination at appropriate intervals) as to whether an individual who has applied for or is receiving assistance under the State program funded under part A or the State program under title XXI is cooperating in good faith with the State in establishing the paternity of, or in establishing, modifying, or enforcing a support order for, any child of the individual by providing the State agency with the name of, and such other information as the State agency may require with respect to, the noncustodial parent of the child, subject to such good cause and other exceptions as the State shall establish and taking into account the best interests of the child;

"(B) shall require the individual to supply additional necessary information and appear at interviews, hearings, and legal proceedings;
“(C) shall require the individual and the child to submit to genetic tests pursuant to judicial or administrative order; and

“(D) shall promptly notify the individual and the State agency administering the State program funded under part A and the State agency administering the State program under title XXI of each such determination, and if noncooperation is determined, the basis therefore.”.

CHAPTER 5—PROGRAM ADMINISTRATION AND FUNDING

SEC. 7341. PERFORMANCE-BASED INCENTIVES AND PENALTIES.

(a) INCENTIVE PAYMENTS.—

(1) IN GENERAL.—Section 458 (42 U.S.C. 658) is amended—

(A) in subsection (a), by striking “aid to families” and all through the end period, and inserting “assistance under a program funded under part A, and regardless of the economic circumstances of their parents, the Secretary shall, from the support collected which would otherwise represent the reimbursement to the Federal government under section 457, pay to

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each State for each fiscal year, on a quarterly basis (as described in subsection (e)) beginning with the quarter commencing October 1, 1999, an incentive payment in an amount determined under subsections (b) and (c).”;

(B) by striking subsections (b) and (c) and inserting the following:

“(b)(1) Not later than 60 days after the date of the enactment of the Balanced Budget Reconciliation Act of 1995, the Secretary shall establish a committee which shall include State directors of programs under this part and which shall develop for the Secretary’s approval a formula for the distribution of incentive payments to the States.

“(2) The formula developed and approved under paragraph (1)—

“(A) shall result in a percentage of the collections described in subsection (a) being distributed to each State based on the State’s comparative performance in the following areas and any other areas approved by the Secretary under this subsection:

“(i) The IV-D paternity establishment percentage, as defined in section 452(g)(2).

“(ii) The percentage of cases with a support order with respect to which services are
being provided under the State plan approved under this part.

"(iii) The percentage of cases with a support order in which child support is paid with respect to which services are being so provided.

"(iv) In cases receiving services under the State plan approved under this part, the amount of child support collected compared to the amount of outstanding child support owed.

"(v) The cost-effectiveness of the State program;

"(B) shall take into consideration—

"(i) the impact that incentives can have on reducing the need to provide public assistance and on permanently removing families from public assistance;

"(ii) the need to balance accuracy and fairness with simplicity of understanding and data gathering;

"(iii) the need to reward performance which improves short- and long-term program outcomes, especially establishing paternity and support orders and encouraging the timely payment of support;
“(iv) the Statewide paternity establishment percentage;

“(v) baseline data on current performance and projected costs of performance increases to assure that top performing States can actually achieve the top incentive levels with a reasonable resource investment;

“(vi) performance outcomes which would warrant an increase in the total incentive payments made to the States; and

“(vii) the use or distribution of any portion of the total incentive payments in excess of the total of the payments which may be distributed under subsection (c);

“(C) shall be determined so as to distribute to the States total incentive payments equal to the total incentive payments for all States in fiscal year 1994, plus a portion of any increase in the reimbursement to the Federal Government under section 457 from fiscal year 1999 or any other increase based on other performance outcomes approved by the Secretary under this subsection;

“(D) shall use a definition of the term ‘State’ which does not include any area within the jurisdiction of an Indian tribal government; and
“(E) shall use a definition of the term ‘State-wide paternity establishment percentage’ to mean with respect to a State and a fiscal year—

“(i) the total number of children in the State who were born out of wedlock, who have not attained 1 year of age and for whom paternity is established or acknowledged during the fiscal year; divided by

“(ii) the total number of children born out of wedlock in the State during the fiscal year.

“(c) The total amount of the incentives payment made by the Secretary to a State in a fiscal year shall not exceed 90 percent of the total amounts expended by such State during such year for the operation of the plan approved under section 454, less payments to the State pursuant to section 455 for such year.”;

(2) in subsection (d), by striking “, and any amounts” through “shall be excluded”.

(b) PAYMENTS TO POLITICAL SUBDIVISIONS.—Section 454(22) (42 U.S.C. 654(22)) is amended by inserting before the semicolon the following: “, but a political subdivision shall not be entitled to receive, and the State may retain, any amount in excess of the amount the political subdivision expends on the State program under this part,
(c) Calculation of IV–D Paternity Establishment Percentage.—

(1) Section 452(g)(1) (42 U.S.C. 652(g)(1)) is amended—

(A) in the matter preceding subparagraph (A) by inserting "its overall performance in child support enforcement is satisfactory (as defined in section 458(b) and regulations of the Secretary), and" after "1994,"; and

(B) in each of subparagraphs (A) and (B), by striking "75" and inserting "90".

(2) Section 452(g)(2)(A) (42 U.S.C. 652(g)(2)(A)) is amended in the matter preceding clause (i)—

(A) by striking "paternity establishment percentage" and inserting "IV–D paternity establishment percentage"; and

(B) by striking "(or all States, as the case may be)".

(3) Section 452(g)(3) (42 U.S.C. 652(g)(3)) is amended—
(A) by striking subparagraph (A) and redesignating subparagraphs (B) and (C) as subparagraphs (A) and (B), respectively;

(B) in subparagraph (A) (as so redesignated), by striking "the percentage of children born out-of-wedlock in a State" and inserting "the percentage of children in a State who are born out of wedlock or for whom support has not been established"; and

(C) in subparagraph (B) (as so redesignated)—

(i) by inserting "and overall performance in child support enforcement" after "paternity establishment percentages"; and

(ii) by inserting "and securing support" before the period.

(d) EFFECTIVE DATES.—

(1) INCENTIVE ADJUSTMENTS.—

(A) IN GENERAL.—The amendments made by subsections (a) and (b) shall become effective on the date of the enactment of this Act, except to the extent provided in subparagraph (B).

(B) EXCEPTION.—Section 458 of the Social Security Act, as in effect before the date of
the enactment of this section, shall be effective
for purposes of incentive payments to States for
fiscal years before fiscal year 2000.

(2) PEnALTY REDUCTIONS.—The amendments
made by subsection (c) shall become effective with
respect to calendar quarters beginning on and after
the date of the enactment of this Act.

SEC. 7342. FEDERAL AND STATE REVIEWS AND AUDITS.

(a) STATE AGENCY ACTIVITIES.—Section 454 (42
U.S.C. 654) is amended—

(1) in paragraph (14), by striking "(14)" and
inserting "(14)(A)";

(2) by redesignating paragraph (15) as sub-
paragraph (B) of paragraph (14); and

(3) by inserting after paragraph (14) the fol-
lowing new paragraph:

"(15) provide for—

"(A) a process for annual reviews of and
reports to the Secretary on the State program
operated under the State plan approved under
this part, including such information as may be
necessary to measure State compliance with
Federal requirements for expedited procedures,
using such standards and procedures as are re-
quired by the Secretary, under which the State
agency will determine the extent to which the
program is operated in compliance with this
part; and

"(B) a process of extracting from the auto-
mated data processing system required by para-
graph (16) and transmitting to the Secretary
data and calculations concerning the levels of
accomplishment (and rates of improvement)
with respect to applicable performance indica-
tors (including IV-D paternity establishment
percentages and overall performance in child
support enforcement) to the extent necessary
for purposes of sections 452(g) and 458."

(b) FEDERAL ACTIVITIES.—Section 452(a)(4) (42
U.S.C. 652(a)(4)) is amended to read as follows:

"(4)(A) review data and calculations transmit-
ted by State agencies pursuant to section
454(15)(B) on State program accomplishments with
respect to performance indicators for purposes of
subsection (g) of this section and section 458;

"(B) review annual reports submitted pursuant
to section 454(15)(A) and, as appropriate, provide
to the State comments, recommendations for addi-
tional or alternative corrective actions, and technical
assistance; and
"(C) conduct audits, in accordance with the Government auditing standards of the Comptroller General of the United States—

"(i) at least once every 3 years (or more frequently, in the case of a State which fails to meet the requirements of this part concerning performance standards and reliability of program data) to assess the completeness, reliability, and security of the data, and the accuracy of the reporting systems, used in calculating performance indicators under subsection (g) of this section and section 458;

"(ii) of the adequacy of financial management of the State program operated under the State plan approved under this part, including assessments of—

"(I) whether Federal and other funds made available to carry out the State program are being appropriately expended, and are properly and fully accounted for; and

"(II) whether collections and disbursements of support payments are carried out correctly and are fully accounted for; and
“(iii) for such other purposes as the Secretary may find necessary;”.

(c) EFFECTIVE DATE.—The amendments made by this section shall be effective with respect to calendar quarters beginning 12 months or more after the date of the enactment of this Act.

SEC. 7343. REQUIRED REPORTING PROCEDURES.

(a) ESTABLISHMENT.—Section 452(a)(5) (42 U.S.C. 652(a)(5)) is amended by inserting “, and establish procedures to be followed by States for collecting and reporting information required to be provided under this part, and establish uniform definitions (including those necessary to enable the measurement of State compliance with the requirements of this part relating to expedited processes) to be applied in following such procedures” before the semicolon.

(b) STATE PLAN REQUIREMENT.—Section 454 (42 U.S.C. 654), as amended by sections 7301(b), 7304(a), 7312(a), 7313(a), and 7333, is amended—

(1) by striking “and” at the end of paragraph (28);

(2) by striking the period at the end of paragraph (29) and inserting “; and”;

(3) by adding after paragraph (29) the following new paragraph:
“(30) provide that the State shall use the definitions established under section 452(a)(5) in collecting and reporting information as required under this part.”.

SEC. 7344. AUTOMATED DATA PROCESSING REQUIREMENTS.

(a) Revised Requirements.—

(1) In general.—Section 454(16) (42 U.S.C. 654(16)) is amended—

(A) by striking“, at the option of the State,”;

(B) by inserting “and operation by the State agency” after “for the establishment”; 

(C) by inserting “meeting the requirements of section 454A” after “information retrieval system”;

(D) by striking “in the State and localities thereof, so as (A)” and inserting “so as”; 

(E) by striking“(i)”; and

(F) by striking “(including” and all that follows and inserting a semicolon.

(2) Automated Data Processing.—Part D of title IV (42 U.S.C. 651–669) is amended by inserting after section 454 the following new section:
"SEC. 454A. AUTOMATED DATA PROCESSING."

"(a) In General.—In order for a State to meet the requirements of this section, the State agency administering the State program under this part shall have in operation a single statewide automated data processing and information retrieval system which has the capability to perform the tasks specified in this section with the frequency and in the manner required by or under this part.

"(b) Program Management.—The automated system required by this section shall perform such functions as the Secretary may specify relating to management of the State program under this part, including—

"(1) controlling and accounting for use of Federal, State, and local funds in carrying out the program; and

"(2) maintaining the data necessary to meet Federal reporting requirements under this part on a timely basis.

"(c) Calculation of Performance Indicators.—In order to enable the Secretary to determine the incentive and penalty adjustments required by sections 452(g) and 458, the State agency shall—

"(1) use the automated system—

"(A) to maintain the requisite data on State performance with respect to paternity es-
establishment and child support enforcement in the State; and

“(B) to calculate the IV-D paternity establishment percentage and overall performance in child support enforcement for the State for each fiscal year; and

“(2) have in place systems controls to ensure the completeness and reliability of, and ready access to, the data described in paragraph (1)(A), and the accuracy of the calculations described in paragraph (1)(B).

“(d) INFORMATION INTEGRITY AND SECURITY.—The State agency shall have in effect safeguards on the integrity, accuracy, and completeness of, access to, and use of data in the automated system required by this section, which shall include the following (in addition to such other safeguards as the Secretary may specify in regulations):

“(1) POLICIES RESTRICTING ACCESS.—Written policies concerning access to data by State agency personnel, and sharing of data with other persons, which—

“(A) permit access to and use of data only to the extent necessary to carry out the State program under this part; and
“(B) specify the data which may be used for particular program purposes, and the personnel permitted access to such data.

“(2) SYSTEMS CONTROLS.—Systems controls (such as passwords or blocking of fields) to ensure strict adherence to the policies described in paragraph (1).

“(3) MONITORING OF ACCESS.—Routine monitoring of access to and use of the automated system, through methods such as audit trails and feedback mechanisms, to guard against and promptly identify unauthorized access or use.

“(4) TRAINING AND INFORMATION.—Procedures to ensure that all personnel (including State and local agency staff and contractors) who may have access to or be required to use confidential program data are informed of applicable requirements and penalties (including those in section 6103 of the Internal Revenue Code of 1986), and are adequately trained in security procedures.

“(5) PENALTIES.—Administrative penalties (up to and including dismissal from employment) for unauthorized access to, or disclosure or use of, confidential data.”.
(3) REGULATIONS.—The Secretary of Health and Human Services shall prescribe final regulations for implementation of section 454A of the Social Security Act not later than 2 years after the date of the enactment of this Act.

(4) IMPLEMENTATION TIMETABLE.—Section 454(24) (42 U.S.C. 654(24)), as amended by sections 7304(a)(2) and 7312(a)(1), is amended to read as follows:

“(24) provide that the State will have in effect an automated data processing and information retrieval system—

“(A) by October 1, 1997, which meets all requirements of this part which were enacted on or before the date of enactment of the Family Support Act of 1988; and

“(B) by October 1, 1999, which meets all requirements of this part enacted on or before the date of the enactment of the Balanced Budget Reconciliation Act of 1995, except that such deadline shall be extended by 1 day for each day (if any) by which the Secretary fails to meet the deadline imposed by section 7344(a)(3) of the Balanced Budget Reconciliation Act of 1995.”.
(b) SPECIAL FEDERAL MATCHING RATE FOR DEVELOPMENT COSTS OF AUTOMATED SYSTEMS.—

(1) IN GENERAL.—Section 455(a) (42 U.S.C. 655(a)) is amended—

(A) in paragraph (1)(B)—

(i) by striking "90 percent" and inserting "the percent specified in paragraph (3)";

(ii) by striking "so much of"; and

(iii) by striking "which the Secretary" and all that follows and inserting ", and";

and

(B) by adding at the end the following new paragraph:

"(3)(A) The Secretary shall pay to each State, for each quarter in fiscal years 1996 and 1997, 90 percent of so much of the State expenditures described in paragraph (1)(B) as the Secretary finds are for a system meeting the requirements specified in section 454(16) (as in effect on the day before the date of the enactment of the Balanced Budget Reconciliation Act of 1995), but limited to the amount approved for States in the advance planning documents of such States submitted on or before May 1, 1995."
“(B)(i) The Secretary shall pay to each State, for each quarter in fiscal years 1997 through 2001, the percentage specified in clause (ii) of so much of the State expenditures described in paragraph (1)(B) as the Secretary finds are for a system meeting the requirements of sections 454(16) and 454A.

“(ii) The percentage specified in this clause is the greater of—

“(I) 80 percent; or

“(II) the percentage otherwise applicable to Federal payments to the State under subparagraph (A) (as adjusted pursuant to section 458).”.

(2) TEMPORARY LIMITATION ON PAYMENTS UNDER SPECIAL FEDERAL MATCHING RATE.—

(A) IN GENERAL.—The Secretary of Health and Human Services may not pay more than $260,000,000 in the aggregate under section 455(a)(3) of the Social Security Act for fiscal years 1996, 1997, 1998, 1999, and 2000.

(B) ALLOCATION OF LIMITATION AMONG STATES.—The total amount payable to a State under section 455(a)(3) of such Act for fiscal years 1996, 1997, 1998, 1999, and 2000 shall not exceed the limitation determined for the
State by the Secretary of Health and Human Services in regulations.

(C) ALLOCATION FORMULA.—The regulations referred to in subparagraph (B) shall prescribe a formula for allocating the amount specified in subparagraph (A) among States with plans approved under part D of title IV of the Social Security Act, which shall take into account—

(i) the relative size of State caseloads under such part; and

(ii) the level of automation needed to meet the automated data processing requirements of such part.

(c) CONFORMING AMENDMENT.—Section 123(c) of the Family Support Act of 1988 (102 Stat. 2352; Public Law 100–485) is repealed.

SEC. 7345. TECHNICAL ASSISTANCE.

(a) For Training of Federal and State Staff, Research and Demonstration Programs, and Special Projects of Regional or National Significance.—Section 452 (42 U.S.C. 652) is amended by adding at the end the following new subsection:

"(j) Out of any money in the Treasury of the United States not otherwise appropriated, there is hereby appro-
appropriated to the Secretary for each fiscal year an amount equal to 1 percent of the total amount paid to the Federal Government pursuant to section 457(a) during the immediately preceding fiscal year (as determined on the basis of the most recent reliable data available to the Secretary as of the end of the 3rd calendar quarter following the end of such preceding fiscal year), to cover costs incurred by the Secretary for—

“(1) information dissemination and technical assistance to States, training of State and Federal staff, staffing studies, and related activities needed to improve programs under this part (including technical assistance concerning State automated systems required by this part); and

“(2) research, demonstration, and special projects of regional or national significance relating to the operation of State programs under this part.”.

(b) Operation of Federal Parent Locator Service.—Section 453 (42 U.S.C. 653), as amended by section 7316(f), is amended by adding at the end the following new subsection:

“(n) Out of any money in the Treasury of the United States not otherwise appropriated, there is hereby appropriated to the Secretary for each fiscal year an amount
equal to 2 percent of the total amount paid to the Federal Government pursuant to section 457(a) during the immediately preceding fiscal year (as determined on the basis of the most recent reliable data available to the Secretary as of the end of the 3rd calendar quarter following the end of such preceding fiscal year), to cover costs incurred by the Secretary for operation of the Federal Parent Locator Service under this section, to the extent such costs are not recovered through user fees.”.

SEC. 7346. REPORTS AND DATA COLLECTION BY THE SECRETARY.

(a) Annual Report to Congress.—

(1) Section 452(a)(10)(A) (42 U.S.C. 652(a)(10)(A)) is amended—

(A) by striking “this part;” and inserting “this part, including—”; and

(B) by adding at the end the following new clauses:

“(i) the total amount of child support payments collected as a result of services furnished during the fiscal year to individuals receiving services under this part;

“(ii) the cost to the States and to the Federal Government of so furnishing the services; and
"(iii) the number of cases involving families—

"(I) who became ineligible for assistance under State programs funded under part A during a month in the fiscal year; and

"(II) with respect to whom a child support payment was received in the month;”.

(2) Section 452(a)(10)(C) (42 U.S.C. 652(a)(10)(C)) is amended—

(A) in the matter preceding clause (i)—

(i) by striking “with the data required under each clause being separately stated for cases” and inserting “separately stated for (1) cases”;

(ii) by striking “cases where the child was formerly receiving” and inserting “or formerly received”; 

(iii) by inserting “or 2136” after “471(a)(17)”; and

(iv) by inserting “(2)” before “all other”;
(B) in each of clauses (i) and (ii), by striking "and the total amount of such obligations”;

(C) in clause (iii), by striking “described in” and all that follows and inserting “in which support was collected during the fiscal year;”;

(D) by striking clause (iv); and

(E) by redesignating clause (v) as clause (vii), and inserting after clause (iii) the following new clauses:

“(iv) the total amount of support collected during such fiscal year and distributed as current support;

“(v) the total amount of support collected during such fiscal year and distributed as arrearages;

“(vi) the total amount of support due and unpaid for all fiscal years; and”.


(4) Section 452(a)(10) (42 U.S.C. 652(a)(10)) is amended—

(A) in subparagraph (H), by striking “and”;
(B) in subparagraph (I), by striking the period and inserting “; and”; and

(C) by inserting after subparagraph (I) the following new subparagraph:

“(J) compliance, by State, with the standards established pursuant to subsections (h) and (i).”.

(5) Section 452(a)(10) (42 U.S.C. 652(a)(10)) is amended by striking all that follows subparagraph (J), as added by paragraph (4).

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall be effective with respect to fiscal year 1996 and succeeding fiscal years.

CHAPTER 6—ESTABLISHMENT AND MODIFICATION OF SUPPORT ORDERS

SEC. 7351. NATIONAL CHILD SUPPORT GUIDELINES COMMISSION.

(a) ESTABLISHMENT.—There is hereby established a commission to be known as the National Child Support Guidelines Commission (in this section referred to as the “Commission”).

(b) GENERAL DUTIES.—

(1) IN GENERAL.—The Commission shall deter-
(A) whether it is appropriate to develop a national child support guideline for consideration by the Congress or for adoption by individual States; or

(B) based on a study of various guideline models, the benefits and deficiencies of such models, and any needed improvements.

(2) DEVELOPMENT OF MODELS.—If the Commission determines under paragraph (1)(A) that a national child support guideline is needed or under paragraph (1)(B) that improvements to guideline models are needed, the Commission shall develop such national guideline or improvements.

(c) MATTERS FOR CONSIDERATION BY THE COMMISSION.—In making the recommendations concerning guidelines required under subsection (b), the Commission shall consider—

(1) the adequacy of State child support guidelines established pursuant to section 467;

(2) matters generally applicable to all support orders, including—

(A) the feasibility of adopting uniform terms in all child support orders;

(B) how to define income and under what circumstances income should be imputed; and
(C) tax treatment of child support payments;

(3) the appropriate treatment of cases in which either or both parents have financial obligations to more than 1 family, including the effect (if any) to be given to—

(A) the income of either parent's spouse; and

(B) the financial responsibilities of either parent for other children or stepchildren;

(4) the appropriate treatment of expenses for child care (including care of the children of either parent, and work-related or job-training-related child care);

(5) the appropriate treatment of expenses for health care (including uninsured health care) and other extraordinary expenses for children with special needs;

(6) the appropriate duration of support by 1 or both parents, including—

(A) support (including shared support) for postsecondary or vocational education; and

(B) support for disabled adult children;

(7) procedures to automatically adjust child support orders periodically to address changed eco-
nomic circumstances, including changes in the Consumer Price Index or either parent’s income and expenses in particular cases;

(8) procedures to help noncustodial parents address grievances regarding visitation and custody orders to prevent such parents from withholding child support payments until such grievances are resolved; and

(9) whether, or to what extent, support levels should be adjusted in cases in which custody is shared or in which the noncustodial parent has extended visitation rights.

(d) MEMBERSHIP.—

(1) NUMBER; APPOINTMENT.—

(A) IN GENERAL.—The Commission shall be composed of 12 individuals appointed not later than January 15, 1997, of which—

(i) 2 shall be appointed by the Chairman of the Committee on Finance of the Senate, and 1 shall be appointed by the ranking minority member of the Committee;

(ii) 2 shall be appointed by the Chairman of the Committee on Ways and Means of the House of Representatives, and 1
shall be appointed by the ranking minority
member of the Committee; and

(iii) 6 shall be appointed by the Sec-
retary of Health and Human Services.

(B) QUALIFICATIONS OF MEMBERS.—
Members of the Commission shall have exper-
tise and experience in the evaluation and devel-
opment of child support guidelines. At least 1
member shall represent advocacy groups for
custodial parents, at least 1 member shall rep-
resent advocacy groups for noncustodial par-
ents, and at least 1 member shall be the direc-
tor of a State program under part D of title IV
of the Social Security Act.

(2) TERMS OF OFFICE.—Each member shall be
appointed for a term of 2 years. A vacancy in the
Commission shall be filled in the manner in which
the original appointment was made.

(e) COMMISSION POWERS, COMPENSATION, ACCESS
TO INFORMATION, AND SUPERVISION.—The 1st sentence
of subparagraph (C), the 1st and 3rd sentences of sub-
paragraph (D), subparagraph (F) (except with respect to
the conduct of medical studies), clauses (ii) and (iii) of
subparagraph (G), and subparagraph (H) of section
1886(e)(6) of the Social Security Act shall apply to the
Commission in the same manner in which such provisions apply to the Prospective Payment Assessment Commission.

(f) REPORT.—Not later than 2 years after the appointment of members, the Commission shall submit to the President, the Committee on Ways and Means of the House of Representatives, and the Committee on Finance of the Senate, a recommended national child support guideline and a final assessment of issues relating to such a proposed national child support guideline.

(g) TERMINATION.—The Commission shall terminate 6 months after the submission of the report described in subsection (e).

SEC. 7352. SIMPLIFIED PROCESS FOR REVIEW AND ADJUSTMENT OF CHILD SUPPORT ORDERS.

Section 466(a)(10) (42 U.S.C. 666(a)(10)) is amended to read as follows:

“(10) Procedures under which the State shall review and adjust each support order being enforced under this part upon the request of either parent or the State if there is an assignment. Such procedures shall provide the following:

“(A) The State shall review and, as appropriate, adjust the support order every 3 years,
taking into account the best interests of the child involved.

"(B)(i) The State may elect to review and, if appropriate, adjust an order pursuant to subparagraph (A) by—

"(I) reviewing and, if appropriate, adjusting the order in accordance with the guidelines established pursuant to section 467(a) if the amount of the child support award under the order differs from the amount that would be awarded in accordance with the guidelines; or

"(II) applying a cost-of-living adjustment to the order in accordance with a formula developed by the State and permit either party to contest the adjustment, within 30 days after the date of the notice of the adjustment, by making a request for review and, if appropriate, adjustment of the order in accordance with the child support guidelines established pursuant to section 467(a).

"(ii) Any adjustment under clause (i) shall be made without a requirement for proof or showing of a change in circumstances.
“(C) The State may use automated methods (including automated comparisons with wage or State income tax data) to identify orders eligible for review, conduct the review, identify orders eligible for adjustment, and apply the appropriate adjustment to the orders eligible for adjustment under the threshold established by the State.

“(D)(i) The State shall, at the request of either parent subject to such an order or of any State child support enforcement agency, review and, if appropriate, adjust the order in accordance with the guidelines established pursuant to section 467(a) based upon a substantial change in the circumstances of either parent.

“(ii) The State shall provide notice to the parents subject to such an order informing them of their right to request the State to review and, if appropriate, adjust the order pursuant to clause (i). The notice may be included in the order.”.
SEC. 7353. FURNISHING CONSUMER REPORTS FOR CERTAIN PURPOSES RELATING TO CHILD SUPPORT.

Section 604 of the Fair Credit Reporting Act (15 U.S.C. 1681b) is amended by adding at the end the following new paragraphs:

"(4) In response to a request by the head of a State or local child support enforcement agency (or a State or local government official authorized by the head of such an agency), if the person making the request certifies to the consumer reporting agency that—

"(A) the consumer report is needed for the purpose of establishing an individual's capacity to make child support payments or determining the appropriate level of such payments;

"(B) the paternity of the consumer for the child to which the obligation relates has been established or acknowledged by the consumer in accordance with State laws under which the obligation arises (if required by those laws);

"(C) the person has provided at least 10 days' prior notice to the consumer whose report is requested, by certified or registered mail to the last known address of the consumer, that the report will be requested; and
“(D) the consumer report will be kept confidential, will be used solely for a purpose described in subparagraph (A), and will not be used in connection with any other civil, administrative, or criminal proceeding, or for any other purpose.

“(5) To an agency administering a State plan under section 454 of the Social Security Act (42 U.S.C. 654) for use to set an initial or modified child support award.”.

SEC. 7354. NONLIABILITY FOR DEPOSITORY INSTITUTIONS PROVIDING FINANCIAL RECORDS TO STATE CHILD SUPPORT ENFORCEMENT AGENCIES IN CHILD SUPPORT CASES.

(a) In general.—Notwithstanding any other provision of Federal or State law, a depository institution shall not be liable under any Federal or State law to any person for disclosing any financial record of an individual to a State child support enforcement agency attempting to establish, modify, or enforce a child support obligation of such individual.

(b) Prohibition of disclosure of financial record obtained by State child support enforcement agency.—A State child support enforcement agency which obtains a financial record of an individual
from a financial institution pursuant to subsection (a) may disclose such financial record only for the purpose of, and to the extent necessary in, establishing, modifying, or enforcing a child support obligation of such individual.

(c) CIVIL DAMAGES FOR UNAUTHORIZED DISCLOSURE.—

(1) Disclosure by state officer or employee.—If any person knowingly, or by reason of negligence, discloses a financial record of an individual in violation of subsection (b), such individual may bring a civil action for damages against such person in a district court of the United States.

(2) No liability for good faith but erroneous interpretation.—No liability shall arise under this subsection with respect to any disclosure which results from a good faith, but erroneous, interpretation of subsection (b).

(3) Damages.—In any action brought under paragraph (1), upon a finding of liability on the part of the defendant, the defendant shall be liable to the plaintiff in an amount equal to the sum of—

(A) the greater of—

(i) $1,000 for each act of unauthorized disclosure of a financial record with
respect to which such defendant is found liable; or

(ii) the sum of—

(I) the actual damages sustained by the plaintiff as a result of such unauthorized disclosure; plus

(II) in the case of a willful disclosure or a disclosure which is the result of gross negligence, punitive damages; plus

(B) the costs (including attorney’s fees) of the action.

(d) DEFINITIONS.—For purposes of this section:

(1) The term “depository institution” means—

(A) a depository institution, as defined in section 3(c) of the Federal Deposit Insurance Act (12 U.S.C. 1813(c));

(B) an institution-affiliated party, as defined in section 3(u) of such Act (12 U.S.C. 1813(v)); and

(C) any Federal credit union or State credit union, as defined in section 101 of the Federal Credit Union Act (12 U.S.C. 1752), including an institution-affiliated party of such a
1300
credit union, as defined in section 206(r) of such Act (12 U.S.C. 1786(r)).

(2) The term “financial record” has the meaning given such term in section 1101 of the Right to Financial Privacy Act of 1978 (12 U.S.C. 3401).

(3) The term “State child support enforcement agency” means a State agency which administers a State program for establishing and enforcing child support obligations.

CHAPTER 7—ENFORCEMENT OF SUPPORT ORDERS

SEC. 7361. INTERNAL REVENUE SERVICE COLLECTION OF ARREARAGES.

(a) AMENDMENT TO INTERNAL REVENUE CODE.—Section 6305(a) of the Internal Revenue Code of 1986 (relating to collection of certain liability) is amended—

(1) by striking “and” at the end of paragraph (3);

(2) by striking the period at the end of paragraph (4) and inserting “, and”;

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

“(5) no additional fee may be assessed for adjustments to an amount previously certified pursu-
ant to such section 452(b) with respect to the same obligor.”; and
(4) by striking “Secretary of Health, Education, and Welfare” each place it appears and inserting “Secretary of Health and Human Services”.

(b) EFFECTIVE DATE.—The amendments made by this section shall become effective October 1, 1997.

SEC. 7362. AUTHORITY TO COLLECT SUPPORT FROM FEDERAL EMPLOYEES.

(a) CONSOLIDATION AND STREAMLINING OF AUTHORITIES.—Section 459 (42 U.S.C. 659) is amended to read as follows:

“SEC. 459. CONSENT BY THE UNITED STATES TO INCOME WITHHOLDING, GARNISHMENT, AND SIMILAR PROCEEDINGS FOR ENFORCEMENT OF CHILD SUPPORT AND ALIMONY OBLIGATIONS.

“(a) CONSENT TO SUPPORT ENFORCEMENT.—Notwithstanding any other provision of law (including section 207 of this Act and section 5301 of title 38, United States Code), effective January 1, 1975, moneys (the entitlement to which is based upon remuneration for employment) due from, or payable by, the United States or the District of Columbia (including any agency, subdivision, or instrumentality thereof) to any individual, including members of the Armed Forces of the United States, shall be subject,
in like manner and to the same extent as if the United States or the District of Columbia were a private person, to withholding in accordance with State law enacted pursuant to subsections (a)(1) and (b) of section 466 and regulations of the Secretary under such subsections, and to any other legal process brought, by a State agency administering a program under a State plan approved under this part or by an individual obligee, to enforce the legal obligation of the individual to provide child support or alimony.

"(b) CONSENT TO REQUIREMENTS APPLICABLE TO PRIVATE PERSON.—With respect to notice to withhold income pursuant to subsection (a)(1) or (b) of section 466, or any other order or process to enforce support obligations against an individual (if the order or process contains or is accompanied by sufficient data to permit prompt identification of the individual and the moneys involved), each governmental entity specified in subsection (a) shall be subject to the same requirements as would apply if the entity were a private person, except as otherwise provided in this section.

"(c) DESIGNATION OF AGENT; RESPONSE TO NOTICE OR PROCESS—

"(1) DESIGNATION OF AGENT.—The head of each agency subject to this section shall—
“(A) designate an agent or agents to receive orders and accept service of process in matters relating to child support or alimony; and

“(B) annually publish in the Federal Register the designation of the agent or agents, identified by title or position, mailing address, and telephone number.

“(2) RESPONSE TO NOTICE OR PROCESS.—If an agent designated pursuant to paragraph (1) of this subsection receives notice pursuant to State procedures in effect pursuant to subsection (a)(1) or (b) of section 466, or is effectively served with any order, process, or interrogatory, with respect to an individual’s child support or alimony payment obligations, the agent shall—

“(A) as soon as possible (but not later than 15 days) thereafter, send written notice of the notice or service (together with a copy of the notice or service) to the individual at the duty station or last-known home address of the individual;

“(B) within 30 days (or such longer period as may be prescribed by applicable State law) after receipt of a notice pursuant to such State
procedures, comply with all applicable provisions of section 466; and

"(C) within 30 days (or such longer period as may be prescribed by applicable State law) after effective service of any other such order, process, or interrogatory, respond to the order, process, or interrogatory.

"(d) PRIORITY OF CLAIMS.—If a governmental entity specified in subsection (a) receives notice or is served with process, as provided in this section, concerning amounts owed by an individual to more than 1 person—

"(1) support collection under section 466(b) must be given priority over any other process, as provided in section 466(b)(7);

"(2) allocation of moneys due or payable to an individual among claimants under section 466(b) shall be governed by section 466(b) and the regulations prescribed under such section; and

"(3) such moneys as remain after compliance with paragraphs (1) and (2) shall be available to satisfy any other such processes on a 1st-come, 1st-served basis, with any such process being satisfied out of such moneys as remain after the satisfaction of all such processes which have been previously served.
"(e) No Requirement to Vary Pay Cycles.—A governmental entity that is affected by legal process served for the enforcement of an individual's child support or alimony payment obligations shall not be required to vary its normal pay and disbursement cycle in order to comply with the legal process.

"(f) Relief from Liability.—

"(1) Neither the United States, nor the government of the District of Columbia, nor any disbursing officer shall be liable with respect to any payment made from moneys due or payable from the United States to any individual pursuant to legal process regular on its face, if the payment is made in accordance with this section and the regulations issued to carry out this section.

"(2) No Federal employee whose duties include taking actions necessary to comply with the requirements of subsection (a) with regard to any individual shall be subject under any law to any disciplinary action or civil or criminal liability or penalty for, or on account of, any disclosure of information made by the employee in connection with the carrying out of such actions.

"(g) Regulations.—Authority to promulgate regulations for the implementation of this section shall, insofar
as this section applies to moneys due from (or payable by)—

"(1) the United States (other than the legislative or judicial branches of the Federal Government) or the government of the District of Columbia, be vested in the President (or the designee of the President);

"(2) the legislative branch of the Federal Government, be vested jointly in the President pro tempore of the Senate and the Speaker of the House of Representatives (or their designees), and

"(3) the judicial branch of the Federal Government, be vested in the Chief Justice of the United States (or the designee of the Chief Justice).

"(h) MONEYS SUBJECT TO PROCESS.—

"(1) IN GENERAL.—Subject to paragraph (2), moneys paid or payable to an individual which are considered to be based upon remuneration for employment, for purposes of this section—

"(A) consist of—

"(i) compensation paid or payable for personal services of the individual, whether the compensation is denominated as wages, salary, commission, bonus, pay, allowances,
or otherwise (including severance pay, sick pay, and incentive pay);

"(ii) periodic benefits (including a periodic benefit as defined in section 228(h)(3)) or other payments—

"(I) under the insurance system established by title II;

"(II) under any other system or fund established by the United States which provides for the payment of pensions, retirement or retired pay, annuities, dependents’ or survivors’ benefits, or similar amounts payable on account of personal services performed by the individual or any other individual;

"(III) as compensation for death under any Federal program;

"(IV) under any Federal program established to provide ‘black lung’ benefits; or

"(V) by the Secretary of Veterans Affairs as pension, or as compensation for a service-connected disability or death (except any compensa-
tion paid by the Secretary to a member of the Armed Forces who is in receipt of retired or retainer pay if the member has waived a portion of the retired pay of the member in order to receive the compensation); and

"(iii) workers' compensation benefits paid under Federal or State law; but

"(B) do not include any payment—

"(i) by way of reimbursement or otherwise, to defray expenses incurred by the individual in carrying out duties associated with the employment of the individual; or

"(ii) as allowances for members of the uniformed services payable pursuant to chapter 7 of title 37, United States Code, as prescribed by the Secretaries concerned (defined by section 101(5) of such title) as necessary for the efficient performance of duty.

"(2) CERTAIN AMOUNTS EXCLUDED.—In determining the amount of any moneys due from, or payable by, the United States to any individual, there shall be excluded amounts which—
“(A) are owed by the individual to the United States;

“(B) are required by law to be, and are, deducted from the remuneration or other payment involved, including Federal employment taxes, and fines and forfeitures ordered by court-martial;

“(C) are properly withheld for Federal, State, or local income tax purposes, if the withholding of the amounts is authorized or required by law and if amounts withheld are not greater than would be the case if the individual claimed all dependents to which he was entitled (the withholding of additional amounts pursuant to section 3402(i) of the Internal Revenue Code of 1986 may be permitted only when the individual presents evidence of a tax obligation which supports the additional withholding);

“(D) are deducted as health insurance premiums;

“(E) are deducted as normal retirement contributions (not including amounts deducted for supplementary coverage); or

“(F) are deducted as normal life insurance premiums from salary or other remuneration.
for employment (not including amounts deducted for supplementary coverage).

"(i) DEFINITIONS.—As used in this section:

"(1) UNITED STATES.—The term 'United States' includes any department, agency, or instrumentality of the legislative, judicial, or executive branch of the Federal Government, the United States Postal Service, the Postal Rate Commission, any Federal corporation created by an Act of Congress that is wholly owned by the Federal Government, and the governments of the territories and possessions of the United States.

"(2) CHILD SUPPORT.—The term 'child support', when used in reference to the legal obligations of an individual to provide such support, means periodic payments of funds for the support and maintenance of a child or children with respect to which the individual has such an obligation, and (subject to and in accordance with State law) includes payments to provide for health care, education, recreation, clothing, or to meet other specific needs of such a child or children, and includes attorney's fees, interest, and court costs, when and to the extent that the same are expressly made recoverable as such pursuant to a decree, order, or judgment issued
in accordance with applicable State law by a court of competent jurisdiction.

"(3) ALIMONY.—The term 'alimony', when used in reference to the legal obligations of an individual to provide the same, means periodic payments of funds for the support and maintenance of the spouse (or former spouse) of the individual, and (subject to and in accordance with State law) includes separate maintenance, alimony pendente lite, maintenance, and spousal support, and includes attorney's fees, interest, and court costs when and to the extent that the same are expressly made recoverable as such pursuant to a decree, order, or judgment issued in accordance with applicable State law by a court of competent jurisdiction. Such term does not include any payment or transfer of property or its value by an individual to the spouse or a former spouse of the individual in compliance with any community property settlement, equitable distribution of property, or other division of property between spouses or former spouses.

"(4) PRIVATE PERSON.—The term 'private person' means a person who does not have sovereign or other special immunity or privilege which causes the person not to be subject to legal process.
"(5) LEGAL PROCESS.—The term 'legal process' means any writ, order, summons, or other similar process in the nature of garnishment—

"(A) which is issued by—

"(i) a court of competent jurisdiction in any State, territory, or possession of the United States;

"(ii) a court of competent jurisdiction in any foreign country with which the United States has entered into an agreement which requires the United States to honor the process; or

"(iii) an authorized official pursuant to an order of such a court of competent jurisdiction or pursuant to State or local law; and

"(B) which is directed to, and the purpose of which is to compel, a governmental entity which holds moneys which are otherwise payable to an individual to make a payment from the moneys to another party in order to satisfy a legal obligation of the individual to provide child support or make alimony payments.”.

(b) CONFORMING AMENDMENTS.—
(1) TO PART D OF TITLE IV.—Sections 461 and 462 (42 U.S.C. 661 and 662) are repealed.

(2) TO TITLE 5, UNITED STATES CODE.—Section 5520a of title 5, United States Code, is amended, in subsections (h)(2) and (i), by striking “sections 459, 461, and 462 of the Social Security Act (42 U.S.C. 659, 661, and 662)” and inserting “section 459 of the Social Security Act (42 U.S.C. 659)’”.

(c) MILITARY RETIRED AND RETAINER PAY.—

(1) DEFINITION OF COURT.—Section 1408(a)(1) of title 10, United States Code, is amended—

(A) by striking “and” at the end of subparagraph (B);

(B) by striking the period at the end of subparagraph (C) and inserting “; and”; and

(C) by adding after subparagraph (C) the following new subparagraph:

“(D) any administrative or judicial tribunal of a State competent to enter orders for support or maintenance (including a State agency administering a program under a State plan approved under part D of title IV of the Social Security Act), and, for purposes of this
subparagraph, the term ‘State’ includes the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, and American Samoa.”.

(2) **DEFINITION OF COURT ORDER.**—Section 1408(a)(2) of such title is amended by inserting “or a court order for the payment of child support not included in or accompanied by such a decree or settlement,” before “which—”.

(3) **PUBLIC PAYEE.**—Section 1408(d) of such title is amended—

(A) in the heading, by inserting “(OR FOR BENEFIT OF)” before “SPOUSE OR”; and

(B) in paragraph (1), in the 1st sentence, by inserting “(or for the benefit of such spouse or former spouse to a State disbursement unit established pursuant to section 454B of the Social Security Act or other public payee designated by a State, in accordance with part D of title IV of the Social Security Act, as directed by court order, or as otherwise directed in accordance with such part D)” before “in an amount sufficient”.

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(4) Relationship to Part D of Title IV.—

Section 1408 of such title is amended by adding at the end the following new subsection:

"(j) Relationship to Other Laws.—In any case involving an order providing for payment of child support (as defined in section 459(i)(2) of the Social Security Act) by a member who has never been married to the other parent of the child, the provisions of this section shall not apply, and the case shall be subject to the provisions of section 459 of such Act."

(d) Effective Date.—The amendments made by this section shall become effective 6 months after the date of the enactment of this Act.

SEC. 7363. ENFORCEMENT OF CHILD SUPPORT OBLIGATIONS OF MEMBERS OF THE ARMED FORCES.

(a) Availability of Locator Information.—

(1) Maintenance of Address Information.—The Secretary of Defense shall establish a centralized personnel locator service that includes the address of each member of the Armed Forces under the jurisdiction of the Secretary. Upon request of the Secretary of Transportation, addresses for members of the Coast Guard shall be included in the centralized personnel locator service.

(2) Type of Address.—
(A) RESIDENTIAL ADDRESS.—Except as provided in subparagraph (B), the address for a member of the Armed Forces shown in the locator service shall be the residential address of that member.

(B) DUTY ADDRESS.—The address for a member of the Armed Forces shown in the locator service shall be the duty address of that member in the case of a member—

(i) who is permanently assigned overseas, to a vessel, or to a routinely deployable unit; or

(ii) with respect to whom the Secretary concerned makes a determination that the member’s residential address should not be disclosed due to national security or safety concerns.

(3) UPDATING OF LOCATOR INFORMATION.—Within 30 days after a member listed in the locator service establishes a new residential address (or a new duty address, in the case of a member covered by paragraph (2)(B)), the Secretary concerned shall update the locator service to indicate the new address of the member.
(4) **AVAILABILITY OF INFORMATION.**—The Secretary of Defense shall make information regarding the address of a member of the Armed Forces listed in the locator service available, on request, to the Federal Parent Locator Service established under section 453 of the Social Security Act.

(b) **FACILITATING GRANTING OF LEAVE FOR ATTENDANCE AT HEARINGS.**—

(1) **REGULATIONS.**—The Secretary of each military department, and the Secretary of Transportation with respect to the Coast Guard when it is not operating as a service in the Navy, shall prescribe regulations to facilitate the granting of leave to a member of the Armed Forces under the jurisdiction of that Secretary in a case in which—

(A) the leave is needed for the member to attend a hearing described in paragraph (2);

(B) the member is not serving in or with a unit deployed in a contingency operation (as defined in section 101 of title 10, United States Code); and

(C) the exigencies of military service (as determined by the Secretary concerned) do not otherwise require that such leave not be granted.
(2) COVERED HEARINGS.—Paragraph (1) applies to a hearing that is conducted by a court or pursuant to an administrative process established under State law, in connection with a civil action—

(A) to determine whether a member of the Armed Forces is a natural parent of a child; or

(B) to determine an obligation of a member of the Armed Forces to provide child support.

(3) DEFINITIONS.—For purposes of this subsection:

(A) The term "court" has the meaning given that term in section 1408(a) of title 10, United States Code.

(B) The term "child support" has the meaning given such term in section 459(i) of the Social Security Act (42 U.S.C. 659(i)).

(c) PAYMENT OF MILITARY RETIRED PAY IN COMPLIANCE WITH CHILD SUPPORT ORDERS.—

(1) DATE OF CERTIFICATION OF COURT ORDER.—Section 1408 of title 10, United States Code, as amended by section 7362(c)(4), is amended—

(A) by redesignating subsections (i) and (j) as subsections (j) and (k), respectively; and
(B) by inserting after subsection (h) the following new subsection:

"(i) Certification Date.—It is not necessary that the date of a certification of the authenticity or completeness of a copy of a court order for child support received by the Secretary concerned for the purposes of this section be recent in relation to the date of receipt by the Secretary."

(2) Payments Consistent with Assignments of Rights to States.—Section 1408(d)(1) of such title is amended by inserting after the 1st sentence the following: "In the case of a spouse or former spouse who assigns to a State the rights of the spouse or former spouse to receive support, the Secretary concerned may make the child support payments referred to in the preceding sentence to that State in amounts consistent with that assignment of rights."

(3) Arrearages Owed by Members of the Uniformed Services.—Section 1408(d) of such title is amended by adding at the end the following new paragraph:

"(6) In the case of a court order for which effective service is made on the Secretary concerned on or after the date of the enactment of this paragraph and which
provides for payments from the disposable retired pay of a member to satisfy the amount of child support set forth in the order, the authority provided in paragraph (1) to make payments from the disposable retired pay of a member to satisfy the amount of child support set forth in a court order shall apply to payment of any amount of child support arrearages set forth in that order as well as to amounts of child support that currently become due.”.

(4) PAYROLL DEDUCTIONS.—The Secretary of Defense shall begin payroll deductions within 30 days after receiving notice of withholding, or for the 1st pay period that begins after such 30-day period.

SEC. 7364. VOIDING OF FRAUDULENT TRANSFERS.

Section 466 (42 U.S.C. 666), as amended by section 7321, is amended by adding at the end the following new subsection:

“(g) In order to satisfy section 454(20)(A), each State must have in effect—

“(1)(A) the Uniform Fraudulent Conveyance Act of 1981;

“(B) the Uniform Fraudulent Transfer Act of 1984; or

“(C) another law, specifying indicia of fraud which create a prima facie case that a debtor transferred income or property to avoid payment to a
child support creditor, which the Secretary finds affords comparable rights to child support creditors; and

"(2) procedures under which, in any case in which the State knows of a transfer by a child support debtor with respect to which such a prima facie case is established, the State must—

"(A) seek to void such transfer; or

"(B) obtain a settlement in the best interests of the child support creditor."

SEC. 7365. WORK REQUIREMENT FOR PERSONS OWING CHILD SUPPORT.

Section 466(a) (42 U.S.C. 666(a)), as amended by sections 7301(a), 7315, 7317(a), and 7323, is amended by adding at the end the following new paragraph:

"(15) Procedures requiring the State, in any case in which an individual owes support with respect to a child receiving services under this part, to seek a court order or administrative order that requires the individual to—

"(A) pay such support in accordance with a plan approved by the court; or

"(B) if the individual is not working and is not incapacitated, participate in work activities (including, at State option, work activities
as defined in section 482) as the court deems appropriate.”.

SEC. 7366. DEFINITION OF SUPPORT ORDER.

Section 453 (42 U.S.C. 653) as amended by sections 7316 and 7345(b), is amended by adding at the end the following new subsection:

“(o) As used in this part, the term 'support order' means a judgment, decree, or order, whether temporary, final, or subject to modification, issued by a court or an administrative agency of competent jurisdiction, for the support and maintenance of a child, including a child who has attained the age of majority under the law of the issuing State, or a child and the parent with whom the child is living, which provides for monetary support, health care, arrearages, or reimbursement, and which may include related costs and fees, interest and penalties, income withholding, attorneys' fees, and other relief.”.

SEC. 7367. REPORTING ARREARAGES TO CREDIT BUREAUS.

Section 466(a)(7) (42 U.S.C. 666(a)(7)) is amended to read as follows:

“(7)(A) Procedures (subject to safeguards pursuant to subparagraph (B)) requiring the State to report periodically to consumer reporting agencies (as defined in section 603(f) of the Fair Credit Reporting Act (15 U.S.C. 1681a(f)) the name of any
absent parent who is delinquent in the payment of support, and the amount of overdue support owed by such parent.

"(B) Procedures ensuring that, in carrying out subparagraph (A), information with respect to an absent parent is reported—

"(i) only after such parent has been afforded all due process required under State law, including notice and a reasonable opportunity to contest the accuracy of such information; and

"(ii) only to an entity that has furnished evidence satisfactory to the State that the entity is a consumer reporting agency.".

SEC. 7368. LIENS.

Section 466(a)(4) (42 U.S.C. 666(a)(4)) is amended to read as follows:

"(4) Procedures under which—

"(A) liens arise by operation of law against real and personal property for amounts of overdue support owed by an absent parent who resides or owns property in the State; and

"(B) the State accords full faith and credit to liens described in subparagraph (A) arising
in another State, without registration of the underling order.”.

SEC. 7369. STATE LAW AUTHORIZING SUSPENSION OF LICENSES.

Section 466(a) (42 U.S.C. 666(a)), as amended by sections 7315, 7317(a), 7323, and 7365, is amended by adding at the end the following new paragraph:

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

SEC. 7370. DENIAL OF PASSPORTS FOR NONPAYMENT OF CHILD SUPPORT.

(a) HHS CERTIFICATION PROCEDURE.—

(1) SECRETARIAL RESPONSIBILITY.—Section 452 (42 U.S.C. 652), as amended by section 7345, is amended by adding at the end the following new subsection:

“(k)(1) If the Secretary receives a certification by a State agency in accordance with the requirements of section 454(31) that an individual owes arrearages of child
support in an amount exceeding $5,000, the Secretary
shall transmit such certification to the Secretary of State
for action (with respect to denial, revocation, or limitation
of passports) pursuant to section 7370(b) of the Balanced

"(2) The Secretary shall not be liable to an individual
for any action with respect to a certification by a State
agency under this section."

(2) STATE CSE AGENCY RESPONSIBILITY.—Sec-
tion 454 (42 U.S.C. 654), as amended by sections
7301(b), 7304(a), 7312(b), 7313(a), 7333, and
7343(a), is amended—

(A) by striking "and" at the end of para-
graph (29);

(B) by striking the period at the end of
paragraph (30) and inserting "; and"; and

(C) by adding after paragraph (30) the fol-
lowing new paragraph:

"(31) provide that the State agency will have in
effect a procedure (which may be combined with the
procedure for tax refund offset under section 464) for
certifying to the Secretary, for purposes of the
procedure under section 452(k) (concerning denial of
passports), determinations that individuals owe ar-
rearages of child support in an amount exceeding $5,000, under which procedure—

"(A) each individual concerned is afforded notice of such determination and the consequences thereof, and an opportunity to contest the determination; and

"(B) the certification by the State agency is furnished to the Secretary in such format, and accompanied by such supporting documentation, as the Secretary may require."

(b) STATE DEPARTMENT PROCEDURE FOR DENIAL OF PASSPORTS.—

(1) IN GENERAL.—The Secretary of State shall, upon certification by the Secretary of Health and Human Services transmitted under section 452(k) of the Social Security Act, refuse to issue a passport to such individual, and may revoke, restrict, or limit a passport issued previously to such individual.

(2) LIMIT ON LIABILITY.—The Secretary of State shall not be liable to an individual for any action with respect to a certification by a State agency under this section.

(c) EFFECTIVE DATE.—This section and the amendments made by this section shall become effective October 1, 1996.
SEC. 7371. INTERNATIONAL CHILD SUPPORT ENFORCEMENT.

The Secretary of State is authorized to negotiate reciprocal agreements with foreign nations on behalf of the States, territories, and possessions of the United States regarding the international enforcement of child support obligations and designating the Department of Health and Human Services as the central authority for such enforcement.

SEC. 7372. DENIAL OF MEANS-TESTED FEDERAL BENEFITS TO NONCUSTODIAL PARENTS WHO ARE DELINQUENT IN PAYING CHILD SUPPORT.

(a) IN GENERAL.—Notwithstanding any other provision of law, a non-custodial parent who is more than 2 months delinquent in paying child support shall not be eligible to receive any means-tested Federal benefits.

(b) EXCEPTION.—

(1) IN GENERAL.—Subsection (a) shall not apply to an unemployed non-custodial parent who is more than 2 months delinquent in paying child support if such parent—

(A) enters into a schedule of repayment for past due child support with the entity that issued the underlying child support order; and
(B) meets all of the terms of repayment specified in the schedule of repayment as enforced by the appropriate disbursing entity.

(2) 2-YEAR EXCLUSION.—(A) A non-custodial parent who becomes delinquent in child support a second time or any subsequent time shall not be eligible to receive any means-tested Federal benefits for a 2-year period beginning on the date that such parent failed to meet such terms.

(B) At the end of that two-year period, paragraph (A) shall once again apply to that individual.

c) MEANS-TESTED FEDERAL BENEFITS.— For purposes of this section, the term "means-tested Federal benefits" means benefits under any program of assistance, funded in whole or in part, by the Federal Government, for which eligibility for benefits is based on need.

SEC. 7373. CHILD SUPPORT ENFORCEMENT FOR INDIAN TRIBES.

(a) CHILD SUPPORT ENFORCEMENT AGREEMENTS.—Section 454 (42 U.S.C. 654), as amended by sections 7301(b), 7304(a), 7312(b), 9313(a), 7333, 7343(a), and 7370(a)(2) is amended—

(1) by striking "and" at the end of paragraph (30);
(2) by striking the period at the end of paragraph (31) and inserting "; and"; and

(3) by adding after paragraph (31) the following new paragraph:

"(32) provide that a State that receives funding pursuant to section 429 and that has within its borders Indian country (as defined in section 1151 of title 18, United States Code) shall, through the State administering agency, make reasonable efforts to enter into cooperative agreements with an Indian tribe or tribal organization (as defined in paragraphs (1) and (2) of section 428(c)), 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 and enforce support orders, and to enter support orders in accordance with child support guidelines established by such tribe or organization, under which the State and tribe or organization shall provide for the cooperative delivery of child support enforcement services in Indian country and for the forwarding of all funding collected 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
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shall distribute such funding in accordance with
such agreement.”.

(b) DIRECT FEDERAL FUNDING TO INDIAN TRIBES
AND TRIBAL ORGANIZATIONS.—Section 455 (42 U.S.C.
655) is amended by adding at the end the following new
subsection:

“(b) The Secretary may, in appropriate cases, make
direct payments under this part to an Indian tribe or trib-
al organization which has an approved child support en-
forcement plan under this title. In determining whether
such payments are appropriate, the Secretary shall, at a
minimum, consider whether services are being provided to
eligible Indian recipients by the State agency through an
agreement entered into pursuant to section 454(32). The
Secretary shall provide for an appropriate adjustment to
the State allotment under this section to take into account
any payments made under this subsection to Indian tribes
or tribal organizations located within such State.”.

(c) COOPERATIVE ENFORCEMENT AGREEMENTS.—
Paragraph (7) of section 454 (42 U.S.C. 654) is amended
by inserting “and Indian tribes or tribal organizations (as
defined in section 450(b) of title 25, United States Code)”
after “law enforcement officials”.

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SEC. 7374. FINANCIAL INSTITUTION DATA MATCHES.

Section 466(a) (42 U.S.C. 666(a)), as amended by sections 7315, 7317(a), 7323, 7365, and 7369, is amended by adding at the end the following new paragraph:

“(17) Procedures under which the State agency shall enter into agreements with financial institutions doing business within the State to develop and operate a data match system, using automated data exchanges to the maximum extent feasible, in which such financial institutions are required to provide for each calendar quarter the name, record address, social security number, and other identifying information for each absent parent identified by the State who maintains an account at such institution and, in response to a notice of lien or levy, to encumber or surrender, as the case may be, assets held by such institution on behalf of any absent parent who is subject to a child support lien pursuant to paragraph (4). For purposes of this paragraph, the term ‘financial institution’ means Federal and State commercial savings banks, including savings and loan associations and cooperative banks, Federal and State chartered credit unions, benefit associations, insurance companies, safe deposit companies, money-market mutual funds, and any similar entity authorized to do business in the State, and the term
'account' means a demand deposit account, checking or negotiable withdrawal order account, savings account, time deposit account, or money-market mutual fund account.”.

SEC. 7375. CHILD SUPPORT ENFORCEMENT FEES FOR NON-ASSISTANCE FAMILIES.

(a) IN GENERAL.—Part D of title IV (42 U.S.C. 651–669), as amended by sections 7312(b) and 7344(a)(2), is amended by inserting after section 454B the following new section:

"SEC. 454C. COLLECTION OF CHILD SUPPORT ENFORCEMENT COSTS AND FEES FOR NON-ASSISTANCE FAMILIES.

"(a) MANDATORY ENFORCEMENT FEES.—

"(1) IN GENERAL.—With respect to individuals described in section 454(6)(B) for services described in section 454(4), the State, under the State plan, shall impose and collect an amount equal to the sum of the following fees:

"(A) APPLICATION FEES.—An application fee of $25 per applicant.

"(B) COLLECTION FEES.—In addition to any child support collected, a collection fee in an amount equal to the applicable percentage of the amount of child support collected."
“(2) Rules regarding enforcement fees.—

“(A) In general.—At the option of the State, the fees described in paragraph (1) may be—

“(i) paid by individuals applying for the services described in section 454(4);

“(ii) recovered from absent parents;

or

“(iii) paid by the State out of its own funds, the payment of which from State funds shall not be considered as an administrative cost of the State for the operation of the plan, and shall be considered income to the program.

“(B) Limitation of collection fees applied to certain custodial parents.—

With respect to any individual to whom such services are made available—

“(i) whose family income is below 185 percent of the poverty line applicable to the size of the family involved (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 sec-
tion), no fee under paragraph (1)(B) may be collected from such individual;

"(ii) whose family income is not less than 185 percent nor more than 300 percent of such poverty line, such fee collected from such individual may not exceed 2 percent of the amount of child support collected; and

"(iii) whose family income is more than 300 percent of such poverty line, such fee collected from such individual may not exceed the amount of such fee collected from the absent parent.

"(C) MEANS-TESTED.—The State at its option may vary the amount of the fees under paragraph (1) among individuals on the basis of ability to pay.

"(D) APPLICABLE PERCENTAGE.—For purposes of paragraph (1)(B), the applicable percentage for any State shall equal such percentage as is required, after taking into account subparagraphs (B) and (C), to provide an amount of total fees under paragraph (1) which equals the amount which would be provided by imposing the fee under paragraph (1)(A) and a
6.6 percent fee under paragraph (1)(B) without regard to such subparagraphs.

"(E) Disposition of Collection Fees.—Notwithstanding any other provision of this part, 100 percent of any amount representing collection fees under paragraph (1)(B) shall be remitted to the Federal Government.

"(b) Permissive Fees.—With respect to any individual described in section 454(6)(B), the State may impose—

"(1) a fee of not more than $25 in any case where the State requests the Secretary of the Treasury to withhold past-due support owed to or on behalf of such individual from a tax refund pursuant to section 464(a)(2), and

"(2) a fee (in accordance with regulations of the Secretary) for performing genetic tests.

"(c) Collection of Excess Costs of Enforcement.—With respect to any individual described in section 454(6)(B), any costs of enforcement under this part in excess of the fees imposed under this section may be collected—

"(1) from the parent who owes the child or spousal support obligation involved, or
“(2) at the option of the State, from the individual to whom such services are made available, but only if such State has in effect a procedure whereby all persons in such State having authority to order child or spousal support are informed that such costs are to be collected from the individual to whom such services were made available.”.

(b) Sense of the Senate.—It is the sense of the Senate that although States have the overall choice as to how to collect enforcement costs under part D of title IV of the Social Security Act, such States should pursue such collection from—

(1) any noncustodial parent who denies paternity and is later determined to be the father; and

(2) any noncustodial parent who does not voluntarily comply with judicial or administrative enforcement orders under such part.

Sec. 7376. Enforcement of Orders Against Paternal Grandparents in Cases of Minor Parents.

Section 466(a) (42 U.S.C. 666(a)), as amended by sections 7315, 7317(a), 7323, 7365, 7369, and 7374, is amended by adding at the end the following new paragraph:
“(18) Procedures under which any child support order enforced under this part with respect to a child of minor parents, if the mother of such child is receiving assistance under the State grant under part A, shall be enforceable, jointly and severally, against the paternal grandparents of such child.”.

SEC. 7377. SENSE OF THE SENATE REGARDING THE INABILITY OF THE NON-CUSTODIAL PARENT TO PAY CHILD SUPPORT.

It is the sense of the Senate that—

(a) States should diligently continue their efforts to enforce child support payments by the non-custodial parent to the custodial parent, regardless of the employment status or location of the non-custodial parent; and

(b) States are encouraged to pursue pilot programs in which the parents of a non-adult, non-custodial parent who refuses to or is unable to pay child support must—

(1) pay or contribute to the child support owed by the non-custodial parent; or

(2) otherwise fulfill all financial obligations and meet all conditions imposed on the non-custodial parent, such as participation in a work program or other related activity.
CHAPTER 8—MEDICAL SUPPORT

SEC. 7378. TECHNICAL CORRECTION TO ERISA DEFINITION OF MEDICAL CHILD SUPPORT ORDER.


(1) by striking “issued by a court of competent jurisdiction”;

(2) by striking the period at the end of clause (ii) and inserting a comma; and

(3) by adding, after and below clause (ii), the following:

“if such judgment, decree, or order (I) is issued by a court of competent jurisdiction or (II) is issued through an administrative process established under State law and has the force and effect of law under applicable State law.”.

(b) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall take effect on the date of the enactment of this Act.

(2) PLAN AMENDMENTS NOT REQUIRED UNTIL JANUARY 1, 1996.—Any amendment to a plan required to be made by an amendment made by this section shall not be required to be made before the
1 1st plan year beginning on or after January 1, 1996, if—

3 (A) during the period after the date before
4 the date of the enactment of this Act and be-
5 fore such 1st plan year, the plan is operated in
6 accordance with the requirements of the amend-
7 ments made by this section; and
8 (B) such plan amendment applies retro-
9 actively to the period after the date before the
10 date of the enactment of this Act and before
11 such 1st plan year.

12 A plan shall not be treated as failing to be operated
13 in accordance with the provisions of the plan merely
14 because it operates in accordance with this para-
15 graph.

16 sec. 7379. enforcement of orders for health care
17 coverage.

18 section 466(a) (42 u.s.c. 666(a)), as amended by
19 sections 7315, 7317(a), 7323, 7365, 7369, 7374, and
20 7376, is amended by adding at the end the following new
21 paragraph:

22 “(19) Procedures under which all child support
23 orders enforced under this part shall include a provi-
24 sion for the health care coverage of the child, and
25 in the case in which an absent parent provides such
coverage and changes employment, and the new em-
ployer provides health care coverage, the State agen-
cy shall transfer notice of the provision to the em-
ployer, which notice shall operate to enroll the child
in the absent parent’s health plan, unless the absent
parent contests the notice.”

CHAPTER 9—ENHANCING RESPONSIBILITY AND OPPORTUNITY FOR NONRESIDENTIAL PARENTS

SEC. 7381. GRANTS TO STATES FOR ACCESS AND VISITATION PROGRAMS.

Part D of title IV (42 U.S.C. 651–669) is amended
by adding at the end the following new section:

“SEC. 469A. GRANTS TO STATES FOR ACCESS AND VISITATION PROGRAMS.

“(a) IN GENERAL.—The Administration for Children
and Families shall make grants under this section to en-
able States to establish and administer programs to sup-
port and facilitate absent parents’ access to and visitation
of their children, by means of activities including medi-
ation (both voluntary and mandatory), counseling, edu-
cation, development of parenting plans, visitation enforce-
ment (including monitoring, supervision and neutral drop-
off and pickup), and development of guidelines for visita-
tion and alternative custody arrangements.
"(b) AMOUNT OF GRANT.—The amount of the grant to be made to a State under this section for a fiscal year shall be an amount equal to the lesser of—

"(1) 90 percent of State expenditures during the fiscal year for activities described in subsection (a); or

"(2) the allotment of the State under subsection (c) for the fiscal year.

"(c) ALLOTMENTS TO STATES.—

"(1) IN GENERAL.—The allotment of a State for a fiscal year is the amount that bears the same ratio to the amount appropriated for grants under this section for the fiscal year as the number of children in the State living with only 1 biological parent bears to the total number of such children in all States.

"(2) MINIMUM ALLOTMENT.—The Administration for Children and Families shall adjust allotments to States under paragraph (1) as necessary to ensure that no State is allotted less than—

"(A) $50,000 for fiscal year 1996 or 1997; or

"(B) $100,000 for any succeeding fiscal year."
“(d) No Supplantation of State Expenditures for Similar Activities.—A State to which a grant is made under this section may not use the grant to supplant expenditures by the State for activities specified in subsection (a), but shall use the grant to supplement such expenditures at a level at least equal to the level of such expenditures for fiscal year 1995.

“(e) State Administration.—Each State to which a grant is made under this section—

“(1) may administer State programs funded with the grant, directly or through grants to or contracts with courts, local public agencies, or nonprofit private entities;

“(2) shall not be required to operate such programs on a statewide basis; and

“(3) shall monitor, evaluate, and report on such programs in accordance with regulations prescribed by the Secretary.”.

CHAPTER 10—EFFECT OF ENACTMENT

SEC. 7391. EFFECTIVE DATES.

(a) In General.—Except as otherwise specifically provided (but subject to subsections (b) and (c))—

(1) the provisions of this subtitle requiring the enactment or amendment of State laws under section 466 of the Social Security Act, or revision of
State plans under section 454 of such Act, shall be effective with respect to periods beginning on and after October 1, 1996; and (2) all other provisions of this subtitle shall become effective upon the date of the enactment of this Act.

(b) GRACE PERIOD FOR STATE LAW CHANGES.—The provisions of this subtitle shall become effective with respect to a State on the later of—

(1) the date specified in this subtitle, or

(2) the effective date of laws enacted by the legislature of such State implementing such provisions, but in no event later than the 1st day of the 1st calendar quarter beginning after the close of the 1st regular session of the State legislature that begins after the date of the enactment of this Act. For purposes of the previous sentence, in the case of a State that has a 2-year legislative session, each year of such session shall be deemed to be a separate regular session of the State legislature.

(c) GRACE PERIOD FOR STATE CONSTITUTIONAL AMENDMENT.—A State shall not be found out of compliance with any requirement enacted by this subtitle if the State is unable to so comply without amending the State constitution until the earlier of—
(1) 1 year after the effective date of the necessary State constitutional amendment; or
(2) 5 years after the date of the enactment of this subtitle.

Subtitle F—Noncitizens

SEC. 7401. STATE OPTION TO PROHIBIT ASSISTANCE FOR CERTAIN ALIENS.
(a) IN GENERAL.—A State may, at its option, prohibit the use of any Federal funds received for the provision of assistance under any means-tested public assistance program for any individual who is a noncitizen of the United States.
(b) EXCEPTIONS.—Subsection (a) shall not apply to—
(1) any individual who is described in subclause (II), (III), or (IV) of section 1614(a)(1)(B)(i) of the Social Security Act (42 U.S.C. 1382c(a)(1)(B)(i)); and
(2) any program described in section 7402(f)(2).

SEC. 7402. DEEMED INCOME REQUIREMENT FOR FEDERAL AND FEDERALLY FUNDED PROGRAMS.
(a) DEEMING REQUIREMENT FOR FEDERAL AND FEDERALLY FUNDED PROGRAMS.—Subject to subsection (d), for purposes of determining the eligibility of an indi-
individual (whether a citizen or national of the United States or an alien) for assistance and the amount of assistance, under any Federal program of assistance provided or funded, in whole or in part, by the Federal Government for which eligibility is based on need, the income and resources described in subsection (b) shall, notwithstanding any other provision of law, be deemed to be the income and resources of such individual.

(b) DEEMED INCOME AND RESOURCES.—The income and resources described in this subsection include the following:

(1) The income and resources of any person who, as a sponsor of such individual’s entry into the United States, or in order to enable such individual lawfully to remain in the United States, executed an affidavit of support or similar agreement with respect to such individual.

(2) The income and resources of the sponsor’s spouse.

(c) LENGTH OF DEEMING PERIOD.—The requirement of subsection (a) shall apply for the period for which the sponsor has agreed, in such affidavit or agreement, to provide support for such individual, or for a period of 5 years beginning on the date such individual was first
lawfully in the United States after the execution of such affidavit or agreement, whichever period is longer.

(d) LIMITATION ON MEASUREMENT OF DEEMED INCOME AND RESOURCES.—

(1) IN GENERAL.—If a determination described in paragraph (2) is made, the amount of income and resources of the sponsor or the sponsor's spouse which shall be attributed to the sponsored individual shall not exceed the amount actually provided, for a period beginning on the date of such determination and lasting 12 months or, if the address of the sponsor is unknown to the sponsored individual on the date of such determination, for 12 months after the address becomes known to the sponsored individual or to the agency (which shall inform such individual within 7 days).

(2) DETERMINATION.—The determination described in this paragraph is a determination by an agency that a sponsored individual would, in the absence of the assistance provided by the agency, be unable to obtain food and shelter, taking into account the individual's own income, plus any cash, food, housing, or other assistance provided by other individuals, including the sponsor.
(e) DEEMING AUTHORITY TO STATE AND LOCAL AGENCIES.—

(1) IN GENERAL.—Notwithstanding any other provision of law, but subject to an exception equivalent to that in subsection (d), the State or local government may, for purposes of determining the eligibility of an individual (whether a citizen or national of the United States or an alien) for assistance, and the amount of assistance, under any State or local program of assistance for which eligibility is based on need, or any need-based program of assistance administered by a State or local government other than a program described in subsection (a), require that the income and resources described in paragraph (2) be deemed to be the income and resources of such individual.

(2) DEEMED INCOME AND RESOURCES.—The income and resources described in this paragraph include the following:

(A) The income and resources of any person who, as a sponsor of such individual’s entry into the United States, or in order to enable such individual lawfully to remain in the United States, executed an affidavit of support or similar agreement with respect to such individual.
(B) The income and resources of the sponsor's spouse.

(3) LENGTH OF DEEMED INCOME PERIOD.—Subject to an exception equivalent to subsection (d), a State or local government may impose a requirement described in paragraph (1) for the period for which the sponsor has agreed, in such affidavit or agreement, to provide support for such individual, or for a period of 5 years beginning on the date such individual was first lawfully in the United States after the execution of such affidavit or agreement, whichever period is longer.

(f) APPLICABILITY OF SECTION.—

(1) INDIVIDUALS.—The provisions of this section shall not apply to the eligibility of any individual who is described in subclause (II), (III), or (IV) of section 1614(a)(1)(B)(i) of the Social Security Act (42 U.S.C. 1382c(a)(1)(B)(i)).

(2) PROGRAMS.—The provisions of this section shall not apply to eligibility for—

(A) emergency medical services under title XXI of the Social Security Act;

(B) short-term emergency disaster relief;

(C) assistance or benefits under the National School Lunch Act;
(D) assistance or benefits under the Child Nutrition Act of 1966;

(E) public health assistance for immunizations with respect to immunizable diseases and for testing and treatment for communicable diseases if the Secretary of Health and Human Services determines that such testing and treatment is necessary;

(F) the Head Start program (42 U.S.C. 9801); and

(G) programs specified by the Attorney General, in the Attorney General's sole and unreviewable discretion after consultation with appropriate Federal agencies and departments, which (i) deliver services at the community level, including through public or private non-profit agencies; (ii) 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 (iii) are necessary for the protection of life, safety, or public health.

(g) CONFORMING AMENDMENTS.—

(1) Section 1621 (42 U.S.C. 1382j) is repealed.
is amended by striking "section 1621" and inserting "section 7402 of the Balanced Budget Reconciliation Act of 1995".

SEC. 7403. REQUIREMENTS FOR SPONSOR'S AFFIDAVIT OF SUPPORT.

(a) ENFORCEABILITY.—No affidavit of support may be relied upon by the Attorney General or by any consular officer to establish that an alien is not excludable as a public charge under section 212(a)(4) of the Immigration and Nationality Act unless such affidavit is executed as a contract—

(1) which is legally enforceable against the sponsor by the sponsored individual, by the Federal Government, and by any State, district, territory, or possession of the United States (or any subdivision of such State, district, territory, or possession of the United States) which provides any benefit under a program described in subsection (d)(2), but not later than 10 years after the sponsored individual last receives any such benefit;

(2) in which the sponsor agrees to financially support the sponsored individual, so that he or she will not become a public charge, until the sponsored
individual has worked in the United States for 40 qualifying quarters; and

(3) in which the sponsor agrees to submit to the jurisdiction of any Federal or State court for the purpose of actions brought under subsection (d)(4).

(b) FORMS.—Not later than 90 days after the date of the enactment of this Act, the Secretary of State, the Attorney General, and the Secretary of Health and Human Services shall jointly formulate the affidavit of support described in this section.

(c) NOTIFICATION OF CHANGE OF ADDRESS.—

(1) IN GENERAL.—The sponsor shall notify the Attorney General and the State, district, territory, or possession in which the sponsored individual is currently resident within 30 days of any change of address of the sponsor during the period specified in subsection (a)(1).

(2) PENALTY.—Any person subject to the requirement of paragraph (1) who fails to satisfy such requirement shall be subject to a civil penalty of—

(A) not less than $250 or more than $2,000, or

(B) if such failure occurs with knowledge that the sponsored individual has received any benefit described in section 241(a)(5)(C) of the
Immigration and Nationality Act, not less than $2,000 or more than $5,000.

(d) Reimbursement of Government Expenses.—

(1) In general.—Upon notification that a sponsored individual has received any benefit under a program described in paragraph (2), the appropriate Federal, State, or local official shall request reimbursement by the sponsor in the amount of such assistance.

(2) Programs described.—The programs described in this paragraph include the following:

(A) Assistance under a State program funded under part A of title IV of the Social Security Act.

(B) The medicaid program under title XXI of the Social Security Act.

(C) The food stamp program under the Food Stamp Act of 1977.

(D) The supplemental security income program under title XVI of the Social Security Act.

(E) Any State general assistance program.

(F) Any other program of assistance funded, in whole or in part, by the Federal Govern-
ment or any State or local government entity, for which eligibility for benefits is based on need, except the programs specified in section 7402(f)(2).

(3) REGULATIONS.—The Commissioner of Social Security shall prescribe such regulations as may be necessary to carry out paragraph (1). Such regulations shall provide for notification to the sponsor by certified mail to the sponsor’s last known address.

(4) REIMBURSEMENT.—If within 45 days after requesting reimbursement, the appropriate Federal, State, or local agency has not received a response from the sponsor indicating a willingness to commence payments, an action may be brought against the sponsor pursuant to the affidavit of support.

(5) ACTION IN CASE OF FAILURE.—If the sponsor fails to abide by the repayment terms established by such agency, the agency may, within 60 days of such failure, bring an action against the sponsor pursuant to the affidavit of support.

(6) STATUTE OF LIMITATIONS.—No cause of action may be brought under this subsection later than 10 years after the sponsored individual last re-
ceived any benefit under a program described in paragraph (2).

(e) JURISDICTION.—For purposes of this section, no State court shall decline for lack of jurisdiction to hear any action brought against a sponsor for reimbursement of the cost of any benefit under a program described in subsection (d)(2) if the sponsored individual received public assistance while residing in the State.

(f) DEFINITIONS.—For the purposes of this section—

(1) the term “sponsor” means an individual who—

(A) is a United States citizen or national or an alien who is lawfully admitted to the United States for permanent residence;

(B) is 18 years of age or over;

(C) is domiciled in any of the several States of the United States, the District of Columbia, or any territory or possession of the United States; and

(D) demonstrates the means to maintain an annual income equal to at least 200 percent of the poverty line for the individual and the individual’s family (including the sponsored individual), through evidence that shall include a copy of the individual’s Federal income tax re-
turns for his or her most recent two taxable
years and a written statement, executed under
oath or as permitted under penalty of perjury
under section 1746 of title 28, United States
Code, that the copies are true copies of such
returns;
(2) the term "poverty line" has the same mean-
ing given such term in section 673(2) of the Com-
unity Services Block Grant Act (42 U.S.C.
9902(2)); and
(3) the term "qualifying quarter" means a
three-month period in which the sponsored individ-
ual has—
(A) earned at least the minimum necessary
for the period to count as one of the 40 cal-
endar quarters required to qualify for social se-
curity retirement benefits;
(B) not received need-based public assist-
ance; and
(C) had income tax liability for the tax
year of which the period was part.

SEC. 7404. LIMITED ELIGIBILITY OF NONCITIZENS FOR SSI
BENEFITS.
(a) IN GENERAL.—Paragraph (1) of section 1614(a)
(42 U.S.C. 1382c(a)) is amended—

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(1) in subparagraph (B)(i), by striking "either"
and all that follows through ", or" and inserting
"(I) a citizen; (II) a noncitizen who is granted asy-
lum under section 208 of the Immigration and Na-
tionality Act or whose deportation has been withheld
under section 243(h) of such Act for a period of not
more than 5 years after the date of arrival into the
United States; (III) a noncitizen who is admitted to
the United States as a refugee under section 207 of
such Act for not more than such 5-year period; (IV)
a noncitizen, lawfully present in any State (or any
territory or possession of the United States), who is
a veteran (as defined in section 101 of title 38,
United States Code) with a discharge characterized
as an honorable discharge and not on account of
alienage or who is the spouse or unmarried depend-
ent child of such veteran; or (V) a noncitizen who
has worked sufficient calendar quarters of coverage
to be a fully insured individual for benefits under
title II, or"; and
(2) by adding at the end the following new
flush sentence:
"For purposes of subparagraph (B)(i)(IV), the determina-
tion of whether a noncitizen is lawfully present in the
United States shall be made in accordance with regula-
tions of the Attorney General. A noncitizen shall not be considered to be lawfully present in the United States for purposes of this title merely because the noncitizen may be considered to be permanently residing in the United States under color of law for purposes of any particular program.”.

(b) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by subsection (a) shall apply to applicants for benefits for months beginning on or after the date of the enactment of this Act, without regard to whether regulations have been issued to implement such amendments.

(2) APPLICATION TO CURRENT RECIPIENTS.—

(A) APPLICATION AND NOTICE.—Notwithstanding any other provision of law, in the case of an individual who is receiving supplemental security income benefits under title XVI of the Social Security Act as of the date of the enactment of this Act and whose eligibility for such benefits would terminate by reason of the amendments made by subsection (a), such amendments shall apply with respect to the benefits of such individual for months beginning on or after January 1, 1997, and the Commis-
sioner of Social Security shall so notify the individual not later than 90 days after the date of the enactment of this Act.

(B) REAPPLICATION.—

(i) IN GENERAL.—Not later than 120 days after the date of the enactment of this Act, each individual notified pursuant to subparagraph (A) who desires to reapply for benefits under title XVI of the Social Security Act shall reapply to the Commissioner of Social Security.

(ii) DETERMINATION OF ELIGIBILITY.—Not later than 1 year after the date of the enactment of this Act, the Commissioner of Social Security shall determine the eligibility of each individual who reapplies for benefits under clause (i) pursuant to the procedures of such title XVI.

SEC. 7405. TREATMENT OF NONCITIZENS.

(a) IN GENERAL.—Notwithstanding any other provision of law, a noncitizen who has entered into the United States on or after the date of the enactment of this Act shall not, during the 5-year period beginning on the date of such noncitizen’s entry into the United States, be eligi-
“(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 unlawfully in the United States.”.

(b) SSI.—Section 1631(e) (42 U.S.C. 1383(e)) is amended—

(1) by redesignating the paragraphs (6) and (7) inserted by sections 206(d)(2) and 206(f)(1) of the Social Security Independence and Programs Improvement Act of 1994 (Public Law 103–296; 108 Stat. 1514, 1515) as paragraphs (7) and (8), respectively; and

(2) by adding at the end the following new paragraph:

“(9) Notwithstanding any other provision of law, the Commissioner shall, at least 4 times annually and upon request of the Immigration and Naturalization Service (hereafter in this paragraph referred to as the ‘Service’), furnish the Service with the name and address of, and other identifying information on, any individual who the Commissioner
knows is unlawfully in the United States, and shall ensure that each agreement entered into under section 1616(a) with a State provides that the State shall furnish such information at such times with respect to any individual who the State knows is unlawfully in the United States.”.

(e) HOUSING PROGRAMS.—Title I of the United States Housing Act of 1937 (42 U.S.C. 1437 et seq.) is amended by adding at the end the following new section:

“SEC. 27. PROVISION OF INFORMATION TO LAW ENFORCEMENT AND OTHER AGENCIES.

“(a) NOTICE TO IMMIGRATION AND NATURALIZATION SERVICE OF ILLEGAL ALIENS.—Notwithstanding any other provision of law, the Secretary shall, at least 4 times annually and upon request of the Immigration and Naturalization Service (hereafter in this subsection referred to as the ‘Service’), furnish the Service with the name and address of, and other identifying information on, any individual who the Secretary knows is unlawfully in the United States, and shall ensure that each contract for assistance entered into under section 6 or 8 of this Act with a public housing agency provides that the public housing agency shall furnish such information at such times with respect to any individual who the public housing agency knows is unlawfully in the United States.”.
SEC. 7407. PROHIBITION ON PAYMENT OF FEDERAL BENEFITS TO CERTAIN PERSONS.

(a) In General.—Notwithstanding any other provision of law and except as provided in subsection (b), Federal benefits shall not be paid or provided to any person who is not a person lawfully present within the United States.

(b) Exceptions.—Subsection (a) shall not apply with respect to the following benefits:

(1) Emergency medical services under title XXI of the Social Security Act.

(2) Short-term emergency disaster relief.

(3) Assistance or benefits under the National School Lunch Act.

(4) Assistance or benefits under the Child Nutrition Act of 1966.

(5) Public health assistance for immunizations and, if the Secretary of Health and Human Services determines that it is necessary to prevent the spread of a serious communicable disease, for testing and treatment of such disease.

(c) Definitions.—For purposes of this section:

(1) Federal benefit.—The term "Federal benefit" means—

(A) the issuance of any grant, contract, loan, professional license, or commercial license
provided by an agency of the United States or
by appropriated funds of the United States; and

(B) any retirement, welfare, Social Security, health, disability, public housing, post-secondary education, food stamps, unemployment benefit, or any other similar benefit for which payments or assistance are provided by an agency of the United States or by appropriated funds of the United States.

(2) PERSON LAWFULLY PRESENT WITHIN THE UNITED STATES.—The term "person lawfully present within the United States" means a person who, at the time the person applies for, receives, or attempts to receive a Federal benefit, is a United States citizen, a permanent resident alien, an alien whose deportation has been withheld under section 243(h) of the Immigration and Nationality Act (8 U.S.C. 1253(h)), an asylee, a refugee, a parolee who has been paroled for a period of at least 1 year, a national, or a national of the United States for purposes of the immigration laws of the United States (as defined in section 101(a)(17) of the Immigration and Nationality Act (8 U.S.C. 1101(a)(17)).

(d) STATE OBLIGATION.—Notwithstanding any other provision of law, a State that administers a program that
provides a Federal benefit (described in subsection (c)(1)) or provides State benefits pursuant to such a program shall not be required to provide such benefit to a person who is not a person lawfully present within the United States (as defined in subsection (c)(2)) through a State agency or with appropriated funds of such State.

(e) VERIFICATION OF ELIGIBILITY.—

(1) IN GENERAL.—Not later than 18 months after the date of the enactment of this Act, the Attorney General of the United States, after consultation with the Secretary of Health and Human Services, shall promulgate regulations requiring verification that a person applying for a Federal benefit, including a benefit described in subsection (b), is a person lawfully present within the United States and is eligible to receive such benefit. Such regulations shall, to the extent feasible, require that information requested and exchanged be similar in form and manner to information requested and exchanged under section 1137 of the Social Security Act.

(2) STATE COMPLIANCE.—Not later than 24 months after the date the regulations described in paragraph (1) are adopted, a State that administers a program that provides a Federal benefit described
in such paragraph shall have in effect a verification
system that complies with the regulations.

(3) **AUTHORIZATION OF APPROPRIATIONS.**—

There are authorized to be appropriated such sums
as may be necessary to carry out the purpose of this
section.

(f) **SEVERABILITY.**—If any provision of this section
or the application of such provision to any person or cir-
cumstance is held to be unconstitutional, the remainder
of this section and the application of the provisions of such
to any person or circumstance shall not be affected there-
by.

**Subtitle G—Additional Provisions**

**Relating to Welfare Reform**

**CHAPTER 1—REDUCTIONS IN FEDERAL**

**GOVERNMENT POSITIONS**

**SEC. 7411. REDUCTIONS.**

(a) **DEFINITIONS.**—As used in this section:

(1) **APPROPRIATE EFFECTIVE DATE.**—The term
"appropriate effective date", used with respect to a
Department referred to in this section, means the
date on which all provisions of subtitle D of title I,
this subtitle, or subtitles C, D, E, and F of this title
that the Department is required to carry out, and
amendments and repeals made by such titles and
subtitles to provisions of Federal law that the Department is required to carry out, are effective.

(2) COVERED ACTIVITY.—The term "covered activity", used with respect to a Department referred to in this section, means an activity that the Department is required to carry out under—

(A) a provision of subtitle D of title I, this subtitle, or subtitle C, D, E, or F of this title; or

(B) a provision of Federal law that is amended or repealed by any such title or subtitles.

(b) REPORTS.—

(1) CONTENTS.—Not later than December 31, 1995, each Secretary referred to in paragraph (2) shall prepare and submit to the relevant committees described in paragraph (3) a report containing—

(A) the determinations described in subsection (c);

(B) appropriate documentation in support of such determinations; and

(C) a description of the methodology used in making such determinations.

(2) SECRETARY.—The Secretaries referred to in this paragraph are—
(A) the Secretary of Agriculture;

(B) the Secretary of Education;

(C) the Secretary of Labor;

(D) the Secretary of Housing and Urban Development; and

(E) the Secretary of Health and Human Services.

(3) RELEVANT COMMITTEES.—The relevant Committees described in this paragraph are the following:

(A) With respect to each Secretary described in paragraph (2), the Committee on Government Reform and Oversight of the House of Representatives and the Committee on Governmental Affairs of the Senate.

(B) With respect to the Secretary of Agriculture, the Committee on Agriculture and the Committee on Economic and Educational Opportunities of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate.

(C) With respect to the Secretary of Education, the Committee on Economic and Educational Opportunities of the House of Rep-
representatives and the Committee on Labor and Human Resources of the Senate.

(D) With respect to the Secretary of Labor, the Committee on Economic and Educational Opportunities of the House of Representatives and the Committee on Labor and Human Resources of the Senate.

(E) With respect to the Secretary of Housing and Urban Development, the Committee on Banking and Financial Services of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs of the Senate.

(F) With respect to the Secretary of Health and Human Services, the Committee on Economic and Educational Opportunities of the House of Representatives, the Committee on Labor and Human Resources of the Senate, the Committee on Ways and Means of the House of Representatives, and the Committee on Finance of the Senate.

(4) REPORT ON CHANGES.—Not later than December 31, 1996, and each December 31 thereafter, each Secretary referred to in paragraph (2) shall prepare and submit to the relevant Committees described in paragraph (3), a report concerning any
changes with respect to the determinations made under subsection (c) for the year in which the report is being submitted.

(e) DETERMINATIONS.—Not later than December 31, 1995, each Secretary referred to in subsection (b)(2) shall determine—

(1) the number of full-time equivalent positions required by the Department headed by such Secretary to carry out the covered activities of the Department, as of the day before the date of enactment of this Act;

(2) the number of such positions required by the Department to carry out the activities, as of the appropriate effective date for the Department; and

(3) the difference obtained by subtracting the number referred to in paragraph (2) from the number referred to in paragraph (1).

(d) ACTIONS.—Not later than 30 days after the appropriate effective date for the Department involved, each Secretary referred to in subsection (b)(2) shall take such actions as may be necessary, including reduction in force actions, consistent with sections 3502 and 3595 of title 5, United States Code, to reduce the number of positions of personnel of the Department by at least the difference referred to in subsection (c)(3).
(e) CONSISTENCY.—

(1) EDUCATION.—The Secretary of Education shall carry out this section in a manner that enables the Secretary to meet the requirements of this section.

(2) LABOR.—The Secretary of Labor shall carry out this section in a manner that enables the Secretary to meet the requirements of this section.

(3) HEALTH AND HUMAN SERVICES.—The Secretary of Health and Human Services shall carry out this section in a manner that enables the Secretary to meet the requirements of this section and section 7412.

(f) CALCULATION.—In determining, under subsection (c), the number of full-time equivalent positions required by a Department to carry out a covered activity, a Secretary referred to in subsection (b)(2), shall include the number of such positions occupied by personnel carrying out program functions or other functions (including budgetary, legislative, administrative, planning, evaluation, and legal functions) related to the activity.

(g) GENERAL ACCOUNTING OFFICE REPORT.—Not later than July 1, 1996, the Comptroller General of the United States shall prepare and submit to the committees described in subsection (b)(3), a report concerning the de-
terminations made by each Secretary under subsection (c).
Such report shall contain an analysis of the determinations made by each Secretary under subsection (c) and a determination as to whether further reductions in full-time equivalent positions are appropriate.

SEC. 7412. REDUCTIONS IN FEDERAL BUREAUCRACY.
(a) In General.—The Secretary of Health and Human Services shall reduce the Federal workforce within the Department of Health and Human Services by an amount equal to the sum of—

(1) 75 percent of the full-time equivalent positions at such Department that relate to any direct spending program, or any program funded through discretionary spending, that has been converted into a block grant program under subtitle D of title I, this subtitle, or subtitle C, D, E, or F of this title and the amendments made by such title or subtitles; and

(2) an amount equal to 75 percent of that portion of the total full-time equivalent departmental management positions at such Department that bears the same relationship to the amount appropriated for the programs referred to in paragraph (1) as such amount relates to the total amount appropriated for use by such Department.
(b) **REDUCTIONS IN THE DEPARTMENT OF HEALTH AND HUMAN SERVICES.**—Notwithstanding any other provision of this Act, the Secretary of Health and Human Services shall take such actions as may be necessary, including reductions in force actions, consistent with sections 3502 and 3595 of title 5, United States Code, to reduce the full-time equivalent positions within the Department of Health and Human Services—

1. by 245 full-time equivalent positions related to the program converted into a block grant under the amendment made by section 7201(b); and
2. by 60 full-time equivalent managerial positions in the Department.

**SEC. 7413. REDUCING PERSONNEL IN WASHINGTON, D.C. AREA.**

In making reductions in full-time equivalent positions, the Secretary of Health and Human Services is encouraged to reduce personnel in the Washington, DC, area office (agency headquarters) before reducing field personnel.

**CHAPTER 2—BLOCK GRANTS FOR SOCIAL SERVICES**

**SEC. 7421. REDUCTION IN BLOCK GRANTS FOR SOCIAL SERVICES.**

Section 2003(c) (42 U.S.C. 1397b) is amended—
(1) by striking "and" at the end of paragraph (4); and

(2) by striking paragraph (5) and inserting the following:

"(5) $2,800,000,000 for each of the fiscal years 1990 through 1996; and

"(6) $2,240,000,000 for each fiscal year after fiscal year 1996.".

SEC. 7422. ESTABLISHING NATIONAL GOALS TO PREVENT TEENAGE PREGNANCIES.

(a) IN GENERAL.—Not later than January 1, 1997, the Secretary of Health and Human Services shall establish and implement a strategy for—

(1) preventing an additional 2 percent of out-of-wedlock teenage pregnancies a year, and

(2) assuring that at least 25 percent of the communities in the United States have teenage pregnancy prevention programs in place.

(b) REPORT.—Not later than June 30, 1998, and annually thereafter, the Secretary shall report to the Congress with respect to the progress that has been made in meeting the goals described in paragraphs (1) and (2) of subsection (a).

(c) OUT-OF-WEDLOCK AND TEENAGE PREGNANCY PREVENTION PROGRAMS.—Section 2002 (42 U.S.C. 1357 PCS)
1397a) is amended by adding at the end the following new subsection:

"(f)(1) The Secretary shall conduct a study with respect to State programs that have been implemented to determine the relative effectiveness of the different approaches for reducing out-of-wedlock pregnancies and preventing teenage pregnancy and the approaches that can be best replicated by other States.

"(2) Each State shall provide to the Secretary, in such form and with such frequency as the Secretary requires, data from the programs the State has implemented. The Secretary shall report to the Congress annually on the progress of the programs and shall, not later than June 30, 1998, submit to the Congress a report on the study required under paragraph (1).".

CHAPTER 3—FOSTER CARE MAINTENANCE PAYMENTS PROGRAM
SEC. 7431. LIMITATION ON GROWTH OF ADMINISTRATIVE EXPENSES FOR FOSTER CARE MAINTENANCE PAYMENTS PROGRAM.
Section 474(b) (42 U.S.C. 674) is amended by adding at the end the following new paragraph:

"(5) Notwithstanding the provisions of subparagraphs (D) and (E) of subsection (a)(3), the total amount of the payment under such subparagraphs with respect to
the foster care maintenance payments program for any fiscal year beginning with fiscal year 1996 shall not exceed 110 percent of the total amount of such payment for the preceding fiscal year.

CHAPTER 4—MISCELLANEOUS PROVISIONS

SEC. 7441. EXEMPTION OF BATTERED INDIVIDUALS FROM CERTAIN REQUIREMENTS.

(a) IN GENERAL.—Notwithstanding any other provision of, or amendment made by, subtitle D of title I of this Act, this subtitle, or subtitle C, D, E, or F of this title, the applicable administering authority of any specified provision may exempt from (or modify) the application of such provision to any individual who was battered or subjected to extreme cruelty if the physical, mental, or emotional well-being of the individual would be endangered by the application of such provision to such individual. The applicable administering authority may take into consideration the family circumstances and the counseling and other supportive service needs of the individual.

(b) SPECIFIED PROVISIONS.—For purposes of this section, the term “specified provision” means any requirement, limitation, or penalty under any of the following:

(1) Sections 404, 405 (a) and (b), 406 (b), (c), and (d), 414(d), 453(c), 469A, and 1614(a)(1) of the Social Security Act.

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(2) Sections 5(i) (other than paragraph (3) thereof) and 6 (d) and (j), and the provision relating to work requirements in section 6 of the Food Stamp Act of 1977.

(3) Sections 7401(a) and 7402 of this Act.

(c) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

(1) BATTERED OR SUBJECT TO EXTREME CRUELTY.—The term “battered or subjected to extreme cruelty” includes, but is not limited to—

(A) physical acts resulting in, or threatening to result in, physical injury;

(B) sexual abuse, sexual activity involving a dependent child, forcing the caretaker relative of a dependent child to engage in nonconsensual sexual acts or activities, or threats of or attempts at physical or sexual abuse;

(C) mental abuse; and

(D) neglect or deprivation of medical care.

(2) CALCULATION OF PARTICIPATION RATES.—An individual exempted from the work requirements under section 404 of the Social Security Act by reason of subsection (a) shall not be included for purposes of calculating the State’s participation rate under such section.
SEC. 7442. SENSE OF THE SENATE ON LEGISLATIVE ACCOUNTABILITY FOR UNFUNDED MANDATES IN WELFARE REFORM LEGISLATION.

(a) FINDINGS.—The Senate finds that the purposes of the Unfunded Mandates Reform Act of 1995 are—

(1) to strengthen the partnership between the Federal Government and State, local and tribal governments;

(2) to end the imposition, in the absence of full consideration by Congress, of Federal mandates on State, local and tribal governments without adequate Federal funding, in a manner that may displace other essential State, local and tribal governmental priorities;

(3) to assist Congress in its consideration of proposed legislation establishing or revising Federal programs containing Federal mandates affecting State, local and tribal governments, and the private sector by—

(A) providing for the development of information about the nature and size of mandates in proposed legislation; and

(B) establishing a mechanism to bring such information to the attention of the Senate and the House of Representatives before the
Senate and the House of Representatives vote on proposed legislation;

(4) to promote informed and deliberate decisions by Congress on the appropriateness of Federal mandates in any particular instance; and

(5) to require that Congress consider whether to provide funding to assist State, local and tribal governments in complying with Federal mandates.

(b) SENSE OF THE SENATE.—It is the sense of the Senate that prior to the Senate acting on the conference report on either H.R. 4 or any other legislation including welfare reform provisions, the Congressional Budget Office shall prepare an analysis of the conference report to include—

(1) estimates, over each of the next 7 fiscal years, by State and in total, of—

(A) the costs to States of meeting all work requirements in the conference report, including those for single-parent families, two-parent families, and those who have received cash assistance for 2 years;

(B) the resources available to the States to meet these work requirements, defined as Federal appropriations authorized in the conference report for this purpose in addition to what
States are projected to spend under current welfare law; and

(C) the amount of any additional revenue needed by the States to meet the work requirements in the conference report, beyond resources available as defined under subparagraph (B);

(2) an estimate, based on the analysis in paragraph (1), of how many States would opt to pay any penalty provided for by the conference report rather than raise the additional revenue needed to meet the work requirements in the conference report; and

(3) estimates, over each of the next 7 fiscal years, of the costs to States of any other requirements imposed on them by such legislation.

SEC. 7443. SENSE OF THE SENATE REGARDING ENFORCEMENT OF STATUTORY RAPE LAWS.

It is the sense of the Senate that States and local jurisdictions should aggressively enforce statutory rape laws.

SEC. 7444. SANCTIONING FOR TESTING POSITIVE FOR CONTROLLED SUBSTANCES.

Notwithstanding any other provision of law, States shall not be prohibited by the Federal Government from
sanctioning welfare recipients who test positive for use of controlled substances.

**SEC. 7445. ABSTINENCE EDUCATION.**

(a) **INCREASES IN FUNDING.**—Section 501(a) (42 U.S.C. 701(a)) is amended in the matter preceding paragraph (1) by striking “fiscal year 1994 and each fiscal year thereafter” and inserting “fiscal years 1994 and 1995 and $761,000,000 for fiscal year 1996 and each fiscal year thereafter”.

(b) **ABSTINENCE EDUCATION.**—Section 501(a)(1) (42 U.S.C. 701(a)(1)) is amended—

(1) by striking “and” at the end of subparagraph (C);

(2) by inserting “and” at the end of subparagraph (D); and

(3) by adding at the end the following new subparagraph:

“(E) to provide abstinence education, and at the option of the State, where appropriate, mentoring, counseling, and adult supervision to promote abstinence from sexual activity, with a focus on those groups which are most likely to bear children out-of-wedlock;”.

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(c) **ABSTINENCE EDUCATION DEFINED.**—Section 501(b) (42 U.S.C. 701(b)) is amended by adding at the end the following new paragraph:

"(5) **ABSTINENCE EDUCATION.**—The term ‘abstinence education’ means an educational or motivational program which—

"(A) has as its exclusive purpose, teaching the social, psychological, and health gains to be realized by abstaining from sexual activity;

"(B) teaches abstinence from sexual activity outside marriage as the expected standard for all school age children;

"(C) teaches that abstinence from sexual activity is the only certain way to avoid out-of-wedlock pregnancy, sexually transmitted diseases, and other associated health problems;

"(D) teaches that a mutually faithful monogamous relationship in context of marriage is the expected standard of human sexual activity;

"(E) teaches that sexual activity outside of the context of marriage is likely to have harmful psychological and physical effects;"
“(F) teaches that bearing children out-of-wedlock is likely to have harmful consequences for the child, the child’s parents, and society; “(G) teaches young people how to reject sexual advances and how alcohol and drug use increases vulnerability to sexual advances; and “(H) teaches the importance of attaining self-sufficiency before engaging in sexual activity.”.

(d) Set-Aside.—

(1) IN GENERAL.—Section 502(c) (42 U.S.C. 702(c)) is amended in the matter preceding paragraph (1) by striking “From” and inserting “Except as provided in subsection (e), from”.

(2) SET-ASIDE.—Section 502 (42 U.S.C. 702) is amended by adding at the end the following new subsection:

“(e) Of the amounts appropriated under section 501(a) for any fiscal year, the Secretary shall set aside $75,000,000 for abstinence education in accordance with section 501(a)(1)(E).”.

SEC. 7446. FRAUD UNDER MEANS-TESTED WELFARE AND PUBLIC ASSISTANCE PROGRAMS.

(a) IN GENERAL.—If an individual’s benefits under a Federal, State, or local law relating to a means-tested

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welfare or a public assistance program are reduced be-
cause of an act of fraud by the individual under the law or program, the individual may not, for the duration of the reduction, receive an increased benefit under any other means-tested welfare or public assistance program for which Federal funds are appropriated as a result of a de-
crease in the income of the individual (determined under the applicable program) attributable to such reduction.

(b) WELFARE OR PUBLIC ASSISTANCE PROGRAMS FOR WHICH FEDERAL FUNDS ARE APPROPRIATED.—For purposes of subsection (a), the term "means-tested welfare or public assistance program for which Federal funds are appropriated" shall include the food stamp program under the Food Stamp Act of 1977 (7 U.S.C. 2011 et seq.), any program of public or assisted housing under title I of the United States Housing Act of 1937 (42 U.S.C. 1437 et seq.), and State programs funded under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.).

Subtitle H—Reform of the Earned Income Tax Credit

SEC. 7460. AMENDMENT OF 1986 CODE.

Except as otherwise expressly provided, whenever in this subtitle an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provi-
sion, the reference shall be considered to be made to a
section or other provision of the Internal Revenue Code of 1986.

SEC. 7461. EARNED INCOME CREDIT DENIED TO INDIVIDUALS NOT AUTHORIZED TO BE EMPLOYED IN THE UNITED STATES.

(a) IN GENERAL.—Section 32(c)(1) (relating to individuals eligible to claim the earned income tax credit) is amended by adding at the end the following new subparagraph:

"(F) IDENTIFICATION NUMBER REQUIREMENT.—The term 'eligible individual' does not include any individual who does not include on the return of tax for the taxable year—

"(i) such individual's taxpayer identification number, and

"(ii) if the individual is married (within the meaning of section 7703), the taxpayer identification number of such individual's spouse."

(b) SPECIAL IDENTIFICATION NUMBER.—Section 32 is amended by adding at the end the following new subsection:

"(l) IDENTIFICATION NUMBERS.—Solely for purposes of subsections (c)(1)(F) and (c)(3)(D), a taxpayer identification number means a social security number is-
sued to an individual by the Social Security Administra-
tion (other than a social security number issued pursuant
to clause (II) (or that portion of clause (III) that relates
to clause (II)) of section 205(c)(2)(B)(i) of the Social Se-
curity Act)."

(c) EXTENSION OF PROCEDURES APPLICABLE TO
MATHEMATICAL OR CLERICAL ERRORS.—Section
6213(g)(2) (relating to the definition of mathematical or
clerical errors) is amended by striking "and" at the end
of subparagraph (D), by striking the period at the end
of subparagraph (E) and inserting a comma, and by in-
serting after subparagraph (E) the following new subpara-
graphs:

"(F) an omission of a correct taxpayer
identification number required under section 32
(relating to the earned income tax credit) to be
included on a return, and

"(G) an entry on a return claiming the
credit under section 32 with respect to net
earnings from self-employment described in sec-
tion 32(c)(2)(A) to the extent the tax imposed
by section 1401 (relating to self-employment
tax) on such net earnings has not been paid."
(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1995.

SEC. 7462. REPEAL OF EARNED INCOME CREDIT FOR INDIVIDUALS WITHOUT CHILDREN.

(a) IN GENERAL.—Subparagraph (A) of section 32(c)(1) (defining eligible individual) is amended to read as follows:

"(A) IN GENERAL.—The term 'eligible individual' means any individual who has a qualifying child for the taxable year."

(b) CONFORMING AMENDMENTS.—Each of the tables contained in paragraphs (1) and (2) of section 32(b) are amended by striking the items relating to no qualifying children.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1995.

SEC. 7463. MODIFICATION OF EARNED INCOME CREDIT AMOUNT AND PHASEOUT.

(a) DECREASE IN CREDIT RATE.—

(1) IN GENERAL.—Subsection (b) of section 32, as amended by section 7462(b), is amended to read as follows:

"(b) PERCENTAGES AND AMOUNTS.—"
“(1) IN GENERAL.—The credit percentage shall be determined as follows:

<table>
<thead>
<tr>
<th>In the case of an eligible individual with:</th>
<th>The credit percentage is:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 qualifying child</td>
<td>34</td>
</tr>
<tr>
<td>2 or more qualifying children</td>
<td>36</td>
</tr>
</tbody>
</table>

“(2) AMOUNTS.—The earned income amount and the phaseout amount shall be determined as follows:

<table>
<thead>
<tr>
<th>In the case of an eligible individual with:</th>
<th>The earned income amount is:</th>
<th>The phaseout amount is:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 qualifying child</td>
<td>$6,000</td>
<td>$11,000</td>
</tr>
<tr>
<td>2 or more qualifying children</td>
<td>$8,425</td>
<td>$11,000.</td>
</tr>
</tbody>
</table>

(2) CONFORMING AMENDMENT.—Paragraph (1) of section 32(j) is amended by striking “subsection (b)(2)(A)” and inserting “subsection (b)(2)”.

(b) PHASEOUT.—Paragraph (2) of section 32(a) (relating to limitation) is amended to read as follows:

“(2) LIMITATION.—The amount of the credit allowable to a taxpayer under paragraph (1) for any taxable year shall be reduced by 0.66 percent (0.86 percent if only 1 qualifying child) for each $100 or fraction thereof by which the taxpayer’s adjusted gross income (or, if greater, earned income) for the taxable year exceeds the phaseout amount.”

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1995.
SEC. 7464. RULES RELATING TO DENIAL OF EARNED INCOME CREDIT ON BASIS OF DISQUALIFIED INCOME.

(a) DEFINITION OF DISQUALIFIED INCOME.—Paragraph (2) of section 32(i) (defining disqualified income) is amended by striking “and” at the end of subparagraph (B), by striking the period at the end of subparagraph (C) and inserting “, and”, and by adding at the end the following new subparagraphs:

“(D) capital gain net income, and
“(E) the excess (if any) of—
“(i) the aggregate income from all passive activities for the taxable year (determined without regard to any amount described in a preceding subparagraph), over
“(ii) the aggregate losses from all passive activities for the taxable year (as so determined).

For purposes of subparagraph (E), the term ‘passive activity’ has the meaning given such term by section 469.”

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1995.
SEC. 7465. MODIFICATION OF ADJUSTED GROSS INCOME DEFINITION FOR EARNED INCOME CREDIT.

(a) IN GENERAL.—Subsections (a)(2), (c)(1)(C), and (f)(2)(B) of section 32 are each amended by striking “adjusted gross income” and inserting “modified adjusted gross income”.

(b) MODIFIED ADJUSTED GROSS INCOME DEFINED.—Section 32(c) (relating to definitions and special rules) is amended by adding at the end the following new paragraph:

“(5) MODIFIED ADJUSTED GROSS INCOME.—

“(A) IN GENERAL.—The term ‘modified adjusted gross income’ means adjusted gross income—

“(i) increased by the sum of the amounts described in subparagraph (B), and

“(ii) determined without regard to—

“(I) the amounts described in subparagraph (C), or

“(II) the deduction allowed under section 172.

“(B) NON-TAXABLE INCOME TAKEN INTO ACCOUNT.—Amounts described in this subparagraph are—
“(i) social security benefits (as defined in section 86(d)) received by the taxpayer during the taxable year to the extent not included in gross income,

“(ii) amounts which—

“(I) are received during the taxable year by (or on behalf of) a spouse pursuant to a divorce or separation instrument (as defined in section 71(b)(2)), and

“(II) under the terms of the instrument are fixed as payable for the support of the children of the payor spouse (as determined under section 71(e)),

but only to the extent such amounts exceed $6,000,

“(iii) interest received or accrued during the taxable year which is exempt from tax imposed by this chapter, and

“(iv) amounts received as a pension or annuity, and any distributions or payments received from an individual retirement plan, by the taxpayer during the taxable
Clause (iv) shall not include any amount which is not includible in gross income by reason of section 402(c), 403(a)(4), 403(b)(8), 408(d) (3), (4), or (5), or 457(e)(10).

"(C) CERTAIN AMOUNTS DISREGARDED.— An amount is described in this subparagraph if it is—

“(i) the amount of losses from sales or exchanges of capital assets in excess of gains from such sales or exchanges to the extent such amount does not exceed the amount under section 1211(b)(1),

“(ii) the net loss from the carrying on of trades or businesses, computed separately with respect to—

“(I) trades or businesses (other than farming) conducted as sole proprietorships,

“(II) trades or businesses of farming conducted as sole proprietorships, and

“(III) other trades or business,
"(iii) the net loss from estates and trusts, and

"(iv) the excess (if any) of amounts described in subsection (i)(2)(C)(ii) over the amounts described in subsection (i)(2)(C)(i) (relating to nonbusiness rents and royalties).

For purposes of clause (ii), there shall not be taken into account items which are attributable to a trade or business which consists of the performance of services by the taxpayer as an employee."

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1995.

SEC. 7466. PROVISIONS TO IMPROVE TAX COMPLIANCE.

(a) INCREASE IN PENALTIES FOR RETURN PREPARERS.—

(1) UNDERSTATEMENT PENALTY.—Section 6694 (relating to understatement of income tax liability by income tax return preparer) is amended—

(A) by striking "$250" in subsection (a) and inserting "$500", and

(B) by striking "$1,000" in subsection (b) and inserting "$2,000".
(2) OTHER ASSESSABLE PENALTIES.—Section 6695 (relating to other assessable penalties) is amended—
(A) by striking "$50" and "$25,000" in subsections (a), (b), (c), (d), and (e) and inserting "$100" and "$50,000", respectively, and
(B) by striking "$500" in subsection (f) and inserting "$1,000".

(b) AIDING AND ABETTING PENALTY.—Section 6701(b) (relating to amount of penalty) is amended—
(1) by striking "$1,000" in paragraph (1) and inserting "2,000", and
(2) by striking "10,000" in paragraph (2) and inserting "20,000".

(c) REVIEW OF ELECTRONIC FILING OF EARNED INCOME CREDIT CLAIMS.—The Secretary of the Treasury shall use the maximum review process that is administratively feasible to ensure that originators of electronic returns involving the earned income credit under section 32 of the Internal Revenue Code of 1986 comply with the law.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to penalties with respect to taxable years beginning after December 31, 1995.
Subtitle I—Increase in Public Debt

SEC. 7471. INCREASE IN PUBLIC DEBT.

Subsection (b) of section 3101 of title 31, United States Code, is amended by striking the dollar amount contained therein and inserting "$5,500,000,000,000".

Subtitle J—Correction of Cost of Living Adjustments

SEC. 7481. SENSE OF THE SENATE REGARDING CORRECTION OF COST OF LIVING ADJUSTMENTS.

(a) FINDINGS.—The Senate finds that—

(1) the Consumer Price Index overstates the cost of living in the United States; and

(2) overstatement of the cost of living undermines the equitable administration of Federal benefit and tax policies.

(b) SENSE OF THE SENATE.—It is the sense of the Senate that all cost of living adjustments required by Federal law should be corrected as soon as possible to accurately reflect future changes in the cost of living.
an approved rehabilitation program under chapter 31 of this title.

"(2) For purposes of paragraph (1), the term ‘Department facility’ means a facility over which the Secretary has direct jurisdiction.

"(b) Where an individual is, on or after December 1, 1962, awarded a judgment against the United States in a civil action brought pursuant to section 1346(b) of title 28 or, on or after December 1, 1962, enters into a settlement or compromise under section 2672 or 2677 of title 28 by reason of a disability or death treated pursuant to this section as if it were service-connected, then no benefits shall be paid to such individual for any month beginning after the date such judgment, settlement, or compromise on account of such disability or death becomes final until the aggregate amount of benefits which would be paid but for this subsection equals the total amount included in such judgment, settlement, or compromise.”.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect on the date of the enactment of this Act and apply to claims filed (including original claims and applications to reopen, revise, reconsider, or otherwise readjudicate claims previously filed) for disability or death compensation, or dependency and indemnity compensation, on or after that date, regardless of the
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date of the occurrence of the additional disability or death
upon which the claims are based.

3 TITLE XII—COMMITTEE ON FINANCE—REVENUE PROVISIONS

6 SEC. 12000. SHORT TITLE; REFERENCES; TABLE OF CONTENTS.

8 (a) SHORT TITLE.—This title may be cited as the “Revenue Reconciliation Act of 1995”.

10 (b) AMENDMENTS TO INTERNAL REVENUE CODE OF 1986.—Except as otherwise specifically provided, wherever in this title an amendment is expressed in terms of an amendment to or repeal of a section or other provision, the reference shall be considered to be made to that section or other provision of the Internal Revenue Code of 1986.

17 (c) TABLE OF CONTENTS.—The table of contents of this title is as follows:

TITLE XII—COMMITTEE ON FINANCE—REVENUE PROVISIONS

Sec. 12000. Short title; references; table of contents.

Subtitle A—Family Tax Relief

Sec. 12001. Child tax credit.
Sec. 12002. Reduction in marriage penalty.
Sec. 12003. Credit for adoption expenses.
Sec. 12004. Credit for interest on education loans.

Subtitle B—Savings And Investment Incentives

CHAPTER 1—RETIREMENT SAVINGS INCENTIVES

SUBCHAPTER A—INDIVIDUAL RETIREMENT PLANS

PART I—RESTORATION OF IRA DEDUCTION
Sec. 12101. Restoration of IRA deduction.
Sec. 12102. Inflation adjustment for deductible amount.
Sec. 12103. Homemakers eligible for full IRA deduction.
Sec. 12104. Certain coins and bullion not treated as collectibles.

PART II—NONDEDUCTIBLE TAX-FREE IRAs

Sec. 12111. Establishment of nondeductible tax-free individual retirement accounts.

SUBCHAPTER B—PENALTY-FREE DISTRIBUTIONS

Sec. 12121. Distributions from certain plans may be used without penalty to purchase first homes or to pay higher education or financially devastating medical expenses.

SUBCHAPTER C—SIMPLE SAVINGS PLANS

Sec. 12131. Establishment of savings incentive match plans for employees of small employers.
Sec. 12132. Extension of simple plan to 401(k) arrangements.

CHAPTER 2—CAPITAL GAINS REFORM

SUBCHAPTER A—TAXPAYERS OTHER THAN CORPORATIONS

Sec. 12141. Capital gains deduction.
Sec. 12142. Modifications to exclusion of gain on certain small business stock.
Sec. 12143. Rollover of gain from sale of qualified stock.

SUBCHAPTER B—CORPORATE CAPITAL GAINS

Sec. 12151. Reduction of alternative capital gain tax for corporations.

CHAPTER 3—CORPORATE ALTERNATIVE MINIMUM TAX REFORM

Sec. 12161. Modification of depreciation rules under minimum tax.
Sec. 12162. Long-term unused credits allowed against minimum tax.

Subtitle C—Health Related Provisions

CHAPTER 1—LONG-TERM CARE PROVISIONS

SUBCHAPTER A—LONG-TERM CARE SERVICES AND CONTRACTS

PART I—GENERAL PROVISIONS

Sec. 12201. Qualified long-term care services treated as medical care.
Sec. 12202. Treatment of long-term care insurance or plans.
Sec. 12203. Reporting requirements.
Sec. 12204. Effective dates.

PART II—CONSUMER PROTECTION PROVISIONS

Sec. 12211. Policy requirements.
Sec. 12212. Requirements for issuers of long-term care insurance policies.
Sec. 12213. Coordination with State requirements.
Sec. 12214. Effective dates.
SUBCHAPTER B—TREATMENT OF ACCELERATED DEATH BENEFITS

Sec. 12221. Treatment of accelerated death benefits under life insurance contracts.

Sec. 12222. Treatment of companies issuing qualified accelerated death benefit riders.

SUBCHAPTER C—MEDICAL SAVINGS ACCOUNTS

Sec. 12231. Deduction for contributions to medical savings accounts.

Sec. 12232. Exclusion from income of employer contributions to medical savings accounts.

Sec. 12233. Medical savings accounts.

SUBCHAPTER D—OTHER PROVISIONS

Sec. 12241. Adjustment of death benefit limits for certain policies.

Sec. 12242. Organizations subject to section 833.

Subtitle D—Estate Tax Reform

Sec. 12301. Family-owned business exclusion.

Sec. 12302. Increase in unified estate and gift tax credit.

Sec. 12303. Treatment of land subject to a qualified conservation easement.

Sec. 12304. Expansion of exception from generation-skipping transfer tax for transfers to individuals with deceased parents.

Sec. 12305. Extension of treatment of certain rents under section 2032A to lineal descendants.


CHAPTER 1—EXTENSIONS THROUGH FEBRUARY 28, 1997

Sec. 12401. Work opportunity tax credit.

Sec. 12402. Employer-provided educational assistance programs.

Sec. 12403. Research credit.

Sec. 12404. Employer-provided group legal services.

Sec. 12405. Orphan drug tax credit.

Sec. 12406. Contributions of stock to private foundations.

Sec. 12407. Delay of scheduled increase in tax on fuel used in commercial aviation.

CHAPTER 2—EXTENSIONS OF SUPERFUND AND OIL SPILL LIABILITY TAXES

Sec. 12411. Extension of hazardous substance superfund.

Sec. 12412. Extension of oil spill liability tax.

CHAPTER 3—EXTENSIONS RELATING TO FUEL TAXES

Sec. 12421. Ethanol blender refunds.

Sec. 12422. Extension of binding contract date for biomass and coal facilities.

CHAPTER 4—DIESEL DYING PROVISIONS

Sec. 12431. Exemption from diesel fuel dyeing requirements with respect to certain States.

Sec. 12432. Moratorium for excise tax on diesel fuel sold for use or used in diesel-powered motorboats.
CHAPTER 5—TREATMENT OF INDIVIDUALS WHO EXPATRIATE

Sec. 12441. Revision of tax rules on expatriation.
Sec. 12442. Information on individuals expatriating.

Subtitle F—Taxpayer Bill of Rights 2 Provisions

Sec. 12501. Expansion of authority to abate interest.
Sec. 12502. Review of IRS failure to abate interest.
Sec. 12503. Joint return may be made after separate returns without full payment of tax.
Sec. 12504. Modifications to certain levy exemption amounts.
Sec. 12505. Offers-in-compromise.
Sec. 12506. Award of litigation costs permitted in declaratory judgment proceedings.
Sec. 12507. Court discretion to reduce award for litigation costs for failure to exhaust administrative remedies.
Sec. 12508. Enrolled agents included as third-party recordkeepers.
Sec. 12509. Safeguards relating to designated summonses.
Sec. 12510. Annual reminders to taxpayers with outstanding delinquent accounts.

Subtitle G—Casualty And Involuntary Conversion Provisions

Sec. 12601. Basis adjustment to property held by corporation where stock in corporation is replacement property under involuntary conversion rules.
Sec. 12602. Expansion of requirement that involuntarily converted property be replaced with property acquired from an unrelated person.
Sec. 12603. Special rule for crop insurance proceeds and disaster payments.
Sec. 12604. Application of involuntary exclusion rules to presidentially declared disasters.

Subtitle H—Exempt Organizations and Charitable Reforms

Sec. 12701. Cooperative service organizations for certain foundations.
Sec. 12702. Exclusion from unrelated business taxable income for certain sponsorship payments.
Sec. 12703. Treatment of dues paid to agricultural or horticultural organizations.
Sec. 12704. Repeal of credit for contributions to community development corporations.
Sec. 12705. Required notices to charitable beneficiaries of charitable remainder trusts.
Sec. 12706. Clarification of treatment of qualified football coaches plans.

Subtitle I—Tax Reform and Other Provisions

CHAPTER 1—PROVISIONS RELATING TO BUSINESSES

Sec. 12801. Tax treatment of certain extraordinary dividends.
Sec. 12802. Registration of confidential corporate tax shelters.
Sec. 12803. Denial of deduction for interest on loans with respect to company-owned insurance.
Sec. 12804. Termination of suspense accounts for family corporations required to use accrual method of accounting.
Sec. 12805. Termination of Puerto Rico and possession tax credit.
Sec. 12806. Depreciation under income forecast method.
Sec. 12807. Transfers of excess pension assets.
Sec. 12808. Repeal of exclusion for interest on loans used to acquire employer securities.

CHAPTER 2—LEGAL REFORMS

Sec. 12811. Repeal of exclusion for punitive damages and for damages not attributable to physical injuries or sickness.
Sec. 12812. Reporting of certain payments made to attorneys.

CHAPTER 3—REFORMS RELATING TO NONRECOGNITION PROVISIONS

Sec. 12821. No rollover or exclusion of gain on sale of principal residence which is attributable to depreciation deductions.
Sec. 12822. Nonrecognition of gain on sale of principal residence by noncitizens limited to new residences located in the United States.

CHAPTER 4—EXCISE TAX AND TAX-EXEMPT BOND PROVISIONS

Sec. 12831. Repeal of diesel fuel tax rebate to purchasers of diesel-powered automobiles and light trucks.
Sec. 12832. Repeal of wine and flavors content credit.
Sec. 12833. Modifications to excise tax on ozone-depleting chemicals.
Sec. 12834. Election to avoid tax-exempt bond penalties for local furnishers of electricity and gas.
Sec. 12835. Tax-exempt bonds for sale of Alaska Power Administration facility.

CHAPTER 5—FOREIGN TRUST TAX COMPLIANCE

Sec. 12841. Improved information reporting on foreign trusts.
Sec. 12842. Modifications of rules relating to foreign trusts having one or more United States beneficiaries.
Sec. 12843. Foreign persons not to be treated as owners under grantor trust rules.
Sec. 12844. Information reporting regarding foreign gifts.
Sec. 12845. Modification of rules relating to foreign trusts which are not grantor trusts.
Sec. 12846. Residence of estates and trusts, etc.

CHAPTER 6—FINANCIAL ASSET SECURITIZATION INVESTMENTS

Sec. 12851. Financial asset securitization investment trusts.

CHAPTER 7—DEPRECIATION PROVISIONS

Sec. 12861. Treatment of contributions in aid of construction.
Sec. 12862. Deduction for certain operating authority.
Sec. 12863. Class life for gas station convenience stores and similar structures.

CHAPTER 8—OTHER PROVISIONS

Sec. 12871. Application of failure-to-pay penalty to substitute returns.
Sec. 12872. Extension of withholding to certain gambling winnings.
Sec. 12873. Losses from foreclosure property.
Sec. 12874. Coal industry retiree health equity.
Sec. 12875. Newspaper distributors treated as direct sellers.
Sec. 12876. Nonrecognition treatment for certain transfers by common trust funds to regulated investment companies.
Sec. 12877. Treatment of certain insurance contracts on retired lives.
Sec. 12878. Treatment of modified guaranteed contracts.

Subtitle J—Pension Simplification

CHAPTER 1—GENERAL PROVISIONS

SUBCHAPTER A—SIMPLIFICATION OF NONDISCRIMINATION PROVISIONS

Sec. 12901. Definition of highly compensated employees; repeal of family aggregation.
Sec. 12902. Definition of compensation for section 415 purposes.
Sec. 12903. Modification of additional participation requirements.
Sec. 12904. Nondiscrimination rules for qualified cash or deferred arrangements and matching contributions.

SUBCHAPTER B—SIMPLIFIED DISTRIBUTION RULES

Sec. 12911. Repeal of 5-year income averaging for lump-sum distributions.
Sec. 12912. Repeal of $5,000 exclusion of employees' death benefits.
Sec. 12913. Simplified method for taxing annuity distributions under certain employer plans.
Sec. 12914. Required distributions.

SUBCHAPTER C—TARGETED ACCESS TO PENSION PLANS FOR SMALL EMPLOYERS

Sec. 12916. Credit for pension plan start-up costs of small employers.
Sec. 12917. Tax-exempt organizations eligible under section 401(k).

SUBCHAPTER D—PAPERWORK REDUCTION

Sec. 12921. Limitation on combined section 415 limit.

SUBCHAPTER E—MISCELLANEOUS SIMPLIFICATION

Sec. 12931. Treatment of leased employees.
Sec. 12932. Plans covering self-employed individuals.
Sec. 12933. Elimination of special vesting rule for multiemployer plans.
Sec. 12934. Full-funding limitation of multiemployer plans.
Sec. 12935. Treatment of governmental and multiemployer plans under section 415.
Sec. 12936. Treatment of deferred compensation plans of State and local governments and tax-exempt organizations.
Sec. 12937. Contributions on behalf of disabled employees.
Sec. 12938. Distributions under rural cooperative plans.
Sec. 12939. Tenured faculty.
Sec. 12940. Uniform retirement age.
Sec. 12941. Modifications of section 403(b).
Sec. 12942. Tax on prohibited transactions.
Sec. 12943. Extension of Internal Revenue Service user fees.

CHAPTER 2—CHURCH PLANS

Sec. 12951. New qualification provision for church plans.
Sec. 12952. Retirement income accounts of churches.
Sec. 12953. Contracts purchased by a church.
Sec. 12954. Change in distribution requirement for retirement income accounts.
Sec. 12955. Required beginning date for distributions under church plans.
Sec. 12956. Participation of ministers in church plans.
Sec. 12957. Certain rules aggregating employees not to apply to churches, etc.
Sec. 12958. Self-employed ministers treated as employees for purposes of certain welfare benefit plans and retirement income accounts.
Sec. 12959. Deductions for contributions by certain ministers to retirement income accounts.
Sec. 12960. Modification for church plans of rules for plans maintained by more than one employer.
Sec. 12961. Section 457 not to apply to deferred compensation of a church.
Sec. 12962. Church plan modification to separate account requirement of section 401(h).
Sec. 12963. Rule relating to investment in contract not to apply to foreign missionaries.
Sec. 12964. Repeal of elective deferral catch-up limitation for retirement income accounts.
Sec. 12965. Church plans may annuitize benefits.
Sec. 12966. Church plans may increase benefit payments.
Sec. 12967. Rules applicable to self-insured medical reimbursement plans not to apply to plans of churches.
Sec. 12968. Retirement benefits of ministers not subject to tax on net earnings from self-employment.

Subtitle A—Family Tax Relief

SEC. 12001. CHILD TAX CREDIT.

(a) IN GENERAL.—Subpart A of part IV of subchapter A of chapter 1 (relating to nonrefundable personal credits) is amended by inserting after section 22 the following new section:

"SEC. 23. CHILD TAX CREDIT.

"(a) ALLOWANCE OF CREDIT.—There shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to $500 multiplied by the number of qualifying children of the taxpayer.

"(b) LIMITATION.—

"(1) IN GENERAL.—The amount of the credit which would (but for this subsection) be allowed by
purposes of the preceding sentence, a legally
adopted child of an individual shall be treated
as the child of such individual by blood.”

(b) CONFORMING AMENDMENT.—Section 2032A(b)(5)(A) is amended by striking out the last sen-
tence.

c) EFFECTIVE DATE.—The amendments made by
this section shall apply with respect to leases entered into

Subtitle E—Extension of Expiring Provisions

CHAPTER 1—EXTENSIONS THROUGH
FEBRUARY 28, 1997

SEC. 12401. WORK OPPORTUNITY TAX CREDIT.

(a) AMOUNT OF CREDIT.—Subsection (a) of section
51 (relating to amount of credit) is amended by striking
"40 percent" and inserting "35 percent".

(b) MEMBERS OF TARGETED GROUPS.—Subsection
(d) of section 51 is amended to read as follows:
"(d) MEMBERS OF TARGETED GROUPS.—For pur-
poses of this subpart—

"(1) IN GENERAL.—An individual is a member
of a targeted group if such individual is—

"(A) a qualified IV–A recipient,

"(B) a qualified veteran,
“(C) a qualified ex-felon,

“(D) a high-risk youth,

“(E) a vocational rehabilitation referral, or

“(F) a qualified summer youth employee.

“(2) QUALIFIED IV-A RECIPIENT.—

“(A) IN GENERAL.—The term ‘qualified IV-A recipient’ means any individual who is certified by the designated local agency as being a member of a family receiving assistance under a IV-A program for at least a 9-month period ending during the 9-month period ending on the hiring date.

“(B) IV-A PROGRAM.—For purposes of this paragraph, the term ‘IV-A program’ means any program providing assistance under a State plan approved under part A of title IV of the Social Security Act (relating to assistance for needy families with minor children) and any successor of such program.

“(3) QUALIFIED VETERAN.—

“(A) IN GENERAL.—The term ‘qualified veteran’ means any veteran who is certified by the designated local agency as being—

“(i) a member of a family receiving assistance under a IV-A program (as de-
fined in paragraph (2)(B)) for at least a 9-month period ending during the 12-month period ending on the hiring date, or

"(ii) a member of a family receiving assistance under a food stamp program under the Food Stamp Act of 1977 for at least a 3-month period ending during the 12-month period ending on the hiring date.

"(B) VETERAN.—For purposes of subparagraph (A), the term 'veteran' means any individual who is certified by the designated local agency as—

"(i)(I) having served on active duty (other than active duty for training) in the Armed Forces of the United States for a period of more than 180 days, or

"(II) having been discharged or released from active duty in the Armed Forces of the United States for a service-connected disability, and

"(ii) not having any day during the 60-day period ending on the hiring date which was a day of extended active duty in the Armed Forces of the United States.
For purposes of clause (ii), the term 'extended active duty' means a period of more than 90 days during which the individual was on active duty (other than active duty for training).

"(4) QUALIFIED EX-FELON.—The term 'qualified ex-felon' means any individual who is certified by the designated local agency—

"(A) as having been convicted of a felony under any statute of the United States or any State,

"(B) as having a hiring date which is not more than 1 year after the last date on which such individual was so convicted or was released from prison, and

"(C) as being a member of a family which had an income during the 6 months immediately preceding the earlier of the month in which such income determination occurs or the month in which the hiring date occurs, which, on an annual basis, would be 70 percent or less of the Bureau of Labor Statistics lower living standard.

Any determination under subparagraph (C) shall be valid for the 45-day period beginning on the date such determination is made.
“(5) **HIGH-RISK YOUTH.**

“(A) **IN GENERAL.**—The term ‘high-risk youth’ means any individual who is certified by the designated local agency—

“(i) as having attained age 18 but not age 25 on the hiring date, and

“(ii) as having his principal place of abode within an empowerment zone or enterprise community.

“(B) **YOUTH MUST CONTINUE TO RESIDE IN ZONE.**—In the case of a high-risk youth, the term ‘qualified wages’ shall not include wages paid or incurred for services performed while such youth’s principal place of abode is outside an empowerment zone or enterprise community.

“(6) **VOCATIONAL REHABILITATION REFERRAL.**—The term ‘vocational rehabilitation referral’ means any individual who is certified by the designated local agency as—

“(A) having a physical or mental disability which, for such individual, constitutes or results in a substantial handicap to employment, and

“(B) having been referred to the employer upon completion of (or while receiving) rehabilitative services pursuant to—
"(i) an individualized written rehabilitation plan under a State plan for vocational rehabilitation services approved under the Rehabilitation Act of 1973, or

"(ii) a program of vocational rehabilitation carried out under chapter 31 of title 38, United States Code.

"(7) QUALIFIED SUMMER YOUTH EMPLOYEE.—

"(A) IN GENERAL.—The term 'qualified summer youth employee' means any individual—

"(i) who performs services for the employer between May 1 and September 15,

"(ii) who is certified by the designated local agency as having attained age 16 but not 18 on the hiring date (or if later, on May 1 of the calendar year involved),

"(iii) who has not been an employee of the employer during any period prior to the 90-day period described in subparagraph (B)(i), and

"(iv) who is certified by the designated local agency as having his principal place of abode within an empowerment zone or enterprise community.
"(B) SPECIAL RULES FOR DETERMINING AMOUNT OF CREDIT.—For purposes of applying this subpart to wages paid or incurred to any qualified summer youth employee—

"(i) subsection (b)(2) shall be applied by substituting ‘any 90-day period between May 1 and September 15’ for ‘the 1-year period beginning with the day the individual begins work for the employer’, and

"(ii) subsection (b)(3) shall be applied by substituting ‘$3,000’ for ‘$6,000’.

The preceding sentence shall not apply to an individual who, with respect to the same employer, is certified as a member of another targeted group after such individual has been a qualified summer youth employee.

"(C) YOUTH MUST CONTINUE TO RESIDE IN ZONE.—Paragraph (4)(B) shall apply for purposes of this paragraph.

"(8) HIRING DATE.—The term ‘hiring date’ means the day the individual is hired by the employer.

"(9) DESIGNATED LOCAL AGENCY.—The term ‘designated local agency’ means a State employment security agency established in accordance with the

“(10) SPECIAL RULES FOR CERTIFICATIONS.—

“(A) IN GENERAL.—An individual shall not be treated as a member of a targeted group unless—

“(i) on or before the day on which such individual begins work for the employer, the employer has received a certification from a designated local agency that such individual is a member of a targeted group, or

“(ii)(I) on or before the day the individual is offered employment with the employer, a pre-screening notice is completed by the employer with respect to such individual, and

“(II) not later than the 14th day after the individual begins work for the employer, the employer submits such notice, signed by the employer and the individual under penalties of perjury, to the designated local agency as part of a written request for such a certification from such agency.
For purposes of this paragraph, the term 'pre-screening notice' means a document (in such form as the Secretary shall prescribe) which contains information provided by the individual on the basis of which the employer believes that the individual is a member of a targeted group.

"(B) INCORRECT CERTIFICATIONS.—If—

"(i) an individual has been certified by a designated local agency as a member of a targeted group, and

"(ii) such certification is incorrect because it was based on false information provided by such individual,

the certification shall be revoked and wages paid by the employer after the date on which notice of revocation is received by the employer shall not be treated as qualified wages.

"(C) EXPLANATION OF DENIAL OF REQUEST.—If a designated local agency denies a request for certification of membership in a targeted group, such agency shall provide to the person making such request a written explanation of the reasons for such denial."
(c) MINIMUM EMPLOYMENT PERIOD.—Paragraph (3) of section 51(i) (relating to certain individuals ineligible) is amended to read as follows:

"(3) INDIVIDUALS NOT MEETING MINIMUM EMPLOYMENT PERIOD.—No wages shall be taken into account under subsection (a) with respect to any individual unless such individual either—

"(A) is employed by the employer at least 180 days (20 days in the case of a qualified summer youth employee), or

"(B) has completed at least 400 hours (120 hours in the case of a qualified summer youth employee) of services performed for the employer."

(d) TERMINATION.—Paragraph (4) of section 51(c) (relating to wages defined) is amended to read as follows:

"(4) TERMINATION.—The term 'wages' shall not include any amount paid or incurred to an individual who begins work for the employer—

"(A) after December 31, 1994, and before January 1, 1996, or

"(B) after February 28, 1997."

(e) REDESIGNATION OF CREDIT.—
(1) Sections 38(b)(2) and 51(a) are each amended by striking “targeted jobs credit” and inserting “work opportunity credit”.

(2) The subpart heading for subpart F of part IV of subchapter A of chapter 1 is amended by striking “Targeted Jobs Credit” and inserting “Work Opportunity Credit”.

(3) The table of subparts for such part IV is amended by striking “targeted jobs credit” and inserting “work opportunity credit”.

(f) BUSINESS AWARENESS PROGRAM.—The Secretary of Labor shall implement a program to encourage small businesses to use the services of local agencies to identify individuals who qualify to be certified as members of targeted groups (as defined in section 51 of the Internal Revenue Code of 1986, as amended by this section). Such Secretary, and the heads of other Federal agencies, shall make every effort to encourage small businesses to benefit from the credit allowable under such section by simplifying procedures to the extent possible.

(g) TECHNICAL AMENDMENTS.—

(1) Paragraph (1) of section 51(c) is amended by striking “, subsection (d)(8)(D),”. 
Paragraph (3) of section 51(i) is amended by striking "(d)(12)" each place it appears and inserting "(d)(6)".

(h) EFFECTIVE DATE.—The amendments made by this section shall apply to individuals who begin work for the employer after December 31, 1995.

SEC. 12402. EMPLOYER-PROVIDED EDUCATIONAL ASSISTANCE PROGRAMS.

(a) EXTENSION.—Subsection (d) of section 127 (relating to educational assistance programs) is amended by striking "December 31, 1994" and inserting "February 28, 1997".

(b) CONFORMING AMENDMENTS.—Paragraph (2) of section 127(a) is amended—

(1) by inserting "($875 in calendar year 1997)" after "$5,250" the second and third place it appears, and

(2) by striking "$5,250" in the heading.

(c) SPECIAL RULE.—In the case of any taxable year beginning in 1997, only amounts paid before March 1, 1997, by the employer for educational assistance for the employee shall be taken into account in determining the amount excluded under section 127 of the Internal Revenue Code of 1986 with respect to such employee for such taxable year.